

August 24, 2010

**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. RR010-\_\_\_\_-000  
Request for Acceptance of 2011 Business Plans and Budgets of NERC and  
Regional Entities and for Approval of Proposed Assessments to Fund Budgets**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits this filing in accordance with 18 C.F.R. §39.4, requesting acceptance of the 2011 Business Plans and Budgets of NERC, the eight Regional Entities and the Western Interconnection Regional Advisory Body, and approval of the proposed assessments to fund the 2011 budgets.

NERC's filing consists of: (1) this transmittal letter, (2) the narrative text of this filing which follows this transmittal letter, and (3) Attachments 1 through 17, all of which are being transmitted in a single pdf file. Pages ii and iii in the Table of Contents to the narrative text list the 17 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. RR10-\_\_-000**  
**)**

**REQUEST OF THE**  
**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**  
**FOR ACCEPTANCE OF ITS 2011 BUSINESS PLAN AND BUDGET AND**  
**THE 2011 BUSINESS PLANS AND BUDGETS OF REGIONAL ENTITIES**  
**AND FOR APPROVAL OF PROPOSED ASSESSMENTS TO FUND BUDGETS**

Gerald W. Cauley  
President and Chief Executive Officer  
David N. Cook  
Senior Vice President and General Counsel  
Michael Walker  
Senior Vice President  
North American Electric Reliability  
Corporation  
116-390 Village Boulevard  
Princeton, NJ 08540-5721  
(609) 452-8060  
(609) 452-9550 – facsimile  
[david.cook@nerc.net](mailto:david.cook@nerc.net)

Owen E. MacBride  
Debra Ann Palmer  
Schiff Hardin LLP  
1666 K Street, N.W., Suite 300  
Washington, DC 20036-4390  
(202) 778-6400  
(202) 778-6460 – facsimile  
[omacbride@schiffhardin.com](mailto:omacbride@schiffhardin.com)  
[dpalmer@schiffhardin.com](mailto:dpalmer@schiffhardin.com)  
  
Rebecca J. Michael  
Assistant General Counsel  
North American Electric Reliability  
Corporation  
1120 G Street, N.W., Suite 990  
Washington, D.C. 20005-3801  
(202) 393-3998  
(202) 393-3955 – facsimile  
[rebecca.michael@nerc.net](mailto:rebecca.michael@nerc.net)

August 24, 2010

---

I.	INTRODUCTION .....	1
II.	NOTICES AND COMMUNICATIONS .....	4
III.	OVERVIEW OF PROPOSED BUDGETS AND FUNDING REQUIREMENTS.....	4
A.	NERC’s Proposed Business Plan, Budget and Funding Requirement .....	4
1.	Organization of NERC’s 2011 Business Plan and Budget .....	4
2.	Development of the 2011 Business Plans and Budgets.....	13
3.	Summary of NERC’s Proposed 2011 Budget and Funding Requirement.....	15
B.	Regional Entity Proposed 2011 Budgets .....	20
C.	Western Interconnection Regional Advisory Board Funding Request....	24
D.	Allocation of Statutory Assessments by Country, Regional Footprint and LSE .....	24
E.	Treatment of Prior Years’ Budget Surpluses or Deficits/Working Capital Reserve.....	30
F.	Projected Costs for 2012 and 2013 .....	32
IV.	DISCUSSION OF NERC BUSINESS PLAN AND BUDGET .....	34
A.	2011 Business Plans and Budgets by Program.....	34
1.	Reliability Standards Program .....	34
2.	Compliance Monitoring and Enforcement and Organization Registration and Certification Program .....	36
3.	Reliability Assessment and Performance Analysis Program.....	37
4.	Training, Education, and Operator Certification Program.....	39
5.	Situation Awareness and Infrastructure Security.....	41
6.	Administrative Services .....	44
B.	Other Non-Operating Expenses – Office Relocation.....	48
C.	Working Capital Reserve.....	51
V.	REGIONAL ENTITY BUSINESS PLANS AND BUDGETS .....	52
A.	Consistency Among Regional Entity Budgets.....	52
B.	Discussion of Individual Regional Entity Business Plans and Budgets ..	56
1.	FRCC .....	56
2.	MRO .....	57
3.	NPCC .....	58

4.	Reliability <i>First</i> .....	60
5.	SERC.....	61
6.	SPP RE.....	62
7.	Texas RE.....	65
8.	WECC.....	67
C.	Metrics Related to Regional Entity Budgets.....	71
VI.	NERC AND REGIONAL ENTITY AUDITED FINANCIAL STATEMENTS FOR 2009.....	73
VII.	UPDATE ON STATUS OF PROCESSING ALLEGED VIOLATIONS OF RELIABILITY STANDARDS.....	74
VIII.	CONCLUSION.....	75

**ATTACHMENTS**

**Attachment 1:** Summary tables showing NERC’s proposed 2011 budget; the proposed 2011 budget for statutory activities of each Regional Entity; and the 2011 U.S. ERO statutory assessments of NERC and the Regional Entities.

**Attachment 2:** NERC’s Proposed 2011 Business Plan and Budget

**Attachment 3:** Florida Reliability Coordinating Council Proposed 2011 Business Plan and Budget

**Attachment 4:** Midwest Reliability Organization Proposed 2011 Business Plan and Budget

**Attachment 5:** Northeast Power Coordinating Council, Inc. Proposed 2011 Business Plan and Budget

**Attachment 6:** Reliability*First* Corporation Proposed 2011 Business Plan and Budget

**Attachment 7:** SERC Reliability Corporation Proposed 2011 Business Plan and Budget

**Attachment 8:** Southwest Power Pool Regional Entity Proposed 2011 Business Plan and Budget

**Attachment 9:** Texas Reliability Entity Proposed 2011 Business Plan and Budget

**Attachment 10:** Western Electricity Coordinating Council Proposed 2011 Business Plan and Budget

**Attachment 11:** Western Interconnection Regional Advisory Body Proposed 2011 Business Plan and Budget

**Attachment 12:** Discussion of Comments Received During Development of NERC's 2011 Business Plan and Budget.

**Attachment 13:** Calculation of Adjustments to the IESO 2011 NERC Assessment, the Québec 2011 NERC Assessment, the AESO 2011 NERC Assessment and the NBSO 2011 Assessment

**Attachment 14:** Status Report on the Achievement of NERC's 2010 Goals

**Attachment 15:** Metrics Comparing Regional Entity Operations Based on the 2011 Budgets

**Attachment 16:** Metrics on NERC and Regional Entity Administrative (Indirect) Costs Based on the 2011 Budgets

**Attachment 17:** Status Report on Progress in Processing Violations of Reliability Standards

## I. INTRODUCTION

In accordance with 18 C.F.R. §39.4, the North American Electric Reliability Corporation (NERC) submits for the Commission's acceptance and approval:

- (1) NERC's proposed Business Plan and Budget as the electric reliability organization (ERO), for the year ending December 31, 2011;
- (2) the proposed Business Plans and Budgets for the year ending December 31, 2011, for the eight Regional Entities:
  - Florida Reliability Coordinating Council (FRCC),
  - Midwest Reliability Organization (MRO),
  - Northeast Power Coordinating Council, Inc. (NPCC),
  - Reliability*First* Corporation (Reliability*First*),
  - SERC Reliability Corporation (SERC),
  - Southwest Power Pool Regional Entity (SPP RE),
  - Texas Reliability Entity (Texas RE), and
  - Western Electricity Coordinating Council (WECC);
- (3) the proposed budget of the Western Interconnection Regional Advisory Body (WIRAB) for activities under Section 215(j) of the Federal Power Act (FPA) for the year ending December 31, 2011; and
- (4) NERC's proposed allocation of the proposed ERO statutory assessment of NERC, the Regional Entities and WIRAB by country and among the Regional footprints, and the proposed assessments to the load-serving entities (LSE) within each Region to collect the allocated statutory funding requirements.

This filing includes the following attachments:

**Attachment 1** is a set of summary tables showing (i) NERC's proposed 2011 budget by program, (ii) the proposed 2011 budget for statutory activities of each Regional Entity, and (iii) the aggregate ERO statutory assessment of NERC and the Regional Entities allocated to the U.S., for which approval is requested.

**Attachment 2** contains NERC's detailed 2011 Business Plan and Budget and the allocation of assessments by Region and LSE to recover the resulting statutory funding requirements for 2011 (as well as the assessments to recover the statutory funding requirements of the Regional Entities and WIRAB).

**Attachments 3 through 11** contain the detailed 2011 Business Plans and Budgets of, respectively, FRCC, MRO, NPCC, ReliabilityFirst, SERC, SPP RE, Texas RE, WECC and WIRAB.

**Attachment 12** contains a discussion of how comments submitted by interested entities on posted drafts of NERC's 2011 Business Plan and Budget during the budgeting process were addressed in developing the final 2011 Business Plan and Budget.

**Attachment 13** contains the calculation of the adjustment to the Ontario Independent Electric System Operator (IESO) 2011 NERC assessment, the adjustment to the Québec 2011 NERC assessment, the adjustment to the Alberta Electric System Operator (AESO) 2011 NERC assessment, and the adjustment to the New Brunswick System Operator (NBSO) 2011 NERC assessment, for credits for certain NERC Compliance Program and Situation Awareness and Infrastructure Security costs.

**Attachment 14** is a status report on progress in achieving NERC's 2010 goals.

**Attachment 15** provides metrics, based on the 2011 budgets, comparing Regional Entity operations.

**Attachment 16** contains metrics, based on the 2011 budgets, on NERC and Regional Entity administrative (indirect) costs.

**Attachment 17** provides a status report on the progress of NERC and the Regional Entities in processing violations of reliability standards, and as such updates the information provided in Attachment 19 of NERC's 2010 Business Plan and Budget filing.<sup>1</sup>

The Commission's regulations require the ERO to file its proposed entire annual budget for statutory and non-statutory activities with the Commission 130 days before the beginning of the ERO's fiscal year. NERC's 2011 fiscal year will begin January 1, 2011. The filing must also contain the entire annual budget of each Regional Entity for statutory and non-statutory activities and include supporting materials, including the ERO's and each Regional Entity's complete business plan and organization chart, and explanation of the proposed collection of all

---

<sup>1</sup> The information in Attachment 19 to NERC's 2010 Business Plan and Budget filing was provided in response to the Commission's Order issued July 16, 2009, in Docket Nos. RR08-6-002 and RR07-14-003. *North American Electric Reliability Corporation, Order on Compliance Filing*, 128 FERC ¶ 61,025 (July 16, 2009 Budget Compliance Order), at P 18.

dues, fees and charges and the proposed expenditure of funds collected.<sup>2</sup> The information required by 18 C.F.R. §39.4(b) is included in this filing. In accordance with 18 C.F.R. §39.4(c), NERC requests issuance of an order by November 2, 2010, accepting the proposed Business Plans and Budgets, and approving the proposed assessments, submitted in this filing.<sup>3</sup> Entry of the Commission's order by November 2, 2010 will enable billings to be issued to the LSEs or their designees for assessments with initial payment dates commencing on or about January 1, 2011, to support the activities of NERC and the Regional Entities during 2011.

---

<sup>2</sup> 18 C.F.R. §39.4(b).

<sup>3</sup> 18 C.F.R. §39.4(c) states: "The Commission, after public notice and opportunity for hearing, shall issue an order either accepting, rejecting, remanding or modifying the proposed Electric Reliability Organization budget and business plan no later than sixty (60) days in advance of the beginning of the Electric Reliability Organization's fiscal year." For reference, NERC notes that: (i) the Commission conditionally approved NERC's 2007 budget and funding requirement and the proposed 2007 budgets and funding requirements of the Regional Entities and WIRAB in an order issued October 24, 2006 and two subsequent orders (*North American Electric Reliability Corp.*, 117 FERC ¶ 61,091 (2006) (*2007 Budget Order*), *order on reh'g and establishing technical conference*, 118 FERC ¶ 61,111, *order on reh'g*, 119 FERC ¶ 61,059 (2007)); (ii) the Commission conditionally approved NERC's 2008 budget and funding requirement and the proposed 2008 budgets and funding requirements of the Regional Entities and WIRAB in an order issued October 18, 2007 (*North American Electric Reliability Corp.*, 121 FERC ¶ 61,057 (2007) (*2008 Budget Order*)); (iii) the Commission approved NERC's 2009 budget and funding requirement and the proposed 2009 budgets and funding requirements of the Regional Entities and WIRAB in an order issued October 16, 2008 (*North American Electric Reliability Corp.*, 125 FERC ¶ 61,056 (2008) (*2009 Budget Order*)) and the *July 16, 2009 Budget Compliance Order*; and (iv) the Commission conditionally approved NERC's 2010 budget and funding requirements and the proposed budgets and funding requirements of the Regional Entities and WIRAB in an order issued October 15, 2009 (*North American Electric Reliability Corp.*, 129 FERC ¶ 61,040 (*2010 Budget Order*)).



## II. NOTICES AND COMMUNICATIONS

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

Gerald W. Cauley  
President and Chief Executive Officer  
David N. Cook\*  
Senior Vice President and General Counsel  
Michael Walker  
Senior Vice President  
North American Electric Reliability  
Corporation  
116-390 Village Boulevard  
Princeton, NJ 08540-5721  
(609) 452-8060  
(609) 452-9550 – facsimile  
[david.cook@nerc.net](mailto:david.cook@nerc.net)

Owen E. MacBride\*  
Debra Ann Palmer  
Schiff Hardin LLP  
1666 K Street, N.W., Suite 300  
Washington, DC 20036-4390  
(202) 778-6400  
(202) 778-6460 – facsimile  
[omacbride@schiffhardin.com](mailto:omacbride@schiffhardin.com)  
[dpalmer@schiffhardin.com](mailto:dpalmer@schiffhardin.com)

Rebecca J. Michael, Assistant General Counsel  
North American Electric Reliability  
Corporation  
1120 G Street, N.W., Suite 990  
Washington, D.C. 2005-3801  
(202) 393-3998  
(202) 393-3995 – facsimile  
[Rebecca.michael@nerc.net](mailto:Rebecca.michael@nerc.net)

\*Persons to be included on the Commission's official service list.

## III. OVERVIEW OF PROPOSED BUDGETS AND FUNDING REQUIREMENTS

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

#### 1. Organization of NERC's 2011 Business Plan and Budget<sup>4</sup>

In this filing NERC seeks acceptance of its 2011 Business Plan and Budget. NERC's 2011 Business Plan and Budget is organized based on five specific program areas. Each of these program areas carries out or supports implementation of one or more of the statutory activities of the ERO as specified in §215 of the FPA and the Commission's regulations: development of reliability standards for the bulk power system (§215(d) of the FPA; 18 C.F.R. §39.5); enforcement of compliance with reliability standards, including imposition of penalties and sanctions for violations (§215(e) of the FPA; 18 C.F.R. §39.7); and conducting periodic

---

<sup>4</sup> The organization of the NERC 2011 Business Plan and Budget (**Attachment 2**) described in this subsection also applies generally to the Regional Entity 2011 Business Plans and Budgets (**Attachments 3 through 10**).

assessments of the reliability and adequacy of the bulk power system in North America (§215(g) of the FPA; 18 C.F.R. §39.11). Specifically:

- (1) The Reliability Standards Program implements the statutory activity of development of reliability standards.
- (2) The Compliance Monitoring and Enforcement and Organization Registration and Certification Program implements the statutory activity of enforcement of compliance with reliability standards, including imposition of penalties and sanctions for violations of standards.
- (3) The Training, Education and Operator Certification Program supports the statutory activity of enforcing and achieving compliance with reliability standards, and also provides information and feedback that supports the statutory activity of development of reliability standards.
- (4) The Reliability Assessment and Performance Analysis Program implements the statutory activity of conducting periodic assessments of the reliability and adequacy of the bulk power system in North America. This program also provides information and feedback that supports the statutory activities of development of reliability standards and achieving compliance with reliability standards, and includes NERC's metrics, benchmarking and event analysis activities.
- (5) The Situation Awareness and Infrastructure Security Program supports the statutory activity of enforcing and achieving compliance with reliability standards, and also provides information and feedback that supports the statutory activities of development of reliability standards and conducting assessments of the reliability and adequacy of the bulk power system. This Program is also responsible for NERC's activities regarding critical infrastructure protection (CIP) and the Electricity Sector Information Sharing and Analysis Center (ES-ISAC).

NERC's five statutory, or "direct," programs are supported by its Administrative Services, or "indirect," programs: Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology (IT), Human Resources (HR), and Finance and Accounting.

The information required by 18 C.F.R. §39.4(b) is contained in NERC's 2011 Business Plan and Budget, **Attachment 2** to this filing. The initial section of the document, About NERC,

provides an overview of NERC's organization, scope of responsibilities, membership and governance, delegation of authorities to Regional Entities, and statutory funding.

The Introduction and Executive Summary summarizes NERC's total resource requirements for 2011 including total full-time equivalent employees (FTEs) in statutory functions, statutory expenses, and required ERO funding assessments, and shows the distribution of the total net energy for load (NEL) among the U.S., Canada and Mexico to be used for allocating the ERO funding requirement among the three countries.<sup>5</sup> It also highlights NERC's principal goals and challenges for 2011; its principal deliverables in 2011, by program area; and the principal assumptions underlying NERC's 2011 Business Plan and Budget.<sup>6</sup>

NERC's principal goals, as identified in the Introduction and Executive Summary, to carry out its statutory mission, include:

- Developing clear, mandatory reliability standards.
- Facilitating a learning environment in the industry concerning reliability performance.
- Being a risk-informed organization able to identify, understand, and help industry to manage reliability risks.
- Promoting a strong culture of performance excellence and compliance.
- Being a strong, independent, objective and fair enforcement authority devoted to ensuring compliance with mandatory reliability standard.
- Building an ERO-wide enterprise, including NERC, Regional Entity and stakeholder expertise and resources, with a common purpose of improving reliability.

---

<sup>5</sup> All of NERC's activities are statutory activities. NERC has no non-statutory activities planned or budgeted for 2011.

<sup>6</sup> A detailed statement of the common business plan and budget assumptions developed and used by NERC and the Regional Entities in developing their 2011 Business Plans and Budgets is provided in Exhibit A to **Attachment 2**.

- Improving transparency, consistency, quality and timeliness of NERC and Regional Entity results.
- Leveraging technology and information systems to achieve greater efficiencies, consistency of outcomes and more transparent accountability.
- Building constructive partnerships between industry and government.

Among the principal challenges and demands faced by NERC and the Regional Entities for 2011, as identified in the Introduction and Executive Summary, are:

- Meeting regulatory mandates, particularly with respect to the initial set of mandatory reliability standards approved by the Commission in March 2007.
- Addressing improvements identified as recommendations in 2009 in NERC's *Three-Year ERO Performance Assessment*<sup>7</sup> and in the 2009 external audit of NERC's Compliance Monitoring and Enforcement Program (CMEP).
- Addressing bulk power system CIP issues.
- Achieving efficiencies needed to address significantly expanding responsibilities under conditions of constrained revenues and growth.
- Recruiting and retaining qualified personnel.

The Introduction and Executive Summary describes the process used by NERC to develop its 2011 Business Plan and Budget. It then provides an overview of the principal factors driving the 2011 budget. The proposed increases in NERC's budget for 2011 are separated based on two broad causative factors: (1) increases in the cost of current operations (representing a \$2.33 million, or 6.1%, increase over the 2010 base operating budget<sup>8</sup>), and (2) increases due to

---

<sup>7</sup> *Three-Year Electric Reliability Assessment Performance Assessment Report Submitted in Accordance with 18 C.F.R. §39.3(c)*, filed July 20, 2009, in Docket RR09-7-000 (*Three-Year ERO Performance Assessment*).

<sup>8</sup> For purposes of the analysis presented in the Introduction and Executive Summary of **Attachment 2**, NERC's base operating budget is defined as the costs associated with NERC's current (2010) operations. It excludes funding requirements for Working Capital Reserves and \$1.6 million in costs associated with the now-separated Transmission Owners and Operators Forum (TOOF) which were totally funded by Membership Dues of the TOOF members. It also

incremental 2011 resource additions, such as additional staffing (representing a \$7.93 million, or 20.6%, increase over the 2010 base operating budget). In addition, NERC proposes a \$5,000,000 provision for Working Capital Reserve funding.<sup>9</sup> The Introduction and Executive Summary summarizes the additional resource needs and incremental funding requirements in each of the five statutory programs and in Administrative Services.

The Introduction and Executive Summary provides tables showing (1) the 2010 Budget, 2010 Projection,<sup>10</sup> 2011 Budget, and variance from the 2010 Budget to the 2011 Budget, for each of the five statutory programs and in total; and (2) the FTEs per the 2010 Budget, 2010 Projection and 2011 Budget, for each of the five statutory programs and six Administrative Services programs. Finally, the Introduction and Executive Summary presents NERC's overall Statement of Activities and Capital Expenditures (Statement of Activities) including its approved 2010 Budget, 2010 Projection, and proposed 2011 Budget, reflecting the proposed overall increase of \$10,265,909, or 26.7%, over the 2010 Budget. Taking into account NERC's non-assessment Funding sources and the application of penalty payments received by NERC, the proposed increase in NERC's statutory assessments to LSEs is \$4,043,396, or an average of 10.9%, over the 2010 assessments before taking into account allocations to entities in Canada and Mexico.

Section A of **Attachment 2** is NERC's detailed 2011 Business Plan and Budget. It is designed to address the requirements of 18 C.F.R. §39.4(b), the Commission's Order certifying

---

excludes \$10,000 in Administrative costs in the 2010 Budget which were offset by Interest income. See **Attachment 2** at 14.

<sup>9</sup> NERC's 2010 Budget provided no incremental funding for Working Capital Reserves.

<sup>10</sup> The 2010 Projection is NERC's July 2010 actual and projected 2010 financial results.

NERC as the ERO,<sup>11</sup> and applicable directives in subsequent Commission orders. Section A provides detailed scope and functional descriptions, principal 2011 business planning and budget assumptions, 2011 goals and deliverables, and 2011 resource requirements by major component (e.g., Personnel, Consultants & Contracts), for each of NERC's statutory programs and Administrative Services functions. Section A includes a table at the start of the subsection on each statutory program and Administrative Services function showing FTEs, total direct expenses, total indirect expenses,<sup>12</sup> total non-operating expenses, increase or decrease in Fixed Assets, and total Funding requirements for the statutory program or Administrative Services function for the 2011 Budget, with the comparable data from NERC's 2010 Budget and the increase or decrease from the 2010 Budget. Finally, a detailed Statement of Activities is provided for each program and administrative department. The Statements of Activities show funding and expense information from the 2010 Budget, the 2010 Projection and the 2011 Budget, as well as variances from the 2010 Budget to the 2010 Projection and from the 2010 Budget to the 2011 Budget.

In the Statements of Activities, Funding is shown from the ERO Assessments and from other anticipated sources (such as Testing Fees, revenues from sale of Services & Software, fees from Workshops, and Interest income).<sup>13</sup> In addition, during the 12 months ended June 30, 2010,

---

<sup>11</sup> *Order Certifying North American Electric Reliability Corporation as the Electric Reliability Corporation and Ordering Compliance Filing*, 116 FERC ¶ 61,062 (2006) (*ERO Certification Order*), at P 202.

<sup>12</sup> Indirect expenses are the amount of Administrative Services expenditures that have been allocated to each of the statutory programs, on the basis of numbers of FTEs in each statutory program. Indirect costs cannot be directly assigned to a particular statutory program.

<sup>13</sup> Some of these other sources of Funding are anticipated only for certain, but not all, of the statutory programs. For example, income from Services & Software is budgeted only for the Reliability Assessment and Performance Analysis Program, and Testing fees are budgeted only for the Training, Education and Operator Certification Program.

NERC received payments of Penalties from registered entities; these Penalty payments are also shown as Funding.<sup>14</sup> Expenses are shown by the major categories (and sub-categories) of Personnel Expenses (Salaries, Payroll Taxes, Benefits, Retirement Costs), Meeting Expenses (Meetings, Travel, Conference Calls), and Operating Expenses (Consultants & Contracts, Office Rent, Office Costs, Professional Services, Miscellaneous, Depreciation).<sup>15</sup> Finally, the Statements of Activities show Fixed Assets activity, comprised of Depreciation (an equal and offsetting amount to the Depreciation included in Operating Expenses<sup>16</sup>), Computer & Software Capital Expenditures (CapEx), Furniture & Fixtures CapEx, Equipment CapEx, and Leasehold Improvements.

Section B of **Attachment 2** provides Supplemental Financial Information comprised of tables detailing the components of certain Funding and Expense categories and explanations of variances from the 2010 Budget, including analysis of the Working Capital Reserve Balance<sup>17</sup>

---

<sup>14</sup> Penalty payments received by NERC and the Regional Entities from registered entities in the U.S. are only used to reduce the NERC and Regional Entity statutory assessments to U.S. LSEs and designees, and are not used to reduce assessments allocated to Canadian provinces or to Mexico.

<sup>15</sup> Operating Expenses also includes a line item for Efficiency Savings. The 2010 Budget included a \$750,000 offset to the budgeted line-item expenses for efficiency improvements and savings that were embedded in the 2010 Budget as part of a comprehensive and ongoing operations efficiency review. A portion of the total budgeted Efficiency Savings of \$750,000 was allocated to each statutory program. NERC has not included an Efficiency Savings component in the 2011 Budget. Although NERC has achieved the desired expense reductions during 2010, it has not attempted to isolate and quantify the cost reductions achieved by each statutory program and Administrative Services function in order to separately report amounts for Efficiency Savings in the 2010 Projection.

<sup>16</sup> As a result of this offset, the Funding amounts do not include funding for Depreciation.

<sup>17</sup> Table B-1 shows the Working Capital Reserve or Deficit at December 31, 2009, the projected Working Capital Reserve (Deficit) at December 31, 2010, the desired Working Capital Reserve at December 31, 2011, and the increase or decrease in Funding requirements for 2011 necessary to achieve the desired Working Capital Reserve at December 31, 2011.

(Table B-1), Penalty Sanctions (Table B-2), Supplemental Funding (Table B-3), Personnel Expenses (Table B-4), Consultants and Contracts Expenses (Table B-5), Office Rent (Table B-6), Office Costs (Table B-7), Professional Services (Table B-8), and Other Operating Expenses (Table B-9). Additionally, Table B-10 provides preliminary projections of NERC's 2012 and 2013 Budgets.

Section C, Non-Statutory Activity, of **Attachment 2**, is reserved for presentation of business plan and budget information on non-statutory activities. This section is empty for NERC, but in the Business Plans and Budgets of those Regional Entities that have non-statutory activities, it includes business plan and budget information on their non-statutory activities.

Section D, Supplemental Financial Statements, of **Attachment 2**, provides NERC's actual and projected Statements of Financial Position at December 31 for 2009, 2010 and 2011. The data at December 31, 2009 is actual data per the independent financial audit of 2009 results; the data at December 31, 2010 is based on NERC's 2010 Projection; and the data at December 31, 2011 is based on the 2011 Budget. In addition, Section D provides NERC's 2011 Consolidated Statement of Activities, showing its 2011 budgeted line-item Funding sources, Expenses, and Fixed Asset activity, in total and by statutory program and Administrative Services function, as well as the direct expenses and indirect expenses for each statutory program.

Exhibit A to **Attachment 2** contains a list of the common business plan and budget assumptions developed and used by NERC and the Regional Entities in preparing their 2011 Business Plans and Budgets.



Appendix 1 to **Attachment 2** contains NERC's organization chart, as required by 18 C.F.R. §39.4(b). The organization chart is color-coded to indicate the mapping of FTEs by program area for budget purposes.

Appendix 2 to **Attachment 2** contains the calculation of the NEL-based allocation factors for each LSE and designee, and the allocation of the NERC and Regional Entity statutory assessments, by allocation methodology, to each LSE and designee.<sup>18</sup> The development of the assessments presented in the Appendices is discussed in more detail in §III.A.3 and §III.D below.

The detailed information in the Introduction and Executive Summary and in Sections A and B of **Attachment 2** demonstrates that the programs included in NERC's 2011 Business Plan and Budget are necessary and appropriate to carry out NERC's responsibilities as the ERO and that the specific resource requirements budgeted meet the Commission's objectives for affordability, sustainability and efficiency and effectiveness of the ERO's expenditures.<sup>19</sup> The discussion in the Introduction and Executive Summary and Section A of **Attachment 2**, as well as in this narrative, demonstrates how the activities and expenditures included in NERC's 2011 Business Plan and Budget lend themselves to accomplishment of NERC's statutory responsibilities and objectives as the ERO.<sup>20</sup>

---

<sup>18</sup> The NEL-based allocation factors are calculated using NEL data for 2009, which is the most current actual NEL data available as of August 2010. As was the case in allocating the NERC and Regional Entity statutory assessments by country and by Regional footprint and calculating the assessments to LSEs or their designees for prior years' budgets, the allocation and calculation of assessments for the 2011 Budget is based on NEL data for the second preceding calendar year, 2009.

<sup>19</sup> *ERO Certification Order*, P 202 (budget principle (5)).

<sup>20</sup> *ERO Certification Order*, P 202 (budget principle (2)).

## 2. Development of the 2011 Business Plans and Budgets

NERC prepared its 2011 Business Plan and Budget (and worked with the Regional Entities in the development of their business plans and budgets) through a rigorous process that provided ample opportunity for review and input by the Finance and Audit Committee (FAC) of the NERC Board of Trustees as well as stakeholders.<sup>21</sup> Beginning in early February 2010, and continuing until final Board approval of the 2011 Business Plans and Budgets on August 5, 2010, the status of development of the 2011 Business Plans and Budgets was discussed in meetings and conference calls of the FAC and of the full NERC Board, in each case with opportunities for stakeholders to make comments. The following list highlights important steps in the preparation of the NERC and Regional Entity 2011 Business Plans and Budgets:

- During January and February 2010, the NERC program areas initially provided input to the NERC Finance and Accounting department on their business plans and budget requirements for 2011.
- In late January 2010, an initial draft of common assumptions for the 2011 Business Plans and Budgets was circulated for comment internally at NERC and among the Regional Entities. These common assumptions were discussed in several meetings and conference calls among NERC staff, the Regional Entity Managers and the Regional Entity Budget Group (REBG – the Regional Entity Finance and Accounting staffs), and were given final approval by NERC and Regional Entity management in mid-February.
- In mid-February 2010, NERC Finance and Accounting circulated an initial “shell” draft 2011 Business Plan and Budget to the NERC program areas.
- Over the period from early March to mid-April, NERC staff and the REBG worked to develop and complete a common template for the 2011 Business Plans and Budgets.
- Over the same early March to mid-April period, NERC management developed an initial, rough draft of the NERC 2011 Business Plan and Budget.

---

<sup>21</sup> During the process of developing NERC’s 2011 Business Plans and Budget, comments were received from stakeholders on posted drafts of the Business Plan and Budget. **Attachment 12** discusses how concerns expressed in stakeholder comments were addressed in NERC’s final 2011 Business Plan and Budget.

- On April 20, 2011, Draft 1 of the NERC 2011 Business Plan and Budget, including the common business plan and budget assumptions, was posted on the NERC web site for stakeholder comment and provided to the FAC.
- In early May 2010, the Regional Entities provided preliminary drafts of their 2011 Business Plans and Budgets to NERC for review and comment.
- During early to mid-May, the NERC program area managers reviewed and provided comments on drafts of the Regional Entity 2011 Business Plans and Budgets.
- On May 28, 2011, following further meetings and discussions among NERC staff and the REBG and consideration of stakeholder comments on Draft 1, Draft 2 of the NERC 2011 Business Plan and Budget was posted on the NERC web site for a 30-day stakeholder comment period.
- Also on or about May 28, 2011, “Draft 1” of each Regional Entity’s 2011 Business Plan and Budget (reflecting feedback provided by NERC staff on the preliminary drafts submitted in early May) was posted on the NERC web site for a 30-day stakeholder comment period.
- Each Regional Entity’s Business Plan and Budget was also separately posted and available for comment on the Regional Entity’s website as part of each Regional Entity’s independent budget preparation, review and approval process.
- Between July 2 and July 23, 2010, the final drafts of the NERC, Regional Entity and WIRAB 2011 Business Plans and Budgets and proposed statutory assessments were sent to the FAC, the NERC Board and the NERC Member Representatives Committee (MRC), in anticipation of discussion and action at the meetings of these groups scheduled for August 4 and 5.<sup>22</sup> Updates to the final Regional Entity Business Plans and Budgets reflecting minor non-substantive changes have also been posted on NERC’s website.
- On July 19, 2010, the FAC held a conference call for the purpose of reviewing and providing direction on any changes necessary to finalize the NERC and Regional Entity 2011 Business Plans and Budgets for submission to the NERC Board.
- The final NERC and Regional Entity Business Plans and Budgets were presented to the NERC MRC at its August 4, 2010 meeting for comment, prior to the August 4 meeting of the NERC FAC.
- At its August 4, 2010 meeting, the FAC approved the NERC, Regional Entity and WIRAB 2011 Business Plans and Budgets and recommended approval by the NERC Board.

---

<sup>22</sup> As posted on the NERC web site, this version of the NERC 2011 Business Plan and Budget was identified as Draft 3.

- At its August 5, 2010 meeting, the NERC Board approved the NERC, Regional Entity and WIRAB 2011 Business Plans and Budgets, and the proposed 2011 statutory assessments, for submission to the Commission.

In summary, the processes followed by NERC and the Regional Entities to develop the proposed 2011 Business Plans and Budgets were thorough and comprehensive, involved significant input from NERC and Regional Entity management and financial and program area staffs as well as iterative review and comment by the NERC FAC, and provided several opportunities for stakeholder input and comment. NERC and the Regional Entities developed and used a set of common business plan and budget assumptions and a common business plan and budget template. Commission staff was also provided with periodic updates on NERC's and the Regional Entities' Business Plans and Budgets. Further, the process was open and inclusive at all steps.

### **3. Summary of NERC's Proposed 2011 Budget and Funding Requirement**

NERC's proposed 2011 Funding requirement is \$53,726,465. This total encompasses U.S., Canadian and Mexican activities. The proposed 2011 Funding requirement represents an increase of \$13,169,057 (32.5%) over the 2010 Funding requirement of \$40,557,408. The 2011 Budget is comprised of \$48,593,453 of Expenses (including Depreciation) and a \$133,012 increase in Fixed Assets (Capital Expenditures of \$886,000 less Depreciation of \$752,988<sup>23</sup>). The 2011 Funding requirement also includes \$5,000,000 for Working Capital Reserve funding.<sup>24</sup>

As in past years, a portion of NERC's 2011 Budget will be funded through Testing Fees charged to participants in certain NERC programs, including the Operator Certification Program

---

<sup>23</sup> As noted earlier, an end result of this budget presentation is that Funding is not being requested for Depreciation expense.

<sup>24</sup> See §IV.C below and Table B-1 in **Attachment 2**.

and the Continuing Education Program (budgeted at \$1,940,000, a 73.4% increase over the 2010 Budget and reflective of unbudgeted fee increases implemented in December 2009); through fees charged for NERC Services and Software such as Generating Availability Data System data (budgeted at \$250,000, the same amount as in the 2010 Budget); by attendance fees for Workshops (budgeted at \$92,500, the same amount as in the 2010 Budget); by Interest earned on bank balances and short-term investments (budgeted at \$12,000, a slight increase from the 2010 Budget); and by payments NERC will receive from one Regional Entity, WECC, for NERC's performance of the CMEP responsibilities over reliability functions for which WECC is the registered entity (budgeted at \$150,000, a \$256,000 decrease from the 2010 Budget).<sup>25</sup> In addition, NERC's 2011 statutory Funding requirement is reduced by application of \$10,175,000 in Penalty payments received from registered entities during the period July 1, 2009 through June 30, 2010.<sup>26</sup> These budgeted non-assessment sources of Funding are projected to be \$12,619,500 in total, resulting in a 2011 net Funding requirement of \$41,106,965 to be funded by assessments to LSEs.<sup>27</sup> Of this amount, \$35,989,995 is allocated to the U.S., \$4,992,881 is

---

<sup>25</sup> The amount of this Funding component is significantly reduced from the 2010 Budget because the 2010 Budget also reflected the performance by NERC of CMEP functions over reliability functions for which FRCC and SPP, Inc. are registered entities; however, during 2010, FRCC and SPP RE entered into agreements with SERC, which were approved by the NERC Board and by the Commission, pursuant to which SERC will perform the CMEP functions over reliability functions for which FRCC and SPP, Inc. are registered entities. *See North American Electric Reliability Corporation, Order Conditionally Accepting Compliance Monitoring and Enforcement Program Agreements and Revised Delegation Agreements, and Ordering Compliance Filing*, 132 FERC ¶ 61,024 (issued July 12, 2010).

<sup>26</sup> The entire Penalty amount of \$10,175,000 is used to offset the U.S. portion of NERC's 2011 assessment to LSEs. No portion of the Penalty amount is used to offset the Canadian or Mexican portions of NERC's 2011 assessment.

<sup>27</sup> NERC's 2010 Budget also included \$1,617,808 of non-assessment funding in the form of Membership Dues paid by the members of the TOOF to compensate NERC for expenses (including an allocated share of indirect expenses) incurred by NERC in supporting the TOOF's activities. However, this budgeted revenue source was not realized in 2010, and no such

allocated to Canadian provinces (in the aggregate), and \$124,091 is allocated to Mexico. Based on the aggregate NEL of the United States for 2009 on which the allocation of assessments is based,<sup>28</sup> the proposed U.S. net funding requirement for NERC represents \$0.0000093 per end user kilowatt-hour.

NERC's 2011 Business Plan and Budget was developed and is organized based on its five statutory programs plus budgeted contribution to the Working Capital Reserve:

<u>Program</u>	<u>2011 Budget</u>
Reliability Standards	\$ 7,682,752
Compliance Enforcement and Organization Registration and Certification	\$17,457,901
Reliability Assessment and Performance Analysis	\$ 6,292,329
Training, Education and Personnel Certification	\$ 2,923,011
Situation Awareness and Infrastructure Security	\$14,370,473 <sup>29</sup>
Contribution to Working Capital Reserve	<u>\$ 5,000,000</u>
	<u>\$53,726,465</u>

The budgeted amounts for each program incorporate a total budget for Administrative Services of \$15,116,461 (exclusive of the \$5,000,000 provision for Working Capital Reserve), which has been allocated to the budgets for the five statutory programs in proportion to the numbers of FTEs budgeted for each program.

The discussion in §IV below, as well as the detailed discussion of each statutory program in **Attachment 2**, demonstrates that each of NERC's statutory programs is necessary and

---

revenues are budgeted for 2011 – the TOOF ceased operations as of the end of 2009, and its leadership formed a successor organization, the North American Transmission Forum, Inc., which operates independently of NERC.

<sup>28</sup> The NEL data for the U.S., Canada and Mexico, by Region and by LSE or designee, is provided in Appendix 2A of **Attachment 2**.

<sup>29</sup> The Situation Awareness and Infrastructure Security budget is comprised of \$8,043,213 for Situation Awareness and \$6,327,260 for Critical Infrastructure Protection.

appropriate to the execution of NERC’s responsibilities as the ERO. Section A of **Attachment 2** describes the activities encompassed in each statutory program, including the 2011 assumptions, goals and objectives, and resource requirements for each statutory program, and provides the line item components of the 2011 Budget for each program. The functions of and resource requirements (FTEs and external resources) and budgets for the NERC Administrative Services departments are also discussed in Section A of **Attachment 2**.

NERC proposes an allocation of its net funding requirement (statutory assessment) of \$41,106,965 to the Regional footprints as follows<sup>30</sup>:

•	FRCC	\$2,145,081
•	MRO	\$2,785,636 <sup>31</sup>
•	NPCC	\$5,923,966 <sup>32</sup>
•	RFC	\$8,403,722
•	SERC	\$9,277,542
•	SPP RE	\$2,062,618
•	TRE	\$2,747,057
•	WECC	\$7,761,345 <sup>33</sup>

---

<sup>30</sup> As described in §III.D below, the aggregate NERC statutory assessment has been allocated to the Regional footprints on the basis of (i) 8-Region NEL, (ii) 8-Region NEL excluding certain CMEP and Situation Awareness and Infrastructure Security costs from the allocations to certain Canadian entities, and (iii) IDC Defined Shares (based on usage of the NERC interchange distribution calculator (“IDC”)). The detailed allocations of the NERC statutory assessment by allocation methodology are shown in Appendix 2 to **Attachment 2**.

<sup>31</sup> The total allocation to MRO consists of \$2,220,953 allocated to the U.S. and \$564,683 allocated to Canadian provinces.

<sup>32</sup> The total allocation to NPCC consists of \$2,716,692 allocated to the U.S. and \$3,207,274 allocated to Canadian provinces.

<sup>33</sup> The total allocation to WECC consists of \$6,416,329 allocated to the U.S., \$1,220,925 allocated to Canadian provinces and \$124,091 allocated to Mexico.

Appendix 2 to **Attachment 2** contains tables showing (i) the development of the NEL-based allocation factors used to allocate the NERC and Regional Entity statutory assessments by country and among the Regional footprints,<sup>34</sup> and (ii) the allocation of the NERC and Regional Entity statutory assessments by country and by Region.<sup>35</sup> Appendix 2 shows the allocation of the NERC and Regional Entity assessments to the individual LSEs or designees within the footprint of each Regional Entity. These allocations are discussed in greater detail in §III.D below.<sup>36</sup> NERC's only sources of funding for its planned programs and operations will be the assessments to owners, operators and users of the bulk power system provided for in 18 C.F.R. §39.4(e) and

---

<sup>34</sup> See Appendix 2A to **Attachment 2**.

<sup>35</sup> See Appendices 2B, 2C and 2D to **Attachment 2**.

<sup>36</sup> NERC will calculate and bill the assessments to certain entities, referred to as "designees", based on NEL values that include the NEL for other LSEs served by the designee, or for which the designee has otherwise agreed to accept responsibility for assessments. The calculation and billing of assessments to designees is not a departure from the principle that the ERO funding requirement should be recovered through assessments to LSEs based on NEL, but rather is a matter of administrative convenience and efficiency (*e.g.*, a generation and transmission (G&T) cooperative and its member distribution cooperatives may find it more efficient for the assessment to be calculated and billed to the G&T cooperative rather than to the individual distribution cooperatives). The lists of LSEs and designees for which assessments will be calculated and billed have been provided to NERC by the Regional Entities. NERC has had no involvement in developing the lists of LSEs or in arrangements between LSEs and designees pursuant to which a designee agrees to accept responsibility for an assessment that would otherwise be calculated for and billed to the LSE and the LSE agrees to be financially responsible to reimburse the designee for the assessment, with one exception: in Exhibit E of the currently effective NERC-Texas RE Delegation Agreement, NERC, Texas RE and ERCOT have agreed that ERCOT shall act as the billing agent to collect and remit all assessments in the Texas RE region, and in Exhibit E of the proposed NERC-Texas RE Delegation Agreement currently pending before the Commission for approval (with a requested effective date of January 1, 2011) in Docket No. RR10-11-000, NERC and Texas RE have agreed that ERCOT is the only LSE in the Texas RE region and shall be invoiced for the entire NERC and Texas RE assessment. Additionally, the assessments for the NPCC region will be billed to ISO New England and the New York ISO (and to similar entities in Ontario, Québec, New Brunswick and Nova Scotia), each of which will be responsible for billing and collecting assessments from the LSEs within their respective footprints.



equivalent collections from entities in Canada and Mexico, and the other sources listed as “Funding” on its Statements of Activities and described above.<sup>37</sup>

## **B. Regional Entity Proposed 2011 Budgets**

Section 39.4(b) of the Commission’s regulations requires that the ERO’s annual budget submission include “the entire annual budget for statutory and non-statutory activities for each Regional Entity, with supporting materials, including . . . each Regional Entity’s complete business plan and organization chart, explaining . . . the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures . . . .” Section 39.4(b) further states that the ERO’s annual budget submission “shall include the line item budgets for the activities of each Regional Entity that are delegated or assigned to each Regional Entity pursuant to § 39.8.” This information for 2011 is provided in the individual Regional Entity Business Plans and Budgets in **Attachments 3 through 10**.

The Regional Entity budgets for statutory activities that are to be funded through NERC are the budgets for the functions and activities relating to development of reliability standards; compliance monitoring and enforcement and organization registration and certification; training, education and operator certification; reliability assessment and performance analysis (including necessary data gathering activities); and situation awareness and infrastructure security, that have been delegated by NERC to the Regional Entity pursuant to the Commission-approved delegation agreements; as well as each Regional Entity’s budgeted costs for administrative

---

<sup>37</sup> In the *2007 Budget Order*, the *2008 Budget Order*, the *2009 Budget Order* and the *2010 Budget Order*, the Commission found that the five NERC programs on which the 2010 Business Plan and Budget is based are statutory activities. *2007 Budget Order* at P 28; *2008 Budget Order* at P 21; *2009 Budget Order* at P 18; *2010 Budget Order* at P 22. As noted earlier, NERC’s 2011 Business Plan and Budget includes no non-statutory activities. Therefore, NERC has not developed or presented specific accounting processes to separate the funding of its statutory and non-statutory activities and to assure that funding derived from § 215 of the FPA will exclusively support statutory activities.

services. Funding the Regional Entities in accordance with their proposed Business Plans and Budgets will enable them to carry out the activities necessary in 2011 to meet their responsibilities under the approved delegation agreements.

In *Order No. 672*, the Commission stated that “The ERO must determine, at a minimum, whether each Regional Entity’s proposed budget is adequate to carry out the functions delegated to it.”<sup>38</sup> As described above in §III.A.2, NERC staff provided guidance to the Regional Entities on the expected scope and content of their business plan and budget submissions, and worked collaboratively with the Regional Entities to develop a set of common budget assumptions and a template for the Regional Entities’ 2011 Business Plans and Budgets. The template represents a further evolution of the templates that were used for the Regional Entities’ 2008, 2009 and 2010 Business Plans and Budgets, and facilitates comparisons among the Regional Entities’ budgets. NERC and the Regional Entities also continued to use the set of consistent accounting principles for presentation of the budgets, and the common definition of administrative (indirect) costs, that were developed in connection with preparation of the 2010 Business Plans and Budgets.

As described in greater detail in §III.A.2, NERC management and staff worked iteratively with the REBG from January through July, 2010, on the development of the Regional Entity 2011 Business Plans and Budgets. The Regional Entities submitted initial drafts of their Business Plans and Budgets in early May, 2010, after having received the initial drafts of NERC’s Business Plan and Budget. More developed drafts were then submitted in late May and posted on the NERC web site. NERC staff reviewed and provided feedback on these drafts. Where appropriate, additional information was requested and other suggested changes were

---

<sup>38</sup> *Rules Concerning Certification of the Electric Reliability Organization; Procedures for the Establishment, Approval and Enforcement of Electric Reliability Standards*, Order No. 672, FERC Stats. & Regs. ¶ 31,204 (2006) (*Order No. 672*), at P 229.

made. NERC and Regional Entity management also convened meetings and conference calls to provide feedback and refine their respective business plans and budgets. NERC's review focused on (1) verifying each Regional Entity's Business Plan and Budget provided for sufficient resources to adequately carry out the functions delegated to the Regional Entity under the delegation agreement, (2) verifying that the Regional Entity was using the common budgeting assumptions, common budget format and presentation, and agreed accounting methodology, and (3) understanding the bases for any significant differences in amounts budgeted by different Regional Entities for the same function.

Through the processes described above and in §III.A.2, NERC has been able to satisfy itself that each Regional Entity's 2011 Business Plan and Budget provides necessary and adequate resources to carry out the Regional Entity's delegated functions.

The Regional Entities submitted their final 2011 Business Plans and Budgets, approved by their respective governing bodies, to NERC in mid-July 2010. These Business Plans and Budgets were submitted to the NERC MRC, the NERC FAC, and the NERC Board of Trustees, and reviewed at their respective meetings held on August 4 and 5. The Regional Entities' 2011 Business Plans and Budgets were approved by the NERC Board at the August 5, 2010 meeting.<sup>39</sup>

The table below shows the budgets for statutory and (where applicable) non-statutory functions for each Regional Entity as presented in their respective 2011 Business Plans and Budgets (**Attachments 3-10**).<sup>40</sup> For all Regional Entities, the total budget amount for statutory functions includes total Expenses and Fixed Asset activity. Because several Regional Entities

---

<sup>39</sup> In reviewing the Regional Entity Business Plans and Budgets, and in accordance with the Commission's directive in the *ERO Certification Order*, NERC afforded the proposed Regional Entity Business Plans and Budgets no presumption of reasonableness due to having been approved by the Regional Entities' governing bodies. See *ERO Certification Order* at P 203.

<sup>40</sup> MRO, ReliabilityFirst and SERC do not plan to perform any non-statutory activities in 2011.

have other sources of income (*e.g.*, fees for workshops and Penalty payments received from registered entities) that will be used to offset the costs of performing delegated functions, the requested ERO funding (assessments) for these Regional Entities is less than their budgets for statutory activities. The fourth column shows the total (*i.e.*, for all jurisdictions) net statutory assessment required for each Regional Entity, taking into account other sources of income including application of Penalty payments. The statutory assessment amounts include amounts (which for some Regional Entities are negative adjustments to the its funding requirement) to achieve the level of Working Capital Reserve at December 31, 2011, determined to be appropriate by each Regional Entity.

<b>Regional Entity</b>	<b>Total Budget for Statutory Functions</b>	<b>Budget for Non-Statutory Functions</b>	<b>Total Net Statutory Assessment</b>
<b>FRCC</b>	\$ 5,558,610	\$ 5,450,063	\$ 4,967,060
<b>MRO</b>	\$ 8,130,824	-----	\$ 8,260,502 <sup>41</sup>
<b>NPCC</b>	\$ 12,716,809	\$ 1,099,307	\$12,652,610 <sup>42</sup>
<b>ReliabilityFirst</b>	\$ 15,219,650	-----	\$12,803,844
<b>SERC</b>	\$ 11,776,640	-----	\$10,671,508
<b>SPP RE</b>	\$ 9,797,236	\$117,751,764 <sup>43</sup>	\$ 9,094,985
<b>Texas RE</b>	\$ 9,363,964	\$ 187,842	\$ 9,227,823
<b>WECC</b>	\$68,205,449	\$ 1,578,070	\$38,234,892 <sup>44</sup>

<sup>41</sup> The statutory assessment for MRO consists of \$6,852,336 allocated to the U.S. and \$1,408,166 allocated to Canadian provinces.

<sup>42</sup> The statutory assessment for NPCC consists of \$7,397,523 allocated to the U.S. and \$5,255,087 allocated to Canadian provinces.

<sup>43</sup> The figure of \$117,751,764 is the total 2010 budget of Southwest Power Pool, Inc. (\$127,549,000) less the 2011 Budget of SPP RE for statutory activities of \$9,797,236. The overall annual budget of Southwest Power Pool, Inc. is prepared on a schedule that will not result in approval of its 2011 budget until October 2010. See §V.B.6 below and Section C of **Attachment 8**.

<sup>44</sup> The statutory assessment for WECC consists of \$32,656,488 allocated to the U.S., \$5,078,278 allocated to Canadian provinces and \$500,126 allocated to Mexico. The assessment for WECC of \$38,234,892 includes the requested funding amount for WIRAB (discussed in the next subsection).

### **C. Western Interconnection Regional Advisory Board Funding Request**

In its Order issued July 20, 2006, in Docket No. RR06-02-000 (the “WIRAB Order”), the Commission concluded that reasonable costs incurred by WIRAB for activities under Section 215(j) of the FPA can be funded through the overall ERO funding process.<sup>45</sup> As specified in P 35 of the *WIRAB Order*, WIRAB submitted to NERC a proposed 2011 Business Plan and Budget for Section 215(j) activities, which is included in **Attachment 11**. NERC has reviewed WIRAB’s submission and believes it complies with the requirements of P 35 of the *WIRAB Order*. WIRAB’s proposed 2011 Budget for expenses is \$616,470, which is a decrease of \$340 from (*i.e.*, almost identical to) its 2010 Budget. The 2011 Budget will be funded by Working Capital Reserve in excess of WIRAB’s target Working Capital Reserve of \$294,607, interest income of \$2,500, and a proposed assessment of \$319,363 (which is approximately \$119,000 less than the 2010 assessment of \$438,381).

WIRAB’s overall statutory funding request of \$319,363 for 2011 consists of \$271,230 (84.9%) allocated to the U.S., \$44,087 (13.8%) allocated to Canadian provinces and \$4,047 (1.3%) allocated to Mexico, all based on NEL. At its August 5, 2010 meeting, the NERC Board of Trustees approved WIRAB’s 2011 Budget request.

### **D. Allocation of Statutory Assessments by Country, Regional Entity Footprint and LSE**

The total ERO statutory funding requirement for 2011, net of other NERC and Regional Entity income sources, to be funded by assessments is \$147,020,191, consisting of \$41,106,967 for funding of NERC’s programs and \$105,913,224 for funding of Regional Entity statutory activities (the Regional Entity number includes \$319,363 to fund the WIRAB). NERC has

---

<sup>45</sup>*Order on Petition to Establish a Regional Advisory Body for the Western Interconnection*, Docket No. RR06-2-000, 116 FERC ¶61,061 (2006) (*WIRAB Order*), PP 33-37.

allocated its statutory assessment of \$41,106,967 to the LSEs within each Regional Entity's footprint primarily on the basis of NEL, as described below.<sup>46</sup>

First, the costs of operating and maintaining NERC's IDC, which is used only in the Eastern Interconnection, were allocated to the six Regional footprints in the Eastern Interconnection based on usage levels of the IDC ("IDC Defined Share"). The IDC Defined Share allocation approach is reasonable and equitable because it allocates the cost of this function based on its actual use by Region, and does not assess the costs of the IDC to entities in Texas RE and WECC. A total of \$1,797,780 of the NERC Funding requirement was allocated based on the IDC Defined Share. The IDC Defined Share allocations to the six Regional footprints in the Eastern Interconnection are shown in Appendix 2C of **Attachment 2**.

Second, a total of \$9,603,951 of CMEP and Situation Awareness and Infrastructure Security costs was allocated using 8-Region NEL but with adjustments (credits) to the allocations to Québec and the AESO; and \$15,288,499 of CMEP and Situation Awareness costs was allocated using 8-Region NEL but with adjustments (credits) to the allocations to the IESO and the NBSO. In accordance with its "Expanded Policy on Allocation of Certain Compliance and Enforcement Costs," adjustments were made in the calculations of the assessments to the IESO, Québec, the AESO and the NBSO, to provide credits for certain NERC CMEP and Situation Awareness and Infrastructure Security program costs. These adjustments recognize entities in certain of these provinces (Ontario, Alberta and New Brunswick) expend resources to perform compliance and enforcement activities in those provinces that otherwise would be

---

<sup>46</sup>See Appendix 2A of **Attachment 2** for the 2009 NEL data by Regional Entity and calculation of the country allocation factors for each Region. MRO, NPCC and WECC are the only Regional Entities whose footprints encompass Canadian provinces (and in the case of WECC, Mexico). As noted earlier, the year 2009 is the most recent calendar year for which NEL data is available.

performed by NERC or a Regional Entity, and that the compliance and enforcement resources NERC needs for Québec are reduced due to the very small number of entities subject to compliance and enforcement activities in those provinces.<sup>47</sup> These adjustments also recognize that certain NERC activities, including compliance audits of nuclear power plant balance of plant facilities pursuant to Order No. 706-B,<sup>48</sup> Technical Feasibility Exception (TFE) processing, and the Situation Awareness – FERC, NERC and the Regions (SAFNR) program, either overlap with Canadian regulatory programs (in the case of Order No. 706-B audits and TFE processing) or, in the case of SAFNR, are not used by these Canadian provinces, and therefore these provinces were not allocated a share of these costs. **Attachment 13** shows the calculations of these adjustments to the allocations to the IESO, Québec, the AESO and the NBSO.<sup>49</sup> These calculations have been reviewed with, respectively, the IESO, La Régie de l'énergie du Québec, the AESO, and the NBSO, and they have each agreed with and accepted the calculations. The allocation of the \$24,892,450 of CMEP and Situation Awareness and Infrastructure Security costs with the adjustments for the IESO, Québec, the AESO and the NBSO is shown in Appendix 2C of **Attachment 2**.

Third, in calculating the net statutory assessments and the allocation of them to the LSEs within each Regional footprints, the \$10,175,000 of Penalty payments that NERC received from

---

<sup>47</sup> The Commission accepted NERC's "Expanded Policy on Allocation of Certain Compliance Costs" in the *July 16, 2009 Budget Compliance Order*, at P 42, finding that the Expanded Policy "provides reasonable guidelines for cost allocation in specific circumstances described in the document."

<sup>48</sup> *Mandatory Reliability Standards for Critical Infrastructure Protection, Order on Clarification*, Order No. 706-B, 126 FERC ¶ 61,229 (2009).

<sup>49</sup> The credit to the assessment to the AESO, which is being made by NERC for the first time in 2011, is provided for in a Memorandum of Understanding entered into effective July 15, 2010, among NERC, WECC and the AESO.

registered entities has only been used to reduce assessments to U.S. LSEs and designees. The application of the \$10,175,000 of Penalty payments to reduce assessments to U.S. LSEs and designees is shown in Appendix 2C of **Attachment 2**.

Finally, an allocation based on the 8-Region NEL was used to allocate \$24,591,737 of the NERC statutory assessment to the Regional footprints. This amount does not include the allocation of CMEP and Situation Awareness and Infrastructure Security costs as described above under “Second.” The NEL-based allocations to the eight Regional footprints are shown in Appendix 2C of **Attachment 2**.

NEL has also been used to allocate the Regional Entity assessments, with these exceptions: First, 55% of NPCC’s Compliance Monitoring and Enforcement and Organization Registration and Certification (CORC) Program costs have been allocated among the six Balancing Authority Areas in NPCC on the basis of NEL, and 45% of the CORC costs have been allocated between the U.S. and Canadian Balancing Authority Areas using a compliance audit-based methodology. The allocation of NPCC CORC Program costs, including the NPCC audit-based methodology, was explained at pages 71-75 of the *December 15, 2008 Budget Order Compliance Filing*<sup>50</sup> and at pages 26-28 and Attachment 3 of the December 11, 2009 Compliance Filing to the *2010 Budget Order*.<sup>51</sup> As directed in the *July 16, 2009 Budget Compliance Order*, at PP 38-41, the portion of NPCC CORC costs allocated to the U.S. using the

---

<sup>50</sup> *Compliance Filing of the North American Electric Reliability Corporation in Response to October 16, 2008 on 2009 Business Plans and Budgets*, filed December 16, 2008 in Docket Nos. RR08-6-002 and RR07-14-003 (*December 15, 2008 Budget Order Compliance Filing*).

<sup>51</sup> *Compliance Filing of the North American Electric Reliability Corporation in response to October 15, 2009 Order on 2009 Business Plans and Budgets*, filed December 11, 2009 in Docket Nos. RR09-9-001 *et al.* (*December 11, 2009 Budget Order Compliance Filing*).



compliance audit-based methodology has been allocated between the New England and New York Balancing Authority Areas on the basis of NEL.<sup>52</sup>

Second, WECC's allocation of its assessment to the AESO for the Province of Alberta has been reduced by \$345,836, representing WECC CMEP costs that are duplicative of programs of the AESO. The AESO credit amount was allocated to the remainder of the LSEs (Balancing Authorities) in the WECC Region on the basis of NEL.<sup>53</sup>

After allocating the appropriate portions of the NERC, Regional Entity and WIRAB funding requirements to Canadian provinces and Mexico (taking into account the NEL-based allocations, the adjustments to the NERC allocations to the IESO, Québec, the AESO and the NBSO, the adjustments to the NPCC allocations to the IESO and Québec, and the adjustment to the WECC assessment to the AESO), the total ERO statutory assessment for 2011 allocable to U.S. LSEs for which Commission approval is sought in this filing is \$129,661,562, or a 3.8% increase over the 2010 assessment to U.S. LSEs, consisting of:

NERC Assessment:	\$35,989,995 (8.2% increase over 2010)
Regional Entity Assessments:	\$93,671,567 <sup>54</sup> (2.2% increase over 2010)

The funding requirement of each Regional Entity for statutory activities is of course allocated 100% to that Region. The funding requirement for the WIRAB is allocated 100% to the WECC Region. The following table shows the allocation to each Region of the total 2011

---

<sup>52</sup> The allocation of NPCC CORC Program costs is described in greater detail in §V.B.3 below and at pages 79-81 of the NPCC 2011 Business Plan and Budget, **Attachment 5**.

<sup>53</sup> See Appendix C of the WECC 2011 Business Plan and Budget, **Attachment 10** to this filing, which shows the calculation of the \$345,836 adjustment to the WECC assessment to the AESO. The adjustment to the WECC assessment to the AESO is also provided for in the Memorandum of understanding entered into effective July 15, 2010 among NERC, WECC and the AESO.

<sup>54</sup> This amount includes the WIRAB funding.

ERO statutory assessment of \$129,661,562 for the U.S. statutory activities of NERC and the Regional Entities (including WIRAB). The table also shows the statutory assessments per kWh based on 2009 U.S. NEL of each Region.

<b>Regional Entity</b>	<b>NERC Assessment</b>	<b>Regional Entity Assessments</b>	<b>Total U.S. Assessment</b>	<b>Assessment per kWh (2009 NEL)</b>
<b>FRCC</b>	\$ 2,145,081	\$ 4,967,060	\$ 7,112,141	\$0.0000314
<b>MRO</b>	\$ 2,220,953	\$ 6,852,336	\$ 9,073,289	\$0.0000412
<b>NPCC</b>	\$ 2,716,692	\$ 7,397,523	\$ 10,114,215	\$0.0000342
<b>RFC</b>	\$ 8,403,722	\$12,803,844	\$21,207,566	\$0.0000238
<b>SERC</b>	\$ 9,277,542	\$10,671,508	\$19,949,050	\$0.0000201
<b>SPP RE</b>	\$ 2,062,618	\$ 9,094,985	\$11,157,603	\$0.0000550
<b>TRE</b>	\$ 2,747,057	\$ 9,227,823	\$11,974,880	\$0.0000388
<b>WECC</b>	\$ 6,416,329	\$32,656,488	\$39,072,817	\$0.0000543
<b>Total</b>	\$35,989,995	\$93,671,567	\$129,661,562	\$0.0000336

For all Regions except NPCC, NERC obtained from the Regional Entity a listing of the LSEs or their designees in the Region and a breakdown of the Region's 2009 NEL by LSE or designee. For the NPCC region, NERC obtained from NPCC the 2009 NEL for each Balancing Authority Area (New York, New England, Ontario, Québec, Nova Scotia and New Brunswick). Additionally, for Texas RE, NERC obtained from Texas RE the 2009 NEL for ERCOT, which as noted above is the billing agent for the Texas RE Region. NERC used this information to further allocate the total ERO statutory assessment allocated to each Region among the LSEs, their designees or the other entities to be billed the assessments within that Region.<sup>55</sup> The amount of the NERC and Regional Entity statutory assessment allocated to each LSE or designee or other entity to be billed in each Region is shown in Appendix 2B of **Attachment 2**. NERC requests

<sup>55</sup> Certain LSEs in MRO and WECC serve end users only in Canada or Mexico and not in the U.S. These LSEs were not allocated any portion of the ERO funding requirement allocated to U.S. end users, but were allocated appropriate portions, based on NEL (except as noted above), of the ERO funding requirement allocated to Canadian provinces or Mexico, as applicable.

that the Commission approve the statutory assessment amounts allocated to each LSE or designee, as shown in Appendix 2B of **Attachment 2**, so that the LSEs and their designees or other entities may be billed for these assessments in accordance with 18 C.F.R. §39.4(e).<sup>56</sup>

NERC will directly invoice the approved assessments to LSEs or designees, or to the other entities to be billed, in all Regions except WECC.<sup>57</sup> WECC will invoice LSEs or Balancing Authorities or their designees within the WECC footprint, collect the assessments and remit the funds to NERC. These arrangements have been provided for in Exhibit E to the delegation agreement with each Regional Entity.

#### **E. Treatment of Prior Years' Budget Surpluses or Deficits/Provision for Working Capital Reserve**

In the *2008 Budget Order*, the Commission approved NERC's proposal to authorize a one-year suspension of NERC's policy of taking account of anticipated year-end budget surpluses in calculating the assessments required for the following year, and instead use anticipated 2007 year-end budget surpluses of NERC and the Regional Entities as reserves should the costs required to carry out statutory duties in 2008 – the first full year of operation in monitoring and enforcing compliance with Commission-approved mandatory and enforceable Reliability Standards – exceed the NERC and Regional Entity budgets.<sup>58</sup> In the 2009 NERC and Regional Entity Business Plans and Budgets, any accumulated 2007 and anticipated 2008

---

<sup>56</sup> As approved by the Commission in the *ERO Certification Order* at P 218, for reasons of administrative convenience billing and payment by LSEs of annual assessments less than \$100 will not be required.

<sup>57</sup> As noted above, the assessments in the NPCC region will be billed to a single entity for each of the six Balancing Authority Areas within NPCC; and the assessments in the Texas RE region will be billed to ERCOT. (NERC also directly bills, La Régie de l'énergie du Québec, which is not a LSE, for the CMEP costs allocated to Québec.)

<sup>58</sup> *2008 Budget Order* at P 40.

surpluses (deficits) were used to reduce (increase) the assessments requested for 2009, taking into account NERC and each Regional Entity's target Working Capital Reserve and the increment or decrement that was included in calculating each entity's requested assessments in order to reach the targeted Working Capital Reserve at December 31, 2009.<sup>59</sup> Similarly, in the 2010 NERC and Regional Entity business plans and budgets, any accumulated 2008 and anticipated 2009 surpluses (deficits) were used to reduce (increase) the assessments requested for 2010, taking into account NERC and each Regional Entity's target Working Capital Reserve and the increment or decrement that was included in calculating each entity's requested assessments in order to reach the targeted Working Capital Reserve at December 31, 2010.<sup>60</sup> The same process has been followed in preparing the proposed 2011 budgets and assessments.

Table B-1, Reserve Balance, in Section B of the NERC and each Regional Entity's 2011 Business Plan and Budget, shows the calculation of the increment or decrement to the entity's requested 2011 assessment to achieve the entity's desired Working Capital Reserve at December 31, 2011. These calculations take into account (1) the entity's Working Capital Reserve (Deficit) at December 31, 2009, (2) assessment Funding, projected other Funding, and projected Expenses and Capital Expenditures for 2010, resulting in (3) the projected Working Capital Reserve at December 31, 2010, (4) the desired (target) Working Capital Reserve at December 31, 2011, (5)

---

<sup>59</sup> See *Request of the North American Electric Reliability Corporation for Acceptance of its 2009 Business Plan and Budget and the 2009 Business Plans and Budgets of Regional Entities and for Approval of Proposed Assessments to Fund Assessments*, filed in Docket No. RR08-6-000 (corrected version filed September 2, 2008) (*2009 Budget Filing*), at 24-25. An exception was SPP RE, which does not maintain a Working Capital Reserve, for reasons explained in greater detail at pages 53-54 of the *December 15, 2008 Budget Order Compliance Filing*.

<sup>60</sup> See *Request of the North American Electric Reliability Corporation for Acceptance of its 2010 Business Plan and Budget and the 2010 Business Plans and Budgets of Regional Entities and for Approval of Proposed Assessments to Fund Assessments*, filed in Docket No. RR09-9-000 *et al.* (*2010 Budget Filing*), at 30-33. Again, an exception was SPP RE, which does not maintain a Working Capital Reserve.

the budgeted Expenses and Capital Expenditures, and projected other funding sources (including Penalties collected from registered entities), for 2011,<sup>61</sup> resulting in (6) the increment or decrement to the requested 2011 assessments to achieve the target Working Capital Reserve at December 31, 2011. As shown on Table B-1 for the NERC and each Regional Entity, each Regional Entity (except SPP RE) has established a target Working Capital Reserve for 2011. The basis for each entity's Working Capital Reserve for 2011 is stated on its Table B-1 or explained elsewhere in the text of its 2011 Business Plan and Budget.

In NERC's case, a significant portion of the Working Capital funding requirement is driven by the need to address the balance sheet impact of NERC's shift to accrual accounting for certain costs in 2009, as further detailed in the footnotes to NERC's audited year end 2009 financial statements.<sup>62</sup> NERC is also increasing Working Capital Reserves to provide funding for supplemental resources in the Reliability Standards Program due to the fact that NERC is still in the process of determining the best manner in which to satisfy those resource needs. NERC also plans to use Working Capital to fund costs incurred in 2011 associated with the relocation of its headquarters, as further discussed in §IV.B and §IV.C.

#### **F. Projected Costs for 2012 and 2013**

As it did in its 2008, 2009 and 2010 Business Plans and Budgets, NERC is providing a projection of its expected revenues and expenses for the two years following the budget year

---

<sup>61</sup> NERC's budget policy is that Penalty payments received by NERC or a Regional Entity on or prior to June 30 of the year preceding the budget year should be used to reduce the requested assessments for the budget year; Penalty payments received after June 30 will be used to reduce the requested assessments for the year following the budget year. In the case of the 2011 Budgets, all Penalty payments being used by NERC and the Regional Entities to reduce their requested 2011 assessment amounts were received prior to June 30, 2010.

<sup>62</sup> NERC's audited 2009 financial statements were filed with the Commission in NERC's *Report of Comparisons of Budgeted to Actual Costs for 2009 for NERC and the Regional Entities*, filed June 1, 2010 in Docket Nos. RR10-10-000 and RR08-6-000 (2009 Budget True-up Filing).

(i.e., 2012 and 2013). This information is provided in Table B-10 in Section B of **Attachment 2**. NERC is providing these projections for informational purposes only. While supporting NERC management's effort to make improvements in the area of long term business planning and budget forecasting, the NERC Board of Trustees has not approved these projections as budgets, and NERC is not seeking approval of these projections by the Commission or other governmental authorities. These projections show that NERC's 2012 total Expenses plus any increase or decrease in Fixed Assets are projected to be \$8,935,423, or 18.3%, higher than in its 2011 Budget; and its 2012 statutory assessments are projected to be \$14,710,423, or 35.8%, higher than its requested 2011 assessments. The magnitude of this year over year increase is due to the fact that the 2011 Budget includes \$10,175,000 of Penalty payments to reduce assessments, while the projected 2012 Budget does not assume any Penalty payments. For 2013, NERC's total Expenses plus change in Fixed Assets are projected to be \$1,596,834, or 2.8%, higher than the amount projected for 2012, and the 2013 assessments are projected to be \$1,096,834, or 1.9%, higher than the projected 2012 assessments. These projections are consistent with NERC management's current estimate that the overall level of resource additions in 2012 will be roughly equivalent to 2011, followed by a leveling off of the need for any significant further resource additions in 2013. The 2012 and 2013 projections also reflect estimates of incremental rent and other costs associated with proposed 2011 and projected 2012 personnel additions.

## **IV. DISCUSSION OF NERC BUSINESS PLAN AND BUDGET**

### **A. 2011 Business Plan and Budget by Program**

This section summarizes NERC's proposed 2011 Business Plan and Budget by statutory program and Administrative Services department.<sup>63</sup>

In addition to the direct costs budgeted for each statutory program as described in §§IV.A.1 through 5 below, and the allocation of indirect (administrative) costs (other than the provision for Working Capital Reserve) to the statutory programs on the basis of the proportionate numbers of FTEs in each statutory program, NERC has also budgeted \$750,000 in Other Non-Operating Expenses for costs to be incurred during 2011 in connection with NERC's planned relocation of its headquarters offices to Atlanta, Georgia, and planned expansion of its Washington, D.C. office. The \$750,000 of budgeted Other Non-Operating Expenses has been allocated among the five statutory programs on the basis of the proportionate numbers of FTEs. The office relocation decision is discussed in §IV.B below. The provision for Working Capital Reserve in the 2011 Budget is further discussed in §IV.C below.

#### **1. Reliability Standards Program**

The Reliability Standards Program develops and maintains standards designed to ensure the reliability of the bulk power system in North America. The stakeholder Standards Committee provides oversight to the standards development process, while NERC staff coordinators facilitate standards drafting team activities, assist the drafting teams in adhering to the integrity of the standards development process, and ensure that the quality of the documents produced are appropriate for approval. The principal assumptions, goals and deliverables of the Reliability Standards Program for 2011 are presented in detail at pages 27-29 of **Attachment 2**.

---

<sup>63</sup> **Attachment 14** is a status report on NERC's progress in achieving its 2010 goals.

Although much of the work in the Reliability Standards Development Process is performed by committees and task groups comprised of volunteer technical experts from the electric industry, government and academia (including the Standards Committee), significant NERC professional staff resources are needed to facilitate and coordinate the work of industry volunteers and to administer the process. NERC has budgeted 20.08 FTEs for the Reliability Standards Program for 2011, which is an increase of 2.58 FTEs from the 2010 Budget, and reflects the addition of three new staff members during 2011.<sup>64</sup> Specifically, NERC is planning to add three standards specialists to the Reliability Standards staff. One of these standards specialists will be focused on quality assurance responsibilities. These resource additions should enable the Reliability Standards program to provide more timely delivery of standards through more targeted development processes; better overall project management through enhanced training of both drafting teams and staff; and improved efficiency. Further, although NERC is increasing staffing in the Reliability Standards Program for 2011, it is reducing budgeted Consultants & Contracts expense by \$225,000 (31%) from the 2010 Budget.

The 2011 budgeted direct expenses for this program are \$4,863,139, which is an increase of \$674,089 (16.1%) over the 2010 Budget.<sup>65</sup> The principal direct cost components of the 2011 Budget are Personnel Expenses (\$3,792,644), Meeting Expenses (including Travel) (\$526,100), and Consultants & Contracts (\$491,500). The allocation of Administrative Services expenses to this program is \$2,669,696, the allocation of Other Non-Operating Expenses is \$133,296, and the allocation of Fixed Asset additions is \$16,621. As previously noted, NERC has also increased its

---

<sup>64</sup> The indicated increase of 2.58 FTE reflects the fact that the three new staff members will not be added as of January 1, 2011, but rather are projected to be added at various points during the year.

<sup>65</sup> See table on page 27 of **Attachment 2**.



Working Capital Reserves to provide funding for additional yet to be specifically identified contractors and/or FTE additions to the Reliability Standards Program given the significant workload in this area.

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

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program is comprised of Compliance Operations (which in turn is comprised of Organization Registration and Certification, Audit Assurance and Oversight, and Audit Assistance), Compliance Enforcement, and Event Analysis and Investigations. The functions, and the principal 2011 assumptions, goals and deliverables, of each of these groups are summarized at pages 35-46 of **Attachment 2**.

The budgeted direct expenses for the CMEP for 2011 total \$10,824,099, which is an increase of \$1,464,396 (15.6%) over the 2010 Budget.<sup>66</sup> NERC is budgeting for 47.08 FTEs for the CMEP in 2011, an increase of 1.33 FTEs over the 2010 Budget. The Compliance Operations group will add four full-time auditors to support the audit spot check and validation programs and enhanced audit assistance to Regional Entities, and to enable the group to conduct 25 to 30 compliance audit observations per year. The Compliance Enforcement group will add three FTEs to support the processing of violations; as explained in detail at pages 39-43 of **Attachment 2**, these additional resources are needed to maintain the current level of violations processing caseload in the face of a projected increase in the number of incoming new violations, due in large part to an increase in violations of CIP standards.<sup>67</sup> The Event Analysis and

---

<sup>66</sup> See Table on page 34 of **Attachment 2**.

<sup>67</sup> Additional information on the status of the violations processing caseload and the initiatives undertaken by NERC and the Regional Entities to efficiently and expeditiously process identified violations to closure is provided in **Attachment 17**.

Investigations group is not budgeting any personnel additions for 2011.<sup>68</sup> The CMEP is also budgeting an increase of \$95,000 in Consultants & Contracts expense over the 2010 Budget, primarily to support continued development and implementation of two IT tools, the Compliance Reporting Analysis and Tracking System (CRATS) and the Compliance Information Tracking System (CITS), as well as portal applications; development of a new Event Analysis and tracking tool; and development of the nuclear power plant compliance audit program pursuant to Order No. 706-B.

The major direct cost budget components for the CMEP in the 2011 Budget are Personnel Expenses (\$8,548,072); Meeting Expenses (including Travel) (\$970,533); and Consultants & Contracts (\$1,195,000). The allocation of Administrative Services expenses to this program is \$6,258,830, the allocation of Other Non-Operating Expenses is \$312,500, the increase in Fixed Assets (net of Depreciation) is \$23,506, and the allocation of Fixed Asset additions is \$38,966.

### **3. Reliability Assessment and Performance Analysis Program**

The Reliability Assessment and Performance Analysis Program enables NERC to meet its responsibility as the ERO to “conduct periodic assessments of the reliability and adequacy of the bulk power system in North America.”<sup>69</sup> The Reliability Assessment and Performance Analysis Program prepares annual seasonal (summer and winter) and long-term reliability assessment reports, which assess the short-term and long-term resource adequacy and operating reliability of the bulk power system in North America, both existing and planned. To support its

---

<sup>68</sup> The staffing increase of 1.33 FTEs in the 2011 Budget over the 2010 Budget for the CMEP reflects the fact that during 2010, several FTEs were transferred from the CMEP to the Situation Awareness and Infrastructure Security Program.

<sup>69</sup> Section 215(g) of the FPA and 18 C.F.R. §39.11.

assessment activities, the Reliability Assessment and Performance Analysis Program maintains detailed databases measuring the ongoing reliability performance of generation, transmission, and demand response. This program also identifies and analyzes key issues that may affect reliability, and conducts special reliability assessments based on specific issues as warranted. The principal 2011 assumptions, goals and deliverables for the Reliability Assessment and Performance Analysis Program are summarized at pages 49-51 of **Attachment 2**.

The budgeted direct expense for the Reliability Assessment and Performance Analysis Program for 2011 is \$4,300,018, which represents a decrease of \$320,360 (-6.9%) from the 2010 Budget.<sup>70</sup> The 2011 Budget reflects 13.75 FTEs for this program, which is a decrease of 2.25 FTEs from the 2010 Budget. The reduced budget and FTE count reflect the transfer of personnel during 2010 from this program area to other NERC program areas. However, the Reliability Assessment and Performance Analysis Program plans to add two FTEs in 2011: (i) a technical analyst to support the overall increase in program activities, and (ii) a senior engineer to support reliability initiatives including the Frequency Response Initiative, the System Protection Initiative, and the System Modeling Initiative. The 2011 budget for Consultants & Contracts for this program is only slightly higher (by \$10,600) than the 2010 Budget. Consultants and contractors will be used to (i) support development of integrated Risk/Severity Performance/Metric tools, assess impacts of Geomagnetic Disturbance events and other emerging issues, and improve the reliability assessments; (ii) support maintenance of the Generating Availability and Transmission Availability Data Systems, implementation of the Demand Response Availability Data System, and development and deployment of a spare transformer data base for the industry; and (iii) support the activities of the Systems Analysis and

---

<sup>70</sup> See table on page 48 of **Attachment 2**.

Reliability Initiatives group within the Operations and Engineering Department, which is responsible for the Frequency Performance, System Protection, and System Modeling Initiatives.

The direct expenses in the 2011 Budget for the Reliability Assessment and Performance Analysis Program include Personnel Expenses (\$2,479,439), Meetings Expense (including Travel) (\$468,750); and Consultants & Contracts (\$1,160,000). The program budget also includes \$130,000 of Computer & Software Capital Expenditures. The overall increase in Fixed Assets (net of Depreciation) for this program is \$61,871, and the allocation of Fixed Asset Additions to this program is \$11,380. The allocation of Administrative Services expenses to this program is \$1,827,800 and the allocation of Other Non-Operating Expenses is \$91,261. Revenues from the sale of Services and Software are projected to be \$250,000, which is the same amount included in the 2010 Budget.

#### **4. Training, Education, and Operator Certification Program**

The Training, Education, and Operator Certification Program encompasses (i) the System Operator Certification Program, (ii) NERC's Continuing Education Program for owners, operators and users of the bulk power system and their operating personnel, and (iii) NERC's Training and Education activities for NERC and Regional Entity staff. NERC maintains the credentials for over 6,000 system operators, effectively licensing them to work in system control centers across North America. In 2011, NERC will enhance its training programs for NERC and Regional Entity compliance auditors and investigators by establishing a training academy for these personnel. The principal 2011 assumptions, goals and deliverables for the Training, Education, and Operator Certification Program are summarized at pages 58-59 of **Attachment 2**.

The direct expense budgeted for the Training, Education, and Operator Certification Program for 2011 is \$2,045,538, which is an increase of \$126,312 (6.6%) over the 2010

Budget.<sup>71</sup> NERC has budgeted 6.25 FTEs for this program in 2011, which is a decrease of 0.50 FTE from the 2010 Budget. In 2011, one FTE will be added to support the provision of additional training and education opportunities, including providing better education opportunities for registered entities seeking to comply with NERC standards, and supporting efforts to ensure consistency in compliance auditing across the eight Regional Entities. In addition, 0.25 FTE is budgeted to provide ongoing support of the System Operator Certification Program due to the anticipated retirement of the employee dedicated to supporting this program. The net overall reduction in FTEs in the 2011 Budget from the 2010 Budget is due to elimination of a dedicated FTE to separately support training needs in the Reliability Standards Program and the inclusion of the resources associated with general employee training requirements in the HR administrative function rather than in the Training, Education, and Operator Certification Program.

The principal direct expense components of the 2011 Budget for the Training, Education, and Operator Certification Program are Personnel Expenses (\$1,103,480), Meetings, Travel and Conference Call expenses (\$361,000), and Consultants & Contracts (\$487,658). The allocation of Administrative Services expenses to this program is \$830,818, the allocation of Other Non-Operating Expenses is \$41,482, and the allocation of Fixed Asset additions is \$5,173. As noted earlier, NERC charges fees for system operator certification examinations and to continuing education providers, which are intended to cover the costs of the certification examination program and the certification of the continuing education providers. The 2011 Budget includes projected revenues from these fees and charges totaling \$1,940,000, which is an increase of \$821,250 (73.4%) over the 2010 Budget. The projected increased revenues reflect the higher fee

---

<sup>71</sup> See table on page 57 of **Attachment 2**.

structure that was implemented in December 2009 in order to more fully cover the costs of these programs, as well as more recent information regarding the number of training reservations. In addition, revenue from fees charged for attendance at NERC-sponsored workshops are budgeted to be \$92,500 in 2011, the same amount included in the 2010 Budget.

## **5. Situation Awareness and Infrastructure Security**

NERC's Situation Awareness and Infrastructure Security Program is comprised of two departments, Situation Awareness and CIP. The Situation Awareness department works closely with Situation Awareness personnel at the Regional Entities and governmental authorities, including the Commission, to share information regarding system events and risks to the reliability of the bulk power system. Situation Awareness is responsible for having and providing information regarding current bulk power system vulnerabilities and system and cyber events. It also is home to the ES-ISAC, and monitors the bulk power system to provide real-time situation awareness leadership and coordination services to the electric industry. In 2011, Situation Awareness will begin to implement the common platform tool for the collection and display of system information for the Reliability Coordinators, known as Situation Awareness for FERC, NERC and Regional Entities (SAFNR). Finally, Situation Awareness is responsible for NERC's activities with respect to the North American Synchro-Phasor Initiative (NASPI). NASPI is the international project to advance the application of phasor measurement technology in all interconnections in North America. The objective of NASPI is to use phasor measurement technology to provide grid operators with expanded interconnection visibility and improved situational awareness and to supplement the tools available to operators to monitor and control the bulk power system. The principal 2011 assumptions, goals and deliverables for Situation Awareness are summarized at page 63 of **Attachment 2**.

The CIP department is an expert-based organization which supports NERC's alignment of functions and program areas involving the CIP standards while continuing to enhance the electricity sector's cyber security posture through more effective information sharing, incident analysis, system-level risk assessment, and coordination between industry and the federal government. The CIP department supports NERC activities including CIP standards compliance application guidance, TFE wide-area evaluation, technical expert compliance audit support, standards development, and subject matter input into regulatory matters. CIP department personnel are responsible for leading NERC's efforts to coordinate electric industry activities to promote critical infrastructure protection of the bulk power system in North America in order to reduce vulnerability and improve mitigation and protection of the electricity sector's critical infrastructure to ensure reliability. The principal 2011 assumptions, goals and deliverables for the CIP department are summarized at pages 67-70 of **Attachment 2**.

The budgeted direct expense for 2011 for the Situation Awareness and Infrastructure Security Program is \$10,789,469, which is an increase of \$3,742,124 (53.1%) over the 2010 Budget.<sup>72</sup> The 2011 Budget reflects 25.83 FTEs in this program, an increase of 16.08 FTEs over the staffing in the 2010 Budget. This increase is largely due to the (i) transfer of 4 FTEs from other NERC program areas and the addition of one new (unbudgeted) position during 2010; and (ii) creation of a specialized CIP group which was initially staffed through the transfer of 4 existing employees and the hiring of 3 new staff members in 2010, with four more new FTEs (CIP specialists) to be added in 2011. The FTEs to be added in 2011 will enable CIP to further develop and implement its cyber security risk management activities, meet federal coordination requirements in the U.S. and Canada, and support the growing need to provide subject matter

---

<sup>72</sup> See table on page 62 of **Attachment 2**.

expert support for the CIP standards, TFE determinations, incident analysis and the ES-ISAC. In addition, reflecting the greatly increased staffing and the industry-facing nature of many of the activities of the Situation Awareness and Infrastructure Security Program (such as support for compliance audits of CIP standards and TFE determinations), the budgeted Travel expense for this program is \$359,672 (163%) higher than the 2011 Budget. (However, the 2011 budgeted Travel expense is only 39% higher than the 2010 Projection and thus reflects actual experience during 2010.)

While budgeted Consultants & Contracts expense for this program is slightly lower (by 0.3%) than the 2010 Budget, there are significant increases in Consultants & Contracts expense budgeted for some initiatives and significant decreases for other initiatives. Among the areas of increased Consultants & Contracts funding in the 2011 Budget are (i) approximately \$750,000 for the SAFNR program; and (ii) approximately \$260,000 for CIP and TFE activities. Areas of decreased Consultants & Contracts funding include (i) \$75,000 for cyber preparedness and HILF initiatives, (ii) \$190,000 associated with various reliability tools and initiatives, and (iii) \$100,000 in frame relay expenses to support NERCnet, the communications backbone used by NERC, the Regional Entities and Reliability Coordinators.

The principal direct cost components of the 2011 Budget for the Situation Awareness and Infrastructure Security Program include Personnel Expenses (\$5,344,443), Meetings Expense (including Travel) (\$725,03), and Consultants & Contracts (\$4,581,558). The allocation of Administrative Services expenses to this program in the 2011 Budget is \$3,434,048, and the allocation of Other Non-Operating Expenses is \$171,460. The 2011 Budget for this program also includes a decrease in Fixed Assets (due to Depreciation) of \$45,884, and an allocation of Fixed Asset additions of \$21,380.



## 6. Administrative Services

The Administrative Services departments support the other NERC programs. Administrative Services comprises the following functions: (i) Technical Committees and Members' Forums (which has no budget in 2011); (ii) General and Administrative; (iii) Legal and Regulatory; (iv) Information Technology (IT); (v) Human Resources, and (vi) Finance and Accounting. Detailed descriptions and planned 2011 activities, goals and objectives for each of the functions included in Administrative Services are provided in the text at pages 76-90 of **Attachment 2**. The total budget increase in the Administrative Services departments for 2011 is \$3,865,922, which is primarily the result of: (i) the separation of the TOOF, which in the 2010 Budget provided \$1.6 million of Funding through Membership Dues that was used to offset indirect expenses, (ii) the loss of recovery of \$300,000 of indirect expenses that were allocated to the TOOF, (iii) a combined increase in expenses of approximately \$1.1 million for Personnel and Consultants & Contracts to support IT requirements, and (iv) increases in Office Costs and Professional Services expenses in General and Administrative and IT of approximately \$1.3 million. In addition, the 2011 Budget for Administrative Services includes \$5,000,000 for Working Capital Reserve, which is budgeted in General and Administrative and (alone among the Administrative Services costs) is not allocated to the statutory programs. The provision for Working Capital Reserve is discussed in §IV.C below.

The following paragraphs provide further detail on the 2011 activities and budget requirements for the individual Administrative Services departments.

**Technical Committees and Members' Forums** – As noted earlier, at year-end 2009, the TOOF ceased operations and its leadership formed a separate organization which operates independently from NERC. The Technical Committees and Members' Forums Program will continue to support the activities of NERC's Operating Committee, Planning Committee and

related subcommittees, as well as NERC's activities in certain industry organizations such as the Institute of Electrical and Electronics Engineers. For 2011, costs associated with these activities are budgeted in the program areas in which the NERC personnel supporting the activities are presently assigned. Therefore, with the separation of the TOOF, there are no costs budgeted in Technical Committees and Members' Forums for 2011.

**General and Administrative** – The General and Administrative function is responsible for administration and general management of NERC. Budgeted staffing for this function for 2011 is 7.00 FTEs, an increase of 3.00 FTEs over the 2010 Budget. The personnel budgeted in this function include the NERC President and CEO, a senior advisor to the CEO, an executive assistant, and the NERC communications and public relations staff.

The 2011 Budget for General and Administrative (excluding the provision for Working Capital Reserve) is \$5,201,098, which is an increase of \$1,428,074 (27.5%) over the 2010 Budget. The significant components of this increase are higher Personnel Expenses (increased by \$870,839 (75%)) due primarily to the additional staff budgeted in this function; higher Meetings Expenses (increased by \$129,220 (30.3%)); and higher Professional Services Expense (increased by \$365,000 (44.8%)) reflecting projected costs of Trustee search fees (not previously budgeted) and increased Trustee compensation which was authorized by the Board of Trustees based upon the recommendations contained in an independent market analysis report. Another factor increasing the 2011 Budget for General and Administrative from the 2010 Budget is the loss of recovery of \$300,000 of overhead expenses that was allocated to the TOOF in the 2010 Budget; in the 2010 Budget, this amount was included as a negative Consultants & Contracts expense in the General and Administrative function. The 2011 Budget for Office Costs for this

function is reduced from the 2010 Budget by \$190,002 (31.8%), primarily due to transferring the budget for telecommunications capabilities to the IT function.

**Legal and Regulatory** – The Legal and Regulatory function provides legal and governmental relations support to the organization. Expenses budgeted in this area include the General Counsel, attorneys, and Canadian governmental affairs. The 2011 Budget for Legal and Regulatory is \$2,734,875, which is an increase of \$401,546 (17.2%) over the 2010 Budget. Budgeted staffing for 2011 for Legal and Regulatory is increased from 7.0 FTEs to 8.0 FTEs for the planned addition of a paralegal. Professional Services expense is increased by \$115,000 (20.9%) over the 2010 Budget to reflect increased volume and complexity of required filings with governmental authorities and corporate matters arising from ongoing operations.

**Information Technology** – NERC's IT function is responsible for the design, procurement, implementation, and management of NERC's technology infrastructure, including network servers, applications, and telecommunications, and for implementing and managing logical and physical security controls to protect critical business assets. The principal 2011 assumptions, goals and deliverables of the IT function are summarized at pages 84-85 of **Attachment 2**. The 2011 Budget for IT is \$4,539,253, which is an increase of \$2,019,945 (80.2%) over the 2010 Budget. The transfer of budget responsibility for telecommunications (included in Office Costs) from General and Administrative to IT constitutes a significant component of this budget increase; further, additional costs of \$434,000 are being budgeted in 2011 for enhanced telecommunications capabilities. The 2011 Budget reflects 10.75 FTEs in this function, which is an increase of 3.00 FTEs from the 2010 Budget. Additional dedicated staff is being added to manage NERC's web site, provide help desk support, and manage technology projects. Finally, Consultants & Contracts expense in the 2011 Budget is increased

by \$708,000 (218%) over the 2010 Budget to support a number of technology design and development projects, programming needs and security enhancement. This budget component also includes costs for moving NERC's primary computing facilities, which heretofore have been located within its offices, to an off-site data center with on-site backup power, appropriate fire protection systems and other protection systems.

**Human Resources** – HR manages all of NERC's human resources functions, including new hires, benefits and employee functions, as well as overseeing employee performance appraisals and the incentive structure process. The principal 2011 assumptions, goals and objectives for HR are summarized at page 88 of **Attachment 2**. The 2011 Budget for HR is \$1,241,500, which is an increase of \$232,588 (23.1%) over the 2010 Budget. The 2011 Budget reflects 5.50 FTEs in this function, which is an increase of 2.00 FTE over the 2010 Budget. Although two additional FTEs are budgeted to support administrative and human resources requirements, NERC will continue to evaluate the benefits and costs of obtaining this additional support through a third-party service provider rather than by added staff. Budgeted Consultants & Contracts expense for HR is reduced by \$100,000 (28.6%) from the 2010 Budget.

**Finance and Accounting** – Finance and Accounting manages all of NERC's finance and accounting functions, including employee payroll, 401(k) plans, travel and expense reporting, monthly financial reporting, sales and use taxes, meeting/events planning and services, insurance, internal audit, and facilities management. Finance and Accounting has overall responsibility for development of the annual business plan and budget. The 2011 Budget for Finance and Accounting is \$1,209,180, which is a decrease of \$26,021 (2.1%) from the 2010 Budget. The 2011 Budget reflects 6.5 FTEs in this function, which is a decrease of 2 FTEs from the 2010 Budget. During 2010, an additional accountant was added to the Finance and

Accounting staff, while two employees were transferred to statutory programs. Other than the decrease in Personnel Expenses due to the FTE reduction, there are no significant changes in the 2011 Budget for Finance and Accounting from the 2010 Budget.

**B. Other Non-Operating Expenses – Office Relocation**

More than 30 years ago a decision was made to locate the NERC headquarters in Princeton, New Jersey. This decision was suitable, although perhaps not ideal, for many years when NERC was a small advisory-type electric utility industry organization. However, over the last five years as NERC has transitioned into its role as the international ERO, the Princeton location has presented challenges with regard to recruiting of management and staff from a broad, diverse North American talent pool, in addition to presenting challenges in terms of facilitating efficient and cost effective access to industry stakeholders and government agencies. As a result of these challenges, a number of compromises have been made over the years to allow NERC to meet its staffing demands, including having a large percentage of home-based employees in locations dispersed across more than a dozen states. In addition, although NERC has some meeting space in Princeton, it is rarely used for outside meetings with industry. Stakeholders from across the U.S. and Canada find travel to the Princeton office to be challenging, often involving at least three different modes of transportation and at least an hour of travel time to the nearest major airports. This limited accessibility has caused NERC to depend heavily on the hospitality industry to provide expensive hotel space, catering, and audio-visual support for the hundreds of meetings NERC conducts each year.

In 2007, NERC opened a small office in Washington, D.C. to allow a more robust interface with Commission staff and other government entities. This decision has improved NERC's stature and effectiveness as the ERO and facilitated the necessary frequent personal interactions between NERC and U.S. governmental institutions and authorities.

In anticipation of the expiration of the Princeton lease in May 2013, in early 2010, NERC management initiated an in-depth process to evaluate alternative office locations, with particular focus on the following goals:

1. NERC should be located where cost of living and quality of life enable NERC to attract a diverse and highly talented management team and professional staff from across North America, while also drawing on a strong local workforce.
2. NERC should strive to achieve a high percentage (e.g. at least 90%) of staff working in an office environment to enable management to effectively lead complex operations, develop staff and new leaders, promote team-building, and develop a positive culture for the organization.
3. NERC should be located where stakeholders have easier, cost-effective access to NERC facilities for meetings and interfacing with NERC staff, including close proximity and convenience to one or more major airports and strong local transit options.
4. NERC's office should be located within walking distance to amenities such as hotels, restaurants, and activities to further promote use of office facilities for meetings.
5. NERC should seek to optimize costs, such as for payroll and benefits, rent, meetings and travel, while achieving the other goals, including the use of advanced meeting technologies.
6. NERC should implement its location strategy in a progressive transition over several years in order to maximize retention of valuable existing staff members and minimize disruptions of essential work processes and initiatives.

Although management understood there would be near-term issues and costs that would need to be addressed, the most important outcome of the office selection process was to place NERC in the best position to improve its overall effectiveness as the ERO. An effective location strategy must be aligned with NERC's near and long-term corporate goals to significantly improve access to and interaction with various industry stakeholders and governmental, as well as facilitating personnel recruitment and retention, efficiency, and cost control.

Having weighed these factors, obtained input from existing staff and industry representatives and evaluated numerous options for relocating or not relocating the NERC

offices, the following office location strategy was recommended by management and endorsed by the NERC Board of Trustees in June 2010:

1. **NERC will locate its headquarters in Atlanta, Georgia.** The headquarters location will include the CEO and corporate support functions such as finance, human resources and information technology, as well as “industry-facing” technical functions such as standards, compliance operations, event analysis and investigations, training, education and operator certification, situation awareness, and reliability assessment and performance analysis.
2. **NERC will retain and expand a downtown Washington, D.C. office.** The Washington, D.C. office will be expanded to include functions that depend heavily on government interfaces for success, including legal, compliance enforcement, government affairs, and CIP.

This decision supports NERC’s reliability mission by placing its primary government-facing staff in a downtown Washington, D.C. office in close proximity to key government entities, and by having NERC’s technical operations in a location that is more attractive and cost-effective for recruiting management, technical and administrative staff, as well as providing better access for stakeholders. There were a variety of factors that went into the decision to relocate NERC’s headquarters to Atlanta versus other locations, including lower cost of living; an attractive commercial real estate market; a major airport; and a mass transit rail system directly from the airport terminal to several potential office sites. Atlanta also opens the possibilities of synergies with the Institute of Nuclear Power Operations, which long ago established its headquarters in the area.

NERC anticipates completing the headquarters relocation on a gradual basis, ending no later than the May 2013 expiration of the Princeton lease and sooner if practical with due consideration of budgetary constraints. Given the timing of the preparation and filing of the 2011 Business Plan and Budget following Board endorsement, in June 2010, of the office relocation recommendation, it was not possible to assemble definitive cost estimates for the overall office relocation for inclusion in NERC’s 2011 Budget. NERC has retained outside real

estate experts to assist in evaluating and securing office space, and with their assistance has developed preliminary projections of annual rental and relocation costs. Based on this information, management is confident that NERC should be able to rent space in Atlanta at a cost per square foot no greater than the current cost per square foot in its Princeton location, and to rent additional space in the D.C. market at an equivalent rent on a per square foot basis to its current D.C. office rent. Management is also optimistic that given market conditions in Atlanta, NERC should be able to negotiate additional landlord concessions, including but not limited to free or significantly reduced rent during the first year of the lease, build-out allowances, and other market-based concessions.

To fund relocation-related costs it will begin to incur during 2011, NERC has included Other Non-Operating Expenses of \$750,000 in its 2011 Business Plan and Budget and will also rely on Working Capital Reserve.

### **C. Working Capital Reserve**

In its 2010 Budget, NERC included \$469,043 for provision for Working Capital Reserve, which was the amount projected to be necessary to achieve a Working Capital Reserve of \$0 at December 31, 2010.<sup>73</sup> Although the NERC Board had previously established a Working Capital Reserve target of \$2,500,000, the Board determined that, in light of the overall increase in assessments needed to fund NERC's budgeted expenses for 2010, NERC would not request the assessments necessary to achieve the target Working Capital Reserve of \$2,500,000 at December 31, 2010.<sup>74</sup> For 2011, however, NERC believes it is prudent to re-establish a positive Working

---

<sup>73</sup> At the time of preparation of the 2010 Business Plan and Budget, NERC projected it would have a deficit Working Capital Reserve of (\$469,043) at December 31, 2009.

<sup>74</sup> Achieving a Working Capital reserve of \$2,500,000 at December 31, 2010 would have required an incremental assessment of almost \$3,000,000 for 2010.



Capital Reserve at the target level previously approved by the Board, \$2,500,000. A Working Capital Reserve of this magnitude is appropriate in light of the growth in size of the NERC organization and the associated cash flow requirements, and the potential for unanticipated incremental resource needs driven by potential government directives, industry needs, or litigation that could potentially be initiated in connection with compliance enforcement activities. Further, additional Working Capital Reserve funding is needed to strengthen NERC's balance sheet, which was adversely impacted at year-end 2009 by accrual accounting adjustments. Finally, the impact of including a substantial adjustment to the 2011 statutory assessments to restore the Working Capital Reserve is mitigated by the application of the \$10,175,000 in Penalty payments received from registered entities, which reduces the assessment requirement.

NERC is currently projecting a deficit Working Capital Reserve of (\$2,848,109) at December 31, 2010. NERC is proposing an incremental adjustment to the 2011 assessments of \$5,000,000 for Working Capital Reserve funding, which will enable NERC to achieve a projected Working Capital Reserve of \$2,151,891 at December 31, 2011, and represent substantial progress towards achieving the target Working Capital Reserve of \$2,500,000.<sup>75</sup>

## **V. REGIONAL ENTITY BUSINESS PLANS AND BUDGETS**

### **A. Consistency Among Regional Entity Budgets**

In developing the 2011 Regional Entity Business Plans and Budgets, NERC and the Regional Entities worked to build on the substantial efforts they devoted to achieving consistency of format and presentation of information in the 2008, 2009 and 2010 Business Plans and Budgets. In addition to (i) using a common and consistent format for their 2011 Business Plan and Budget documents, (ii) continuing to use the more consistent accounting methodologies

---

<sup>75</sup> See Table B-1 of **Attachment 2**.

that were developed collaboratively in connection with the 2010 Business Plans and Budgets, and agreed to, among NERC and the Regional Entities, and (iii) continuing to use the common definition of administrative (indirect) costs that was developed in connection with the 2010 Business Plans and Budgets, NERC and the Regional Entities developed and used an extensive set of common assumptions for their 2011 Business Plans and Budgets. The common assumptions are provided in Exhibit A to the NERC 2011 Business Plan and Budget (**Attachment 2**), which is cross-referenced in each of the Regional Entity Business Plans and Budgets. NERC believes that achieving and maintaining consistency among the Regional Entity business plans and budgets is an ongoing process, and NERC intends to continue to work collaboratively with the Regional Entities to achieve even greater consistency in presentation and format in the business plans and budgets in the future.

The Regional Entity Business Plans and Budgets follow a similar format to that used for the NERC Business Plan and Budget. Each Regional Entity Business Plan and Budget begins with an Introduction section that presents a table showing the Regional Entity's budgeted Total Resources for 2011, including statutory and non-statutory FTEs and expenses;<sup>76</sup> the proposed increases or decreases in statutory and non-statutory Fixed Assets and Working Capital Requirement; the total statutory and non-statutory Funding Requirement; and the proposed Assessments to recover the Regional Entity's statutory Funding Requirement, allocated (where applicable) among the U.S., Canadian provinces and Mexico. The Introduction section also provides general information on the Regional Entity, including information on its membership and governance; provides the Regional Entity's principal business plan and budget assumptions

---

<sup>76</sup> Information on non-statutory FTEs, expenses, and funding is, of course, only provided in the business plans and budgets of the Regional Entities that have non-statutory activities – FRCC, NPCC, SPP, Texas RE and WECC.

and goals and principal deliverables for 2011; and provides an overview of the primary cost impacts to the Regional Entity's 2011 Budget, by statutory program and administrative department. The Introduction section includes a table showing the Regional Entity's 2010 Budget, 2010 Projection, 2011 Budget, and Variance between the 2011 Budget and 2010 Budget, for each of the five statutory programs.<sup>77</sup> It also contains a table showing the Regional Entity's FTEs, by statutory program and administrative department, for its 2010 Budget, 2010 Projection, and 2011 Budget.<sup>78</sup> Finally, the Introduction section includes the Regional Entity's overall statutory Statement of Activities, with information presented for its 2010 Budget, 2010 Projection, Variance between its 2010 Budget and 2010 Projection, 2011 Budget, and variance between its 2011 Budget and 2010 Budget.

The Regional Entity Business Plans and Budgets next contain separate sections on each statutory program and administrative department or function of the Regional Entity. These sections are presented in similar format to the NERC Business Plan (Section A of **Attachment 2**), including (i) a table for each statutory program and administrative function showing total FTEs, total direct expenses, total indirect expenses, increase or decrease in fixed assets, and total Funding Requirement, for the 2010 Budget and the 2011 Budget, and (ii) a Statement of Activities for the statutory program or administrative function showing Funding, Expenses and

---

<sup>77</sup> The budget numbers displayed in this table do not include the Regional Entity's proposed 2011 provision for its Working Capital Reserve, and in the case of ReliabilityFirst and WECC, also do not include an allocation of some administrative costs which have been offset by non-assessment sources of Funding, such as Interest income, grant funding, and Miscellaneous income.

<sup>78</sup> This table includes information, where applicable, on the Regional Entity's shared FTEs. A shared FTE is defined as an employee who performs both statutory and non-statutory functions.

Fixed Asset activity by major line item categories.<sup>79</sup> Information is presented in each of the Statements of Activities for the 2010 Budget, the 2010 Projection and the 2011 Budget, and the Variances between the 2010 Budget and 2010 Projection and between the 2011 Budget and the 2010 Budget.<sup>80</sup> The text of these sections for each statutory program includes discussion of the key assumptions, 2011 goals and key deliverables, and reasons for increases or decreases in funding and costs, for the program in 2011.

Section B of each Regional Entity Business Plan and Budget presents supplemental financial information supporting the 2011 statutory Budget. Section B contains tables detailing the development of the adjustment to the Regional Entity's 2011 assessment to achieve its desired Working Capital Reserve at December 31, 2011 (Table B-1); penalty payments received, to be used as an offset to the Regional Entity's funding requirement (Table B-2); Supplemental Funding (*e.g.*, Workshop fees and Interest income) (Table B-3); Personnel Expenses (Table B-4); Consultants and Contracts expense (Table B-5); Office Rent (Table B-6); Office Costs (Table B-7); Professional Services expense (Table B-8); and Other Non-Operating Expenses (Table B-9). Tables B-3 through B-9 are followed, where applicable, by explanations of significant variances between the Regional Entity's 2010 and 2011 Budgets for the funding or cost category.

---

<sup>79</sup> The FRCC 2011 Business Plan and Budget (**Attachment 3**) provides a consolidated summary table and Statement of Activities for General and Administrative covering all its administrative functions, and does not include separate tables for each individual administrative function.

<sup>80</sup> The Statement of Activities for each Regional Entity's General and Administrative function shows its proposed adjustments to its 2011 assessment to provide for Working Capital Reserve as a Funding Requirement for General and Administrative. All Expenses and Fixed Asset activity for the administrative programs are allocated to, and included in the Funding Requirements for, the statutory programs; therefore, no other Funding Requirement is shown for any of the Regional Entity's administrative functions.

Section C of each Regional Entity Business Plan and Budget provides (where applicable) information on the Regional Entity's non-statutory activities for 2011, including program descriptions and objectives, budget information, and FTEs.<sup>81</sup>

Following Section C, each Regional Entity Business Plan and Budget also provides: (1) a 2011 Consolidated Statement of Activities and Capital Expenditures showing the Regional Entity's 2011 budgeted line-item funding sources, expenses, and fixed asset activity, in total, by statutory and (if applicable) non-statutory, and by statutory program and administrative department, as well as the direct expenses and indirect expenses (overheads) for each statutory program; (2) a combined (statutory and, where applicable, non-statutory) Statement of Financial Position at (i) December 31, 2009, based on 2009 actual audited results; (ii) December 31, 2010, based on the Regional Entity's 2010 Projection; and (iii) December 31, 2011, based on the Regional Entity's 2010 Budget; and (3) the Regional Entity's organization chart.

## **B. Discussion of Individual Regional Entity Business Plans and Budgets**

This section summarizes highlights of the individual Regional Entity 2011 Business Plans and Budgets.

### **1. FRCC**

FRCC's total statutory budget for 2011, before adjustment for Working Capital Reserve, is \$5,588,610, an increase of \$167,424 (3.1%) from its 2010 Budget. FRCC's proposed 2011 ERO Assessment amount of \$4,967,000 is only 0.6% higher than its 2010 ERO Assessment, and reflects a \$50,000 offset from Penalty payments received from registered entities. FRCC's

---

<sup>81</sup> MRO, ReliabilityFirst and SERC do not plan to have, and have not budgeted for, any non-statutory activities in 2010. SPP RE is unable to provide a non-statutory budget for 2011 because its planning and budgeting cycle does not result in finalization and Board approval of the overall SPP budget until October. SPP RE has included the overall SPP, Inc. 2010 budget and 2009 actual income statement, for information.

largest area of increase is in Personnel Expense, which is budgeted to increase by \$511,802 (13.9%) over the 2010 Budget. FRCC plans total staffing for statutory and administrative programs of 26.45 FTEs, an increase of 3.86 FTEs over its 2010 Budget. FRCC is budgeting increased resources for its CMEP for 2011, by adding 4.02 FTEs in this program over its 2011 Budget, resulting in budgeted staffing of 16.59 FTEs in its CMEP for 2011. FRCC's 2011 Budget for its CMEP is 10.5% higher than its 2010 Budget. FRCC is not budgeting significant staffing additions in 2011 in any other statutory or administrative program; the net change in staffing for the other statutory programs and the administrative functions from the 2010 Budget is a slight decrease.

FRCC's desired Working Capital Reserve at December 31, 2011 is \$558,861, based on 10% of budgeted annual statutory expenses. FRCC's projected Working Capital Reserve at December 31, 2010, is \$1,026,781; therefore, FRCC's requested 2011 assessment amount is reduced by \$467,920.

FRCC's 2011 budget for non-statutory activities is \$5,450,063.

## **2. MRO**

MRO's total statutory budget for 2011, before adjustment for Working Capital Reserve, is \$8,130,824, an increase of \$764,706 (10.4%) over its 2010 Budget. MRO plans total staffing for statutory and administrative programs of 34.5 FTEs, an increase of 5.5 FTEs over its 2010 Budget. MRO is budgeting increased resources for its CMEP for 2011, with a plan to increase FTEs in this program by 3.87 FTEs over the 2010 Budget, to 17.47 FTEs; and an increase in budgeted expenditures for the CMEP of \$428,158 (9.1%). MRO is not planning significant staffing increases in any other statutory programs or administrative departments.

Due to the increased staffing, MRO's biggest area of expense increase in its 2011 Budget is in Personnel Expenses (\$1,186,942). MRO is budgeting a significant decrease (\$514,909) in

Operating Expenses from its 2010 Budget, due principally to a \$437,335 decrease in budgeted Consultants & Contracts expense. The decrease in budgeted Consultants & Contracts expense reflects that MRO will rely more on its increased (CMEP) staffing, and less on consultants and contractors, for CMEP work generally and for the review of TFE requests specifically. MRO is also budgeting \$126,737 in its Training, Education, and Operator Certification Program in 2011, versus \$0 in its 2010 Budget, due in part to moving training and education-related expenses to the budget for this program from the CMEP budget.

MRO has identified a desired Working Capital Reserve at December 31, 2011, of \$1,002,430, representing 45 days of cash. MRO currently projects a Working Capital Reserve of \$735,752 at December 31, 2010, necessitating an increment of \$266,678 in its 2011 assessments to reach the target Working Capital Reserve at December 31, 2011. Additionally, MRO's statutory assessment requirement for 2011 is reduced by \$137,000 of Penalty payments received from registered entities.

MRO plans no non-statutory activities in 2011 and therefore has no 2011 Budget for non-statutory activities.

### **3. NPCC**

NPCC's statutory budget for 2011, before provision for Working Capital Reserve, is \$12,716,809, an increase of \$1,362,725 (12.0%) over its 2010 Budget. NPCC plans total staffing for statutory and administrative programs of 31.42 FTEs, an increase of 4.01 FTEs over its 2010 Budget. The increased FTEs are comprised of 2.0 FTEs in the CMEP, 1.0 FTE in Situation Awareness and Infrastructure Security, and 1.0 FTE in IT. No staffing changes are budgeted for any other statutory programs or administrative departments. With respect to its statutory programs, NPCC is budgeting increases of \$1,180,382 (19.0%) in the CMEP, \$89,110 (81.4%) in Training, Education, and Operator Certification, and \$359,189 (32.4%) in Situation

Awareness and Infrastructure Security; and decreases of \$36,231 (3.3%) in Reliability Standards and \$229,726 (8.1%) in Reliability Assessments and Performance Analysis. As a result of the net increase in staffing, NPCC is budgeting an increase of \$857,135 in Personnel Expenses over its 2010 Budget. NPCC is also budgeting an increase of \$468,723 (26.2%) in Consultants & Contracts expense, primarily due to anticipated increased use of consultants in its CMEP, in light of the projected increase in number, scope and complexity (*i.e.*, more coverage of CIP standards) of compliance audits and other compliance monitoring activities in 2011.

NPCC's target Working Capital Reserve at December 31, 2011 is \$3,179,202, based on 25% of its total Regional Entity (statutory) budget. NPCC currently projects a Working Capital Reserve of \$2,814,901 at December 31, 2010; therefore, an increment to the 2011 assessments of \$364,302 is needed to reach the target Working Capital Reserve at December 31, 2011. Additionally, NPCC's statutory assessment requirement for 2011 is reduced by \$308,500 of Penalty payments received from registered entities.

NPCC's total non-statutory (Criteria Services Division) budget for 2011 is \$349,600.

For purposes of determining the assessments to recover NPCC's statutory funding requirement, the statutory funding requirement is allocated among the Balancing Authority Areas within NPCC in the U.S. (New York and New England), Ontario, Québec, New Brunswick and Nova Scotia. A portion (55%) of NPCC's statutory costs for the Compliance and Organization Registration Program ("CORC") is allocated between the U.S. and Canadian Balancing Authority Areas on the basis of NEL and a portion (45%) of the CORC costs is allocated between the U.S. and the Canadian provinces using an audit-based methodology. The portion of the costs allocated to the U.S using the audit-based methodology is then allocated between the New York and New England Balancing Authority Areas on the basis of NEL, as required by the



Commission's *July 16, 2009 Budget Compliance Order*.<sup>82</sup> The narrative discussion on pages 79-80, and the table on page 81, of NPCC's Business Plan and Budget (**Attachment 5**) explain and show the development of the 2011 assessments by Balancing Authority Area within NPCC to recover NPCC's statutory funding requirement. This presentation is consistent with the explanation of the allocation methodology provided at pages 26-28, and the table provided in Attachment 3, of the *December 11, 2009 Budget Order Compliance Filing*.

#### **4. ReliabilityFirst**

ReliabilityFirst has a total statutory budget for 2011 of \$15,219,650 before provision for Working Capital Reserve,<sup>83</sup> an increase of \$1,034,936 (7.3%) over its 2010 Budget. However, ReliabilityFirst's proposed statutory assessments, which were significantly increased in its 2010 Budget over its 2009 Budget, are decreasing from \$14,345,192 in 2010 to \$12,803,844 for 2011. ReliabilityFirst's proposed assessments are reduced by \$878,900 of Penalty payments received from registered entities (versus \$180,000 in the 2010 Budget), \$40,000 of budgeted Interest income, and a reduction in the 2011 assessment of \$1,496,905 due to ReliabilityFirst's projected Working Capital Reserve at December 31, 2010 significantly exceeding its target Working Capital Reserve.

ReliabilityFirst plans total 2011 staffing for statutory and administrative programs of 68 FTEs, an increase of 10 FTEs over its 2010 Budget. ReliabilityFirst is budgeting 42.75 FTEs for its CMEP, an increase of 6.25 FTEs over the 2010 Budget for this program. ReliabilityFirst is also budgeting an increase in staffing for the Training, Education, and Operator Certification program of 3.05 FTEs (from 0.05 FTEs in the 2010 Budget to 3.10 FTEs in 2011); and a net

---

<sup>82</sup> *July 16, 2009 Budget Compliance Order* at PP 38-41.

<sup>83</sup> The \$15,219,650 figure also excludes \$40,000 of unallocated overhead expenses that are offset by Interest income.

increase of 1.55 FTEs in its administrative programs. Due to the increased staffing, ReliabilityFirst's budgeted Personnel Expenses are increasing by \$1,595,128 over its 2010 Budget. ReliabilityFirst is also budgeting an increase of \$124,000 (21.7%) in Consultants & Contracts expense over its 2010 Budget; a significant part of this increase is due to the use of contractors in the Reliability Assessment and Performance Analysis program to assist with the Under Frequency Load Shedding dynamic analysis. However, ReliabilityFirst is also budgeting a decrease of \$734,982 (48%) in Professional Services expense from the 2010 Budget, due to hiring in-house attorneys and consequent reduced use of outside counsel for legal matters.

ReliabilityFirst's target Working Capital Reserve at December 31, 2011 is \$1,000,000, based on a policy to maintain a Working Capital Reserve of approximately 10% of budgeted expenses, but no less than \$1,000,000. ReliabilityFirst projects a Working Capital Reserve at December 31, 2010 of \$2,496,905. Therefore, as noted above, ReliabilityFirst's requested assessment amount for 2011 reflects a decremental adjustment of \$1,496,905 to reach the desired Working Capital Reserve at December 31, 2011.

ReliabilityFirst plans no non-statutory activities in 2011 and therefore has no 2011 Budget for non-statutory activities.

## **5. SERC**

SERC's total statutory budget for 2011 is \$11,776,640 before provision for Working Capital Reserve, an increase of \$1,074,957 (10.0%) over its 2010 Budget. However, SERC's proposed 2011 statutory assessment is only 8.5% higher than its 2010 assessments, due to (i) application of \$919,000 in Penalty payments received from registered entities to offset assessments (an increase of \$341,000 over the 2010 Budget), (ii) \$280,500 in budgeted attendance fees for Workshops, (iii) \$10,000 in projected Interest income, and (iv) \$40,000 in Other Funding representing the estimated billings to FRCC and SPP RE in 2011 for SERC's

performance of CMEP responsibilities with respect to registered functions for which FRCC and SPP, Inc., respectively, are registered entities.

SERC plans total staffing for statutory and administrative programs of 53.5 FTEs, an increase of 8.0 FTEs over its 2010 Budget. SERC is planning to increase staffing in its CMEP by 6.0 FTEs over its 2010 Budget, to 28 FTEs in the CMEP; there is no net increase in SERC's proposed staffing in its other statutory programs over the 2010 Budget. The total increase in SERC's 2011 Budget for its CMEP is \$1,195,457 (17.9%). SERC is budgeting increased total expenses of only \$76,552 for Reliability Standards, and decreased total expenses for the other three statutory programs. SERC has budgeted for increased Consultants & Contracts expense to support non-CIP audits (due to uneven workflow during the year) and Compliance Investigations; and for funding for IT consultants for maintenance and enhancements to Regional Entity Consortium Users Group projects. Finally, SERC is adding an executive position and an in-house attorney in General and Administrative.

SERC's target Working Capital Reserve at December 31, 2011 is \$1,195,519, based on a target of up to 10% of budgeted annual statutory operating costs. SERC currently projects a Working Capital Reserve at December 31, 2010 of \$1,970,151. SERC's proposed statutory assessments for 2011 include \$144,368 for Working Capital Reserve. As noted earlier, SERC's statutory assessments for 2011 are reduced by \$919,000 of Penalty payments received from registered entities and by \$330,500 of income from other funding sources.

SERC plans no non-statutory activities in 2011 and therefore has no 2011 Budget for non-statutory activities.

## **6. SPP RE**

SPP RE's total 2011 statutory budget is \$9,797,236, an increase of \$1,658,454 (20.4%) over its 2010 Budget. SPP RE plans total staffing for statutory and administrative programs of

29.67 FTEs, an increase of 5.42 FTEs over its 2010 Budget. The increased staffing includes the addition of 3.92 FTEs in SPP RE's CMEP over its 2010 Budget, resulting in total budgeted CMEP staffing of 17.92 FTEs. SPP RE is budgeting significantly increased expenses over its 2010 Budget for its CMEP (\$912,449 (14.7%)), Reliability Assessment and Performance Analysis program (\$614,393 (50.7%)) and Training, Education, and Operator Certification program (\$246,580 (817.0%)), and decreased expenses for its Situation Awareness and Infrastructure Security program (\$135,643 (57.1%)).<sup>84</sup> The budget increase for the Reliability Assessment and Performance Analysis program is primarily directed to strengthening SPP RE's capabilities in Event Analysis. The budget increase in the Training, Education, and Operator Certification program is intended to provide adequate funding to design, develop and conduct training and education programs centered around Critical Infrastructure Protection, lessons learned, effective compliance cultures, self-reporting, and self-certification.

SPP RE is budgeting an increase in Administrative Services expenses of \$107,262 (7.7%) over its 2010 Budget. SPP RE's 2011 budgeted hourly indirect expense allocation rate for support services performed by SPP, Inc., based on 2009 actual results, is \$69.35 per hour of direct statutory program activity.<sup>85</sup> The indirect expense allocation rate for support services performed by SPP, Inc. used in SPP RE's 2010 Budget was \$64.49 per hour. The calculation of the hourly indirect expense allocation rate follows the procedure and format detailed in

---

<sup>84</sup> Because SPP RE has only one FTE budgeted for the Training, Education and Operator Certification program, it has budgeted Personnel Expenses for this program in the CMEP in order to protect the confidentiality of the individual employee's compensation information.

<sup>85</sup> The hourly indirect expense rate used in the 2011 Budget is the estimated rate for 2011, calculated using actual data for 2009 (*see* the calculation of the rate in Section E of **Attachment 8**). As the year progresses and better estimates can be made, this rate may be adjusted. At the end of the year, an actual indirect charge rate is calculated and used to finalize SPP RE's actual expenses for the year.

Attachment 7 to the *2008 Budget True-up Filing*,<sup>86</sup> which the Commission accepted in an Order issued June 29, 2009.<sup>87</sup>

As discussed in previous years' Business Plan and Budget filings and in other filings,<sup>88</sup> SPP RE has determined it does not need to establish or budget for a Working Capital Reserve, because it has access to operating cash balances and bank lines of credit of SPP, Inc. for short-term funding needs. However, as shown in Table B-1 in Section B of **Attachment 8**, SPP RE projects it will have a Working Capital Reserve of \$514,752 at December 31, 2010. Accordingly, SPP RE has reduced its requested 2011 assessment amount by \$514,752. SPP RE's requested 2011 assessment amount is also reduced by \$187,500 of Penalty payments received from registered entities.

As in prior years' filings, SPP RE is unable to provide a 2011 Budget for SPP, Inc.'s non-statutory activities because SPP, Inc.'s overall annual budget for 2011 will not be approved, in accordance with SPP, Inc.'s normal planning and budgeting cycle, until October 2010. SPP RE has included its 2010 budget for non-statutory activities (as previously filed with the Commission in Docket Nos. ER08-1338, RT04-1 and ER04-48), as well as its 2009 actual results, in Section C of its Business Plan and Budget, for information.

---

<sup>86</sup> *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 Budget True-up Filing*).

<sup>87</sup> *North American Electric Reliability Corporation, Order Conditionally Accepting Compliance Filings*, 127 FERC ¶61,307 (2009) (*June 29, 2009 True-Up Order*), at PP 15-22.

<sup>88</sup> *See, e.g., December 15, 2008 Budget Order Compliance Filing* at 53-54.

## 7. Texas RE

Texas RE's total 2011 statutory budget is \$9,363,964 before provision for Working Capital Reserve, an increase of \$147,571 (1.6%) over its 2010 Budget.<sup>89</sup> Texas RE's 2011 budget increase over 2010 is relatively modest due to the fact that many start-up and other one-time costs in the 2010 Budget associated with the formation of Texas RE and its assumption of responsibilities from Texas Regional Entity are not included in Texas RE's 2011 Budget. For example, Texas RE's Computer & Software Capital Expenditures and Furniture & Fixtures Capital Expenditures are reduced by \$791,500 and \$332,215, respectively, over the 2010 Budget; many of these capital expenditures in the 2010 Budget were incurred in connection with the separation and startup of Texas RE.

Texas RE plans total staffing for statutory and administrative programs of 49.0 FTEs, an increase of 9.5 FTEs over its 2010 Budget. Texas RE is budgeting increased staffing of 7.38 FTEs for its CMEP, to 29.12 FTEs; a net increase of 0.52 FTEs for its other statutory programs; and increased staffing of 1.6 FTEs for Administrative Services, over its 2010 Budget. In the CMEP, 4.0 of the additional FTEs are intended specifically for Compliance Audit activities (both CIP and non-CIP audits). Texas RE's budgeted increase in direct expenses for the CMEP over the 2010 Budget is \$1,525,358 (44%). Texas RE's largest category of increase in total expenses is in Personnel Expenses (\$1,397,169), reflecting the increased staffing.

Texas RE is budgeting an increase in Office Rent of \$135,000 due to the need to expand its space to accommodate the increased personnel, and in anticipation of moving to a new office location, since Texas RE's existing lease expires on December 31, 2010. Additionally, due to

---

<sup>89</sup> All comparisons to the 2010 Budget are to the Amended 2010 Budget of Texas RE, reflecting the operation of Texas RE as a new, standalone Regional Entity unaffiliated with ERCOT, which was approved by the Commission in a letter Order issued May 6, 2010 in Docket No. RR10-6-000 (131 FERC ¶ 61,112).

the significant reduction in Texas RE's non-statutory activities from 2010 and prior years (see below), a greater portion of Office Rent is allocated to the statutory budget in 2011. Texas RE's 2011 Budget shows an increase of \$597,591 in Consultants expense and a decrease of \$464,246 in Professional Services, over the 2010 Budget; these changes are largely due to budgeting IT professional services in Consultants & Contracts rather than in Professional Services. However, Texas RE must acquire IT services from third-party vendors at higher costs than Texas Regional Entity previously incurred to obtain such services from ERCOT.

Texas RE's desired Working Capital Reserve at December 31, 2011 is \$1,955,558, representing an approximate 75 day cash reserve. Texas RE projects a Working Capital Reserve of \$1,828,099 at December 31, 2010. Texas RE's proposed 2011 statutory assessment includes \$127,459 for Working Capital Reserve. Texas RE's proposed 2011 statutory assessment is reduced by \$20,000 in Penalty payments received from registered entities, and \$243,600 in other budgeted funding sources, including \$27,500 in Membership Dues and \$215,500 in fees for Workshops and Seminars.

Texas RE's total non-statutory budget for 2011 is \$265,269, a reduction of \$883,163 from its 2010 non-statutory budget (*see* Section C of **Attachment 9**). Texas RE does not anticipate performing the audits, investigation, and other monitoring and reporting of market participants' compliance with ERCOT Protocols and Operating Guides that Texas RE and its predecessor, Texas Regional Entity, performed in 2010 and previous years. However, for a transitional period (including 2011), Texas RE will need to respond to subpoenas and provide testimony and technical support to the Public Utility Commission of Texas regarding Texas RE's non-statutory compliance and reporting activities conducted in previous years.

## 8. WECC<sup>90</sup>

WECC's 2010 total statutory budget is \$68,205,449 before provision for Working Capital, an increase of \$8,985,168 (15.2%) over its 2010 Budget.<sup>91</sup> However, WECC's 2010 Budget included \$19.9 million in expenses and fixed asset additions funded by federal grants, while the 2011 Budget includes \$28.1 million in expenses and fixed asset additions funded by federal grants.<sup>92</sup> Therefore, WECC's statutory budget components associated with federal grant activities are increasing by approximately \$8.1 million, or 41%, over the 2010 Budget; while statutory budget components not associated with federal grant activities are increasing by \$844,664, or 2.1%, over the 2010 Budget.

WECC plans total staffing for statutory and administrative programs of 207.9 FTEs, an increase of 26.1 FTEs over its 2010 Budget. Of this staffing increase, 16.9 FTEs are being added to the direct statutory programs, including 8.5 FTEs to the CMEP and 8.2 FTEs to the Situation

---

<sup>90</sup> NERC notes the issuance, on August 20, 2010, of the Commission's Order concerning the audit of WECC's Regional Entity function conducted by the Division of Audits in the Office of Enforcement. *Western Electricity Coordinating Council, Order Approving Audit Report, Determining Issue of Separation of Functions, and Directing Compliance and Other Corrective Actions*, 132 FERC ¶ 61,149 (2010). NERC is in the process of reviewing this Order, the Audit Report and WECC's response to the Audit Report, to identify any impacts on WECC's proposed 2011 Business Plan and Budget, including the extent to which WECC's 2011 Budget includes costs for its Interchange Authority functions as statutory costs. NERC notes that in a letter Order issued July 23, 2010, in Docket No. RR10-9-000, the Commission approved (1) an amendment to Exhibit E to NERC's Delegation Agreement with WECC "to expressly recognize . . . the WECC Interchange Tool as statutory activities under the Situation Awareness and Infrastructure Security Program," and (2) WECC's Amended 2010 Business Plan and Budget which included costs for the WECC Interchange Tool (WIT) in the Situation Awareness and Infrastructure Security budget.

<sup>91</sup> All comparisons to WECC's 2010 Budget are to WECC's Amended 2010 Budget that was approved by the Commission in its letter Order issued July 23, 2010 in Docket RR10-9-000.

<sup>92</sup> Appendix A to WECC's 2011 Business Plan and Budget (**Attachment 10**) provides information on each of the three U.S. DOE grants from which WECC will receive funding during 2011 and the associated grant-related activities WECC will be performing or overseeing.



Awareness and Infrastructure Security program; while 9.2 FTEs are being added to Administrative Services. WECC's total budgeted staffing for 2011 includes 58.5 FTEs in the CMEP, 21.7 FTEs in the Reliability Assessment and Performance Analysis program, and 70.8 FTEs in the Situation Awareness and Infrastructure Security program, which includes WECC's registered function as Reliability Coordinator for the WECC Region. A portion of the staffing in both the Reliability Assessment and Performance Analysis program and the Situation Awareness and Infrastructure Security program is for federal grant activities, and the costs for these personnel are paid for by the grant funding. In particular, 6.2 FTEs are being added in Situation Awareness and Infrastructure Security to support the Western Interconnection Synchrophasor Program ("WISP") infrastructure. Of the 9.2 FTEs being added in Administrative Services, 3.0 FTEs, including two in-house attorneys, are being added in Legal and Regulatory to provide additional in-house legal support, and also enable a reduction in budgeted Professional Services for outside legal services. Two FTEs are being added in IT, 1.7 FTE is being added in General and Administrative, and one FTE is being added in each of Human Resources and Finance and Accounting.

WECC's budgeted increases for 2011 over its 2010 Budget, by statutory program area, are: Reliability Standards, \$372,631 (50.4%); CMEP, \$556,059 (4.2%); Reliability Assessment and Performance Analysis, \$176,262 (2.0%); Training, Education, and Operator Certification, (\$144,683) (-12.4%); and Situation Awareness and Infrastructure Security, \$7,681,897 (22.0%). However, federal grant funding and expenditures for activities in the Situation Awareness and Infrastructure Security program, relating to the WISP, is actually increasing by \$8,300,835 over the 2010 Budget; therefore, non-grant-related expenditures in this program area are decreasing. The budget increase for the CMEP is driven by a projected increase in compliance monitoring

activities in 2011, due primarily due to the increase in the number of standards to be monitored (as more registered entities become required to be compliant with CIP Standards), increased scope of compliance audits, and additional Canadian and Mexican compliance monitoring responsibilities. However, based on the increased CMEP staffing, WECC is reducing budgeted Consultants & Contracts expense for the CMEP by \$785,000 from its 2010 Budget. (WECC's overall 2011 budget for Consultants & Contracts is increasing by \$1,540,000, primarily due to work associated with the DOE grants that will be funded by the grants.) Additionally, WECC has reduced budgeted Professional Services expenses in the CMEP by \$137,000 from the 2010 Budget, due to assuming fewer resources are needed for compliance hearings than was assumed in previous budgets.

WECC is budgeting an increase of \$572,000 in Office Rent over its 2010 Budget due to expansion of WECC's headquarters offices in Salt Lake City, Utah. However, due to the availability of new meeting and training facilities in the Salt Lake City office, Travel and Meeting expenses in the 2011 Budget are reduced by \$242,000 from the 2010 Budget. WECC is also budgeting an increase of \$1,574,540 in Office Costs, of which \$576,000 relates to a new webSAS license for the Situation Awareness and Infrastructure Security program; the remaining increase in Office Costs is largely attributable to increased maintenance costs, Wide-Area Network costs, and warranty renewals for the WECC Reliability Coordination Centers. Finally, during 2010, WECC is completing repayment of the line of credit that was entered into to fund the accelerated completion and operation of the two new WECC-owned Reliability Coordination Centers in Washington and Colorado.<sup>93</sup> As a result, WECC's Other Non-Operating Expenses in

---

<sup>93</sup> In an Order issued April 17, 2008 in Docket No. RR07-16-002, the Commission approved an amendment to WECC's 2008 Budget to provide for increased expenditures for the accelerated completion of the Reliability Coordination Strategic Initiative and the use of a \$6 million line of

its 2011 Budget are reduced by \$2,966,207 due to elimination of interest payments and principal repayments on the loan.

WECC's target Working Capital Reserve at December 31, 2010 is \$847,498, which is equal to WECC's projected Working Capital Reserve at December 31, 2010. The WECC Board determined this Working Capital Reserve amount is appropriate for 2011 based on the projected 2011 statutory expenses and WECC's practice of collecting its full annual assessment from LSEs and designees at the beginning of the year.<sup>94</sup> As a result, WECC is not proposing an adjustment to its requested 2011 statutory assessments to fund its Working Capital Reserve. In addition to the \$28,066,621 of budgeted federal grant funding, WECC's 2011 statutory assessment requirement is reduced by \$865,650 of Penalty payments received from registered entities, \$1,003,650 of Workshop attendance fees, and \$350,000 of budgeted Interest income.

WECC's total non-statutory budget for 2011 is \$1,578,070.

WECC's allocation of its assessment to the AESO for the Province of Alberta has been reduced by \$345,836, representing WECC CMEP costs that are considered duplicative of Compliance and Enforcement Programs of the AESO. The AESO credit amount is allocated to the remainder of the LSEs (Balancing Authorities) in the WECC Region on the basis of NEL. Appendix C to the 2011 WECC Business Plan and Budget (**Attachment 10**) shows the calculation of the \$345,836 adjustment to the assessment to AESO. The adjustment to the AESO

---

credit in 2008 to fund these increased expenditures, and also approved the inclusion of loan repayment and interest costs in WECC's 2009 and 2010 assessments. *Order Approving Amendment to Western Electricity Coordinating Council Business Plan and Budget*, 123 FERC ¶ 61,031 (2008).

<sup>94</sup> Because WECC, unlike other Regional Entities, bills and collects its entire annual statutory assessment from LSEs in one payment at the beginning of the year (rather than in four quarterly installments), WECC has lower cash flow variability, and is also able to maintain larger cash balances on which it can earn Interest income.

assessment is calculated using the same procedure that was used in calculating the AESO adjustment in WECC's 2010 Business Plan and Budget.

### **C. Metrics Related to Regional Entity Budgets**

In its 2008 and 2009 Business Plan and Budget filings, NERC included attachments providing metrics developed by NERC and the Regional Entities to be used as a further aid to understanding where and why differences exist among the Regional Entities' activities and budgets. In the *2008 Budget Order* and *2009 Budget Order*, the Commission reviewed these attachments, noted that they were generally useful, indicated additional metrics that NERC and the Regional Entities should develop and present in the future, and encouraged NERC and the Regional Entities to continue the development, analysis and explanation of the metrics in future filings.<sup>95</sup> Among other comments, the Commission stated in the *2009 Budget Order*:

The Commission appreciates NERC's improvements to the metrics pursuant to the 2008 Budget Order. While the metrics provide a valuable tool for benchmarking and comparing Regional Entity budgets, there are two specific matters that need further refinement. First, the metrics lack a uniform description regarding the types of audits which the Regional Entities perform. Specifically, it is not clear among the Regional Entities what constitutes a "large audit," "medium audit," "small audit," "tabletop audit," "offsite audit," or "other audit." It appears that these terms are used interchangeably among the Regional Entities and that the terms may mean different things to different entities. This lack of uniformity limits the usefulness of the data. The Commission, therefore, directs NERC to include in its compliance filing (1) standardized terminology regarding the different types of audits, and (2) revised audit-related metrics applying the standardized terminology.<sup>96</sup>

---

<sup>95</sup> See, e.g., *2008 Budget Order* at PP 34-35; *2009 Budget Order* at PP 47-48.

<sup>96</sup> *2009 Budget Order* at P 47.

NERC provided the additional information on compliance audits requested in the *2009 Budget Order* in the *December 15, 2008 Budget Order Compliance Filing*.<sup>97</sup> The Commission found this information to be acceptable in the *July 16, 2009 Budget Compliance Order*.<sup>98</sup>

NERC presented similar metrics information on the Regional Entities' operations as part of the *2010 Budget Filing*. **Attachment 15** contains similar metrics information to that provided in Attachment 15 of the *2010 Budget Filing*, based on the Regional Entities' 2011 Business Plans and Budgets. The text of **Attachment 15** provides discussion and analysis of the metrics data.

In the *June 19, 2008 Budget Compliance Order*, the Commission directed NERC to develop additional metrics on the Regional Entities' administrative costs, such as the data presented in Attachment A to that Order, to be presented in future annual budget-to-actual cost true up filings and in the annual Business Plan and Budget filings beginning with the filing for 2010.<sup>99</sup> In response, NERC developed a set of metrics on NERC's and the Regional Entities' administrative costs, which it provided in the *2008 Budget True-up Filing*. These metrics included:

- Statutory indirect expenses as a percent of total statutory expenses, and statutory direct expenses per dollar of statutory indirect expenses
- Statutory indirect FTEs as a percent of total statutory FTEs, and ratio of direct statutory FTEs to indirect statutory FTEs.
- Total statutory expenses per total FTE, statutory direct expenses per direct FTE, statutory indirect expenses per indirect FTE, and statutory indirect expenses per total FTE.<sup>100</sup>

---

<sup>97</sup> *December 15, 2008 Budget Order Compliance Filing* at 36-39 and Attachment 4.

<sup>98</sup> *July 16, 2009 Budget Compliance Order* at PP 29-31.

<sup>99</sup> *North American Electric Reliability Corporation, Order Conditionally Accepting Compliance Filing*, 123 FERC ¶ 61,282 (2008) (*June 19, 2008 Budget Compliance Order*) at P 39.

<sup>100</sup> See *2008 Budget True-up Filing* at 8-13 and Attachment 10.

In the *June 29, 2009 True-up Order*, the Commission indicated the metrics on administrative costs provided in the *2008 Budget True-up Filing* were generally useful.<sup>101</sup> NERC provided these same administrative cost metrics in Attachment 16 to its *2010 Budget Filing*, based on the NERC and Regional Entity 2010 Business Plans and Budgets.<sup>102</sup>

**Attachment 16** presents, for the 2011 NERC and Regional Entity Budgets, the same metrics on administrative costs that were provided in the *2008 Budget True-up Filing* for 2008 actual costs and in Attachment 16 to the *2010 Budget Filing* based on 2010 budgeted costs. **Attachment 16** also provides discussion of the 2011 budgeted administrative cost metrics including analysis of the changes in the administrative cost metrics from the 2010 Budgets to the 2011 Budgets.

## **VI. NERC AND REGIONAL ENTITY AUDITED FINANCIAL STATEMENTS FOR 2009**

Section 1105.1 of the NERC Rules of Procedure specifies that the annual Business Plan and Budget filing must include the previous year's audited financial statements for NERC and the Regional Entities. However, NERC provided its audited financial statements, and those of the Regional Entities, for 2009, including the report of each entity's independent auditor, to the Commission in the *2009 Budget True-up Filing*.<sup>103</sup> Therefore, the audited 2009 financial statements for NERC and the Regional Entities are not being included with this filing.<sup>104</sup>

---

<sup>101</sup> *June 29, 2009 True-up Order* at PP 10-14.

<sup>102</sup> In addition, NERC's *2009 Budget True-up Filing* included, in Attachment 10, the same metrics concerning administrative costs based on the 2009 NERC and Regional Entity budgets and actual costs.

<sup>103</sup> The audited 2009 financial statements were included in Attachments 1 through 9 to the *2009 Budget True-up Filing*. Inclusion of the audited financial statements for 2009 in the *2009 Budget True-up Filing* was consistent with the Commission's earlier approval of NERC's proposal to change the date of the annual actual cost-to-budget true-up filings to May 31 so that these filings

## VII. UPDATE ON STATUS OF PROCESSING ALLEGED VIOLATIONS OF RELIABILITY STANDARDS

In its *2010 Budget Filing*, NERC provided a status report on the progress achieved by NERC and the Regional Entities, since the fourth quarter of 2008, in reducing the backlog of alleged violations of reliability standards that had not been processed to completion.<sup>105</sup> This report was provided as Attachment 19 to the *2010 Budget Filing*. Attachment 19 also described the initiatives being undertaken by NERC and the Regional Entities to process new allegations of violations in a more expeditious manner.<sup>106</sup> In the instant filing, NERC is providing, as **Attachment 17**, a further status report on the progress of NERC and the Regional Entities in processing allegations of violations and in reducing the time required to process an allegation of violation to closure. **Attachment 17** updates the information provided in Attachment 19 of the *2010 Budget Filing*, through June 30, 2010.

---

can be based on audited financial results for the preceding year. *June 29, 2009 True-Up Order* at PP 23-24. The Commission accepted the *2009 Budget True-up Filing* by letter order issued August 6, 2010.

<sup>104</sup> On June 9, 2010, NERC filed with the Commission for approval proposed amendments to the NERC Rules of Procedure, including an amendment to §1105.1 to delete the provision specifying that the annual budget filing with the Commission will include NERC's and the Regional Entities' audited financial statements for the preceding year. *North American Electric Reliability Corporation, Petition for Approval of Revised Pro Forma Delegation Agreement, Revised Delegation Agreements with the Eight Regional Entities, and Amendments to the NERC Rules of Procedure*, filed June 9, 2010 in Docket No. RR10-11-000.

<sup>105</sup> This status report was included in the *2010 Budget Filing* in response to a Commission directive in the *July 16, 2009 Budget Compliance Order*, at P 18.

<sup>106</sup> See the *2010 Budget Filing* at 72-73.

## VIII. CONCLUSION

Based on the information in this filing, including its Attachments, NERC requests that the Commission issue an order pursuant to 18 C.F.R. §39.4, on or before November 2, 2010: (1) accepting NERC's proposed 2011 Business Plan and Budget in **Attachment 2**; (2) accepting the proposed 2011 Business Plans and Budgets of the eight Regional Entities for statutory activities in **Attachments 3 through 10**; (3) accepting the proposed budget and funding requirement of WIRAB for 2011 in **Attachment 11**; and (4) approving the proposed assessments to each load-serving entity or designee or other entities to be billed within each Region, as set forth in Appendix 2 to **Attachment 2**, to be billed to and paid by each such load-serving entity or designee or other entity to fund the portion of NERC's 2011 Funding requirement allocated to the United States and the 2011 Funding requirement for statutory activities of each Regional Entity allocated to the United States.

Respectfully submitted,

Gerald W. Cauley  
President and Chief Executive Officer  
David N. Cook  
Senior Vice President and General Counsel  
Michael Walker  
Senior Vice President  
North American Electric Reliability  
Corporation  
116-390 Village Boulevard  
Princeton, NJ 08540-5721  
(609) 452-8060  
(609) 452-9550 – facsimile  
[david.cook@nerc.net](mailto:david.cook@nerc.net)

/s/ Owen E. MacBride  
Owen E. MacBride  
Debra Ann Palmer  
Schiff Hardin LLP  
1666 K Street, N.W., Suite 300  
Washington, DC 20006  
(202) 778-6400  
(202) 778-6460 – facsimile  
[omacbride@schiffhardin.com](mailto:omacbride@schiffhardin.com)  
[dpalmer@schiffhardin.com](mailto:dpalmer@schiffhardin.com)

Rebecca J. Michael, Assistant General Counsel  
North American Electric Reliability Corporation  
1120 G Street, N.W., Suite 990  
Washington, D.C. 20005-3801  
(202) 393-3998  
(202) 393-3955 – facsimile  
[Rebecca.michael@nerc.net](mailto:Rebecca.michael@nerc.net)



**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 1**

**SUMMARY TABLES FOR NERC AND REGIONAL ENTITY**

**PROPOSED 2011 BUDGETS AND ASSESSMENTS**

# Attachment 1

## NERC'S Proposed Budget by Program<sup>1</sup>

NERC Program	2010 Budget for Statutory Functions	2011 Budget for Statutory Functions
Reliability Standards	\$ 6,248,620	\$ 7,682,752
Compliance Enforcement and Organization Registration and Certification	\$ 14,717,513	\$ 17,457,901
Training, Education and Operator Certification	\$ 2,713,631	\$ 2,923,011
Reliability Assessment and Performance Analysis	\$ 6,631,858	\$ 6,292,329
Situational Awareness and Infrastructure Security	\$ 8,148,934	\$ 14,370,473
Unallocated Administrative Services <sup>2</sup>	\$ 1,627,808	
<b>Total Budget</b>	<b>\$ 40,088,365</b>	<b>\$ 48,726,466</b>

<sup>1</sup>Does not include the proposed provision for Working Capital reserve funding

<sup>2</sup>In 2010, includes \$1,617,808 for the Transmission Owners and Operators Forum which is totally funded by member fees and \$10,000 of undetected Administrative Services Expense offset by interest income

## Proposed Budget for Statutory Activities of NERC, each Regional Entity and WIRAB<sup>1</sup>

	2010 Budget for Statutory Functions	2011 Budget for Statutory Functions
NERC	\$ 40,088,365	\$ 48,726,465
FRCC	\$ 5,421,187	\$ 5,588,610
MRO	\$ 7,366,117	\$ 8,130,824
NPCC	\$ 11,354,085	\$ 12,716,809
RFC	\$ 14,184,713	\$ 15,219,650
SERC	\$ 10,701,683	\$ 11,776,640
SPP RE	\$ 8,138,783	\$ 9,797,236
TRE <sup>2</sup>	\$ 9,216,393	\$ 9,363,964
WECC <sup>2</sup>	\$ 59,220,288	\$ 68,205,449
WIRAB	\$ 616,810	\$ 616,470
<b>Total Budget</b>	<b>\$ 166,308,424</b>	<b>\$ 190,142,117</b>

<sup>1</sup>Does not include the proposed provision for Working Capital reserve funding

<sup>2</sup>The 2010 Budget for Statutory Functions for TRE and WECC are based upon their Amended 2010 Business Plans and Budgets

### Proposed Assessments for Statutory Activities of NERC and each Regional Entity

	Assessments for Statutory Functions 2010		Allocation to U.S 2010		Assessments for Statutory Functions 2011		Allocation to U.S 2011	
NERC	\$	37,063,569	\$	33,257,992	\$	41,106,967	\$	35,989,995
FRCC	\$	4,938,177	\$	4,938,177	\$	4,967,060	\$	4,967,060
MRO	\$	7,503,745	\$	6,266,196	\$	8,260,502	\$	6,852,336
NPCC	\$	11,500,439	\$	6,551,760	\$	12,652,610	\$	7,397,523
RFC	\$	14,345,192	\$	14,345,192	\$	12,803,844	\$	12,803,844
SERC	\$	9,831,277	\$	9,831,277	\$	10,671,508	\$	10,671,508
SPP RE	\$	6,755,854	\$	6,755,854	\$	9,094,985	\$	9,094,985
TRE	\$	9,144,340	\$	9,144,340	\$	9,227,823	\$	9,227,823
WECC <sup>1</sup>	\$	39,570,839	\$	33,841,105	\$	38,234,892	\$	32,656,488
<b>Total Budget</b>	<b>\$</b>	<b>140,653,432</b>	<b>\$</b>	<b>124,931,892</b>	<b>\$</b>	<b>147,020,191</b>	<b>\$</b>	<b>129,661,562</b>

<sup>1</sup> Includes assessments for WECC and WIRAB

**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 2**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**PROPOSED 2011 BUSINESS PLAN AND BUDGET**

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

## 2011 Business Plan and Budget

August 05, 2010

to ensure  
the reliability of the  
bulk power system

August 2010

116-390 Village Blvd., Princeton, NJ 08540  
609.452.8060 | 609.452.9550 fax  
[www.nerc.com](http://www.nerc.com)

## Table of Contents

About NERC.....	3
Introduction and Executive Summary.....	6
Section A — 2011 Business Plan.....	27
Reliability Standards .....	27
Compliance Monitoring and Enforcement and Organization Registration and Certification.....	34
Compliance Operations .....	34
Organization Registration and Certification.....	36
Compliance Enforcement.....	39
Event Analysis and Investigations.....	44
Reliability Assessment and Performance Analysis .....	48
Training, Education, and Operator Certification .....	57
Situation Awareness and Infrastructure Security .....	62
Administrative Services.....	76
Technical Committees and Members' Forum Program .....	77
General and Administrative .....	80
Legal and Regulatory .....	82
Information Technology.....	84
Human Resources .....	88
Finance and Accounting.....	90
Section B — Supplemental Financial Information .....	92
Reserve Balance.....	92
Section C — Non-Statutory Activity.....	104
Section D — Supplemental Financial Statements.....	105

## About NERC

---

### Overview

The North American Electric Reliability Corporation (NERC) is a not-for-profit entity organized under the New Jersey Nonprofit Corporation Act. NERC's mission is to ensure the reliability of the bulk power system in North America. NERC's area of responsibility spans the continental United States and Canada and the northern portion of Baja California, Mexico. Entities under NERC's jurisdiction are the users, owners, and operators of the bulk power system - a system that serves the needs of over 334 million people, includes installed power production capacity of approximately 1,000 gigawatts, operates 211,000 miles of high voltage transmission, and is comprised of assets worth more than one trillion dollars.

The Federal Energy Regulatory Commission (FERC) certified NERC as the Electric Reliability Organization (ERO) within the United States to establish and enforce reliability standards for the U.S. portion of the bulk power system, pursuant to Section 215 of the Federal Power Act. NERC is subject to regulatory oversight by FERC.

In Canada, NERC presently has memoranda of understanding with provincial authorities in Ontario, New Brunswick, Nova Scotia, Québec, Saskatchewan, and Alberta, and with the National Energy Board of Canada. NERC standards are mandatory and enforceable in Ontario and New Brunswick as a matter of provincial law. NERC has an agreement with Manitoba Hydro, making reliability standards mandatory for that entity, and Manitoba has recently adopted legislation setting out a framework for standards to become mandatory for users, owners, and operators in the province. In addition, NERC has been designated as the "electric reliability organization" under Alberta's Transportation Regulation, and certain reliability standards have been approved in that jurisdiction; others are pending. NERC and the Northeast Power Coordinating Council (NPCC) have been recognized as standards setting bodies by the Régie de l'énergie of Québec, and Québec has the framework in place for reliability standards to become mandatory. NERC standards are now mandatory in British Columbia. Nova Scotia also has a framework in place for reliability standards to become mandatory and enforceable. NERC is working with the other governmental authorities in Canada to achieve equivalent recognition.

### Scope of Responsibilities

As the ERO, NERC's primary responsibilities are leading the development, improvement, and adoption of reliability standards for the bulk power system in North America and the monitoring, evaluating, and enforcement of compliance with those reliability standards by the approximately 1,900 entities registered with NERC as bulk power system users, owners, and operators. Collectively, these entities perform over 4,600 bulk power system reliability functions. In addition, NERC conducts near-term and long-term assessments of the reliability and future adequacy of the North American bulk power system; certifies bulk power system operators as having and maintaining the necessary knowledge and skills to perform their reliability responsibilities; maintains situational awareness of events and conditions that may

threaten the reliability of the bulk power system; coordinates efforts to improve physical and cyber security for the bulk power system of North America as it relates to reliability; and conducts detailed analyses and investigations of system disturbances and unusual events to determine root causes, uncover lessons learned, and issue relevant findings as advisories, recommendations, and essential actions to the industry. All of these activities serve the broad public purpose of helping to improve and ensure the reliability of the bulk power system.

## **Membership and Governance**

Membership in NERC is open to any person or entity that has an interest in the reliability of the North American bulk power system. Membership in NERC is voluntary and affords participants the opportunity to engage in the governance of the organization through the Member Representatives Committee. The number of entities and individuals who are members is nearly 700. Membership in NERC qualifies organizations and individuals for election to NERC's Member Representatives Committee.

A twelve-member independent Board of Trustees governs NERC. The board has formed several committees to facilitate its oversight of the organization in the areas of finance and audit, governance and human resources, compliance, technology, and nominations. The board also oversees NERC's technical committees of industry volunteers in the areas of operations, planning, critical infrastructure protection, standards, compliance and certification, and personnel certification.

NERC's Member Representatives Committee comprises 27 voting representatives elected from the 12 membership sectors. The Member Representatives Committee elects the independent trustees, along with the board votes on amendments to the Bylaws, and provides advice and recommendations to the board on behalf of stakeholders with respect to annual budgets, business plans, and other matters pertinent to the purpose and operations of the organization.

## **Delegated Authorities**

In executing a portion of its responsibilities, NERC delegates authority to Regional Entities to perform certain functions through delegation agreements. FERC has approved delegation agreements between NERC and eight Regional Entities (Florida Reliability Coordinating Council, Midwest Reliability Organization, Northeast Power Coordinating Council, Inc., ReliabilityFirst Corporation, SERC Reliability Corporation, Southwest Power Pool, Inc., Texas Reliability Entity, and the Western Electricity Coordinating Council). These delegation agreements describe the enforcement authority delegated to the Regional Entities in the United States. NERC expects Regional Entities whose territories extend into Canada and Mexico to perform equivalent functions in those jurisdictions. NERC and the Regional Entities have recently negotiated amendments to these delegation agreements to improve the efficiency, transparency, quality and effectiveness of the combined NERC and Regional Entity operations. These amendments are currently pending review and approval by the FERC.



## **Funding**

Section 215 of the Federal Power Act and FERC regulations also specify procedures for NERC's funding in the United States. NERC prepares an annual business plan and budget, which is subject to FERC approval in the United States. Once approved, assessments are allocated to load-serving entities on a net energy for load (NEL) basis. Equivalent funding mechanisms are provided in Canada subject to the specific laws and regulations of each province.

The funding requirements for each Regional Entity are addressed separately in each Regional Entity's business plan and budget, which must be reviewed and approved by NERC and applicable regulatory authorities.

## Introduction and Executive Summary

	TOTAL RESOURCES (in whole dollars)			
	2011 Budget	U.S.	Canada	Mexico
Statutory FTEs	150.75			
Non-statutory FTEs				
<b>Total FTEs</b>	150.75			
Statutory Expenses	\$ 48,593,453			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 48,593,453			
Statutory Inc(Dec) in Fixed Assets	\$ 133,012			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ 133,012			
Statutory Working Capital Requirement	\$ 5,000,000			
Non-Statutory Working Capital Requirement				
<b>Total Working Capital Requirement</b>	\$ 5,000,000			
Total Statutory Funding Requirement	\$ 53,726,465			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 53,726,465			
<b>Statutory Funding Assessments</b>	\$ 41,106,965			
<b>Non-Statutory Fees</b>				
NEL	4,382,034,322	3,853,706,121	517,585,615	10,742,586
NEL%	100.00%	88.18%	11.57%	0.25%

### Goals and Challenges

NERC strives to be the world's leading expert organization on bulk power system reliability and to be a trusted leader and advocate in reliability matters.

NERC's mission is to improve and ensure the reliability of the bulk power systems of North America. NERC achieves this mission by facilitating industry awareness and management of risks to reliability; developing clear, reliability-focused standards; promoting compliance excellence with its reliability standards; assessing reliability performance; and providing firm but fair enforcement of compliance with mandatory reliability standards. More specifically, NERC improves and ensures reliability of bulk power systems by:

- *Developing clear, mandatory reliability standards* that establish threshold requirements for ensuring the bulk power system is designed, planned, maintained, and operated in a manner that minimizes risks of cascading failures or interruptions of bulk power supply.

- *Facilitating a learning environment in the industry* that continuously improves reliability performance through event causal analysis, communication of lessons learned, and tracking of recommendations.
- *Being a risk-informed organization*, able to identify and understand reliability risks, help industry manage those risks, and effectively prioritize ERO functions and reliability initiatives based on reliability impacts.
- *Promoting a strong culture of performance excellence and compliance* with mandatory reliability standards across the industry.
- *Being a strong enforcement authority* that is independent, without conflict of interest, objective and fair, and resolute in ensuring compliance with mandatory standards.
- *Building an ERO-wide enterprise* based on effective integration and leveraging of regional and stakeholder ideas and expert resources with a common purpose of improving reliability.
- *Improving transparency, consistency, quality and timeliness* of NERC and Regional Entity results through process improvements and more effective coordination and collaboration.
- *Leveraging technology and information systems* to achieve greater efficiencies, consistency of outcomes and more transparent accountability.
- *Building constructive partnerships between industry and government* by communicating expectations and consistently delivering responsive results that demonstrate effective mitigation of reliability risk.

NERC, along with the Regional Entities and industry participants in the ERO, face a number of critical challenges and demands:

- *Meeting regulatory mandates*, particularly with respect to improving reliability standards that were initially adopted by NERC in April 2005 and approved by FERC in March 2007. This business plan addresses efforts to further close the gap with outstanding regulatory directives, particularly with regard to concerns raised by FERC in a series of orders issued on March 18, 2010.
- *Addressing improvements* identified as 72 recommendations in NERC's initial three-year self assessment of its performance as the ERO, as well as the recommendations identified in the external audit of NERC's compliance program completed in 2009. Although NERC has a clear set of actions from the three-year self-assessment, some uncertainty remains regarding what further actions might be directed by FERC as the Commission continues to consider the report.
- *Addressing bulk power system critical infrastructure protection issues* as policy makers continue to significantly raise expectations for the security and resiliency of critical infrastructures against rapidly evolving cyber and physical threats, and other high-impact low-frequency hazards.

- *Achieving efficiencies* needed to address significantly expanding responsibilities under conditions of constrained revenues and growth.
- *Recruiting and retaining qualified personnel* and the need to remain competitive with respect to overall compensation and benefits packages.

## **2011 Key Assumptions**

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process attached as Exhibit A. The significant assumptions underlying NERC's 2011 business plan include:

1. The international, industry-based ERO regulatory model continues to be used and no material changes to the ERO model impacting 2011 emerge from FERC's review of the Three-Year ERO Performance Assessment or its review of the proposed amendments to the Regional Entity delegation agreements.
2. The framework for delegation to Regional Entities is improved, as outlined in the proposed modifications to the Regional Entity delegation agreements. Cost pressures strain stakeholder participation in NERC and Regional Entity activities.
3. In order to enhance reliability and the overall effectiveness of the ERO, improvements are needed in standards development, implementation, education, and training.
4. Standards development activities will face increased demands, including but not limited to those supporting the Reliability Standards Development Plan, FERC Order 693 directives and the national emergency standards development process which was approved in February 2010.
5. NERC and Regional Entities will continue to gather data and perform analysis regarding the bulk electric system, including but not limited to supporting key federal and industry initiatives.
6. NERC will need to make significant investments in 2011 to support the implementation of a situation awareness tool for FERC, NERC, Regional Entities and stakeholder needs, as well as to meet both near and long-term ERO technology requirements.
7. The number of events requiring review, analysis, and reporting will increase.
8. CIP activities will increase significantly on all fronts, including compliance and other activities; expectations are that resource requirements will be significantly impacted over the next three years as the full measure of the standards become auditable for all entities on all implementation tables, the TFE program is implemented and the increase in scope as a result of Order No. 706B.
9. NERC and the Regional Entities are expected to see increased compliance related resource demands.

## 2011 Key Deliverables

In 2011, NERC will achieve the following key deliverables:

### **Reliability Standards** —

- Transition to results-based reliability standards over a five-year period, with higher priority standards to be completed within two years and an initial sample results-based standard to be completed within eight months. The high priority standards subject areas include frequency response, balancing and load control, the fill-in-the-blank standards and system protection.
- Working with stakeholders and trade associations, take a leadership role in initiating a risk-based review of the existing NERC reliability standards and proposing SARs to focus the standards on performance requirements essential to reliability and eliminating nonessential or low-risk requirements.
- Implement the modified standards development procedure to streamline the development and approval process but remain compliant with the ANSI-accredited standards process.
- Provide a more efficient process for clarifying the field application of reliability standards as a preference to the current formal interpretations process.
- Reestablish trust of the industry and government entities in the reliability standards process and foster industry leadership and participation in developing excellent reliability standards.
- Develop formal internal feedback mechanisms from event analysis and compliance enforcement to continually improve reliability standards.
- Develop regional reliability standards as needed to comply with NERC's three-year work plan and FERC directives, and to meet any emergent reliability needs.
- Based on compliance program results, system events and trends analysis, identify key areas needing improvement and implement educational and other technical assistance programs to improve compliance in those areas.

### **Compliance** —

- Monitor Registered Entities for compliance with mandatory reliability standards, in accordance with the Compliance Monitoring and Enforcement Program (CMEP).
- Enforce compliance with mandatory reliability standards by Registered Entities, in accordance with the CMEP while improving quality and timeliness.
- Ensure timely and thorough mitigation of all violations of mandatory reliability standards.
- Modify compliance procedures to promote greater process transparency to Registered Entities and greater consistency in the determination of violations and penalties.

- Apply risk-informed approaches in the development of audit programs, compliance self-certifications, and spot checks.
- With the Regional Entities, promote a strong culture of compliance excellence, reliability improvement, and risk-based methods among all Registered Entities in the NERC Region.
- Establish alternative, streamlined procedures for minor, administrative violations.
- Promote a culture of compliance excellence through education, transparency, information, and incentives.
- Align NERC and regional compliance operations to be more complementary and less duplicative.

**Event Analysis** —

- Develop a robust capability to conduct event analysis, using root cause and risk-based methods.
- Provide effective triage of events to ensure analysis is conducted and reviewed at the proper level.
- Working with industry, develop clear, bright-line criteria for the reporting and classification of system events.
- Incentivize rigorous self-evaluation of system events by Registered Entities.
- Ensure lessons learned are communicated to impacted parties in a timely manner.
- Refine the alerts program and develop a recommendations tracking capability to ensure accountability for reliability improvement actions.

**Cyber Security** —

- Develop policy level goals and scope for the reasonable physical and cyber security protection of critical bulk power system assets.
- Facilitate a proactive action plan by industry that demonstrates effective mitigation of security risks, including safeguarding of assets, developing mitigation alternatives, and preparing and testing recovery plans.
- Establish minimum bright-line criteria for identification of critical bulk power system assets.
- Work closely with government to ensure availability of actionable information on security threats and promote synergies between government and industry security initiatives.
- Communicate the collective industry efforts to government and the public.

**Information Technology** —

- Be a leader in the deployment of technology to make NERC and its stakeholder participants more efficient and productive in its program activities.

- Facilitate the integration and seamlessness of ERO and regional entity information systems used for compliance and other applicable statutory functions such as alerts and recommendations tracking.

**Reliability Assessments** —

- Provide annual, seasonal, and special reliability assessments of the future reliability of the North American bulk power system in accordance with definitions and requirements.
- Provide thorough data validation and create new efficiencies in data collection and analysis.
- Develop and demonstrate bulk power system performance metrics for the purpose of analyzing and trending reliability improvements and benefits, as well as risk/severity based methods.

**Situation Awareness** —

- Develop a situation awareness capability to include near real-time information and communications protocols that meet the needs of FERC, NERC, and applicable Registered Entities.
- Develop NERC's capability to conduct rigorous event analyses and develop relevant lessons learned.
- Provide reliability issues tracking to systematically provide notice and document actions to improve reliability.

**Critical Infrastructure Protection** —

- Facilitate and support Registered Entities in complying with CIP reliability standards, and responding to cyber security alerts.

**Staff Development** —

- Actively support the training and education of reliability personnel, focusing on knowledge of reliability standards and recognizing and responding to system emergencies.
- Provide information and support to Registered Entities to assist in the deployment of a systematic approach to training.
- Maintain a talented staff at NERC and provide for continuous staff development.

**Industry Resources** —

- Evaluate and as appropriate, realign the NERC committee structure and activities to better leverage industry expertise and leadership, to better support NERC's statutory functions, and to be more efficient.

**Continuous Improvement** —

- Address all applicable recommendations and directives from the Three-Year ERO Assessment, including stakeholder inputs, and audits.
- Identify and use regional entity performance indicators and feedback mechanisms to enable NERC to continue being a learning organization.

**Effective Financial Controls** —

- Provide rigorous cost controls and efficient management of resources to remain an efficient provider of ERO functions.

## **Long-Term Business Planning**

NERC and the Regional Entities are actively working together to improve the overall ERO business planning and budgeting process, including long-term resource and financial planning. The 2011 Business Plan and Budget process included numerous face-to-face meetings, conference calls and exchanges of documentation among senior management and staff of NERC and Regional Entities regarding budget assumptions, resource requirements, and opportunities to improve operational efficiency and effectiveness, including factors affecting resource needs beyond the 2011 planning horizon. As an important first step in the development of a long-term business plan and budgeting process, the Common Business Plan and Budget Assumptions attached as Appendix 1 incorporate assumptions affecting resource demands through the 2013 planning horizon. NERC and the Regional Entities continue to work together to develop, strengthen and improve an integrated long term ERO business plan and budget that leverages and builds on the combined strengths and resources of NERC and the Regional Entities to improve the overall effectiveness and efficiency of ERO operations.

## **Current Staffing in Relation to Program Area Resource Needs and Budget Presentation**

During the first quarter of 2010, in furtherance of commitments NERC made during the preparation and presentation of its 2010 Business Plan and Budget, with due recognition of related industry and stakeholder comments, NERC's senior management undertook a comprehensive review of NERC's organizational structure and resource allocation. As a result of this process, NERC made certain changes to its organizational structure to align the strengths of NERC's leadership team with the organization's increased focus on risk-based approaches to improving the bulk power system reliability performance while maintaining a strong compliance enforcement capability. These organizational changes primarily involved the realignment of certain departments and costs centers under different senior leadership, while maintaining the integrity of the cost accounting and reporting of those departments consistent with the 2010 budget. The Compliance Monitoring and Enforcement and Organization Registration and Certification Program ("Compliance Program Area") was divided into two cost centers, Compliance Operations and Compliance Enforcement. The Compliance Violations Investigations department, which was included in the 2010 budget under the Compliance Program Area, was reorganized as the Events Analysis and Investigation department and transferred under the newly created Operations and Engineering group. This group will provide necessary expanded



resource capabilities to support events analysis. However, for the 2011 Business Plan and Budget, NERC has combined Compliance Operations, Enforcement and Events Analysis and Investigations departments together for ease of comparison to the 2010 budget. The Situation Awareness and Infrastructure Security Program, the Training, Education and Operator Certification Program and the existing (2010) Events Analysis departments were also transferred under the Operations and Engineering Group, with each department continuing to be maintained as a separate department from an accounting perspective in order to facilitate financial reporting consistent with the 2010 Business Plan and Budget format. The existing (2010) Events Analysis department was reorganized as the System Analysis and Reliability Initiatives group. For purposes of the 2011 budget, the System Analysis and Reliability Initiatives department is included in the Reliability Assessment and Performance Analysis Program to facilitate the comparison of the 2011 and 2010 budgets and resource requirements. The final component of the reorganization plan was the establishment of a separate Critical Infrastructure Protection (“CIP”) department, in order to provide the appropriate level of focus and resource dedication to infrastructure security, critical infrastructure protection and high impact low frequency risk events on the bulk power system. Similar to the 2010 Business Plan and Budget, CIP resources are also reported in the 2011 Business Plan and Budget as part of the Situation Awareness and Infrastructure Security Program Area.

## **2011 Business Planning Background and Overview of Significant Cost Impacts**

The following sections of the 2011 Business Plan and Budget describe in detail the resources needed in 2011 for NERC to continue to carry out its obligations and address the many challenges it faces as the North American Electric Reliability Organization. 2011 funding requirements primarily reflect increases in the costs of existing operations including those resulting from personnel additions in 2010, as well as additional funding necessary to satisfy increased work load demands affecting the Standards, Compliance Enforcement and Organization Registration (“Compliance”) and Situation Awareness and Infrastructure Security (“SAIS”) program areas. Funding required for the Reliability Assessment and Performance Analysis and Training, Education and Operator Certification program areas is slightly below and slightly above, respectively, 2010 funding levels. NERC is also proposing to increase funding for information technology and cash working capital reserve requirements in 2011.

### **Background**

Early in the first quarter of 2010, prior to developing the 2011 budget projections, NERC senior management established a set of near term goals, objectives and priorities to address feedback from the Three Year Performance Assessment, ongoing and emerging governmental directives and obligations, as well as feedback from stakeholders, staff and Regional Entity management concerning NERC’s operations. NERC also implemented certain changes in staffing to better align resources with these goals and objectives. Consulting and contractor costs were also thoroughly reviewed, as were travel and meeting expenses and other operating costs. Concurrently with this process, the senior management of NERC and the Regional Entities completed negotiation of a revised pro forma delegation agreement, with the goal of improving the overall efficiency, transparency and effectiveness of these agreements in improving the

reliability of the North American bulk power system. NERC and the Regional Entities also engaged in extensive discussions and meetings regarding both near and long term business plan and budget assumptions, goals and objectives. Each of these initiatives represented important steps in NERC's ongoing efforts to improve its business planning and operating model, as well as the background and foundation on which NERC's 2011 Business Plan and Budget was developed.

### **Increases in Cost of Current Operations**

As a first step in reviewing NERC's proposed 2011 budget, it is necessary to understand the cost increases that are associated with NERC's existing operations. For purposes of the budget presentation, the costs associated with NERC's existing operations are referred to as "base operating budget". The base operating budget excludes funding requirements for working capital reserves and \$1.6M in costs associated with the Transmission Owners and Operators Forum, which were totally funded by membership dues. Base operating costs also excludes \$10k in administrative costs which were offset by interest income. The total 2010 base operating budget is \$38,460,555. The 2011 projected increase in the base operating budget is approximately \$2.33M or 6.1% compared to 2010. The breakdown of the projected increase in base operating costs is summarized in the chart below and discussed in the paragraph immediately following the chart.

2010 Base Operating Budget		2011 projected increase in base operating budget
\$ 16,347,156	Salaries	\$ 2,332,708
1,035,890	Payroll Taxes	66,887
2,267,910	Benefits	605,557
2,262,845	Retirement	407,737
<b>\$ 21,913,801</b>	<b>Total Personnel Expense</b>	<b>\$ 3,412,889 8.9%</b>
\$ 1,086,200	Meetings	\$ (324,700)
2,230,803	Travel	121,484
190,000	Conference Calls	37,800
<b>\$ 3,507,003</b>	<b>Total Meeting Expense</b>	<b>\$ (165,416) -0.4%</b>
\$ 5,122,400	Consultants	\$ (2,515,900)
1,752,012	Contracts	(220,670)
398,320	NERCnet Contract	(98,226)
1,646,625	IDC Contract	254,955
<b>\$ 8,919,357</b>	<b>Contracts and Consultants</b>	<b>\$ (2,579,841) -6.7%</b>
\$ 967,134	Office Rent	\$ 53,018
1,511,475	Office Costs	417,503
1,465,000	Professional Services	480,000
4,000	Miscellaneous	-
(300,000)	Overhead Allocation to TOOF	300,000
(750,000)	Efficiency Savings	750,000
<b>\$ 2,897,609</b>	<b>Operating Expenses</b>	<b>\$ 2,000,521 5.2%</b>
	<b>Other Non-Operating Expenses</b>	<b>\$ -</b>
\$ 1,122,785	Computer & Software CapEx	\$ (277,585)
	Network Equipment	40,800
100,000	Furniture & Fixtures	(100,000)
<b>\$ 1,222,785</b>	<b>Capital Expenditures</b>	<b>\$ (336,785) -0.9%</b>
<b>\$ 38,460,555</b>	<b>Total Base Operating Budget</b>	<b>\$ 2,331,369 6.1%</b>
\$ 1,627,808	Unallocated costs*	\$ -
-	Other Sources of Funding	(578,469)
469,043	Working Capital Reserve Funding	
	Penalty Sanctions	
<b>\$ 40,557,406</b>	<b>TOTAL FUNDING REQUIREMENT</b>	<b>\$ 1,752,900</b>

\*Expenses of the Transmission Owners and Operators Forum funded through membership dues and G&A expenses offset by interest income.

Projected 2011 increases in the base operating budget represent six point one (6.1%) percent, or \$2.33M over 2010 funding requirements. This includes an increase of approximately \$3.4M (8.9%) in personnel costs (wages, payroll taxes, health care and other benefits), which is primarily driven by the increased level of staffing from the prior budget period and by an estimated 15% increase in health care costs. The increase in personnel costs was offset by reductions of approximately \$2.6M (6.7%) in existing consulting and contractor costs and a net reduction of approximately \$165k (0.4%) in meeting, travel and conference call costs as a result of the increased use of teleconferencing and web based meetings, as well as use of regional entity and stakeholder offices to host committee, working group and other meetings rather than more expensive hotel and conference space. These reductions were partially offset by an increase of approximately \$2.0M (5.2%) in other operating costs, which include increases in rent, office costs, and professional services, as well as the loss of \$300K in revenue to cover administrative expenses related to supporting the Transmission Owners and Operators Forum which became independent of NERC at the beginning of this year, and the impact of eliminating the 2010 \$750K net reduction in costs for efficiency savings, which have been accounted for primarily through reductions in consultants and contracts. A decrease in spending of \$337k (1%) for capitalized computers, software, equipment and furniture partially offsets the increase in other operations and maintenance costs.

### **Proposed 2011 Resource Additions and Projected Budget Impacts**

After taking into account existing staffing resources, management prepared a projection of 2011 resource needs, which includes proposed personnel additions, as well as additional consultant and contract needs. These projections are summarized in the table below, followed by a discussion of resource needs by program area. Note that this chart does not include the increase in the cost of current operations discussed in the previous section. The cumulative effect of the increase in the cost of current operations, together with proposed incremental 2011 resource additions, is presented in a subsequent table.

2010 Base Operating Budget		Projected increase in staffing and programs
\$ 16,347,156	Salaries	\$ 2,416,075
1,035,890	Payroll Taxes	182,522
2,267,910	Benefits	390,225
2,262,845	Retirement	307,219
<b>\$ 21,913,801</b>	<b>Total Personnel Expense</b>	<b>\$ 3,296,041 8.6%</b>
\$ 1,086,200	Meetings	\$ 100,000
2,230,803	Travel	283,250
190,000	Conference Calls	-
<b>\$ 3,507,003</b>	<b>Total Meeting Expense</b>	<b>\$ 383,250 1.0%</b>
\$ 5,122,400	Consultants	\$ 2,871,000
1,752,012	Contracts	128,200
398,320	NERCnet Contract	
1,646,625	IDC Contract	
<b>\$ 8,919,357</b>	<b>Contracts and Consultants</b>	<b>\$ 2,999,200 7.8%</b>
\$ 967,134	Office Rent	\$ -
1,511,475	Office Costs	491,198
1,465,000	Professional Services	14,854
4,000	Miscellaneous	
(300,000)	Overhead Allocation to TOOF	
(750,000)	Efficiency Savings	
<b>\$ 2,897,609</b>	<b>Operating Expenses</b>	<b>\$ 506,052 1.3%</b>
	<b>Other Non-Operating Expenses</b>	<b>\$ 750,000 2.0%</b>
\$ 1,122,785	Computer & Software CapEx	\$ -
	Network Equipment	
100,000	Furniture & Fixtures	
<b>\$ 1,222,785</b>	<b>Capital Expenditures</b>	<b>\$ - 0.0%</b>
<b>\$ 38,460,555</b>	<b>Total Base Operating Budget</b>	<b>\$ 7,934,543 20.6%</b>
\$ 1,627,808	Unallocated costs*	\$ -
-	Other Sources of Funding	
469,043	Working Capital Reserve Funding	4,530,957
	Penalty Sanctions	
<b>\$ 40,557,406</b>	<b>TOTAL FUNDING REQUIREMENT</b>	<b>\$ 12,465,500</b>

\*Expenses of the Transmission Owners and Operators Forum funded through membership dues and G&A expenses offset by interest income.

In addition to the increase in base operating costs summarized above, the 2011 projected budget reflects an increase of approximately \$7.9M (20.6%) in required funding. \$3.3M of this projected increase is for new personnel. (As will be discussed further and summarized in an additional table summarizing the breakdown of projected 2011 funding requirements, the projected costs of these personnel additions, combined with projected increase in existing personnel costs of approximately \$3.4M, represents a total 2011 projected personnel cost increase of approximately \$6.7M or 17.4% over the 2010 base operating budget.) Projected 2011 consulting and contract costs of approximately \$3.0M in ongoing and new work are partially offset by reductions of approximately \$2.6M in existing consulting and contract costs, for a net increase of approximately \$419K or 1.1% over the 2010 base operating budget related to consultants and contracts.

The following is a summary of additional resource needs and incremental 2011 funding requirements by Program Area:

- Standards- The addition of three (3) specialists to support the standards development process, including timely production of high quality results based standards addressing high priority issues. Existing resources are insufficient to support forecasted workload needs. The need to implement improvements in and provide additional resource support to the standards development process has been consistently recognized in numerous industry, committee, stakeholder and governmental forums. The increase in personnel costs in the Standards Program Area will be partially offset by a reduction of approximately \$225.5k in consulting costs compared to the 2010 budget. The total increase in funding requirements to support the Standards development area is approximately \$1.4M or approximately twenty-three percent (23.0%) of the total projected increase in 2011 funding requirements for this program area.
- Compliance- The addition of four (4) auditors to support the implementation of process improvements to effectively expedite the processing of violations, support audit validation, enhanced audit assistance needs and regain the ability to conduct approximately 30 audit observations a year. The 2011 Compliance budget also includes the addition of three (3) enforcement personnel to support the significant and ongoing enforcement processing workload. In assessing the enforcement staffing needs, management undertook a detailed analysis of violations processing time based on historic data and assumed increased efficiency of approximately 20 percent over the average of the first three months of 2010 and violations processing which exceeds the highest output the violation processing team has achieved in any past month. Consulting and Contractor costs are projected to increase by \$95k compared to the 2010 budget and are primarily driven by the ongoing development costs for the Compliance Reporting Analysis and Tracking System (“CRATS”) to support ongoing compliance efforts, as well as the Compliance Information Tracking System (“CITS”) and portal applications, which support NERC’s role as Compliance Enforcement Authority for the registered functions of Regional Entities. These IT tools will improve the efficiency

and effectiveness of a host of compliance functions including internal and external information reporting and violation processing. The additional contractor expense includes funding associated with the development of a new events analysis and tracking tool to enhance NERC's ability to timely track, analyze, and report events. The additional contractor expense also covers the one-time cost to develop the nuclear Order 706-B nuclear power plant CIP audit program. This program will include a comprehensive training program covering nuclear specific CIP and TFE aspects, such as the safeguarding of information. The total increased funding requirements to support the Compliance Monitoring and Enforcement and Organization Registration and Certification Program Area is approximately \$2.7M or eighteen point six percent (18.6%) of the total projected increase in 2011 funding requirements.

- Reliability Assessment and Performance Analysis- RAPA activities expanded significantly in 2010. This activity level is expected to accelerate in 2011, including the completion of long-term, pre-seasonal, post-seasonal and special reliability assessments, management of risks to reliability from geomagnetic disturbances events, development of integrated reliability assessment performance metrics and tools, and launching/sustaining key NERC availability data systems and databases. In order to meet these objectives and sustain ongoing activities, the current staffing level must be supplemented with one technical analyst and one engineer, together with funding to support the retention of subject-matter and licensing of necessary software related modeling and data analysis needs. In addition, consulting and contractor costs are projected to increase by approximately \$100k for the development and deployment of a spare transformer data base for industry use and \$100k for the development of a Demand Response Data System ("DADS"). This additional funding is offset by a reduction in projected funding requirements related to the impact of climate change, which NERC will seek to support through the research and funding support provided through other industry organizations. The total funding requirements associated with these resource additions are offset by reductions in costs due to the transfer of personnel from this program area to other program areas, resulting in a decrease of approximately \$340k or five point one percent (5.1%) in total 2011 funding requirements for this program area compared to 2010.
- Training, Education and Operator Certification Program- The proposed enhancement of a number of training programs and initiatives will result in a modest increased funding requirement of \$209k or seven point seven percent (7.7%). This program is primarily funded through user and program fees.
- Situation Awareness and Infrastructure Security- The SAIS program area includes both the Situation Awareness and Critical Infrastructure Protection resources. The increase in funding associated with this program area represents the largest increase in costs by

Program Area compared to the 2010 budget and is driven by an increase in personnel, as well as increases in contractor and consultant expense. The increased funding for personnel is a result of (1) the transfer of 4 existing employees, as well as the addition of one new staff position in 2010 to manage and staff critical situation awareness activities, including the monitoring of incidents reported to the ES-ISAC and the evaluation, analysis and dissemination of information concerning new security vulnerabilities; and (2) the creation of a specialized CIP group which has been initially staffed through the transfer of 4 existing staff, the hiring of 3 new staff in 2010 and the proposed addition in 2011 of 4 CIP specialists to support CIP standards development, meet governmental coordination requirements in both the U.S. and Canada, support complex technical feasibility determinations, incident analysis and the ES-ISAC.

The cost of the personnel transferred and hired in 2010 to support and perform situation awareness activities is approximately \$979K or approximately fifteen point seven percent (15.7%) of the projected increase in 2011 funding requirements for this program area compared to 2010.

The cost of the personnel transferred and hired in 2010, together with the cost of proposed personnel additions in 2011, to support CIP requirements is \$3.2M or approximately fifty-one point seven percent (51.7%) of the projected increase in funding requirements for this program area compared to 2010. Contracting and consultant costs are also projected to increase significantly over 2010 budget levels. These costs include (1) approximately \$750k in new funding for the Situation Awareness for FERC, NERC, and the Regional Entities (“SAFNR”) program, (2) an increase of approximately \$260k in funding for CIP and TFE activities, and (3) an increase of approximately \$239k in funding for the Interchange Distribution Calculator (“IDC”) tool used by reliability coordinators. These increases are offset by a reduction of approximately \$75k in consultant funding associated with cyber preparedness and High Impact – Low Frequency (“HILF”) initiatives, a reduction of approximately \$190k in funding associated with various reliability tools and initiatives and a reduction of approximately \$100k in frame relay expenses to support NERCnet, the communications backbone used by NERC, the Regional Entities and Reliability Coordinators. Collectively, the net reduction in funding for Consultants and Contractors for this program area is \$24.6k or point three percent (0.3%) compared to 2010 funding requirements. Thus, the increase of approximately \$6.22M, or 76.3%, for this program area in 2011 compared to 2010 is primarily driven by personnel and personnel related costs.

- General and Administrative Services- The most significant increase in 2011 projected General and Administrative resource needs and associated funding requirements is in Information Technology. Three additional IT personnel are included in the 2011 IT budget. The need for these personnel is primarily related to required infrastructure and help desk support driven by increases in NERC’s overall personnel levels, as well as project



management to support various program area IT projects, such as SAFNR, CRATS, and CITS, among others. To minimize the risk of potential downtime due to the loss of power or telecommunications connectivity, NERC is also planning to spend approximately \$225K to relocate NERC's servers and switching equipment to a third party data center, which will also be equipped with backup power supply and appropriately scaled fire prevention systems. NERC is also planning to retain an experienced consultant to facilitate requirements gathering and to develop recommendations for technology design and architecture for the development of a common enterprise-wide technology model that embraces the ERO information requirements of NERC, the Regional Entities and stakeholders. \$400k in funding is budgeted for this initiative. These cost increases are included in the 2011 base operating budget as allocated indirect costs.

- Working Capital Reserves- In its 2010 budget, NERC eliminated funding for a cash working capital reserve in order to control the overall funding increase over 2009. NERC believes it is prudent to reestablish this reserve in light of the growth in the size of the organization, its cash flow requirements and the potential for unanticipated short-term resource needs driven by potential governmental directives, industry needs or litigation that could potentially arise in connection with enforcement actions. NERC's 2011 budget includes \$5M in working capital reserve funding, a significant portion of which is required to strengthen NERC's balance sheet due to the impact of accrual accounting adjustments on the company's 2009 year-end working capital balance. This \$5M in funding is projected to result in a working capital balance of approximately \$2.2M at December 31, 2011.

Overall, NERC is budgeting an increase of approximately \$10.3M, or approximately twenty-six point seven (26.7%) percent, in 2011 funding requirements for expenses and capital expenditures over 2010. In accordance with NERC's policies and Rules of Procedure, the required 2011 assessments for U.S. entities will be reduced by \$10.175M in penalty money which was received between July 1, 2009 and June 30, 2010. After the application of these penalty monies and taking into account 2011 working capital funding requirements, the projected increase in assessment funding in 2011 is \$4.0M, or 10.9% above 2010 assessments.

NERC has been engaged in discussions with representatives of the Independent Electricity System Operator (IESO), Régie de l'énergie, the Alberta System Operator, and New Brunswick System Operator regarding proposed credits to their 2011 assessments based upon NERC's [Expanded Policy on Allocation of Certain Compliance and Enforcement Costs](#). The assessment allocation schedule (Appendix 2) reflects the proposed compliance cost credits that have been negotiated with and accepted by each of these entities.

No specific assumptions regarding rent and other expenses in connection with the relocation of NERC headquarters have been included in the 2011 budget. While management has been working closely with its advisors to develop preliminary cost projections associated with the relocation, it is too early in the process to accurately project the timing and cost of the

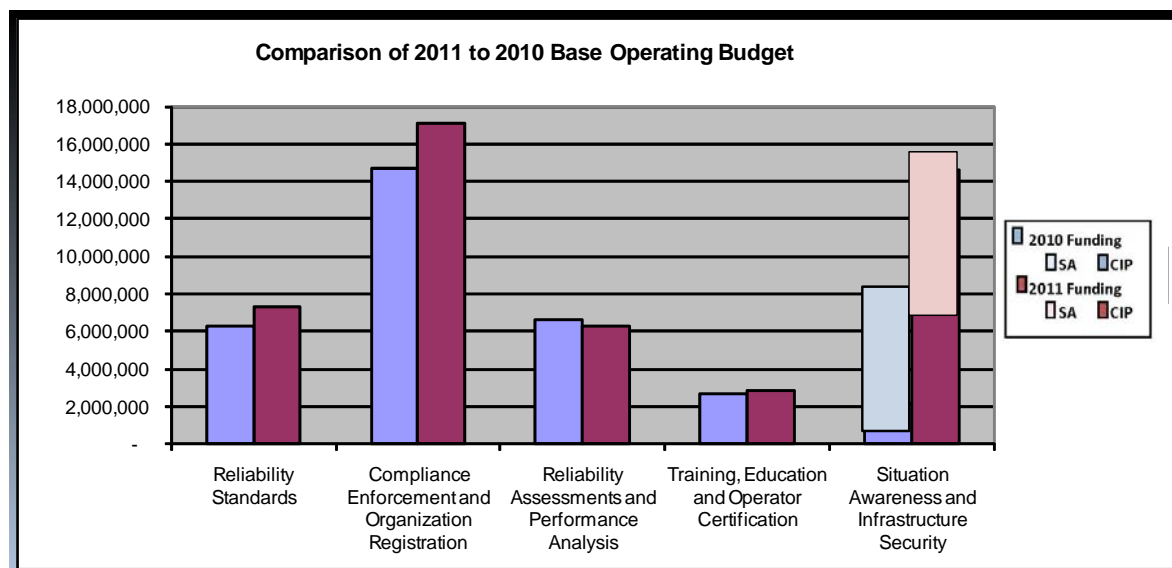
relocation. Management is initiating a competitive process to evaluate and procure office space and related equipment. NERC's real estate advisors have advised us that it is reasonable to expect, given market conditions in Atlanta, that in addition to significant build out and other incentives, NERC should be capable of obtaining free rent for the first 10–12 months. While NERC will be required to account for rent expense on an accrual basis for operating expense purposes, the availability of free rent will provide considerable cash flow flexibility. Information developed through this process will allow management to better determine what is practical to accomplish in 2011 with respect to both the establishment of the new headquarters in Atlanta and expansion of the Washington, D.C. office within overall budgetary limitations without impacting ongoing operations, including program area resources and workload. Funding for costs incurred in 2011 associated with the relocation of NERC's headquarters will be accomplished through use of working capital funds and \$750k set aside in the Other Non-Operating Expense budget line item set forth on Table B-9 in Section B, Supplemental Financial Information, which has been allocated to the statutory programs in the same manner as indirect expenses, as well as approximately \$200K in funding for relocation costs which is included in the Benefits line item in Human Resources under the Administrative Services Section.

The following charts and tables summarize the projected increase in 2011 funding requirements. The first chart breaks down the increase by major statement of activity category (Personnel Costs, Meetings, Travel and Conference Calls, Consultants and Contracts, etc.), as well as that portion of funding requirements tied to the working capital reserve and the credit to funding associated with the application of funds received from penalties. These charts and tables are followed by a table showing the breakdown of funding requirements by Program Area and a bar chart showing the relative increases by Program Area, a chart showing 2010 and 2011 FTEs by Program area and a comparative Statement of Activities. The charts are followed by more detailed discussions of each Program Area, including its scope and functional description, key assumptions affecting 2011, 2011 goals and deliverables and a detailed discussion of projected 2011 resource requirements.

2010 Base Operating Budget		Total Projected 2011 Increase over 2010 Budgeted Expenses
\$ 16,347,156	Salaries	\$ 4,748,783
1,035,890	Payroll Taxes	249,409
2,267,910	Benefits	995,782
2,262,845	Retirement	714,956
<b>\$ 21,913,801</b>	<b>Total Personnel Expense</b>	<b>\$ 6,708,930 17.4%</b>
\$ 1,086,200	Meetings	\$ (224,700)
2,230,803	Travel	404,734
190,000	Conference Calls	37,800
<b>\$ 3,507,003</b>	<b>Total Meeting Expense</b>	<b>\$ 217,834 0.6%</b>
\$ 5,122,400	Consultants	\$ 355,100
1,752,012	Contracts	(92,470)
398,320	NERCnet Contract	(98,226)
1,646,625	IDC Contract	254,955
<b>\$ 8,919,357</b>	<b>Contracts and Consultants</b>	<b>\$ 419,359 1.1%</b>
\$ 967,134	Office Rent	\$ 53,018
1,511,475	Office Costs	908,701
1,465,000	Professional Services	494,854
4,000	Miscellaneous	-
(300,000)	Overhead Allocation to TOOF	300,000
(750,000)	Efficiency Savings	750,000
<b>\$ 2,897,609</b>	<b>Operating Expenses</b>	<b>\$ 2,506,573 6.5%</b>
	<b>Other Non-Operating Expenses</b>	<b>\$ 750,000 2.0%</b>
\$ 1,122,785	Computer & Software CapEx	\$ (277,585)
	Network Equipment	40,800
100,000	Furniture & Fixtures	(100,000)
<b>\$ 1,222,785</b>	<b>Capital Expenditures</b>	<b>\$ (336,785) -0.9%</b>
<b>\$ 38,460,555</b>	<b>Total Base Operating Budget</b>	<b>\$ 10,265,912 26.7%</b>
\$ 1,627,808	Unallocated costs*	\$ -
-	Other Sources of Funding	(578,469)
469,043	Working Capital Reserve Funding	4,530,957
	Penalty Sanctions	(10,175,000)
<b>\$ 40,557,406</b>	<b>TOTAL FUNDING REQUIREMENT</b>	<b>\$ 4,043,400 10.9%</b>

\*Expenses of the Transmission Owners and Operators Forum funded through membership dues and G&A expenses offset by interest income.

Base Operating Budget	Budget 2010	Projection 2010	Budget 2011	Variance	
				2011 Budget v 2010 Budget	Variance %
Reliability Standards	6,248,620	6,545,857	7,682,752	1,434,132	23.0%
Compliance Enforcement and Organization Registration	14,717,513	13,901,927	17,457,901	2,740,389	18.6%
Reliability Assessments and Performance Analysis	6,631,859	5,272,997	6,292,329	(339,529)	-5.1%
Training, Education and Operator Certification	2,713,631	2,354,000	2,923,011	209,380	7.7%
Situation Awareness (SA)	7,231,384	6,164,789	8,269,095	1,037,711	14.4%
Critical Infrastructure Protection (CIP)	917,551	4,405,340	6,351,709	5,434,158	592.2%
<b>Total Situation Awareness and Infrastructure Security</b>	<b>8,148,935</b>	<b>10,284,856</b>	<b>14,370,473</b>	<b>6,221,538</b>	<b>76.3%</b>
	<b>38,460,557</b>	<b>38,359,638</b>	<b>48,726,465</b>	<b>10,265,909</b>	<b>26.7%</b>



Total FTE's by Program Area	Budget	Projection	Direct	Shared	Total FTEs	Change
	2010	2010	FTEs 2011 Budget	FTEs <sup>1</sup> 2011 Budget	2011 Budget	from 2010 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	17.50	16.00	20.08		20.08	2.58
Compliance and Organization Registration and Certification	45.75	37.93	47.08		47.08	1.33
Training and Education	6.75	5.00	6.25		6.25	(0.50)
Reliability Assessment and Performance Analysis	16.00	11.75	13.75		13.75	(2.25)
Situation Awareness and Infrastructure Security	9.75	17.92	25.83		25.83	16.08
<b>Total FTEs Operational Programs</b>	<b>95.75</b>	<b>88.60</b>	<b>113.00</b>	<b>-</b>	<b>113.00</b>	<b>17.25</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	5.00	-	-		-	(5.00)
General & Administrative	4.00	6.17	7.00		7.00	3.00
Legal and Regulatory	7.00	7.00	8.00		8.00	1.00
Information Technology	7.75	7.25	10.75		10.75	3.00
Human Resources	3.50	3.92	5.50		5.50	2.00
Finance and Accounting	8.50	6.50	6.50		6.50	(2.00)
<b>Total FTEs Administrative Programs</b>	<b>35.75</b>	<b>30.83</b>	<b>37.75</b>	<b>-</b>	<b>37.75</b>	<b>2.00</b>
<b>Total FTEs</b>	<b>131.50</b>	<b>119.43</b>	<b>150.75</b>	<b>-</b>	<b>150.75</b>	<b>19.25</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Note, this chart reflects:

1. A five FTE reduction in 2010 Projected FTEs under Technical Committees and Member Forums resulting from the elimination of NERC's staffing of the Transmission Owners and Operators Forum;
2. The phasing in of budgeted new hires projected in 2010;
3. A reallocation of staffing resources and new hires among Program areas in 2010; and
4. The phasing in of proposed 2011 FTE additions by Program Area.

## Statement of Activities and Capital Expenditures 2010 Budget & Projection, and 2011 Budget

### STATUTORY

Funding	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>ERO Funding</b>					
NERC Assessments	\$ 37,063,569	\$ 37,063,570	\$ 1	41,106,965	\$ 4,043,396
Penalty Sanctions	-	-	-	10,175,000	10,175,000
<b>Total NERC Funding</b>	<b>\$ 37,063,569</b>	<b>\$ 37,063,570</b>	<b>\$ 1</b>	<b>\$ 51,281,965</b>	<b>\$ 14,218,396</b>
Membership Dues	1,617,808	-	(1,617,808)	-	(1,617,808)
Testing Fees	1,118,750	1,820,000	701,250	1,940,000	821,250
Services & Software	250,000	250,000	-	250,000	-
Workshops	92,500	92,500	-	92,500	-
Interest	10,000	10,000	-	12,000	2,000
Miscellaneous	404,781	25,000	(379,781)	150,000	(254,781)
<b>Total Funding</b>	<b>\$ 40,557,408</b>	<b>\$ 39,261,070</b>	<b>\$ (1,296,338)</b>	<b>\$ 53,726,465</b>	<b>\$ 13,169,057</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 17,187,146	\$ 16,963,970	\$ (223,174)	\$ 21,095,939	\$ 3,908,795
Payroll Taxes	1,082,240	1,045,503	(36,737)	1,285,299	203,059
Benefits	2,345,684	2,258,266	(87,418)	3,263,692	918,008
Retirement Costs	2,381,540	2,314,254	(67,286)	2,977,801	596,261
<b>Total Personnel Expenses</b>	<b>\$ 22,996,610</b>	<b>\$ 22,581,994</b>	<b>\$ (414,615)</b>	<b>\$ 28,622,731</b>	<b>\$ 5,626,122</b>
<b>Meeting Expenses</b>					
Meetings	\$ 1,116,200	\$ 879,000	\$ (237,200)	\$ 861,500	\$ (254,700)
Travel	2,308,803	2,228,900	(79,903)	2,635,537	326,734
Conference Calls	190,000	278,600	88,600	227,800	37,800
<b>Total Meeting Expenses</b>	<b>\$ 3,615,003</b>	<b>\$ 3,386,500</b>	<b>\$ (228,503)</b>	<b>\$ 3,724,837</b>	<b>\$ 109,834</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 8,919,357	\$ 8,118,417	\$ (800,940)	\$ 9,338,716	\$ 419,359
Office Rent	967,134	1,018,033	50,900	1,020,151	53,018
Office Costs	1,580,475	1,642,068	61,593	2,420,176	839,701
Professional Services	1,533,000	1,646,543	113,543	1,959,854	426,854
Miscellaneous	4,000	10,000	6,000	4,000	-
Depreciation	752,988	656,615	(96,373)	752,988	-
Efficiency Savings	(750,000)	-	750,000	-	750,000
<b>Total Operating Expenses</b>	<b>\$ 13,006,954</b>	<b>\$ 13,091,676</b>	<b>\$ 84,722</b>	<b>\$ 15,495,886</b>	<b>\$ 2,488,932</b>
<b>Total Direct Expenses</b>	<b>\$ 39,618,567</b>	<b>\$ 39,060,169</b>	<b>\$ (558,396)</b>	<b>\$ 47,843,453</b>	<b>\$ 8,224,888</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 750,000</b>	<b>\$ 750,000</b>
<b>Total Expenses</b>	<b>\$ 39,618,567</b>	<b>\$ 39,060,169</b>	<b>\$ (558,396)</b>	<b>\$ 48,593,453</b>	<b>\$ 8,974,888</b>
<b>Change in Assets</b>	<b>\$ 938,841</b>	<b>\$ 200,901</b>	<b>\$ (737,942)</b>	<b>\$ 5,133,012</b>	<b>\$ 4,194,170</b>
<b>Fixed Assets</b>					
Depreciation	\$ (752,988)	\$ (656,615)	\$ 96,373	\$ (752,988)	\$ -
Computer & Software CapEx	1,122,785	1,261,210	138,425	845,200	(277,585)
Furniture & Fixtures CapEx	100,000	100,000	-	-	(100,000)
Equipment CapEx	-	-	-	40,800	40,800
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (469,797)</b>	<b>\$ (704,595)</b>	<b>\$ (234,798)</b>	<b>\$ (133,012)</b>	<b>\$ 336,785</b>
Allocation of Fixed Assets	\$ -	\$ 0	\$ -	\$ -	\$ (0)
<b>Change in Fixed Assets</b>	<b>(469,797)</b>	<b>(704,595)</b>	<b>(234,798)</b>	<b>(133,012)</b>	<b>336,785</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 469,043</b>	<b>\$ (503,694)</b>	<b>\$ (972,740)</b>	<b>\$ 5,000,000</b>	<b>\$ 4,530,954</b>

## Section A — 2011 Business Plan

### Reliability Standards

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	17.50	20.08	2.58
Direct Expenses	\$ 4,189,050	\$ 4,863,139	\$ 674,089
Indirect Expenses	\$ 1,983,954	\$ 2,669,696	\$ 685,742
Other Non-Operating Expenses	\$ -	\$ 133,296	\$ 133,296
Inc(Dec) in Fixed Assets	\$ 75,616	\$ 16,621	\$ (58,995)
Total Funding Requirement	\$ 6,248,620	\$ 7,682,752	\$ 1,434,132

#### Program Scope and Functional Description

NERC's Reliability Standards Program develops and maintains standards designed to ensure the reliability of the bulk power system in North America. NERC's ANSI-accredited standards development process is open, balanced, and transparent, relying on industry subject matter experts to scope, draft, and ultimately approve the standards for adoption by NERC's Board of Trustees and filing with regulatory authorities in the United States and Canada.

NERC standard drafting coordinators facilitate standards drafting team activities, assist the drafting teams in adherence to the integrity of the development process, and ensure that the quality of documents produced are appropriate for approval. Each standard must be technically excellent, timely, just, reasonable, not unduly discriminatory or preferential, in the public interest, and consistent with other applicable standards or regulations in order to be approved by the US and Canadian regulatory authorities.

The stakeholder Standards Committee provides process oversight, verifying that the standards development has been faithfully executed and now ensuring the quality of the work product. The Standards Committee is also responsible for the development and implementation of the three-year Reliability Standards Development Plan used to develop priorities, respond to regulatory directives and guide standard development activities.

#### 2011 Key Assumptions

The key assumptions in the Common Business Plan and Budget Assumptions, Exhibit A, affecting the Reliability Standards Program include:

1. NERC will implement the Results-Based Standards initiative, which will focus existing reliability standards and reliability standards development on areas that will lead to the greatest improvement in bulk power system reliability. Training will be provided,

training materials developed, and the results-based approach applied to existing and future standards projects. NERC will use 2011 to transition to the results-based principles.

2. NERC will face increased resource demands as a result of ongoing development activity, combined with increased regulatory directives. NERC projects significant volumes of standards related filings, stakeholder ballots and associated comment gathering opportunities for standards and interpretations.
3. In order to address workload needs, improvements must be implemented to streamline the standards development process to improve speed and quality, while maintaining ANSI accreditation.
4. NERC will continue to support the National Emergency Standards Development Process, which is reflected in version 1 of the Reliability Standards Development Procedure.
5. Regions estimate that they will develop and submit additional Regional Entity reliability standards in 2011 addressing their regional technical issues. NERC anticipates the need to devote resources to some standards development activity at the regional level.
6. NERC will provide increased coordination of regional standards development by becoming more involved earlier in the regional development efforts to assure consistency in regional and continent-wide standard technical content, format, and quality.
7. NERC expects to fund an independent audit of the NERC Standards processes in 2011 to satisfy Compliance and Certification Committee requirements.
8. The impact of Smart Grid activities relative to standards development is unclear and may increase resource needs.

### **2011 Goals and Key Deliverables**

In 2011, NERC will focus standards development in two areas: meeting regulatory obligations for standards development and revisions, as specified in regulatory directives, and continuing to develop risk-based standards focused on key reliability outcomes. NERC will introduce significant changes in 2011 focused on increasing the productivity and results from standards development efforts, including:

- Establish collective NERC enterprise accountability for achieving the development outcomes desired through assignment of responsibilities.
- Produce revised standards that address all outstanding Order 693 directives by the end of 2011.
- Establish targets to produce standards to address all regulatory directives.
- Produce standards proposals that address the high-priority reliability standards for development based on compliance history, violation risk factor assignments, lessons learned from events analysis, industry and regulatory staff input.



- Utilize the technical capabilities of NERC standing committees to develop timely supporting studies and information for standards development activities.
- Provide additional training for standards development staff and increased responsibilities for assisting drafting teams in developing standards drafts in a timely manner.
- To address regulatory directives and high priority standards, utilize subject matter experts to work with NERC staff (development coordinators, technical writing, compliance, and legal) to identify expected outcomes for a proposed new or revised standard and develop a prototype draft standard as a starting point for standard drafting team development.
- Produce substantive reliability standards using the results-based methodology in 2011. These will include revisions of Version 0 standards.
- Actively solicit industry subject matter expert opinions on the content of regulatory orders and aggressively seek rehearing regarding technical deficiencies therein.
- Provide timely input regarding the appropriateness of a proposed new or revised standard to satisfy regulatory directives or to maintain at least an equivalent level of reliability performance to that currently in place.
- Provide assistance to the Regions in development of a consistent format and quality control process for regional standards.
- Improve accuracy of standards related information presented through the NERC website.
- Provide training and education of stakeholders through the website, webinars and workshops.

## Resource Requirements

### Personnel

In 2010, the NERC standards program area began to re-align its organization based on key drivers for success (improved quality and timeliness in standard development, improved accuracy and quality of web-based information, and improved stakeholder outreach); to create clear accountability for accomplishing the program mission at the strategic and tactical level; to enhance organizational efficiency in decision-making and execution; and to create a sustainable level of program activities and output. For 2011, the addition of three full-time employees to the Reliability Standards Program is needed to support the goals and key deliverables set forth above.

To enhance the quality of the NERC standards and associated development efforts to assure BPS reliability, NERC will add one standards specialist to the quality assurance function. This individual will work principally as a technical writer and may assist in developing standards or materials used to support standards such as guidelines, job aids, presentations, bulletins, draft

RSAWs, and other materials. This addition permits the program to deliver on its 2011 quality objectives including:

- Producing standards that address high-priority issues and that comply with regulatory directives;
- Implementation of the results-based methods and associated training at the continent-wide and regional entity level;
- Line accountability for the quality review function directed by the Standards Committee charter;
- Implementation of the more aggressive prioritization model outlined above;
- Systematic assembly of NERC subject matter expert technical comments during standards development activities; and
- Higher quality standard requirements and measures through staff technical writing assistance and legal review.

In order to significantly advance the timeliness of standard production in 2011, NERC plans to add two standards specialists, as well as identify any weaknesses and strengthen skills sets of existing resources, to support the NERC standards development coordinators and drafting teams in implementing the process improvements noted earlier. NERC will focus its development efforts on regulatory directives, the top 10 key projects, and necessary modifications initiated by interpretation requests, and the projects in the results-based standard queue. These additions will reduce the existing burden on Standards Coordinators and aid in effective project management and timeliness of project delivery.

These resource enhancements should enable the program to deliver on its 2011 timeliness objectives, including:

- More timely delivery of standards through more targeted development processes;
- Better overall project management through enhanced training of drafting teams and NERC and regional entity staff, and through use of project management applications and technology; and
- Improved efficiency as demonstrated in project development and tracking metrics.

Working capital resources have also been increased so that funding will be available if needed for supplemental resources that may need to be added in the Standards Program Area in 2011, but have not yet been identified and quantified. The addition to working capital reserves for this purpose was only done because the Company has not yet defined the duration of the resource need and whether it will be met through the use of contractors and/or additions to program area staff.

## Contractor Expenses

While a number of resource additions are being proposed for the Reliability Standards Program area, after taking into account the completion of certain work in progress and the review of resource needs, the net effect of the contractor and consulting additions discussed below compared to the approved 2010 contractor and consulting budget for the Reliability Standards Program area is a reduction of \$225,500.

The funding requirements for contractors for the Standards Program in 2011 are driven by the following needs:

1. NERC must secure the services of subject matter experts to support results based standards development efforts in areas of standard development for which resident experts are not available or resources are insufficient to support identified goals and objectives. In addition to assistance with results based standards development, voltage and reactive control, protection systems (redundancy, special protection systems, coordination, demand side technologies, relay loadability), frequency response, data modeling, generator performance during frequency and voltage excursions, and disturbance monitoring are the areas where additional resources are needed in order to achieve timely delivery of standards.
2. NERC's implementation plan for the revised BAL-003-1 reliability standard will require contractor resource support to define the requirements of collecting, analyzing and, storing event-level data, and preparing reports regarding frequency response for identified events at the Balancing Authority and potentially the Generator Operator level.
3. For several years, stakeholders have requested NERC to automate its standards information for easier user access and to improve the ability to maintain accurate sets of data. This comment was reiterated in the three-year performance assessment. NERC elected to utilize the NERC CRATS tool to provide this user-friendly environment. At the core of this project is the standards "database" that currently contains standards information useful for the CMEP implementation and violation processing. The NERC Reliability Standards Program is responsible for ensuring the data accuracy in the database while at the same time manually maintaining sets of standards information on its web-site for users to utilize. In order to eliminate duplication of NERC staff efforts and to satisfy the industry's desire for a user-friendly database interface through which they can generate user-guided content, NERC is planning to implement enhancements to the CRATS tool. The enhancements include:
  - Developing an industry portal that provides on-demand querying by stakeholders for existing standards information in a useful report and downloadable format.
  - Upgrading the standards database to permit storage of all elements of the current standards (rich text upgrade, additional tables, and export enhancements) beyond the effective dates, applicability, requirement language, and associated VRFs and VSLs that are currently resident in the database. NERC

will also evaluate whether a document control application could be developed using the database that permits drafting teams to directly develop successive standards drafts

- Improve general data management to provide enhancements to screens, imports and exports functions and user guides.

The timing and amount of funding of these enhancements will be closely coordinated with the information technology infrastructure integration and design study which will be undertaken by NERC's Information Technology Group, which is further discussed under the Administrative Services, Information Technology section of the 2011 Business Plan and Budget.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Standards</b>					
	<b>2010 Budget</b>	<b>2010 Projection</b>	<b>Variance 2010 Projection v 2010 Budget Over(Under)</b>	<b>2011 Budget</b>	<b>Variance 2011 Budget v 2010 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 6,248,620	\$ 6,248,620	\$ 1	\$ 5,872,230	\$ (376,389)
Penalty Sanctions	-	-		1,808,389	1,808,389
<b>Total NERC Funding</b>	<b>\$ 6,248,620</b>	<b>\$ 6,248,620</b>	<b>\$ 1</b>	<b>\$ 7,680,619</b>	<b>\$ 1,431,999</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	2,133	2,133
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 6,248,620</b>	<b>\$ 6,248,620</b>	<b>\$ 1</b>	<b>\$ 7,682,752</b>	<b>\$ 1,434,132</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,268,010	\$ 2,278,671	\$ 10,662	\$ 2,835,888	\$ 567,878
Payroll Taxes	151,919	148,632	(3,287)	179,070	27,152
Benefits	285,300	276,545	(8,755)	381,842	96,542
Retirement Costs	323,547	302,857	(20,690)	395,844	72,297
<b>Total Personnel Expenses</b>	<b>\$ 3,028,775</b>	<b>\$ 3,006,706</b>	<b>\$ (22,069)</b>	<b>\$ 3,792,644</b>	<b>\$ 763,869</b>
<b>Meeting Expenses</b>					
Meetings	\$ 190,000	\$ 80,000	\$ (110,000)	\$ 80,000	\$ (110,000)
Travel	350,000	344,250	(5,750)	400,500	50,500
Conference Calls	10,000	60,000	50,000	45,600	35,600
<b>Total Meeting Expenses</b>	<b>\$ 550,000</b>	<b>\$ 484,250</b>	<b>\$ (65,750)</b>	<b>\$ 526,100</b>	<b>\$ (23,900)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 717,000	\$ 717,000	\$ -	\$ 491,500	\$ (225,500)
Office Rent	-	-	-	-	-
Office Costs	20,500	33,500	13,000	52,894	32,394
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Efficiency Savings	(127,225)	-	127,225	-	127,225
<b>Total Operating Expenses</b>	<b>\$ 610,275</b>	<b>\$ 750,500</b>	<b>\$ 140,225</b>	<b>\$ 544,394</b>	<b>\$ (65,881)</b>
<b>Total Direct Expenses</b>	<b>\$ 4,189,050</b>	<b>\$ 4,241,456</b>	<b>\$ 52,406</b>	<b>\$ 4,863,139</b>	<b>\$ 674,089</b>
<b>Indirect Expenses</b>	<b>\$ 1,983,954</b>	<b>\$ 2,290,951</b>	<b>\$ 306,997</b>	<b>\$ 2,669,696</b>	<b>\$ 685,742</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 133,296</b>	<b>\$ 133,296</b>
<b>Total Expenses</b>	<b>\$ 6,173,004</b>	<b>\$ 6,532,407</b>	<b>\$ 359,403</b>	<b>\$ 7,666,131</b>	<b>\$ 1,493,127</b>
<b>Change in Assets</b>	<b>\$ 75,616</b>	<b>\$ (283,787)</b>	<b>\$ (359,402)</b>	<b>\$ 16,621</b>	<b>\$ (58,994)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	0
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (75,616)	\$ (71,421)	4,195	(16,621)	\$ 58,995
<b>Change in Fixed Assets</b>	<b>(75,616)</b>	<b>(71,421)</b>	<b>4,195</b>	<b>(16,621)</b>	<b>58,995</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ (355,208)</b>	<b>\$ (355,208)</b>	<b>\$ -</b>	<b>\$ -</b>

## Compliance Monitoring and Enforcement and Organization Registration and Certification

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	45.75	47.08	1.3
Direct Expenses	\$ 9,359,703	\$ 10,824,099	\$ 1,464,396
Indirect Expenses	\$ 5,186,621	\$ 6,258,830	\$ 1,072,209
Other Non-Operating Expenses	\$ -	\$ 312,500	\$ 312,500
Inc(Dec) in Fixed Assets	\$ 171,189	\$ 62,472	\$ (108,717)
Total Funding Requirement	\$ 14,717,513	\$ 17,457,901	\$ 2,740,389

As discussed above under Current Staffing in Relation to Program Area Resources and Budget Presentation, for purposes of the 2011 Business Plan and Budget, NERC's reorganized Compliance Operations, Enforcement and Events Analysis and Investigations departments have been consolidated to facilitate a comparison between 2010 and 2011 resource requirements and budgets.

### Compliance Operations

#### Program Scope and Functional Description

The Compliance Operations department is a realignment of functions that now include: regional operations coordination and collaboration; audit oversight, the regional entity audit program, development of the annual CMEP implementation plan and annual CMEP report; maintenance of the Reliability Standards Audit Worksheets ("RSAWs"); the registration and certification functions; and staff support to the stakeholder Compliance and Certification Committee. The Compliance Operations department 2010 staffing consists of 13 employees, including one director and two managers who oversee and manage a wide variety of compliance functions. An essential task of this group is to maintain the quality of audit assurance and oversight. Additionally, this group will develop an audit assistance program for the Regional Entities and industry by linking the registration, certification and auditing programs together to increasing information sharing, publication of best practices and lessons learned.

The Compliance Operations department will refocus efforts to provide increased consistency in the execution of the CMEP by providing more assistance to the Regional Entities; development of programs which seek to identify Regional Entity inconsistency in compliance applications with follow up guidance to improve consistency; and increased training for auditors throughout the ERO enterprise. NERC auditors will participate more actively in Regional Entity audits,

providing assistance to foster consistency and improve regional entity auditor understanding of standards and consistency throughout the industry in a proactive manner.

The significant effort to provide accurate and timely information to the Regional Entities and industry to enhance transparency and consistency will require one additional full time auditor to conduct reviews and analysis of observation reports, spot checks and audit feedback forms. This area was identified as one of the highest priorities in the Three Year Assessment and in the independent audit of the NERC Compliance Department by Crowe Horwath in 2009.

### **2011 Key Assumptions**

The key assumptions included in the Common Business Plan and Budget Assumptions, Exhibit A, affecting Compliance Operations include:

### **2011 Goals and Key Deliverables**

- Complete the Regional Entity audits of FRCC and WECC in the first half of 2011 and begin development of the next round of regional entity audits.
- Continue the regional entity audit observation and validation program with a new emphasis of providing best practices and lessons learned to support both regional and registered entity compliance improvement.
- Provide timely information to the Regional Entities and industry through various outreach programs and public bulletins to promote transparency and consistency of compliance activities.
- Act as the Compliance Enforcement Authority for WECC-RC or any other registered entity or where other potential conflicts exist or arise.
- Develop an enhanced CMEP audit module for the CRATS software system/platform to facilitate development of the annual implementation plan and development of RSAWs.
- Continue efforts to improve the efficiency and effectiveness of the regional compliance delegation model through collaboration with the Regional Entities to improve uniformity and consistency of compliance process and procedures.
- Improve coordination with other NERC program areas including standards, Event Analysis, and assessments to prioritize work and share lessons learned with emphasis on a feedback to the Standards Department.
- Develop a formal long-range training strategy and program in collaboration with the Regional Entities to enhance auditor proficiency and consistency.

### **Resource Requirements**

NERC recognizes the need to engender a culture of compliance across the industry base. There must be clear expectations regarding the conduct of compliance audits and their relationship to other compliance activities. Compliance processes must be open and transparent. To achieve the objective, several key programs will be developed along with the enhancement of existing programs.

## **Organization Registration and Certification**

NERC recognizes that a strong registration and certification process is the essential starting point of the compliance process for Registered Entities. For 2011, objectives include: improving Joint Registration Organization understanding and practices; finalizing a Multi Region Registered Entity (MRRE) Process; and developing and implementing the Nuclear (FERC Order 706B) Audit program. No additional resource requirements are included in the 2011 budget. Increased travel expenses are projected to support an anticipated increase in certifications as a result of audits of large entities with TOP functions and their supporting TOs formally accepting responsibilities for agreed upon TOP functions.

## **Audit Assurance and Oversight**

Several critical new programs are in the planning and development stage. These programs will enhance Regional Entity consistency in CMEP implementation and will focus on Regional Entity audit validation, high impact reliability standards spot checks, and spot checks of Regional Entity audits per registration requirements. Continuance of existing programs to support this initiative includes audit observations, Regional Entity audits and RSAW maintenance and development.

***New Initiative-Key Reliability Standards Spot Checks*** — The Audit Assurance and Oversight team will develop a Regional Entity High Impact Spot Check program and perform a pilot of this program in 2010. The majority of consistency issues are in implementation of the CMEP as addressed in the Regional Entity audits. The high impact spot check program will focus on one or two high impact critical reliability standards such as PRC-005. The Audit Assurance and Oversight team will request a sample of audits from all eight of the Regional Entities within a specified time period and conduct an in-depth analysis focused on high impact standards. The goal of this effort is to identify consistency issues, best practices and/or lessons learned. NERC will work with the Regional Entities to develop a notice to the industry on specified lessons learned and refocused audit procedures for any consistency issue identified. For 2011, the Audit Assurance and Oversight team will require additional resources to expand the High Impact Spot Check program to include 5 rounds of High Impact Reliability Standards Spot Checks. Budgetary impact from a travel expense perspective is minimal as most of the work associated with this effort will be performed off-site at NERC's offices or by the telecommuting staff.

***New Initiative - Spot Checks by Registered Function*** — The Audit Assurance and Oversight team will develop a Regional Entity spot check program to assess whether Regional Entities are consistently applying reliability standards. These spot checks will entail having two NERC staff members review a sampling of compliance findings for all eight Regional Entities' treatment of specific functions by sampling audits of Registered Entities in a specific functional area. The limited scope review will focus on identification of consistency issues and follow up to improve auditing across the Regions. With present resources, this program is projected for development and implementation of two registered functions across eight Regional Entities in 2011. Budgetary impact from a travel expense perspective is minimal, as most of the work associated with this effort will be performed off-site .



***New Initiative-RE Audit Follow-up*** — While the current budget allows for two NERC audits of Regional Entities in 2010, with additional resources, the NERC Audit Assurance and Oversight team will be capable of conducting additional follow up activities to ensure that issues identified in Regional Entity audits are being addressed. One requirement of Regional Entity audits is for NERC staff to validate a sampling of prior Regional Entity-led compliance audits to review evidence taken and verify conclusions. NERC auditors will sample recent audits of Registered Entities by the Regional Entities and focus their efforts on consistency issues identified for clarification, resolution, and improvement. Along with this initiative, the NERC Assurance and Oversight staff will review and verify completion of corrective actions identified from the Crowe Regional Entity audits. With existing staff levels, the Audit Assurance and Oversight team will perform one Regional Entity audit follow-up in 2010. In 2011, the Audit Assurance and Oversight team plans to perform 5 additional Regional Entity audit follow-ups. Budgetary impact from a travel expense perspective is projected to be minimal, as most of the work associated with this effort will be performed off-site at the NERC offices or by the telecommuting staff.

***RE Audit Program*** — The RE Audit Program will complete its first cycle of audits in 2011. Revisions to the existing program to reflect more performance-based criteria and include lessons learned will require additional resources. Budgetary impact from a travel expense perspective is projected to be minimal, as most of the work associated with this effort will be performed off-site at NERC offices and by the telecommuting staff.

***Regional Entity Audit Observation*** — In 2009 NERC auditors conducted 34 observations of Regional Entity audits of Registered Entities with 7 dedicated FTEs. With the realignment in 2010 and reduced resources, the Audit Assurance and Oversight team performed an analysis of audits to observe based on the Registered Entities 1) number of registered functions, 2) facilities, 3) interconnections, and 4) reliability impact. Based on this analysis and resource availability, the NERC auditors will observe 17 audits in 2010. In 2011, the Audit Assurance and Oversight team plan to observe 25-30 audits

## **Audit Assistance**

***Training*** — In 2010 a comprehensive training strategy for Regional Entity compliance personnel will be developed in collaboration with the Regional Entities to provide a progressive program to include training, education and certification, leveraging the expertise and experience across the ERO. Additional resources will be required to implement this training strategy in 2011.

***Compliance Auditor Seminars*** — In addition to improved training programs, in 2011 two compliance auditor seminars are planned to enhance auditor training and consistency.

Compliance Operations will require additional resources to continue audit oversight and assurance; increase the number of spot checks; and develop an audit assistance and training program to improve consistency of the Regional Entity compliance programs.

Compliance Operations will also provide compliance application notices and quarterly bulletins to better inform the Regional Entities and industry on compliance best practices and lessons learned; and to clarify compliance applications and practices.

### **Additional Resource Requirements**

In order to implement these process improvements and effectively conduct audit oversight, assurance, assistance and to promote transparency and consistency across the Regions and industry, the Compliance Operations group will require four additional full-time auditors to support the audit spot check and validation programs, enhanced audit assistance requirements and regain the ability to conduct approximately 25-30 audit observations per year.

### **Contractor Expenses**

The Compliance Operations Department is budgeting total contractor and consulting costs at a level that is approximately 7% lower than 2010. In addition to costs for external auditors in connection with various compliance related audit needs, the Compliance Operations department is also budgeting a significant level of funding related to its Compliance Reporting Analysis Tracking System (“CRATS”), and the Compliance Information Tracking System (CITS) and Portal applications that support NERC’s functions as the Compliance Enforcement Authority for the registered functions of certain Regional Entities. These IT tools will improve a host of compliance functions, including: improved reporting to the BOTCC, executive management group and stakeholders; improved analysis for compliance violations and processes; and integration of critical information across NERC functions to support annual documents such as the Annual Implementation Plan and Actively Monitored List. The timing and amount of funding of these technology enhancements will be closely coordinated with the information technology infrastructure integration and design study which will be undertaken by NERC’s Information Technology Group, which is further discussed under the Administrative Services, Information Technology section of the 2011 Business Plan and Budget.

The additional contractor expense for 2011 includes funding for the development of training to support the FERC Order 706B CIP nuclear audit program. This funding will enable NERC to develop a comprehensive training program covering nuclear plant specific CIP and TFE aspects, including the required safeguards information program. This will be a onetime cost associated with the stand up of the program which will begin in earnest in 2012.

In addition to the decrease in funding for Compliance Operations consultants and contracts, there are also reductions in consultant and contractor expenses in the Compliance Enforcement area. These reductions are offset by an increase in consultant and contractor expense in the Event Analysis and Investigations areas, with a total 2011 budget increase in Consultants and Contracts expense for the entire Compliance Monitoring and Enforcement and Organization Registration and Certification Program of 8.6%.

## Compliance Enforcement

### Program Scope and Functional Description

NERC's Compliance Enforcement department 2010 staffing consists of 15 employees who conduct all of NERC's enforcement activities. These include:

- Docketing of all possible violations coming into the NERC enforcement program,
- Analysis of compliance statistics,
- Prosecution of compliance violation matters arising out of NERC-led investigations and audits,
- Review of all mitigation plans and dismissals approved by Regional Entities, and
- Processing of all compliance violations prosecuted by Regional Entities.

### 2011 Key Assumptions

The key assumptions included in the Common Business Plan and Budget Assumptions, Exhibit A, affecting Compliance Enforcement include:

1. NERC and the Regional Entities will establish streamlined mechanisms to expedite minor, administrative violations and look to gain more discretion to handle the minor violations which pose no threat to the bulk power system.
2. Resources will be required to develop and implement an enforcement process that encourages "good" self reporting, one that results from a systematic compliance "culture" to detect, report and correct problems, and obtains adequate recognition in the enforcement processes.
3. Use "targeted, aggressive enforcement" for those matters posing the most risk to the bulk power system where NERC has clearly indicated a need for focus and education of the industry on compliance.
4. The current trend of alleged violations has increased and the increase is expected to continue during the planning period.

### 2011 Goals and Deliverables

A priority for NERC enforcement efforts is to achieve greater efficiencies in enforcement processing by focusing both NERC and Regional Entity compliance and enforcement resources on the cases that have the most significant impact on the reliability of the bulk power system, to reduce the overall ERO caseload by ensuring that the number of cases processed through filing of a notice of penalty exceeds the number of cases coming into the ERO docket, and to expeditiously close out cases to provide timely lessons learned to the industry. NERC enforcement staff has realized significant efficiencies and expects to enhance these efficiencies through better utilization of existing resources in the future. There is substantial evidence of this increased efficiency in 2009 and early 2010. Of the 15 budgeted FTEs in the NERC

Compliance Enforcement department, the enforcement processing team consists of six employees or 5.3 FTEs.<sup>1</sup> In 2009, this team's average processing rate was about 84 violations per month. Efficiencies were gained as the year progressed. These efficiencies have resulted in an increase in the number of violations processed per month – a 266% increase from Q1 2009 to Q4 2009, excluding violations processed as part of the Omnibus filing. There were a total of 238 violations<sup>2</sup> approved in 2009 - 35 violations were approved by the BOTCC in Q1 2009; in Q2, 37 violations; in Q3, 39 violations (in addition to the Omnibus filing containing 564 violations); and in Q4, 128 violations. The trend is continuing in 2010 – there were 68 violations approved by the BOTCC at the January meeting, 86 at the February meeting, and 97 at the March meeting -- for a total of 252 for Q1 2010.

Notwithstanding the significant increase in efficiency in the past year, the team continues to look for additional efficiencies in 2010. Streamlined enforcement processes, specifically the introduction of the Disposition Document, Abbreviated Notice of Penalties and other process improvements, are currently being introduced and will be monitored for efficiency gains.

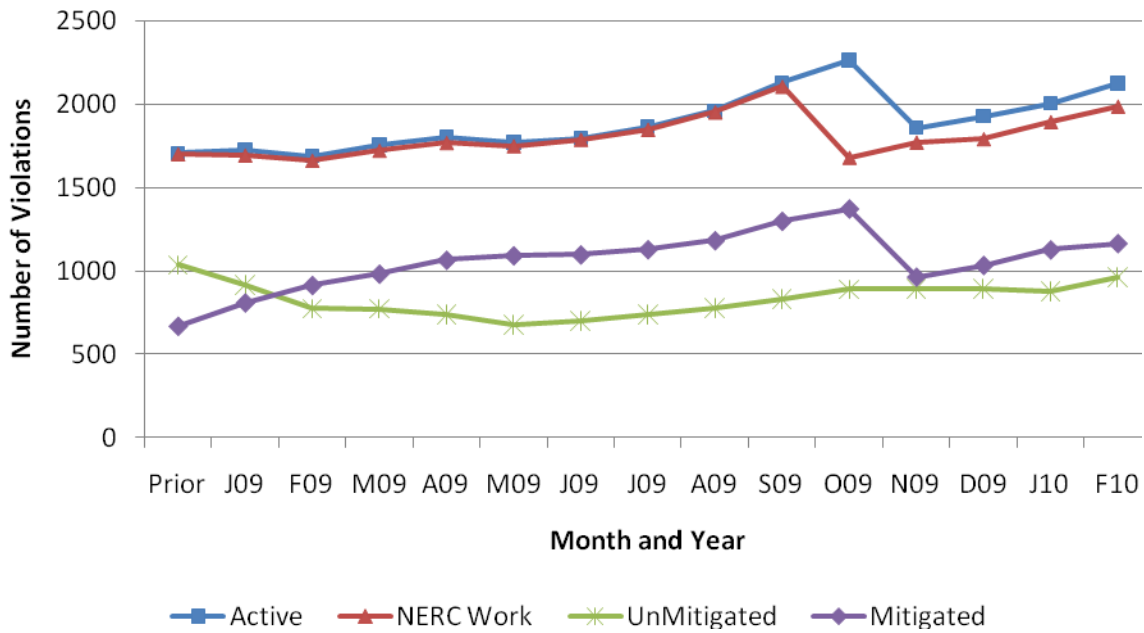
Despite efforts to attain greater efficiencies, a significant gap is anticipated in the number of cases coming into the enforcement process and the number of cases the enforcement team can close out on a monthly basis. As reflected in Figures 1 and 2 below, the number of new violations (and thus the enforcement caseload for the ERO as a whole) has increased in the past few months compared to the same time last year, and this number is expected to continue to trend upward. As of January 31, 2010 the six month average rate of new violations per month was 144, but that average increased to 158 by March 1, 2010.

---

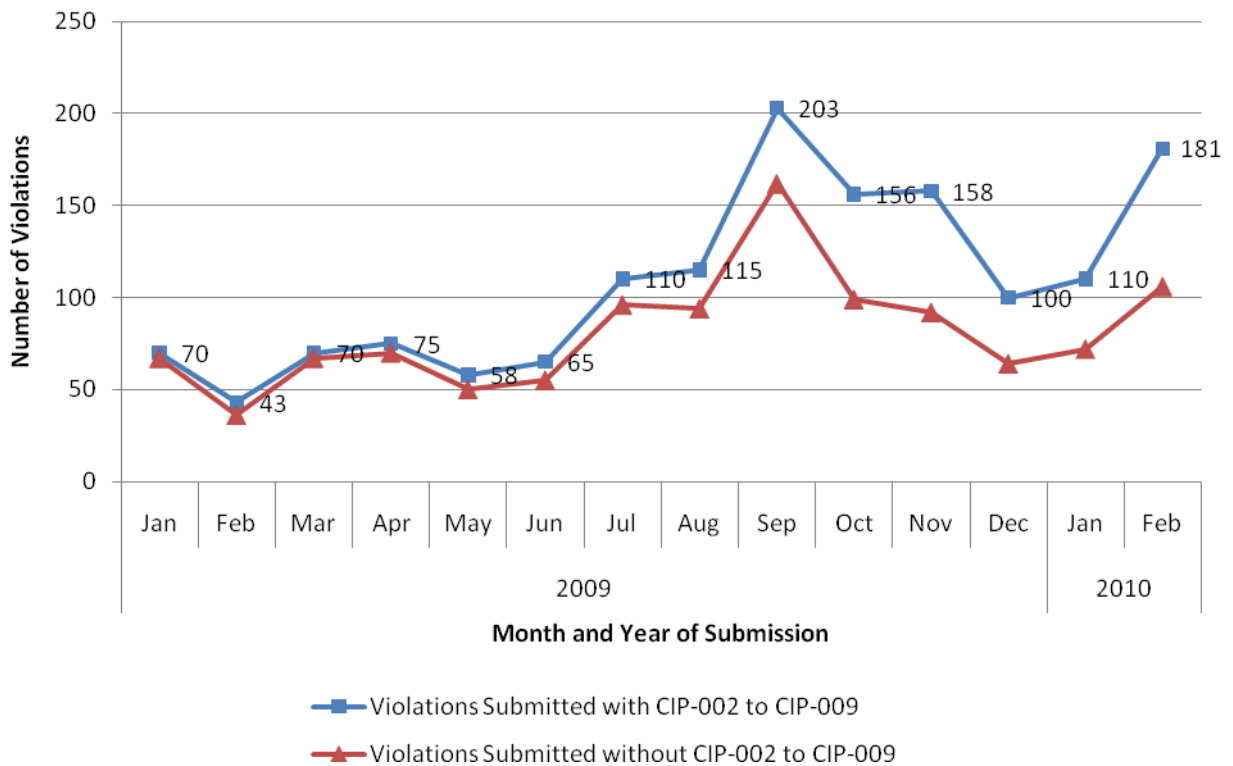
<sup>1</sup> 70 percent of one employee's time is dedicated to approving and processing Mitigation Plans.

<sup>2</sup> For purposes of this section the term "violation" references an individual instance of non-compliance with a Reliability Standard requirement, regardless of its procedural posture and whether it was a possible, alleged or confirmed violation.

**Figure 1: Compliance Processing Stats from March 2010 BOTCC**



**Figure 2: Violations Submitted per Month (Dismissals Removed)**



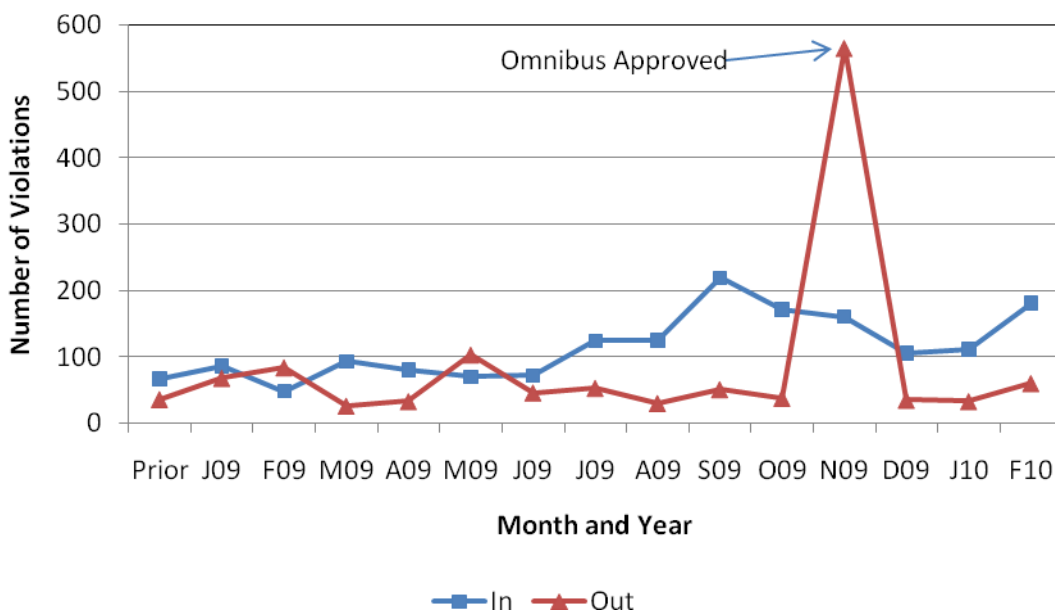
The increase in caseload is attributable to two primary sources. First, a large number of violations of CIP Standards have been and will be entering the system as more of the CIP requirements become effective for a larger group of Registered Entities, although the magnitude of these additional violations is not known at this time. More fundamentally, however, as the Regional Entities continue their compliance audits and other discovery methods, they continue to uncover existing compliance issues. As reflected in Figure 3 below, most violations that are discovered today still relate to compliance deficiencies dating back to before the reliability standards became mandatory and enforceable. In fact, 1,495 out of 2,950 active and closed violations originated in (deemed to have occurred in) 2007. This indicates that the ERO enforcement and industry compliance activities have not yet reached a point at which only a steady level of current, new compliance concerns will need to be addressed.

**Figure 3: Deem Date Trend for Violation received in February 2010 (181 Total New Violations)**



In short, despite significant efforts to improve the efficiency of the Compliance Enforcement department’s processing of violations both last year and this year, the influx of new violations is expected to outstrip the number of violations NERC can process each month. This widening gap is reflected in Figure 4.

**Figure 4: Violations In/Out Trend from 2009**



Possible violations have been docketed by the ERO at an average rate of 151 per month based upon the average of the last 6 months ended February 2010, with a peak of 203 new possible violations for the month of September 2009. In contrast, the Team has processed an average of 84 violations per month through to BOTCC approval, with a peak of 98 violations approved in March 2010. At the current rates of caseload expansion and processing, even with the efficiency improvements realized last year and anticipated this year, the Team will not be able to keep pace with the incoming violations, and as a consequence, the ERO caseload will continue to increase under current resource commitments.

## Resource Requirements

### Personnel

As a result of the resource demands described above, NERC is budgeting for three additional enforcement FTEs in 2011 to meet its enforcement processing goals. In assessing the number of employees required to process the anticipated number of violations, NERC staff conducted an analysis of the hours historically required to process a violation using the most recent hours per violation processing rate. This analysis was premised on the assumption that the Team as it is currently composed with 5.3 FTEs can process on average about 100 violations per month. This assumption incorporates almost a 20% increase in efficiency over the average of the first three months of 2010 and exceeds the highest output the Team has achieved in any the past month. With this ambitious assumption in mind, the Team has determined that to process an average of 200 violations per month the Team would need to expand to 10.66 FTEs, while 8 FTEs would be required to process an average of 150 violations per month. Therefore, at this assumed process rate, an increase of 3 FTEs will be required by the Compliance Enforcement department to meet the currently expected inflow of violations.

## **Contractors**

No additional contractor or consulting resources are proposed within the group for 2011.

## **Event Analysis and Investigations**

### **Program Scope and Functional Description**

Key to NERC's and the industry's success is the ability for NERC to quickly disseminate lessons learned to the industry from the 60 to 100 events that are analyzed each year. The ability to deliver timely lessons learned was identified as a key initiative by the industry in NERC's Three Year ERO Performance Assessment. To respond to this need, NERC must have the ability to quickly analyze system events for lessons learned and provide those lessons to the industry clearly and concisely. The lessons must be of value to the industry such that the lessons will be applied to prevent recurring reliability risks and assure adherence to NERC's Reliability Standards.

NERC must also provide clear expectations for self-analysis and reporting to NERC to facilitate the ability to capture lessons learned to be shared with the industry. NERC will need to provide clear processes, reporting procedures and formats, as well as training on analysis and investigation techniques including root cause analysis methods.

To accomplish these goals, as part of the staff reorganization previously discussed, during the first quarter of 2010 NERC formed the Event Analysis and Investigations group from existing staff, which includes personnel who were previously in NERC's Compliance Violation and Investigations department and Event Analysis department. For purposes of the 2011 Business Plan and Budget, in order to facilitate the comparison of 2010 and 2011 budgets and funding requirements, the personnel and funding requirements related to (i) the personnel included in the 2010 Event Analysis department are reported under the Reliability Assessment and Performance Analysis Program and (ii) the remaining personnel are reported in this section as part of the Compliance Monitoring and Enforcement and Organization Registration and Certification Program.

NERC expects to provide the industry with a suite of high quality products based on lessons learned and significant operating experiences including high quality documents, webinars, and other educational and training opportunities for the industry. These lessons learned must be captured and cataloged in an enterprise wide knowledge management system that will allow industry participants to quickly and easily find information about reliability standards, compliance with those standards, lessons learned from system events, and significant operating experiences. Through the reorganization, NERC believes it has sufficient resources to meet analysis and investigative resource demands.

NERC expects the industry to complete its own investigations of system events using root cause techniques and self-report possible reliability standard violations to the appropriate Regional Entity. NERC and FERC have continued to recognize self-reporting and prompt mitigation as mitigating factors in penalty and sanction determinations. In the event NERC needs to



undertake an investigation, NERC will continue to do so confidentially and in accordance with the Rules of Procedure. Once the facts and circumstances have been finalized and shared with the Registered Entities involved, NERC Event Analysis and Investigation staff will provide those facts and circumstances to NERC's Enforcement staff for processing in accordance with the Rules of Procedure.

### **2011 Key Assumptions**

- NERC will perform one NERC-level event analysis and participate in three regional detailed analyses of system events in 2011. Additionally, NERC will review approximately 75 reports developed by Registered Entities for off-normal events, potential system vulnerabilities, and other events with off normal system performance.
- If a region is unable to perform a regional detailed analysis, NERC may assume direct responsibility and oversight of the regional analysis team and process, which will impact NERC's resource needs and costs.
- NERC will continue to lead approximately 10 compliance investigations per year and will staff those investigations to provide a high level of responsiveness and consistency in conducting formal investigations. The 2011 budget also includes funding subject matter experts to support NERC staff in these investigations and hearings, but at a level equal to approximately seventy five percent of the 2010 budget due to the additional resources devoted to this area as a result of the previously described staff reorganization.
- NERC will implement recommendations from the Crowe audit related to compliance investigations including the implementation of secure physical data cataloging and storage. NERC will build on this recommendation to develop an enterprise wide knowledge management system that will contain the lessons learned in formats that are easily retrievable through key-word searches or through areas of interest or applicability to a particular group of industry registrants. Funding has been included in the Consultants and Contracts budget to support this initiative.

### **2011 Goals and Objectives**

- Issue timely lessons learned and alerts on relevant findings, ensuring that lessons learned are promptly shared with industry.
- Develop and maintain a knowledge management system with a searchable library of lessons learned from event analyses on NERC's website.
- Enhance the public release of initial findings and lessons learned of NERC, Regional, and Registered Entity event analyses for system events.
- Provide for training and educational opportunities regarding lessons learned, analysis and investigative techniques including root-cause analysis, and reporting processes and formats for all Registered Entities.

- Coordinate closely with the Operating and Planning Committees as well as industry trade associations.
- NERC will continue to provide administrative support to the Planning and Operating Committees and their subgroups.

## **Resource Requirements**

### **Personnel**

No additional personnel are planned in the Event Analysis and Investigations group for 2011.

### **Contractors**

Consulting and contractor expenses for this group are primarily related to the retention of subject matter experts to assist in events investigations and analysis. The need for subject matter experts to assist in event analysis are projected to be approximately thirty (30%) percent lower than the 2010 budget, which partially offsets the previously described increases in contractors and consultants for the other two departments in the Compliance Program . However, funding associated with the development of a new Event Analysis and tracking tool is projected at \$165k. This tool should enhance NERC's ability to timely track, analyze and report events.

Section A — 2011 Business Plan  
Compliance Monitoring and Enforcement and Organization Registration and Certification

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Compliance and Organization Registration and Certification</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 14,312,732	\$ 14,312,732	\$ 0	\$ 13,063,318	\$ (1,249,414)
Penalty Sanctions	-	-	-	4,239,583	4,239,583
<b>Total NERC Funding</b>	<b>\$ 14,312,732</b>	<b>\$ 14,312,732</b>	<b>\$ 0</b>	<b>\$ 17,302,901</b>	<b>\$ 2,990,170</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	5,000	5,000
Miscellaneous	404,781	25,000	(379,781)	150,000	(254,781)
<b>Total Funding</b>	<b>\$ 14,717,513</b>	<b>\$ 14,337,732</b>	<b>\$ (379,781)</b>	<b>\$ 17,457,901</b>	<b>\$ 2,740,389</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 5,654,331	\$ 4,980,642	\$ (673,689)	\$ 6,344,046	\$ 689,715
Payroll Taxes	378,714	329,737	(48,977)	416,818	38,104
Benefits	727,131	624,600	(102,531)	895,127	167,996
Retirement Costs	795,620	685,501	(110,119)	892,082	96,462
<b>Total Personnel Expenses</b>	<b>\$ 7,555,795</b>	<b>\$ 6,620,479</b>	<b>\$ (935,315)</b>	<b>\$ 8,548,072</b>	<b>\$ 992,277</b>
<b>Meeting Expenses</b>					
Meetings	\$ 32,500	\$ 32,500	\$ -	\$ 32,500	\$ -
Travel	890,917	795,250	(95,667)	909,833	18,916
Conference Calls	5,000	40,000	35,000	28,200	23,200
<b>Total Meeting Expenses</b>	<b>\$ 928,417</b>	<b>\$ 867,750</b>	<b>\$ (60,667)</b>	<b>\$ 970,533</b>	<b>\$ 42,116</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 1,100,000	\$ 575,000	\$ (525,000)	\$ 1,195,000	\$ 95,000
Office Rent	-	-	-	-	-
Office Costs	42,500	50,900	8,400	84,000	41,500
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	26,494	-	(26,494)	26,494	-
Efficiency Savings	(293,503)	-	293,503	-	293,503
<b>Total Operating Expenses</b>	<b>\$ 875,491</b>	<b>\$ 625,900</b>	<b>\$ (249,591)</b>	<b>\$ 1,305,494</b>	<b>\$ 430,003</b>
<b>Total Direct Expenses</b>	<b>\$ 9,359,703</b>	<b>\$ 8,114,129</b>	<b>\$ (1,245,573)</b>	<b>\$ 10,824,099</b>	<b>\$ 1,464,397</b>
<b>Indirect Expenses</b>	<b>\$ 5,186,621</b>	<b>\$ 5,430,913</b>	<b>\$ 244,292</b>	<b>\$ 6,258,830</b>	<b>\$ 1,072,209</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 312,500</b>	<b>\$ 312,500</b>
<b>Total Expenses</b>	<b>\$ 14,546,324</b>	<b>\$ 13,545,042</b>	<b>\$ (1,001,281)</b>	<b>\$ 17,395,429</b>	<b>\$ 2,849,106</b>
<b>Change in Assets</b>	<b>\$ 171,189</b>	<b>\$ 792,690</b>	<b>\$ 621,501</b>	<b>\$ 62,472</b>	<b>\$ (108,717)</b>
<b>Fixed Assets</b>					
Depreciation	(26,494)	-	26,494	(26,494)	-
Computer & Software CapEx	-	325,000	325,000	50,000	50,000
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 26,494</b>	<b>\$ (325,000)</b>	<b>\$ (351,494)</b>	<b>\$ (23,506)</b>	<b>\$ (50,000)</b>
Allocation of Fixed Assets	\$ (197,683)	\$ (169,311)	28,372	(38,966)	158,717
<b>Change in Fixed Assets</b>	<b>(171,189)</b>	<b>(494,311)</b>	<b>(323,122)</b>	<b>(62,472)</b>	<b>108,717</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 0</b>	<b>\$ 298,379</b>	<b>\$ 298,379</b>	<b>\$ -</b>	<b>\$ (0)</b>

## Reliability Assessment and Performance Analysis

<b>Reliability Assessments and Performance Analysis</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	16.00	13.75	(2.25)
Direct Expenses	\$ 4,620,377	\$ 4,300,018	\$ (320,360)
Indirect Expenses	\$ 1,813,900	\$ 1,827,800	\$ 13,899
Other Non-Operating Expenses	\$ -	\$ 91,261	\$ 91,261
Inc(Dec) in Fixed Assets	\$ 197,581	\$ 73,251	\$ (124,330)
Total Funding Requirement	\$ 6,631,859	\$ 6,292,329	\$ (339,530)

As stated earlier, the 2011 budget and personnel for the Reliability Assessment and Performance Analysis Program (“RAPA”) includes the personnel and expenses in the 2010 Event Analysis department. As part of the 2010 internal staffing reorganization, NERC created a System Analysis and Reliability Initiatives group within its Engineering and Operations department. This group consists of the former Event Analysis Group. This group supports the efforts to analyze key issues that may affect reliability, and leads the efforts to address reliability risks and emerging issues through NERC’s reliability initiatives, as well as supporting aspects of the North American Synchro-Phasor Initiative discussed under the Situation Awareness and Infrastructure Security Program. However, for purposes of the 2011 Business Plan and Budget, the funding required to support this group is included in the Reliability Assessment and Performance Analysis Program Area in order to facilitate comparison to the 2010 budget.

### Program Scope and Functional Description

NERC’s Reliability Assessment and Performance Analysis program conducts annual seasonal and long-term reliability assessments, designed to assess the short and long-term resource adequacy and operating reliability of the bulk power system in North America, both existing and planned. Further, the program identifies as well as assesses risk and severity from reliability performance to measure progress in improving current reliability and track leading indicators of future reliability. To support its assessments and evaluate the performance of the bulk power system, RAPA maintains NERC’s detailed databases measuring the ongoing reliability performance of generation, transmission and demand response. Findings are published on NERC’s website and highlighted in seasonal, long-term, and special reliability assessments and reliability performance reports as appropriate. RAPA also identifies and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency (“HILF”) events, industry trends, and proposed public policy measures. Special reliability assessments on the effects on reliability of the bulk power system from specific issues or situations are developed based on an industry-based risk assessment and emerging initiatives.

The RAPA is supported by the Planning, Operating, Compliance, and Critical Infrastructure Protection Committees along with numerous subcommittees, working groups and task forces.

### **2011 Key Assumptions**

- NERC will continue to incrementally improve the definitions, refine data reporting requirements from Registered Entities and review adequate level of reliability related metrics used in reliability assessments.
- Probabilistic risk study for reliability assessments will be reviewed in 2010 and incremental data reporting may be requested in 2011 to support this effort.
- NERC and Regional Entities will be requested to gather data or perform analysis in support of federal initiatives related to the stimulus package, critical infrastructure protection to include HILF events, climate change, environmental regulations, and/or renewable energy initiatives.
- Demand response data system (“DADS”) collection will begin voluntary submittals in 2010 and be mandatory in 2011. A data collection system is being designed and requires Regional Entity involvement. At this time, the Regional Entity involvement and support is expected to be similar to the way TADS currently works.
- NERC and the Regional Entities are expected to provide independent reviews of assessments to assure a high level of technical rigor.
- NERC will continue to develop analysis of TADS data in 2011.
- To meet NERC’s Three-Year Assessment commitments:
  - NERC will continue to vet metric development, collection, and analysis with industry stakeholders through the Reliability Metrics Working Group (“RMWG”).
  - NERC staff will work with the RMWG to issue the first annual reliability performance report in 2010 and share metric analysis results through its quarterly updates on NERC’s website, NERC News, and via Webinars.
  - NERC will undertake two special reliability assessment initiatives in 2011.
  - NERC will develop a centralized automated data collection, reporting and validation process, and calculation tools to support reliability metrics to support reliability risk assessment as part of the more global effort as discussed in the Information Technology section under Administrative Services.

### **2011 Goals and Key Deliverables**

- Issue reliability assessment reports:
  - One 10-year Long-term Reliability Assessment
  - Two pre-seasonal assessments: Summer and Winter
  - Two post-seasonal operational assessments: Winter and Summer

- One annual risk/severity and reliability metrics report, including overall system risk and violation risk analysis
- Two system reliability performance reports: Transmission (TADS) and Generating (GADS)
- Geomagnetic Disturbance (“GMD”) effects on reliability of the bulk power system
- Up to two additional special assessments addressing key reliability issues
- Additional reports addressing industry reliability concepts and emerging issues
- Re-launch NERC’s Spare Equipment Database (“SED”) to enumerate the availability of equipment during emergencies, such as GMD, and support NERC’s situation awareness activities. The focus in 2011 will be on bulk power transformers.
- Evaluate, track, and assess severity/risk and up to 19 reliability metrics and risk indices – including the maintenance of online reliability metrics and risk indices.
- Operate the GADS and the TADS.
- Launch the Demand response Availability Data System (DADS).
- Strengthen data collection and validation processes by designing, creating, testing, and implementing data checking systems to accommodate the increasing amount of data NERC collects for its long-term, seasonal, operational, and special reliability assessments along with the databases supporting reliability performance assessments.
- Build and sustain a reliability assessment and performance analysis team with representatives from NERC’s Regions to review Regional reliability assessment processes, criteria, and methods improving consistency and leveraging practices.
- Identify the need for standard authorization requests for any deficiencies or needs revealed by reliability assessments.
- Track industry actions on recommendations made through NERC’s assessments, risk assessment, and data system initiatives.
- NERC will continue to lead the study and analysis of the declining frequency performance in the Eastern Interconnection and determine possible corrective actions as necessary.
- Analyze the appropriate level of frequency response for the interconnections taking into consideration the emerging technologies in supply resources and electrical loads.
- Coordinate with the Standards Program to execute the Frequency Performance Initiative, working with industry to further analyze this issue, determine the root cause of frequency events, and consider appropriate mitigations.
- Continue to sponsor the System Protection Initiative in 2011.
- Develop and maintain seasonal forensic-ready power flow and dynamics cases.

- Sponsor a System Modeling Improvements Initiative, focusing on generation and turbine control modeling and providing subject matter expertise support for related standards development activities.
- Provide administrative support to subcommittees, working groups and task forces serving the Standing Committees.

### **Resource Requirements**

RAPA activities expanded significantly in 2010. This activity level is expected to accelerate in 2011, including long-term, pre-seasonal, post-seasonal and special reliability assessments, management of risks to reliability from GMD events, development of integrated reliability assessment performance metrics and tools, and launching/sustaining key NERC availability data systems and databases, including TADS, GADS, DADS and SED, as well as ongoing support of the other initiatives described under this program area. Notwithstanding the resource demands and workload, incremental 2011 RAPA funding requirements for personnel and contractors to satisfy these requirements are offset by reductions in costs due to the transfer in 2010 of personnel from this program area to other program areas, resulting in a decrease of approximately \$378k in total 2011 funding requirements for this program area compared to 2010.

### **Personnel**

Reliability assessment and risk/severity reliability performance tools are data intensive, requiring data collection, validation and evaluation. In 2011, a continued expansion and acceleration of activities will require two additional employees to support RAPA. To sustain the increased RAPA activities, one additional technical analyst is required in 2011. In addition, one Senior Engineer position is required to support various reliability initiatives, including the Frequency Response Initiative, the System Protection Initiative, and the System Modeling Initiative as well as on-going support for the other initiatives discussed below. Effectively supporting these and other emerging analysis and initiatives to produce timely results will require the additional power system simulation knowledge and experience this engineer will provide.

### **Contractor Expenses**

Consultant and Contracts resource needs are projected to increase approximately 10% over 2010 Consultant and Contracts budgeted expenses due to the workload needs in affecting this program area, including:

- 1. Resources to develop integrated Risk/Severity Reliability Performance/Metric Tools, assess impacts of GMD Events and Emerging Issues, and improve Reliability Assessments**
  - Geomagnetic storms emanating from the sun can produce an impulsive disturbance to earth's geomagnetic field over wide geographic regions. This field disturbance results in induced direct ground currents (geomagnetically-induced currents or GIC) in the complex topology of the North American bulk power system, which can saturate, and ultimately damage high voltage equipment, include scarce

transformers. Unlike other risks industry has traditionally managed, GMD events can result in widespread system collapse and, catastrophic failures of scarce equipment. For many years, it has been known that these storms have the potential to pose operational threats to bulk power systems. Most well known in North America is the March 13-14, 1989 geomagnetic storm, which led to the collapse of the Hydro Québec system in the early morning hours of March 13, 1989. The threat from GMD events, while now more widely understood, are gaining renewed attention across the sector as recent predictions suggest that more severe solar storms could occur, as well as reach lower geographic latitudes than formerly expected.

NERC, with its stakeholders and the U.S. DOE, held a workshop in the third quarter of 2009 focused on bulk power system HILF events and a conference in the first quarter of 2010 on bulk power system reliability affects of GMD events. A key recommendation from these industry meetings, documented in its recently released report, is to launch a joint NERC Standing Committee task force, including industry, equipment manufacturer, and GMD experts, to consider changes to traditional planning and operating criteria, evaluate and prioritize mitigation and restoration options, improve sector-wide spare equipment sharing programs, and reliability standards. The task force will also be tasked to develop a study plan for 2011, including detailed simulations of a variety of GMD events, a spare equipment database specification, and identification of both risk management approaches and planning/operational options.

NERC's renewed focus on the reliability effects of GMD events addresses risks and vulnerabilities that are not usually addressed in conventional bulk power system planning, design and operating processes. Ascertaining the implications of GMD event risks will require detailed assessment and analysis to determine their effects on bulk power system planning, design, operations and, if appropriate, NERC Standards. To sustain these efforts in 2011, NERC will engage subject matter experts to simulate and study reliability impacts from a variety of GMD pulse waveforms. NERC will also re-launch its SED to support reliability assessment and situation awareness during emergency conditions.

- Reliability assessment and risk/severity reliability performance tools are data intensive requiring data collection, validation and evaluation. In 2010, NERC added two post-seasonal operational reliability assessments, two special reliability assessments investigating the effects of a sudden economic recovery and environmental regulations. NERC's assessments also addressed emerging issues facing industry such as integration of variable generation and smart grids. Further, NERC embarked on the development of integrated reliability assessment performance tools, including a family of event driven risk/severity curves, system condition driven metrics and regulation driven measures. These vital metric activities support measurement of current system status, "lessons-learned" from assessment of trends, and opportunities for reliability improvements.
- As recommended in NERC's Three-Year Electric Reliability Organization Performance Assessment Report, NERC will develop a centralized data collection process and



tools to streamline and automate the collection and reporting processes. NERC began this development in 2010. The 2011 budget will support more frequent updates (now limited to quarterly) and provide a user query feature to call different views of NERC's online "Reliability Indicators."

## **2. Resources needed for Transmission, Demand response and Generating Availability Data Systems**

NERC's availability data systems collect and report on reliability performance of generation, transmission and demand response. Resource availability data is used to measure historic reliability performance trends and sustains NERC's reliability/severity tools. Two systems, TADS and DADS, are relatively new and must be sustained to provide data needed to enhance reliability performance in the future. Collection of data for DADS becomes mandatory in 2011 for the first time<sup>3</sup>, after a one year industry pilot of the system, while TADS has been a mandatory data collection system since 2008. The Generating Availability Data System (GADS), though currently a voluntary system, has a long history of providing trend analysis that resulted in improved generator performance. To sustain these activities in 2011, the funding required to support both GADS and TADS is based on the assumptions that:

- GADS continues to provide high value to industry. Though GADS is currently a voluntary submission, in 2010 industry experts are reviewing developing mandatory submittal for portions of this data. In 2011, a report on generator availability and technology evaluation will be completed.
- TADS requires on-going technical support and software maintenance requirements, including analysis improvements which will be documented in an annual performance report.
- DADS data collection will become mandatory in 2011 and resources will be needed to develop software that vets quarterly data entry and create annual performance reports.

## **3. Resource Support for Systems Analysis**

Identifying and analyzing emerging trends in bulk power system reliability are a vital part of NERC's reliability responsibilities. Recognizing reliability trends, root causes and issues is an extremely important responsibility of the ERO and the industry. Developing and leading initiatives to understand the root causes and respond to these trends will be the responsibility of the System Analysis and Reliability Initiatives group within the Operations and Engineering department. Funding related to these operations is included in the RAPA budget to facilitate comparison to the 2010 budget.

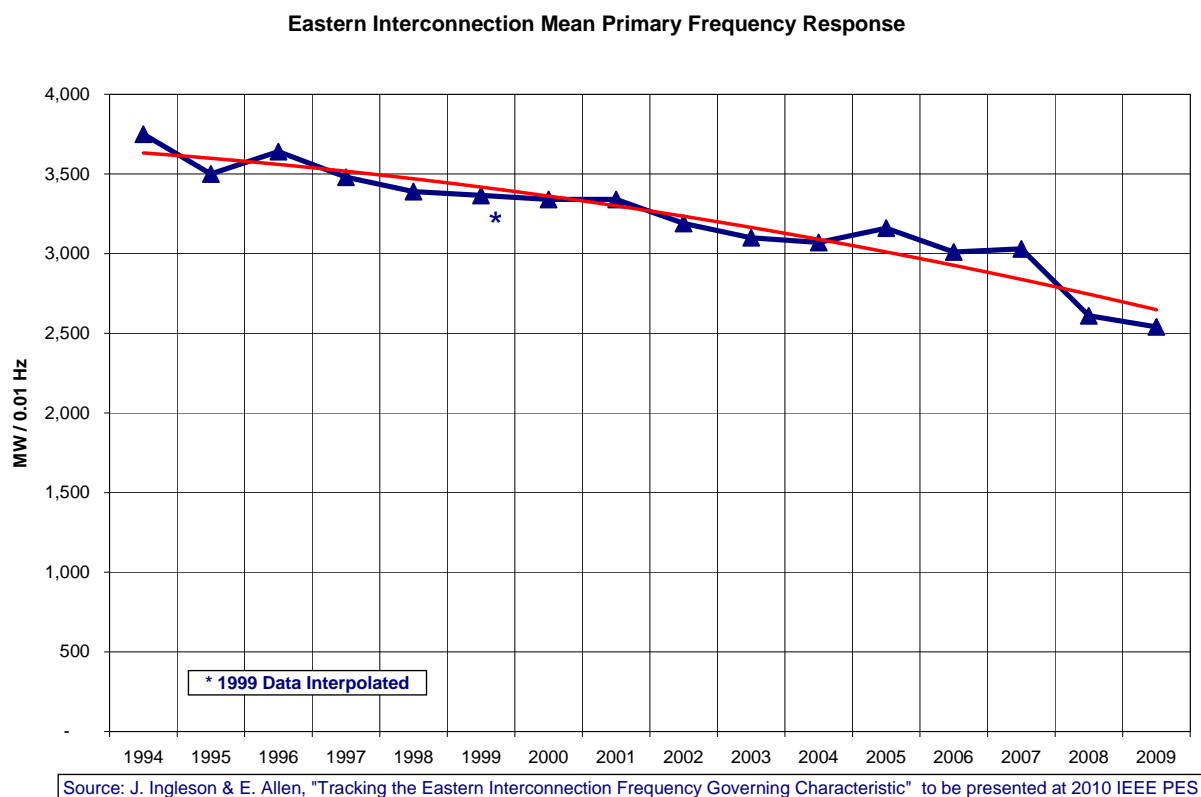
NERC must be an industry leader with the appropriate technical resources to analyze these emerging trends and resulting reliability initiatives. Presently, NERC has four key reliability initiatives underway that are critical to the industry and to the reliability of the bulk power system. They are:

---

<sup>3</sup> On May 17, 2010 NERC's Board of Trustees approved DADS as mandatory through the Rule of Procedure, Section 1600 data request.

- Resources to Support the Frequency Performance Initiative**

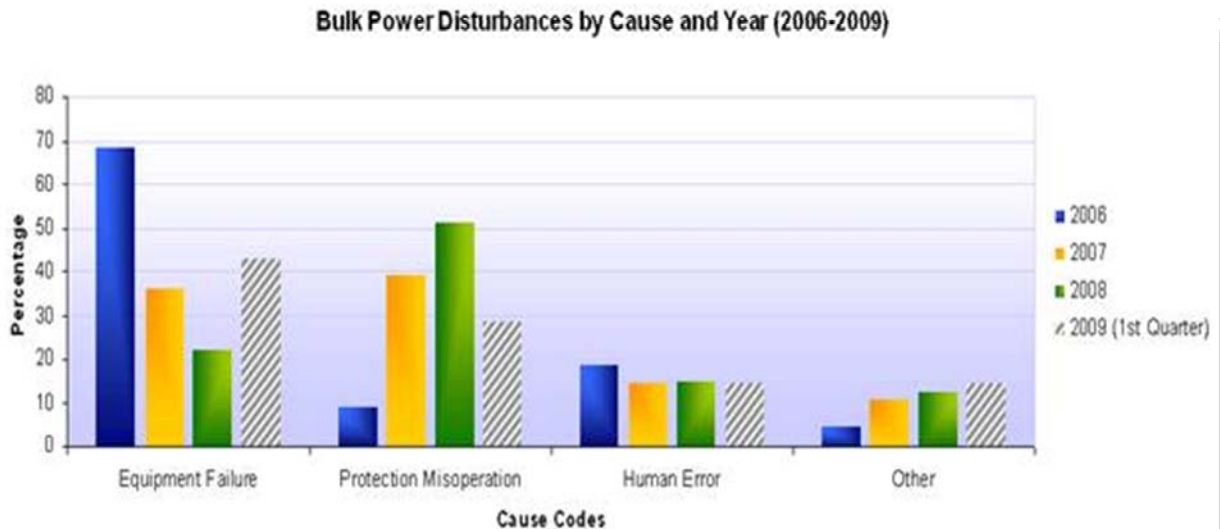
Declining frequency performance on the Eastern Interconnection has been flagged as an area of concern by NERC, the industry and FERC. The following chart shows the continuing decline in frequency response.



Emerging technologies, including new generation technologies, and new types of loads, as well as existing practices, may have impacted the frequency response of the interconnections. The impacts of these new technologies collectively in terms of frequency performance are not well understood. NERC must take the lead and coordinate the efforts of industry technical resources, standard drafting teams, and technical committees in assessing the current level of frequency response and what can be done in the short term as well as understand the long term implications of the new supply technologies and loads. This may lead to revisions to NERC's reliability standards to ensure adequate frequency performance and bulk power system reliability. Understanding and addressing this issue will require the support of industry experts.

- **Resources to Support the System Protection Initiative**

NERC's System Protection Initiative coordinates work to address the leading cause of system disturbances. In 2008, system protection mis-operations and failures was the single most common cause of system events. The following chart illustrates the increasing nature of protection system mis-operations on the number of system events



Efforts underway as part of this initiative include standards development, technical reference materials, outreach, and education. Based on work done to date, improved standards may be needed, and compliance activities focused on specific elements of standards that can reduce operational issues, including failures. .

- **Resources to Support System Modeling Improvements**

Recent event analyses have shown that flaws exist in existing system models and modeling practices. Initiatives have recently been undertaken to improve the modeling of generators and the transmission system, including power electronic devices, such as static-var compensators, statcoms, and back-to-back DC terminals. Additionally, these initiatives will promote and facilitate coordinated modeling of variable generation and other new technologies. Further, NERC often requires static and dynamic computer simulations of the bulk power system in order to analyze events, understand reliability risks, and provide input to NERC's reliability assessments.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 6,381,859	\$ 6,381,859	\$ 1	\$ 4,802,760	\$ (1,579,098)
Penalty Sanctions	-	-	-	1,238,108	1,238,108
<b>Total NERC Funding</b>	<b>\$ 6,381,859</b>	<b>\$ 6,381,859</b>	<b>\$ 1</b>	<b>\$ 6,040,869</b>	<b>\$ (340,990)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	250,000	250,000	-	250,000	-
Workshops	-	-	-	-	-
Interest	-	-	-	1,460	1,460
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 6,631,859</b>	<b>\$ 6,631,859</b>	<b>\$ 1</b>	<b>\$ 6,292,329</b>	<b>\$ (339,529)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,146,240	\$ 1,570,536	\$ (575,704)	\$ 1,837,742	\$ (308,498)
Payroll Taxes	133,043	98,808	(34,235)	118,451	(14,592)
Benefits	264,460	203,552	(60,908)	261,835	(2,625)
Retirement Costs	307,407	222,604	(84,803)	261,410	(45,997)
<b>Total Personnel Expenses</b>	<b>\$ 2,851,150</b>	<b>\$ 2,095,499</b>	<b>\$ (755,651)</b>	<b>\$ 2,479,439</b>	<b>\$ (371,711)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 200,000	\$ 100,000	\$ (100,000)	\$ 100,000	\$ (100,000)
Travel	420,000	300,000	(120,000)	326,250	(93,750)
Conference Calls	10,000	39,600	29,600	42,500	32,500
<b>Total Meeting Expenses</b>	<b>\$ 630,000</b>	<b>\$ 439,600</b>	<b>\$ (190,400)</b>	<b>\$ 468,750</b>	<b>\$ (161,250)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 1,149,400	\$ 921,460	\$ (227,940)	\$ 1,160,000	\$ 10,600
Office Rent	-	-	-	-	-
Office Costs	51,650	94,143	42,493	123,700	72,050
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	68,129	-	(68,129)	68,129	-
Efficiency Savings	(129,952)	-	129,952	-	129,952
<b>Total Operating Expenses</b>	<b>\$ 1,139,227</b>	<b>\$ 1,015,603</b>	<b>\$ (123,624)</b>	<b>\$ 1,351,829</b>	<b>\$ 212,602</b>
<b>Total Direct Expenses</b>	<b>\$ 4,620,377</b>	<b>\$ 3,550,702</b>	<b>\$ (1,069,676)</b>	<b>\$ 4,300,018</b>	<b>\$ (320,360)</b>
<b>Indirect Expenses</b>	<b>\$ 1,813,900</b>	<b>\$ 1,682,417</b>	<b>\$ (131,483)</b>	<b>\$ 1,827,800</b>	<b>\$ 13,899</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 91,261</b>	<b>\$ 91,261</b>
<b>Total Expenses</b>	<b>\$ 6,434,278</b>	<b>\$ 5,233,119</b>	<b>\$ (1,201,159)</b>	<b>\$ 6,219,079</b>	<b>\$ (215,199)</b>
<b>Change in Assets</b>	<b>\$ 197,581</b>	<b>\$ 1,398,740</b>	<b>\$ 1,201,159</b>	<b>\$ 73,251</b>	<b>\$ (124,330)</b>
<b>Fixed Assets</b>					
Depreciation	(68,129)	-	68,129	(68,129)	-
Computer & Software CapEx	196,575	30,000	(166,575)	130,000	(66,575)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (128,446)</b>	<b>\$ (30,000)</b>	<b>\$ 98,446</b>	<b>\$ (61,871)</b>	<b>\$ 66,575</b>
Allocation of Fixed Assets	\$ (69,135)	\$ (52,450)	\$ 16,685	(11,380)	\$ 57,755
<b>Change in Fixed Assets</b>	<b>(197,581)</b>	<b>(82,450)</b>	<b>115,131</b>	<b>(73,251)</b>	<b>124,330</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ (0)</b>	<b>\$ 1,316,290</b>	<b>\$ 1,316,290</b>	<b>\$ -</b>	<b>\$ 0</b>

## Training, Education, and Operator Certification

<b>Training, Education and Operator Certification</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	6.75	6.25	(0.50)
Direct Expenses	\$ 1,919,226	\$ 2,045,538	\$ 126,312
Indirect Expenses	\$ 765,239	\$ 830,818	\$ 65,579
Other Non-Operating Expenses	\$ -	\$ 41,482	\$ 41,482
Inc(Dec) in Fixed Assets	\$ 29,166	\$ 5,173	\$ (23,993)
Total Funding Requirement	\$ 2,713,631	\$ 2,923,011	\$ 209,380

### Program Scope and Functional Description

In 2011, NERC will enhance its training programs in response to the industry's recognition of the need for more and ongoing training opportunities for the auditors and investigators to achieve consistent application of the reliability standards identified in NERC's Three-Year ERO Performance Assessment. This will occur through the creation of a training academy where individuals responsible for these activities will receive the initial training necessary to conduct an audit, as well as on-going training and continuing education opportunities in the conduct of audits and investigation and application of the reliability standards.

Implementing the training academy for NERC and regional staff will also allow NERC to provide enhanced training and educational opportunities for Registered Entities. This training and education will include use of root-cause techniques and training on application of the reliability standards and compliance culture.

NERC's Training and Education Program provides training to NERC and regional personnel involved in compliance audits and investigations. Only through consistent training of all field personnel is it possible to provide for a consistent approach to audits and investigations conducted in the field.

NERC's System Operator Certification and Continuing Education programs ensure the personnel operating the bulk power system have the skills, training, and qualifications needed to operate the system reliably. NERC maintains the credentials for over 6,000 system operators, effectively licensing them to work in system control centers across North America.

NERC's system operator certification exam is designed to: test specific knowledge of job skills and reliability standards; and prepare operators to ensure standards are met and quickly and confidently react when unexpected situations occur. Once an operator passes the certification

exam, he or she is required to maintain certification through completing NERC-approved continuing education activities.

The certification exam is created by the Personnel Certification Governance Committee, a group of operational experts, trainers, and supervisors. Exams are updated on an 18-month cycle.

### **2011 Key Assumptions**

- No significant changes are expected in system operator certification Continuing Education Hours requirements through 2013.
- The System Operator Certification Program and Continuing Education Program will continue to be self-funded through a fee based structure for the exams and applications for approval of continuing education activities.
- In response to NERC's Three-Year ERO Performance Assessment, NERC will need to (i) significantly increase the training and education opportunities for Registered Entities and (ii) provide enhanced training for auditors and investigators, at NERC and the Regional Entities, to improve consistency.

### **2011 Goals and Objectives**

In response to NERC's Three-Year ERO Performance Assessment, training and education opportunities will be expanded for NERC and Regional Entity staff, Registered Entities and stakeholders. For Registered Entities, this training and education will focus on how to best comply with standards and improve bulk power system reliability. For NERC and regional staff, the training and education will focus on consistent audit and investigation techniques and standards application. The education priorities for 2011 will include:

- Critical Infrastructure Protection standards information;
- Creating teachable lessons-learned from past events;
- Effective compliance cultures with model compliance program and templates;
- Root cause analysis (as part of a culture of compliance);
- Quality improvement of registered entity self-reporting and self-certification;
- Currently-Monitored Standards;
- Reliability Assessment/ System Planning Fundamentals and Requirements; and
- Entity Registration Process, Issues, and Alternatives.

NERC will provide some of these learning opportunities through the compliance workshops hosted by the Regional Entities. NERC will also host workshops, webinars, classroom teaching, and the existing Design-a Course vendor to deliver education until implementation of the

SharePoint platform enables the development and widespread delivery of electronic learning in 2012.

NERC's Training and Education group will continue to develop and deliver a personnel development program to advance and improve the skills of NERC staff.

## Resource Requirements

### Personnel

The Training, Education, and Operator Certification Program workload has increased over the past two years as system operators have transitioned from maintaining credentials through exams to maintaining credentials through continuing education hours. Beyond NERC's system operator certification and continuing education functions, the education program also coordinates with communications in supporting NERC's efforts to provide learning opportunities to the electric industry on key reliability issues. One new FTE will be required to provide the additional training and educational opportunities discussed below. In addition, 0.25 FTE is budgeted to facilitate ongoing support of the System Operator Certification Program due to the anticipated retirement of the employee dedicated to supporting this program. The net reduction in FTEs in 2011 compared to 2010 in this Program area is due to the elimination of a dedicated FTE in this group to separately support training needs in the Standards Program, as well as the impact of including the resources associated with general employee training requirements under the Human Resources area instead of this Program area.

Specific areas of focus in 2011 for the added FTE will include:

- **Providing Better Education Opportunities for Stakeholders Seeking to Comply with NERC Standards**

NERC recognizes that developing standards and enforcing compliance are only part of what is needed to truly "ensure the reliability of the bulk power system in North America." As a result, NERC is working to provide more educational opportunities for stakeholders on reliability issues as well as its standards. NERC's monthly webinar series regularly hosts 500–600 industry participants and features speakers from across the industry. NERC is looking to employ similar mechanisms to educate the industry on priority standards and work with the trade associations to facilitate additional learning opportunities for stakeholders.

- **Supporting Efforts to Ensure Consistency in Compliance Auditing Across the Eight Regional Entities**

Providing a clear and consistent training platform for NERC and Regional Entity compliance auditors is a critical component of NERC's efforts to ensure consistency and efficiency in the execution of regionally-delegated ERO responsibilities. NERC will continue to provide these services, with specific focus on a training academy for auditors and investigators.

- **Contractor Expenses**

Contractor expenses are projected to decrease by approximately 14% over 2010 levels due to the completion of 2010 budgeted projects.



## Statement of Activities and Capital Expenditures 2010 Budget & Projection, and 2011 Budget

### Training and Education

	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 1,502,381	\$ 1,502,381	\$ -	\$ 327,071	\$ (1,175,310)
Penalty Sanctions	-	-	-	562,777	562,777
<b>Total NERC Funding</b>	<u>\$ 1,502,381</u>	<u>\$ 1,502,381</u>	<u>\$ -</u>	<u>\$ 889,847</u>	<u>\$ (612,534)</u>
Membership Dues	-	-	-	-	-
Testing Fees	1,118,750	1,820,000	701,250	1,940,000	821,250
Services & Software	-	-	-	-	-
Workshops	92,500	92,500	-	92,500	-
Interest	-	-	-	664	664
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ 2,713,631</u>	<u>\$ 3,414,881</u>	<u>\$ 701,250</u>	<u>\$ 2,923,011</u>	<u>\$ 209,380</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 730,840	\$ 637,392	\$ (93,448)	\$ 815,066	\$ 84,226
Payroll Taxes	51,656	42,192	(9,464)	54,445	2,789
Benefits	103,427	76,397	(27,030)	119,092	15,665
Retirement Costs	102,347	79,693	(22,654)	114,877	12,530
<b>Total Personnel Expenses</b>	<u>\$ 988,270</u>	<u>\$ 835,675</u>	<u>\$ (152,595)</u>	<u>\$ 1,103,480</u>	<u>\$ 115,210</u>
<b>Meeting Expenses</b>					
Meetings	\$ 187,500	\$ 187,500	\$ -	\$ 278,000	\$ 90,500
Travel	72,225	38,500	(33,725)	48,000	(24,225)
Conference Calls	80,000	30,000	(50,000)	35,000	(45,000)
<b>Total Meeting Expenses</b>	<u>\$ 339,725</u>	<u>\$ 256,000</u>	<u>\$ (83,725)</u>	<u>\$ 361,000</u>	<u>\$ 21,275</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 563,800	\$ 462,800	\$ (101,000)	\$ 487,658	\$ (76,142)
Office Rent	-	-	-	-	-
Office Costs	59,300	79,400	20,100	93,400	34,100
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Efficiency Savings	(31,869)	-	31,869	-	31,869
<b>Total Operating Expenses</b>	<u>\$ 591,231</u>	<u>\$ 542,200</u>	<u>\$ (49,031)</u>	<u>\$ 581,058</u>	<u>\$ (10,173)</u>
<b>Total Direct Expenses</b>	<u>\$ 1,919,226</u>	<u>\$ 1,633,875</u>	<u>\$ (285,351)</u>	<u>\$ 2,045,538</u>	<u>\$ 126,312</u>
<b>Indirect Expenses</b>	<u>\$ 765,239</u>	<u>\$ 715,922</u>	<u>\$ (49,317)</u>	<u>\$ 830,818</u>	<u>\$ 65,579</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,482</u>	<u>\$ 41,482</u>
<b>Total Expenses</b>	<u>\$ 2,684,465</u>	<u>\$ 2,349,797</u>	<u>\$ (334,668)</u>	<u>\$ 2,917,838</u>	<u>\$ 233,373</u>
<b>Change in Assets</b>	<u>\$ 29,166</u>	<u>\$ 1,065,084</u>	<u>\$ 1,035,918</u>	<u>\$ 5,173</u>	<u>\$ (23,993)</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ (29,166)	\$ (22,319)	6,847	(5,173)	\$ 23,993
<b>Change in Fixed Assets</b>	<u>(29,166)</u>	<u>(22,319)</u>	<u>6,847</u>	<u>(5,173)</u>	<u>23,993</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ 1,042,765</u>	<u>\$ 1,042,765</u>	<u>\$ (0)</u>	<u>\$ 0</u>

## Situation Awareness and Infrastructure Security

<b>Situation Awareness and Infrastructure Security</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	9.75	25.83	16.08
Direct Expenses	\$ 7,047,345	\$ 10,789,469	\$ 3,742,124
Indirect Expenses	\$ 1,105,346	\$ 3,434,048	\$ 2,328,703
Other Non-Operating Expenses	-	\$ 171,460	\$ 171,460
Inc(Dec) in Fixed Assets	\$ (3,755)	\$ (24,504)	\$ (20,749)
Total Funding Requirement	\$ 8,148,935	\$ 14,370,473	\$ 6,221,538

### Program Scope and Functional Description

This Program Area is divided into two departments, Situation Awareness and Critical Infrastructure Protection. The Situation Awareness department and resource needs are described first, followed by a discussion of the Critical Infrastructure Protection department.

### Situation Awareness

The personnel in this group work closely with Situation Awareness personnel at the Regional Entities and governmental authorities, including FERC, to share information regarding system events and risks to the reliability of the Bulk-Power system through NERC's secure alert system and other communications as appropriate.

In 2011, NERC will begin to implement a common platform tool for the collection and display of system information from the Reliability Coordinators. This platform will allow NERC, the Regional Entities, and governmental authorities to collect and display information in common forms and formats. The single approach will help the industry by establishing a single data sharing process and protocol as opposed to multiple processes and protocols for NERC, Regions, and Governmental Authorities thereby eliminating duplication of efforts. The project is known as Situation Awareness for FERC, NERC, and Region Entities (SAFNR). FERC has provided NERC with its functional requirements for SAFNR, and NERC is currently using those requirements as a basis to develop functional specifications and requests for proposal, which will be issued in 2010 for work to be implemented in 2011. NERC has included estimated costs for SAFNR implementation, which, at \$750k, represent a significant portion of NERC's incremental contractor expenses in 2011 compared to 2010.

Situation Awareness is responsible for having information regarding current bulk power system vulnerabilities, system and cyber events, and providing information to key players. Additionally, the program is home to the ES-ISAC and monitors the bulk power system to provide real-time situation awareness leadership and coordination services to the electric industry.

The Situation Awareness function at NERC is also responsible for coordination of industry wide and other drills undertaken in conjunction with governmental authorities including the Department of Homeland Security in the United States.

### **2011 Key Assumptions**

- NERC will continue to act as the ES-ISAC.
- Roughly 90 incidents will be reported to the ES-ISAC per month, consistent with current levels.
- Roughly 20 new security vulnerabilities will be discovered and require analysis and dissemination via alerts or awareness bulletins in 2011.
- NERC will begin implementation of the SAFNR project and operate to the agreed upon protocol procedure for all participants.
- NERC will continue to support the North American Synchro-phasor project, but will provide this support at reduced funding levels compared to the 2010 budget as a result of significant ongoing federal and private sector support.

### **2011 Goals and Objectives**

- Continue improvements to NERC's secure alerting portal.
- Monitor SAFNR in real-time, and operate to the agreed open project protocol procedures.
- Work with the industry to drill and improve coordination during wide-area system disturbances.
- Deliver 30 lessons learned in 2011.
- Deliver 12 webinars or other similar educational opportunities for lessons learned.
- Establish a searchable knowledge management system for lessons learned.

### **Resource Requirements**

#### **Personnel**

No additional personnel are projected for this group during 2011.

#### **Contractor Expense**

The SAFNR project will require significant external contractor and consulting resources to implement the processes and platform effectively. The SAFNR project is comprised of the following components:

- 1. Initial Development of Common Information Displays**

The initial development of common information displays will ensure that NERC, the Regional Entities and FERC will be viewing the same information at the same time. This

will eliminate any differences in information thereby eliminating the need for NERC, FERC, or a Regional Entity to obtain additional information from a reliability coordinator or other bulk-power system operator to explain differences in display information. This portion of the project includes the development of the necessary software and display interfaces as well as the overall project management.

## **2. Development of a Central Data Repository**

System monitoring tools, including the SAFNR project, require secure data repositories since the information contained is generally Critical Energy Infrastructure Information (CEII). NERC will lead the development of a data historian system including its technical specification and design. To implement the central data repository will require the purchase of certain computer hardware and software along with licensing of the software. NERC expects to implement the data repository in 2011, requiring the identification and implementation of the necessary telecommunications to support the system.

NERC will explore and evaluate possible alternatives, such as using existing data historian infrastructure at reliability coordinator locations, in 2010 to limit the cost of data storage.

## **3. Development of Trending Tools**

Development of information regarding emerging reliability issues will require the ability to trend information collected. Development of the processes and tools will be accomplished in 2011. This will include selection of the trending tools and their implementation on the SAFNR platform.

The 2011 budget for the SAFNR project reflects the set of requirements articulated by FERC to NERC. It is expected that the SAFNR Project Team, comprised of NERC, FERC, Regional Entities, and Reliability Coordinator representatives, will develop a final requirements specification in 2010 and, to the extent required, a revised forecast incorporated in the 2011 budget. Development of common information displays is a priority for FERC and NERC and this budget is independent of whether data collection is centralized or distributed. One of the goals of the joint SAFNR team will be to refine the strategic plan to the needs as delineated by cost and capability. Each Reliability Coordinator will incur costs related to collecting data for and interfacing with SAFNR; for example, purchasing digital security certificates. Data collection and display for Reliability Coordinators in Canada are excluded.

## **Situation Awareness Drills, Simulations, and Workshops**

NERC will continue to conduct situation awareness drills, table top simulations, and workshops in 2011. These are often conducted in conjunction with the U.S. Department of Homeland Security, the U.S. Department of Energy, and the FERC in addition to various industry participants. NERC will need to assess the staffing to support this activity in conjunction with Educational Product Delivery should these activities become more frequent or more extensive than currently conducted.

### **Synchro-phasor Initiative**

The Synchro-phasor initiative was initiated following the August 14, 2003 Northeast blackout. These devices can provide system operators with a critical indication of the health of the Bulk-Power system and help predict weakened areas of the system. A number of phasor measuring devices have been installed in the interconnections and data concentrators put in place. In 2010, NERC entered into a contract with the Grid Protection Alliance (GPA) to further advance and support the development and deployment of NASCON software and regional synchro-phasor technologies. This effort will continue to require resource support from NERC in 2011, but at a reduced level from 2010 based on the assumption that private sector and other funding sources will be available to carry this initiative forward. The 2011 budget assumes a reduction in funding in 2011 for the North American Synchro-Phasor Initiative (“NASPI”) to approximately 60% of the 2010 budget. Management has not finalized contract negotiations with GPA and its other NASPI consultants regarding 2011 funding requirements. To the extent necessary, working capital resources will be used to fund any amounts in excess of what has been included in the 2011 Consultants and Contracts budget for this initiative.

### **Educational Product Delivery**

Developing reference material and providing one-time announcements, bulletins, and alerts is not enough to ensure on-going education of NERC and regional entity staff and industry stakeholders including key personnel of bulk power system owners, operators, and users. Effective education for lessons learned will require providing educational material on an on-going and repeated basis using a variety of product delivery mechanisms. These include written materials, webinars, workshops, seminars, web based self education, searchable databases, and material to assist regional and Registered Entities in developing their own educational programs.

An Educational Product Delivery group within the Engineering Operations organization will interface regularly with each group within the Operations and Engineering department, as well as from each of the program areas, to determine the educational material to be developed and delivered including bulletins, alerts, significant system event reports, etc. The role of this group is to develop the high quality documents necessary for the industry participants. The industry participants will have a good deal of input into the types and form of the documents, and educational materials developed and delivered. This group will also be responsible for leading the effort to create a knowledge management database of lessons learned that is part of the enterprise wide knowledge or information management platform allowing industry participants, regional and NERC staff, and others to access lessons learned and other information related to compliance with reliability standards.

## Critical Infrastructure Protection

<b>Critical Infrastructure Protection</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.00	14.50	11.50
Direct Expenses	\$ 577,445	\$ 4,290,028	\$ 3,712,583
Indirect Expenses	\$ 340,106	\$ 1,928,994	\$ 1,588,887
Other Non-Operating Expenses	-	\$ 96,237	\$ 96,237
Inc(Dec) in Fixed Assets		\$ 12,002	\$ 12,002
Total Funding Requirement	\$ 917,551	\$ 6,327,260	\$ 5,409,709

### Program Scope and Functional Description

The Critical Infrastructure Protection (“CIP”) department is an expert-based organization designed to support NERC’s alignment of functions and program areas involving the CIP standards, while continuing to enhance the electric sector’s security posture through more effective information sharing, incident analysis, system-level risk assessment, and enhanced coordination between the industry and federal partners. Established in 2010, the CIP department consists of 11 employees who conduct a diverse set of activities in three primary functions areas: CIP Standards and Compliance support, risk management, and CIP policy development support and coordination. The CIP department supports various cross-program activities that include: CIP Standard technical position development including CIP Standards compliance application guidance, Technical Feasibility Exception (“TFE”) wide-area evaluation, technical expert audit support, standards development, and subject matter expert input into regulatory matters. The CIP department participates in many activities that span multiple federal agencies such as the Partnership for Critical Infrastructure Security, including multiple National Level exercises such as Cyberstorm and SecureGrid. Additionally, it supports various activities from International Standards setting bodies such as ISA, and national standards setting bodies such as NIST. Finally, the CIP department supports a wide array of information sharing activities throughout the electric sector including contributing to cyber security related situational awareness reports, developing best practices for industry to secure critical assets, sponsoring the monthly ES-ISAC call, and participating in the various US-CERT and ICS-CERT activities.

One of the key areas of focus of this group in 2010 is research and education to enhance the quality and outcomes of CIP audits, develop technically informed compliance guidance, registered entity cyber preparedness, and risk awareness through increased information sharing, evaluations, and lessons learned.

CIP personnel are responsible for leading NERC's efforts to coordinate electric industry activities to promote critical infrastructure protection of the bulk power system in North America, the goal being to reduce vulnerability and improve mitigation and protection of the electricity sector's critical infrastructure to ensure reliability. A paramount component of this effort is the development of credible security guidelines, industry warnings, and improved coordination with federal authorities across North America. To achieve this objective, NERC will conduct a more formal and ongoing assessment of bulk power system threats and actively engage government organizations to properly identify infrastructure protection concerns and assemble industry experts to validate and manage the landscape of physical and cyber security risks to the bulk power system. This effort includes the development of a common language to be used by NERC and stakeholders to classify security risks. This common language is essential to draw consistent and appropriate levels of attention and response. It will also include efforts to enhance the electricity sector's existing risk management strategies, as well as providing the appropriate context for evaluation in order to facilitate a more strategic approach to managing infrastructure protection risks.

NERC's CIP program interacts with the Electric Sector Coordinating Council (ESCC), Planning, Operating, Compliance, and Critical Infrastructure Protection Committees along with numerous subcommittees, working groups and task forces.

NERC recognizes the importance of properly resolving technical issues associated with CIP Standards compliance by providing greater transparency, consistency, and knowledge resources to support a strong culture of reliability through compliance that achieves enhanced security, across the industry. The focus of these efforts will be targeted to NERC, Regional Entities, and Registered Entities compliance programs, and support the continuous improvement of applicable standards.

In 2009 NERC completed basic auditor training for the CIP Standards and completed an initial educational initiative for Registered Entities. The audit deadlines for all 41 technical requirements in the CIP Standards provides an important opportunity in 2010 and 2011 to enhance Version 3 auditor training and proactively develop a high quality education initiative focused on the new version 4 CIP Standards.

## **2011 Key Assumptions**

1. CIP activities will continue to increase significantly on all fronts, including compliance and other activities; expectations are that resource requirements will significantly increase by the end of the next three years as the full measure of the standards become auditable for all entities on all implementation tables, the TFE program is implemented and the increase in scope as a result of Order No. 706B. NERC and Regional Entities will continue to evaluate resource needs over the next three years.
2. CIP V2 Technical Requirement Audits
  - a. Additional experience needed will include results of three pilot spot checks in 2010 of all 41 requirements.

- b. Current audits of the 12 requirements have been more involved than planned (more policy than technical and the few technical issues took a long time to develop positions, manage consistency and resolve)
    - c. Need to plan to visit Critical Assets (sample number based on types of assets, risk, and numbers) in the conduct of an audit (Substations for TO/TOPs and Generation Plants for GO/GOPs)
  3. Order 706B CMEP program implementation
    - a. Regional auditor qualification program participation for interested Regional Entities
    - b. Safeguards Information (SGI) training course completion
    - c. SGI background screening and sponsorship
    - d. NRC coordination training
    - e. NERC CMEP program development
    - f. Clarification of roles and responsibilities regarding any identified alleged violation
  4. NERC will undertake standards revisions clarifying the expectations of the CIP-002 risk-based methodology that results in a substantially expanded number of entities and standards to be monitored for CIP.
  5. CIP compliance application guidance is expected to be provided in greater volume and with greater expedience to Registered Entities. The ERO will employ a new coordination approach which leverages the Regional Entity experts under well informed program leadership at NERC.
  6. NERC and the Regional Entities will develop and support an education and implementation program to successfully implement version 4 of the CIP Standards. This is expected to be part of an overall education initiative. The education program will be based on a well developed audit plan and provide technical application guidance.
  7. NERC will work with the Regional Entities to enhance enterprise corporate knowledge management related to CIP policy and technical standards issue resolutions and decisions. This applies to compliance decisions and Technical Feasibility Exceptions.
  8. NERC will strengthen CIP partnership with U.S. and Canadian Government authorities to facilitate two-way information exchanges to enhance knowledge of critical infrastructure threats and risk. NERC will promote CIP incident reporting and work with the Regional Entities to conduct security event/incident analysis and improve security practices.
  9. NERC will collaborate with governmental organizations to develop CIP models, evaluate threats and address priority vulnerabilities.
  10. The TFE program will continue to require significant resources as Regional Entities perform reviews and gauge compensating measures as comparable to strict compliance. The program's scope was recently increased with the addition of two new CIP



requirements expanding the scope of acceptance reviews and approval evaluations. TFE approvals will result in compensating measure validation checks, quarterly reporting tracking and change management.

11. The addition of confidential processes will be necessary if the NERC Board directs development of a standard in response to a national security emergency situation that is deemed confidential and it is determined that information can only be shared on a “need to know” basis. This will require resources to develop an infrastructure to meet the obligations.
12. CIP-002-2 R1.0 and R2.0 sufficiency reviews are being planned for the 2011 Compliance Monitoring activities, which will require Regional Entity system expertise in an effort to enhance learning and prepare for the version 4 bulk power systems Cyber System identification.
13. The resource commitment required to conduct complete CIP audits is still being ascertained because auditors have little experience monitoring compliance with all 41 requirements. This includes the mechanics of conducting a sufficient audit and requires visiting an appropriate number of critical assets, as well as having the necessary expertise. (The ERO is just beginning to conduct pilot spot checks of all 41 requirements). Current audits of Table 1 entities for the 12 requirements have been more involved than planned due to the underlying technical issues with various technical issues such as architectures and technology applications/environments.
14. Order No. 706B CMEP program implementation in 2011 will require NERC and the Regional Entities to identify, train<sup>4</sup> and qualify auditors in accordance with the NRC-NERC MOU to conduct compliance monitoring of GOs/GOPs with nuclear holdings.
15. NERC and Regional Entities will conduct ongoing evaluations of staffing and budget assumptions and needs regarding critical infrastructure protection, including HILF issues.

### **2011 Goals and Key Deliverables**

There will be a significant growth in CIP demands in 2011, as NERC manages the monitoring of all forty one requirements of the existing version 3 CIP Standards and complies with additional CIP Standards orders (to include the Technical Feasibility Exception program and Order-706B requirements). A tighter focus for select CIP activities is expected in 2011. This includes re-organizing electricity sector CIP coordination bodies, the development of a BPS CIP policy statement, continued work on characterizing HILF risks, improving industry security risk communications, and providing more timely guidance and training on CIP Standards issues. The following is a list of key 2011 deliverables.

- Apply the policy framing NERC's scope and objectives in enhancing the physical and cyber protection of the bulk power system; provide policy inputs regarding the potential reliability impacts of smart grid initiatives; build awareness of HILF risks.

---

<sup>4</sup> Training requirements include Safeguards Information handling, nuclear plant onsite procedures, and NRC coordination costs are included in the Compliance Operations budget.

- In consultation with stakeholders develop/validate CIP related reliability risk curves based on security incident data and qualitative threat assessment information to measure and communicate bulk power system risk.
- Continuing to work with government agencies in the U.S. and Canada to transform classified information regarding threats to the bulk power system into declassified information for industry action.
- Working jointly with regional entities, increase the transparency of CIP compliance processes and expectations; increase the consistency of CIP compliance program results among regions by deploying shared procedures, training and tools; improve risk-based approaches for auditing and spot checks to optimize resource utilization for reliability benefit; promote a culture of compliance excellence through education, transparency, information, and incentives.
- Establish a program with regional entities for the efficient monitoring of compliance with CIP standards by Registered Entities that come under the jurisdiction of the standards in accordance with the implementation plan.
- Develop and deliver CIP Version 4 advanced skills training for auditors to improve their performance, including CIP knowledge and soft-skills applications.
- Implement a program jointly with the regional entities to manage and report technical feasibility exceptions and prepare requirements and plans for the conduct of nuclear plant cyber security audits under the MOU with the Nuclear Regulatory Commission.
- Evaluate, track, and assess severity/risk and identify CIP associated reliability metrics.
- Conduct security incident analysis and work with industry experts to provide lessons learned and enhance the sector's security posture.
- Provide administrative support to the Critical Infrastructure Protection Committee (CIPC), support the Electricity Sub-Sector Coordinating Council (ESCC), working groups and task forces serving the Standing Committees.
- Provide support to BPS entities in development of adequate cyber risk preparedness exercises.
- Apply resources to improve education and outreach related to both CIP standards compliance and general security risk management. The CIP Department will partner with internal and external groups to offer low cost and high quality advanced auditor training, CIP education for Registered Entities, and technical cyber security training for NERC, regions, and registered entity staff.

## Resource Requirements

### Personnel

Four CIP specialists will be added in 2011 to support the anticipated standards work load and leverage gains made in 2010 regarding information sharing and risk management activities. The addition of these resources is required to further develop and implement the

program's risk management activities, meet federal coordination requirements in both the U.S. and Canada, and support the growing need for subject matter expert CIP Standards support. CIP staff will also:

- Triage and analyze significant cyber and physical security incidents. This program is focused on learning and will be integrated with the Engineering Operation's Event Analysis process.
- Assist in security focused risk management and security incident reporting analysis. CIP Risk Specialist will serve as the historian and capture and catalog all event/incident data, conduct bi-annual analysis of all incidents, and develop/validate incident descriptions, categories and measurements.
- Further improve ES-ISAC performance and more comprehensive vulnerability reporting.
- The CIP program will formalize the current HYDRA pilot to better leverage industry expertise in the evaluation, validation and mitigation of security risks.
- NERC will be signing agreements to have personnel be able to access and in specific times, man positions in the ICS CERT and at the DHS National Incident Coordination Center in Washington D.C.

The increase in CIP costs for 2011 compared to 2010 also reflects the transfer in 2010 of personnel to the CIP department from other program areas.

### **Contractor Expenses**

The CIP program will provide subject matter experts to support the 2011 CMEP, which will include the observation of audits, high-impact spot checks, complex technical feasibility decision support and implementation of an applied program for Nuclear Power Plants in the United States. The CIP Department will ensure appropriate expert resources exist to properly process the growing number of CIP violations as registered entity compliance programs mature and more of the CIP requirements become effective for a larger group of Registered Entities.

NERC will augment its staff expertise in domains where it does not make sense to have fulltime employees. These Technical Security Experts will be used to support Complex TFE determinations, technical standards issues, Incident Analyses and support the ES-ISAC.

Incremental contracting expenses will also be needed to provide support and subject matter expertise in connection with several program initiatives and requirements in 2011, including:

#### **1. Cyber Security Risk Management Programs, Tools, and Improve Outreach**

NERC is working with industry stakeholders and federal partners to conduct and scale two important cyber threat information pilots in to 2011. NERC staff will organize and facilitate industry experts working with federal law enforcement, intelligence and homeland security agencies to identify relevant threat information, analyze vulnerabilities, and customize industry warnings and advisories. The investments in this

area will result in a significant improvement in the quality and relevance of actionable information. The following resources are needed in 2011:

Threat Assessment:

- Tools and Taxonomy - Threat assessment, incident reports, and attack tree tools are data intensive, requiring organization of incident reporting data, validation and assessment. To provide an analytical tool set and framework, NERC will purchase an annual license and maintenance for threat/incident assessment tools and select security intelligence services. These expenses represent approximately 6% of the CIP contractor budget.
- Scaling 2010 DOE and DHS threat information pilots – In 2010 NERC will have entered into MOU's with both DOE and DHS in order to bring more actionable threat information out to the BPS entities. This work will involve implementing DHS and DOE tools for information sharing. This cost will be in both infrastructures and processing, to include contract support to develop information distribution mechanisms. These expenses represent approximately 6% of the CIP contractor budget.

Program Tools & Support:

- The CIP Department requires contractor funding to support continued secure communications with our Federal partners and within the various sensitive projects that CIP oversees or manages. This work includes the development and distribution of specialized forensic CD's as well as encryption support tailored to work with the Federal Partners. These expenses represent about 6% of the CIP contractor budget.

ES-ISAC Tools:

- NERC will complete a re-design of the ES-ISAC webpage and further integrate the NERC Secure Notification System.
- Establish a protocol and appropriate agreements with DHS, DOE, FERC, and the Canadian counterparts to these to ensure comprehensive cyber security threat analysis and risk assessment is available to NERC from a consolidated government voice, with industry users, owners, and operators able to participate directly.
- The cost for the tools to accomplish these objectives is estimated at an amount representing approximately 8% of the CIP contractor budget.

HILF:

- Based on the results of NERC's 2009 High Impact, Low Frequency (HILF) workshop, investigation has begun in 2010 to assess the reliability affects from coordinated attacks, electromagnetic pulse (EMP) and geomagnetic disturbances (GMD). To respond, in 2011 the CIP program will:

- Work with the Reliability Assessment Program and subject matter experts to support simulations and studies.
- Support CIP focused operational exercises and restoration drills to include multi-agency exercises, such as Secure Grid 2011 and National Level Exercise 2011.
- The cost for this CIP program area is estimated at an amount representing approximately 9% of the CIP contractor budget and is similar to projected 2010 spending.

#### Cyber Risk Preparedness:

- Establish a continuing outreach effort to further the CRPA use throughout the BPS. This budget line item will be funded at the same level as our 2010 budget. The 2011 effort will involve at least one additional multi-entity CIP workshop and three actual entity assessments. The remaining budget for this item is for revisions and incorporation of user feedback into the evolving CRPA toolkit. These figures represent 32% of the CIP contractor budget and are based on best estimates from past experiences with both workshops and actual assessments done at two entities.

#### Technical Security Experts:

- Support from these contracted personnel will be used across multiple CIP Program areas, to include TFE determinations, CIP investigations, security incident analysis, and vulnerability evaluations. This budget line item is reduced from 2010 projected expenditures by approximately \$100K. The cost for this support is based on vendor estimates and experience and is estimated at an amount representing approximately 16% of the CIP contractor budget.

## **2. Enhanced CIP Standards Development and Compliance Support**

NERC is working to achieve successful implementation of and industry compliance with the Critical Infrastructure Protection Standards. These important efforts include working across NERC program areas to provide enhanced auditor training and capability, consistent implementation, and communication with Registered Entities. NERC has already completed a review of its standards process to support the development of future CIP standards and respond to urgent security concerns. This review was conducted by NERC staff and the Board of Trustees in coordination with the Standards Committee. The review has identified changes that are in development to enhance formal notification mechanisms that rely upon existing authorities under NERC's rules of procedure and to make modifications for the development of emergency CIP standards. The recommended changes are designed to provide a level of due process and technical review, but also provide the necessary speed and confidentiality to address national security concerns. The following resources are needed in 2011:

- The addition of one CIP Standards Specialist, one CIP Compliance Specialist, and a Program Manager for Order-706B to support a growing work demand resulting from

CIP compliance, technical feasibility exceptions, and the preparation of the CMEP associated with Order 706B.

CIP Staff will proactively work with the regions to develop training and the necessary guidance to support the new Version 4 CIP Standards. CIP expects to collect and analyze information on CIP 002 status twice a year. This represents about 9% of the CIP contractor budget.

TFE Wide Area and Catalogue: TFE wide area reporting and cataloging of TFE's will require an investment to develop analytical reports to support FERC directed annual report completion and provide a tool to manage consistency across the eight NERC regions. This expenditure represents about 8% of the total CIP contractor budget.

The total CIP Consultant and Contracts expense in 2011 is budgeted at \$635K, representing a net increase of 185K over the 2010 budget for CIP contractors and consultants.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 8,148,935	\$ 8,148,935	\$ -	\$ 12,041,586	\$ 3,892,651
Penalty Sanctions			\$ -	2,326,143	2,326,143
<b>Total NERC Funding</b>	<b>\$ 8,148,935</b>	<b>\$ 8,148,935</b>	<b>\$ -</b>	<b>\$ 14,367,729</b>	<b>\$ 6,218,794</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	2,743	2,743
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 8,148,935</b>	<b>\$ 8,148,935</b>	<b>\$ -</b>	<b>\$ 14,370,473</b>	<b>\$ 6,221,538</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,453,624	\$ 2,783,131	\$ 1,329,507	\$ 4,048,115	\$ 2,594,491
Payroll Taxes	87,221	177,230	90,009	232,389	145,168
Benefits	155,987	302,547	146,560	508,661	352,674
Retirement Costs	197,761	368,688	170,927	555,278	357,517
<b>Total Personnel Expenses</b>	<b>\$ 1,894,594</b>	<b>\$ 3,631,596</b>	<b>\$ 1,737,003</b>	<b>\$ 5,344,443</b>	<b>\$ 3,449,850</b>
<b>Meeting Expenses</b>					
Meetings	\$ 300,000	\$ 250,000	\$ (50,000)	\$ 135,000	\$ (165,000)
Travel	220,161	417,000	196,839	579,833	359,672
Conference Calls	-	24,000	24,000	10,200	10,200
<b>Total Meeting Expenses</b>	<b>\$ 520,161</b>	<b>\$ 691,000</b>	<b>\$ 170,839</b>	<b>\$ 725,033</b>	<b>\$ 204,872</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 4,606,157	\$ 4,705,157	\$ 99,000	\$ 4,581,558	\$ (24,599)
Office Rent	-	-	-	-	-
Office Costs	148,000	71,780	(76,220)	92,550	(55,450)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	45,884	45,884	-	45,884	-
Efficiency Savings	(167,451)	-	167,451	-	167,451
<b>Total Operating Expenses</b>	<b>\$ 4,632,590</b>	<b>\$ 4,822,821</b>	<b>\$ 190,231</b>	<b>\$ 4,719,992</b>	<b>\$ 87,402</b>
<b>Total Direct Expenses</b>	<b>\$ 7,047,345</b>	<b>\$ 9,145,417</b>	<b>\$ 2,098,073</b>	<b>\$ 10,789,469</b>	<b>\$ 3,742,125</b>
<b>Indirect Expenses</b>	<b>\$ 1,105,346</b>	<b>\$ 1,105,346</b>	<b>\$ -</b>	<b>\$ 3,434,048</b>	<b>\$ 2,328,703</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 171,460</b>	<b>\$ 171,460</b>
<b>Total Expenses</b>	<b>\$ 8,152,690</b>	<b>\$ 10,250,763</b>	<b>\$ 2,098,073</b>	<b>\$ 14,394,977</b>	<b>\$ 6,242,288</b>
<b>Change in Assets</b>	<b>\$ (3,755)</b>	<b>\$ (2,101,828)</b>	<b>\$ (2,098,073)</b>	<b>\$ (24,504)</b>	<b>\$ (20,750)</b>
<b>Fixed Assets</b>					
Depreciation	(45,884)	(45,884)	-	(45,884)	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 45,884</b>	<b>\$ 45,884</b>	<b>\$ -</b>	<b>\$ 45,884</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (42,129)	\$ (79,977)	(37,848)	(21,380)	20,749
<b>Change in Fixed Assets</b>	<b>3,755</b>	<b>(34,093)</b>	<b>(37,848)</b>	<b>24,504</b>	<b>20,749</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ (0)</b>	<b>\$ (2,135,921)</b>	<b>\$ (2,135,921)</b>	<b>\$ (0)</b>	<b>\$ (1)</b>

## Administrative Services

<b>Administrative Services</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	35.75	37.75	2.00
Total Direct Expenses	\$ 12,482,867	\$ 15,021,192	\$ 2,538,324
Inc(Dec) in Fixed Assets	\$ 393,729	\$ 93,519	\$ (300,210)
Less: Other Funding Sources	\$ (1,627,808)		\$ 1,627,808
Total Allocation to Statutory Programs as Indirect Expenses	\$ 11,248,788	\$ 15,114,711	\$ 3,865,922
Funding Requirement for Working Capital	\$ 469,044	\$ 5,000,000	\$ 4,530,957

### Program Scope and Functional Description

NERC's Administrative Services area includes all business and administrative functions of the organization, including technical committees and member forums, legal and regulatory, human resources, information technology, finance and accounting, and general expenses. Costs incurred for these services are allocated as indirect expenses across NERC's other program areas.

### 2010 Assumptions and Cost Impacts

All expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated to the delegated program areas by their respective FTEs. This allocation provides improved financial perspective for the delegated functions.

The \$3.9M increase in total direct expenses is primarily the result of:

- The spin-off of the Transmission Owners and Operators Forum which was funded by membership dues (\$1.6M);
- The loss of recovery of the overhead that was allocated to the Transmission Owners and Operators Forum and funded by its membership dues (\$300k);
- Increased funding requirements for both personnel and consultants to support information technology as previously discussed on page 22 and as noted below in the Information Technology section (\$1.1M); and
- Increases in office costs and professional fees as explained below in the General and Administrative and Information Technology sections (\$1.3M).



## Technical Committees and Members' Forum Program

<b>Technical Committees and Member Forums</b> (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	5.00	-	(5.00)
Total Direct Expenses	\$ 1,617,808	\$ -	\$ (1,617,808)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ 0	\$ -	\$ (0)

### Program Scope and Functional Description

In 2010, the description of and budget items reflected in this program area was limited to the Transmission Owners and Operators Forum. The 2011 budget reflects the removal of the Transmission Owners and Operators Forum ("TOOF") from NERC's business plan and budget. TOOF ceased operations at the end of 2009 and its leadership formed a successor organization, the North American Transmission Forum, Inc., which operates independently from NERC.

The following description summarizes the activities of NERC's operating and planning committees and related subcommittees. Costs associated with these activities are budgeted in the program areas in which the personnel supporting these activities are presently assigned. Management continues to evaluate whether in the future it would be beneficial to remove these costs from the applicable program area and consolidate them under this program area in order to better manage the costs associated with supporting these committee activities.

One of NERC's greatest resources has been its ability to garner industry expertise to achieve its goals. Much of this occurs through the NERC Operating and Planning Committees.

Each of these committees plays a key role in providing technical expertise to the analysis and investigation of system events, taking a lead role in reliability initiatives established by NERC to address key reliability issues arising from system events or other emerging reliability issues and trends, and serving as a technical resource for the development of reliability standards. From the initiatives comes the need to interface with standards development and with training and education to provide the industry with guidance and tools to understand the implementation of each reliability standard.

These committees are comprised of a number of highly technical sub-committees to support the NERC mission and goals.

NERC will engage those committees in activities important to reliability and critical to NERC's mission as identified in the 2011 corporate goals.

These committees also play a key role in reviewing all lessons learned and alerts to be published by NERC.

NERC also has a role in coordinating and having a key presence in other significant industry groups. These include the Institute of Electrical and Electronic Engineers (IEEE). IEEE is the world's largest professional association advancing innovation and technological excellence. IEEE is the trusted "voice" for engineering, computing and technology information around the globe. NERC will maintain its coordination with the appropriate IEEE groups in 2011 and will re-engage with the Conseil International des Grands Reseauz Electriques (CIGRE) or International Council on Large Electric Systems. Much of what NERC and the industry is experiencing in the United States related to reliability may also be occurring worldwide. For example, the integration of emerging technologies such as modern wind turbines is occurring worldwide. The knowledge and understanding of issues and emerging reliability trends requires an understanding of lessons learned throughout the world.

### **2011 Assumptions and Cost Impacts**

- The technical committees will continue to meet 3 to 4 times per year.
- The technical subcommittees will continue to use meeting space provided by industry participants to the extent practical.
- NERC's technical committees will support the NERC goals as directed by the NERC board.
- NERC's technical committees and subcommittees will continue to require staff support to effectively conduct their meetings.

### **2011 Goals and Objectives**

- Hold highly effective meetings focused on NERC's mission and corporate goals.
- Review lessons learned and support the delivery of training materials to the industry on lessons learned and reliability standard application.
- Provide support to the technical reliability initiatives undertaken by NERC.
- Serve as NERC's volunteer technical expertise in support of its mission and goals.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Technical Committees and Member Forums</b>					
	<b>2010 Budget</b>	<b>2010 Projection</b>	<b>Variance 2010 Projection v 2010 Budget Over(Under)</b>	<b>2011 Budget</b>	<b>Variance 2011 Budget v 2010 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	1,617,808	-	(1,617,808)	-	(1,617,808)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 1,617,808</b>	<b>\$ -</b>	<b>\$ (1,617,808)</b>	<b>\$ -</b>	<b>\$ (1,617,808)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 839,989	\$ -	\$ (839,989)	\$ -	\$ (839,989)
Payroll Taxes	46,349	-	(46,349)	-	(46,349)
Benefits	77,775	-	(77,775)	-	(77,775)
Retirement Costs	118,695	-	(118,695)	-	(118,695)
<b>Total Personnel Expenses</b>	<b>\$ 1,082,808</b>	<b>\$ -</b>	<b>\$ (1,082,808)</b>	<b>\$ -</b>	<b>\$ (1,082,808)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 30,000	\$ -	\$ (30,000)	\$ -	\$ (30,000)
Travel	78,000	-	(78,000)	-	(78,000)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 108,000</b>	<b>\$ -</b>	<b>\$ (108,000)</b>	<b>\$ -</b>	<b>\$ (108,000)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 300,000	\$ -	\$ (300,000)	\$ -	\$ (300,000)
Office Rent	-	-	-	-	-
Office Costs	59,000	-	(59,000)	-	(59,000)
Professional Services	68,000	-	(68,000)	-	(68,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Efficiency Savings	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 427,000</b>	<b>\$ -</b>	<b>\$ (427,000)</b>	<b>\$ -</b>	<b>\$ (427,000)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,617,808</b>	<b>\$ -</b>	<b>\$ (1,617,808)</b>	<b>\$ -</b>	<b>\$ (1,617,808)</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 1,617,808</b>	<b>\$ -</b>	<b>\$ (1,617,808)</b>	<b>\$ -</b>	<b>\$ (1,617,808)</b>
<b>Change in Assets</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	-	-	-	-	-
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ (0)</b>

## General and Administrative

<b>General and Administrative</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	4.00	7.00	3.00
Total Direct Expenses	\$ 3,768,311	\$ 5,296,384	\$ 1,528,074
Inc(Dec) in Fixed Assets	\$ 4,714	\$ (95,286)	\$ (100,000)
Working Capital Requirement	\$ 469,043	\$ 5,000,000	\$ 4,530,957

### Program Scope and Functional Description

The General and Administrative area is responsible for the administration and general management of the organization. Expenses allocated in this area include office rent, personnel and related costs of the CEO, a senior advisor to the CEO, the CEO's executive assistant, communications and public relations staff, and costs related to the Board of Trustees.

### 2011 Assumptions and Cost Impacts

Total direct expenses for the General and Administrative area are increasing by \$1.5M, primarily related to increased personnel and operating expenses. Increases in personnel expenses of \$871k are the result of adding two FTEs and the expansion of the roles and responsibilities other staff in this area. Operating expenses are increasing \$528k as a result of the following:

- The elimination of \$300k in revenue from the Transmission Owners and Operators Forum to compensate NERC for administrative support (reflected under Consultants and Contracts on the following Statement of Activities);
- An reduction of \$190k in office costs which is primarily the result of transferring the budget for telecommunications capabilities to Information Technology in 2010; and
- An increase in trustee compensation based upon market analysis performed in 2010 and provisions for trustee search fees.

In addition to the increase in direct expenses, NERC will also require \$5.0M to fund a working capital reserve. In its 2010 budget, NERC eliminated funding for a cash working capital reserve in order to limit the overall increase in its budget and assessments. NERC believes it is prudent to reestablish this reserve in light of the growth in the size of the organization, its cash flow requirements and the potential for unanticipated short-term resource needs driven by potential governmental directives, industry needs or litigation that could potentially arise in connection with enforcement actions.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>General and Administrative</b>					
	<b>2010 Budget</b>	<b>2010 Projection</b>	<b>Variance 2010 Projection v 2010 Budget Over(Under)</b>	<b>2011 Budget</b>	<b>Variance 2011 Budget v 2010 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 469,043	\$ 469,043	\$ -	\$ 5,000,000	\$ 4,530,957
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 469,043</b>	<b>\$ 469,043</b>	<b>\$ -</b>	<b>\$ 5,000,000</b>	<b>\$ 4,530,957</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	10,000	10,000	-	-	(10,000)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 479,043</b>	<b>\$ 479,043</b>	<b>\$ -</b>	<b>\$ 5,000,000</b>	<b>\$ 4,520,957</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 870,200	\$ 1,488,254	\$ 618,054	\$ 1,501,010	\$ 630,810
Payroll Taxes	39,376	62,849	23,473	64,219	24,844
Benefits	141,485	185,359	43,874	226,508	85,023
Retirement Costs	112,630	207,590	94,960	242,792	130,162
<b>Total Personnel Expenses</b>	<b>\$ 1,163,691</b>	<b>\$ 1,944,052</b>	<b>\$ 780,361</b>	<b>\$ 2,034,529</b>	<b>\$ 870,839</b>
<b>Meeting Expenses</b>					
Meetings	\$ 172,200	\$ 225,000	\$ 52,800	\$ 225,000	\$ 52,800
Travel	168,500	233,400	64,900	268,120	99,620
Conference Calls	85,000	85,000	-	61,800	(23,200)
<b>Total Meeting Expenses</b>	<b>\$ 425,700</b>	<b>\$ 543,400</b>	<b>\$ 117,700</b>	<b>\$ 554,920</b>	<b>\$ 129,220</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ (300,000)	\$ 325,000	\$ 625,000	\$ -	\$ 300,000
Office Rent	967,134	1,018,033	50,900	1,020,151	53,018
Office Costs	597,500	837,700	240,200	407,498	(190,002)
Professional Services	815,000	940,000	125,000	1,180,000	365,000
Miscellaneous	4,000	10,000	6,000	4,000	-
Depreciation	95,286	95,286	-	95,286	-
Efficiency Savings	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 2,178,920</b>	<b>\$ 3,226,019</b>	<b>\$ 1,047,100</b>	<b>\$ 2,706,935</b>	<b>\$ 528,016</b>
<b>Total Direct Expenses</b>	<b>\$ 3,768,311</b>	<b>\$ 5,713,471</b>	<b>\$ 1,945,160</b>	<b>\$ 5,296,384</b>	<b>\$ 1,528,074</b>
<b>Indirect Expenses</b>	<b>\$ (3,758,310)</b>	<b>\$ (5,703,470)</b>	<b>\$ (1,945,160)</b>	<b>\$ (5,296,384)</b>	<b>\$ (1,538,074)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 10,000</b>	<b>\$ 10,001</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ (10,000)</b>
<b>Change in Assets</b>	<b>\$ 469,043</b>	<b>\$ 469,043</b>	<b>\$ (0)</b>	<b>\$ 5,000,000</b>	<b>\$ 4,530,956</b>
<b>Fixed Assets</b>					
Depreciation	(95,286)	(95,286)	-	(95,286)	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	100,000	100,000	-	-	(100,000)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (4,714)</b>	<b>\$ (4,714)</b>	<b>\$ -</b>	<b>\$ 95,286</b>	<b>\$ 100,000</b>
Allocation of Fixed Assets	\$ 4,714	\$ 4,714	-	(95,286)	(100,000)
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 469,043</b>	<b>\$ 469,043</b>	<b>\$ (0)</b>	<b>\$ 5,000,000</b>	<b>\$ 4,530,956</b>

## Legal and Regulatory

<b>Legal and Regulatory</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	7.00	8.00	1.00
Total Direct Expenses	\$ 2,333,329	\$ 2,734,875	\$ 401,546
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Legal and Regulatory area provides legal and governmental relations support to the organization. Expenses allocated to this area include: General Counsel, attorneys, and Canadian governmental affairs.

### 2011 Assumptions and Cost Impacts

A paralegal was added in 2011 to assist with the increased legal and regulatory workload. Professional services costs were also increased to reflect increased volume and complexity of required filings with governmental authorities, as well as corporate matters arising from day to day operations.

## Statement of Activities and Capital Expenditures 2010 Budget & Projection, and 2011 Budget

### Legal and Regulatory

Funding	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,237,000	\$ 1,276,576	\$ 39,576	\$ 1,400,014	\$ 163,014
Payroll Taxes	61,813	62,584	771	68,780	6,967
Benefits	134,415	142,702	8,287	179,908	45,493
Retirement Costs	159,601	185,174	25,573	200,552	40,951
<b>Total Personnel Expenses</b>	<u>\$ 1,592,829</u>	<u>\$ 1,667,036</u>	<u>\$ 74,207</u>	<u>\$ 1,849,255</u>	<u>\$ 256,426</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Travel	65,000	49,000	(16,000)	50,500	(14,500)
Conference Calls	-	-	-	1,500	1,500
<b>Total Meeting Expenses</b>	<u>\$ 65,000</u>	<u>\$ 49,000</u>	<u>\$ (16,000)</u>	<u>\$ 57,000</u>	<u>\$ (8,000)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 108,000	\$ 108,000	\$ -	\$ 135,000	\$ 27,000
Office Rent	-	-	-	-	-
Office Costs	17,500	21,700	4,200	28,620	11,120
Professional Services	550,000	595,000	45,000	665,000	115,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Efficiency Savings	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 675,500</u>	<u>\$ 724,700</u>	<u>\$ 49,200</u>	<u>\$ 828,620</u>	<u>\$ 153,120</u>
<b>Total Direct Expenses</b>	<u>\$ 2,333,329</u>	<u>\$ 2,440,736</u>	<u>\$ 107,407</u>	<u>\$ 2,734,875</u>	<u>\$ 401,546</u>
<b>Indirect Expenses</b>	<u>\$ (2,333,329)</u>	<u>\$ (2,440,736)</u>	<u>\$ (107,407)</u>	<u>\$ (2,734,875)</u>	<u>\$ (401,546)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	-	\$ -	-	-	-
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>

## Information Technology

<b>Information Technology</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	7.75	10.75	3.00
Total Direct Expenses	\$ 2,519,307	\$ 4,539,253	\$ 2,019,945
Inc(Dec) in Fixed Assets	\$ 390,765	\$ 190,555	\$ (200,210)
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

Information Technology (IT) is a strategic, mission-enabling function within NERC. IT is responsible for the design, procurement, implementation, and management of NERC's technology infrastructure, including network servers, databases, applications, and telecommunications, and for implementing and managing logical and physical security controls to protect critical business assets. Application development and similar technology initiatives are managed by IT staff in close coordination with relevant program staff, consultants, and vendors.

Staff in this program area also support, manage, and maintain a number of reliability tools and related infrastructure on behalf of the industry.

Recognizing the role of technology in the success of the ERO and in response to stakeholder feedback, NERC has placed a renewed emphasis in the IT area. Executive leadership has established an object give for NERC to unify infrastructure and systems across common lines of business in the ERO enterprise. To achieve this vision, reorganization, redesign, and, and re-engineering will be necessary. A new ERO-enterprise model for IT policy setting and decision-making will be critical to nurture and mature this strategic vision.

### 2011 Key Assumptions

- NERC will continue to maintain its current tools, technologies, and infrastructure, with the exception of those technology additions required in connection with the relocation of NERC's headquarters which will be funded through working capital reserves and funds in the non-operating expenses set aside as described in the Introduction and Executive Summary.
- NERC will require additional investment in technology and security to meet 2011 IT-related goals and objectives of its program areas.
- NERC, working collaboratively with the Regional Entities, will undertake new initiatives designed to move the ERO enterprise technology vision forward.



- Additional Information Technology personnel will be required to meet the long-term goals and objectives of the ERO.

### **2011 Goals and Key Deliverables**

1. Establish a new IT project management model to ensure alignment of tools and technology with ERO goals and priorities.
2. With the Regional Entities, begin developing a common, enterprise-wide technology model that embraces the requirements of Regions and stakeholders for reliable, secure, efficient, and cost-effective systems and services. Integrate existing infrastructure, systems, and applications across NERC and the Regions, as possible, to expedite development and to provide a seamless experience for users. A third-party will be hired to facilitate requirements gathering and to develop recommendations for technology design and architecture. Deliverables will include an enterprise information management requirements document, creation of a detailed enterprise architecture specification, and preparation of an implementation timeline.
3. Upgrade data backup system to a more robust electronic system to improve backup and restoration abilities.
4. Migrate the primary computing location to a hosted, third-party data center to improve infrastructure availability and reliability.
5. Implement Phase 2 development of the Situation Awareness — FERC, NERC, Regions (SAFNR) software application per approved specification. (The costs associated with SAFNR are recorded in Situation Awareness.)
6. Introduce incremental improvements to the Compliance Reporting and Tracking System to accommodate new business requirements and ensure operability.
7. Manage the IT projects related to Standards Registered Ballot Body enhancements, performance metrics data management system, and Spare Equipment Database to ensure on-time delivery within allocated budgets.
8. Enhance NERC's web site to add functionality and improve user satisfaction. Continue to introduce new functionality supported by NERC's SharePoint platform, including new collaboration tools and automated content management in the areas of Standards, Reliability Assessments, and Operations and Engineering. A third-party will provide programming support.
9. Acquire additional controls necessary to meet the physical and logical security of high-value business assets, including information pertaining to Technical Feasibility Exceptions, Order 706B initiatives, and Event Analysis and Investigation.

### **Funding Requirements**

To accomplish the goals and objectives described above, additional resources will be required. Significant increases are described below.

**Consultants and Contractors**

Increases in this area reflect 1) technology integration specification, design and development initiatives; 2) relocation of NERC's data center, and 3) programming support and security enhancements and assessments.

NERC will hire an experienced consultant to facilitate requirements gathering and to develop recommendations for technology design and architecture. It is estimated that this work will take up to six months to complete and will require a team to accomplish the envisioned scope of work. Face-to-face meetings with NERC and Regional staff will be required in the conduct of this work. The projected contractor and consulting costs required to accomplish this goal is \$400,000. Historically NERC has self-hosted its primary computing facilities within its commercial office space. To minimize the risk of potential downtime due to the loss of power or telecommunications, it is necessary to relocate NERC's computing facility to a world-class data center. This will ensure on-site backup power, appropriately scaled fire prevention systems and other protection systems. Start up costs of migrating systems and hosting is estimated at \$225,000. It is anticipated that moving to a data center will reduce overall IT expenses over the next three years.

In 2010, a total of \$217,000 was allocated for programming support and security assessment. For 2011, \$100,000 has been budgeted for programming support and \$200,000 for security assessments. The additional funds will provide for web site enhancements and SharePoint expansion and for additional security testing, validation and controls required to bring new applications on line (e.g., Spare Equipment Database, performance metrics data management system, TFE, and Order 706B), respectively.

**Personnel**

Additional Information Technology personnel will be required to meet the long-term goals and objectives of the ERO. Specifically, IT requires additional dedicated staff to manage NERC's web site, to provide help desk support, and to manage technology projects:

Web Site Administrator — This FTE will be responsible for the support and maintenance of NERC's web sites and will work closely with Communications personnel to create and manage web site content. This FTE also will be responsible for interfacing with external and internal users to address web site questions and provide similar Help Desk services. Finally, this FTE will work closely with NERC's IT SharePoint administrator to ensure work flow integration and document management goals are met. Historically, web site administration has been split between information technology and communications personnel. Recent organizational changes have exposed inefficiencies with this model. Moving the responsibility fully into IT provides the focus necessary to support this important business asset, particularly as its use is expanded to facilitate greater interactions with stakeholders, Regional Entities and governmental authorities.

- Project Manager — This FTE will be responsible for managing all stages of complex IT projects including business analysis and design, budgeting, scheduling and status tracking, and final acceptance testing.

NERC currently employs one person to manage all IT projects across all program areas. The number of projects has grown significantly during the last several years (e.g. CRATS), and will continue to do so (technology integration.) Bringing additional dedicated project management expertise to bear will be essential to meeting the expectations of internal and external users.

- Help Desk Specialist — This FTE will be responsible for providing end-user support to staff in NERC’s Washington D.C. office, which does not have any on-site IT support personnel.

NERC currently employs two help desk specialists, who support all NERC staff, as well as external users. These two employees also are responsible for IT procurement and inventory tracking, and serve as backups to NERC’s IT Network Administrator and Systems Administrator.

The staffing increases at NERC, in the D.C. office particularly, dictate the addition of help desk personnel.

### **Office Costs**

Telecommunications expenses have historically been budgeted as part of General and Administrative, but have been moved to Information Technology to reflect managerial responsibilities for these costs. Added telecommunications capabilities will increase the budget approximately \$434k over 2010. (Refer to “Internet” on Table B-7, page 103) Other increases in costs are primarily personnel driven, and include the cost of computers, software and computer supplies for added FTEs; the cost of telephone expense, which includes cell phones and mobile broadband service; and in increase in software maintenance agreements.

## Human Resources

<b>Human Resources</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.50	5.50	2.00
Total Direct Expenses	\$ 1,008,912	\$ 1,241,500	\$ 232,588
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Human Resources area manages all of NERC's human resources functions, including new-hires, benefits, and employee functions. This area also oversees NERC's employee performance appraisal and incentive structure process.

### 2011 Assumptions and Cost Impacts

- \$96K for employment agency fees, temporary office services and background checks for new hires and current employees (required to conduct new background check every 7 years).
- \$250k for education reimbursement and for relocation expenses associated with new hires.
- \$250k for executive staff development, training and recruiting.

### 2011 Goals and Objectives

- Recruit and retain qualified employees to fulfill the activities of the ERO.
- Provide training/staff development activities.
- Ongoing review of compensation and benefits.
- Continue to expand Human Resources Information System, which was rolled out in 2010 to facilitate the tracking of employee information and records.

### Personnel Expenses

The 2011 budget reflects additional personnel costs support expanding Human Resources and administrative support requirements. While two additional full time FTEs are budgeted to support administrative and human resource requirements, NERC will continue to evaluate the benefits and costs of providing this additional support through a third party service provider.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Human Resources</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 384,337	\$ 421,943	\$ 37,606	\$ 510,267	\$ 125,930
Payroll Taxes	22,206	24,606	2,400	31,354	9,148
Benefits	202,560	220,905	18,345	357,134	154,574
Retirement Costs	41,809	47,392	5,583	58,320	16,511
<b>Total Personnel Expenses</b>	<b>\$ 650,912</b>	<b>\$ 714,846</b>	<b>\$ 63,934</b>	<b>\$ 957,076</b>	<b>\$ 306,164</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 2,000	\$ 2,000
Travel	5,000	6,000	1,000	6,000	1,000
Conference Calls	-	-	-	600	600
<b>Total Meeting Expenses</b>	<b>\$ 5,000</b>	<b>\$ 6,000</b>	<b>\$ 1,000</b>	<b>\$ 8,600</b>	<b>\$ 3,600</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 350,000	\$ 300,000	\$ (50,000)	\$ 250,000	\$ (100,000)
Office Rent	-	-	-	-	-
Office Costs	3,000	7,720	4,720	10,970	7,970
Professional Services	-	11,543	11,543	14,854	14,854
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Efficiency Savings	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 353,000</b>	<b>\$ 319,263</b>	<b>\$ (33,738)</b>	<b>\$ 275,824</b>	<b>\$ (77,176)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,008,912</b>	<b>\$ 1,040,108</b>	<b>\$ 31,196</b>	<b>\$ 1,241,500</b>	<b>\$ 232,588</b>
<b>Indirect Expenses</b>	<b>\$ (1,008,912)</b>	<b>\$ (1,040,108)</b>	<b>\$ (31,196)</b>	<b>\$ (1,241,500)</b>	<b>\$ (232,588)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	20,000	-	(20,000)	-	(20,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (20,000)</b>	<b>\$ -</b>	<b>\$ 20,000</b>	<b>\$ -</b>	<b>\$ 20,000</b>
Allocation of Fixed Assets	\$ 20,000	\$ -	\$ (20,000)	-	(20,000)
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>

## Finance and Accounting

<b>Accounting and Finance</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	8.50	6.50	(2.00)
Total Direct Expenses	\$ 1,235,201	\$ 1,209,180	\$ (26,021)
Inc(Dec) in Fixed Assets	\$ (1,750)	\$ (1,750)	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

NERC's Finance and Accounting area manages all finance and accounting functions, including employee payroll, 401(k) plan, travel and expense reporting, monthly financial reporting, sales and use tax, meeting/events planning and services, insurance, internal auditing, and facilities management. This area also holds primary responsibility for the development of the annual business plan and budget.

### 2011 Resource Requirements

A CPA was added to the finance staff in 2010 to support movement from a quarterly to monthly closing process, which was recommended by the company's outside auditors and supported by management as a means to increase operational efficiency. This will also facilitate the preparation of monthly budget variance reports for management and the implementation of additional cost control procedures. Also in 2010, one employee was transferred to provide administrative support to the Standards Program area and another employee was transferred to the Operations and Engineering group to provide support to the Situation Awareness and Infrastructure Security Program area.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Finance and Accounting</b>					
	<b>2010 Budget</b>	<b>2010 Projection</b>	<b>Variance 2010 Projection v 2010 Budget Over(Under)</b>	<b>2011 Budget</b>	<b>Variance 2011 Budget v 2010 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 812,808	\$ 749,767	\$ (63,040)	\$ 772,260	\$ (40,547)
Payroll Taxes	54,854	45,733	(9,121)	46,591	(8,263)
Benefits	129,142	100,867	(28,275)	130,997	1,855
Retirement Costs	109,647	104,311	(5,336)	111,483	1,836
<b>Total Personnel Expenses</b>	<b>\$ 1,106,451</b>	<b>\$ 1,000,679</b>	<b>\$ (105,771)</b>	<b>\$ 1,061,330</b>	<b>\$ (45,120)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 4,000	\$ 4,000	\$ -	\$ 4,000	\$ -
Travel	19,000	25,500	6,500	25,500	6,500
Conference Calls	-	-	-	1,200	1,200
<b>Total Meeting Expenses</b>	<b>\$ 23,000</b>	<b>\$ 29,500</b>	<b>\$ 6,500</b>	<b>\$ 30,700</b>	<b>\$ 7,700</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Office Rent	-	-	-	-	-
Office Costs	4,000	5,900	1,900	10,400	6,400
Professional Services	100,000	100,000	-	100,000	-
Miscellaneous	-	-	-	-	-
Depreciation	1,750	-	(1,750)	1,750	-
Efficiency Savings	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 105,750</b>	<b>\$ 105,900</b>	<b>\$ 150</b>	<b>\$ 117,150</b>	<b>\$ 11,400</b>
<b>Total Direct Expenses</b>	<b>\$ 1,235,201</b>	<b>\$ 1,136,079</b>	<b>\$ (99,121)</b>	<b>\$ 1,209,180</b>	<b>\$ (26,020)</b>
<b>Indirect Expenses</b>	<b>\$ (1,235,201)</b>	<b>\$ (1,136,079)</b>	<b>\$ 99,122</b>	<b>\$ (1,209,180)</b>	<b>\$ 26,021</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Fixed Assets</b>					
Depreciation	(1,750)	-	1,750	(1,750)	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 1,750</b>	<b>\$ -</b>	<b>\$ (1,750)</b>	<b>\$ 1,750</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (1,750)	\$ -	\$ 1,750	(1,750)	-
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ 1</b>

## Section B — Supplemental Financial Information

### Reserve Balance

Table B-1

Working Capital Reserve Analysis 2010-2011	
STATUTORY	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2009</b>	<b>(2,023,415)</b>
Plus: 2010 Funding (from LSEs or designees)	37,063,570
Plus: 2010 Other funding sources	2,197,500
Less: 2010 Projected expenses & capital expenditures	<b>(40,085,764)</b>
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<b><u>(2,848,109)</u></b>
<b>Working Capital Reserve, December 31, 2011</b>	<sup>¶1</sup> 2,151,891
Minus: Projected Working Capital Reserve, December 31, 2010	<b>(2,848,109)</b>
<b>Increase(decrease) in funding requirement to achieve Working Capital Reserve</b>	<b><u>5,000,000</u></b>
2011 Expenses and Capital Expenditures	48,726,465
Less: Penalty Sanctions <sup>¶2</sup>	<b>(10,175,000)</b>
Less: Other Funding Sources	<b>(2,444,500)</b>
Adjustment to achieve desired Working Capital Reserve	5,000,000
<b>2011 NERC Assessment</b>	<b><u>41,106,965</u></b>

<sup>¶1</sup> On August 4, 2010, the Finance and Audit Committee of the NERC Board of Trustees approved a desired working capital reserve of \$2,500,000.

<sup>¶2</sup> Represents collections on or prior to June 30, 2010.



## Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the consolidated Statement of Activities on page 24. All significant variances have been disclosed by program area in the preceding pages.

### Penalty Sanctions

Penalty monies received prior to June 30, 2010 are to be used to offset assessments in the 2011 Budget, as documented in the NERC Policy – Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standard, as well as Section 1107 of the Rules of Procedure. Penalty monies received from July 1, 2010 through June 30, 2011 will be used to offset assessments in the 2012 Budget.

All penalties received prior to June 30, 2010 are detailed below, including the amount and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situational Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-2**

Penalty Sanctions Received On or Prior to June 30, 2010	Date Received	Amount Received
	10/15/2009	\$ 10,000,000
	3/5/2010	175,000
<b>Total Penalties Received</b>		\$ 10,175,000

## Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Miscellaneous - CEA function in WECC	\$ 404,781	\$ 25,000	\$ 150,000	\$ (254,781)
<b>Total</b>	<b>\$ 404,781</b>	<b>\$ 25,000</b>	<b>\$ 150,000</b>	<b>\$ (254,781)</b>
<b>Reliability Assessment and Performance Analysis</b>				
<b>Total</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>\$ -</b>
<b>Training and Education</b>				
Testing Fees and Certificate Renewals	\$ 708,750	\$ 1,220,000	\$ 1,340,000	631,250
CEH Fees	410,000	600,000	600,000	190,000
Workshops	92,500	92,500	92,500	-
<b>Total</b>	<b>\$ 1,211,250</b>	<b>\$ 1,912,500</b>	<b>\$ 2,032,500</b>	<b>\$ 821,250</b>
<b>Situation Awareness and Infrastructure Security</b>				
FIST Royalties	\$ -	\$ -	\$ -	\$ -
TSIN Fees				
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Technical Committees and Member Forums</b>				
Transmission Owners and Operators Forum Dues	\$ 1,617,808	\$ -	\$ -	\$ (1,617,808)
<b>Total</b>	<b>\$ 1,617,808</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,617,808)</b>
<b>General and Administrative</b>				
Interest Income	\$ 10,000	\$ 10,000	\$ 12,000	\$ 2,000
<b>Total</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 12,000</b>	<b>\$ 2,000</b>
<b>Total Outside Funding</b>	<b>\$ 3,493,839</b>	<b>\$ 2,197,500</b>	<b>\$ 2,444,500</b>	<b>\$ (1,049,339)</b>

## Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- Compliance Monitoring, Enforcement & Organization Registration – 2010 Miscellaneous Funding represents reimbursements of the cost for NERC to act as the compliance enforcement authority (CEA) for certain registered functions within the FRCC, SPP, Texas RE and WECC Regions. FERC has approved the petition for SERC to serve as the CEA for FRCC and SPP. In addition, since Texas RE is now separate from ERCOT there is no need for NERC to act as the CEA for Texas RE. NERC is projecting the 2011 costs for performing CEA functions for WECC to be \$150k.
- Training and Education – An increase in funding is budgeted due to an increase in system operator testing fees, certificate renewal fees and continuing education fees.
- Technical Committees and Member Forums – The Transmission Owners and Operators Forum separated from NERC effective January 1, 2010.

## Personnel Expenses

### Table B-4

Personnel Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Salaries</b>					
Salaries	\$ 17,091,146	\$ 16,867,970	\$ 20,997,059	\$ 3,905,913	22.9%
Background Checks	50,000	50,000	51,500	1,500	3.0%
Employment Agency Fees	16,000	30,000	30,900	14,900	93.1%
Temporary Office Services	30,000	16,000	16,480	(13,520)	-45.1%
<b>Total Salaries</b>	<b>\$ 17,187,146</b>	<b>\$ 16,963,970</b>	<b>\$ 21,095,939</b>	<b>\$ 3,908,793</b>	<b>22.7%</b>
<b>Total Payroll Taxes</b>	<b>\$ 1,082,240</b>	<b>\$ 1,045,503</b>	<b>\$ 1,285,299</b>	<b>\$ 203,059</b>	<b>18.8%</b>
<b>Total Benefits</b>	<b>\$ 2,345,685</b>	<b>\$ 2,258,266</b>	<b>\$ 3,263,692</b>	<b>\$ 817,815</b>	<b>39.1%</b>
<b>Total Retirement</b>	<b>\$ 2,381,540</b>	<b>\$ 2,314,254</b>	<b>\$ 2,977,801</b>	<b>\$ 596,261</b>	<b>25.0%</b>
<b>Total Personnel Costs</b>	<b>\$ 22,996,610</b>	<b>\$ 22,581,994</b>	<b>\$ 28,622,731</b>	<b>\$ 5,626,120</b>	<b>24.5%</b>
<b>FTEs</b>	131.50	119.43	150.75	31.32	14.6%
<b>Cost per FTE</b>					
Salaries	\$ 130,701	\$ 142,042	\$ 139,940	9,239	7.1%
Payroll Taxes	8,230	8,754	8,526	296	3.6%
Benefits	17,838	18,909	21,650	3,812	21.4%
Retirement	18,111	19,378	19,753	1,643	9.1%
<b>Total Cost per FTE</b>	<b>\$ 174,879</b>	<b>\$ 189,082</b>	<b>\$ 189,869</b>	<b>\$ 14,990</b>	<b>8.6%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- The increase in total salaries is due to a 13.9% increase in FTEs and the change to accrual accounting for recording bonus expense, as further described in the footnotes to the Company's 2009 year end audited financial statements which were filed with the Commission in NERC's "Report of Comparisons of Budgeted to Actual Costs for 2009 for NERC and the Regional Entities" filed Jun 1, 2010 in Docket Nos. RR10-10-000 and RR08-6-000.
- The increase in total benefits includes higher workers' compensation expense that is reflective of the increased number of FTEs covered and an increase in medical insurance is reflective of both the increased number of FTEs and the assumption that costs for coverage will increase 15% over 2010.



## Consultants and Contracts

### Table B-5

Consultants	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ 650,000	\$ 650,000	\$ 399,500	\$ (250,500)	-39%
Compliance and Organization Registration and Certification	1,100,000	575,000	1,195,000	95,000	9%
Reliability Assessment and Performance Analysis	689,400	539,400	610,000	(79,400)	-12%
Training and Education	155,000	80,000	100,000	(55,000)	-35%
Situation Awareness and Infrastructure Security Committee and Member Forums	1,853,000	1,957,000	1,885,000	32,000	2%
General and Administrative	-	4,000	-	-	-
Legal and Regulatory	-	-	-	-	-
Information Technology	325,000	325,000	1,033,000	708,000	218%
Human Resources	350,000	300,000	250,000	(100,000)	-29%
Accounting and Finance	-	-	5,000	5,000	-
<b>Consultants Total</b>	<b>\$ 5,122,400</b>	<b>\$ 4,430,400</b>	<b>\$ 5,477,500</b>	<b>\$ 355,100</b>	<b>7%</b>
Contracts	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Contracts</b>					
Standards Balloting Program Development and Maintenance	67,000	67,000	92,000	\$ 25,000	
<b>Subtotal - Reliability Standards</b>	<b>\$ 67,000</b>	<b>\$ 67,000</b>	<b>\$ 92,000</b>	<b>\$ 25,000</b>	<b>37.31%</b>
GADS Programming Support	135,000	\$ 111,000	\$ 135,000	\$ -	
Assessment Studies and Automatic Reliability Reports	175,000	164,500	235,000	60,000	
TADS Development	150,000	106,560	80,000	(70,000)	
DADS Development	-	-	100,000	100,000	
<b>Subtotal - Reliability Assessment Contracts</b>	<b>\$ 460,000</b>	<b>\$ 382,060</b>	<b>\$ 550,000</b>	<b>\$ 90,000</b>	<b>19.57%</b>
RCIS Support	20,000	20,000	-	(20,000)	
Resource Adequacy Tool (Srv. Agreement)	75,000	75,000	80,000	5,000	
Inadvertent Interchange (Srv. Agreement)	30,000	30,000	-	(30,000)	
AIE Monitoring (Srv. Agreement)	25,000	25,000	25,000	-	
CPS1-BA ACE Limit Monitoring (Srv. Agreement)	35,000	35,000	-	(35,000)	
Frequency Monitoring (Srv. Agreement)	40,000	40,000	50,000	10,000	
Intelligent Alarms/DARA (Srv. Agreement)	50,000	45,000	60,000	10,000	
Resources Subcommittee Maintenance	120,000	120,000	-	(120,000)	
Secure Alerting System	227,796	227,796	141,468	(86,328)	
Secure Alerting System Help Desk & Change Management	85,416	85,416	138,416	53,000	
<b>Subtotal - Situational Awareness Contracts</b>	<b>\$ 708,212</b>	<b>\$ 703,212</b>	<b>\$ 494,884</b>	<b>\$ (213,328)</b>	<b>-30.12%</b>
<b>Frame Relay</b>	<b>\$ 398,320</b>	<b>\$ 398,320</b>	<b>\$ 300,094</b>	<b>\$ (98,226)</b>	<b>-24.66%</b>
<b>Contract - IDC</b>					
IDC Base Contract	1,508,625	1,508,625	1,662,420	153,795	
IDC Maintenance	50,000	50,000	135,360	85,360	
SDX Support (Srv. Agreement)	20,000	20,000	20,000	-	
SDX Maintenance	-	-	5,000	5,000	
DF Support Services Agreement.	19,200	19,200	50,000	30,800	
NERC Factor Viewer (NFV)	-	-	-	-	
Book of Flowgate Database	28,800	28,800	28,800	-	
Book of Flowgate Database-Maintenance	20,000	20,000	-	(20,000)	
<b>Contracts - IDC Total</b>	<b>\$ 1,646,625</b>	<b>\$ 1,646,625</b>	<b>\$ 1,901,580</b>	<b>\$ 254,955</b>	<b>15.48%</b>
<b>Education and Training Total</b>	<b>\$ 408,800</b>	<b>\$ 382,800</b>	<b>\$ 387,658</b>	<b>\$ (21,142)</b>	<b>-5.17%</b>
<b>Regulatory Affairs</b>	<b>\$ 108,000</b>	<b>\$ 108,000</b>	<b>\$ 135,000</b>	<b>\$ 27,000</b>	<b>25.00%</b>
<b>Contracts Total</b>	<b>\$ 3,796,957</b>	<b>\$ 3,688,017</b>	<b>\$ 3,861,216</b>	<b>\$ 39,259</b>	<b>1.69%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 8,919,357</b>	<b>\$ 8,118,417</b>	<b>\$ 9,338,716</b>	<b>\$ 419,359</b>	<b>15.03%</b>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

- The increase in consulting for Information Technology is primarily related to retention of an experienced consultant to facilitate requirements gathering and to develop recommendations for technology design and architecture for the development of a common enterprise wide technology model.
- The \$250k reduction in contractor and consulting expenses in Reliability Standards was done in contemplation of the addition of staffing resources in the Standards Program Area. Since the details of these staffing needs have not been finalized, working capital funds have been increased to provide necessary funding for these resource additions once the details are known.

## Office Rent

Table B-6

Office Rent	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Office Rent*	\$ 967,134	\$ 1,018,033	\$ 1,020,151	\$ 53,017	0.21%
Utilities			-	-	
Maintenance			-	-	
<b>Total Office Rent</b>	<b>\$ 967,134</b>	<b>\$ 1,018,033</b>	<b>\$ 1,020,151</b>	<b>\$ 53,017</b>	<b>0.21%</b>

- \*As further described in the Introduction and Executive Summary, no amount for increased rent expense in connection with the relocation of the company's headquarters has been included in the 2011 budget. The increase in office rent is primarily due to projected increases in utility costs which are tracking higher than previously budgeted.

## Office Costs

### Table B-7

Office Costs	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Telephone	\$ 285,000	\$ 240,300	\$ 272,018	\$ (12,982)	-4.56%
Telephone Answering Srv	-	2,400	2,400	2,400	
Internet	81,000	417,300	514,924	433,924	535.71%
Office Supplies	162,050	127,050	152,500	(9,550)	-5.89%
Computer Supplies and Maintenance		32,000	-	-	
Computers	174,825	83,825	201,200	26,375	15.09%
Computer Supplies	-	-	63,700	63,700	
Maintenance & Service Agreements	310,900	205,343	589,850	278,950	89.72%
Software	198,950	198,950	167,925	(31,025)	-15.59%
Network Supplies	-	-	40,645	40,645	
Publications & Subscriptions	129,800	34,800	71,670	(58,130)	-44.78%
Dues	40,500	22,900	39,594	(906)	-2.24%
Postage	13,750	14,750	23,500	9,750	70.91%
Express Shipping	5,500	23,000	32,250	26,750	486.36%
Copying	71,500	65,500	72,000	500	0.70%
Reports	-	10,000	10,000	10,000	
Stationary/Forms	2,500	2,500	2,500	-	0.00%
Equipment Repair/Service Contracts	31,000	25,000	31,000	-	0.00%
Bank Charges	5,000	5,000	5,000	-	0.00%
Taxes	10,000	60,000	60,000	50,000	500.00%
Merchant Card Fees	48,200	71,450	67,500	19,300	40.04%
Presentation & Publicity	10,000	-	-	(10,000)	-100.00%
<b>Total Office Costs</b>	<b>\$ 1,580,475</b>	<b>\$ 1,642,068</b>	<b>\$ 2,420,176</b>	<b>\$ 839,701</b>	<b>53.13%</b>

#### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- The increase in internet expense is due to three initiatives which were not budgeted in 2010; the expansion of bandwidth and added carrier redundancy at NERC's Princeton office; expanded bandwidth and dedicated circuits between the Princeton and DC offices; and increased bandwidth between Princeton and the Carteret, NJ back-up location.
- Increases in postage and express shipping are reflective of actual 2009 expenditures.
- The increase in taxes relates to use taxes paid for development of the C-RATS database and other technology projects that are not included in the consulting cost of the project.



## Professional Services

**Table B-8**

Professional Services	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Independent Trustee Fees	\$ 760,000	\$ 760,000	\$ 985,000	\$ 225,000	29.61%
Trustee Search Fee		120,000	120,000	120,000	
Outside Legal	550,000	550,000	615,000	65,000	11.82%
Lobbying Fees		45,000	50,000	50,000	
Accounting & Auditing Fees	100,000	100,000	100,000	-	0.00%
Insurance Commercial	55,000	70,000	75,000	20,000	36.36%
<b>Total Services</b>	<b>\$ 1,465,000</b>	<b>\$ 1,645,000</b>	<b>\$ 1,945,000</b>	<b>\$ 480,000</b>	<b>32.76%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- Independent trustee fees reflect an increase in trustee compensation based upon market analysis performed in 2010.
- Provisions for trustee search fees not previously budgeted.

## Other Non-Operating Expenses

**Table B-9**

Other Non-Operating Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Interest Expense		\$ -		\$ -	
Line of Credit Payment		\$ -		\$ -	
Office Relocation	-	-	750,000	\$ 750,000	
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 750,000</b>	<b>\$ 750,000</b>	<b>100.00%</b>

## 2012 and 2013 Projections

Table B-10

	2011 Budget	2012 Projection	\$ Change 11 v 12	% Change 11 v 12	2013 Projection	\$ Change 12 v 13	% Change 12 v 13
<b>Funding</b>							
<b>ERO Funding</b>							
ERO Assessments	\$ 41,106,965	\$ 55,817,388	\$ 14,710,423	35.79%	\$ 56,914,222	\$ 1,096,834	1.9%
Penalty Sanctions	10,175,000	-	(10,175,000)	-100.00%	-	-	-
<b>Total ERO Funding</b>	<b>\$ 51,281,965</b>	<b>\$ 55,817,388</b>	<b>\$ 4,535,423</b>	<b>8.8%</b>	<b>\$ 56,914,222</b>	<b>\$ 1,096,834</b>	<b>1.9%</b>
Membership Dues	-	-	-	-	-	-	-
Testing Fees	1,940,000	1,940,000	-	0.00%	1,940,000	-	0.0%
Services & Software	250,000	250,000	-	0.00%	250,000	-	0.0%
Workshops	92,500	92,500	-	0.00%	92,500	-	0.0%
Interest	12,000	12,000	-	0.00%	12,000	-	0.0%
Miscellaneous	150,000	50,000	(100,000)	-66.67%	50,000	-	0.0%
<b>Total Funding</b>	<b>\$ 53,726,465</b>	<b>\$ 58,161,888</b>	<b>\$ 4,435,423</b>	<b>8.3%</b>	<b>\$ 59,258,722</b>	<b>\$ 1,096,834</b>	<b>1.9%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 21,095,939	\$ 25,188,131	\$ 4,092,192	19.4%	\$ 26,723,202	\$ 1,535,071	6.1%
Payroll Taxes	1,285,299	1,534,622	249,322	19.4%	1,580,726	46,105	3.0%
Benefits	3,263,692	3,753,246	489,554	15.0%	4,316,233	562,987	15.0%
Retirement Costs	2,977,801	3,555,435	577,634	19.4%	3,662,250	106,816	3.0%
<b>Total Personnel Expenses</b>	<b>\$ 28,622,731</b>	<b>\$ 34,031,433</b>	<b>\$ 5,408,703</b>	<b>18.9%</b>	<b>\$ 36,282,411</b>	<b>\$ 2,250,978</b>	<b>6.6%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 861,500	\$ 861,500	\$ -	0.0%	\$ 861,500	\$ -	0.0%
Travel	2,635,537	2,905,125	269,588	10.2%	2,992,403	87,278	3.0%
Conference Calls	227,800	264,067	36,267	15.9%	272,000	7,933	3.0%
<b>Total Meeting Expenses</b>	<b>\$ 3,724,837</b>	<b>\$ 4,030,691</b>	<b>\$ 305,855</b>	<b>8.2%</b>	<b>\$ 4,125,903</b>	<b>\$ 95,212</b>	<b>2.4%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 9,338,716	\$ 9,338,716	\$ -	0.0%	\$ 9,338,716	\$ -	0.0%
Office Rent	1,020,151	3,032,342	2,012,191	197.2%	2,623,488	(408,854)	-13.5%
Office Costs	2,420,176	3,767,850	1,347,674	55.7%	3,804,948	37,098	1.0%
Professional Services	1,959,854	1,959,854	-	0.0%	1,959,854	-	0.0%
Miscellaneous	4,000	15,000	11,000	275.0%	15,000	-	0.0%
Depreciation	752,988	752,988	-	0.0%	752,988	-	0.0%
<b>Total Operating Expenses</b>	<b>\$ 15,495,886</b>	<b>\$ 18,866,751</b>	<b>\$ 3,370,865</b>	<b>21.8%</b>	<b>\$ 18,494,996</b>	<b>\$ (371,756)</b>	<b>-2.0%</b>
<b>Total Direct Expenses</b>	<b>\$ 47,843,453</b>	<b>\$ 56,928,876</b>	<b>\$ 9,085,423</b>	<b>19.0%</b>	<b>\$ 58,903,310</b>	<b>\$ 1,974,434</b>	<b>3.5%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 750,000</b>	<b>\$ -</b>	<b>\$ (750,000)</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Expenses</b>	<b>\$ 48,593,453</b>	<b>\$ 56,928,876</b>	<b>\$ 8,335,423</b>	<b>17.2%</b>	<b>\$ 58,903,310</b>	<b>\$ 1,974,434</b>	<b>3.5%</b>
<b>Change in Assets</b>	<b>\$ 5,133,012</b>	<b>\$ 1,233,012</b>	<b>\$ (3,900,000)</b>	<b>-76.0%</b>	<b>\$ 355,412</b>	<b>\$ (877,600)</b>	<b>-71.2%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (752,988)	\$ (752,988)	\$ -	0.0%	\$ (752,988)	\$ -	0.0%
Computer & Software CapEx	845,200	945,200	100,000	11.8%	1,067,600	122,400	12.9%
Furniture & Fixtures CapEx	-	500,000	500,000	-	-	(500,000)	-100.0%
Equipment CapEx	40,800	40,800	-	0.0%	40,800	-	0.0%
Leasehold Improvements	-	-	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (133,012)</b>	<b>\$ (733,012)</b>	<b>\$ (600,000)</b>	<b>451.1%</b>	<b>\$ (355,412)</b>	<b>\$ 377,600</b>	<b>-51.5%</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 5,000,000</b>	<b>\$ 500,000</b>	<b>\$ (4,500,000)</b>	<b>-90.0%</b>	<b>\$ -</b>	<b>\$ (500,000)</b>	<b>0.0%</b>
FTEs	150.75	174.75			180.00		

## Section C — Non-Statutory Activity

**NERC has no non-statutory activities.**

## Section D — Supplemental Financial Statements

**Statement of Financial Position**  
**2009 Audited, 2010 Projection, and 2011 Budget**

**STATUTORY**

	(Per Audit) 31-Dec-09	Projected 31-Dec-10	Budget 31-Dec-11
<b>ASSETS</b>			
Cash	24,427,536	16,350,400	12,259,563
Trade Accounts receivable, net of allowance for uncollectible accounts of \$152,323 (2009)	2,633,235	2,633,235	2,633,235
Other Receivables	335,269	335,269	335,269
Prepaid expenses and other current assets	212,621	212,621	212,621
Security deposit	15,767	15,767	15,767
Cash value of insurance policies	249,669	249,669	249,669
Property and equipment	1,802,949	2,507,544	2,640,556
Total Assets	<b>29,677,046</b>	<b>22,304,506</b>	<b>18,346,681</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	2,350,584	2,350,584	2,350,584
Deferred income	5,218,402	5,218,402	5,218,402
Deferred penalty income	10,000,000	10,175,000	
Regional assessments	8,480,053	-	-
Deferred compensation	362,053	362,053	362,053
Accrued retirement liabilities	1,569,349	1,835,134	2,292,943
Accrued bonus liability	1,917,071	2,382,899	3,009,253
Total Liabilities	<b>29,897,512</b>	<b>22,324,071</b>	<b>13,233,234</b>
Net Assets - unrestricted	(220,466)	(19,565)	5,113,447
Total Liabilities and Net Assets	<b>29,677,046</b>	<b>22,304,506</b>	<b>18,346,681</b>

NORTH AMERICAN ELECTRIC RELIABILITY COPORATION

Statement of Activities and Capital Expenditures by Program 2011 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Activities											Non-Statutory Functions		
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total	
<b>Funding</b>																	
<b>ERO Funding</b>																	
NERC Assessments	41,106,965	41,106,965	-	41,106,965	5,872,230	13,063,318	4,802,760	327,071	12,041,586	-	5,000,000	-	-	-	-	-	-
Penalty Sanctions	10,175,000	10,175,000	-	10,175,000	1,808,389	4,239,583	1,238,108	562,777	2,326,143	-	-	-	-	-	-	-	-
<b>Total NERC Funding</b>	<b>51,281,965</b>	<b>51,281,965</b>	<b>-</b>	<b>51,281,965</b>	<b>7,680,619</b>	<b>17,302,901</b>	<b>6,040,869</b>	<b>889,847</b>	<b>14,367,729</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	1,940,000	1,940,000	-	1,940,000	-	-	-	1,940,000	-	-	-	-	-	-	-	-	-
Services & Software	250,000	250,000	-	250,000	-	-	250,000	-	-	-	-	-	-	-	-	-	-
Workshops	92,500	92,500	-	92,500	-	-	-	92,500	-	-	-	-	-	-	-	-	-
Interest	12,000	12,000	-	12,000	2,133	5,000	1,460	664	2,743	-	-	-	-	-	-	-	-
Miscellaneous	150,000	150,000	-	150,000	-	150,000	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>53,726,465</b>	<b>53,726,465</b>	<b>-</b>	<b>53,726,465</b>	<b>7,682,752</b>	<b>17,457,901</b>	<b>6,292,329</b>	<b>2,923,011</b>	<b>14,370,473</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>																	
<b>Personnel Expenses</b>																	
Salaries	21,095,939	21,095,939	-	21,095,939	2,835,888	6,344,046	1,837,742	815,066	4,048,115	-	1,501,010	1,400,014	1,031,532	510,267	772,260	-	-
Payroll Taxes	1,285,299	1,285,299	-	1,285,299	179,070	416,818	118,451	54,445	232,389	-	64,219	68,780	73,182	31,354	46,591	-	-
Benefits	3,263,692	3,263,692	-	3,263,692	381,842	895,127	261,835	119,092	508,661	-	226,508	179,908	202,588	357,134	130,997	-	-
Retirement Costs	2,977,801	2,977,801	-	2,977,801	395,844	892,082	261,410	114,877	555,278	-	242,792	200,552	145,162	58,320	111,483	-	-
<b>Total Personnel Expenses</b>	<b>28,622,731</b>	<b>28,622,731</b>	<b>-</b>	<b>28,622,731</b>	<b>3,792,644</b>	<b>8,548,072</b>	<b>2,479,439</b>	<b>1,103,480</b>	<b>5,344,443</b>	<b>-</b>	<b>2,034,529</b>	<b>1,849,255</b>	<b>1,452,464</b>	<b>957,076</b>	<b>1,061,330</b>	<b>-</b>	<b>-</b>
<b>Meeting Expenses</b>																	
Meetings	861,500	861,500	-	861,500	80,000	32,500	100,000	278,000	135,000	-	225,000	5,000	-	2,000	4,000	-	-
Travel	2,635,537	2,635,537	-	2,635,537	400,500	909,833	326,250	48,000	579,833	-	268,120	50,500	21,000	6,000	25,500	-	-
Conference Calls	227,800	227,800	-	227,800	45,600	28,200	42,500	35,000	10,200	-	61,800	1,500	1,200	600	1,200	-	-
<b>Total Meeting Expenses</b>	<b>3,724,837</b>	<b>3,724,837</b>	<b>-</b>	<b>3,724,837</b>	<b>526,100</b>	<b>970,533</b>	<b>468,750</b>	<b>361,000</b>	<b>725,033</b>	<b>-</b>	<b>554,920</b>	<b>57,000</b>	<b>22,200</b>	<b>8,600</b>	<b>30,700</b>	<b>-</b>	<b>-</b>
<b>Operating Expenses</b>																	
Consultants & Contracts	9,338,716	9,338,716	-	9,338,716	491,500	1,195,000	1,160,000	487,658	4,581,558	-	-	135,000	1,033,000	250,000	5,000	-	-
Office Rent	1,020,151	1,020,151	-	1,020,151	-	-	-	-	-	-	1,020,151	-	-	-	-	-	-
Office Costs	2,420,176	2,420,176	-	2,420,176	52,894	84,000	123,700	93,400	92,550	-	407,498	28,620	1,516,144	10,970	10,400	-	-
Professional Services	1,959,854	1,959,854	-	1,959,854	-	-	-	-	-	-	1,180,000	665,000	-	14,854	100,000	-	-
Miscellaneous	4,000	4,000	-	4,000	-	-	-	-	-	-	4,000	-	-	-	-	-	-
Depreciation	752,988	752,988	-	752,988	-	26,494	68,129	-	45,884	-	95,286	-	515,445	-	1,750	-	-
Efficiency Savings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>15,495,886</b>	<b>15,495,886</b>	<b>-</b>	<b>15,495,886</b>	<b>544,394</b>	<b>1,305,494</b>	<b>1,351,829</b>	<b>581,058</b>	<b>4,719,992</b>	<b>-</b>	<b>2,706,935</b>	<b>828,620</b>	<b>3,064,589</b>	<b>275,824</b>	<b>117,150</b>	<b>-</b>	<b>-</b>
<b>Total Direct Expenses</b>	<b>47,843,453</b>	<b>47,843,453</b>	<b>-</b>	<b>47,843,453</b>	<b>4,863,139</b>	<b>10,824,099</b>	<b>4,300,018</b>	<b>2,045,538</b>	<b>10,789,469</b>	<b>-</b>	<b>5,296,384</b>	<b>2,734,875</b>	<b>4,539,253</b>	<b>1,241,500</b>	<b>1,209,180</b>	<b>-</b>	<b>-</b>
<b>Indirect Expenses</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>2,669,696</b>	<b>6,258,830</b>	<b>1,827,800</b>	<b>830,818</b>	<b>3,434,048</b>	<b>-</b>	<b>(5,296,384)</b>	<b>(2,734,875)</b>	<b>(4,539,253)</b>	<b>(1,241,500)</b>	<b>(1,209,180)</b>	<b>-</b>	<b>-</b>
<b>Other Non-Operating Expenses</b>	<b>750,000</b>	<b>750,000</b>	<b>-</b>	<b>750,000</b>	<b>133,296</b>	<b>312,500</b>	<b>91,261</b>	<b>41,482</b>	<b>171,460</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses</b>	<b>48,593,453</b>	<b>48,593,453</b>	<b>-</b>	<b>48,593,453</b>	<b>7,666,131</b>	<b>17,395,429</b>	<b>6,219,079</b>	<b>2,917,838</b>	<b>14,394,977</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Assets</b>	<b>5,133,012</b>	<b>5,133,012</b>	<b>-</b>	<b>5,133,012</b>	<b>16,621</b>	<b>62,472</b>	<b>73,251</b>	<b>5,173</b>	<b>(24,504)</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>																	
Depreciation	(752,988)	(752,988)	-	(752,988)	-	(26,494)	(68,129)	-	(45,884)	-	(95,286)	-	(515,445)	-	(1,750)	-	-
Computer & Software CapEx	845,200	845,200	-	845,200	-	50,000	130,000	-	-	-	-	-	665,200	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	40,800	40,800	-	40,800	-	-	-	-	-	-	-	-	40,800	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>(Inc)Dec in Fixed Assets</b>	<b>(133,012)</b>	<b>(133,012)</b>	<b>-</b>	<b>(133,012)</b>	<b>-</b>	<b>(23,506)</b>	<b>(61,871)</b>	<b>-</b>	<b>45,884</b>	<b>-</b>	<b>95,286</b>	<b>-</b>	<b>(190,555)</b>	<b>-</b>	<b>1,750</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	-	-	-	-	(16,621)	(38,966)	(11,380)	(5,173)	(21,380)	-	(95,286)	-	190,555	-	(1,750)	-	-
<b>Change in Fixed Assets</b>	<b>(133,012)</b>	<b>(133,012)</b>	<b>-</b>	<b>(133,012)</b>	<b>(16,621)</b>	<b>(62,472)</b>	<b>(73,251)</b>	<b>(5,173)</b>	<b>24,504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0)</b>	<b>(0)</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	<b>150.75</b>	<b>150.75</b>	<b>-</b>	<b>150.75</b>	<b>20.08</b>	<b>47.08</b>	<b>13.75</b>	<b>6.25</b>	<b>25.83</b>	<b>-</b>	<b>7.00</b>	<b>8.00</b>	<b>10.75</b>	<b>5.50</b>	<b>6.50</b>	<b>-</b>	<b>-</b>

# **2011 – 2013**

## **BUSINESS PLANS AND BUDGETS**

---

### **SHARED ASSUMPTION (NERC AND THE REGIONAL ENTITIES)**

## **2011-2013 BUSINESS PLANS AND BUDGETS**

SHARED ASSUMPTIONS OF THE ERO ENTERPRISE (NERC AND THE  
REGIONAL ENTITIES)

---

### **PURPOSE AND SCOPE**

---

Between January and February 2010, NERC and the eight Regional Entities collaborated in the development of a common set of business planning assumptions and goals. The results from that effort are contained in this document.

The document is to be used by NERC and each of the Regional Entities as an input to each organization's 2011 business plans and budgets and longer term business and budget planning, recognizing there may be unique factors that drive differences in each organization's final business plans and budgets subject to the approval of their respective governing bodies.

The purpose of this effort is to establish consistent planning goals and assumptions which promote an enterprise-wide outlook for the conduct of activities under the international Electric Reliability Organization, NERC, and the Regional Entities. This approach envisions/requires that NERC and the Regional Entities will work together as a single enterprise to establish consistent procedures, systems, processes, and training. The document will serve as a guideline for the business planning subject to revision by NERC and the Regional Entities as part of a cooperative and integrated annual business planning and budgeting process.

---

## **OVERVIEW OF BUSINESS ENVIRONMENT**

---

### **LEGAL CONTEXT**

NERC and the Regional Entities shall continue to work under the regulatory framework governing the establishment and enforcement of reliability standards for the bulk power system established by applicable governmental authorities in the United States and Canada.

NERC and the Regional Entities anticipate a successful conclusion to their negotiation of amendment to and extension of the terms of their existing delegation agreements, as well as approval thereof by applicable governmental authorities.

While there is a collective expectation of significantly increased workload, the scope of each Regional Entity's delegated authorities and responsibilities will remain relatively constant, with incremental process improvements reflected in the revised agreements between NERC and each Regional Entity.

NERC and the Regional Entities continue to expect cyber and critical asset security to be a priority in the United States and Canada, with significant oversight by applicable government authorities.

### **BUSINESS ENVIRONMENT**

Economic conditions will continue to place cost pressures on NERC and the Regional Entities to work as efficiently as possible and leverage overall ERO resources. Cost pressures on the electric utility industry may affect stakeholder resources available to participate in NERC and Regional Entity activities.

Since NERC and the Regional Entities business plans, budgets, and resource requirements were and will continue to be established based upon the assumption of continued industry participation in support of key program areas, including but not limited to event analysis, reliability assessments, and standards development, any significant change in the quality or availability of industry resources will increase NERC's resource and funding requirements.

---

## **GOALS**

---

While managing an overall ERO consisting of NERC and the Regional Entities working together cooperatively as a single enterprise has merit, it must be done with due recognition of the independent governance structures applicable to each entity, as well as the applicable regulatory and legal framework. NERC and the Regional Entities staff are committed to working together cooperatively to establish consistent procedures, systems, processes, and training, as well as evaluating opportunities where they work together to further reduce costs.



The benefits to this are clear:

- Improve efficiency by sharing resources, considering joint purchasing programs and establishing uniformity where possible; and
- Demonstrate consistency in the conduct of our work to the industry by common user interface, training programs, and technology deployed.

NERC and the Regional Entities will work collaboratively towards providing more transparency, sharing information, including lessons learned, and setting high expectations for the industry to improve performance.

The “enterprise” will increase its overall effectiveness by (1) assessing risks and materiality, (2) focusing on those matters which impact bulk power system reliability, and (3) most and naturally evolving into a teaching, instructive, improvement-based electric reliability oversight organization.

---

## **KEY ASSUMPTIONS BY PROGRAM AREA**

---

**Unless otherwise noted, stated assumptions are anticipated to affect resource needs commencing in 2011.**

### **RELIABILITY STANDARDS PROGRAM**

1. NERC is expected to implement the Results-Based Standards initiative, which will focus existing reliability standards and reliability standards development on areas that will lead to the greatest improvement in bulk power system reliability. Training will be provided, training materials will be developed, and the results-based approach will be applied to existing and future standards projects. NERC will submit one revised Reliability Standards using the Results based approach for regulatory approval in 2010, five in 2011, fifteen in 2012, and twenty in 2013.
2. Final and revised CIP-002 through CIP-009, version 4, is targeted for completion and filing in 2010, with regulatory responses expected in 2011 and expected implementation in 2012 at the earliest, with remaining 706B requirements addressed in 2011 at the earliest (also see CIP Assumption 3).
3. NERC will streamline the standards development process to improve speed and quality while maintaining ANSI accreditation.
4. Additional resources will be required to support the National Emergency Standards Development Process which is reflected in version 7 of the Reliability Standards Development Procedure.
5. The number of interpretation and guidance requests is expected to remain constant in 2011 at 30-40 with a decrease expected in years after to reflect the

impact of the results-based standards initiative and improved standards development process.

6. The number of projects contained in the Reliability Standards Development Plan is expected to increase in the next five years as the Results-Based Standards Initiative is fully implemented, work necessary to complete the response to FERC Order 693 directives, and the existing requirement to review each standard every five years. However, the scope of these projects is generally expected to be narrower than would otherwise potentially exist in the absence of the Results-Based Standards initiative
7. NERC projects to continue its current development and regulatory filing activity level in 2011. NERC projects to submit at least 60 standards related filings, conduct 50 ballots, and provide 50 comment opportunities for standards or interpretations. Generally, NERC will plan on a one year timeline to respond to FERC directives on standards development.
8. Regions estimate that they will develop and submit about 16 Regional Entity reliability standards total in 2011 including UFLS, addressing their unique technical issues. Regional Entities will collaborate on standard development on issues germane to multiple regions and support NERC in its continent-wide development efforts. NERC standards development staff is expected to provide increased coordination of regional standards development by becoming more involved earlier in the regional development efforts to assure consistency in regional and continent-wide standard technical content, format, and quality. This effort is expected to require impact resource needs commensurate with the anticipated Regional Entity activity.
9. Regional standards development processes are expected to be reviewed and updated by the regions with a goal of bringing the regional processes into alignment with the streamlined process changes made to the continent-wide process, as well as to integrate the results-based development methodology into the regional development processes.
10. NERC expects to provide increased standard drafting team training to enable all drafting team members to understand their role in the standards development process.
11. NERC expects to implement training for NERC and Regional Entity standards staffs to improve their effectiveness, including training in facilitation, negotiation, project management, and leadership.
12. The impact of Smart Grid activities relative to standards development is unclear and may increase resource needs and cash reserve requirements.

13. Regional Entities are expected to integrate the impacts of the designation / re-assignment of requirements currently assigned to the Regional Reliability Organization (RRO) as they are revised as part of the standards development plan.
14. NERC will place significant emphasis on rebuilding its relationship with stakeholders and regulators:
  - Through enhanced communication and outreach opportunities with stakeholders and NERC standing committees;
  - By integrating stakeholder input into key NERC policy decisions;
  - Through shared accountability for NERC goals;
  - Through increased project level communications, education, and training for new or revised standards;
  - By improving the standards portion of the NERC Website; and
  - By jointly identifying needs for new or revised standards or standards products.

This effort will require the realignment of the standards program to create management oversight and accountability for these key standards interface and communication activities.

15. NERC will transform its standards organization to produce a sustainable level of activity and output. This effort results in the need for increased resources, as follows:
  - Enhanced management structure to focus on core activities such as operations, information services and interface outreach, and quality control;
  - Increased training and technical writing capabilities to support drafting teams in the development of results-based standards;
  - Increased training and consulting services to support greater community outreach;
  - Dedicated support for standards database development and maintenance in support of the NERC enterprise compliance and standards information system; and
  - Additional support for regional entity standards development activities.

## **COMPLIANCE MONITORING AND ENFORCEMENT AND ORGANIZATION REGISTRATION AND CERTIFICATION PROGRAM**

### **COMPLIANCE**

1. Reduce duplications between Regional Entity and NERC staffs by clearly identifying roles.

2. Refine the annual implementation plans over time to move towards a risk-based approach in the conduct of compliance monitoring activities and enforcement.
3. Expand training of NERC and Regional Entity staff, including the establishment of training academies for auditors, enforcement staff, and investigation staff. NERC and regional staff will collaborate to define training needs and priorities during the third and fourth quarters of 2010 and commence delivery of high priority training by the second quarter of 2011. The Regional Entities should assume that NERC will be responsible for the cost of these training programs, other than Regional Entity costs (e.g., travel and lodging) to participate and attend.
4. Streamline and improve the speed of compliance investigations and look for ways to establish meaningful linkages to event and disturbance analysis.
5. Increase the number of spot checks by 10 percent over the next three years in conjunction with a risk-based approach to compliance audits.
6. Audits, which will continue under the schedule to complete BA, TOP, and RC audits each three years and other entities each six years, will increase in depth and complexity, including an increased number of unscheduled audits.
7. We anticipate significant rules changes to the Compliance Monitoring and Enforcement Program, including those changes and clarifications established in connection with the current revisions to the Regional Delegation Agreements, as well as changes to effectuate the Three-Year Assessment and the Crowe audit of the NERC CMEP staff. These changes may require resources to develop, but the overall impact of these changes should be to enhance efficiency in compliance operations and enforcement.
8. NERC and Regional Entities will collaborate in the conduct of special industry communications, in addition to the regular schedule of workshops and other communications, to focus on most-violated standards and any new standards as they are adopted, including CIP standards, to identify the reasons for the violations, to enhance the Registered Entities' understanding of the requirements, and, as appropriate, propose revisions to add clarity to those requirements.
9. NERC and Regional Entities will conduct mandatory audits of five new MOD Reliability Standards and file audit reports (or results in any format) annually.
10. NERC and the Regional Entities will establish more timely mechanisms to capture lessons from event analysis, compliance enforcement, and other activities, in the form of recommendations to improve reliability standards to prevent future similar root causes.
11. NERC expects to review five event-based inquiries per month in 2011 and one to two compliance investigations per month (60 and 15-20 for the year, respectively). Regional Entities expect to collectively conduct approximately 50-

60 events of interest and 10-15 compliance violation investigations. All unplanned, multiple-facility trips will be considered candidates for these reviews; subject to industry input.

12. The number of non-CIP possible violations discovered in 2010 is expected to continue at an increasing trend. The number of non-CIP related violations is expected to increase approximately 10 percent from the 1,400 to 1,500 per year. The number of CIP possible violations is expected to increase at a faster pace than non-CIP violations over the planning period.
13. Round 2 audits will be based on risk-based methodology but the change in methodology is not expected to result in a reduction in Regional Entity resource needs during the planning period.
14. Taking all the foregoing into account NERC and the Regional Entities are expected to see increased compliance related resource demands in the 2011-2013 timeframe. NERC and the Regional Entities also believe that it is likely that resources which are added to address workload demands in the compliance area will be capable of being redeployed to support other program area needs in the event of a leveling off or reduction in compliance resource needs.
15. Expand Registered Entity training in the application of Reliability Standards in order to better prepare Registered Entities, improve compliance and reduce the number of erroneous self reports and self-certifications. [2012-2013]

#### **ENFORCEMENT**

1. NERC and the Regional Entities will establish streamlined mechanisms to expedite minor, administrative violations and look to gain more discretion to handle the minor violations which pose no threat to bulk power system.
2. Resources will be required to develop and implement an enforcement process that encourages “good” self-reporting, one that results from a systematic compliance “culture” to detect, report, and correct problems, obtains adequate recognition in the enforcement processes.
3. Use “targeted, aggressive enforcement” for those matters posing the most risk to the bulk power system where NERC has clearly indicated a need for focus and educated the industry on compliance.
4. The current trend of alleged violations has increased and is expected to continue during the planning period. NERC will continue to evaluate and pursue options to streamline violations processing and focus on violations, which pose a material risk to bulk power system reliability.

**REGISTRATION**

1. The number of registered entities may increase as a result of the increase of joint registrations (from more audits of those smaller entities on the six year cycle and completing the three year cycles), the approval of regional standards, and possible expansion of the BES definition. However, this may be mitigated (in part) through the application of the Multi-Region Register Entity (MRRE) process. However, ongoing refinement of registration criteria, processes, and linkages will continue to increase resource demands. There may also be an increase in functions for registered entities as a result of changes in standards and refinement of JRO.
2. NERC does not expect significant number of registration challenges, nor major changes to the registration criteria.
3. Efforts in registration will focus on refining the current registries across the Regional Entities.

**RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS PROGRAM**

1. NERC will continue to incrementally improve the definitions, refine data reporting requirements from registered entities, and review adequate level of reliability related metrics used in reliability assessments.
2. Probabilistic risk study for reliability assessments will be reviewed in 2010 and incremental data reporting may be requested in 2011 to support this effort.
3. NERC and Regional Entities will be requested to gather data or perform analysis in support of federal initiatives related to the stimulus package, critical infrastructure protection to include high impact/low frequency, climate change, environmental regulations, and/or renewable energy initiatives.
4. Demand response data system (DADS) collection will begin voluntary submittals in 2010 and be mandatory in 2011. A data collection system is being designed and will require Regional Entity involvement. At this time, the Regional Entity involvement and support is expected to be similar to the way TADS currently works.
5. NERC and the Regional Entities are expected to provide independent reviews of assessments to assure a high level of technical rigor.
6. NERC will continue to develop analysis of TADS data in 2011; some regions have developed regional analysis for use by registered entities.
7. To meet NERC's Three-Year Assessment commitments, NERC will continue to:
  - Vet metric development, collection, and analysis with industry stakeholders through the Reliability Metrics Working Group (RMWG). [2011-2012]

8. To meet NERC's Three-Year Assessment commitments, NERC may be required to add resources to:
  - Work with the RMWG to issue the first annual reliability performance report in 2010 and share metric analysis results through its quarterly updates on NERC's website, NERC News, and via Webinars. [2010-2012]
  - NERC and the Regional Entities should prioritize and budget for two special reliability assessment initiatives per year.
  - Develop a centralized automated data collection, reporting and validation process, and calculation tools to support reliability metrics to support reliability risk assessment as part of the more global effort as discussed in the Information Technology section. [2011-2012]

### **TRAINING, EDUCATION, AND OPERATOR CERTIFICATION PROGRAM**

1. Education of Registered Entities and stakeholders will focus on how to best comply with standards and improve bulk power system reliability. The education priorities for the next three years are to provide:
  - a. Critical Infrastructure Protection standards information and guidance (2011)
    - i. Development led by NERC staff with input from RE Staff, NERC committee structure, and subject matter experts
    - ii. Main delivery in Regional Entity workshops and NERC webinars
  - b. Creating teachable lessons-learned from past events (2011)
    - i. Development led by NERC staff with input from RE staff and NERC committee structure
    - ii. Main delivery through Regional Entity workshops and NERC webinars
  - c. Effective compliance program cultures with internal compliance program models (2011)
    - i. Developed by NERC staff with Regional Entity input and outside experts
    - ii. Train-the-Trainer sessions to train Regional Entity staff to deliver consistent message
    - iii. Main delivery through Regional Entity processes
  - d. Root cause analysis (as part of compliance culture)
    - i. Developed by NERC staff with Regional Entity input
  - e. Main delivery through Regional Entity workshops which next will support with subject matter experts
  - f. Improve the quality of registered entity self-reporting and self-certification

- i. Developed by NERC staff with Regional Entity input
    - ii. Train-the-Trainer sessions to train Regional Entity staff to deliver consistent message
    - iii. Delivery by Regional Entities and NERC via workshops, webinars, and other electronic means.
  - g. Currently monitored standards
    - i. Development led by NERC staff with input from RE staff and NERC technical committees
    - ii. Main delivery through Regional Entity workshops and NERC webinars
    - iii. Separate workshop or webinar on each standard grouping – BAL, TOP, EOP, etc.
  - h. Reliability assessment requirements
    - i. Development led by NERC staff with input from Regional Entity staff and NERC technical committees
    - ii. Main delivery through Regional Entity workshops and NERC webinars
  - i. Entity registration process, issues, and alternatives
    - i. Developed by NERC staff with Regional Entity input
      - 1. JRO issues (2011)
      - 2. Other registration issues based on revision to criteria (2012)
    - ii. Train-the-Trainer sessions to train Regional Entity staff to deliver consistent message
    - iii. Delivery by Regional Entities and NERC via workshops, webinars, and other electronic means
- 2. Each Regional Entity will host a minimum of two different compliance workshops each year.
- 3. In the case of NERC, the incremental costs of hosting workshops and other educational activities where stakeholders attend in person will be recovered through attendance fees in most cases.
- 4. Rely on the use of workshops, webinars, classroom teaching, and the existing Design-a Course vendor to deliver education until implementation of the SharePoint platform enables the development and widespread delivery of electronic learning in 2012.
- 5. NERC will develop and deliver a personnel development program to its staff.



6. No significant changes are expected in system operator certification CEH requirements through 2013.
7. The compliance auditor curriculum will be finalized in 2010. Education and training activities will be developed in 2011 and delivered 2011-2013 through the training academy with the assistance of subject matter experts from NERC, Regional Entity staff, and expert vendors.

#### **SITUATION AWARENESS AND INFRASTRUCTURE SECURITY PROGRAM**

1. NERC will separate CIP from Situation Awareness in 2010. In 2011, NERC will budget CIP separately from Situation Awareness, but will include CIP as a subsection of Situation Awareness for regulatory business planning and budget reporting purposes. Regional Entities should not plan to separately budget their CIP and Situation Awareness activities in 2011. During 2011, NERC and the Regional Entities will evaluate whether the Regional Entities should also separate CIP and Situation Awareness for budgeting and/or operational purposes.
2. As part of its 2011 Business Plan and Budget, NERC will propose to make a significant investment to support the implementation of a situation awareness tool for FERC, NERC, Regional Entities, and stakeholder needs. The Reliability Coordinators will be the providers of data for this effort and NERC will coordinate and fund the development of this tool.
3. North American and regional Synchrophasor initiatives will have varying impacts on NERC and Regional Entity budgets. WECC's 2010 Business Plan and Budget will be amended to incorporate its Synchrophasor programs. It is anticipated that the WECC amendment will be neutral from an assessment perspective. In the near term, NERC will continue to undertake significant activities and funding to facilitate third party development and management of North American Phasor Concentration System ("NASCON") software and regional node communication integration. Longer term, NERC anticipates a reduced need for a direct NERC funding role related to NASPI development.
4. NERC will evaluate and implement steps during the 2011-2012 to transfer some or all of its reliability tools and functions to third parties. One of the key challenges will be developing an alternative funding mechanism with the users of the tools providing direct funding for the development, operation, and maintenance of the tools. Prior to implementation of these steps NERC will seek input from the Regional Entities, appropriate NERC committees and working groups, and other affected parties.

#### **CRITICAL INFRASTRUCTURE PROTECTION**

1. CIP activities will continue to increase significantly on all fronts, including compliance and other activities; expectations are that resource requirements will

double, at a minimum, by the end of the next three years as the full measure of the standards become auditable for all entities on all implementation tables, the TFE program is implemented and the increase in scope as a result of Order No. 706B. NERC and Regional Entities will evaluate current resources and will project resource needs over the next three years.

2. The resource commitment required to conduct complete CIP audits is still being ascertained because auditors have little experience monitoring compliance with all 43 requirements. This includes the mechanics of conducting a sufficient audit and requires visiting an appropriate number of critical assets,<sup>1</sup> as well as having the necessary expertise. (The ERO is just beginning to conduct pilot spot checks of all 43 requirements). Current audits of Table 1 entities for the 13 requirements have been more involved than planned. CIP V2/3 technical requirement audits will require:
  - a. Additional experience to fully estimate the resource requirements to support CIP audits. (The regions are conducting pilot spot checks of all 43 requirements and will develop clear audit expectations based on the experience.)
  - b. Current audits of the 13 requirements have been more involved than planned (more policy than technical and the few technical issues took a long time to develop positions, manage consistency, and resolve issues).
  - c. Need to plan to visit Critical Assets (sample number based on types of assets, risk, and numbers) in the conduct of an audit (Substations for TO/TOPs and Generation Plants for GO/GOPs).
3. NERC's current CIP Version 4 standards revisions will set new expectations for the selection of Critical Cyber Assets (CCAs) currently based on CIP-002's risk-based methodology that will result in a substantially expanded number of entities and assets to be monitored for CIP compliance in 2012-2013 (see Standards Assumption 2).
4. The TFE program will continue to require significant resources as Regional Entities perform reviews and gauge compensating measures as comparable to strict compliance. The program's scope was recently increased with the addition of two new CIP requirements expanding the scope of acceptance reviews and approval evaluations. TFE approvals will result in compensating measure validation checks, quarterly reporting tracking, and change management.

---

<sup>1</sup> Need to plan to visit Critical Assets (sample number based on types of assets, risk, and numbers) in the conduct of an audit (Substations for TO/TOPs and Generation Plants for GO/GOPs) This is a substantial addition to on-site audits and will affect compliance resource needs as well.

5. Order No. 706B CMEP program implementation in 2011 will require NERC and the Regional Entities to identify, train<sup>2</sup>, and qualify auditors in accordance with the NRC-NERC MOU to conduct compliance monitoring of GOs/GOPs with nuclear holdings. Specifically, Order 706B CMEP program implementation will include:
  - a. Regional auditor qualification program participation for interested Regional Entities and annual refresher training;
  - b. Safeguards Information (SGI) training course completion for selected NERC and Regional CMEP staff;
  - c. SGI background screening and sponsorship;
  - d. NRC coordination training in accordance with NRC MOU obligations;
  - e. NERC CMEP program development; and
  - f. Clarification of roles and responsibilities regarding any identified alleged violation.
6. CIP compliance application guidance is expected to be provided in greater volume and with greater expedience to registered entities. The ERO will employ a new coordination approach which leverages the Regional Entity experts under well informed program leadership at NERC.
7. NERC and the Regional Entities will develop and support an education and implementation program to successfully implement Version 4 of the CIP Standards. This is expected to be part of an overall education initiative. The education program will be based on a well developed audit plan and provide technical application guidance.
8. NERC will work with the Regional Entities to enhance enterprise corporate knowledge management related to CIP policy and technical standards issue resolutions and decisions. This applies to compliance decisions and Technical Feasibility Exceptions.
9. NERC will strengthen CIP partnership with U.S. and Canadian Government authorities to facilitate two-way information exchanges to enhance knowledge of critical infrastructure threats and risk. NERC will promote CIP incident reporting and work with the Regional Entities to conduct security event/incident analysis and improve security practices.

---

<sup>2</sup> Training requirements include Safeguards Information handling, nuclear plant onsite procedures, and NRC coordination.

10. NERC will collaborate with governmental organizations (i.e., federal agencies, law enforcement, and national labs) to develop CIP models, evaluate threats, and address priority vulnerabilities.
11. The addition of confidential and time sensitive development processes will be necessary if the NERC Board directs development of a standard in response to a national security emergency situation that is deemed confidential and it is determined that information can only be shared on a “need to know” basis. This will require resources to develop an infrastructure to meet the obligations.
12. CIP-002-2/3 R1.0 and R2.0 sufficiency reviews are being planned for the 2011 Compliance Monitoring activities, which will require Regional Entity system expertise in an effort to enhance learning and prepare for the version 4 bulk power systems Cyber System identification.
13. NERC and Regional Entities need to evaluate staffing and budget needs regarding critical infrastructure protection, including high impact/low frequency issues.

#### **EVENTS ANALYSIS AND INVESTIGATIONS**

1. NERC and the Regional Entities will define clear, uniform criteria/ranking for reporting and categorizing of system events and security incidents.
2. NERC and the Regional Entities will work together to develop joint processes and resourcing for triage, analysis, and reporting of system events to the regulators and will coordinate with regulators regarding these issues.
3. NERC and the Regional Entities will provide timely publication of lessons learned and recommendations and track responses to recommendations.
4. NERC and the Regional Entities will refine the criteria and process to encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and information sharing.
5. NERC will work with the Regional Entities to develop and provide root cause analysis training for NERC and Regional Entity staffs and industry subject matter experts who participate in event analysis and investigation teams.
6. The number of events requiring review and analysis are expected to increase.

#### **INFORMATION TECHNOLOGY**

1. During 2011, NERC and the Regional Entities will begin developing a common, enterprise-wide technology platform to house ERO tools, including a compliance information system to replace the Portal/ Synch Engine/Translator/CDMS/CITS/CRATS systems, including, audit and reporting, and other tools needs to conduct the delegated functions, including the integration, where practical and cost effective, of the existing tools used by

Regional and Registered Entities. NERC will retain a consultant to facilitate requirements gathering and the development of recommendations.

2. NERC will commence roll out of Microsoft SharePoint in 2010 to improve both internal and external communications and coordination. NERC and the Regional Entities using, or planning to use, SharePoint may develop a working group to exchange best practices and lessons learned, as well as exploit opportunities to use SharePoint as a platform for exchanging information between NERC, the Regional Entities, and stakeholders.
3. NERC will replace its Checkbox survey and comment tool to a more useful application. No regional impact is anticipated in 2011.
4. NERC will evaluate and improve or replace its Registered Ballot Body registration tools to improve efficiency and accuracy.
5. NERC will implement enhancements to the NERC website that improve stakeholder visibility to the standards development processes and activities.
6. During 2011, NERC anticipates implementing Phase 2 development of the Situation Awareness- FERC, NERC, Regions (“SAFNR”) software application in accordance with approved specifications.

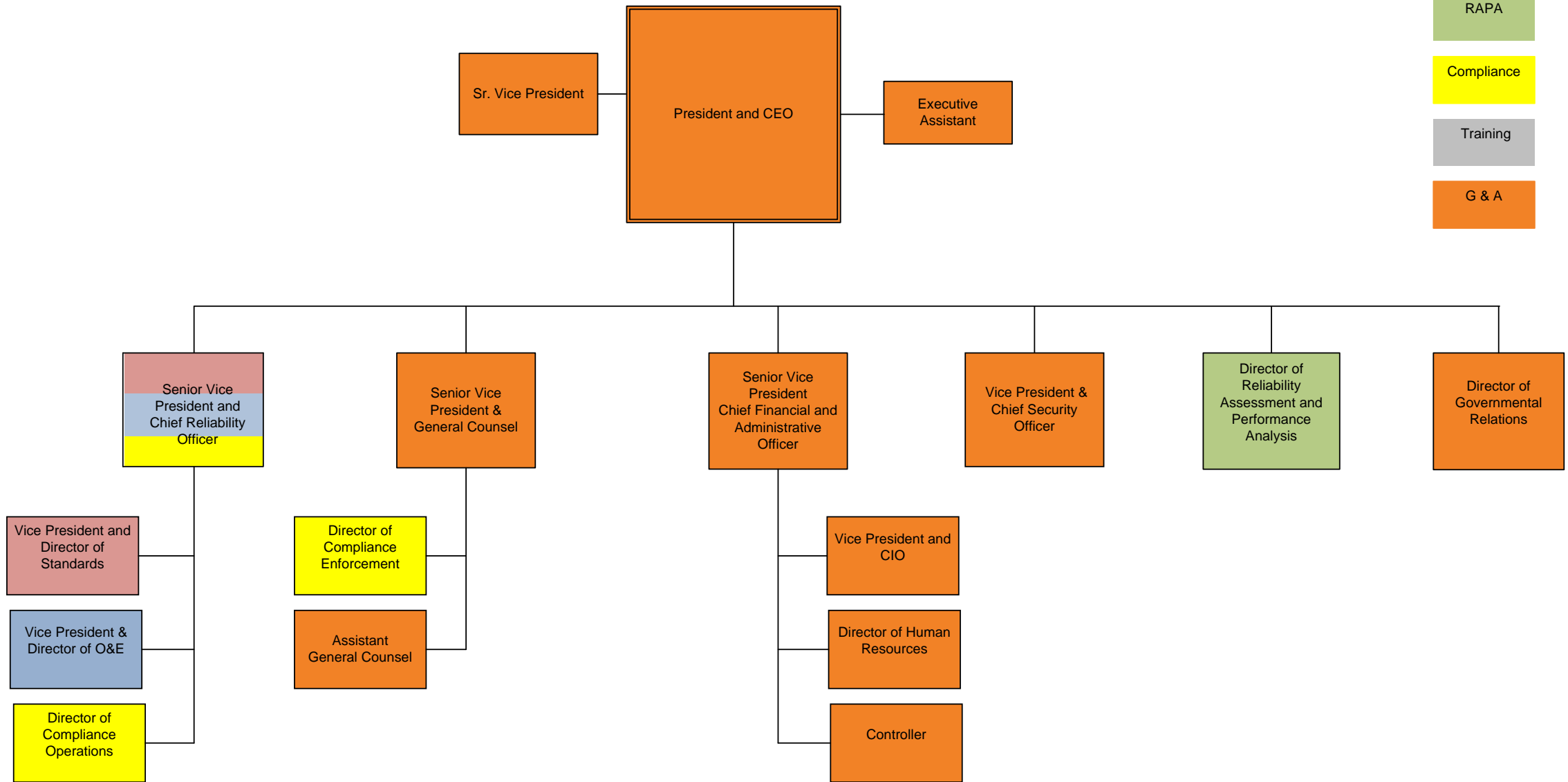
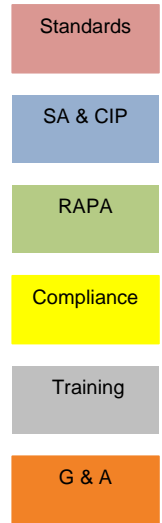
#### **FINANCE AND ADMINISTRATIVE**

1. Given the complexities and uncertainties described above, during 2011, NERC and Regional Entities will explore the development of an ERO-wide risk assessment and management framework, incorporating individual risk assessments by each Regional Entity and NERC.
2. NERC will work with the Regional Entities, committees, and stakeholders to maximize the cost effective use of conferencing facilities for hosting ERO meetings and conferences.
3. NERC and the Regional Entities will work together to evaluate and implement, where practical, joint purchasing activities and cost control measures to reduce costs of materials and supplies, as well as explore whether there are opportunities to use our combined purchasing power to lower health care, insurance, communications, travel, hotel, meeting and conference, and other common operating expenses.
4. In its 2011 budget, NERC will re-establish a cash reserve. During the planning period, NERC and the Regional Entities will continue to review reserves and lines of credit to assure adequate funding resources, including the ability to request supplemental funding, for extended, major investigations and contested proceedings. NERC and the Regional Entities should plan to have short-term and intermediate term internal means to handle funding of hearings including training for hearing bodies, available hearing officers and related administration to permit

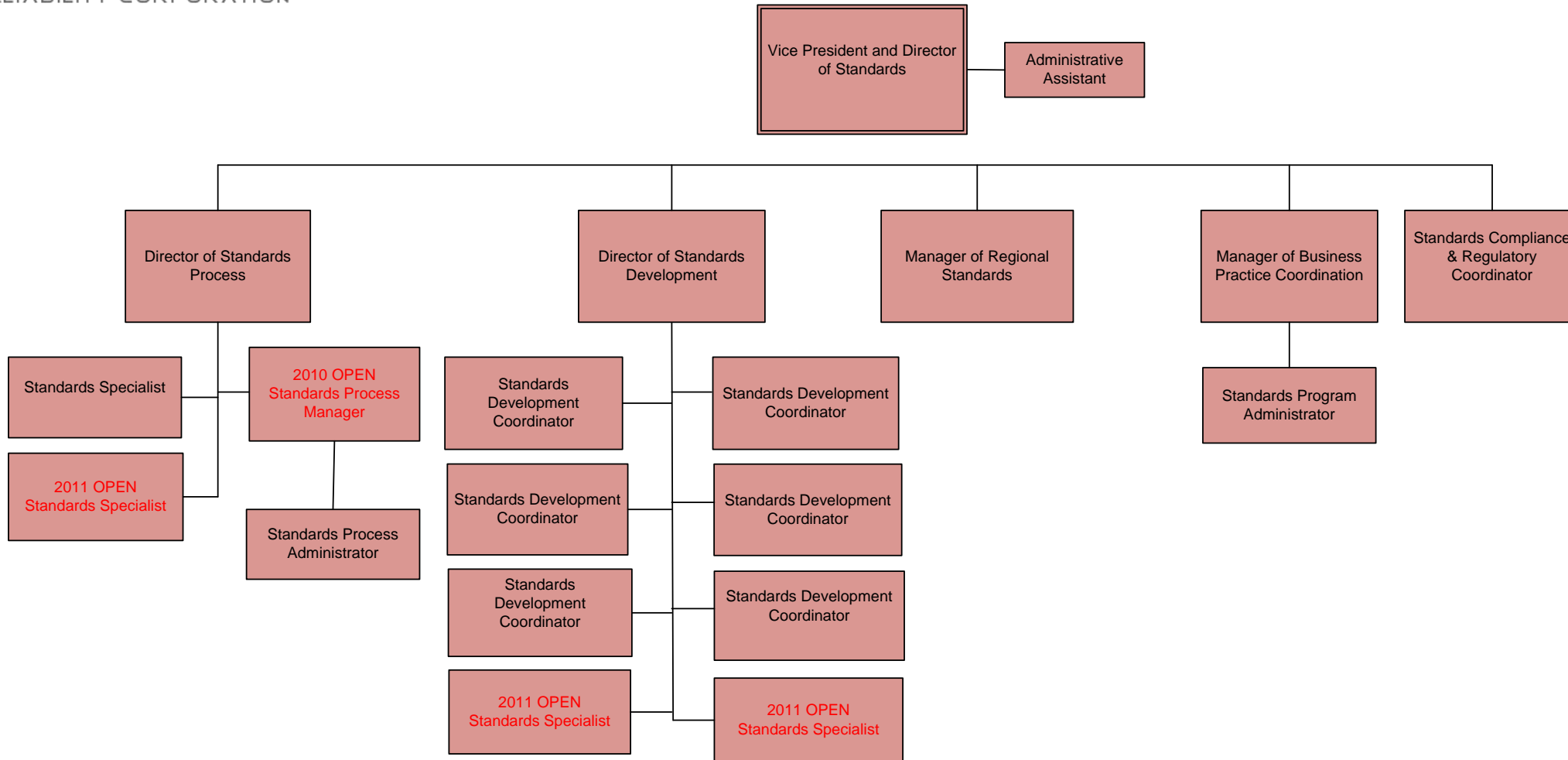
effective due process for the Registered Entity. NERC and interested Regional Entities may explore the option of creating a joint contingency reserve pool to provide short-term funding for major cases, including true up mechanisms to ensure that the entity involved in the hearing reimburses the reserve pool for any advances over and above that entity's contributions.



## NERC 2011 BP&B Mapping of Staff to Program Areas NERC Staff Organization Chart 2010-2011



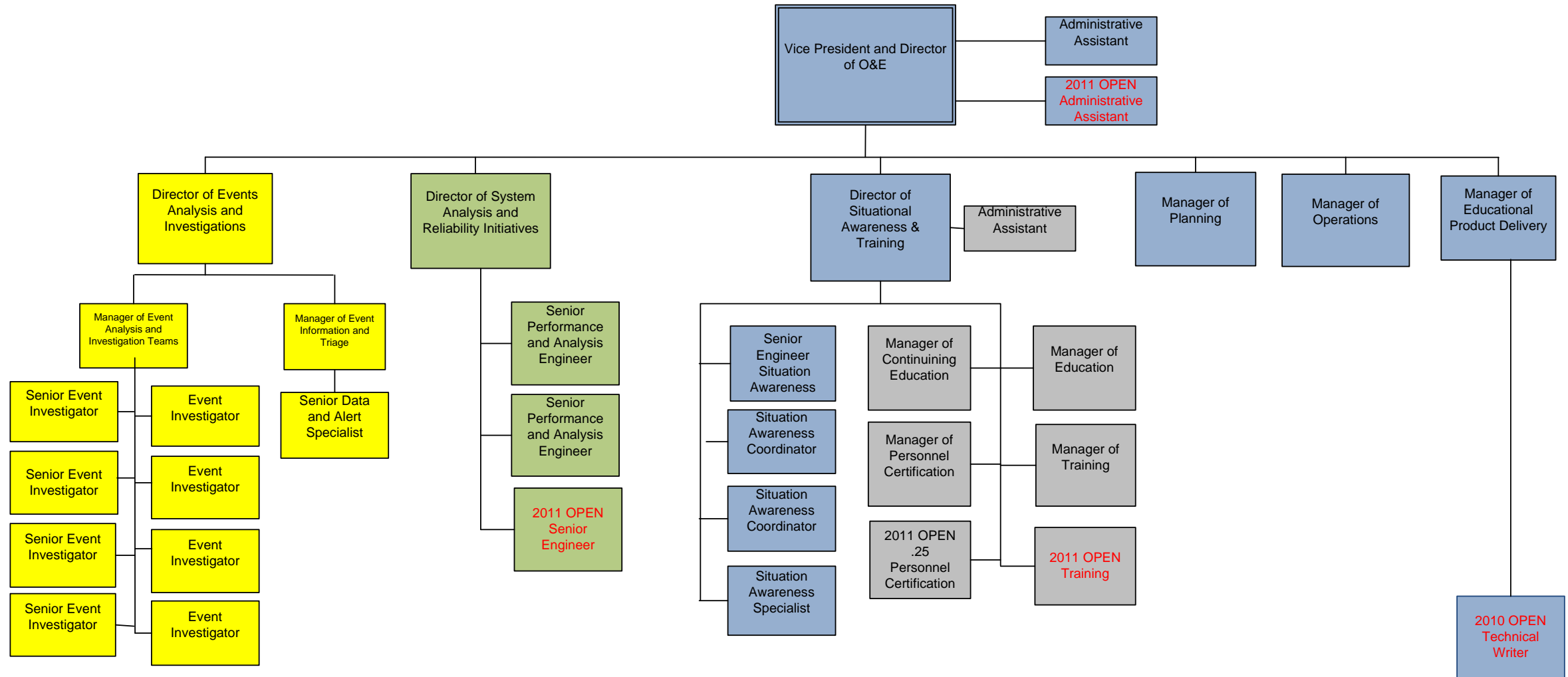
# Standards 2010-2011





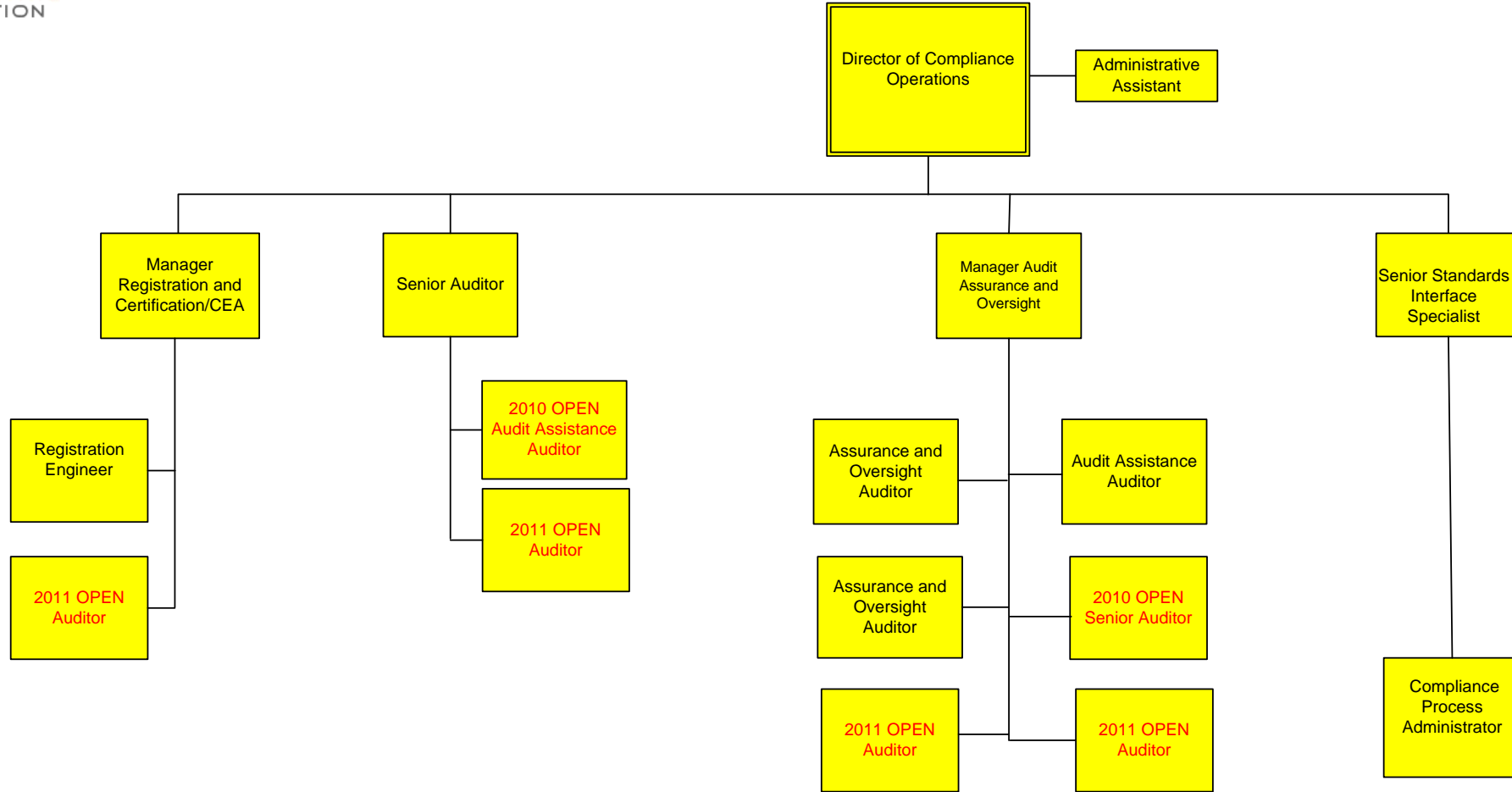


# Operations and Engineering 2010-2011



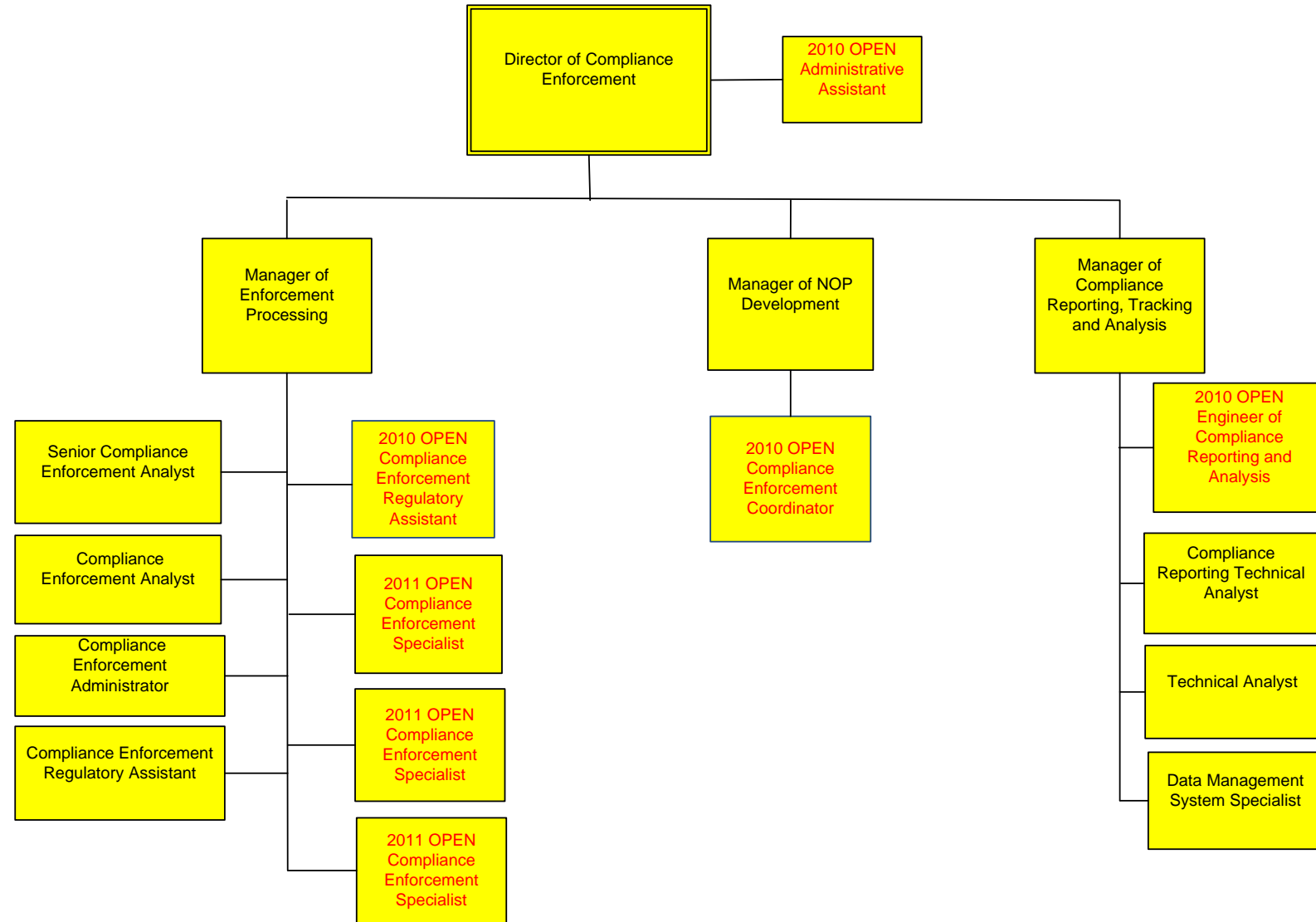


# Compliance Operations 2010-2011

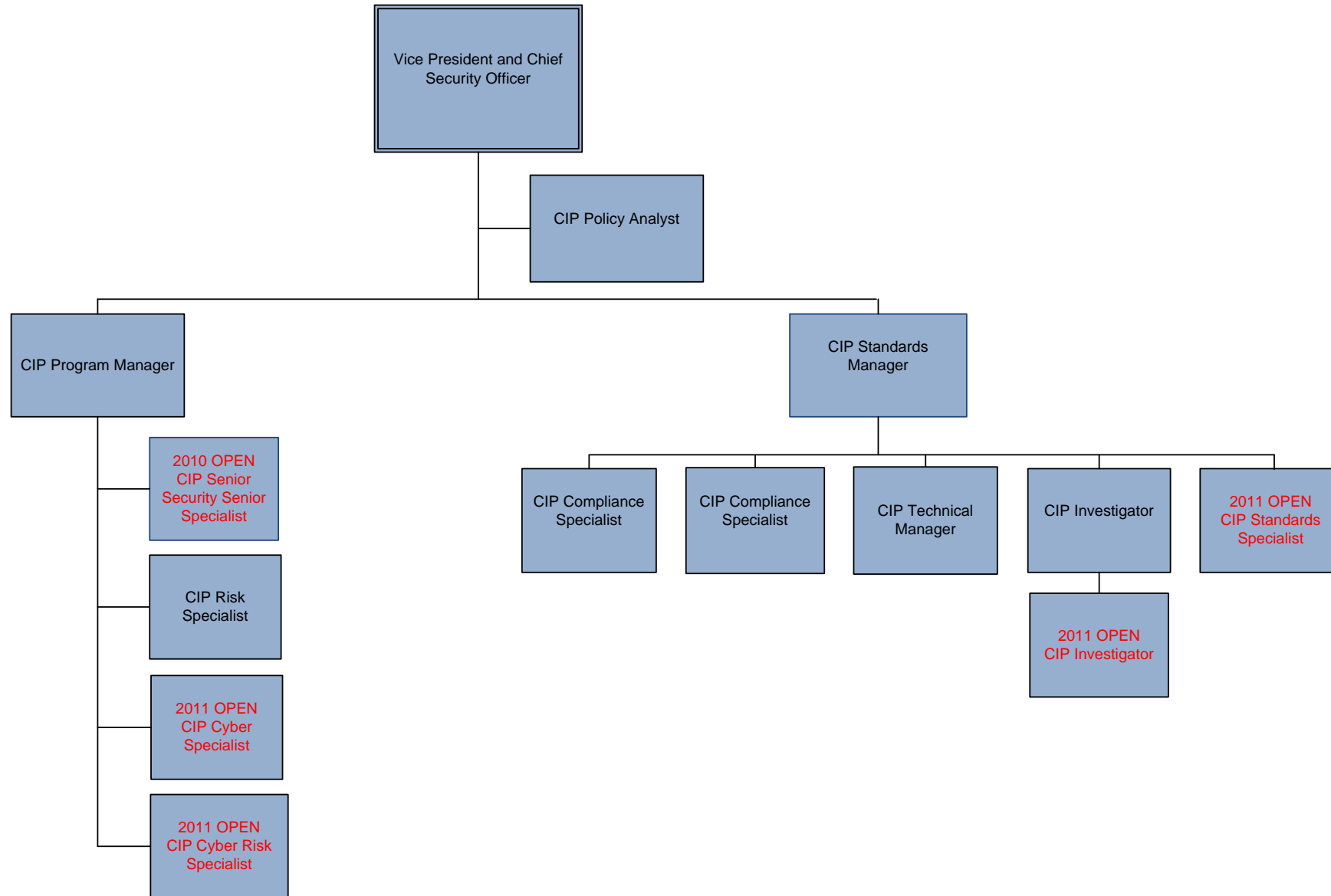




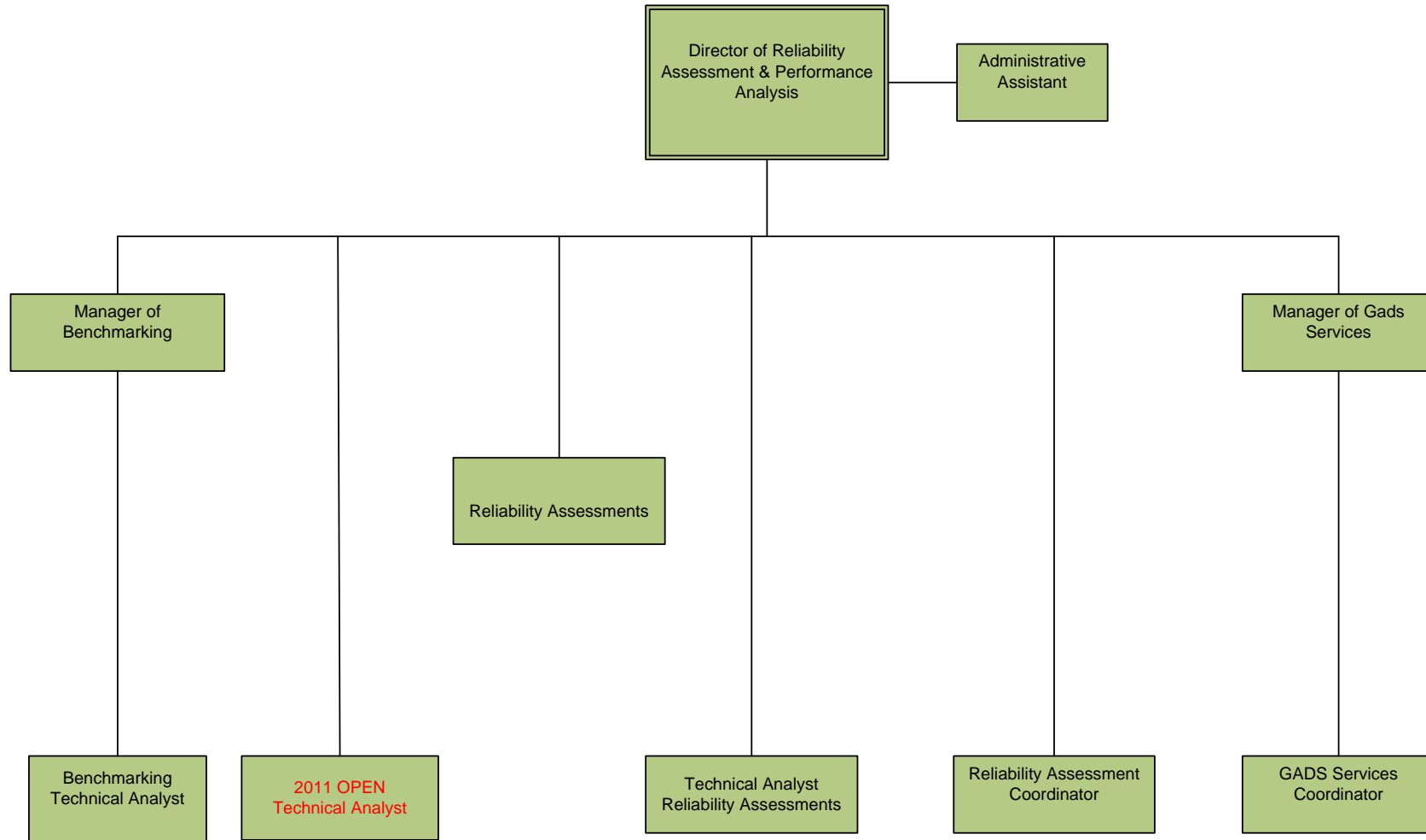
# Compliance Enforcement 2010-2011



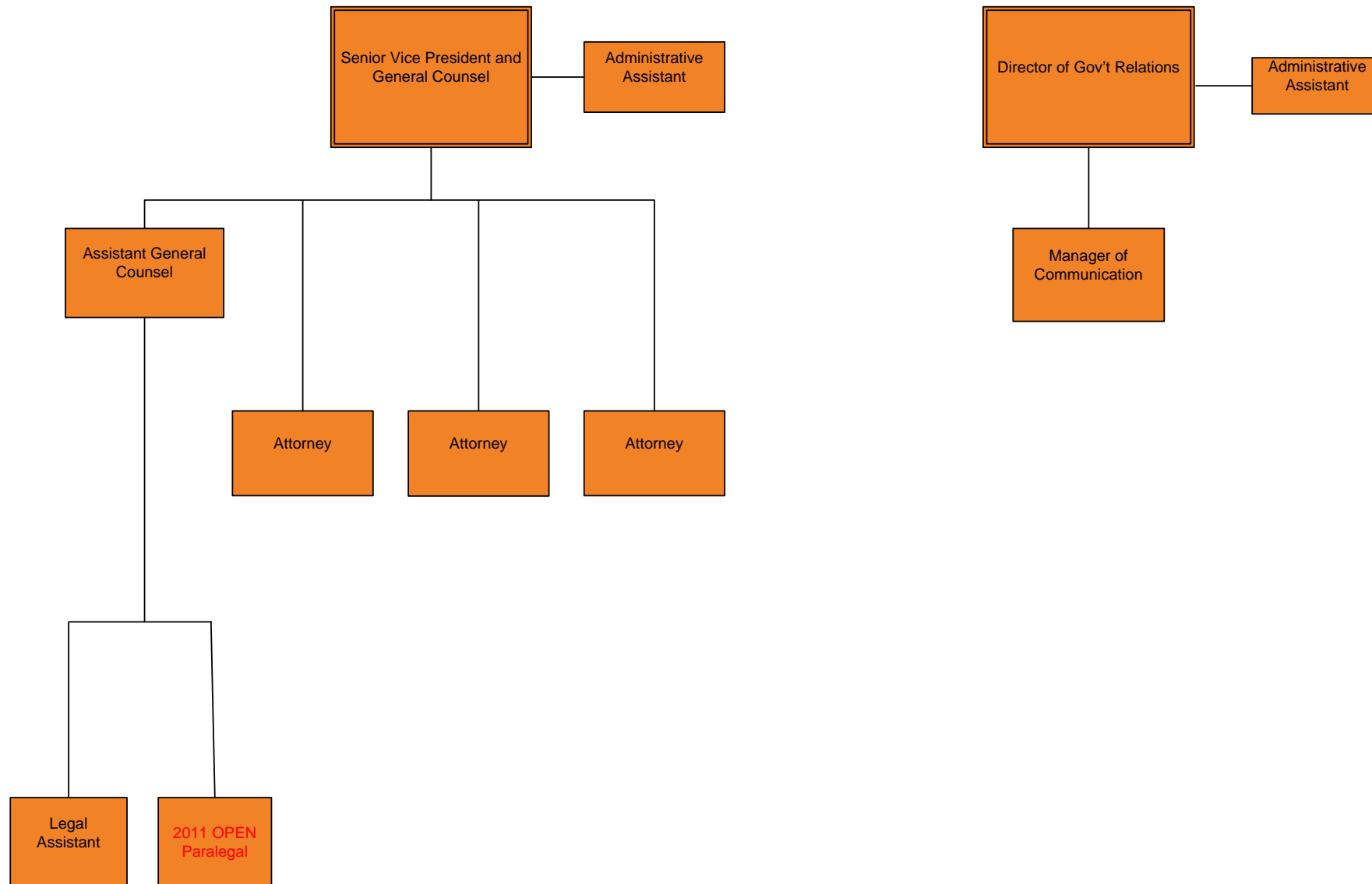
# Critical Infrastructure Protection 2010-2011



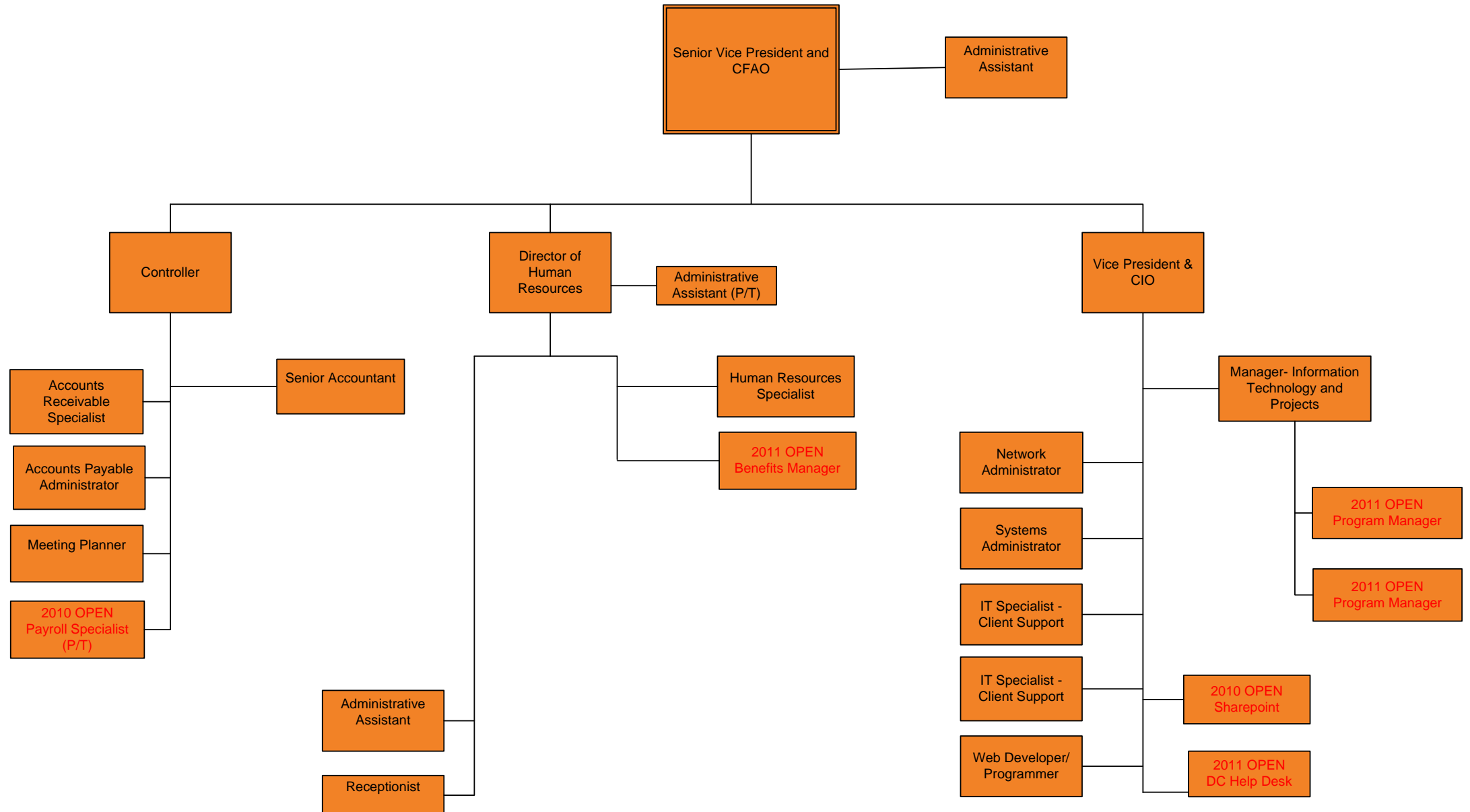
# Reliability Assessment & Performance Analysis 2010-2011



# Legal and Governmental Relations 2010-2011



# Finance, Human Resources and Information Technology 2010-2011



2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2009	FRCC	1074	Alachua, City of	U.S.	122,000	122,000			0.054%	0.054%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	FRCC	1075	Bartow, City of	U.S.	301,500	301,500			0.133%	0.133%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2009	FRCC	1076	Chattahoochee, City of	U.S.	43,600	43,600			0.019%	0.019%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	684,000	684,000			0.302%	0.302%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2009	FRCC	1078	Florida Power & Light Co.	U.S.	110,149,000	110,149,000			48.566%	48.566%	0.000%	0.000%	2.514%	2.514%	0.000%	0.000%	2.858%
2009	FRCC	1079	Florida Public Utilities Company	U.S.	405,300	405,300			0.179%	0.179%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2009	FRCC	1080	Gainesville Regional Utilities	U.S.	1,880,000	1,880,000			0.829%	0.829%	0.000%	0.000%	0.043%	0.043%	0.000%	0.000%	0.049%
2009	FRCC	1081	Homestead, City of	U.S.	485,000	485,000			0.214%	0.214%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2009	FRCC	1082	JEA	U.S.	12,749,700	12,749,700			5.621%	5.621%	0.000%	0.000%	0.291%	0.291%	0.000%	0.000%	0.331%
2009	FRCC	1083	Lakeland Electric	U.S.	2,992,000	2,992,000			1.319%	1.319%	0.000%	0.000%	0.068%	0.068%	0.000%	0.000%	0.078%
2009	FRCC	1084	Mount Dora, City of	U.S.	94,900	94,900			0.042%	0.042%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	FRCC	1085	New Smyrna Beach, Utilities Commissior	U.S.	389,000	389,000			0.172%	0.172%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2009	FRCC	1086	Orlando Utilities Commission	U.S.	5,653,000	5,653,000			2.492%	2.492%	0.000%	0.000%	0.129%	0.129%	0.000%	0.000%	0.147%
2009	FRCC	1087	Progress Energy Florida	U.S.	41,671,000	41,671,000			18.373%	18.373%	0.000%	0.000%	0.951%	0.951%	0.000%	0.000%	1.081%
2009	FRCC	1088	Quincy, City of	U.S.	144,700	144,700			0.064%	0.064%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2009	FRCC	1089	Reedy Creek Improvement District	U.S.	1,229,000	1,229,000			0.542%	0.542%	0.000%	0.000%	0.028%	0.028%	0.000%	0.000%	0.032%
2009	FRCC	1090	St. Cloud, City of (OUC)	U.S.	600,000	600,000			0.265%	0.265%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2009	FRCC	1091	Tallahassee, City of	U.S.	2,805,000	2,805,000			1.237%	1.237%	0.000%	0.000%	0.064%	0.064%	0.000%	0.000%	0.073%
2009	FRCC	1092	Tampa Electric Company	U.S.	19,751,000	19,751,000			8.708%	8.708%	0.000%	0.000%	0.451%	0.451%	0.000%	0.000%	0.513%
2009	FRCC	1603	Vero Beach, City of	U.S.	753,000	753,000			0.332%	0.332%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.020%
2009	FRCC	1093	Wauchula, City of	U.S.	67,451	67,451			0.030%	0.030%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	FRCC	1094	Williston, City of	U.S.	35,200	35,200			0.016%	0.016%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	FRCC	1095	Winter Park, City of	U.S.	455,600	455,600			0.201%	0.201%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2009	FRCC	1072	Florida Municipal Power Agency	U.S.	6,151,036	6,151,036			2.712%	2.712%	0.000%	0.000%	0.140%	0.140%	0.000%	0.000%	0.160%
2009	FRCC	1073	Seminole Electric Cooperative	U.S.	17,190,667	17,190,667			7.580%	7.580%	0.000%	0.000%	0.392%	0.392%	0.000%	0.000%	0.446%
			<b>TOTAL FRCC</b>		<b>226,802,655</b>	<b>226,802,655</b>	<b>-</b>	<b>-</b>	<b>100.000%</b>	<b>100.000%</b>	<b>0.000%</b>	<b>0.000%</b>	<b>5.176%</b>	<b>5.176%</b>	<b>0.000%</b>	<b>0.000%</b>	<b>5.885%</b>
2009	MRO	1199	Basin Electric Power Cooperative	U.S.	10,258,784	10,258,784	-	-	3.875%	3.875%	0.000%	0.000%	0.234%	0.234%	0.000%	0.000%	0.266%
2009	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	2,663,059	2,663,059	-	-	1.006%	1.006%	0.000%	0.000%	0.061%	0.061%	0.000%	0.000%	0.069%
2009	MRO	1204	Corn Belt Power Cooperative	U.S.	1,825,227	1,825,227	-	-	0.689%	0.689%	0.000%	0.000%	0.042%	0.042%	0.000%	0.000%	0.047%
2009	MRO	1207	Dairyland Power Cooperative	U.S.	5,200,600	5,200,600	-	-	1.964%	1.964%	0.000%	0.000%	0.119%	0.119%	0.000%	0.000%	0.135%
2009	MRO	1210	Great River Energy	U.S.	13,245,294	13,245,294	-	-	5.003%	5.003%	0.000%	0.000%	0.302%	0.302%	0.000%	0.000%	0.344%
2009	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	3,818,990	3,818,990	-	-	1.442%	1.442%	0.000%	0.000%	0.087%	0.087%	0.000%	0.000%	0.099%
2009	MRO	1230	Nebraska Public Power District	U.S.	12,666,632	12,666,632	-	-	4.784%	4.784%	0.000%	0.000%	0.289%	0.289%	0.000%	0.000%	0.329%
2009	MRO	1232	Omaha Public Power District	U.S.	10,305,544	10,305,544	-	-	3.893%	3.893%	0.000%	0.000%	0.235%	0.235%	0.000%	0.000%	0.267%
2009	MRO	1237	Southern Montana Generation and Trans	U.S.	4,461	4,461	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	MRO	1240	Western Area Power Administration (UM)	U.S.	8,322,860	8,322,860	-	-	3.144%	3.144%	0.000%	0.000%	0.190%	0.190%	0.000%	0.000%	0.216%
2009	MRO	1239	Western Area Power Administration (LM)	U.S.	126,885	126,885	-	-	0.048%	0.048%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	MRO	1217	Manitoba Hydro	CAN	24,647,899		24,647,899		9.310%	0.000%	9.310%	0.000%	0.562%	0.000%	0.562%	0.000%	0.000%
2009	MRO	1235	SaskPower	CAN	19,748,000		19,748,000		7.459%	0.000%	7.459%	0.000%	0.451%	0.000%	0.451%	0.000%	0.000%
2009	MRO	1195	Alliant Energy (Alliant East - WPL & Allia	U.S.	27,772,033	27,772,033	-	-	10.490%	10.490%	0.000%	0.000%	0.634%	0.634%	0.000%	0.000%	0.721%
2009	MRO	1216	Madison, Gas and Electric	U.S.	3,332,068	3,332,068	-	-	1.259%	1.259%	0.000%	0.000%	0.076%	0.076%	0.000%	0.000%	0.086%
2009	MRO	1220	MidAmerican Energy Company	U.S.	21,530,193	21,530,193	-	-	8.132%	8.132%	0.000%	0.000%	0.491%	0.491%	0.000%	0.000%	0.559%
2009	MRO	1221	Minnesota Power	U.S.	10,059,894	10,059,894	-	-	3.800%	3.800%	0.000%	0.000%	0.230%	0.230%	0.000%	0.000%	0.261%
2009	MRO	1226	Montana-Dakota Utilities Co.	U.S.	2,593,368	2,593,368	-	-	0.980%	0.980%	0.000%	0.000%	0.059%	0.059%	0.000%	0.000%	0.067%
2009	MRO	1231	NorthWestern Energy	U.S.	1,420,282	1,420,282	-	-	0.536%	0.536%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.037%
2009	MRO	1233	Otter Tail Power Company	U.S.	4,272,885	4,272,885	-	-	1.614%	1.614%	0.000%	0.000%	0.098%	0.098%	0.000%	0.000%	0.111%
2009	MRO	1243	Integrus Energy Group (WPS and UPPC)	U.S.	13,511,063	13,511,063	-	-	5.103%	5.103%	0.000%	0.000%	0.308%	0.308%	0.000%	0.000%	0.351%
2009	MRO	1244	Xcel Energy Company (NSP)	U.S.	44,905,543	44,905,543	-	-	16.961%	16.961%	0.000%	0.000%	1.025%	1.025%	0.000%	0.000%	1.165%
2009	MRO	1196	Ames Municipal Electric System	U.S.	727,018	727,018	-	-	0.275%	0.275%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2009	MRO	1604	Atlantic Municipal Utilities	U.S.	79,557	79,557	-	-	0.030%	0.030%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%



2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2009	MRO	1476	Badger Power Marketing Authority of Wis	U.S.	346,850	346,850	-	-	0.131%	0.131%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2009	MRO	1200	Cedar Falls Municipal Utilities	U.S.	506,306	506,306	-	-	0.191%	0.191%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2009	MRO	1477	Central Minnesota Municipal Power Ager	U.S.	427,162	427,162	-	-	0.161%	0.161%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2009	MRO	1605	City of Pella	U.S.	174,751	174,751	-	-	0.066%	0.066%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2009	MRO	1203	Eschanaba Municipal Electric Utility	U.S.	141,278	141,278	-	-	0.053%	0.053%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2009	MRO	1205	Falls City Water & Light Department	U.S.	38,264	38,264	-	-	0.014%	0.014%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	MRO	1206	Fremont Department of Utilities	U.S.	417,653	417,653	-	-	0.158%	0.158%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2009	MRO	1208	Geneseo Municipal Utilities	U.S.	63,823	63,823	-	-	0.024%	0.024%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2009	MRO	1209	Grand Island Utilities Department	U.S.	681,421	681,421	-	-	0.257%	0.257%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2009	MRO	1606	Harlan Municipal Utilities	U.S.	18,543	18,543	-	-	0.007%	0.007%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	MRO	1211	Hastings Utilities	U.S.	395,028	395,028	-	-	0.149%	0.149%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2009	MRO	1212	Heartland Consumers Power District	U.S.	661,111	661,111	-	-	0.250%	0.250%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2009	MRO	1213	Hutchinson Utilities Commission	U.S.	289,175	289,175	-	-	0.109%	0.109%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2009	MRO	1215	Lincoln Electric System	U.S.	3,144,646	3,144,646	-	-	1.188%	1.188%	0.000%	0.000%	0.072%	0.072%	0.000%	0.000%	0.082%
2009	MRO	1218	Manitowoc Public Utilities	U.S.	515,000	515,000	-	-	0.195%	0.195%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2009	MRO	1223	Missouri River Energy Services	U.S.	2,163,696	2,163,696	-	-	0.817%	0.817%	0.000%	0.000%	0.049%	0.049%	0.000%	0.000%	0.056%
2009	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	1,384,852	1,384,852	-	-	0.523%	0.523%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.036%
2009	MRO	1607	Montezuma Municipal Light & Power	U.S.	26,256	26,256	-	-	0.010%	0.010%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	971,728	971,728	-	-	0.367%	0.367%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2009	MRO	1228	Muscatine Power and Water	U.S.	847,099	847,099	-	-	0.320%	0.320%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2009	MRO	1229	Nebraska City Utilities	U.S.	162,093	162,093	-	-	0.061%	0.061%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2009	MRO	1234	Rochester Public Utilities	U.S.	1,181	1,181	-	-	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	MRO	1236	Southern Minnesota Municipal Power Ag	U.S.	2,865,679	2,865,679	-	-	1.082%	1.082%	0.000%	0.000%	0.065%	0.065%	0.000%	0.000%	0.074%
2009	MRO	1241	Willmar Municipal Utilities	U.S.	285,947	285,947	-	-	0.108%	0.108%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.007%
2009	MRO	1242	Wisconsin Public Power, Inc. (East and V	U.S.	5,184,182	5,184,182	-	-	1.958%	1.958%	0.000%	0.000%	0.118%	0.118%	0.000%	0.000%	0.135%
TOTAL MRO					264,751,863	220,355,964	44,395,899	-	100.00%	83.231%	16.769%	0.000%	6.042%	5.029%	1.013%	0.000%	5.718%
2009	NPCC	1336	New England	U.S.	131,330,000	131,330,000	-	-	20.141%	20.141%	0.000%	0.000%	2.997%	2.997%	0.000%	0.000%	3.408%
2009	NPCC	1339	New York	U.S.	164,568,000	164,568,000	-	-	25.239%	25.239%	0.000%	0.000%	3.756%	3.756%	0.000%	0.000%	4.270%
2009	NPCC	1337	Ontario	Canada	143,334,000	-	143,334,000	-	21.982%	0.000%	21.982%	0.000%	3.271%	0.000%	3.271%	0.000%	-
2009	NPCC	1341	Quebec	Canada	186,617,000	-	186,617,000	-	28.620%	0.000%	28.620%	0.000%	4.259%	0.000%	4.259%	0.000%	-
2009	NPCC	1338	New Brunswick	Canada	14,153,000	-	14,153,000	-	2.171%	0.000%	2.171%	0.000%	0.323%	0.000%	0.323%	0.000%	-
2009	NPCC	1340	Nova Scotia	Canada	12,047,000	-	12,047,000	-	1.848%	0.000%	1.848%	0.000%	0.275%	0.000%	0.275%	0.000%	-
TOTAL NPCC					652,049,000	295,898,000	356,151,000	-	100.00%	45.380%	54.620%	0.000%	14.880%	6.753%	8.128%	0.000%	7.678%
2009	RFC	1096	Alger Delta Cooperative Electric Associa	U.S.	58,452	58,452	-	-	0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2009	RFC	1097	American Municipal Power	U.S.	3,266,383	3,266,383	-	-	0.367%	0.367%	0.000%	0.000%	0.075%	0.075%	0.000%	0.000%	0.085%
2009	RFC	1104	Bay City	U.S.	327,837	327,837	-	-	0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.009%
2009	RFC	1098	Village of Bethel	U.S.	28,950	28,950	-	-	0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	RFC	1101	Buckeye Power Inc. (DUKE-CIN)	U.S.	264,722	264,722	-	-	0.030%	0.030%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	RFC	1100	Buckeye Power Inc. (ATSI)	U.S.	1,008,992	1,008,992	-	-	0.113%	0.113%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2009	RFC	1102	Cannelton Utilities	U.S.	16,561	16,561	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	RFC	1105	City of Chelsea	U.S.	91,543	91,543	-	-	0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	RFC	1106	City of Croswell	U.S.	36,295	36,295	-	-	0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	RFC	1107	City of Crystal Falls	U.S.	13,492	13,492	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	RFC	1108	City of Eaton Rapids	U.S.	78,038	78,038	-	-	0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	RFC	1110	City of Hamilton	U.S.	441,596	441,596	-	-	0.050%	0.050%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2009	RFC	1111	City of Hart	U.S.	35,960	35,960	-	-	0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	RFC	1490	City of Lansing	U.S.	2,095,740	2,095,740	-	-	0.236%	0.236%	0.000%	0.000%	0.048%	0.048%	0.000%	0.000%	0.054%
2009	RFC	1112	City of Marquette Board of Light & Powe	U.S.	337,947	337,947	-	-	0.038%	0.038%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2009	RFC	1165	City of Painesville	U.S.	157,647	157,647	-	-	0.018%	0.018%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2009	RFC	1114	City of Portland	U.S.	35,348	35,348			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	RFC	1116	City of St. Louis	U.S.	38,926	38,926			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	RFC	1117	City of Williamstown KY	U.S.	53,724	53,724			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	RFC	1118	City of Wyandotte	U.S.	65,318	65,318			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2009	RFC	1119	Cleveland Public Power	U.S.	1,627,018	1,627,018			0.183%	0.183%	0.000%	0.000%	0.037%	0.037%	0.000%	0.000%	0.042%
2009	RFC	1120	Cloverland Electric Cooperative	U.S.	235,276	235,276			0.026%	0.026%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	RFC	1132	Cloverland (f.k.a. - Edison Sault Electric t	U.S.	663,187	663,187			0.075%	0.075%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2009	RFC	1122	CMS ERM Michigan LLC	U.S.	128,464	128,464			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	RFC	1124	Constellation New Energy (MECS-CONS	U.S.	482,603	482,603			0.054%	0.054%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2009	RFC	1123	Constellation New Energy (MECS-DET)	U.S.	690,597	690,597			0.078%	0.078%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2009	RFC	1534	Constellation New Energy Inc. (ATSI)	U.S.	200,687	200,687			0.023%	0.023%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2009	RFC	1125	Constellation New Energy Inc. (DUKE-C	U.S.	119,254	119,254			0.013%	0.013%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	RFC	1126	Consumers Energy Company	U.S.	33,114,934	33,114,934			3.724%	3.724%	0.000%	0.000%	0.756%	0.756%	0.000%	0.000%	0.859%
2009	RFC	1128	Detroit Edison Company	U.S.	45,446,273	45,446,273			5.111%	5.111%	0.000%	0.000%	1.037%	1.037%	0.000%	0.000%	1.179%
2009	RFC	1129	Dominion Retail (ATSI)	U.S.	99,718	99,718			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2009	RFC	1130	Dominion Retail Inc. (DUKE-CIN)	U.S.	368,282	368,282			0.041%	0.041%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.010%
2009	RFC	1131	DTE Energy Trading	U.S.	-	-			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	RFC	1166	Duke Energy Indiana	U.S.	28,478,595	28,478,595			3.203%	3.203%	0.000%	0.000%	0.650%	0.650%	0.000%	0.000%	0.739%
2009	RFC	1179	Duke Energy Kentucky	U.S.	4,179,557	4,179,557			0.470%	0.470%	0.000%	0.000%	0.095%	0.095%	0.000%	0.000%	0.108%
2009	RFC	1178	Duke Energy Ohio	U.S.	17,906,277	17,906,277			2.014%	2.014%	0.000%	0.000%	0.409%	0.409%	0.000%	0.000%	0.465%
2009	RFC	1608	Duke Energy Retail Sales (ATSI)	U.S.	1,839,714	1,839,714			0.207%	0.207%	0.000%	0.000%	0.042%	0.042%	0.000%	0.000%	0.048%
2009	RFC	1609	Duke Energy Retail Sales (DUKE-CIN)	U.S.	848,751	848,751			0.095%	0.095%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2009	RFC	1563	Energy International Power Marketing	U.S.	-	-			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	RFC	1135	Ferdinand Municipal Light & Water	U.S.	40,256	40,256			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	RFC	1138	FirstEnergy	U.S.	43,191,337	43,191,337			4.857%	4.857%	0.000%	0.000%	0.986%	0.986%	0.000%	0.000%	1.121%
2009	RFC	1137	FirstEnergy Solutions (ATSI)	U.S.	22,427,704	22,427,704			2.522%	2.522%	0.000%	0.000%	0.512%	0.512%	0.000%	0.000%	0.582%
2009	RFC	1549	FirstEnergy Solutions (MECS-DET)	U.S.	21,893	21,893			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2009	RFC	1550	FirstEnergy Solutions (DUKE-CIN)	U.S.	342,118	342,118			0.038%	0.038%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2009	RFC	1610	Gexa Energy	U.S.	1,516,838	1,516,838			0.171%	0.171%	0.000%	0.000%	0.035%	0.035%	0.000%	0.000%	0.039%
2009	RFC	1141	Georgetown	U.S.	55,100	55,100			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	RFC	1611	Glacial Energy (ATSI)	U.S.	995	995			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	RFC	1612	Glacial Energy (MECS-DET)	U.S.	26,879	26,879			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	RFC	1143	Hamersville	U.S.	5,551	5,551			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	RFC	1144	Holland Board of Public Works	U.S.	728,971	728,971			0.082%	0.082%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2009	RFC	1145	Hoosier Energy	U.S.	6,728,076	6,728,076			0.757%	0.757%	0.000%	0.000%	0.154%	0.154%	0.000%	0.000%	0.175%
2009	RFC	1148	Indiana Municipal Power Agency (DUKE	U.S.	2,866,995	2,866,995			0.322%	0.322%	0.000%	0.000%	0.065%	0.065%	0.000%	0.000%	0.074%
2009	RFC	1485	Indiana Municipal Power Agency (NIPSC	U.S.	378,081	378,081			0.043%	0.043%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2009	RFC	1486	Indiana Municipal Power Agency (SIGE)	U.S.	558,622	558,622			0.063%	0.063%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.014%
2009	RFC	1149	Indianapolis Power & Light Co.	U.S.	14,945,667	14,945,667			1.681%	1.681%	0.000%	0.000%	0.341%	0.341%	0.000%	0.000%	0.388%
2009	RFC	1613	Integrus Energy Services (ATSI)	U.S.	37	37			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	RFC	1552	Integrus Energy Services (DUKE-CIN)	U.S.	18,764	18,764			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	RFC	1553	Integrus Energy Services (MECS-CONS)	U.S.	243,027	243,027			0.027%	0.027%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2009	RFC	1554	Integrus Energy Services (MECS-DET)	U.S.	243,915	243,915			0.027%	0.027%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2009	RFC	1614	Just Energy (MECS-DET)	U.S.	26,163	26,163			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	RFC	1151	Lebanon	U.S.	275,975	275,975			0.031%	0.031%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	RFC	1154	Michigan Public Power Agency	U.S.	1,163,653	1,163,653			0.131%	0.131%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.030%
2009	RFC	1155	Michigan South Central Power Agency	U.S.	544,399	544,399			0.061%	0.061%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2009	RFC	1158	MidAmerican Energy Company Retail	U.S.	28,857	28,857			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	RFC	1163	Northern Indiana Public Service Co.	U.S.	15,734,157	15,734,157			1.769%	1.769%	0.000%	0.000%	0.359%	0.359%	0.000%	0.000%	0.408%
2009	RFC	1164	Ontonagon County Rural Electrification A	U.S.	27,535	27,535			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	RFC	1555	Penn Power	U.S.	2,190,410	2,190,410			0.246%	0.246%	0.000%	0.000%	0.050%	0.050%	0.000%	0.000%	0.057%

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2009	RFC	1265	PJM Interconnection, LLC	U.S.	587,065,005	587,065,005			66.021%	66.021%	0.000%	0.000%	13.397%	13.397%	0.000%	0.000%	15.234%
2009	RFC	1167	Public Lighting Department of Detroit	U.S.	-	-			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	RFC	1170	Ripley	U.S.	18,821	18,821			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	RFC	1580	Sempra Energy Solutions (ATSI)	U.S.	406,701	406,701			0.046%	0.046%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2009	RFC	1615	Sempra Energy Solutions (DUKE-CIN)	U.S.	596	596			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	RFC	1172	Sempra Energy Solutions (MECS-CONS)	U.S.	553,674	553,674			0.062%	0.062%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.014%
2009	RFC	1171	Sempra Energy Solutions (MECS-DET)	U.S.	269,482	269,482			0.030%	0.030%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	RFC	1173	Direct Energy (fka:Strategic Energy) (AT)	U.S.	290,200	290,200			0.033%	0.033%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2009	RFC	1175	Direct Energy (fka:Strategic Energy) LLC	U.S.	257,529	257,529			0.029%	0.029%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	RFC	1176	Direct Energy (fka:Strategic Energy,LLC)	U.S.	11,451	11,451			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	RFC	1174	Direct Energy (fka:Strategic Energy,LLC)	U.S.	258,051	258,051			0.029%	0.029%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	RFC	1616	Smart Paper Holdings	U.S.	6,415	6,415			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	RFC	1581	Spartan Renewable Energy	U.S.	63,911	63,911			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2009	RFC	1180	Thumb Electric Cooperative	U.S.	161,500	161,500			0.018%	0.018%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2009	RFC	1181	Vectren Energy Delivery of IN	U.S.	5,316,181	5,316,181			0.598%	0.598%	0.000%	0.000%	0.121%	0.121%	0.000%	0.000%	0.138%
2009	RFC	1099	Village of Blanchester	U.S.	77,466	77,466			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	RFC	1183	Village of Sebewaing	U.S.	43,887	43,887			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	RFC	1184	Wabash Valley Power Association Inc. (I	U.S.	2,553,759	2,553,759			0.287%	0.287%	0.000%	0.000%	0.058%	0.058%	0.000%	0.000%	0.066%
2009	RFC	1487	Wabash Valley Power Association Inc. (I	U.S.	167,432	167,432			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2009	RFC	1488	Wabash Valley Power Association Inc.(H	U.S.	1,559,059	1,559,059			0.175%	0.175%	0.000%	0.000%	0.036%	0.036%	0.000%	0.000%	0.040%
2009	RFC	1185	Wisconsin Electric Power Co.	U.S.	27,349,954	27,349,954			3.076%	3.076%	0.000%	0.000%	0.624%	0.624%	0.000%	0.000%	0.710%
2009	RFC	1189	Wolverine Power Marketing Cooperative	U.S.	990,947	990,947			0.111%	0.111%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2009	RFC	1191	Wolverine Power Supply Cooperative	U.S.	2,439,221	2,439,221			0.274%	0.274%	0.000%	0.000%	0.056%	0.056%	0.000%	0.000%	0.063%
2009	RFC	1190	Wolverine Power Marketing Cooperative	U.S.	100,472	100,472			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2009	RFC	1194	Zelienople	U.S.	31,679	31,679			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
TOTAL RELIABILITYFIRST					889,208,026	889,208,026	-	-	100.000%	100.000%	0.000%	0.000%	20.292%	20.292%	0.000%	0.000%	23.074%
2009	SERC	1267	Alabama Municipal Electric Authority	U.S.	3,559,000	3,559,000	-	-	0.359%	0.359%	0.000%	0.000%	0.081%	0.081%	0.000%	0.000%	0.092%
2009	SERC	1268	Alabama Power Company	U.S.	54,240,646	54,240,646	-	-	5.478%	5.478%	0.000%	0.000%	1.238%	1.238%	0.000%	0.000%	1.407%
2009	SERC	1269	Ameren - Illinois	U.S.	40,541,000	40,541,000	-	-	4.095%	4.095%	0.000%	0.000%	0.925%	0.925%	0.000%	0.000%	1.052%
2009	SERC	1271	Ameren - Missouri	U.S.	39,457,000	39,457,000	-	-	3.985%	3.985%	0.000%	0.000%	0.900%	0.900%	0.000%	0.000%	1.024%
2009	SERC	1272	APGI - Yadkin Division	U.S.	32,323	32,323	-	-	0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	SERC	1273	Associated Electric Cooperative Inc.	U.S.	18,989,990	18,989,990	-	-	1.918%	1.918%	0.000%	0.000%	0.433%	0.433%	0.000%	0.000%	0.493%
2009	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	1,037,924	1,037,924	-	-	0.105%	0.105%	0.000%	0.000%	0.024%	0.024%	0.000%	0.000%	0.027%
2009	SERC	1462	Benton Utility District	U.S.	264,000	264,000	-	-	0.027%	0.027%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	SERC	1274	Big Rivers Electric Corporation	U.S.	9,942,616	9,942,616	-	-	1.004%	1.004%	0.000%	0.000%	0.227%	0.227%	0.000%	0.000%	0.258%
2009	SERC	1275	Black Warrior EMC	U.S.	416,591	416,591	-	-	0.042%	0.042%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2009	SERC	1276	Blue Ridge EMC	U.S.	1,148,758	1,148,758	-	-	0.116%	0.116%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.030%
2009	SERC	1463	Canton, MS	U.S.	122,623	122,623	-	-	0.012%	0.012%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	15,452,673	15,452,673	-	-	1.561%	1.561%	0.000%	0.000%	0.353%	0.353%	0.000%	0.000%	0.401%
2009	SERC	1278	City of Blountstown FL	U.S.	39,922	39,922	-	-	0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	SERC	1279	City of Camden SC	U.S.	204,558	204,558	-	-	0.021%	0.021%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2009	SERC	1280	City of Collins MS	U.S.	44,918	44,918	-	-	0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	SERC	1281	City of Columbia MO	U.S.	1,373,285	1,373,285	-	-	0.139%	0.139%	0.000%	0.000%	0.031%	0.031%	0.000%	0.000%	0.036%
2009	SERC	1282	City of Conway AR (Conway Corporation	U.S.	960,000	960,000	-	-	0.097%	0.097%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2009	SERC	1284	City of Evergreen AL	U.S.	61,935	61,935	-	-	0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2009	SERC	1285	City of Hampton GA	U.S.	24,623	24,623	-	-	0.002%	0.002%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	SERC	1286	City of Hartford AL	U.S.	31,250	31,250	-	-	0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	SERC	1287	City of Henderson (KY) Municipal Power	U.S.	658,517	658,517	-	-	0.067%	0.067%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2009	SERC	1288	City of North Little Rock AR (DENL)	U.S.	964,267	964,267	-	-	0.097%	0.097%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2009	SERC	1289	City of Orangeburg SC Department of Pu	U.S.	925,786	925,786	-	-	0.094%	0.094%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.024%

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2009	SERC	1290	City of Robertsdale AL	U.S.	84,444	84,444	-	-	0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	SERC	1291	City of Ruston LA (DERS)	U.S.	270,000	270,000	-	-	0.027%	0.027%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	SERC	1292	City of Seneca SC	U.S.	152,933	152,933	-	-	0.015%	0.015%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2009	SERC	1115	City of Springfield (CWLP)	U.S.	1,814,887	1,814,887	-	-	0.183%	0.183%	0.000%	0.000%	0.041%	0.041%	0.000%	0.000%	0.047%
2009	SERC	1465	City of Thayer, MO	U.S.	15,747	15,747	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	SERC	1293	City of Troy AL	U.S.	369,623	369,623	-	-	0.037%	0.037%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.010%
2009	SERC	1294	City of West Memphis AR (West Memphi	U.S.	397,000	397,000	-	-	0.040%	0.040%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2009	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	607,420	607,420	-	-	0.061%	0.061%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2009	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	247,597	247,597	-	-	0.025%	0.025%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2009	SERC	1283	Dalton Utilities	U.S.	1,474,100	1,474,100	-	-	0.149%	0.149%	0.000%	0.000%	0.034%	0.034%	0.000%	0.000%	0.038%
2009	SERC	1585	Dixie Electric Membership Corporation	U.S.	2,218,178	2,218,178	-	-	0.224%	0.224%	0.000%	0.000%	0.051%	0.051%	0.000%	0.000%	0.058%
2009	SERC	1295	Dominion Virginia Power	U.S.	83,295,482	83,295,482	-	-	8.413%	8.413%	0.000%	0.000%	1.901%	1.901%	0.000%	0.000%	2.161%
2009	SERC	1296	Duke Energy Carolinas, LLC	U.S.	80,858,917	80,858,917	-	-	8.167%	8.167%	0.000%	0.000%	1.845%	1.845%	0.000%	0.000%	2.098%
2009	SERC	1466	Durant, MS	U.S.	30,847	30,847	-	-	0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	SERC	1478	E.ON U.S. Services Inc.	U.S.	33,599,715	33,599,715	-	-	3.394%	3.394%	0.000%	0.000%	0.767%	0.767%	0.000%	0.000%	0.872%
2009	SERC	1297	East Kentucky Power Cooperative	U.S.	12,370,308	12,370,308	-	-	1.249%	1.249%	0.000%	0.000%	0.282%	0.282%	0.000%	0.000%	0.321%
2009	SERC	1298	East Mississippi Electric Power Associati	U.S.	440,457	440,457	-	-	0.044%	0.044%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2009	SERC	1299	Electric Energy Inc.	U.S.	1,325,303	1,325,303	-	-	0.134%	0.134%	0.000%	0.000%	0.030%	0.030%	0.000%	0.000%	0.034%
2009	SERC	1300	EnergyUnited EMC	U.S.	2,399,806	2,399,806	-	-	0.242%	0.242%	0.000%	0.000%	0.055%	0.055%	0.000%	0.000%	0.062%
2009	SERC	1301	Entergy	U.S.	109,154,423	109,154,423	-	-	11.025%	11.025%	0.000%	0.000%	2.491%	2.491%	0.000%	0.000%	2.832%
2009	SERC	1302	Fayetteville (NC) Public Works Commiss	U.S.	2,235,172	2,235,172	-	-	0.226%	0.226%	0.000%	0.000%	0.051%	0.051%	0.000%	0.000%	0.058%
2009	SERC	1303	Florida Public Utilities (FL Panhandle Loc	U.S.	349,248	349,248	-	-	0.035%	0.035%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2009	SERC	1304	French Broad EMC	U.S.	516,495	516,495	-	-	0.052%	0.052%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2009	SERC	1305	Georgia Power Company	U.S.	85,362,934	85,362,934	-	-	8.622%	8.622%	0.000%	0.000%	1.948%	1.948%	0.000%	0.000%	2.215%
2009	SERC	1306	Georgia System Optms Corporation	U.S.	37,896,252	37,896,252	-	-	3.828%	3.828%	0.000%	0.000%	0.865%	0.865%	0.000%	0.000%	0.983%
2009	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	282,158	282,158	-	-	0.028%	0.028%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	SERC	1307	Greenwood (SC) Commissioners of Publ	U.S.	331,443	331,443	-	-	0.033%	0.033%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2009	SERC	1308	Gulf Power Company	U.S.	11,666,310	11,666,310	-	-	1.178%	1.178%	0.000%	0.000%	0.266%	0.266%	0.000%	0.000%	0.303%
2009	SERC	1586	Haywood EMC	U.S.	304,431	304,431	-	-	0.031%	0.031%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2009	SERC	1309	Illinois Municipal Electric Agency	U.S.	1,809,000	1,809,000	-	-	0.183%	0.183%	0.000%	0.000%	0.041%	0.041%	0.000%	0.000%	0.047%
2009	SERC	1480	Itta Bena, MS	U.S.	15,923	15,923	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	225,240	225,240	-	-	0.023%	0.023%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	SERC	1617	Kentucky Municipal Power	U.S.	722,754	722,754	-	-	0.073%	0.073%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.019%
2009	SERC	1481	Kosciusko, MS	U.S.	73,023	73,023	-	-	0.007%	0.007%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	SERC	1482	Leland, MS	U.S.	32,161	32,161	-	-	0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	SERC	1313	McCormick Commission of Public Works	U.S.	22,872	22,872	-	-	0.002%	0.002%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	SERC	1314	Mississippi Power Company	U.S.	9,972,238	9,972,238	-	-	1.007%	1.007%	0.000%	0.000%	0.228%	0.228%	0.000%	0.000%	0.259%
2009	SERC	1315	Municipal Electric Authority of Georgia	U.S.	10,570,000	10,570,000	-	-	1.068%	1.068%	0.000%	0.000%	0.241%	0.241%	0.000%	0.000%	0.274%
2009	SERC	1316	N.C. Electric Membership Corp.	U.S.	12,344,600	12,344,600	-	-	1.247%	1.247%	0.000%	0.000%	0.282%	0.282%	0.000%	0.000%	0.320%
2009	SERC	1317	North Carolina Eastern Municipal Power	U.S.	7,394,674	7,394,674	-	-	0.747%	0.747%	0.000%	0.000%	0.169%	0.169%	0.000%	0.000%	0.192%
2009	SERC	1318	North Carolina Municipal Power Agency	U.S.	4,609,442	4,609,442	-	-	0.466%	0.466%	0.000%	0.000%	0.105%	0.105%	0.000%	0.000%	0.120%
2009	SERC	1588	Northeast Louisiana Power Cooperative,	U.S.	277,796	277,796	-	-	0.028%	0.028%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	SERC	1574	Northern Virginia Electric Cooperative	U.S.	3,496,304	3,496,304	-	-	0.353%	0.353%	0.000%	0.000%	0.080%	0.080%	0.000%	0.000%	0.091%
2009	SERC	1319	Old Dominion Electric Cooperative	U.S.	5,582,434	5,582,434	-	-	0.564%	0.564%	0.000%	0.000%	0.127%	0.127%	0.000%	0.000%	0.145%
2009	SERC	1618	Osceola (Arkansas) Municipal Light and I	U.S.	268,928	268,928	-	-	0.027%	0.027%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	879,243	879,243	-	-	0.089%	0.089%	0.000%	0.000%	0.020%	0.020%	0.000%	0.000%	0.023%
2009	SERC	1321	Piedmont EMC in Duke and Progress Arc	U.S.	506,350	506,350	-	-	0.051%	0.051%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2009	SERC	1323	Piedmont Municipal Power Agency (PMP	U.S.	2,286,624	2,286,624	-	-	0.231%	0.231%	0.000%	0.000%	0.052%	0.052%	0.000%	0.000%	0.059%
2009	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	265,031	265,031	-	-	0.027%	0.027%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	SERC	1266	PowerSouth Energy	U.S.	8,278,739	8,278,739	-	-	0.836%	0.836%	0.000%	0.000%	0.189%	0.189%	0.000%	0.000%	0.215%
2009	SERC	1330	Prairie Power, Inc.	U.S.	1,540,294	1,540,294	-	-	0.156%	0.156%	0.000%	0.000%	0.035%	0.035%	0.000%	0.000%	0.040%

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2009	SERC	1324	Progress Energy Carolinas	U.S.	45,650,000	45,650,000	-	-	4.611%	4.611%	0.000%	0.000%	1.042%	1.042%	0.000%	0.000%	1.185%
2009	SERC	1325	Rutherford EMC	U.S.	1,265,243	1,265,243	-	-	0.128%	0.128%	0.000%	0.000%	0.029%	0.029%	0.000%	0.000%	0.033%
2009	SERC	1326	South Carolina Electric & Gas Company	U.S.	22,243,734	22,243,734	-	-	2.247%	2.247%	0.000%	0.000%	0.508%	0.508%	0.000%	0.000%	0.577%
2009	SERC	1327	South Carolina Public Service Authority	U.S.	7,156,752	7,156,752	-	-	0.723%	0.723%	0.000%	0.000%	0.163%	0.163%	0.000%	0.000%	0.186%
2009	SERC	1590	South Louisiana Electric Cooperative Ass	U.S.	604,198	604,198	-	-	0.061%	0.061%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2009	SERC	1328	South Mississippi Electric Power Associa	U.S.	9,915,186	9,915,186	-	-	1.001%	1.001%	0.000%	0.000%	0.226%	0.226%	0.000%	0.000%	0.257%
2009	SERC	1329	Southern Illinois Power Cooperative	U.S.	1,481,489	1,481,489	-	-	0.150%	0.150%	0.000%	0.000%	0.034%	0.034%	0.000%	0.000%	0.038%
2009	SERC	1591	Southwest Louisiana Electric Membershij	U.S.	2,426,653	2,426,653	-	-	0.245%	0.245%	0.000%	0.000%	0.055%	0.055%	0.000%	0.000%	0.063%
2009	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	412,888	412,888	-	-	0.042%	0.042%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2009	SERC	1331	Tennessee Valley Authority	U.S.	165,493,867	165,493,867	-	-	16.715%	16.715%	0.000%	0.000%	3.777%	3.777%	0.000%	0.000%	4.294%
2009	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	130,935	130,935	-	-	0.013%	0.013%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	SERC	1592	Town of Black Creek, N.C.	U.S.	12,548	12,548	-	-	0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	SERC	1593	Town of Lucama, N.C.	U.S.	20,993	20,993	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2009	SERC	1594	Town of Sharpsburg, N.C.	U.S.	21,563	21,563	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2009	SERC	1595	Town of Stantonsburg, N.C.	U.S.	23,114	23,114	-	-	0.002%	0.002%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	SERC	1333	Town of Waynesville NC	U.S.	97,321	97,321	-	-	0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2009	SERC	1334	Town of Winnsboro SC	U.S.	76,097	76,097	-	-	0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	SERC	1335	Town of Winterville NC	U.S.	51,472	51,472	-	-	0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	SERC	1596	Valley Electric Membership Corporation,	U.S.	167,493	167,493	-	-	0.017%	0.017%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2009	SERC	1597	Washington-St.Tammany Electric Coope	U.S.	1,102,470	1,102,470	-	-	0.111%	0.111%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.029%
TOTAL SERC					990,093,522	990,093,522	-	-	100.000%	100.000%	0.000%	0.000%	22.594%	22.594%	0.000%	0.000%	25.692%
2009	SPP	1246	American Electric Power	U.S.	34,588,826	34,588,826	-	-	17.037%	17.037%	0.000%	0.000%	0.789%	0.789%	0.000%	0.000%	0.898%
2009	SPP	1435	Arkansas Electric Cooperative Corporati	U.S.	3,746,596	3,746,596	-	-	1.845%	1.845%	0.000%	0.000%	0.085%	0.085%	0.000%	0.000%	0.097%
2009	SPP	1247	Board of Public Utilities (Kansas City K	U.S.	2,375,188	2,375,188	-	-	1.170%	1.170%	0.000%	0.000%	0.054%	0.054%	0.000%	0.000%	0.062%
2009	SPP	1620	Board of Public Utilities, City of McPhers	U.S.	848,000	848,000	-	-	0.418%	0.418%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2009	SPP	1468	Cap Rock Energy	U.S.	808,554	808,554	-	-	0.398%	0.398%	0.000%	0.000%	0.018%	0.018%	0.000%	0.000%	0.021%
2009	SPP	1469	Central Valley Electric Cooperative	U.S.	763,611	763,611	-	-	0.376%	0.376%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.020%
2009	SPP	1556	City of Bentonville	U.S.	562,584	562,584	-	-	0.277%	0.277%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.015%
2009	SPP	1557	City of Clarksdale, Mississippi	U.S.	170,659	170,659	-	-	0.084%	0.084%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2009	SPP	1558	Hope Water & Light (HWL)	U.S.	285,387	285,387	-	-	0.141%	0.141%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.007%
2009	SPP	1559	City of Minden	U.S.	167,510	167,510	-	-	0.083%	0.083%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2009	SPP	1248	Independence Power & Light (Independ	U.S.	1,079,746	1,079,746	-	-	0.532%	0.532%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.028%
2009	SPP	1436	City Utilities of Springfield, MO	U.S.	3,089,503	3,089,503	-	-	1.522%	1.522%	0.000%	0.000%	0.071%	0.071%	0.000%	0.000%	0.080%
2009	SPP	1249	Cleco Power LLC	U.S.	11,023,655	11,023,655	-	-	5.430%	5.430%	0.000%	0.000%	0.252%	0.252%	0.000%	0.000%	0.286%
2009	SPP	1437	East Texas Electric Coop, Inc.	U.S.	404,646	404,646	-	-	0.199%	0.199%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2009	SPP	1250	The Empire District Electric Company	U.S.	5,263,206	5,263,206	-	-	2.592%	2.592%	0.000%	0.000%	0.120%	0.120%	0.000%	0.000%	0.137%
2009	SPP	1470	Farmers' Electric Coop	U.S.	408,444	408,444	-	-	0.201%	0.201%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2009	SPP	1438	Golden Spread Electric Coop	U.S.	4,469,314	4,469,314	-	-	2.201%	2.201%	0.000%	0.000%	0.102%	0.102%	0.000%	0.000%	0.116%
2009	SPP	1251	Grand River Dam Authority	U.S.	4,283,825	4,283,825	-	-	2.110%	2.110%	0.000%	0.000%	0.098%	0.098%	0.000%	0.000%	0.111%
2009	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	15,626,676	15,626,676	-	-	7.697%	7.697%	0.000%	0.000%	0.357%	0.357%	0.000%	0.000%	0.405%
2009	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	2,033,860	2,033,860	-	-	1.002%	1.002%	0.000%	0.000%	0.046%	0.046%	0.000%	0.000%	0.053%
2009	SPP	1440	Kansas Municipal Energy Agency (KCPI	U.S.	723,973	723,973	-	-	0.357%	0.357%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2009	SPP	1598	KCP&L GMOG (Greater Missouri Opera	U.S.	8,438,719	8,438,719	-	-	4.157%	4.157%	0.000%	0.000%	0.193%	0.193%	0.000%	0.000%	0.219%
2009	SPP	1471	Lafayette Utilities System	U.S.	2,080,238	2,080,238	-	-	1.025%	1.025%	0.000%	0.000%	0.047%	0.047%	0.000%	0.000%	0.054%
2009	SPP	1472	Lea County Electric Coop	U.S.	1,235,427	1,235,427	-	-	0.609%	0.609%	0.000%	0.000%	0.028%	0.028%	0.000%	0.000%	0.032%
2009	SPP	1253	Louisiana Energy & Power Authority (LE	U.S.	-	-	-	-	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	SPP	1441	Midwest Energy Inc.	U.S.	1,604,387	1,604,387	-	-	0.790%	0.790%	0.000%	0.000%	0.037%	0.037%	0.000%	0.000%	0.042%
2009	SPP	1443	Missouri Joint Municipal Electric Utility C	U.S.	2,206,061	2,206,061	-	-	1.087%	1.087%	0.000%	0.000%	0.050%	0.050%	0.000%	0.000%	0.057%
2009	SPP	1442	Northeast Texas Electric Cooperative, Ir	U.S.	3,004,068	3,004,068	-	-	1.480%	1.480%	0.000%	0.000%	0.069%	0.069%	0.000%	0.000%	0.078%
2009	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	27,683,541	27,683,541	-	-	13.636%	13.636%	0.000%	0.000%	0.632%	0.632%	0.000%	0.000%	0.718%

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2009	SPP	1444	Oklahoma Municipal Power Authority	U.S.	2,504,436	2,504,436			1.234%	1,234%	0.000%	0.000%	0.057%	0.057%	0.000%	0.000%	0.065%
2009	SPP	1561	Public Service Commission of Yazoo Cit	U.S.	119,296	119,296			0.059%	0.059%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	SPP	1473	Roosevelt County Electric Coop	U.S.	215,763	215,763			0.106%	0.106%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	SPP	1258	Southwestern Power Administration (SP	U.S.	4,012,124	4,012,124			1.976%	1.976%	0.000%	0.000%	0.092%	0.092%	0.000%	0.000%	0.104%
2009	SPP	1257	Southwestern Public Service Co. (SPS-)	U.S.	19,565,327	19,565,327			9.637%	9.637%	0.000%	0.000%	0.446%	0.446%	0.000%	0.000%	0.508%
2009	SPP	1256	Sunflower Electric Cooperative (SECI)	U.S.	5,339,563	5,339,563			2.630%	2.630%	0.000%	0.000%	0.122%	0.122%	0.000%	0.000%	0.139%
2009	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	461,705	461,705			0.227%	0.227%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2009	SPP	1475	Tri County Electric Coop	U.S.	403,171	403,171			0.199%	0.199%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2009	SPP	1260	Westar Energy, Inc.	U.S.	22,114,892	22,114,892			10.893%	10.893%	0.000%	0.000%	0.505%	0.505%	0.000%	0.000%	0.574%
2009	SPP	1259	Western Farmers Electric Cooperative	U.S.	7,397,584	7,397,584			3.644%	3.644%	0.000%	0.000%	0.169%	0.169%	0.000%	0.000%	0.192%
2009	SPP	1501	West Texas Municipal Power Agency	U.S.	1,912,643	1,912,643			0.942%	0.942%	0.000%	0.000%	0.044%	0.044%	0.000%	0.000%	0.050%
			TOTAL SPP		203,022,708	203,022,708	-	-	100.000%	100.000%	0.000%	0.000%	4.633%	4.633%	0.000%	0.000%	5.268%
2009	TRE	1019	ERCOT	U.S.	308,277,759	308,277,759			100.000%	100.000%	0.000%	0.000%	7.035%	7.035%	0.000%	0.000%	8.000%
					308,277,759	308,277,759	-	-	100.000%	100.000%	0.000%	0.000%	7.035%	7.035%	0.000%	0.000%	8.000%
2009	WECC		Alberta Electric System Operator	Canada	56,466,371		56,466,371		6.660%	0.000%	6.660%	0.000%	1.289%	0.000%	1.289%	0.000%	0.000%
2009	WECC		British Columbia Transmission Corporati	Canada	60,572,345		60,572,345		7.144%	0.000%	7.144%	0.000%	1.382%	0.000%	1.382%	0.000%	0.000%
2009	WECC		Comision Federal de Electricidad	Mexico	10,742,586			10,742,586	1.267%	0.000%	0.000%	1.267%	0.245%	0.000%	0.000%	0.245%	0.000%
2009	WECC		Aguila Irrigation District	U.S.	28,359	28,359			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Aha Macav Power Service	U.S.	24,816	24,816			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Ajo Improvement District	U.S.	13,913	13,913			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Ak-Chin	U.S.	30,867	30,867			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		ALCOA INC.	U.S.	2,486,614	2,486,614			0.293%	0.293%	0.000%	0.000%	0.057%	0.057%	0.000%	0.000%	0.065%
2009	WECC		Arizona Public Service Company	U.S.	30,712,127	30,712,127			3.622%	3.622%	0.000%	0.000%	0.701%	0.701%	0.000%	0.000%	0.797%
2009	WECC		Arkansas River Power Authority (ARPA)	U.S.	247,200	247,200			0.029%	0.029%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2009	WECC		Arlington Valley	U.S.	1,182	1,182			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Avista Adjusted LSE NEL	U.S.	9,533,477	9,533,477			1.124%	1.124%	0.000%	0.000%	0.218%	0.218%	0.000%	0.000%	0.247%
2009	WECC		AVISTA CORPORATION	U.S.	231,202	231,202			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	WECC		Barrick Gold Strike	U.S.	1,253,963	1,253,963			0.148%	0.148%	0.000%	0.000%	0.029%	0.029%	0.000%	0.000%	0.033%
2009	WECC		Basin Electric Power Cooperative	U.S.	3,061,849	3,061,849			0.361%	0.361%	0.000%	0.000%	0.070%	0.070%	0.000%	0.000%	0.079%
2009	WECC		Basin Electric Power Cooperative (WAU)	U.S.	57,521	57,521			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		BENTON REA	U.S.	582,175	582,175			0.069%	0.069%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.015%
2009	WECC		Big Bend Electric Cooperative, Inc. (Avis	U.S.	186,384	186,384			0.022%	0.022%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2009	WECC		BIG BEND ELECTRIC COOPERATIVE,	U.S.	346,608	346,608			0.041%	0.041%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2009	WECC		BLACHLY-LANE ELECTRIC COOPERA	U.S.	142,072	142,072			0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2009	WECC		Black Hills Power	U.S.	1,862,614	1,862,614			0.220%	0.220%	0.000%	0.000%	0.043%	0.043%	0.000%	0.000%	0.048%
2009	WECC		Black Hills State University (State of SD)	U.S.	17,410	17,410			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Black Hills Wyoming, Inc.	U.S.	4,462,618	4,462,618			0.526%	0.526%	0.000%	0.000%	0.102%	0.102%	0.000%	0.000%	0.116%
2009	WECC		Bonneville Power (NorthWestern Energy)	U.S.	30,943	30,943			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Bonneville Power (PUD No. 2)	U.S.	140,391	140,391			0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2009	WECC		Bonneville Power Administration (Avista)	U.S.	16,553	16,553			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Bonneville Power Administration	U.S.	3,811,547	3,811,547			0.450%	0.450%	0.000%	0.000%	0.087%	0.087%	0.000%	0.000%	0.099%
2009	WECC		BPA	U.S.	196,080	196,080			0.023%	0.023%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2009	WECC		BPA - Power Business Line	U.S.	7,436	7,436			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Buckeye Water Conservation and Draina	U.S.	17,896	17,896			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		California ISO	U.S.	231,862,598	231,862,598			27.348%	27.348%	0.000%	0.000%	5.291%	5.291%	0.000%	0.000%	6.017%
2009	WECC		Canby Public Utility Board	U.S.	177,989	177,989			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2009	WECC		Central Arizona Water Conservation Dist	U.S.	2,644,146	2,644,146			0.312%	0.312%	0.000%	0.000%	0.060%	0.060%	0.000%	0.000%	0.069%
2009	WECC		CENTRAL ELECTRIC COOPERATIVE, I	U.S.	518,462	518,462			0.061%	0.061%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2009	WECC		CENTRAL LINCOLN PUD	U.S.	1,344,562	1,344,562			0.159%	0.159%	0.000%	0.000%	0.031%	0.031%	0.000%	0.000%	0.035%

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2009	WECC		Central Montana	U.S.	64,081	64,081			0.008%	0.008%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2009	WECC		CENTRAL MONTANA ELECTRIC POWI	U.S.	74,819	74,819			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		CITY OF ALBION	U.S.	3,566	3,566			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		City of Aztec	U.S.	38,253	38,253			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		CITY OF BANDON	U.S.	67,349	67,349			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		CITY OF BONNERS FERRY	U.S.	69,860	69,860			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		City of Boulder	U.S.	178,086	178,086			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2009	WECC		CITY OF BURLEY	U.S.	121,452	121,452			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	WECC		City of Burlington	U.S.	30,604	30,604			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		CITY OF CASCADE LOCKS	U.S.	21,561	21,561			0.003%	0.003%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2009	WECC		CITY OF CENTRALIA	U.S.	277,160	277,160			0.033%	0.033%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	WECC		CITY OF CHENEY	U.S.	137,423	137,423			0.016%	0.016%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2009	WECC		CITY OF CHEWELAH	U.S.	24,715	24,715			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		CITY OF DECLO	U.S.	2,994	2,994			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		CITY OF DRAIN	U.S.	17,512	17,512			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		CITY OF ELLENSBURG	U.S.	222,215	222,215			0.026%	0.026%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	WECC		City of Fallon	U.S.	116,720	116,720			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	WECC		CITY OF FOREST GROVE	U.S.	247,662	247,662			0.029%	0.029%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2009	WECC		City of Gallup	U.S.	226,966	226,966			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	WECC		CITY OF HERMISTON DBA HERMISTO	U.S.	114,269	114,269			0.013%	0.013%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	WECC		CITY OF HEYBURN	U.S.	40,337	40,337			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		City of Las Vegas	U.S.	8,659	8,659			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		CITY OF MCCLEARY	U.S.	34,268	34,268			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		CITY OF MCMINNVILLE	U.S.	706,112	706,112			0.083%	0.083%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2009	WECC		CITY OF MILTON	U.S.	65,783	65,783			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		CITY OF MILTON-FREEWATER	U.S.	119,297	119,297			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	WECC		CITY OF MINIDOKA	U.S.	1,018	1,018			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		CITY OF MONMOUTH	U.S.	72,724	72,724			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		City of Needles	U.S.	39,403	39,403			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		CITY OF PLUMMER	U.S.	34,893	34,893			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		CITY OF PORT ANGELES	U.S.	693,373	693,373			0.082%	0.082%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2009	WECC		City of Redding	U.S.	654,682	654,682			0.077%	0.077%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2009	WECC		CITY OF RICHLAND	U.S.	871,724	871,724			0.103%	0.103%	0.000%	0.000%	0.020%	0.020%	0.000%	0.000%	0.023%
2009	WECC		City of Roseville	U.S.	1,270,389	1,270,389			0.150%	0.150%	0.000%	0.000%	0.029%	0.029%	0.000%	0.000%	0.033%
2009	WECC		CITY OF RUPERT	U.S.	82,193	82,193			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		City of Shasta Lake	U.S.	179,792	179,792			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2009	WECC		CITY OF TACOMA DBA TACOMA POW	U.S.	390	390			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		CITY OF TROY	U.S.	17,823	17,823			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		CITY OF WEISER	U.S.	54,987	54,987			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		City of Williams	U.S.	39,521	39,521			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		CLARK PUBLIC UTILITIES	U.S.	4,584,028	4,584,028			0.541%	0.541%	0.000%	0.000%	0.105%	0.105%	0.000%	0.000%	0.119%
2009	WECC		CLATSKANIE PUD	U.S.	977,280	977,280			0.115%	0.115%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2009	WECC		CLEARWATER COOPERATIVE, INC	U.S.	44,378	44,378			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Clearwater Power Company	U.S.	161,703	161,703			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2009	WECC		Colorado River Agency-Bureau of Indian	U.S.	3,696	3,696			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Colorado River Commission	U.S.	709,651	709,651			0.084%	0.084%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2009	WECC		Colorado Springs Utilities	U.S.	4,207,466	4,207,466			0.496%	0.496%	0.000%	0.000%	0.096%	0.096%	0.000%	0.000%	0.109%
2009	WECC		COLUMBIA BASIN ELECTRIC COOPER	U.S.	106,840	106,840			0.013%	0.013%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2009	WECC		COLUMBIA FALLS ALUMINUM COMPA	U.S.	331,800	331,800			0.039%	0.039%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2009	WECC		COLUMBIA POWER COOPERATIVE AS	U.S.	22,971	22,971			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		COLUMBIA REA	U.S.	304,096	304,096			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2009	WECC		COLUMBIA RIVER PUD (BPA)	U.S.	169,019	169,019			0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2009	WECC		Columbia River PUD (PGE)	U.S.	317,154	317,154			0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2009	WECC		CONSOLIDATED IRRIGATION DISTRICT	U.S.	2,045	2,045			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Constellation New Energy, Inc.	U.S.	29,435	29,435			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		CONSUMERS POWER, INC.	U.S.	423,807	423,807			0.050%	0.050%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2009	WECC		COOS-CURRY ELECTRIC COOPERATIVE	U.S.	351,531	351,531			0.041%	0.041%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2009	WECC		Deseret Generation & Transmission Co-C	U.S.	68,130	68,130			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		Douglas - Palasades	U.S.	18,614	18,614			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		DOUGLAS ELECTRIC COOPERATIVE,	U.S.	96,707	96,707			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2009	WECC		EAST END MUTUAL ELECTRIC COMPANY	U.S.	22,472	22,472			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		El Paso Electric Company	U.S.	7,706,441	7,706,441			0.909%	0.909%	0.000%	0.000%	0.176%	0.176%	0.000%	0.000%	0.200%
2009	WECC		Electrical District #2	U.S.	180,083	180,083			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2009	WECC		Electrical District No. 6 of Pinal County	U.S.	1,201	1,201			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Electrical District No. 7 of Mariopa County	U.S.	28,187	28,187			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Electrical District No. 8 of Mariopa County	U.S.	261,863	261,863			0.031%	0.031%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	WECC		Electrical Districts 1 & 3	U.S.	590,418	590,418			0.070%	0.070%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.015%
2009	WECC		ELMHURST MUTUAL POWER & LIGHT	U.S.	283,742	283,742			0.033%	0.033%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	WECC		EMERALD PUD	U.S.	512,119	512,119			0.060%	0.060%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2009	WECC		ENERGY NORTHWEST	U.S.	55,126	55,126			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		EPCOR Merchant and Capital (US) Inc.	U.S.	71,439	71,439			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		EUGENE WATER & ELECTRIC BOARD	U.S.	2,495,519	2,495,519			0.294%	0.294%	0.000%	0.000%	0.057%	0.057%	0.000%	0.000%	0.065%
2009	WECC		FARMERS ELECTRIC COMPANY, LTD.	U.S.	4,497	4,497			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Farmington Electric Utility System	U.S.	1,142,281	1,142,281			0.135%	0.135%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.030%
2009	WECC		FLATHEAD ELECTRIC COOPERATIVE,	U.S.	1,415,965	1,415,965			0.167%	0.167%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.037%
2009	WECC		Fredonia, Town of	U.S.	1,377	1,377			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		GLACIER ELECTRIC COOPERATIVE, II	U.S.	182,011	182,011			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2009	WECC		Grand Valley	U.S.	233,232	233,232			0.028%	0.028%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	WECC		Grant LSE Load	U.S.	3,699,717	3,699,717			0.436%	0.436%	0.000%	0.000%	0.084%	0.084%	0.000%	0.000%	0.096%
2009	WECC		Harney Electric Coop	U.S.	77,228	77,228			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		HARNEY ELECTRIC COOPERATIVE, III	U.S.	115,101	115,101			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	WECC		Harquahala Valley Power District	U.S.	74,556	74,556			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		HERMISTON POWER LLC	U.S.	2,541	2,541			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Holy Cross	U.S.	989,360	989,360			0.117%	0.117%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2009	WECC		HOOD RIVER ELECTRIC COOPERATIVE	U.S.	41,058	41,058			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		IDAHO COUNTY LIGHT AND POWER COMPANY	U.S.	54,661	54,661			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Idaho Power	U.S.	36,171	36,171			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Imperial Irrigation District	U.S.	3,661,803	3,661,803			0.432%	0.432%	0.000%	0.000%	0.084%	0.084%	0.000%	0.000%	0.095%
2009	WECC		Inland Power & Light Co.	U.S.	463,892	463,892			0.055%	0.055%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2009	WECC		INLAND POWER AND LIGHT COMPANY	U.S.	497,105	497,105			0.059%	0.059%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2009	WECC		IPCO	U.S.	15,227,018	15,227,018			1.796%	1.796%	0.000%	0.000%	0.347%	0.347%	0.000%	0.000%	0.395%
2009	WECC		IREA-Transmission	U.S.	2,026,136	2,026,136			0.239%	0.239%	0.000%	0.000%	0.046%	0.046%	0.000%	0.000%	0.053%
2009	WECC		Kirtland Air Force Base	U.S.	438,095	438,095			0.052%	0.052%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2009	WECC		Kootenai Electric Cooperative, Inc.	U.S.	468,897	468,897			0.055%	0.055%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2009	WECC		LA Dept. of Water & Power	U.S.	29,215,536	29,215,536			3.446%	3.446%	0.000%	0.000%	0.667%	0.667%	0.000%	0.000%	0.758%
2009	WECC		LAKEVIEW LIGHT & POWER	U.S.	288,504	288,504			0.034%	0.034%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.007%
2009	WECC		LANE ELECTRIC COOPERATIVE, INC.	U.S.	235,367	235,367			0.028%	0.028%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	WECC		Las Vegas Valley Water District (SB211)	U.S.	95,444	95,444			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		Lincoln County Power District	U.S.	83,457	83,457			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		LINCOLN ELECTRIC COOPERATIVE, II	U.S.	124,435	124,435			0.015%	0.015%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	WECC		Mariopca County Municipal Water Conserv	U.S.	48,656	48,656			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		McMullen Valley Water Conservation & L	U.S.	58,604	58,604			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%



2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2009	WECC		Merced Irrigation District	U.S.	437,139	437,139			0.052%	0.052%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2009	WECC		Mesa, City of	U.S.	268,101	268,101			0.032%	0.032%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2009	WECC		MIDSTATE ELECTRIC COOPERATIVE,	U.S.	399,776	399,776			0.047%	0.047%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2009	WECC		MISSION VALLEY POWER	U.S.	421,786	421,786			0.050%	0.050%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2009	WECC		MISSOULA ELECTRIC COOPERATIVE,	U.S.	228,490	228,490			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	WECC		Modern Electric Water Co.	U.S.	241,756	241,756			0.029%	0.029%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2009	WECC		Modesto Irrigation District	U.S.	2,611,756	2,611,756			0.308%	0.308%	0.000%	0.000%	0.060%	0.060%	0.000%	0.000%	0.068%
2009	WECC		Montana Dakota Utilities (MDU)	U.S.	32,529	32,529			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Mt. Wheeler Power Inc.	U.S.	501,716	501,716			0.059%	0.059%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2009	WECC		Municipal Energy Agency of Nebraska	U.S.	684,897	684,897			0.081%	0.081%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2009	WECC		Municipal Energy Agency of Nebraska (N	U.S.	349,888	349,888			0.041%	0.041%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2009	WECC		Navajo Tribal Utility Authority (APS)	U.S.	41,047	41,047			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Navajo Tribal Utility Authority (PSCofNM)	U.S.	215,464	215,464			0.025%	0.025%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	WECC		Navopache Electric Cooperative, Inc	U.S.	472,726	472,726			0.056%	0.056%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2009	WECC		Nebraska Public Power Marketing	U.S.	3,536	3,536			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Needles Public Utilities Authority	U.S.	36,626	36,626			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		NESPELEM VALLEY ELECTRIC COOPI	U.S.	52,797	52,797			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Nevada Power Company	U.S.	22,026,931	22,026,931			2.598%	2.598%	0.000%	0.000%	0.503%	0.503%	0.000%	0.000%	0.572%
2009	WECC		New Harquahala	U.S.	1,330	1,330			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Northern Lights Inc.	U.S.	27,539	27,539			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		NORTHERN LIGHTS, INC.	U.S.	308,120	308,120			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2009	WECC		NORTHERN WASCO COUNTY PUD	U.S.	600,791	600,791			0.071%	0.071%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2009	WECC		NWMT	U.S.	303,670	303,670			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2009	WECC		OHOP MUTUAL LIGHT COMPANY	U.S.	89,495	89,495			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		ORCAS POWER & LIGHT COOPERATI'	U.S.	215,775	215,775			0.025%	0.025%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	WECC		OREGON TRAIL ELECTRIC CONSUME	U.S.	674,151	674,151			0.080%	0.080%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2009	WECC		Overton Power District #5	U.S.	386,490	386,490			0.046%	0.046%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2009	WECC		PACIFICORP (BPA)	U.S.	15,459	15,459			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		PACIFICORP (PGE)	U.S.	3,208	3,208			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		PACIFICORP(WAPA)	U.S.	207,079	207,079			0.024%	0.024%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2009	WECC		PacifiCorp (PACE)	U.S.	45,173,012	45,173,012			5.328%	5.328%	0.000%	0.000%	1.031%	1.031%	0.000%	0.000%	1.172%
2009	WECC		PacifiCorp (PACW)	U.S.	21,517,544	21,517,544			2.538%	2.538%	0.000%	0.000%	0.491%	0.491%	0.000%	0.000%	0.558%
2009	WECC		Page Electric Utility	U.S.	13,177	13,177			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		PARKLAND LIGHT AND WATER COMP	U.S.	124,204	124,204			0.015%	0.015%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2009	WECC		PENINSULA LIGHT COMPANY, INC.	U.S.	626,991	626,991			0.074%	0.074%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2009	WECC		Platte River Power Authority	U.S.	3,162,812	3,162,812			0.373%	0.373%	0.000%	0.000%	0.072%	0.072%	0.000%	0.000%	0.082%
2009	WECC		PORT TOWNSEND PAPER CORPORA'	U.S.	197,320	197,320			0.023%	0.023%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2009	WECC		Portland General Electric Company	U.S.	18,180,117	18,180,117			2.144%	2.144%	0.000%	0.000%	0.415%	0.415%	0.000%	0.000%	0.472%
2009	WECC		Public Service Company of Colorado	U.S.	29,024,840	29,024,840			3.423%	3.423%	0.000%	0.000%	0.662%	0.662%	0.000%	0.000%	0.753%
2009	WECC		Public Service Company of Colorado (Xc	U.S.	32,597	32,597			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Public Service Company of New Mexico	U.S.	10,211,746	10,211,746			1.204%	1.204%	0.000%	0.000%	0.233%	0.233%	0.000%	0.000%	0.265%
2009	WECC		PUD NO 1 OF DOUGLAS COUNTY	U.S.	8,870	8,870			0.001%	0.000%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		PUD NO. 1 OF ASOTIN COUNTY	U.S.	5,257	5,257			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		PUD NO. 1 OF BENTON COUNTY	U.S.	1,781,297	1,781,297			0.210%	0.000%	0.000%	0.210%	0.041%	0.041%	0.000%	0.000%	0.046%
2009	WECC		PUD No. 1 of Chelan County	U.S.	3,256,834	3,256,834			0.384%	0.384%	0.000%	0.000%	0.074%	0.074%	0.000%	0.000%	0.085%
2009	WECC		PUD NO. 1 OF CLALLAM COUNTY	U.S.	686,467	686,467			0.081%	0.081%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2009	WECC		PUD NO. 1 OF COWLITZ COUNTY	U.S.	4,912,007	4,912,007			0.579%	0.579%	0.000%	0.000%	0.112%	0.112%	0.000%	0.000%	0.127%
2009	WECC		PUD No. 1 of Douglas County	U.S.	1,485,323	1,485,323			0.175%	0.175%	0.000%	0.000%	0.034%	0.034%	0.000%	0.000%	0.039%
2009	WECC		PUD NO. 1 OF FERRY COUNTY	U.S.	99,302	99,302			0.012%	0.012%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2009	WECC		PUD NO. 1 OF FRANKLIN COUNTY	U.S.	1,001,336	1,001,336			0.118%	0.000%	0.118%	0.000%	0.023%	0.000%	0.023%	0.000%	0.026%
2009	WECC		PUD NO. 1 OF GRAYS HARBOR	U.S.	1,105,132	1,105,132			0.130%	0.130%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.029%

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2009	WECC		PUD NO. 1 OF KITTITAS COUNTY	U.S.	54,899	54,899			0.006%	0.000%	0.000%	0.006%	0.001%	0.000%	0.000%	0.001%	0.001%
2009	WECC		PUD NO. 1 OF KLUCKITAT COUNTY	U.S.	300,515	300,515			0.035%	0.035%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2009	WECC		PUD NO. 1 OF LEWIS COUNTY	U.S.	967,210	967,210			0.114%	0.114%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2009	WECC		PUD NO. 1 OF MASON COUNTY	U.S.	80,102	80,102			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		PUD No. 1 of Pend Oreille County	U.S.	968,963	968,963			0.114%	0.114%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2009	WECC		PUD NO. 1 OF SKAMANIA COUNTY	U.S.	138,779	138,779			0.016%	0.016%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2009	WECC		PUD NO. 1 OF SNOHOMISH COUNTY	U.S.	7,141,391	7,141,391			0.842%	0.842%	0.000%	0.000%	0.163%	0.163%	0.000%	0.000%	0.185%
2009	WECC		PUD NO. 1 OF WAHIAKUM COUNTY	U.S.	44,609	44,609			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		PUD NO. 1 OF WHATCOM COUNTY	U.S.	223,878	223,878			0.026%	0.026%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	WECC		PUD NO. 2 OF GRANT COUNTY (Avista)	U.S.	90,436	90,436			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		PUD NO. 2 OF GRANT COUNTY (BPA)	U.S.	49,007	49,007			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		PUD NO. 2 OF PACIFIC COUNTY	U.S.	312,886	312,886			0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2009	WECC		PUD NO. 3 OF MASON COUNTY	U.S.	700,202	700,202			0.083%	0.083%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2009	WECC		Puget Sound Energy	U.S.	25,460,922	25,460,922			3.003%	3.003%	0.000%	0.000%	0.581%	0.581%	0.000%	0.000%	0.661%
2009	WECC		RAFT RIVER RURAL ELECTRIC COOP	U.S.	221,513	221,513			0.026%	0.026%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	WECC		RAVALLI COUNTY ELECTRIC COOPEF	U.S.	157,578	157,578			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2009	WECC		RBS Sempra Energy Solutions	U.S.	1,884,440	1,884,440			0.222%	0.222%	0.000%	0.000%	0.043%	0.043%	0.000%	0.000%	0.049%
2009	WECC		RIVERSIDE ELECTRIC COMPANY, LTC	U.S.	20,070	20,070			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2009	WECC		Rocky Mountain Generation Cooperative	U.S.	39,802	39,802			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Roosevelt Irrigation District	U.S.	29,845	29,845			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		SALEM ELECTRIC	U.S.	336,272	336,272			0.040%	0.040%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2009	WECC		Salt River Project (SRP)	U.S.	28,037,507	28,037,507			3.307%	3.307%	0.000%	0.000%	0.640%	0.640%	0.000%	0.000%	0.728%
2009	WECC		San Carlos Indian Irrigation Project	U.S.	140	140			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Seattle City Light	U.S.	10,167,916	10,167,916			1.199%	1.199%	0.000%	0.000%	0.232%	0.232%	0.000%	0.000%	0.264%
2009	WECC		Sierra Pacific Power Company	U.S.	8,715,131	8,715,131			1.028%	1.028%	0.000%	0.000%	0.199%	0.199%	0.000%	0.000%	0.226%
2009	WECC		SMGT / BPA	U.S.	16,023	16,023			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		SMUD	U.S.	11,447,941	11,447,941			1.350%	1.350%	0.000%	0.000%	0.261%	0.261%	0.000%	0.000%	0.297%
2009	WECC		SOUTH SIDE ELECTRIC, INC.	U.S.	54,814	54,814			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Southern Montana	U.S.	693,761	693,761			0.082%	0.082%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2009	WECC		Southern Nevada Water Authority	U.S.	821,644	821,644			0.097%	0.097%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.021%
2009	WECC		Southwest Transmission Cooperative, Inc	U.S.	2,712,926	2,712,926			0.320%	0.320%	0.000%	0.000%	0.062%	0.062%	0.000%	0.000%	0.070%
2009	WECC		SPRINGFIELD UTILITY BOARD	U.S.	853,124	853,124			0.101%	0.101%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2009	WECC		SURPRISE VALLEY ELECTRIFICATION	U.S.	34,622	34,622			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Tacoma Power	U.S.	5,011,373	5,011,373			0.591%	0.591%	0.000%	0.000%	0.114%	0.114%	0.000%	0.000%	0.130%
2009	WECC		The Incorporated County of Los Alamos	U.S.	385,561	385,561			0.045%	0.045%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2009	WECC		TILLAMOOK PUD	U.S.	353,089	353,089			0.042%	0.042%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2009	WECC		Tohono O'Odham Utility Authority	U.S.	67,007	67,007			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		Tonopah Irrigation District	U.S.	22,584	22,584			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Total NWMT Load Owner	U.S.	8,873,287	8,873,287			1.047%	1.047%	0.000%	0.000%	0.202%	0.202%	0.000%	0.000%	0.230%
2009	WECC		Town of Center-Transmission	U.S.	12,172	12,172			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		TOWN OF COULEE DAM	U.S.	19,082	19,082			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		TOWN OF EATONVILLE	U.S.	29,196	29,196			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		TOWN OF STEILACOOM	U.S.	42,414	42,414			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Town of Wickenburg	U.S.	29,103	29,103			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		Tri State G & T Assoc., Inc	U.S.	1,952,963	1,952,963			0.230%	0.230%	0.000%	0.000%	0.045%	0.045%	0.000%	0.000%	0.051%
2009	WECC		Tri-State Generation & Transmission Ass	U.S.	8,502	8,502			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Tri-State Generation and Transmission A	U.S.	6,641,896	6,641,896			0.783%	0.783%	0.000%	0.000%	0.152%	0.152%	0.000%	0.000%	0.172%
2009	WECC		Tristate Generation and Transmission As	U.S.	2,422,891	2,422,891			0.286%	0.286%	0.000%	0.000%	0.055%	0.055%	0.000%	0.000%	0.063%
2009	WECC		Truckee Donner Public Utility District	U.S.	150,195	150,195			0.018%	0.018%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2009	WECC		Tucson Electric Power	U.S.	13,564,552	13,564,552			1.600%	1.600%	0.000%	0.000%	0.310%	0.310%	0.000%	0.000%	0.352%
2009	WECC		Turlock Irrigation District	U.S.	2,063,084	2,063,084			0.243%	0.243%	0.000%	0.000%	0.047%	0.047%	0.000%	0.000%	0.054%

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2009	WECC		U.S. Army Yuma Proving Ground	U.S.	19,637	19,637			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2009	WECC		U.S. BOIA WAPATO IRRIGATION PRO.	U.S.	17,178	17,178			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		U.S. BOR EAST GREENACRES (RATHI	U.S.	5,358	5,358			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		U.S. BOR SPOKANE INDIAN DEVELOP	U.S.	3,450	3,450			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		U.S. DOE NATIONAL ENERGY TECHN	U.S.	3,874	3,874			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		U.S. DOE RICHLAND OPERATIONS OF	U.S.	188,941	188,941			0.022%	0.022%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2009	WECC		U.S.A.F. BASE, FAIRCHILD	U.S.	55,769	55,769			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2009	WECC		U.S.N SUBMARINE BASE, BANGOR	U.S.	178,872	178,872			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2009	WECC		U.S.N. NAVAL STATION, BREMERTON	U.S.	249,357	249,357			0.029%	0.029%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2009	WECC		U.S.N. NAVAL STATION, EVERETT	U.S.	14,107	14,107			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		UMATILLA ELECTRIC COOPERATIVE /	U.S.	957,575	957,575			0.113%	0.113%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2009	WECC		Unit B Irrigation District	U.S.	20	20			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		United Electric Cooperative, Inc.	U.S.	225,406	225,406			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	WECC		Valley Electric Association	U.S.	461,088	461,088			0.054%	0.054%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2009	WECC		Vera Water and Power	U.S.	238,050	238,050			0.028%	0.028%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	WECC		Vigilante Electric Cooperative, Inc.	U.S.	164,342	164,342			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2009	WECC		WASCO Electric Cooperative	U.S.	96,396	96,396			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2009	WECC		WAUW	U.S.	227,523	227,523			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2009	WECC		Wells REA	U.S.	206,198	206,198			0.024%	0.024%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2009	WECC		Wells Rural Electric Coop	U.S.	653,636	653,636			0.077%	0.077%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2009	WECC		Wellton-Mohawk Irrigation & Drainage Di	U.S.	7,379	7,379			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		West Oregon Electric Cooperative, Inc	U.S.	70,978	70,978			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2009	WECC		Western (WAPA-Sierra Nevada Region)	U.S.	1,414,575	1,414,575			0.167%	0.167%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.037%
2009	WECC		Western Area Power	U.S.	195,208	195,208			0.023%	0.023%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2009	WECC		Western Area Power Administration - CR	U.S.	1,121,069	1,121,069			0.132%	0.132%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.029%
2009	WECC		Western Area Power Administration - De	U.S.	2,283,187	2,283,187			0.269%	0.269%	0.000%	0.000%	0.052%	0.052%	0.000%	0.000%	0.059%
2009	WECC		Western Area Power Administration - LAI	U.S.	1,556,662	1,556,662			0.184%	0.184%	0.000%	0.000%	0.036%	0.036%	0.000%	0.000%	0.040%
2009	WECC		Western Area Power Administration	U.S.	493,680	493,680			0.058%	0.058%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2009	WECC		Wyoming Municipal Power Agency	U.S.	198,608	198,608			0.023%	0.023%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2009	WECC		Yampa Valley	U.S.	604,197	604,197			0.071%	0.071%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2009	WECC		Yuma Irrigation District	U.S.	3,048	3,048			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2009	WECC		Yuma-Mesa Irrigation District	U.S.	175	175			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
<b>TOTAL WECC</b>					<b>847,828,789</b>	<b>720,047,487</b>	<b>117,038,716</b>	<b>10,742,586</b>	<b>100.000%</b>	<b>84.593%</b>	<b>13.924%</b>	<b>1.484%</b>	<b>19.348%</b>	<b>16.408%</b>	<b>2.694%</b>	<b>0.246%</b>	<b>18.685%</b>
<b>TOTAL ERO</b>					<b>4,382,034,322</b>	<b>3,853,706,121</b>	<b>517,585,615</b>	<b>10,742,586</b>	<b>800.000%</b>	<b>713.204%</b>	<b>85.313%</b>	<b>1.484%</b>	<b>100.000%</b>	<b>87.919%</b>	<b>11.834%</b>	<b>0.246%</b>	<b>100.000%</b>
<b>Summary by Regional Entity</b>																	
2009	FRCC				226,802,655	226,802,655	-	-	100.000%	100.000%	0.000%	0.000%	5.176%	5.176%	0.000%	0.000%	5.885%
2009	MRO				264,751,863	220,355,964	44,395,899	-	100.000%	83.231%	16.769%	0.000%	6.042%	5.029%	1.013%	0.000%	5.718%
2009	NPCC				652,049,000	295,898,000	356,151,000	-	100.000%	45.380%	54.620%	0.000%	14.880%	6.753%	8.128%	0.000%	7.678%
2009	RFC				889,208,026	889,208,026	-	-	100.000%	100.000%	0.000%	0.000%	20.292%	20.292%	0.000%	0.000%	23.074%
2009	SERC				990,093,522	990,093,522	-	-	100.000%	100.000%	0.000%	0.000%	22.594%	22.594%	0.000%	0.000%	25.692%
2009	SPP				203,022,708	203,022,708	-	-	100.000%	100.000%	0.000%	0.000%	4.633%	4.633%	0.000%	0.000%	5.268%
2009	TRE				308,277,759	308,277,759	-	-	100.000%	100.000%	0.000%	0.000%	7.035%	7.035%	0.000%	0.000%	8.000%
2009	WECC				847,828,789	720,047,487	117,038,716	10,742,586	100.000%	84.593%	13.924%	1.484%	19.348%	16.408%	2.694%	0.246%	18.685%
<b>Total</b>					<b>4,382,034,322</b>	<b>3,853,706,121</b>	<b>517,585,615</b>	<b>10,742,586</b>	<b>800.000%</b>	<b>713.204%</b>	<b>85.313%</b>	<b>1.484%</b>	<b>100.000%</b>	<b>87.919%</b>	<b>11.834%</b>	<b>0.246%</b>	<b>100.000%</b>

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2009	FRCC	1074	Alachua, City of	U.S.	3,826	3,826	-	-	1,154	1,154	-	-	2,672	2,672	-	-
2009	FRCC	1075	Bartow, City of	U.S.	9,455	9,455	-	-	2,852	2,852	-	-	6,603	6,603	-	-
2009	FRCC	1076	Chattahoochee, City of	U.S.	1,367	1,367	-	-	412	412	-	-	955	955	-	-
2009	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	21,449	21,449	-	-	6,469	6,469	-	-	14,980	14,980	-	-
2009	FRCC	1078	Florida Power & Light Co.	U.S.	3,454,083	3,454,083	-	-	1,041,780	1,041,780	-	-	2,412,303	2,412,303	-	-
2009	FRCC	1079	Florida Public Utilities Company	U.S.	12,710	12,710	-	-	3,833	3,833	-	-	8,876	8,876	-	-
2009	FRCC	1080	Gainesville Regional Utilities	U.S.	58,954	58,954	-	-	17,781	17,781	-	-	41,173	41,173	-	-
2009	FRCC	1081	Homestead, City of	U.S.	15,209	15,209	-	-	4,587	4,587	-	-	10,622	10,622	-	-
2009	FRCC	1082	JEA	U.S.	399,809	399,809	-	-	120,586	120,586	-	-	279,223	279,223	-	-
2009	FRCC	1083	Lakeland Electric	U.S.	93,824	93,824	-	-	28,298	28,298	-	-	65,526	65,526	-	-
2009	FRCC	1084	Mount Dora, City of	U.S.	2,976	2,976	-	-	898	898	-	-	2,078	2,078	-	-
2009	FRCC	1085	New Smyrna Beach, Utilities Commission	U.S.	12,198	12,198	-	-	3,679	3,679	-	-	8,519	8,519	-	-
2009	FRCC	1086	Orlando Utilities Commission	U.S.	177,268	177,268	-	-	53,466	53,466	-	-	123,803	123,803	-	-
2009	FRCC	1087	Progress Energy Florida	U.S.	1,306,731	1,306,731	-	-	394,121	394,121	-	-	912,610	912,610	-	-
2009	FRCC	1088	Quincy, City of	U.S.	4,538	4,538	-	-	1,369	1,369	-	-	3,169	3,169	-	-
2009	FRCC	1089	Reedy Creek Improvement District	U.S.	38,539	38,539	-	-	11,624	11,624	-	-	26,916	26,916	-	-
2009	FRCC	1090	St. Cloud, City of (OUC)	U.S.	18,815	18,815	-	-	5,675	5,675	-	-	13,140	13,140	-	-
2009	FRCC	1091	Tallahassee, City of	U.S.	87,960	87,960	-	-	26,529	26,529	-	-	61,431	61,431	-	-
2009	FRCC	1092	Tampa Electric Company	U.S.	619,357	619,357	-	-	186,803	186,803	-	-	432,554	432,554	-	-
2009	FRCC	1603	Vero Beach, City of	U.S.	23,613	23,613	-	-	7,122	7,122	-	-	16,491	16,491	-	-
2009	FRCC	1093	Wauchula, City of	U.S.	2,115	2,115	-	-	638	638	-	-	1,477	1,477	-	-
2009	FRCC	1094	Williston, City of	U.S.	1,104	1,104	-	-	333	333	-	-	771	771	-	-
2009	FRCC	1095	Winter Park, City of	U.S.	14,287	14,287	-	-	4,309	4,309	-	-	9,978	9,978	-	-
2009	FRCC	1072	Florida Municipal Power Agency	U.S.	192,886	192,886	-	-	58,176	58,176	-	-	134,710	134,710	-	-
2009	FRCC	1073	Seminole Electric Cooperative	U.S.	539,070	539,070	-	-	162,588	162,588	-	-	376,482	376,482	-	-
<b>TOTAL FRCC</b>					<b>7,112,141</b>	<b>7,112,141</b>	<b>-</b>	<b>-</b>	<b>2,145,081</b>	<b>2,145,081</b>	<b>-</b>	<b>-</b>	<b>4,967,060</b>	<b>4,967,060</b>	<b>-</b>	<b>-</b>
2009	MRO	1199	Basin Electric Power Cooperative	U.S.	422,412	422,412	-	-	103,398	103,398	-	-	319,014	319,014	-	-
2009	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	109,653	109,653	-	-	26,841	26,841	-	-	82,812	82,812	-	-
2009	MRO	1204	Corn Belt Power Cooperative	U.S.	75,155	75,155	-	-	18,396	18,396	-	-	56,758	56,758	-	-
2009	MRO	1207	Dairyland Power Cooperative	U.S.	214,138	214,138	-	-	52,417	52,417	-	-	161,721	161,721	-	-
2009	MRO	1210	Great River Energy	U.S.	545,383	545,383	-	-	133,498	133,498	-	-	411,884	411,884	-	-
2009	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	157,249	157,249	-	-	38,491	38,491	-	-	118,758	118,758	-	-
2009	MRO	1230	Nebraska Public Power District	U.S.	521,556	521,556	-	-	127,666	127,666	-	-	393,890	393,890	-	-
2009	MRO	1232	Omaha Public Power District	U.S.	424,337	424,337	-	-	103,869	103,869	-	-	320,468	320,468	-	-
2009	MRO	1237	Southern Montana Generation and Trans	U.S.	184	184	-	-	45	45	-	-	139	139	-	-
2009	MRO	1240	Western Area Power Administration (UM)	U.S.	342,699	342,699	-	-	83,886	83,886	-	-	258,813	258,813	-	-
2009	MRO	1239	Western Area Power Administration (LM)	U.S.	5,225	5,225	-	-	1,279	1,279	-	-	3,946	3,946	-	-
2009	MRO	1217	Manitoba Hydro	CAN	1,095,294	-	1,095,294	-	313,503	-	313,503	-	781,792	-	781,792	-
2009	MRO	1235	SaskPower	CAN	877,554	-	877,554	-	251,180	-	251,180	-	626,375	-	626,375	-
2009	MRO	1195	Alliant Energy (Alliant East - WPL & Alliar	U.S.	1,143,530	1,143,530	-	-	279,913	279,913	-	-	863,618	863,618	-	-
2009	MRO	1216	Madison, Gas and Electric	U.S.	137,200	137,200	-	-	33,584	33,584	-	-	103,616	103,616	-	-
2009	MRO	1220	MidAmerican Energy Company	U.S.	886,519	886,519	-	-	217,001	217,001	-	-	669,517	669,517	-	-
2009	MRO	1221	Minnesota Power	U.S.	414,222	414,222	-	-	101,393	101,393	-	-	312,829	312,829	-	-
2009	MRO	1226	Montana-Dakota Utilities Co.	U.S.	106,783	106,783	-	-	26,138	26,138	-	-	80,645	80,645	-	-
2009	MRO	1231	NorthWestern Energy	U.S.	58,481	58,481	-	-	14,315	14,315	-	-	44,166	44,166	-	-
2009	MRO	1233	Otter Tail Power Company	U.S.	175,939	175,939	-	-	43,066	43,066	-	-	132,872	132,872	-	-
2009	MRO	1243	Integrus Energy Group (WPS and UPPC)	U.S.	556,326	556,326	-	-	136,177	136,177	-	-	420,149	420,149	-	-
2009	MRO	1244	Xcel Energy Company (NSP)	U.S.	1,849,013	1,849,013	-	-	452,600	452,600	-	-	1,396,413	1,396,413	-	-
2009	MRO	1196	Ames Municipal Electric System	U.S.	29,935	29,935	-	-	7,328	7,328	-	-	22,608	22,608	-	-
2009	MRO	1604	Atlantic Municipal Utilities	U.S.	3,276	3,276	-	-	802	802	-	-	2,474	2,474	-	-
2009	MRO	1476	Badger Power Marketing Authority of Wis	U.S.	14,282	14,282	-	-	3,496	3,496	-	-	10,786	10,786	-	-
2009	MRO	1200	Cedar Falls Municipal Utilities	U.S.	20,847	20,847	-	-	5,103	5,103	-	-	15,744	15,744	-	-
2009	MRO	1477	Central Minnesota Municipal Power Agen	U.S.	17,589	17,589	-	-	4,305	4,305	-	-	13,283	13,283	-	-
2009	MRO	1605	City of Pella	U.S.	7,195	7,195	-	-	1,761	1,761	-	-	5,434	5,434	-	-
2009	MRO	1203	Escanaba Municipal Electric Utility	U.S.	5,817	5,817	-	-	1,424	1,424	-	-	4,393	4,393	-	-
2009	MRO	1205	Falls City Water & Light Department	U.S.	1,576	1,576	-	-	386	386	-	-	1,190	1,190	-	-
2009	MRO	1206	Fremont Department of Utilities	U.S.	17,197	17,197	-	-	4,209	4,209	-	-	12,988	12,988	-	-
2009	MRO	1208	Geneseo Municipal Utilities	U.S.	2,628	2,628	-	-	643	643	-	-	1,985	1,985	-	-
2009	MRO	1209	Grand Island Utilities Department	U.S.	28,058	28,058	-	-	6,868	6,868	-	-	21,190	21,190	-	-

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2009	MRO	1606	Harlan Municipal Utilities	U.S.	764	764	-	-	187	187	-	-	577	577	-	-
2009	MRO	1211	Hastings Utilities	U.S.	16,266	16,266	-	-	3,981	3,981	-	-	12,284	12,284	-	-
2009	MRO	1212	Heartland Consumers Power District	U.S.	27,222	27,222	-	-	6,663	6,663	-	-	20,558	20,558	-	-
2009	MRO	1213	Hutchinson Utilities Commission	U.S.	11,907	11,907	-	-	2,915	2,915	-	-	8,992	8,992	-	-
2009	MRO	1215	Lincoln Electric System	U.S.	129,483	129,483	-	-	31,695	31,695	-	-	97,788	97,788	-	-
2009	MRO	1218	Manitowoc Public Utilities	U.S.	21,205	21,205	-	-	5,191	5,191	-	-	16,015	16,015	-	-
2009	MRO	1223	Missouri River Energy Services	U.S.	89,091	89,091	-	-	21,808	21,808	-	-	67,284	67,284	-	-
2009	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	57,022	57,022	-	-	13,958	13,958	-	-	43,064	43,064	-	-
2009	MRO	1607	Montezuma Municipal Light & Power	U.S.	1,081	1,081	-	-	265	265	-	-	816	816	-	-
2009	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	40,011	40,011	-	-	9,794	9,794	-	-	30,218	30,218	-	-
2009	MRO	1228	Muscatine Power and Water	U.S.	34,880	34,880	-	-	8,538	8,538	-	-	26,342	26,342	-	-
2009	MRO	1229	Nebraska City Utilities	U.S.	6,674	6,674	-	-	1,634	1,634	-	-	5,041	5,041	-	-
2009	MRO	1234	Rochester Public Utilities	U.S.	49	49	-	-	12	12	-	-	37	37	-	-
2009	MRO	1236	Southern Minnesota Municipal Power Ag	U.S.	117,996	117,996	-	-	28,883	28,883	-	-	89,113	89,113	-	-
2009	MRO	1241	Willmar Municipal Utilities	U.S.	11,774	11,774	-	-	2,882	2,882	-	-	8,892	8,892	-	-
2009	MRO	1242	Wisconsin Public Power, Inc. (East and V	U.S.	213,462	213,462	-	-	52,251	52,251	-	-	161,211	161,211	-	-
<b>TOTAL MRO</b>					<b>11,046,138</b>	<b>9,073,289</b>	<b>1,972,849</b>	<b>-</b>	<b>2,785,636</b>	<b>2,220,953</b>	<b>564,683</b>	<b>-</b>	<b>8,260,502</b>	<b>6,852,336</b>	<b>1,408,166</b>	<b>-</b>
2009	NPCC	1336	New England	U.S.	4,486,684	4,486,684	-	-	1,205,764	1,205,764	-	-	3,280,920	3,280,920	-	-
2009	NPCC	1339	New York	U.S.	5,627,532	5,627,532	-	-	1,510,928	1,510,928	-	-	4,116,603	4,116,603	-	-
2009	NPCC	1337	Ontario	Canada	3,248,689	-	3,248,689	-	1,175,701	-	1,175,701	-	2,072,988	-	2,072,988	-
2009	NPCC	1341	Quebec	Canada	4,546,766	-	4,546,766	-	1,773,069	-	1,773,069	-	2,773,697	-	2,773,697	-
2009	NPCC	1338	New Brunswick	Canada	320,780	-	320,780	-	116,090	-	116,090	-	204,690	-	204,690	-
2009	NPCC	1340	Nova Scotia	Canada	346,125	-	346,125	-	142,414	-	142,414	-	203,711	-	203,711	-
<b>TOTAL NPCC</b>					<b>18,576,576</b>	<b>10,114,216</b>	<b>8,462,360</b>	<b>-</b>	<b>5,923,966</b>	<b>2,716,692</b>	<b>3,207,274</b>	<b>-</b>	<b>12,652,610</b>	<b>7,397,523</b>	<b>5,255,087</b>	<b>-</b>
2009	RFC	1096	Alger Delta Cooperative Electric Associat	U.S.	1,394	1,394	-	-	552	552	-	-	842	842	-	-
2009	RFC	1097	American Municipal Power	U.S.	77,903	77,903	-	-	30,870	30,870	-	-	47,033	47,033	-	-
2009	RFC	1104	Bay City	U.S.	7,819	7,819	-	-	3,098	3,098	-	-	4,721	4,721	-	-
2009	RFC	1098	Village of Bethel	U.S.	690	690	-	-	274	274	-	-	417	417	-	-
2009	RFC	1101	Buckeye Power Inc. (DUKE-CIN)	U.S.	6,314	6,314	-	-	2,502	2,502	-	-	3,812	3,812	-	-
2009	RFC	1100	Buckeye Power Inc. (ATSI)	U.S.	24,064	24,064	-	-	9,536	9,536	-	-	14,529	14,529	-	-
2009	RFC	1102	Cannelton Utilities	U.S.	395	395	-	-	157	157	-	-	238	238	-	-
2009	RFC	1105	City of Chelsea	U.S.	2,183	2,183	-	-	865	865	-	-	1,318	1,318	-	-
2009	RFC	1106	City of Crosswell	U.S.	866	866	-	-	343	343	-	-	523	523	-	-
2009	RFC	1107	City of Crystal Falls	U.S.	322	322	-	-	128	128	-	-	194	194	-	-
2009	RFC	1108	City of Eaton Rapids	U.S.	1,861	1,861	-	-	738	738	-	-	1,124	1,124	-	-
2009	RFC	1110	City of Hamilton	U.S.	10,532	10,532	-	-	4,173	4,173	-	-	6,359	6,359	-	-
2009	RFC	1111	City of Hart	U.S.	858	858	-	-	340	340	-	-	518	518	-	-
2009	RFC	1490	City of Lansing	U.S.	49,983	49,983	-	-	19,806	19,806	-	-	30,177	30,177	-	-
2009	RFC	1112	City of Marquette Board of Light & Power	U.S.	8,060	8,060	-	-	3,194	3,194	-	-	4,866	4,866	-	-
2009	RFC	1165	City of Painesville	U.S.	3,760	3,760	-	-	1,490	1,490	-	-	2,270	2,270	-	-
2009	RFC	1114	City of Portland	U.S.	843	843	-	-	334	334	-	-	509	509	-	-
2009	RFC	1116	City of St. Louis	U.S.	928	928	-	-	368	368	-	-	561	561	-	-
2009	RFC	1117	City of Williamstown KY	U.S.	1,281	1,281	-	-	508	508	-	-	774	774	-	-
2009	RFC	1118	City of Wyandotte	U.S.	1,558	1,558	-	-	617	617	-	-	941	941	-	-
2009	RFC	1119	Cleveland Public Power	U.S.	38,804	38,804	-	-	15,377	15,377	-	-	23,428	23,428	-	-
2009	RFC	1120	Cloverland Electric Cooperative	U.S.	5,611	5,611	-	-	2,224	2,224	-	-	3,388	3,388	-	-
2009	RFC	1132	Cloverland (f.k.a. - Edison Sault Electric C	U.S.	15,817	15,817	-	-	6,268	6,268	-	-	9,549	9,549	-	-
2009	RFC	1122	CMS ERM Michigan LLC	U.S.	3,064	3,064	-	-	1,214	1,214	-	-	1,850	1,850	-	-
2009	RFC	1124	Constellation New Energy (MECS-CONS	U.S.	11,510	11,510	-	-	4,561	4,561	-	-	6,949	6,949	-	-
2009	RFC	1123	Constellation New Energy (MECS-DET)	U.S.	16,471	16,471	-	-	6,527	6,527	-	-	9,944	9,944	-	-
2009	RFC	1534	Constellation New Energy Inc. (ATSI)	U.S.	4,786	4,786	-	-	1,897	1,897	-	-	2,890	2,890	-	-
2009	RFC	1125	Constellation New Energy Inc. (DUKE-C	U.S.	2,844	2,844	-	-	1,127	1,127	-	-	1,717	1,717	-	-
2009	RFC	1126	Consumers Energy Company	U.S.	789,789	789,789	-	-	312,962	312,962	-	-	476,827	476,827	-	-
2009	RFC	1128	Detroit Edison Company	U.S.	1,083,891	1,083,891	-	-	429,503	429,503	-	-	654,388	654,388	-	-
2009	RFC	1129	Dominion Retail (ATSI)	U.S.	2,378	2,378	-	-	942	942	-	-	1,436	1,436	-	-
2009	RFC	1130	Dominion Retail Inc. (DUKE-CIN)	U.S.	8,784	8,784	-	-	3,481	3,481	-	-	5,303	5,303	-	-
2009	RFC	1131	DTE Energy Trading	U.S.	-	-	-	-	-	-	-	-	-	-	-	-
2009	RFC	1166	Duke Energy Indiana	U.S.	679,213	679,213	-	-	269,145	269,145	-	-	410,068	410,068	-	-

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2009	RFC	1179	Duke Energy Kentucky	U.S.	99,682	99,682	-	-	39,500	39,500	-	-	60,182	60,182	-	-
2009	RFC	1178	Duke Energy Ohio	U.S.	427,064	427,064	-	-	169,229	169,229	-	-	257,835	257,835	-	-
2009	RFC	1608	Duke Energy Retail Sales (ATSI)	U.S.	43,877	43,877	-	-	17,387	17,387	-	-	26,490	26,490	-	-
2009	RFC	1609	Duke Energy Retail Sales (DUKE-CIN)	U.S.	20,243	20,243	-	-	8,021	8,021	-	-	12,221	12,221	-	-
2009	RFC	1563	Energy International Power Marketing	U.S.	-	-	-	-	-	-	-	-	-	-	-	-
2009	RFC	1135	Ferdinand Municipal Light & Water	U.S.	960	960	-	-	380	380	-	-	580	580	-	-
2009	RFC	1138	FirstEnergy	U.S.	1,030,111	1,030,111	-	-	408,192	408,192	-	-	621,919	621,919	-	-
2009	RFC	1137	FirstEnergy Solutions (ATSI)	U.S.	534,900	534,900	-	-	211,960	211,960	-	-	322,940	322,940	-	-
2009	RFC	1549	FirstEnergy Solutions (MECS-DET)	U.S.	522	522	-	-	207	207	-	-	315	315	-	-
2009	RFC	1550	FirstEnergy Solutions (DUKE-CIN)	U.S.	8,159	8,159	-	-	3,233	3,233	-	-	4,926	4,926	-	-
2009	RFC	1610	Gexa Energy	U.S.	36,177	36,177	-	-	14,335	14,335	-	-	21,841	21,841	-	-
2009	RFC	1141	Georgetown	U.S.	1,314	1,314	-	-	521	521	-	-	793	793	-	-
2009	RFC	1611	Glacial Energy (ATSI)	U.S.	24	24	-	-	9	9	-	-	14	14	-	-
2009	RFC	1612	Glacial Energy (MECS-DET)	U.S.	641	641	-	-	254	254	-	-	387	387	-	-
2009	RFC	1143	Hammersville	U.S.	132	132	-	-	52	52	-	-	80	80	-	-
2009	RFC	1144	Holland Board of Public Works	U.S.	17,386	17,386	-	-	6,889	6,889	-	-	10,497	10,497	-	-
2009	RFC	1145	Hoosier Energy	U.S.	160,464	160,464	-	-	63,586	63,586	-	-	96,879	96,879	-	-
2009	RFC	1148	Indiana Municipal Power Agency (DUKE)	U.S.	68,378	68,378	-	-	27,095	27,095	-	-	41,282	41,282	-	-
2009	RFC	1485	Indiana Municipal Power Agency (NIPSC)	U.S.	9,017	9,017	-	-	3,573	3,573	-	-	5,444	5,444	-	-
2009	RFC	1486	Indiana Municipal Power Agency (SIGE)	U.S.	13,323	13,323	-	-	5,279	5,279	-	-	8,044	8,044	-	-
2009	RFC	1149	Indianapolis Power & Light Co.	U.S.	356,453	356,453	-	-	141,248	141,248	-	-	215,205	215,205	-	-
2009	RFC	1613	Integrus Energy Services (ATSI)	U.S.	1	1	-	-	0	0	-	-	1	1	-	-
2009	RFC	1552	Integrus Energy Services (DUKE-CIN)	U.S.	448	448	-	-	177	177	-	-	270	270	-	-
2009	RFC	1553	Integrus Energy Services (MECS-CONS)	U.S.	5,796	5,796	-	-	2,297	2,297	-	-	3,499	3,499	-	-
2009	RFC	1554	Integrus Energy Services (MECS-DET)	U.S.	5,817	5,817	-	-	2,305	2,305	-	-	3,512	3,512	-	-
2009	RFC	1614	Just Energy (MECS-DET)	U.S.	624	624	-	-	247	247	-	-	377	377	-	-
2009	RFC	1151	Lebanon	U.S.	6,582	6,582	-	-	2,608	2,608	-	-	3,974	3,974	-	-
2009	RFC	1154	Michigan Public Power Agency	U.S.	27,753	27,753	-	-	10,997	10,997	-	-	16,756	16,756	-	-
2009	RFC	1155	Michigan South Central Power Agency	U.S.	12,984	12,984	-	-	5,145	5,145	-	-	7,839	7,839	-	-
2009	RFC	1158	MidAmerican Energy Company Retail	U.S.	688	688	-	-	273	273	-	-	416	416	-	-
2009	RFC	1163	Northern Indiana Public Service Co.	U.S.	375,259	375,259	-	-	148,700	148,700	-	-	226,559	226,559	-	-
2009	RFC	1164	Ontonagon County Rural Electrification A	U.S.	657	657	-	-	260	260	-	-	396	396	-	-
2009	RFC	1555	Penn Power	U.S.	52,241	52,241	-	-	20,701	20,701	-	-	31,540	31,540	-	-
2009	RFC	1265	PJM Interconnection, LLC	U.S.	14,001,471	14,001,471	-	-	5,548,231	5,548,231	-	-	8,453,240	8,453,240	-	-
2009	RFC	1167	Public Lighting Department of Detroit	U.S.	-	-	-	-	-	-	-	-	-	-	-	-
2009	RFC	1170	Ripley	U.S.	449	449	-	-	178	178	-	-	271	271	-	-
2009	RFC	1580	Sempra Energy Solutions (ATSI)	U.S.	9,700	9,700	-	-	3,844	3,844	-	-	5,856	5,856	-	-
2009	RFC	1615	Sempra Energy Solutions (DUKE-CIN)	U.S.	14	14	-	-	6	6	-	-	9	9	-	-
2009	RFC	1172	Sempra Energy Solutions (MECS-CONS)	U.S.	13,205	13,205	-	-	5,233	5,233	-	-	7,972	7,972	-	-
2009	RFC	1171	Sempra Energy Solutions (MECS-DET)	U.S.	6,427	6,427	-	-	2,547	2,547	-	-	3,880	3,880	-	-
2009	RFC	1173	Direct Energy (fka:Strategic Energy) (AT	U.S.	6,921	6,921	-	-	2,743	2,743	-	-	4,179	4,179	-	-
2009	RFC	1175	Direct Energy (fka:Strategic Energy LLC)	U.S.	6,142	6,142	-	-	2,434	2,434	-	-	3,708	3,708	-	-
2009	RFC	1176	Direct Energy (fka:Strategic Energy,LLC)	U.S.	273	273	-	-	108	108	-	-	165	165	-	-
2009	RFC	1174	Direct Energy (fka:Strategic Energy,LLC)	U.S.	6,155	6,155	-	-	2,439	2,439	-	-	3,716	3,716	-	-
2009	RFC	1616	Smart Paper Holdings	U.S.	153	153	-	-	61	61	-	-	92	92	-	-
2009	RFC	1581	Spartan Renewable Energy	U.S.	1,524	1,524	-	-	604	604	-	-	920	920	-	-
2009	RFC	1180	Thumb Electric Cooperative	U.S.	3,852	3,852	-	-	1,526	1,526	-	-	2,325	2,325	-	-
2009	RFC	1181	Vectren Energy Delivery of IN	U.S.	126,791	126,791	-	-	50,242	50,242	-	-	76,549	76,549	-	-
2009	RFC	1099	Village of Blanchester	U.S.	1,848	1,848	-	-	732	732	-	-	1,115	1,115	-	-
2009	RFC	1183	Village of Sebewaing	U.S.	1,047	1,047	-	-	415	415	-	-	632	632	-	-
2009	RFC	1184	Wabash Valley Power Association Inc. (I	U.S.	60,907	60,907	-	-	24,135	24,135	-	-	36,772	36,772	-	-
2009	RFC	1487	Wabash Valley Power Association Inc. (I	U.S.	3,993	3,993	-	-	1,582	1,582	-	-	2,411	2,411	-	-
2009	RFC	1488	Wabash Valley Power Association Inc.(N	U.S.	37,183	37,183	-	-	14,734	14,734	-	-	22,449	22,449	-	-
2009	RFC	1185	Wisconsin Electric Power Co.	U.S.	652,295	652,295	-	-	258,479	258,479	-	-	393,816	393,816	-	-
2009	RFC	1189	Wolverine Power Marketing Cooperative	U.S.	23,634	23,634	-	-	9,365	9,365	-	-	14,269	14,269	-	-
2009	RFC	1191	Wolverine Power Supply Cooperative	U.S.	58,175	58,175	-	-	23,053	23,053	-	-	35,123	35,123	-	-
2009	RFC	1190	Wolverine Power Marketing Cooperative	U.S.	2,396	2,396	-	-	950	950	-	-	1,447	1,447	-	-
2009	RFC	1194	Zelienople	U.S.	756	756	-	-	299	299	-	-	456	456	-	-
<b>TOTAL RELIABILITYFIRST</b>					<b>21,207,566</b>	<b>21,207,566</b>	<b>-</b>	<b>-</b>	<b>8,403,722</b>	<b>8,403,722</b>	<b>-</b>	<b>-</b>	<b>12,803,844</b>	<b>12,803,844</b>	<b>-</b>	<b>-</b>

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2009	SERC	1267	Alabama Municipal Electric Authority	U.S.	71,709	71,709	-	-	33,349	33,349	-	-	38,360	38,360	-	-
2009	SERC	1268	Alabama Power Company	U.S.	1,092,876	1,092,876	-	-	508,255	508,255	-	-	584,621	584,621	-	-
2009	SERC	1269	Ameren - Illinois	U.S.	816,847	816,847	-	-	379,884	379,884	-	-	436,962	436,962	-	-
2009	SERC	1271	Ameren - Missouri	U.S.	795,005	795,005	-	-	369,727	369,727	-	-	425,279	425,279	-	-
2009	SERC	1272	APGI - Yadkin Division	U.S.	651	651	-	-	303	303	-	-	348	348	-	-
2009	SERC	1273	Associated Electric Cooperative Inc.	U.S.	382,623	382,623	-	-	177,943	177,943	-	-	204,679	204,679	-	-
2009	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	20,913	20,913	-	-	9,726	9,726	-	-	11,187	11,187	-	-
2009	SERC	1462	Benton Utility District	U.S.	5,319	5,319	-	-	2,474	2,474	-	-	2,845	2,845	-	-
2009	SERC	1274	Big Rivers Electric Corporation	U.S.	200,330	200,330	-	-	93,166	93,166	-	-	107,164	107,164	-	-
2009	SERC	1275	Black Warrior EMC	U.S.	8,394	8,394	-	-	3,904	3,904	-	-	4,490	4,490	-	-
2009	SERC	1276	Blue Ridge EMC	U.S.	23,146	23,146	-	-	10,764	10,764	-	-	12,382	12,382	-	-
2009	SERC	1463	Canton, MS	U.S.	2,471	2,471	-	-	1,149	1,149	-	-	1,322	1,322	-	-
2009	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	311,351	311,351	-	-	144,797	144,797	-	-	166,553	166,553	-	-
2009	SERC	1278	City of Blountstown FL	U.S.	804	804	-	-	374	374	-	-	430	430	-	-
2009	SERC	1279	City of Camden SC	U.S.	4,122	4,122	-	-	1,917	1,917	-	-	2,205	2,205	-	-
2009	SERC	1280	City of Collins MS	U.S.	905	905	-	-	421	421	-	-	484	484	-	-
2009	SERC	1281	City of Columbia MO	U.S.	27,670	27,670	-	-	12,868	12,868	-	-	14,802	14,802	-	-
2009	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	19,343	19,343	-	-	8,996	8,996	-	-	10,347	10,347	-	-
2009	SERC	1284	City of Evergreen AL	U.S.	1,248	1,248	-	-	580	580	-	-	668	668	-	-
2009	SERC	1285	City of Hampton GA	U.S.	496	496	-	-	231	231	-	-	265	265	-	-
2009	SERC	1286	City of Hartford AL	U.S.	630	630	-	-	293	293	-	-	337	337	-	-
2009	SERC	1287	City of Henderson (KY) Municipal Power	U.S.	13,268	13,268	-	-	6,171	6,171	-	-	7,098	7,098	-	-
2009	SERC	1288	City of North Little Rock AR (DENL)	U.S.	19,429	19,429	-	-	9,036	9,036	-	-	10,393	10,393	-	-
2009	SERC	1289	City of Orangeburg SC Department of Pu	U.S.	18,653	18,653	-	-	8,675	8,675	-	-	9,978	9,978	-	-
2009	SERC	1290	City of Robertsdale AL	U.S.	1,701	1,701	-	-	791	791	-	-	910	910	-	-
2009	SERC	1291	City of Ruston LA (DERS)	U.S.	5,440	5,440	-	-	2,530	2,530	-	-	2,910	2,910	-	-
2009	SERC	1292	City of Seneca SC	U.S.	3,081	3,081	-	-	1,433	1,433	-	-	1,648	1,648	-	-
2009	SERC	1115	City of Springfield (CWLP)	U.S.	36,568	36,568	-	-	17,006	17,006	-	-	19,561	19,561	-	-
2009	SERC	1465	City of Thayer, MO	U.S.	317	317	-	-	148	148	-	-	170	170	-	-
2009	SERC	1293	City of Troy AL	U.S.	7,447	7,447	-	-	3,464	3,464	-	-	3,984	3,984	-	-
2009	SERC	1294	City of West Memphis AR (West Memphi	U.S.	7,999	7,999	-	-	3,720	3,720	-	-	4,279	4,279	-	-
2009	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	12,239	12,239	-	-	5,692	5,692	-	-	6,547	6,547	-	-
2009	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	4,989	4,989	-	-	2,320	2,320	-	-	2,669	2,669	-	-
2009	SERC	1283	Dalton Utilities	U.S.	29,701	29,701	-	-	13,813	13,813	-	-	15,888	15,888	-	-
2009	SERC	1585	Dixie Electric Membership Corporation	U.S.	44,693	44,693	-	-	20,785	20,785	-	-	23,908	23,908	-	-
2009	SERC	1295	Dominion Virginia Power	U.S.	1,678,292	1,678,292	-	-	780,509	780,509	-	-	897,782	897,782	-	-
2009	SERC	1296	Duke Energy Carolinas, LLC	U.S.	1,629,198	1,629,198	-	-	757,678	757,678	-	-	871,520	871,520	-	-
2009	SERC	1466	Durant, MS	U.S.	622	622	-	-	289	289	-	-	332	332	-	-
2009	SERC	1478	E.ON U.S. Services Inc.	U.S.	676,989	676,989	-	-	314,842	314,842	-	-	362,147	362,147	-	-
2009	SERC	1297	East Kentucky Power Cooperative	U.S.	249,245	249,245	-	-	115,914	115,914	-	-	133,331	133,331	-	-
2009	SERC	1298	East Mississippi Electric Power Associati	U.S.	8,875	8,875	-	-	4,127	4,127	-	-	4,747	4,747	-	-
2009	SERC	1299	Electric Energy Inc.	U.S.	26,703	26,703	-	-	12,419	12,419	-	-	14,284	14,284	-	-
2009	SERC	1300	EnergyUnited EMC	U.S.	48,353	48,353	-	-	22,487	22,487	-	-	25,866	25,866	-	-
2009	SERC	1301	Entergy	U.S.	2,199,315	2,199,315	-	-	1,022,817	1,022,817	-	-	1,176,497	1,176,497	-	-
2009	SERC	1302	Fayetteville (NC) Public Works Commissi	U.S.	45,036	45,036	-	-	20,944	20,944	-	-	24,091	24,091	-	-
2009	SERC	1303	Florida Public Utilities (FL Panhandle Loa	U.S.	7,037	7,037	-	-	3,273	3,273	-	-	3,764	3,764	-	-
2009	SERC	1304	French Broad EMC	U.S.	10,407	10,407	-	-	4,840	4,840	-	-	5,567	5,567	-	-
2009	SERC	1305	Georgia Power Company	U.S.	1,719,948	1,719,948	-	-	799,882	799,882	-	-	920,066	920,066	-	-
2009	SERC	1306	Georgia System Optns Corporation	U.S.	763,558	763,558	-	-	355,102	355,102	-	-	408,457	408,457	-	-
2009	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	5,685	5,685	-	-	2,644	2,644	-	-	3,041	3,041	-	-
2009	SERC	1307	Greenwood (SC) Commissioners of Publi	U.S.	6,678	6,678	-	-	3,106	3,106	-	-	3,572	3,572	-	-
2009	SERC	1308	Gulf Power Company	U.S.	235,060	235,060	-	-	109,318	109,318	-	-	125,743	125,743	-	-
2009	SERC	1586	Haywood EMC	U.S.	6,134	6,134	-	-	2,853	2,853	-	-	3,281	3,281	-	-
2009	SERC	1309	Illinois Municipal Electric Agency	U.S.	36,449	36,449	-	-	16,951	16,951	-	-	19,498	19,498	-	-
2009	SERC	1480	Itta Bena, MS	U.S.	321	321	-	-	149	149	-	-	172	172	-	-
2009	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	4,538	4,538	-	-	2,111	2,111	-	-	2,428	2,428	-	-
2009	SERC	1617	Kentucky Municipal Power	U.S.	14,563	14,563	-	-	6,772	6,772	-	-	7,790	7,790	-	-
2009	SERC	1481	Kosciusko, MS	U.S.	1,471	1,471	-	-	684	684	-	-	787	787	-	-
2009	SERC	1482	Leland, MS	U.S.	648	648	-	-	301	301	-	-	347	347	-	-
2009	SERC	1313	McCormick Commission of Public Works	U.S.	461	461	-	-	214	214	-	-	247	247	-	-

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2009	SERC	1314	Mississippi Power Company	U.S.	200,927	200,927	-	-	93,444	93,444	-	-	107,484	107,484	-	-
2009	SERC	1315	Municipal Electric Authority of Georgia	U.S.	212,971	212,971	-	-	99,045	99,045	-	-	113,926	113,926	-	-
2009	SERC	1316	N.C. Electric Membership Corp.	U.S.	248,727	248,727	-	-	115,673	115,673	-	-	133,054	133,054	-	-
2009	SERC	1317	North Carolina Eastern Municipal Power	U.S.	148,993	148,993	-	-	69,291	69,291	-	-	79,702	79,702	-	-
2009	SERC	1318	North Carolina Municipal Power Agency #	U.S.	92,874	92,874	-	-	43,192	43,192	-	-	49,682	49,682	-	-
2009	SERC	1588	Northeast Louisiana Power Cooperative,	U.S.	5,597	5,597	-	-	2,603	2,603	-	-	2,994	2,994	-	-
2009	SERC	1574	Northern Virginia Electric Cooperative	U.S.	70,446	70,446	-	-	32,762	32,762	-	-	37,684	37,684	-	-
2009	SERC	1319	Old Dominion Electric Cooperative	U.S.	112,479	112,479	-	-	52,309	52,309	-	-	60,169	60,169	-	-
2009	SERC	1618	Osceola (Arkansas) Municipal Light and I	U.S.	5,419	5,419	-	-	2,520	2,520	-	-	2,899	2,899	-	-
2009	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	17,716	17,716	-	-	8,239	8,239	-	-	9,477	9,477	-	-
2009	SERC	1321	Piedmont EMC in Duke and Progress Arc	U.S.	10,202	10,202	-	-	4,745	4,745	-	-	5,458	5,458	-	-
2009	SERC	1323	Piedmont Municipal Power Agency (PMP	U.S.	46,072	46,072	-	-	21,427	21,427	-	-	24,646	24,646	-	-
2009	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	5,340	5,340	-	-	2,483	2,483	-	-	2,857	2,857	-	-
2009	SERC	1266	PowerSouth Energy	U.S.	166,805	166,805	-	-	77,575	77,575	-	-	89,231	89,231	-	-
2009	SERC	1330	Prairie Power, Inc.	U.S.	31,035	31,035	-	-	14,433	14,433	-	-	16,602	16,602	-	-
2009	SERC	1324	Progress Energy Carolinas	U.S.	919,786	919,786	-	-	427,757	427,757	-	-	492,029	492,029	-	-
2009	SERC	1325	Rutherford EMC	U.S.	25,493	25,493	-	-	11,856	11,856	-	-	13,637	13,637	-	-
2009	SERC	1326	South Carolina Electric & Gas Company	U.S.	448,181	448,181	-	-	208,432	208,432	-	-	239,749	239,749	-	-
2009	SERC	1327	South Carolina Public Service Authority	U.S.	144,199	144,199	-	-	67,061	67,061	-	-	77,137	77,137	-	-
2009	SERC	1590	South Louisiana Electric Cooperative Ass	U.S.	12,174	12,174	-	-	5,662	5,662	-	-	6,512	6,512	-	-
2009	SERC	1328	South Mississippi Electric Power Associat	U.S.	199,778	199,778	-	-	92,909	92,909	-	-	106,869	106,869	-	-
2009	SERC	1329	Southern Illinois Power Cooperative	U.S.	29,850	29,850	-	-	13,882	13,882	-	-	15,968	15,968	-	-
2009	SERC	1591	Southwest Louisiana Electric Membership	U.S.	48,894	48,894	-	-	22,739	22,739	-	-	26,155	26,155	-	-
2009	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	8,319	8,319	-	-	3,869	3,869	-	-	4,450	4,450	-	-
2009	SERC	1331	Tennessee Valley Authority	U.S.	3,334,478	3,334,478	-	-	1,550,739	1,550,739	-	-	1,783,740	1,783,740	-	-
2009	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	2,638	2,638	-	-	1,227	1,227	-	-	1,411	1,411	-	-
2009	SERC	1592	Town of Black Creek, N.C.	U.S.	253	253	-	-	118	118	-	-	135	135	-	-
2009	SERC	1593	Town of Lucama, N.C.	U.S.	423	423	-	-	197	197	-	-	226	226	-	-
2009	SERC	1594	Town of Sharpsburg, N.C.	U.S.	434	434	-	-	202	202	-	-	232	232	-	-
2009	SERC	1595	Town of Stantonburg, N.C.	U.S.	466	466	-	-	217	217	-	-	249	249	-	-
2009	SERC	1333	Town of Waynesville NC	U.S.	1,961	1,961	-	-	912	912	-	-	1,049	1,049	-	-
2009	SERC	1334	Town of Winstboro SC	U.S.	1,533	1,533	-	-	713	713	-	-	820	820	-	-
2009	SERC	1335	Town of Winterville NC	U.S.	1,037	1,037	-	-	482	482	-	-	555	555	-	-
2009	SERC	1596	Valley Electric Membership Corporation,	U.S.	3,375	3,375	-	-	1,569	1,569	-	-	1,805	1,805	-	-
2009	SERC	1597	Washington-St.Tammany Electric Coope	U.S.	22,213	22,213	-	-	10,331	10,331	-	-	11,883	11,883	-	-
TOTAL SERC					19,949,050	19,949,050	-	-	9,277,542	9,277,542	-	-	10,671,508	10,671,508	-	-
2009	SPP	1246	American Electric Power	U.S.	1,900,912	1,900,912	-	-	351,407	351,407	-	-	1,549,506	1,549,506	-	-
2009	SPP	1435	Arkansas Electric Cooperative Corporati	U.S.	205,903	205,903	-	-	38,064	38,064	-	-	167,840	167,840	-	-
2009	SPP	1247	Board of Public Utilities (Kansas City KS	U.S.	130,534	130,534	-	-	24,131	24,131	-	-	106,403	106,403	-	-
2009	SPP	1620	Board of Public Utilities, City of McPhers	U.S.	46,604	46,604	-	-	8,615	8,615	-	-	37,989	37,989	-	-
2009	SPP	1468	Cap Rock Energy	U.S.	44,436	44,436	-	-	8,215	8,215	-	-	36,221	36,221	-	-
2009	SPP	1469	Central Valley Electric Cooperative	U.S.	41,966	41,966	-	-	7,758	7,758	-	-	34,208	34,208	-	-
2009	SPP	1556	City of Bentonville	U.S.	30,918	30,918	-	-	5,716	5,716	-	-	25,203	25,203	-	-
2009	SPP	1557	City of Clarksdale, Mississippi	U.S.	9,379	9,379	-	-	1,734	1,734	-	-	7,645	7,645	-	-
2009	SPP	1558	Hope Water & Light (HWL)	U.S.	15,684	15,684	-	-	2,899	2,899	-	-	12,785	12,785	-	-
2009	SPP	1559	City of Minden	U.S.	9,206	9,206	-	-	1,702	1,702	-	-	7,504	7,504	-	-
2009	SPP	1248	Independence Power & Light (Independ	U.S.	59,340	59,340	-	-	10,970	10,970	-	-	48,370	48,370	-	-
2009	SPP	1436	City Utilities of Springfield, MO	U.S.	169,791	169,791	-	-	31,388	31,388	-	-	138,403	138,403	-	-
2009	SPP	1249	Cleco Power LLC	U.S.	605,832	605,832	-	-	111,995	111,995	-	-	493,836	493,836	-	-
2009	SPP	1437	East Texas Electric Coop, Inc.	U.S.	22,238	22,238	-	-	4,111	4,111	-	-	18,127	18,127	-	-
2009	SPP	1250	The Empire District Electric Company	U.S.	289,252	289,252	-	-	53,472	53,472	-	-	235,780	235,780	-	-
2009	SPP	1470	Farmers' Electric Coop	U.S.	22,447	22,447	-	-	4,150	4,150	-	-	18,297	18,297	-	-
2009	SPP	1438	Golden Spread Electric Coop	U.S.	245,622	245,622	-	-	45,406	45,406	-	-	200,216	200,216	-	-
2009	SPP	1251	Grand River Dam Authority	U.S.	235,428	235,428	-	-	43,522	43,522	-	-	191,906	191,906	-	-
2009	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	858,802	858,802	-	-	158,760	158,760	-	-	700,042	700,042	-	-
2009	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	111,776	111,776	-	-	20,663	20,663	-	-	91,113	91,113	-	-
2009	SPP	1440	Kansas Municipal Energy Agency (KCPL	U.S.	39,788	39,788	-	-	7,355	7,355	-	-	32,432	32,432	-	-
2009	SPP	1598	KCP&L GMOG (Greater Missouri Operat	U.S.	463,770	463,770	-	-	85,734	85,734	-	-	378,037	378,037	-	-
2009	SPP	1471	Lafayette Utilities System	U.S.	114,325	114,325	-	-	21,134	21,134	-	-	93,190	93,190	-	-



2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2009	SPP	1472	Lea County Electric Coop	U.S.	67,896	67,896	-	-	12,551	12,551	-	-	55,344	55,344	-	-
2009	SPP	1253	Louisiana Energy & Power Authority (LE	U.S.	-	-	-	-	-	-	-	-	-	-	-	-
2009	SPP	1441	Midwest Energy Inc.	U.S.	88,173	88,173	-	-	16,300	16,300	-	-	71,873	71,873	-	-
2009	SPP	1443	Missouri Joint Municipal Electric Utility Co	U.S.	121,239	121,239	-	-	22,413	22,413	-	-	98,827	98,827	-	-
2009	SPP	1442	Northeast Texas Electric Cooperative, In	U.S.	165,096	165,096	-	-	30,520	30,520	-	-	134,576	134,576	-	-
2009	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	1,521,416	1,521,416	-	-	281,252	281,252	-	-	1,240,164	1,240,164	-	-
2009	SPP	1444	Oklahoma Municipal Power Authority	U.S.	137,637	137,637	-	-	25,444	25,444	-	-	112,193	112,193	-	-
2009	SPP	1561	Public Service Commission of Yazoo Cit	U.S.	6,556	6,556	-	-	1,212	1,212	-	-	5,344	5,344	-	-
2009	SPP	1473	Roosevelt County Electric Coop	U.S.	11,858	11,858	-	-	2,192	2,192	-	-	9,666	9,666	-	-
2009	SPP	1258	Southwestern Power Administration (SP	U.S.	220,496	220,496	-	-	40,761	40,761	-	-	179,735	179,735	-	-
2009	SPP	1257	Southwestern Public Service Co. (SPS->)	U.S.	1,075,260	1,075,260	-	-	198,775	198,775	-	-	876,485	876,485	-	-
2009	SPP	1256	Sunflower Electric Cooperative (SECI)	U.S.	293,449	293,449	-	-	54,248	54,248	-	-	239,201	239,201	-	-
2009	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	25,374	25,374	-	-	4,691	4,691	-	-	20,683	20,683	-	-
2009	SPP	1475	Tri County Electric Coop	U.S.	22,157	22,157	-	-	4,096	4,096	-	-	18,061	18,061	-	-
2009	SPP	1260	Westar Energy, Inc.	U.S.	1,215,377	1,215,377	-	-	224,677	224,677	-	-	990,700	990,700	-	-
2009	SPP	1259	Western Farmers Electric Cooperative	U.S.	406,552	406,552	-	-	75,156	75,156	-	-	331,396	331,396	-	-
2009	SPP	1501	West Texas Municipal Power Agency	U.S.	105,114	105,114	-	-	19,432	19,432	-	-	85,682	85,682	-	-
			TOTAL SPP		11,157,603	11,157,603	-	-	2,062,618	2,062,618	-	-	9,094,985	9,094,985	-	-
2009	TRE	1019	ERCOT	U.S.	11,974,880	11,974,880	-	-	2,747,057	2,747,057	-	-	9,227,823	9,227,823	-	-
					11,974,880	11,974,880	-	-	2,747,057	2,747,057	-	-	9,227,823	9,227,823	-	-
2009	WECC		Alberta Electric System Operator	Canada	2,779,541	-	2,779,541	-	521,236	-	521,236	-	2,258,305	-	2,258,305	-
2009	WECC		British Columbia Transmission Corporatic	Canada	3,519,662	-	3,519,662	-	699,689	-	699,689	-	2,819,973	-	2,819,973	-
2009	WECC		Comision Federal de Electricidad	Mexico	624,217	-	-	624,217	124,091	-	124,091	500,126	-	-	500,126	-
2009	WECC		Agua Irrigation District	U.S.	1,539	1,539	-	-	253	253	-	-	1,286	1,286	-	-
2009	WECC		Aha Macav Power Service	U.S.	1,347	1,347	-	-	221	221	-	-	1,125	1,125	-	-
2009	WECC		Ajo Improvement District	U.S.	755	755	-	-	124	124	-	-	631	631	-	-
2009	WECC		Ak-Chin	U.S.	1,675	1,675	-	-	275	275	-	-	1,400	1,400	-	-
2009	WECC		ALCOA INC.	U.S.	134,934	134,934	-	-	22,158	22,158	-	-	112,776	112,776	-	-
2009	WECC		Arizona Public Service Company	U.S.	1,666,570	1,666,570	-	-	273,675	273,675	-	-	1,392,895	1,392,895	-	-
2009	WECC		Arkansas River Power Authority (ARPA)	U.S.	13,414	13,414	-	-	2,203	2,203	-	-	11,211	11,211	-	-
2009	WECC		Arlington Valley	U.S.	64	64	-	-	11	11	-	-	54	54	-	-
2009	WECC		Avista Adjusted LSE NEL	U.S.	517,327	517,327	-	-	84,953	84,953	-	-	432,374	432,374	-	-
2009	WECC		AVISTA CORPORATION	U.S.	12,546	12,546	-	-	2,060	2,060	-	-	10,486	10,486	-	-
2009	WECC		Barrick Gold Strike	U.S.	68,045	68,045	-	-	11,174	11,174	-	-	56,871	56,871	-	-
2009	WECC		Basin Electric Power Cooperative	U.S.	166,149	166,149	-	-	27,284	27,284	-	-	138,865	138,865	-	-
2009	WECC		Basin Electric Power Cooperative (WAUV	U.S.	3,121	3,121	-	-	513	513	-	-	2,609	2,609	-	-
2009	WECC		BENTON REA	U.S.	31,591	31,591	-	-	5,188	5,188	-	-	26,404	26,404	-	-
2009	WECC		Big Bend Electric Cooperative, Inc. (Avist	U.S.	10,114	10,114	-	-	1,661	1,661	-	-	8,453	8,453	-	-
2009	WECC		BIG BEND ELECTRIC COOPERATIVE, I	U.S.	18,808	18,808	-	-	3,089	3,089	-	-	15,720	15,720	-	-
2009	WECC		BLACHLY-LANE ELECTRIC COOPERA*	U.S.	7,709	7,709	-	-	1,266	1,266	-	-	6,443	6,443	-	-
2009	WECC		Black Hills Power	U.S.	101,073	101,073	-	-	16,598	16,598	-	-	84,476	84,476	-	-
2009	WECC		Black Hills State University (State of SD)	U.S.	945	945	-	-	155	155	-	-	790	790	-	-
2009	WECC		Black Hills Wyoming, Inc.	U.S.	242,160	242,160	-	-	39,766	39,766	-	-	202,394	202,394	-	-
2009	WECC		Bonneville Power (NorthWestern Energy)	U.S.	1,679	1,679	-	-	276	276	-	-	1,403	1,403	-	-
2009	WECC		Bonneville Power (PUD No. 2)	U.S.	7,618	7,618	-	-	1,251	1,251	-	-	6,367	6,367	-	-
2009	WECC		Bonneville Power Administration (Avista)	U.S.	898	898	-	-	148	148	-	-	751	751	-	-
2009	WECC		Bonneville Power Administration	U.S.	206,831	206,831	-	-	33,965	33,965	-	-	172,866	172,866	-	-
2009	WECC		BPA	U.S.	10,640	10,640	-	-	1,747	1,747	-	-	8,893	8,893	-	-
2009	WECC		BPA - Power Business Line	U.S.	403	403	-	-	66	66	-	-	337	337	-	-
2009	WECC		Buckeye Water Conservation and Draina	U.S.	971	971	-	-	159	159	-	-	812	812	-	-
2009	WECC		California ISO	U.S.	12,581,844	12,581,844	-	-	2,066,123	2,066,123	-	-	10,515,721	10,515,721	-	-
2009	WECC		Canby Public Utility Board	U.S.	9,658	9,658	-	-	1,586	1,586	-	-	8,072	8,072	-	-
2009	WECC		Central Arizona Water Conservation Dist	U.S.	143,483	143,483	-	-	23,562	23,562	-	-	119,921	119,921	-	-
2009	WECC		CENTRAL ELECTRIC COOPERATIVE, I	U.S.	28,134	28,134	-	-	4,620	4,620	-	-	23,514	23,514	-	-
2009	WECC		CENTRAL LINCOLN PUD	U.S.	72,962	72,962	-	-	11,981	11,981	-	-	60,980	60,980	-	-
2009	WECC		Central Montana	U.S.	3,477	3,477	-	-	571	571	-	-	2,906	2,906	-	-
2009	WECC		CENTRAL MONTANA ELECTRIC POWE	U.S.	4,060	4,060	-	-	667	667	-	-	3,393	3,393	-	-
2009	WECC		CITY OF ALBION	U.S.	194	194	-	-	32	32	-	-	162	162	-	-

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2009	WECC		City of Aztec	U.S.	2,076	2,076	-	-	341	341	-	-	1,735	1,735	-	-
2009	WECC		CITY OF BANDON	U.S.	3,655	3,655	-	-	600	600	-	-	3,055	3,055	-	-
2009	WECC		CITY OF BONNERS FERRY	U.S.	3,791	3,791	-	-	623	623	-	-	3,168	3,168	-	-
2009	WECC		City of Boulder	U.S.	9,664	9,664	-	-	1,587	1,587	-	-	8,077	8,077	-	-
2009	WECC		CITY OF BURLEY	U.S.	6,590	6,590	-	-	1,082	1,082	-	-	5,508	5,508	-	-
2009	WECC		City of Burlington	U.S.	1,661	1,661	-	-	273	273	-	-	1,388	1,388	-	-
2009	WECC		CITY OF CASCADE LOCKS	U.S.	1,170	1,170	-	-	192	192	-	-	978	978	-	-
2009	WECC		CITY OF CENTRALIA	U.S.	15,040	15,040	-	-	2,470	2,470	-	-	12,570	12,570	-	-
2009	WECC		CITY OF CHENEY	U.S.	7,457	7,457	-	-	1,225	1,225	-	-	6,233	6,233	-	-
2009	WECC		CITY OF CHEWELAH	U.S.	1,341	1,341	-	-	220	220	-	-	1,121	1,121	-	-
2009	WECC		CITY OF DECLO	U.S.	162	162	-	-	27	27	-	-	136	136	-	-
2009	WECC		CITY OF DRAIN	U.S.	950	950	-	-	156	156	-	-	794	794	-	-
2009	WECC		CITY OF ELLENSBURG	U.S.	12,058	12,058	-	-	1,980	1,980	-	-	10,078	10,078	-	-
2009	WECC		City of Fallon	U.S.	6,334	6,334	-	-	1,040	1,040	-	-	5,294	5,294	-	-
2009	WECC		CITY OF FOREST GROVE	U.S.	13,439	13,439	-	-	2,207	2,207	-	-	11,232	11,232	-	-
2009	WECC		City of Gallup	U.S.	12,316	12,316	-	-	2,022	2,022	-	-	10,294	10,294	-	-
2009	WECC		CITY OF HERMISTON DBA HERMISTON	U.S.	6,201	6,201	-	-	1,018	1,018	-	-	5,182	5,182	-	-
2009	WECC		CITY OF HEYBURN	U.S.	2,189	2,189	-	-	359	359	-	-	1,829	1,829	-	-
2009	WECC		City of Las Vegas	U.S.	470	470	-	-	77	77	-	-	393	393	-	-
2009	WECC		CITY OF MCCLEARY	U.S.	1,860	1,860	-	-	305	305	-	-	1,554	1,554	-	-
2009	WECC		CITY OF MCMINNVILLE	U.S.	38,317	38,317	-	-	6,292	6,292	-	-	32,024	32,024	-	-
2009	WECC		CITY OF MILTON	U.S.	3,570	3,570	-	-	586	586	-	-	2,983	2,983	-	-
2009	WECC		CITY OF MILTON-FREEWATER	U.S.	6,474	6,474	-	-	1,063	1,063	-	-	5,410	5,410	-	-
2009	WECC		CITY OF MINIDOKA	U.S.	55	55	-	-	9	9	-	-	46	46	-	-
2009	WECC		CITY OF MONMOUTH	U.S.	3,946	3,946	-	-	648	648	-	-	3,298	3,298	-	-
2009	WECC		City of Needles	U.S.	2,138	2,138	-	-	351	351	-	-	1,787	1,787	-	-
2009	WECC		CITY OF PLUMMER	U.S.	1,893	1,893	-	-	311	311	-	-	1,583	1,583	-	-
2009	WECC		CITY OF PORT ANGELES	U.S.	37,625	37,625	-	-	6,179	6,179	-	-	31,447	31,447	-	-
2009	WECC		City of Redding	U.S.	35,526	35,526	-	-	5,834	5,834	-	-	29,692	29,692	-	-
2009	WECC		CITY OF RICHLAND	U.S.	47,303	47,303	-	-	7,768	7,768	-	-	39,536	39,536	-	-
2009	WECC		City of Roseville	U.S.	68,937	68,937	-	-	11,320	11,320	-	-	57,616	57,616	-	-
2009	WECC		CITY OF RUPERT	U.S.	4,460	4,460	-	-	732	732	-	-	3,728	3,728	-	-
2009	WECC		City of Shasta Lake	U.S.	9,756	9,756	-	-	1,602	1,602	-	-	8,154	8,154	-	-
2009	WECC		CITY OF TACOMA DBA TACOMA POWE	U.S.	21	21	-	-	3	3	-	-	18	18	-	-
2009	WECC		CITY OF TROY	U.S.	967	967	-	-	159	159	-	-	808	808	-	-
2009	WECC		CITY OF WEISER	U.S.	2,984	2,984	-	-	490	490	-	-	2,494	2,494	-	-
2009	WECC		City of Williams	U.S.	2,145	2,145	-	-	352	352	-	-	1,792	1,792	-	-
2009	WECC		CLARK PUBLIC UTILITIES	U.S.	248,749	248,749	-	-	40,848	40,848	-	-	207,901	207,901	-	-
2009	WECC		CLATSKANIE PUD	U.S.	53,031	53,031	-	-	8,709	8,709	-	-	44,323	44,323	-	-
2009	WECC		CLEARWATER COOPERATIVE, INC	U.S.	2,408	2,408	-	-	395	395	-	-	2,013	2,013	-	-
2009	WECC		Clearwater Power Company	U.S.	8,775	8,775	-	-	1,441	1,441	-	-	7,334	7,334	-	-
2009	WECC		Colorado River Agency-Bureau of Indian	U.S.	201	201	-	-	33	33	-	-	168	168	-	-
2009	WECC		Colorado River Commission	U.S.	38,509	38,509	-	-	6,324	6,324	-	-	32,185	32,185	-	-
2009	WECC		Colorado Springs Utilities	U.S.	228,315	228,315	-	-	37,493	37,493	-	-	190,822	190,822	-	-
2009	WECC		COLUMBIA BASIN ELECTRIC COOPER	U.S.	5,798	5,798	-	-	952	952	-	-	4,846	4,846	-	-
2009	WECC		COLUMBIA FALLS ALUMINUM COMPAI	U.S.	18,005	18,005	-	-	2,957	2,957	-	-	15,048	15,048	-	-
2009	WECC		COLUMBIA POWER COOPERATIVE AS	U.S.	1,247	1,247	-	-	205	205	-	-	1,042	1,042	-	-
2009	WECC		COLUMBIA REA	U.S.	16,502	16,502	-	-	2,710	2,710	-	-	13,792	13,792	-	-
2009	WECC		COLUMBIA RIVER PUD (BPA)	U.S.	9,172	9,172	-	-	1,506	1,506	-	-	7,666	7,666	-	-
2009	WECC		Columbia River PUD (PGE)	U.S.	17,210	17,210	-	-	2,826	2,826	-	-	14,384	14,384	-	-
2009	WECC		CONSOLIDATED IRRIGATION DISTRIC	U.S.	111	111	-	-	18	18	-	-	93	93	-	-
2009	WECC		Constellation New Energy, Inc.	U.S.	1,597	1,597	-	-	262	262	-	-	1,335	1,335	-	-
2009	WECC		CONSUMERS POWER, INC.	U.S.	22,998	22,998	-	-	3,777	3,777	-	-	19,221	19,221	-	-
2009	WECC		COOS-CURRY ELECTRIC COOPERATI	U.S.	19,076	19,076	-	-	3,132	3,132	-	-	15,943	15,943	-	-
2009	WECC		Deseret Generation & Transmission Co-C	U.S.	3,697	3,697	-	-	607	607	-	-	3,090	3,090	-	-
2009	WECC		Douglas - Palasades	U.S.	1,010	1,010	-	-	166	166	-	-	844	844	-	-
2009	WECC		DOUGLAS ELECTRIC COOPERATIVE,	U.S.	5,248	5,248	-	-	862	862	-	-	4,386	4,386	-	-
2009	WECC		EAST END MUTUAL ELECTRIC COMP/	U.S.	1,219	1,219	-	-	200	200	-	-	1,019	1,019	-	-
2009	WECC		El Paso Electric Company	U.S.	418,184	418,184	-	-	68,672	68,672	-	-	349,512	349,512	-	-
2009	WECC		Electrical District #2	U.S.	9,772	9,772	-	-	1,605	1,605	-	-	8,167	8,167	-	-

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2009	WECC		Electrical District No. 6 of Pinal County	U.S.	65	65	-	-	11	11	-	-	54	54	-	-
2009	WECC		Electrical District No. 7 of Mariopa County	U.S.	1,530	1,530	-	-	251	251	-	-	1,278	1,278	-	-
2009	WECC		Electrical District No. 8 of Mariopa County	U.S.	14,210	14,210	-	-	2,333	2,333	-	-	11,876	11,876	-	-
2009	WECC		Electrical Districts 1 & 3	U.S.	32,039	32,039	-	-	5,261	5,261	-	-	26,777	26,777	-	-
2009	WECC		ELMHURST MUTUAL POWER & LIGHT	U.S.	15,397	15,397	-	-	2,528	2,528	-	-	12,869	12,869	-	-
2009	WECC		EMERALD PUD	U.S.	27,790	27,790	-	-	4,563	4,563	-	-	23,226	23,226	-	-
2009	WECC		ENERGY NORTHWEST	U.S.	2,991	2,991	-	-	491	491	-	-	2,500	2,500	-	-
2009	WECC		EPCOR Merchant and Capital (US) Inc.	U.S.	3,877	3,877	-	-	637	637	-	-	3,240	3,240	-	-
2009	WECC		EUGENE WATER & ELECTRIC BOARD	U.S.	135,417	135,417	-	-	22,238	22,238	-	-	113,180	113,180	-	-
2009	WECC		FARMERS ELECTRIC COMPANY, LTD.	U.S.	244	244	-	-	40	40	-	-	204	204	-	-
2009	WECC		Farmington Electric Utility System	U.S.	61,985	61,985	-	-	10,179	10,179	-	-	51,806	51,806	-	-
2009	WECC		FLATHEAD ELECTRIC COOPERATIVE,	U.S.	76,836	76,836	-	-	12,618	12,618	-	-	64,219	64,219	-	-
2009	WECC		Fredonia, Town of	U.S.	75	75	-	-	12	12	-	-	62	62	-	-
2009	WECC		GLACIER ELECTRIC COOPERATIVE, IN	U.S.	9,877	9,877	-	-	1,622	1,622	-	-	8,255	8,255	-	-
2009	WECC		Grand Valley	U.S.	12,656	12,656	-	-	2,078	2,078	-	-	10,578	10,578	-	-
2009	WECC		Grant LSE Load	U.S.	200,762	200,762	-	-	32,968	32,968	-	-	167,794	167,794	-	-
2009	WECC		Harney Electric Coop	U.S.	4,191	4,191	-	-	688	688	-	-	3,503	3,503	-	-
2009	WECC		HARNEY ELECTRIC COOPERATIVE, IN	U.S.	6,246	6,246	-	-	1,026	1,026	-	-	5,220	5,220	-	-
2009	WECC		Harquahala Valley Power District	U.S.	4,046	4,046	-	-	664	664	-	-	3,381	3,381	-	-
2009	WECC		HERMISTON POWER LLC	U.S.	138	138	-	-	23	23	-	-	115	115	-	-
2009	WECC		Holy Cross	U.S.	53,687	53,687	-	-	8,816	8,816	-	-	44,871	44,871	-	-
2009	WECC		HOOD RIVER ELECTRIC COOPERATIV	U.S.	2,228	2,228	-	-	366	366	-	-	1,862	1,862	-	-
2009	WECC		IDAHO COUNTY LIGHT AND POWER C	U.S.	2,966	2,966	-	-	487	487	-	-	2,479	2,479	-	-
2009	WECC		Idaho Power	U.S.	1,963	1,963	-	-	322	322	-	-	1,640	1,640	-	-
2009	WECC		Imperial Irrigation District	U.S.	198,705	198,705	-	-	32,630	32,630	-	-	166,075	166,075	-	-
2009	WECC		Inland Power & Light Co.	U.S.	25,173	25,173	-	-	4,134	4,134	-	-	21,039	21,039	-	-
2009	WECC		INLAND POWER AND LIGHT COMPAN'	U.S.	26,975	26,975	-	-	4,430	4,430	-	-	22,545	22,545	-	-
2009	WECC		IPCO	U.S.	826,282	826,282	-	-	135,688	135,688	-	-	690,595	690,595	-	-
2009	WECC		IREA-Transmission	U.S.	109,947	109,947	-	-	18,055	18,055	-	-	91,892	91,892	-	-
2009	WECC		Kirtland Air Force Base	U.S.	23,773	23,773	-	-	3,904	3,904	-	-	19,869	19,869	-	-
2009	WECC		Kootenai Electric Cooperative, Inc.	U.S.	25,444	25,444	-	-	4,178	4,178	-	-	21,266	21,266	-	-
2009	WECC		LA Dept. of Water & Power	U.S.	1,585,358	1,585,358	-	-	260,339	260,339	-	-	1,325,019	1,325,019	-	-
2009	WECC		LAKEVIEW LIGHT & POWER	U.S.	15,655	15,655	-	-	2,571	2,571	-	-	13,085	13,085	-	-
2009	WECC		LANE ELECTRIC COOPERATIVE, INC.	U.S.	12,772	12,772	-	-	2,097	2,097	-	-	10,675	10,675	-	-
2009	WECC		Las Vegas Valley Water District (SB211)	U.S.	5,179	5,179	-	-	850	850	-	-	4,329	4,329	-	-
2009	WECC		Lincoln County Power District	U.S.	4,529	4,529	-	-	744	744	-	-	3,785	3,785	-	-
2009	WECC		LINCOLN ELECTRIC COOPERATIVE, IN	U.S.	6,752	6,752	-	-	1,109	1,109	-	-	5,644	5,644	-	-
2009	WECC		Maricopa County Municipal Water Conse	U.S.	2,640	2,640	-	-	434	434	-	-	2,207	2,207	-	-
2009	WECC		McMullen Valley Water Conservation & C	U.S.	3,180	3,180	-	-	522	522	-	-	2,658	2,658	-	-
2009	WECC		Merced Irrigation District	U.S.	23,721	23,721	-	-	3,895	3,895	-	-	19,826	19,826	-	-
2009	WECC		Mesa, City of	U.S.	14,548	14,548	-	-	2,389	2,389	-	-	12,159	12,159	-	-
2009	WECC		MIDSTATE ELECTRIC COOPERATIVE,	U.S.	21,694	21,694	-	-	3,562	3,562	-	-	18,131	18,131	-	-
2009	WECC		MISSION VALLEY POWER	U.S.	22,888	22,888	-	-	3,759	3,759	-	-	19,129	19,129	-	-
2009	WECC		MISSOULA ELECTRIC COOPERATIVE,	U.S.	12,399	12,399	-	-	2,036	2,036	-	-	10,363	10,363	-	-
2009	WECC		Modern Electric Water Co.	U.S.	13,119	13,119	-	-	2,154	2,154	-	-	10,964	10,964	-	-
2009	WECC		Modesto Irrigation District	U.S.	141,725	141,725	-	-	23,273	23,273	-	-	118,452	118,452	-	-
2009	WECC		Montana Dakota Utilities (MDU)	U.S.	1,765	1,765	-	-	290	290	-	-	1,475	1,475	-	-
2009	WECC		Mt. Wheeler Power Inc.	U.S.	27,225	27,225	-	-	4,471	4,471	-	-	22,754	22,754	-	-
2009	WECC		Municipal Energy Agency of Nebraska	U.S.	37,165	37,165	-	-	6,103	6,103	-	-	31,062	31,062	-	-
2009	WECC		Municipal Energy Agency of Nebraska (N	U.S.	18,986	18,986	-	-	3,118	3,118	-	-	15,869	15,869	-	-
2009	WECC		Navajo Tribal Utility Authority (APS)	U.S.	2,227	2,227	-	-	366	366	-	-	1,862	1,862	-	-
2009	WECC		Navajo Tribal Utility Authority (PSCofNM)	U.S.	11,692	11,692	-	-	1,920	1,920	-	-	9,772	9,772	-	-
2009	WECC		Navopache Electric Cooperative, Inc	U.S.	25,652	25,652	-	-	4,212	4,212	-	-	21,440	21,440	-	-
2009	WECC		Nebraska Public Power Marketing	U.S.	192	192	-	-	32	32	-	-	160	160	-	-
2009	WECC		Needles Public Utilities Authority	U.S.	1,987	1,987	-	-	326	326	-	-	1,661	1,661	-	-
2009	WECC		NE SPELEM VALLEY ELECTRIC COOPF	U.S.	2,865	2,865	-	-	470	470	-	-	2,395	2,395	-	-
2009	WECC		Nevada Power Company	U.S.	1,195,274	1,195,274	-	-	196,282	196,282	-	-	998,993	998,993	-	-
2009	WECC		New Harquahala	U.S.	72	72	-	-	12	12	-	-	60	60	-	-
2009	WECC		Northern Lights Inc.	U.S.	1,494	1,494	-	-	245	245	-	-	1,249	1,249	-	-
2009	WECC		NORTHERN LIGHTS, INC.	U.S.	16,720	16,720	-	-	2,746	2,746	-	-	13,974	13,974	-	-

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2009	WECC		NORTHERN WASCO COUNTY PUD	U.S.	32,601	32,601	-	-	5,354	5,354	-	-	27,248	27,248	-	-
2009	WECC		NWMT	U.S.	16,478	16,478	-	-	2,706	2,706	-	-	13,772	13,772	-	-
2009	WECC		OHOP MUTUAL LIGHT COMPANY	U.S.	4,856	4,856	-	-	797	797	-	-	4,059	4,059	-	-
2009	WECC		ORCAS POWER & LIGHT COOPERATI	U.S.	11,709	11,709	-	-	1,923	1,923	-	-	9,786	9,786	-	-
2009	WECC		OREGON TRAIL ELECTRIC CONSUME	U.S.	36,582	36,582	-	-	6,007	6,007	-	-	30,575	30,575	-	-
2009	WECC		Overton Power District #5	U.S.	20,973	20,973	-	-	3,444	3,444	-	-	17,529	17,529	-	-
2009	WECC		PACIFICORP (BPA)	U.S.	839	839	-	-	138	138	-	-	701	701	-	-
2009	WECC		PACIFICORP (PGE)	U.S.	174	174	-	-	29	29	-	-	145	145	-	-
2009	WECC		PACIFICORP(WAPA)	U.S.	11,237	11,237	-	-	1,845	1,845	-	-	9,392	9,392	-	-
2009	WECC		PacifiCorp (PACE)	U.S.	2,451,278	2,451,278	-	-	402,536	402,536	-	-	2,048,743	2,048,743	-	-
2009	WECC		PacifiCorp (PACW)	U.S.	1,167,633	1,167,633	-	-	191,742	191,742	-	-	975,890	975,890	-	-
2009	WECC		Page Electric Utility	U.S.	715	715	-	-	117	117	-	-	598	598	-	-
2009	WECC		PARKLAND LIGHT AND WATER COMP	U.S.	6,740	6,740	-	-	1,107	1,107	-	-	5,633	5,633	-	-
2009	WECC		PENINSULA LIGHT COMPANY, INC.	U.S.	34,023	34,023	-	-	5,587	5,587	-	-	28,436	28,436	-	-
2009	WECC		Platte River Power Authority	U.S.	171,628	171,628	-	-	28,184	28,184	-	-	143,444	143,444	-	-
2009	WECC		PORT TOWNSEND PAPER CORPORA	U.S.	10,707	10,707	-	-	1,758	1,758	-	-	8,949	8,949	-	-
2009	WECC		Portland General Electric Company	U.S.	986,530	986,530	-	-	162,003	162,003	-	-	824,527	824,527	-	-
2009	WECC		Public Service Company of Colorado	U.S.	1,575,010	1,575,010	-	-	258,640	258,640	-	-	1,316,371	1,316,371	-	-
2009	WECC		Public Service Company of Colorado (Xc	U.S.	1,769	1,769	-	-	290	290	-	-	1,478	1,478	-	-
2009	WECC		Public Service Company of New Mexico	U.S.	554,132	554,132	-	-	90,997	90,997	-	-	463,136	463,136	-	-
2009	WECC		PUD NO. 1 OF DOUGLAS COUNTY	U.S.	481	481	-	-	79	79	-	-	402	402	-	-
2009	WECC		PUD NO. 1 OF ASOTIN COUNTY	U.S.	285	285	-	-	47	47	-	-	238	238	-	-
2009	WECC		PUD NO. 1 OF BENTON COUNTY	U.S.	96,661	96,661	-	-	15,873	15,873	-	-	80,788	80,788	-	-
2009	WECC		PUD No. 1 of Chelan County	U.S.	176,730	176,730	-	-	29,022	29,022	-	-	147,708	147,708	-	-
2009	WECC		PUD NO. 1 OF CLALLAM COUNTY	U.S.	37,251	37,251	-	-	6,117	6,117	-	-	31,134	31,134	-	-
2009	WECC		PUD NO. 1 OF COWLITZ COUNTY	U.S.	266,546	266,546	-	-	43,771	43,771	-	-	222,775	222,775	-	-
2009	WECC		PUD No. 1 of Douglas County	U.S.	80,600	80,600	-	-	13,236	13,236	-	-	67,364	67,364	-	-
2009	WECC		PUD NO. 1 OF FERRY COUNTY	U.S.	5,389	5,389	-	-	885	885	-	-	4,504	4,504	-	-
2009	WECC		PUD NO. 1 OF FRANKLIN COUNTY	U.S.	54,337	54,337	-	-	8,923	8,923	-	-	45,414	45,414	-	-
2009	WECC		PUD NO. 1 OF GRAYS HARBOR	U.S.	59,969	59,969	-	-	9,848	9,848	-	-	50,121	50,121	-	-
2009	WECC		PUD NO. 1 OF KITTITAS COUNTY	U.S.	2,979	2,979	-	-	489	489	-	-	2,490	2,490	-	-
2009	WECC		PUD NO. 1 OF KLICKITAT COUNTY	U.S.	16,307	16,307	-	-	2,678	2,678	-	-	13,629	13,629	-	-
2009	WECC		PUD NO. 1 OF LEWIS COUNTY	U.S.	52,485	52,485	-	-	8,619	8,619	-	-	43,866	43,866	-	-
2009	WECC		PUD NO. 1 OF MASON COUNTY	U.S.	4,347	4,347	-	-	714	714	-	-	3,633	3,633	-	-
2009	WECC		PUD No. 1 of Pend Oreille County	U.S.	52,580	52,580	-	-	8,634	8,634	-	-	43,946	43,946	-	-
2009	WECC		PUD NO. 1 OF SKAMANIA COUNTY	U.S.	7,531	7,531	-	-	1,237	1,237	-	-	6,294	6,294	-	-
2009	WECC		PUD NO. 1 OF SNOHOMISH COUNTY	U.S.	387,522	387,522	-	-	63,637	63,637	-	-	323,885	323,885	-	-
2009	WECC		PUD NO. 1 OF WAHIAKUM COUNTY	U.S.	2,421	2,421	-	-	398	398	-	-	2,023	2,023	-	-
2009	WECC		PUD NO. 1 OF WHATCOM COUNTY	U.S.	12,149	12,149	-	-	1,995	1,995	-	-	10,154	10,154	-	-
2009	WECC		PUD NO. 2 OF GRANT COUNTY (Avista	U.S.	4,907	4,907	-	-	806	806	-	-	4,102	4,102	-	-
2009	WECC		PUD NO. 2 OF GRANT COUNTY (BPA)	U.S.	2,659	2,659	-	-	437	437	-	-	2,223	2,223	-	-
2009	WECC		PUD NO. 2 OF PACIFIC COUNTY	U.S.	16,979	16,979	-	-	2,788	2,788	-	-	14,190	14,190	-	-
2009	WECC		PUD NO. 3 OF MASON COUNTY	U.S.	37,996	37,996	-	-	6,239	6,239	-	-	31,756	31,756	-	-
2009	WECC		Puget Sound Energy	U.S.	1,381,617	1,381,617	-	-	226,882	226,882	-	-	1,154,735	1,154,735	-	-
2009	WECC		RAFT RIVER RURAL ELECTRIC COOP	U.S.	12,020	12,020	-	-	1,974	1,974	-	-	10,046	10,046	-	-
2009	WECC		RAVALLI COUNTY ELECTRIC COOPER	U.S.	8,551	8,551	-	-	1,404	1,404	-	-	7,147	7,147	-	-
2009	WECC		RBS Sempra Energy Solutions	U.S.	102,258	102,258	-	-	16,792	16,792	-	-	85,465	85,465	-	-
2009	WECC		RIVERSIDE ELECTRIC COMPANY, LTD	U.S.	1,089	1,089	-	-	179	179	-	-	910	910	-	-
2009	WECC		Rocky Mountain Generation Cooperative	U.S.	2,160	2,160	-	-	355	355	-	-	1,805	1,805	-	-
2009	WECC		Roosevelt Irrigation District	U.S.	1,620	1,620	-	-	266	266	-	-	1,354	1,354	-	-
2009	WECC		SALEM ELECTRIC	U.S.	18,248	18,248	-	-	2,997	2,997	-	-	15,251	15,251	-	-
2009	WECC		Salt River Project (SRP)	U.S.	1,521,434	1,521,434	-	-	249,842	249,842	-	-	1,271,592	1,271,592	-	-
2009	WECC		San Carlos Indian Irrigation Project	U.S.	8	8	-	-	1	1	-	-	6	6	-	-
2009	WECC		Seattle City Light	U.S.	551,754	551,754	-	-	90,606	90,606	-	-	461,148	461,148	-	-
2009	WECC		Sierra Pacific Power Company	U.S.	472,920	472,920	-	-	77,660	77,660	-	-	395,259	395,259	-	-
2009	WECC		SMGT / BPA	U.S.	869	869	-	-	143	143	-	-	727	727	-	-
2009	WECC		SMUD	U.S.	621,214	621,214	-	-	102,012	102,012	-	-	519,201	519,201	-	-
2009	WECC		SOUTH SIDE ELECTRIC, INC.	U.S.	2,974	2,974	-	-	488	488	-	-	2,486	2,486	-	-
2009	WECC		Southern Montana	U.S.	37,646	37,646	-	-	6,182	6,182	-	-	31,464	31,464	-	-
2009	WECC		Southern Nevada Water Authority	U.S.	44,586	44,586	-	-	7,322	7,322	-	-	37,264	37,264	-	-

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2009	WECC		Southwest Transmission Cooperative, Inc	U.S.	147,215	147,215	-	-	24,175	24,175	-	-	123,040	123,040	-	-
2009	WECC		SPRINGFIELD UTILITY BOARD	U.S.	46,294	46,294	-	-	7,602	7,602	-	-	38,692	38,692	-	-
2009	WECC		SURPRISE VALLEY ELECTRIFICATION	U.S.	1,879	1,879	-	-	309	309	-	-	1,570	1,570	-	-
2009	WECC		Tacoma Power	U.S.	271,938	271,938	-	-	44,656	44,656	-	-	227,282	227,282	-	-
2009	WECC		The Incorporated County of Los Alamos	U.S.	20,922	20,922	-	-	3,436	3,436	-	-	17,486	17,486	-	-
2009	WECC		TILLAMOOK PUD	U.S.	19,160	19,160	-	-	3,146	3,146	-	-	16,014	16,014	-	-
2009	WECC		Tohono O'odham Utility Authority	U.S.	3,636	3,636	-	-	597	597	-	-	3,039	3,039	-	-
2009	WECC		Tonopah Irrigation District	U.S.	1,226	1,226	-	-	201	201	-	-	1,024	1,024	-	-
2009	WECC		Total NWMT Load Owner	U.S.	481,502	481,502	-	-	79,070	79,070	-	-	402,432	402,432	-	-
2009	WECC		Town of Center-Transmission	U.S.	661	661	-	-	108	108	-	-	552	552	-	-
2009	WECC		TOWN OF COULEE DAM	U.S.	1,035	1,035	-	-	170	170	-	-	865	865	-	-
2009	WECC		TOWN OF EATONVILLE	U.S.	1,584	1,584	-	-	260	260	-	-	1,324	1,324	-	-
2009	WECC		TOWN OF STEILACOOM	U.S.	2,302	2,302	-	-	378	378	-	-	1,924	1,924	-	-
2009	WECC		Town of Wickenburg	U.S.	1,579	1,579	-	-	259	259	-	-	1,320	1,320	-	-
2009	WECC		Tri State G & T Assoc., Inc	U.S.	105,976	105,976	-	-	17,403	17,403	-	-	88,573	88,573	-	-
2009	WECC		Tri-State Generation & Transmission Ass	U.S.	461	461	-	-	76	76	-	-	386	386	-	-
2009	WECC		Tri-State Generation and Transmission A	U.S.	360,417	360,417	-	-	59,186	59,186	-	-	301,232	301,232	-	-
2009	WECC		Tristate Generation and Transmission As	U.S.	131,476	131,476	-	-	21,590	21,590	-	-	109,886	109,886	-	-
2009	WECC		Truckee Donner Public Utility District	U.S.	8,150	8,150	-	-	1,338	1,338	-	-	6,812	6,812	-	-
2009	WECC		Tucson Electric Power	U.S.	736,070	736,070	-	-	120,873	120,873	-	-	615,196	615,196	-	-
2009	WECC		Turlock Irrigation District	U.S.	111,952	111,952	-	-	18,384	18,384	-	-	93,568	93,568	-	-
2009	WECC		U.S. Army Yuma Proving Ground	U.S.	1,066	1,066	-	-	175	175	-	-	891	891	-	-
2009	WECC		U.S. BOIA WAPATO IRRIGATION PROJ	U.S.	932	932	-	-	153	153	-	-	779	779	-	-
2009	WECC		U.S. BOR EAST GREENACRES (RATHI	U.S.	291	291	-	-	48	48	-	-	243	243	-	-
2009	WECC		U.S. BOR SPOKANE INDIAN DEVELOP	U.S.	187	187	-	-	31	31	-	-	156	156	-	-
2009	WECC		U.S. DOE NATIONAL ENERGY TECHN	U.S.	210	210	-	-	35	35	-	-	176	176	-	-
2009	WECC		U.S. DOE RICHLAND OPERATIONS OF	U.S.	10,253	10,253	-	-	1,684	1,684	-	-	8,569	8,569	-	-
2009	WECC		U.S.A.F. BASE, FAIRCHILD	U.S.	3,026	3,026	-	-	497	497	-	-	2,529	2,529	-	-
2009	WECC		U.S.N SUBMARINE BASE, BANGOR	U.S.	9,706	9,706	-	-	1,594	1,594	-	-	8,112	8,112	-	-
2009	WECC		U.S.N. NAVAL STATION, BREMERTON	U.S.	13,531	13,531	-	-	2,222	2,222	-	-	11,309	11,309	-	-
2009	WECC		U.S.N. NAVAL STATION, EVERETT	U.S.	765	765	-	-	126	126	-	-	640	640	-	-
2009	WECC		UMATILLA ELECTRIC COOPERATIVE #	U.S.	51,962	51,962	-	-	8,533	8,533	-	-	43,429	43,429	-	-
2009	WECC		Unit B Irrigation District	U.S.	1	1	-	-	0	0	-	-	1	1	-	-
2009	WECC		United Electric Cooperative, Inc.	U.S.	12,231	12,231	-	-	2,009	2,009	-	-	10,223	10,223	-	-
2009	WECC		Valley Electric Association	U.S.	25,021	25,021	-	-	4,109	4,109	-	-	20,912	20,912	-	-
2009	WECC		Vera Water and Power	U.S.	12,918	12,918	-	-	2,121	2,121	-	-	10,796	10,796	-	-
2009	WECC		Vigilante Electric Cooperative, Inc.	U.S.	8,918	8,918	-	-	1,464	1,464	-	-	7,453	7,453	-	-
2009	WECC		WASCO Electric Cooperative	U.S.	5,231	5,231	-	-	859	859	-	-	4,372	4,372	-	-
2009	WECC		WAUW	U.S.	12,346	12,346	-	-	2,027	2,027	-	-	10,319	10,319	-	-
2009	WECC		Wells REA	U.S.	11,189	11,189	-	-	1,837	1,837	-	-	9,352	9,352	-	-
2009	WECC		Wells Rural Electric Coop	U.S.	35,469	35,469	-	-	5,825	5,825	-	-	29,645	29,645	-	-
2009	WECC		Wellton-Mohawk Irrigation & Drainage Di	U.S.	400	400	-	-	66	66	-	-	335	335	-	-
2009	WECC		West Oregon Electric Cooperative, Inc	U.S.	3,852	3,852	-	-	632	632	-	-	3,219	3,219	-	-
2009	WECC		Western (WAPA-Sierra Nevada Region)	U.S.	76,761	76,761	-	-	12,605	12,605	-	-	64,156	64,156	-	-
2009	WECC		Western Area Power	U.S.	10,593	10,593	-	-	1,739	1,739	-	-	8,853	8,853	-	-
2009	WECC		Western Area Power Administration - CR	U.S.	60,834	60,834	-	-	9,990	9,990	-	-	50,844	50,844	-	-
2009	WECC		Western Area Power Administration - De	U.S.	123,895	123,895	-	-	20,345	20,345	-	-	103,550	103,550	-	-
2009	WECC		Western Area Power Administration - LAI	U.S.	84,471	84,471	-	-	13,871	13,871	-	-	70,600	70,600	-	-
2009	WECC		Western Area Power Administration	U.S.	26,789	26,789	-	-	4,399	4,399	-	-	22,390	22,390	-	-
2009	WECC		Wyoming Municipal Power Agency	U.S.	10,777	10,777	-	-	1,770	1,770	-	-	9,008	9,008	-	-
2009	WECC		Yampa Valley	U.S.	32,786	32,786	-	-	5,384	5,384	-	-	27,402	27,402	-	-
2009	WECC		Yuma Irrigation District	U.S.	165	165	-	-	27	27	-	-	138	138	-	-
2009	WECC		Yuma-Mesa Irrigation District	U.S.	9	9	-	-	2	2	-	-	8	8	-	-
<b>TOTAL WECC</b>					<b>45,996,237</b>	<b>39,072,817</b>	<b>6,299,203</b>	<b>624,217</b>	<b>7,761,345</b>	<b>6,416,329</b>	<b>1,220,925</b>	<b>124,091</b>	<b>38,234,892</b>	<b>32,656,488</b>	<b>5,078,278</b>	<b>500,126</b>

2009 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2011 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
TOTAL ERO					147,020,191	129,661,562	16,734,412	624,217	41,106,967	35,989,995	4,992,881	124,091	105,913,224	93,671,567	11,741,531	500,126
Summary by Regional Entity																
2009	FRCC				7,112,141	7,112,141	-	-	2,145,081	2,145,081	-	-	4,967,060	4,967,060	-	-
2009	MRO				11,046,138	9,073,289	1,972,849	-	2,785,636	2,220,953	564,683	-	8,260,502	6,852,336	1,408,166	-
2009	NPCC				18,576,576	10,114,216	8,462,360	-	5,923,966	2,716,692	3,207,274	-	12,652,610	7,397,523	5,255,087	-
2009	RFC				21,207,566	21,207,566	-	-	8,403,722	8,403,722	-	-	12,803,844	12,803,844	-	-
2009	SERC				19,949,050	19,949,050	-	-	9,277,542	9,277,542	-	-	10,671,508	10,671,508	-	-
2009	SPP				11,157,603	11,157,603	-	-	2,062,618	2,062,618	-	-	9,094,985	9,094,985	-	-
2009	TRE				11,974,880	11,974,880	-	-	2,747,057	2,747,057	-	-	9,227,823	9,227,823	-	-
2009	WECC				45,996,237	39,072,817	6,299,203	624,217	7,761,345	6,416,329	1,220,925	124,091	38,234,892	32,656,488	5,078,278	500,126
Total					147,020,191	129,661,562	16,734,412	624,217	41,106,967	35,989,995	4,992,881	124,091	105,913,224	93,671,567	11,741,531	500,126













Table with columns: Year, Regional Entity, ID, Entity, Country, Total NERC Assessments (Total, US Total, Canada Total, Mexico Total), NERC NEL Assessments (Total, US Total, Canada Total, Mexico Total), Penalty Sanctions (Total, US Total), NERC Compliance Assessments (ex. IESO & New Brunswick) (Total, US Total, Canada Total, Mexico Total), NERC Compliance Assessments (ex. Quebec & AESO) (Total, US Total, Canada Total, Mexico Total), NERC IDC Assessments (Total, US Total, Canada Total).

















Data Year	Regional Entity	ID	Entity	Country	Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC CORC US Only Staff		NPCC Audit Based 45% CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2009	WECC		U.S. BOR SPOKANE INDIAN DEVELOP	U.S.	156	156	-	-	137	137	-	-	(4)	(4)						23	23			1	1		
2009	WECC		U.S. DOE NATIONAL ENERGY TECHNC	U.S.	176	176	-	-	153	153	-	-	(5)	(5)						25	25			1	1		
2009	WECC		U.S. DOE RICHLAND OPERATIONS OF	U.S.	8,569	8,569	-	-	7,485	7,485	-	-	(227)	(227)					1,240	1,240			71	71			
2009	WECC		U.S.A.F. BASE, FAIRCHILD	U.S.	2,529	2,529	-	-	2,209	2,209	-	-	(67)	(67)					366	366			21	21			
2009	WECC		U.S.N SUBMARINE BASE, BANGOR	U.S.	8,112	8,112	-	-	7,086	7,086	-	-	(215)	(215)					1,174	1,174			67	67			
2009	WECC		U.S.N NAVAL STATION, BREMERTON	U.S.	11,309	11,309	-	-	9,879	9,879	-	-	(300)	(300)					1,636	1,636			94	94			
2009	WECC		U.S.N NAVAL STATION, EVERETT	U.S.	640	640	-	-	559	559	-	-	(17)	(17)					93	93			5	5			
2009	WECC		UMATILLA ELECTRIC COOPERATIVE #	U.S.	43,429	43,429	-	-	37,936	37,936	-	-	(1,151)	(1,151)					6,283	6,283			361	361			
2009	WECC		Unit B Irrigation District	U.S.	1	1	-	-	1	1	-	-	(0)	(0)					0	0			0	0			
2009	WECC		United Electric Cooperative, Inc.	U.S.	10,223	10,223	-	-	8,930	8,930	-	-	(271)	(271)					1,479	1,479			85	85			
2009	WECC		Valley Electric Association	U.S.	20,912	20,912	-	-	18,267	18,267	-	-	(554)	(554)					3,025	3,025			174	174			
2009	WECC		Vera Water and Power	U.S.	10,796	10,796	-	-	9,431	9,431	-	-	(286)	(286)					1,562	1,562			90	90			
2009	WECC		Vigilante Electric Cooperative, Inc.	U.S.	7,453	7,453	-	-	6,511	6,511	-	-	(198)	(198)					1,078	1,078			62	62			
2009	WECC		WASCO Electric Cooperative	U.S.	4,372	4,372	-	-	3,819	3,819	-	-	(116)	(116)					633	633			36	36			
2009	WECC		WALW	U.S.	10,319	10,319	-	-	9,014	9,014	-	-	(274)	(274)					1,493	1,493			86	86			
2009	WECC		Wells REA	U.S.	9,352	9,352	-	-	8,169	8,169	-	-	(248)	(248)					1,353	1,353			78	78			
2009	WECC		Wells Rural Electric Coop	U.S.	29,645	29,645	-	-	25,895	25,895	-	-	(786)	(786)					4,289	4,289			246	246			
2009	WECC		Wellton-Mohawk Irrigation & Drainage Di	U.S.	335	335	-	-	292	292	-	-	(9)	(9)					48	48			3	3			
2009	WECC		West Oregon Electric Cooperative, Inc	U.S.	3,219	3,219	-	-	2,812	2,812	-	-	(85)	(85)					466	466			27	27			
2009	WECC		Western (WAPA-Sierra Nevada Region) #	U.S.	64,156	64,156	-	-	56,041	56,041	-	-	(1,701)	(1,701)					9,282	9,282			533	533			
2009	WECC		Western Area Power	U.S.	8,853	8,853	-	-	7,734	7,734	-	-	(235)	(235)					1,281	1,281			74	74			
2009	WECC		Western Area Power Administration - CR	U.S.	50,844	50,844	-	-	44,414	44,414	-	-	(1,348)	(1,348)					7,356	7,356			422	422			
2009	WECC		Western Area Power Administration - Dei	U.S.	103,550	103,550	-	-	90,453	90,453	-	-	(2,745)	(2,745)					14,381	14,381			860	860			
2009	WECC		Western Area Power Administration - LAF	U.S.	70,600	70,600	-	-	61,670	61,670	-	-	(1,871)	(1,871)					10,214	10,214			586	586			
2009	WECC		Western Area Power Administration	U.S.	22,390	22,390	-	-	19,558	19,558	-	-	(594)	(594)					3,239	3,239			186	186			
2009	WECC		Wyoming Municipal Power Agency	U.S.	9,008	9,008	-	-	7,868	7,868	-	-	(239)	(239)					1,303	1,303			75	75			
2009	WECC		Yampa Valley	U.S.	27,402	27,402	-	-	23,937	23,937	-	-	(726)	(726)					3,965	3,965			228	228			
2009	WECC		Yuma Irrigation District	U.S.	138	138	-	-	121	121	-	-	(4)	(4)					20	20			1	1			
2009	WECC		Yuma-Mesa Irrigation District	U.S.	8	8	-	-	7	7	-	-	(0)	(0)					1	1			0	0			
TOTAL WECC					38,234,892	32,656,488	5,078,278	500,126	33,588,533	28,526,206	4,636,737	425,590	(865,650)	(865,650)					5,192,646	4,724,702	397,455	70,489	319,363	271,230	44,087	4,047	
TOTAL ERO					105,913,224	93,671,567	11,741,531	500,126	100,237,007	88,615,629	11,195,788	425,590	(3,366,550)	(3,366,550)	382,216	382,216	3,148,542	3,044,340	104,202	5,192,646	4,724,702	397,455	70,489	319,363	271,230	44,087	4,047
Summary by Regional Entity																											
2009	FRCC				4,967,060	4,967,060	-	-	5,017,060	5,017,060	-	-	(50,000)	(50,000)					-	-	-	-	-	-	-	-	
2009	MRO				8,260,502	6,852,336	1,408,166	-	8,397,502	6,989,336	1,408,166	-	-	(137,000)	(137,000)					-	-	-	-	-	-	-	
2009	NPCC				12,652,610	7,397,523	5,255,087	-	9,430,352	4,279,467	5,150,885	-	-	(308,500)	(308,500)	382,216	382,216	3,148,542	3,044,340	104,202	-	-	-	-	-	-	
2009	RFC				12,803,844	12,803,844	-	-	13,682,744	13,682,744	-	-	-	(878,900)	(878,900)					-	-	-	-	-	-	-	
2009	SERC				10,671,508	10,671,508	-	-	11,590,508	11,590,508	-	-	-	(919,000)	(919,000)					-	-	-	-	-	-	-	
2009	SPP				9,094,985	9,094,985	-	-	9,282,485	9,282,485	-	-	-	(187,500)	(187,500)					-	-	-	-	-	-	-	
2009	TRE				9,227,823	9,227,823	-	-	9,247,823	9,247,823	-	-	-	(20,000)	(20,000)					-	-	-	-	-	-	-	
2009	WECC				38,234,892	32,656,488	5,078,278	500,126	33,588,533	28,526,206	4,636,737	425,590	(865,650)	(865,650)					5,192,646	4,724,702	397,455	70,489	319,363	271,230	44,087	4,047	
Total					105,913,224	93,671,567	11,741,531	500,126	100,237,007	88,615,629	11,195,788	425,590	(3,366,550)	(3,366,550)	382,216	382,216	3,148,542	3,044,340	104,202	5,192,646	4,724,702	397,455	70,489	319,363	271,230	44,087	4,047

**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 3**

**FLORIDA RELIABILITY COORDINATING COUNCIL**

**PROPOSED 2011 BUSINESS PLAN AND BUDGET**



FLORIDA RELIABILITY COORDINATING COUNCIL, INC.  
1408 N. WESTSHORE BLVD., SUITE 1002  
TAMPA, FLORIDA 33607-4512  
PHONE 813.289.5644 • FAX 813.289.5646  
WWW.FRCC.COM

**FINAL**

**2011 Business Plan and Budget**

**Florida Reliability Coordinating Council, Inc.**

**Approved by: FRCC Board of Directors**

**DATE: June 30, 2010**

## Table of Contents

Introduction.....	3
Organizational Overview .....	3
Membership and Governance .....	4
Statutory Functional Scope .....	5
2011 Goals and Key Deliverables (Regional Entity Division).....	5
2010 Statutory Budget and Projection and 2011 Budget Comparisons.....	12
<b>Section A – Statutory Programs .....</b>	<b>13</b>
Reliability Standards Development Program.....	14
Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program.....	19
Reliability Assessment and Performance Analysis Program.....	25
Training, Education, and Operator Certification Program.....	30
Situation Awareness and Infrastructure Security Program.....	34
General and Administrative .....	37
<b>Section B – Supplemental Financial Information.....</b>	<b>41</b>
Reserve Balance.....	42
Breakdown by Statement of Activity Sections .....	43
<b>Section C – Non-Statutory Activities.....</b>	<b>48</b>
2010 Non-Statutory Budget and Projection and 2011 Budget Comparisons .....	56
<b>Section D – Additional Consolidated Financial Statements .....</b>	<b>59</b>

## Introduction

<b>TOTAL RESOURCES</b> (in whole dollars)				
	<b>2011 Budget</b>	<b>U.S.</b>	<b>Canada</b>	<b>Mexico</b>
Statutory FTEs	26.5			
Non-statutory FTEs	12.4			
<b>Total FTEs</b>	<b>38.9</b>			
Statutory Expenses	\$ 5,665,438			
Non-Statutory Expenses	\$ 5,414,201			
<b>Total Expenses</b>	<b>\$ 11,079,639</b>			
Statutory Inc(Dec) in Fixed Assets	\$ (76,828)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ (35,942)			
<b>Total Inc(Dec) in Fixed Assets</b>	<b>\$ (112,770)</b>			
Statutory Working Capital Requirement*	(467,920)			
Non-Statutory Working Capital Requirement**	71,804			
<b>Total Working Capital Requirement</b>	<b>(396,116)</b>			
Total Statutory Funding Requirement	\$ 5,120,690			
Total Non-Statutory Funding Requirement	\$ 5,450,063			
<b>Total Funding Requirement</b>	<b>\$ 10,570,753</b>			
<b>Statutory Funding Assessments</b>	\$ 4,967,060	\$ 4,967,060		
<b>Non-Statutory Fees</b>	\$ 5,212,063	\$ 5,212,063		
NEL	226,803	226,803		
NEL%				

\*Refer to Table B-1 on page 42 in Section B.

\*\*Refer to the Reserve Analysis on page 58 in Section C.

## Organizational Overview

The Florida Reliability Coordinating Council (FRCC) is a Florida not-for-profit corporation that was formed in 1996 and is one of the eight regions of the North American Electric Reliability Corporation (NERC). The FRCC's mission is to ensure and enhance the reliability and adequacy of the bulk power system in Florida now and into the future. The FRCC's Web site is [www.frcc.com](http://www.frcc.com). The FRCC Region is comprised of all of Florida east of the Apalachicola River. Florida's unique geography and its highly integrated transmission system coupled with its single interface boundary to the rest of the Eastern Interconnection required the development of a reliability focus in the FRCC Region. Membership in the FRCC's Regional Entity Division is open to any entity, without cost, that has a material interest in the reliability of the bulk power system in the FRCC Region. Currently there are 74 Registered Entities within the FRCC Region. The FRCC is governed by a balanced stakeholder Board of Directors, and accomplishes its



activities through qualified professional staff and standing committees which also have balanced stakeholder governance.

The FRCC provides the statutory functions and services for the FRCC Region through its Regional Entity Division. Non-statutory services for the FRCC Region are provided through its Member Services Division. This divisional structure provides an efficient and effective means of clearly separating statutory and non-statutory activities and related funding for each. The revised FRCC bylaws, creating this divisional structure, were approved by the Federal Energy Regulatory Commission (“FERC”) on March 21, 2008.

The FRCC Regional Entity Division works to enhance the reliability of the bulk power system in the FRCC Region through the development of regional reliability standards, assessment of reliability, and compliance monitoring and enforcement of reliability standards pursuant to the approved Regional Delegation Agreement with the Electric Reliability Organization (“ERO”) under the authority of the FERC.

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

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

## **Membership and Governance**

The FRCC's members (in both divisions) include investor-owned utilities, cooperative utilities, municipal utilities, power marketers, independent power producers and others. Membership is currently 29 FRCC members in the Regional Entity Division and 24 FRCC members in the Member Services Division.

The FRCC has six (6) membership sectors which include the following:

- Non-Investor Owned Utility Wholesale
- Load Serving Entity
- Generating Load Serving Entity
- Investor Owned Utility

- Suppliers
- General

There are currently two (2) members in the General Sector of the Regional Entity Division and no members in the General Sector of the Member Services Division.

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

As part of its responsibilities, NERC, as the ERO, delegates its authority to Regional Entities to perform certain functions through delegation agreements. On December 19, 2008, FERC approved revised delegation agreements between NERC and the eight (8) Regional Entities. These delegation agreements describe the responsibility and authority delegated to the Regional Entities. NERC and the Regional Entities have recently negotiated revised delegation agreements to improve the efficiency, transparency, quality and effectiveness of the combined NERC and Regional Entity operations. These revised agreements are currently pending review and approval by the FERC. The funding for Regional Entities is approved separately with each Regional Entity submitting its own business plan and budget for consideration by NERC and FERC.

## **Statutory Functional Scope**

The FRCC carries out its delegated functions as outlined in the delegation agreement and detailed in Exhibits A, B, C, D and E of the delegation agreement. These delegated functions as defined by the NERC Rules of Procedures include:

- Reliability Standards Development (Section 300)
- Compliance Monitoring and Enforcement (Section 400)
- Organization Registration and Certification (Section 500) – This program budget has been combined with the Compliance Monitoring and Enforcement function budget.
- Reliability Assessment and Performance Analysis (Section 800) (including necessary data gathering activities)
- Training, Education and Operator Certification (Section 900)
- Situation Awareness and Infrastructure Security (Section 1000)

## **2011 Goals and Key Deliverables (Regional Entity Division)**

- Continued implementation of the FRCC Regional Reliability Standards Development Process.
- Working with NERC and the other seven (7) Regional Entities, develop further refinements of the Compliance Monitoring and Enforcement Program (“CMEP”) to streamline the process, increase transparency and ensure consistency among the Regions.

- Facilitating a learning environment in the region that continuously improves reliability performance through event causal analysis, communication of lessons learned, and tracking of recommendations.
- Promoting a strong culture of performance excellence and compliance with mandatory reliability standards across the region.
- Performing delegated functions with independence, without conflict of interest, with objectivity and fairness, while ensuring compliance with mandatory standards.
- Improving transparency, consistency, quality and timeliness of NERC and Regional Entity results through process improvements and more effective coordination and collaboration.
- Working closely with the other Regional Entities and NERC to ensure that the delegated functions are implemented consistently and rationally and to promote the success of the ERO self regulatory model.
- Working closely with NERC and the industry to develop clear, mandatory reliability standards that establish threshold requirements for ensuring the bulk power system is designed, planned, maintained, and operated in a manner that minimizes risks of cascading failures or interruptions of bulk power supply.
- Conducting workshops and training seminars for Registered Entities to assist them in correctly understanding expectations for demonstrating compliance with reliability standards.

## 2011 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions (see Exhibit A of the 2011 NERC Business Plan and Budget) developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The significant assumptions underlying FRCC's 2011 business plan include:

1. The international, industry-based Self Regulatory Organization (SRO)<sup>1</sup> model continues to be used and no material changes to the SRO model impacting 2011 emerge from FERC's review of the Three-Year ERO Performance Assessment or its review of the proposed amendments to the Regional Entity delegation agreements.
2. The framework for delegation to Regional Entities is improved, as outlined in the proposed modifications to the Regional Entity delegation agreements, improving the efficiency, transparency, consistency, effectiveness, and quality of NERC and the Regional Entity working relationship, including the incorporation of metrics.
3. Cost pressures strain stakeholder participation in NERC and Regional Entity activities.
4. In order to enhance reliability and the overall effectiveness of the ERO, improvements are needed in standards development, implementation, education, and training.

---

<sup>1</sup> Also referred to as "audited self regulation."

5. Standards development activities will face increased demands, including but not limited to those supporting the Reliability Standards Development Plan, FERC Order 693 directives and the National Emergency Standards Development Process.
6. NERC and Regional Entities will continue to gather data and perform analysis regarding the bulk electric system, including but not limited to support key federal and industry initiatives.
7. NERC will need to make significant investments in 2011 to support the implementation of a situation awareness tool for FERC, NERC, Regional Entities and stakeholder needs, as well as to meet both near and long-term ERO technology requirements.
8. The number of events requiring review, analysis, and reporting will increase.
9. CIP activities will increase significantly on all fronts, including compliance and other activities; expectations are that resource requirements will be significantly impacted over the next three years as the full measure of the standards become auditable for all entities on all implementation tables; the TFE program is implemented and the increase in scope as a result of Order No. 706B. Additionally, significant resources will also be required as the CIP standards are updated in the near future bringing more systems into scope.
10. NERC and the Regional Entities are expected to see increased compliance related resource demands.

## 2011 Overview of Cost Impacts

The FRCC's proposed 2011 Statutory Budget is \$5,665,438, which is a \$552,450 increase over the 2010 budget. The major drivers of this increase are

- Addition of three (3) positions to support Compliance Monitoring and Enforcement
- Addition of one (1) position to support Compliance Monitoring and Enforcement IT systems

## Statutory Accounting Methodology

The FRCC, in order to be consistent with all the regions, has modified its accounting reporting as follows:

- ERO assessments needed to fund working capital are reflected in the General and Administrative Program within Administrative Services.
- The majority of the Operating Expenses are accounted for within their related department's budget. If an expense cannot be specifically linked to a department, it is included in the General and Administrative Program, within Administrative Services.
- All expenses for the Administrative Services Programs, referred to as indirect expenses for 2011, are allocated to the delegated program areas by their respective FTEs and are shown on one line of each delegated program area as "Indirect Expenses".
- Capital expenditures are broken out as fixed assets at the end of each statement of activities rather than being included in their related lines in the operating expenses section.

- Expenses include depreciation, but since funding is not being requested for depreciation expense, it has been deducted from the funding requirement for capital expenditures.

## 2011 Key Deliverables

In 2011, FRCC will achieve the following key deliverables:

- **Reliability Standards Development** — Support NERC in its efforts to transition to results based reliability standards over a five-year period, with higher priority standards to be completed within two years and address the FERC directives in a timelier manner. Support NERC in its efforts to modify the standards development procedure to streamline the development and approval process. Develop regional reliability standards as needed to comply with NERC's three-year work plan and FERC directives, and to meet any emergent reliability needs. Based on compliance program results, system events and trends analysis, identify key areas needing improvement and implement educational and other technical assistance programs to improve compliance in those areas.
- **Compliance Monitoring and Enforcement** — Monitor Registered Entities for compliance with mandatory reliability standards, in accordance with the Compliance Monitoring and Enforcement Program (CMEP) and NERC Rules of Procedure (ROP). Enforce compliance with mandatory reliability standards by Registered Entities, in accordance with the CMEP and ROP while improving quality and timeliness. Ensure timely and thorough mitigation of all violations of mandatory reliability standards. Work with NERC and the other Regional Entities to modify compliance procedures to promote greater process transparency to registered entities and greater consistency in the determination of violations and penalties. Apply risk-informed approaches in the development of audit programs, compliance self-certifications, and spot checks. Promote a strong culture of compliance excellence, reliability improvement, and risk-based methods among all registered entities in the FRCC Region. Work with NERC and the other Regional Entities to establish alternative, streamlined procedures for minor administrative violations. Promote a culture of compliance excellence through education, transparency, information sharing, and incentives. Align NERC and regional compliance operations to be more complementary and less duplicative.
- **Event Analysis** — Support NERC's initiatives to develop consistent and robust capabilities to conduct event analysis, using root cause and risk-based methods. Provide effective triage of events to ensure analysis is conducted and reviewed at the proper level. Working with industry, develop clear, bright-line criteria for the reporting and classification of system events. Incentivize rigorous self-evaluation of system events by Registered Entities. Ensure lessons learned are communicated to impacted parties in a timely manner.
- **Cyber Security** — Facilitate a proactive action plan by industry that demonstrates effective identification and mitigation of security risks, including safeguarding of assets, developing mitigation alternatives, and preparing and testing recovery plans. Establish minimum bright-line criteria for identification of critical bulk power system assets.
- **Reliability Assessments** — Provide annual, seasonal, and special reliability assessments of the future reliability of the FRCC bulk power system in accordance with definitions and requirements. Work with NERC and the other Regional Entities to develop and

demonstrate bulk power system performance metrics for the purpose of analyzing and trending reliability improvements and benefits, as well as risk/severity based methods.

- **Situation Awareness** — Continue to support NERC in maintaining and enhancing the current situation awareness capabilities that include near real-time information and communications protocols that meet the needs of FERC, NERC, and applicable Registered Entities. Share information learned in Situation Awareness with the Events Analysis program to develop relevant lessons learned.
- **Critical Infrastructure Protection** — Facilitate, educate, and support Registered Entities in complying with CIP reliability standards, and responding to cyber security alerts.
- **Effective Financial Controls** — Provide rigorous cost controls and efficient management of resources to remain an efficient provider of ERO delegated functions.

## Long Term Business Planning

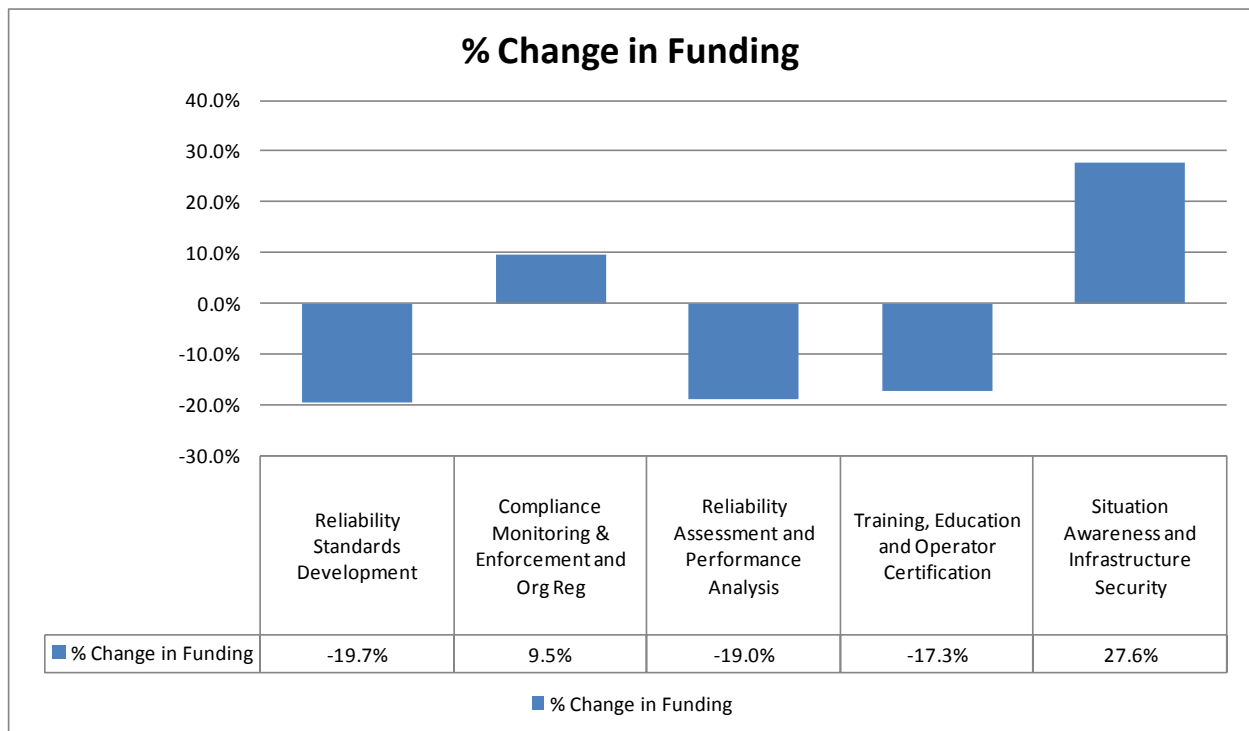
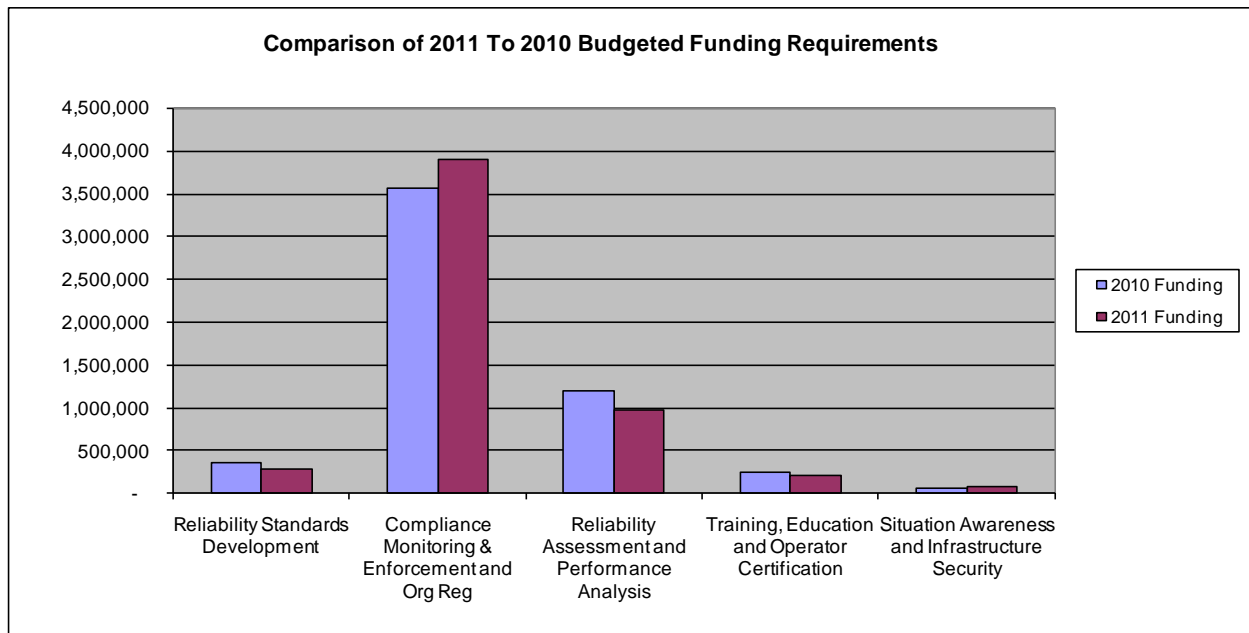
NERC and the Regional Entities are actively working together to improve the overall ERO business planning and budgeting process, including long-term resource and financial planning. The 2011 Business Plan and Budget process included numerous face-to-face meetings, conference calls and exchanges of documentation among senior management and staff of NERC and Regional Entities regarding budget assumptions, resource requirements, and opportunities to improve operational efficiency and effectiveness, including factors affecting resource needs beyond the 2011 planning horizon. As an important first step in the development of a long-term business plan and budgeting process, the Common Business Plan and Budget Assumptions attached as Exhibit A of the 2011 NERC Business Plan and Budget incorporate assumptions affecting resource demands through the 2013 planning horizon. NERC and the Regional Entities continue to work together to develop, strengthen and improve an integrated long term ERO business plan and budget that leverages and builds on the combined strengths and resources of NERC and the Regional Entities to improve the overall effectiveness and efficiency of ERO operations.

## Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B. Below is an overall summary of the changes by program area.

Program	Budget 2010	Projection 2010	Budget 2011	Variance	
				2011 Budget v 2010 Budget	Variance %
Reliability Standards Development	360,168	360,168	291,714	(68,454)	-19.0%
Compliance Monitoring & Enforcement and Org Reg	3,570,933	3,570,933	3,947,216	376,283	10.5%
Reliability Assessment and Performance Analysis	1,190,260	1,190,260	995,972	(194,288)	-16.3%
Training, Education and Operator Certification	246,740	246,740	285,436	38,696	15.7%
Situation Awareness and Infrastructure Security	53,085	53,085	68,272	15,187	28.6%

This graphical representation does not include an allocation of working capital requirements among the Program Areas.



Total FTE's by Program Area	Budget 2010	Projection 2010	Direct FTEs 2011 Budget	Shared FTEs <sup>1</sup> 2011 Budget	Total FTEs 2011 Budget	Change from 2010 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards Development	1.41	1.41		1.15	1.15	-0.26
Compliance Monitoring & Enforcement and Org Reg	12.57	11.07	16.59		16.59	4.02
Reliability Assessment and Performance Analysis	3.87	3.87		3.77	3.77	-0.10
Training, Education and Operator Certification	0.57	0.57		0.88	0.88	0.31
Situation Awareness and Infrastructure Security	0.20	0.20		0.24	0.24	0.04
<b>Total FTEs Operational Programs</b>	<b>18.62</b>	<b>17.12</b>	<b>16.59</b>	<b>6.04</b>	<b>22.63</b>	<b>4.01</b>
<b>Administrative Programs</b>						
General & Administrative	3.97	3.97		3.82	3.82	-0.15
<b>Total FTEs Administrative Programs</b>	<b>3.97</b>	<b>3.97</b>	<b>0.00</b>	<b>3.82</b>	<b>3.82</b>	<b>-0.15</b>
<b>Total FTEs</b>	<b>22.59</b>	<b>21.09</b>	<b>16.59</b>	<b>9.86</b>	<b>26.45</b>	<b>3.86</b>

<sup>1</sup>A shared FTE is defined by NERC as an employee who performs both Statutory and Non-Statutory functions.



## 2010 Statutory Budget and Projection and 2011 Budget Comparisons

### Statement of Activities and Capital Expenditures 2010 Budget & Projection, and 2011 Budget

#### STATUTORY

	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 4,938,176	\$ 4,938,176	\$ -	4,967,060	\$ 28,884
Penalty Sanctions	-	-	-	50,000	50,000
<b>Total ERO Funding</b>	<b>\$ 4,938,176</b>	<b>\$ 4,938,176</b>	<b>\$ -</b>	<b>\$ 5,017,060</b>	<b>\$ 78,884</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	23,520	23,520	-	24,200	680
Workshops	108,901	108,901	-	79,430	(29,471)
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 5,070,597</b>	<b>\$ 5,070,597</b>	<b>\$ -</b>	<b>\$ 5,120,690</b>	<b>\$ 50,093</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,741,366	2,720,310	\$ (21,056)	\$ 3,151,751	\$ 410,385
Payroll Taxes	179,624	182,104	2,480	192,546	12,922
Benefits	353,779	339,824	(13,955)	384,080	30,301
Retirement Costs	398,007	351,185	(46,822)	456,201	58,194
<b>Total Personnel Expenses</b>	<b>\$ 3,672,776</b>	<b>\$ 3,593,423</b>	<b>\$ (79,353)</b>	<b>\$ 4,184,578</b>	<b>\$ 511,802</b>
<b>Meeting Expenses</b>					
Meetings	\$ 121,605	\$ 128,104	\$ 6,499	\$ 97,972	\$ (23,633)
Travel	302,140	257,270	(44,870)	219,986	(82,154)
Conference Calls	19,747	18,583	(1,164)	20,745	998
<b>Total Meeting Expenses</b>	<b>\$ 443,492</b>	<b>\$ 403,957</b>	<b>\$ (39,535)</b>	<b>\$ 338,703</b>	<b>\$ (104,789)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 230,950	\$ 223,891	\$ (7,059)	\$ 202,110	\$ (28,840)
Office Rent	365,757	292,254	(73,503)	373,086	7,329
Office Costs	161,381	78,224	(83,157)	131,001	(30,380)
Professional Services	88,256	168,624	80,368	178,047	89,791
Miscellaneous	-	-	-	-	-
Depreciation	150,376	200,792	50,416	257,913	107,537
<b>Total Operating Expenses</b>	<b>\$ 996,720</b>	<b>\$ 963,785</b>	<b>\$ (32,935)</b>	<b>\$ 1,142,157</b>	<b>\$ 145,437</b>
<b>Total Direct Expenses</b>	<b>\$ 5,112,988</b>	<b>\$ 4,961,165</b>	<b>\$ (151,823)</b>	<b>\$ 5,665,438</b>	<b>\$ 552,450</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 5,112,988</b>	<b>\$ 4,961,165</b>	<b>\$ (151,823)</b>	<b>\$ 5,665,438</b>	<b>\$ 552,450</b>
<b>Change in Assets</b>	<b>\$ (42,391)</b>	<b>\$ 109,432</b>	<b>\$ 151,823</b>	<b>\$ (544,748)</b>	<b>\$ (502,357)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (150,376)	\$ (161,488)	\$ (50,416)	\$ (257,913)	\$ (107,537)
Total Fixed Asset Purchases	458,575	458,575	-	181,085	(277,490)
<b>Change in Fixed Assets</b>	<b>\$ (308,199)</b>	<b>\$ (297,087)</b>	<b>\$ 50,416</b>	<b>\$ 76,828</b>	<b>\$ 385,027</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ (350,590)</b>	<b>\$ (187,655)</b>	<b>\$ 202,239</b>	<b>\$ (467,920)</b>	<b>\$ (117,330)</b>

Section A – Statutory Programs  
**2011 Business Plan and Budget**

## Reliability Standards Development Program

<b>Reliability Standards Development Program</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.41	1.15	(0.26)
Direct Expenses	\$ 304,967	\$ 262,129	\$ (42,838)
Indirect Expenses	\$ 59,025	\$ 34,092	\$ (24,933)
Inc(Dec) in Fixed Assets	\$ (3,824)	\$ (4,507)	\$ (683)
Total Funding Requirement	\$ 360,168	\$ 291,714	\$ (68,454)

### Program Scope and Functional Description

The FRCC may develop, through the FRCC Regional Reliability Standard Development Process, separate Regional Reliability Standards that are specific to the FRCC Region and go beyond, add detail to, or implement NERC Reliability Standards. FRCC Regional Reliability Standards will not be inconsistent with or less stringent than NERC Reliability Standards.

The FRCC Regional Reliability Standard Development Process is an open, balanced and fair process that ensures all interested and affected parties have an opportunity to participate in the development of FRCC Regional Reliability Standards for the FRCC Region and has the following characteristics:

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

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

---

## Standards Process

The FRCC Regional Reliability Standard Development Process is overseen by the FRCC RE Division Operating Committee (OC) and the FRCC RE Division Planning Committee (PC) whose purpose, in addition to other activities, is to ensure that all stakeholder interests are fairly represented in the development of Regional Reliability Standards. The RE Division OC and RE Division PC are balanced stakeholder committees consisting of members from each of the six (6) FRCC sectors. Membership is open to any entity that has a material interest in the reliability of the Bulk Power System in the FRCC region.

The FRCC RE Division OC and RE Division PC will review all requests submitted to develop, modify or withdraw a FRCC Regional Reliability Standard to determine if the request will be accepted or rejected. If the standard request is accepted, the RE Division OC and/or the RE Division PC will assign and direct a Standard Drafting Team (SDT) to develop the draft Regional Reliability Standard. The SDT will consist of technical experts, such as members of FRCC Subcommittees, Working Groups, Task Forces, Industry Volunteers and/or the FRCC Staff. The SDT will develop the details of the FRCC Regional Reliability Standard, consider and respond to industry comments and assist in the implementation of approved standards.

Development of each Regional Reliability Standard will provide at least one opportunity for the submission of stakeholder comments prior to a voting activity.

The Registered Ballot Body (RBB) comprises potential ballot participants for the voting on standards. FRCC membership is not a requirement to participate in the development of and voting on FRCC Regional Reliability Standards. Any entity or person that has a material interest in the reliability of the FRCC Bulk Power System shall be allowed to register as potential ballot participants in the RBB. A separate ballot pool for each voting activity will be established to allow RBB members to register and participate in the vote.

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

The FRCC Regional Reliability Standard Development Process shall be administered by the FRCC Standards Process Manager. The FRCC Standards Process Manager will ensure the integrity of the process and the consistency of quality and completeness of the FRCC Regional Reliability Standards. The FRCC Standards Process Manager will facilitate all steps in this process.

## 2011 Key Assumptions

The key assumptions included in Common Business Plan and Budget Assumptions, Exhibit A, affecting the Reliability Standards Program include:

1. NERC will implement the Results-Based Standards initiative, which will focus existing reliability standards and reliability standards development on areas that will lead to the greatest improvement in bulk power system reliability. Training will be provided, training materials developed, and the results-based approach applied to existing and future standards projects. NERC will submit one revised Reliability Standard using the

results based approach for regulatory approval in 2010, five (5) in 2011, fifteen (15) in 2012, and (20) twenty in 2013.

2. NERC will face increased resource demands as a result of ongoing development activity, combined with increased regulatory directives. NERC projects to submit at least 60 standards related filings, conduct 50 ballots, and provide 50 comment opportunities for standards or interpretations.
3. In order to address workload needs, improvements must be implemented to streamline the standards development process to improve speed and quality, while maintaining ANSI accreditation.
4. NERC will continue to support the National Emergency Standards Development Process, which is reflected in version 1 of the Reliability Standards Development Procedure.
5. The number of interpretation requests is expected to remain constant in 2011 at 30-40 with a decrease expected in years after to reflect the impact of the results based standards initiative and improved standards development process.

The number of projects contained in the Reliability Standards Development Plan is expected to increase in the next five years as the Results Based Standards Initiative is fully implemented and the requirement to review each standard every five years is incorporated into the plan.

### **2011 Goals and Key Deliverables**

The Standards Program objectives for 2011 are outlined below:

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

### **Section 215 Regional Entity Reliability Standards Development**

The FRCC currently has under development the following Regional Reliability Standards:

- PRC-002-FRCC-01 FRCC Regional Disturbance Monitoring and Reporting Requirements
- PRC-003-FRCC-01 FRCC Regional Procedure for Analysis of Misoperations of Transmission and Generation Protection Systems
- PRC-024-FRCC-01 FRCC Regional Generator Performance During Frequency and Voltage Excursions

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

**Personnel Expenses** – More time will be spent in the Training, Education and Operator Certification Program by the Reliability Standards Manager conducting Reliability Standards Seminars. Although the material covered will pertain to Reliability Standards, the time spent preparing and doing these seminars is charged to the Training, Education and Operator Certification Program. Additionally, the Vice President of Standards and Compliance will be spending more time in Compliance than was spent in 2010.

**Meeting Expenses** – Primarily the result of cost effective programs implemented in the travel area.

**Operating Expenses** – Primarily the result of Office Costs and the savings attained from Purchasing programs being implemented.

## Reliability Standards Development Program

Funding sources and related expenses for the reliability standards section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Standards Development</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 360,168	\$ 360,168	\$ -	\$ 289,173	\$ (70,995)
Penalty Sanctions				2,541	2,541
<b>Total ERO Funding</b>	<b>\$ 360,168</b>	<b>\$ 360,168</b>	<b>\$ -</b>	<b>\$ 291,714</b>	<b>\$ (68,454)</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 360,168</b>	<b>\$ 360,168</b>	<b>\$ -</b>	<b>\$ 291,714</b>	<b>\$ (68,454)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 170,504	\$ 195,688	\$ 25,184	\$ 137,033	\$ (33,471)
Payroll Taxes	11,172	14,104	2,932	8,372	(2,800)
Benefits	17,408	17,408	-	22,316	4,908
Retirement Costs	24,755	25,860	1,105	19,835	(4,920)
<b>Total Personnel Expenses</b>	<b>\$ 223,839</b>	<b>\$ 253,060</b>	<b>\$ 29,221</b>	<b>\$ 187,556</b>	<b>\$ (36,283)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 1,224	\$ 1,224	\$ -	\$ 1,832	\$ 608
Travel	49,915	41,344	(8,571)	40,832	(9,083)
Conference Calls	634	634	-	1,580	946
<b>Total Meeting Expenses</b>	<b>\$ 51,773</b>	<b>\$ 43,202</b>	<b>\$ (8,571)</b>	<b>\$ 44,244</b>	<b>\$ (7,529)</b>
<b>Operating Expenses</b>					
Consultants & Contracts		\$ -	\$ -	\$ 84	\$ 84
Office Rent	10,476	10,476	-	10,116	(360)
Office Costs	9,565	9,565	-	7,530	(2,035)
Professional Services	5,490	5,490	-	7,741	2,251
Miscellaneous		-	-	-	-
Depreciation	3,824	3,824	-	4,858	1,034
<b>Total Operating Expenses</b>	<b>\$ 29,355</b>	<b>\$ 29,355</b>	<b>\$ -</b>	<b>\$ 30,329</b>	<b>\$ 974</b>
<b>Total Direct Expenses</b>	<b>\$ 304,967</b>	<b>\$ 325,617</b>	<b>\$ 20,650</b>	<b>\$ 262,129</b>	<b>\$ (42,838)</b>
<b>Indirect Expenses</b>	<b>\$ 59,025</b>	<b>\$ 59,025</b>		<b>\$ 34,092</b>	<b>\$ (24,933)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 363,992</b>	<b>\$ 384,642</b>	<b>\$ 20,650</b>	<b>\$ 296,221</b>	<b>\$ (67,771)</b>
<b>Change in Assets</b>	<b>\$ (3,824)</b>	<b>\$ (24,474)</b>	<b>\$ (20,650)</b>	<b>\$ (4,507)</b>	<b>\$ (683)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (3,824)	\$ (3,824)	\$ -	\$ (4,858)	\$ (1,034)
Total Fixed Asset Purchases		-		351	351
<b>Change in Fixed Assets</b>	<b>\$ 3,824</b>	<b>\$ 3,824</b>	<b>\$ -</b>	<b>\$ 4,507</b>	<b>\$ 683</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 0</b>	<b>\$ (20,650)</b>	<b>\$ (20,650)</b>	<b>\$ -</b>	<b>\$ (0)</b>

## Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	12.57	16.59	4.02
Direct Expenses	\$ 2,765,989	\$ 3,460,617	\$ 694,628
Indirect Expenses	\$ 526,200	\$ 491,807	\$ (34,393)
Inc(Dec) in Fixed Assets	\$ 278,744	\$ (5,208)	\$ (283,952)
Total Funding Requirement	\$ 3,570,933	\$ 3,947,216	\$ 376,283

### Program Scope and Functional Description

Monitoring, evaluating, investigating, and enforcing compliance with reliability standards by owners, operators, and users of the bulk power system, as well as the development and adoption of the reliability standards themselves, are at the core of FRCC's mission. Compliance and enforcement activities are carried out by the FRCC compliance staff and are independent of all users, owners, and operators of the bulk power system. Compliance activities are governed by the delegation agreement between the North American Electric Reliability Corporation (NERC) and the FRCC. Portions of NERC's authority as the Electric Reliability Organization (ERO) have been delegated under Section 215 of the Federal Power Act, to FRCC (the "FRCC/NERC Delegation Agreement").

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

The NERC Compliance Monitoring and Enforcement Program (CMEP) is the program used by the FRCC to monitor, assess, and enforce compliance with Reliability Standards within the FRCC Region. The FRCC compliance staff works with the compliance staff of the other Regional Entities and with NERC to achieve as much consistency as possible in the implementation of the CMEP.

The 2010 staffing of the compliance function consists of: the Director of Compliance, the Manager of Compliance Enforcement, the Manager of Compliance Audits, two compliance program administrators, three compliance engineers/auditors, two CIP compliance auditors, one legal assistant and one enforcement specialist. There will be a significant increase in workload resulting from the additional monitoring and enforcement activities including a growing number of settlement requests that are necessary to meet the obligations under the delegation agreement. In addition, workload related to the Critical Infrastructure Protection Standards will significantly



---

increase in 2011, both in monitoring and in enforcement; therefore, FRCC included additional positions to perform the compliance program functions. The 2011 budget includes the addition of three (3) compliance positions.

In 2011, FRCC expects to complete twelve (12) on-site Non-CIP compliance audits, ten (10) on-site CIP audits, seventy-four (74) self-certifications, fifty-six (56) NERC mandated spot checks, and eight hundred eighty-eight (888) periodic data submittals. The complexity of the CIP audits has significantly increased from monitoring 13 requirements in 2010 to monitoring 43 requirements in 2011.

### **2011 Highlights Compliance Monitoring and Enforcement Processes**

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

### **Registration and Certification**

The FRCC has registered the organizations responsible for complying with Reliability Standards in accordance with Section 500 of the NERC Rules of Procedure. Maintaining a complete and accurate database will be an ongoing activity. The FRCC will develop, maintain, and provide to NERC accurate information on entity registration within the FRCC Region with updates as changes occur.

### **Enforcement and Mitigation**

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

### **Technical Feasibility Exceptions**

The Critical Infrastructure Protection Standards allow for Registered Entities to request Technical Feasibility Exceptions (TFEs) to the standard requirements in certain instances. Once these requests are made, they must be reviewed and approved, and then short and long-term plans to mitigate the use of TFEs must also be evaluated, approved and monitored to completion. Based upon feedback and input NERC received in response to the public posting of its 2010 Business Plan and Budget, they requested the Regions to develop proposals to deal with TFE processing. Also at this time, Registered Entities are being asked to review their designation of critical cyber assets which will significantly impact the number of potential TFEs likely to be requested. As the Registered Entities review their lists of facilities and associated cyber assets that are subject to the existing or proposed version 4 of the CIP standards, it is expected the quantity of TFE submittals will continue to increase. It is expected that the resource needed for monitoring of mitigation plans associated with these TFEs will continue to grow. The compliance resource needed to conduct reviews of the TFEs and to monitor associated mitigation plans has been included in the compliance resource forecast for 2010 and 2011. The filling of a budgeted CIP Compliance Auditor in 2010 and an additional CIP Compliance Auditor in 2011 are essential to complete all TFE related activities.

## 2011 Key Assumptions

- NERC will audit FRCC's implementation of its delegation agreement responsibilities in the first half of 2011.
- An agreement between SERC and FRCC where SERC will perform the Compliance Monitoring and Enforcement function for the functions for which the FRCC Member Services Division is a registered entity has been approved by FERC and will be in effect during 2011.
- The number of Registered Entities is assumed to remain relatively stable in 2011 compared to 2010, with some risk that the number of Registered Entities could increase as early as 2010 based on application of CIP standards to generators below 100 kV. Other incremental adjustments to the registry will continue but not significantly increase the number of Registered Entities. It is expected that registration will be principally a maintenance issue in 2011.
- Non-CIP audits will continue under the schedule to complete BA, TOP, and RC audits every three years and other entities every six years.
- By January 1, 2011, the Registered Entities in the first three tables of the NERC CIP Implementation Plan must now be at the auditable compliant stage. Regional Entities will continue to be constrained in removing CIP information from the entity's site through 2010, resulting in a need to conduct onsite CIP audits.
- An adequacy review for selected Registered Entities by a NERC led team is planned for 2010 and 2011 for review of the risk based methodology used by the entities to identify critical assets as required in the CIP standards. This review may lead to the assertion of more critical assets, critical cyber assets, and TFEs by Registered Entities.
- Continue efforts to improve the efficiency and effectiveness of regional compliance delegation model through active collaboration with NERC and the other Regional Entities to improve uniformity and consistency of compliance process and procedures.
- The number of non-CIP possible violations discovered continues at a pace comparable to 2010 due to continuing first-time audits of entities. The number of non-CIP related violations is expected to be 1,400 to 1,500 for the year across North America, with that number distributed across regions in a similar proportion to historical experience.
- 2011 is expected to see a substantial upswing in the number of CIP possible violations, as CIP audits continue to ramp up. CIP possible violations may add 400 to 800 additional new possible violations across North America to be processed on top of the violations listed above for non-CIP violations.
- No major rules changes are anticipated in the Compliance Monitoring and Enforcement Program in 2011.
- A large majority of possible violations will be handled through a settlement process. Process efficiencies and experience will partially offset the increased complexity of compliance cases.

- 
- NERC will continue to provide required training for auditors and investigators. Programs are developed in NERC training and education and implemented through NERC compliance.
  - The number of hearings conducted will remain low, averaging well below one per region.

NERC and Regional Entities continue to pursue integration of compliance information systems with the near-term priority being a seamless interface for management of compliance information from reporting of discovery to filing of Notice of Penalty or settlement and closure. The cost impact of achieving this development and integration is between \$1M and \$2M collectively across NERC and the regions for 2011.

### **2011 Goals and Key Deliverables**

The Compliance Monitoring and Enforcement Program objectives for 2011 are outlined below:

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

---

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

**Personnel Expenses**— This increase is due to the hiring of three (3) additional Compliance personnel in order to accomplish the increase in the length of on-site CIP Spot Checks and audits scheduled for 2011 and projected for future years as well as the processing of TFEs and the hiring of a full time dedicated IT person to support the Compliance Software Portal. These positions are also necessary to develop and process the growing number of settlement agreements and the rising expectation of detail by NERC and FERC for the official record.

**Meeting Expenses** – Primarily the result of cost effective programs implemented in the travel area.

**Operating Expenses** –Office Costs are budgeted to decrease primarily due to the savings attained from Purchasing programs being implemented. Office Rent will be down due to the negotiated rate on the new lease. The increases are the result of budgeting for the compliance and enforcement service provided by SERC of the Reliability Coordinator (\$20,000) which was not budgeted for in the past, the legal fees associated with the review and consultation required due to the audit by NERC of the Delegation Agreement and the depreciation associated with the Compliance Portal Software enhancements.

## Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Compliance Monitoring &amp; Enforcement and Organization Registration &amp; Certification</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 3,570,933	\$ 3,570,933	\$ -	\$ 3,910,561	\$ 339,628
Penalty Sanctions				36,655	36,655
<b>Total WECC Funding</b>	<b>\$ 3,570,933</b>	<b>\$ 3,570,933</b>	<b>\$ -</b>	<b>\$ 3,947,216</b>	<b>\$ 376,283</b>
Membership Dues		\$ -	\$ -	\$ -	\$ -
Federal Grants		-	-	-	-
Services & Software		-	-	-	-
Workshops	-	-	-	-	-
Interest		-	-	-	-
Miscellaneous		-	-	-	-
<b>Total Funding</b>	<b>\$ 3,570,933</b>	<b>\$ 3,570,933</b>	<b>\$ -</b>	<b>\$ 3,947,216</b>	<b>\$ 376,283</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,520,025	\$ 1,475,434	\$ (44,591)	\$ 1,976,844	\$ 456,819
Payroll Taxes	99,597	97,468	(2,129)	120,769	21,172
Benefits	229,087	208,536	(20,551)	256,740	27,653
Retirement Costs	220,686	186,440	(34,246)	286,139	65,453
<b>Total Personnel Expenses</b>	<b>\$ 2,069,395</b>	<b>\$ 1,967,878</b>	<b>\$ (101,517)</b>	<b>\$ 2,640,492</b>	<b>\$ 571,097</b>
<b>Meeting Expenses</b>					
Meetings	\$ 3,494	\$ 11,380	\$ 7,886	\$ 5,059	\$ 1,565
Travel	174,295	151,639	(22,656)	131,418	(42,877)
Conference Calls	3,630	4,972	1,342	8,128	4,498
<b>Total Meeting Expenses</b>	<b>\$ 181,419</b>	<b>\$ 167,991</b>	<b>\$ (13,428)</b>	<b>\$ 144,605</b>	<b>\$ (36,814)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 23,214	\$ 23,214
Office Rent	290,715	221,160	(69,555)	286,354	(4,361)
Office Costs	85,267	32,180	(53,087)	74,790	(10,477)
Professional Services	48,937	115,492	66,555	111,675	62,738
Miscellaneous		-	-	-	-
Depreciation	90,256	117,468	27,212	179,487	89,231
<b>Total Operating Expenses</b>	<b>\$ 515,175</b>	<b>\$ 486,300</b>	<b>\$ (28,875)</b>	<b>\$ 675,520</b>	<b>\$ 160,345</b>
<b>Total Direct Expenses</b>	<b>\$ 2,765,989</b>	<b>\$ 2,622,169</b>	<b>\$ (143,820)</b>	<b>\$ 3,460,617</b>	<b>\$ 694,628</b>
<b>Indirect Expenses</b>	<b>\$ 526,200</b>	<b>\$ 526,200</b>	<b>\$ -</b>	<b>\$ 491,807</b>	<b>\$ (34,393)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 3,292,189</b>	<b>\$ 3,148,369</b>	<b>\$ (143,820)</b>	<b>\$ 3,952,424</b>	<b>\$ 660,235</b>
<b>Change in Assets</b>	<b>\$ 278,744</b>	<b>\$ 422,564</b>	<b>\$ 143,820</b>	<b>\$ (5,208)</b>	<b>\$ (283,952)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (90,256)	(90,256)	(27,212)	(179,487)	(89,231)
Total Fixed Asset Purchases	369,000	369,000		174,279	(194,721)
<b>Change in Fixed Assets</b>	<b>\$ (278,744)</b>	<b>\$ (278,744)</b>	<b>\$ 27,212</b>	<b>\$ 5,208</b>	<b>\$ 283,952</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ (0)</b>	<b>\$ 143,820</b>	<b>\$ 171,032</b>	<b>\$ -</b>	<b>\$ 0</b>

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessment and Performance Analysis Program</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.87	3.77	(0.10)
Direct Expenses	\$ 1,026,124	\$ 935,692	\$ (90,432)
Indirect Expenses	\$ 162,004	\$ 111,761	\$ (50,243)
Inc(Dec) in Fixed Assets	\$ 2,132	\$ (51,481)	\$ (53,613)
Total Funding Requirement	\$ 1,190,260	\$ 995,972	\$ (194,288)

### Program Scope and Functional Description

The FRCC will assess the reliability of the Bulk Power System (BPS) in the FRCC region and will continue to ensure that the system is robust, reliable and stable. The FRCC will participate in Event Analysis Teams to analyze any disturbances that occur within the FRCC region and lead the Event Analysis Teams when disturbances occur within the FRCC region that do not impact an adjacent region(s).

The FRCC performs transmission reliability studies in order to provide an assessment to NERC for their periodic NERC Reliability Assessments. These studies include regional and inter-regional studies. The FRCC prepares a minimum of three reliability assessments each year:

- a long-term reliability assessment report
- a summer assessment report
- a winter assessment report

These reports analyze electricity demand, the adequacy of supply and its deliverability, adequacy of fuel deliverability and the adequacy of the transmission system within the FRCC. The FRCC will prepare special reliability assessment reports as conditions warrant.

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

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

---

## 2011 Key Assumptions

- NERC will continue to incrementally improve the definitions, refine data reporting requirements from Registered Entities and review adequate level of reliability related metrics used in reliability assessments.
- Probabilistic risk study for reliability assessments will be reviewed in 2010 and incremental data reporting may be requested in 2011 to support this effort.
- NERC and Regional Entities will be requested to gather data or perform analysis in support of federal initiatives related to the stimulus package, critical infrastructure protection to include high impact/low frequency, climate change, environmental regulations, and/or renewable energy initiatives.
- Demand response data system (“DADS”) collection will begin voluntary submittals in 2010 and be mandatory in 2011. A data collection system is being designed and requires Regional Entity involvement. At this time, the Regional Entity involvement and support is expected to be similar to the way TADS currently works.
- NERC and the Regional Entities are expected to provide independent reviews of assessments to assure a high level of technical rigor.
- NERC will continue to develop analysis of TADS data in 2011.
- To meet NERC’s 3-year assessment commitments:
  - NERC will continue to vet metric development, collection, and analysis with industry stakeholders through the Reliability Metrics Working Group (“RMWG”).
  - NERC staff will work with the RMWG to issue the first annual reliability performance report in 2010 and share metric analysis results through its quarterly updates on NERC’s website, NERC News, and via Webinars.
  - NERC will undertake two special reliability assessment initiatives in 2011.
- NERC will develop a centralized automated data collection, reporting and validation process, and calculation tools to support reliability metrics to support reliability risk assessment as part of the more global effort as discussed in the Information Technology section under Administrative Services.
- NERC will issue reliability assessment reports:
  - One 10-year long-term reliability assessment
  - Two seasonal assessments: summer and winter
  - Two post-seasonal operational assessments: winter and summer
  - One annual risk/severity and reliability metrics report, including overall system risk and violation risk analysis
  - Two system reliability performance reports: Transmission (TADS) and Generating (GADS)
  - Geomagnetic Disturbance (“GMD”) affects on reliability of the bulk power system
  - Up to two additional special assessments addressing key reliability issues
  - Additional reports addressing industry reliability concepts and emerging issues

- NERC will build and sustain a reliability assessment and performance analysis team with representatives from NERC's Regions to review regional reliability assessment processes, criteria, and methods improving consistency and leveraging practices.
- Re-launch NERC's Spare Equipment Database ("SED") to enumerate the availability of equipment during emergencies, such as GMD, and support NERC's situation awareness activities. The focus in 2011 will be on bulk power system transformers.

NERC will continue to lead the study and analysis of the declining frequency performance in the Eastern Interconnection and determine possible corrective actions as necessary.

## 2011 Goals and Key Deliverables

The Reliability Assessment and Performance Analysis Objectives for 2011 are outlined below:

- Conduct comprehensive transmission planning studies of the BPS within the FRCC to ensure that the planned system meets the existing and future needs of all users of the transmission system (e.g., utility generation, network generation, network loads, merchant generation, IPPs and LSEs).
- Conduct inter-regional studies with SERC (Southeastern sub-region) to ensure that 'seams' issues are properly coordinated in order to maintain system reliability.
- Support NERC in preparing its reliability assessment reports.
- Evaluate, track, and assess severity/risk and up to nineteen (19) reliability metrics and risk indices – including providing support to update reliability metrics and risk indices.
- Support data gathering and reporting efforts for the Generating Availability Data System (GADS) and the Transmission Availability Data System (TADS).
- Support data gathering and reporting efforts for the Demand response Availability Data System (DADS).
- Strengthen data collection and validation processes by designing, creating, testing, and implementing data checking systems to accommodate the increasing amount of data NERC collects for its long-term, seasonal, operational and special reliability assessments along with the databases supporting reliability performance assessments.
- Investigate and analyze off-normal events on the FRCC bulk power system and work with NERC to identify the root causes of events that may be precursors of potentially more serious events.
- Assess past reliability performance for lessons learned.
- Establish and maintain relationships with NERC, regulatory, and governmental organizations involved with Bulk Power System (BPS) reliability (e.g., FPSC, DOE, FERC, EIA, etc.).
- Develop new and enhance existing regional reliability assessment processes, regional criteria, and methodologies to ensure BPS reliability.
- Develop methods of sharing best practice for transmission planning to ensure reliability
- Maintain a databank of power flow models, including dynamic models, to use in planning and evaluating future systems and current operating conditions.



- Coordinate with ERAG Multi-Area Modeling Working Group (MMWG) to develop Eastern Interconnection steady-state and dynamics models.
- Conduct Loss of Load Probability and the Scenario Analysis studies as needed.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

**Personnel Expenses** – Based on a review of the man hour allocation methodology used by FRCC staff, it has been determined that going forward less man hours are required for the RA transmission planning studies program functions and more are required for the Non-Statutory Planning functions. This is somewhat offset by the increase in manpower to address projected event analysis workload and data collection workload.

**Meeting Expenses** – Primarily the result of cost effective programs implemented in the travel area.

**Operating Expenses** – Primarily the result of Consulting and Contract costs budgeted in the past are now in line with actual costs and thus decreased. Additionally, Office Costs and the savings attained from Purchasing programs being implemented. There is an increase in legal fees associated with the review and consultation required due to the audit by NERC of the Delegation Agreement.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 1,166,740	\$ 1,166,740	\$ -	\$ 963,442	\$ (203,298)
Penalty Sanctions				8,330	8,330
<b>Total ERO Funding</b>	<b>\$ 1,166,740</b>	<b>\$ 1,166,740</b>	<b>\$ -</b>	<b>\$ 971,772</b>	<b>\$ (194,968)</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	23,520	23,520	-	24,200	680
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 1,190,260</b>	<b>\$ 1,190,260</b>	<b>\$ -</b>	<b>\$ 995,972</b>	<b>\$ (194,288)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 467,979	\$ 455,141	\$ (12,838)	\$ 449,229	\$ (18,750)
Payroll Taxes	30,664	30,664	-	27,444	(3,220)
Benefits	47,778	47,778	-	45,458	(2,320)
Retirement Costs	67,944	56,520	(11,424)	65,024	(2,920)
<b>Total Personnel Expenses</b>	<b>\$ 614,365</b>	<b>\$ 590,103</b>	<b>\$ (24,262)</b>	<b>\$ 587,155</b>	<b>\$ (27,210)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 5,699	\$ 4,312	\$ (1,387)	\$ 5,542	\$ (157)
Travel	38,074	31,782	(6,292)	32,965	(5,109)
Conference Calls	12,096	9,590	(2,506)	10,300	(1,796)
<b>Total Meeting Expenses</b>	<b>\$ 55,869</b>	<b>\$ 45,684</b>	<b>\$ (10,185)</b>	<b>\$ 48,807</b>	<b>\$ (7,062)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 230,950	\$ 220,920	\$ (10,030)	\$ 168,450	\$ (62,500)
Office Rent	28,754	24,280	(4,474)	33,162	4,408
Office Costs	26,252	5,192	(21,060)	16,310	(9,942)
Professional Services	15,066	30,248	15,182	25,378	10,312
Miscellaneous	-	-	-	-	-
Depreciation	54,868	50,388	(4,480)	56,430	1,562
<b>Total Operating Expenses</b>	<b>\$ 355,890</b>	<b>\$ 331,028</b>	<b>\$ (24,862)</b>	<b>\$ 299,730</b>	<b>\$ (56,160)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,026,124</b>	<b>\$ 966,815</b>	<b>\$ (59,309)</b>	<b>\$ 935,692</b>	<b>\$ (90,432)</b>
<b>Indirect Expenses</b>	<b>\$ 162,004</b>	<b>\$ 162,004</b>	<b>\$ -</b>	<b>\$ 111,761</b>	<b>\$ (50,243)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 1,188,128</b>	<b>\$ 1,128,819</b>	<b>\$ (59,309)</b>	<b>\$ 1,047,453</b>	<b>\$ (140,675)</b>
<b>Change in Assets</b>	<b>\$ 2,132</b>	<b>\$ 61,441</b>	<b>\$ 59,309</b>	<b>\$ (51,481)</b>	<b>\$ (53,613)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (54,868)	(54,868)	4,480	(56,430)	(1,562)
Total Fixed Asset Purchases	57,000	57,000	-	4,949	(52,051)
<b>Change in Fixed Assets</b>	<b>\$ (2,132)</b>	<b>\$ (2,132)</b>	<b>\$ (4,480)</b>	<b>\$ 51,481</b>	<b>\$ 53,613</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ (0)</b>	<b>\$ 59,309</b>	<b>\$ 54,829</b>	<b>\$ -</b>	<b>\$ 0</b>

## Training, Education, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	0.57	0.88	0.31
Direct Expenses	\$ 223,427	\$ 260,167	\$ 36,740
Indirect Expenses	\$ 23,861	\$ 26,087	\$ 2,226
Inc(Dec) in Fixed Assets	\$ (548)	\$ (818)	\$ (270)
Total Funding Requirement	\$ 246,740	\$ 285,436	\$ 38,696

### Program Scope and Functional Description

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

### System Operator Certification Program

The FRCC SOS identifies and manages annual training activities for the FRCC System Operators, and provides information to FRCC members regarding the NERC training standards and any issues they may have related to system operators obtaining/retaining required NERC Certification.

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

### Compliance Workshops

Compliance workshops will be held in the spring and fall of 2011 consisting of five (5) sessions each. These workshops will be aimed at providing updates to the Registered Entities on compliance procedures, instructions on changes to FRCC compliance website, lessons learned for previous violations, and providing sufficient and appropriate evidence in a compliance audit. The entities will also be appraised of changes in rules and expectations of NERC and FERC with regard to the CMEP. The effect on compliance monitoring as a result of on-going changes in the NERC and regional reliability standards will also be addressed.

In addition, there will be at least one (1) CIP Compliance Workshop that will address technical aspects of the standards, providing quality evidence, lessons learned, and compliance processes specific to the monitoring and enforcement of the CIP standards.

### **Standards Workshops**

The FRCC Standards Department will be supporting and participating in various FRCC sponsored workshops (e.g., FRCC Compliance Workshops and FRCC SOS seminars) throughout 2011. The Standards Department contribution to the workshops will be designed to promote stakeholder awareness of continent wide and regional standards activities. Additionally the workshops will educate stakeholders on the NERC Reliability Standards Development Procedure, the FRCC Regional Reliability Standard Development Process and the FRCC Registered Ballot Body System and Process. To encourage stakeholder participation at the continent-wide and regional levels, the workshops will provide stakeholders with updates on the progress of Regional Standards Development Projects and the associated NERC Standards Development Projects, while identifying areas that are in need of industry support.

### **Critical Infrastructure Protection Workshops**

The FRCC Critical Infrastructure Protection Subcommittee will be conducting an annual informational workshop during 2011. The workshop will be designed to inform entities about current issues and expected changes related to protecting critical infrastructure.

### **2011 Key Assumptions**

- No significant changes are expected in system operator certification CEH requirements through 2013.
- The System Operator Certification Program and Continuing Education Program will continue to be self-funded through a fee based structure for the exams and applications for approval of continuing education activities.

### **2011 Highlights**

#### **System Operator Certification**

In 2010, the NERC System Operator Certification Program will finalize the three-year transition from reliance on testing for credential maintenance to using continuing education hours.

To accommodate the recordkeeping requirements for using continuing educations, the program implemented a new portal and database in 2007, with additional upgrades in 2009. The database allows system operators to register for exams and track the status of maintaining their credential with approved continuing education hours. Continued improvements to the database are expected in 2011. The costs of these improvements by FRCC will be recovered through the fees received by the System Operator Certification Program and the Continuing Education Program.

#### **Continuing Education Program**

NERC's Continuing Education Program will continue to grow in 2011 as all system operators must use continuing education hours to maintain their credential instead of retesting. The program will continue to audit approved activities to verify the quality of these activities. FRCC will support this effort.

## 2011 Goals and Key Deliverables

The training, education and operator certification program objectives for 2011 are outlined below:

Provide assistance to our members in any issues they may have related to System Operator Certification.

- Conduct the annual training seminars over a five (5) week period, with two (2) days each for the training. The training seminars involve from two (2) to four (4) FRCC staff members, as well as industry volunteers who participate as presenters. This activity is funded primarily through registration fees.
- Host FRCC Critical Infrastructure Protection Workshops open to all interested industry participants to promote understanding and consistent implementation of the NERC CIP standards.
- Host FRCC Compliance Workshops open to all interested industry participants aimed at providing updates to the Registered Entities on compliance procedures, instructions on changes to website submittal of self-certification, self-reports, and periodic data, and guidance on the providing of appropriate and sufficient evidence in a compliance audit.
- Conduct FRCC Reliability Standards Department presentations to support multiple training objectives (i.e., FRCC Compliance Workshops and FRCC SOS Seminars) to promote stakeholder awareness of continent wide and regional standards activities.

## Funding Sources and Requirements — Explanation of Increase (Decrease)

- The System Operator Certification program is funded primarily by the attendees.
- **Personnel Expenses** – The increases in budget are the result of more time spent to conduct Reliability Standards, Critical Infrastructure Protection and Compliance Monitoring and Enforcement workshops.
- **Meeting Expenses** – Certain training courses (CIPS and Reliability Standards) will be combined with other Training rather than holding them individually by subject matter thus a cost savings for this program.
- **Operating Expenses** – The increases in budget are the result of the incremental costs to present Critical Infrastructure Protection and Compliance Monitoring and Enforcement workshops.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Training, Education and Operator Certification</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 137,839	\$ 137,839	\$ -	\$ 204,062	\$ 66,223
Penalty Sanctions				1,944	1,944
<b>Total ERO Funding</b>	<b>\$ 137,839</b>	<b>\$ 137,839</b>	<b>\$ -</b>	<b>\$ 206,006</b>	<b>\$ 68,167</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees				-	-
Services & Software				-	-
Workshops	108,901	108,901	-	79,430	(29,471)
Interest				-	-
Miscellaneous				-	-
<b>Total Funding</b>	<b>\$ 246,740</b>	<b>\$ 246,740</b>	<b>\$ -</b>	<b>\$ 285,436</b>	<b>\$ 38,696</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 68,927	\$ 61,444	\$ (7,483)	\$ 104,860	\$ 35,933
Payroll Taxes	4,516	4,071	(445)	6,406	1,890
Benefits	7,037	7,037	-	10,611	3,574
Retirement Costs	10,007	8,692	(1,315)	15,178	5,171
<b>Total Personnel Expenses</b>	<b>\$ 90,487</b>	<b>\$ 81,244</b>	<b>\$ (9,243)</b>	<b>\$ 137,055</b>	<b>\$ 46,568</b>
<b>Meeting Expenses</b>					
Meetings	\$ 108,901	\$ 108,901	\$ -	\$ 84,792	\$ (24,109)
Travel	9,978	9,978	-	10,964	986
Conference Calls	3,192	3,192	-	444	(2,748)
<b>Total Meeting Expenses</b>	<b>\$ 122,071</b>	<b>\$ 122,071</b>	<b>\$ -</b>	<b>\$ 96,200</b>	<b>\$ (25,871)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 64	\$ 64
Office Rent	4,235	2,372	(1,863)	7,741	3,506
Office Costs	3,867	600	(3,267)	12,097	8,230
Professional Services	2,219	2,868	649	5,924	3,705
Miscellaneous				-	-
Depreciation	548	1,632	1,084	1,086	538
<b>Total Operating Expenses</b>	<b>\$ 10,869</b>	<b>\$ 7,472</b>	<b>\$ (3,397)</b>	<b>\$ 26,912</b>	<b>\$ 16,043</b>
<b>Total Direct Expenses</b>	<b>\$ 223,427</b>	<b>\$ 210,787</b>	<b>\$ (12,640)</b>	<b>\$ 260,167</b>	<b>\$ 36,740</b>
<b>Indirect Expenses</b>	<b>\$ 23,861</b>	<b>\$ 23,861</b>		<b>\$ 26,087</b>	<b>\$ 2,226</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 247,288</b>	<b>\$ 234,648</b>	<b>\$ (12,640)</b>	<b>\$ 286,254</b>	<b>\$ 38,966</b>
<b>Change in Assets</b>	<b>\$ (548)</b>	<b>\$ 12,092</b>	<b>\$ 12,640</b>	<b>\$ (818)</b>	<b>\$ (270)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (548)	(548)	(1,084)	(1,086)	(538)
Total Fixed Asset Purchases				268	268
<b>Change in Fixed Assets</b>	<b>\$ 548</b>	<b>\$ 548</b>	<b>\$ 1,084</b>	<b>\$ 818</b>	<b>\$ 270</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ (0)</b>	<b>\$ 12,640</b>	<b>\$ 13,724</b>	<b>\$ -</b>	<b>\$ 0</b>

## Situation Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security Program</b>			
(in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.20	0.24	0.04
Direct Expenses	\$ 45,593	\$ 76,903	\$ 31,310
Indirect Expenses	\$ 8,372	\$ 7,115	\$ (1,258)
Inc(Dec) in Fixed Assets	\$ (880)	\$ (15,746)	\$ (14,866)
Total Funding Requirement	\$ 53,085	\$ 68,272	\$ 15,186

### Program Scope and Functional Description

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

The statutory functions are: FRCC support of NERC's bi-weekly Situation Awareness conference calls, FRCC support for the Situation Awareness for FERC, NERC, and the Regions (SAFNR) project, and the FRCC satellite phone link to the RC. In 2011, NERC will begin to implement a common platform tool for the collection and display of system information from the Reliability Coordinators. This platform will replace the current SAFNR tools developed by the Reliability Coordinators and allow NERC, the Regional Entities, and governmental authorities to collect and display information in common forms and formats. The single approach will help the industry by establishing a single data sharing process and protocol as opposed to multiple processes and protocols for NERC, Regions, and Governmental Authorities thereby eliminating duplication of efforts. FERC has provided NERC with its functional requirements for SAFNR, and NERC is currently using those requirements as a basis to develop functional specifications and requests for proposal, which will be issued in 2010 for work to be implemented in 2011.

Additionally, in 2011 the Situation Awareness process will be used to identify off-normal system events to be analyzed using the new NERC Event Analysis Process and Procedures.

### 2011 Key Assumptions

The synchro-phasor project will not impact regional entity budgets in 2011. The initial implementation of the SAFNR project was completed as an FRCC Regional Entity un-budgeted activity during 2009. The project will incur on-going operating and maintenance costs during 2011 as NERC develops the redefined SAFNR system. At that point FRCC will then incur

development costs to build the interface systems that interact and feed the system which will probably occur in 2012

There will be increased need and demand for CIP-related training and workshops. CIP compliance activities are budgeted within compliance. FRCC will continue to support and facilitate the development of NERC's secure portal for the management of alerts and infrastructure security information.

There will be an increased focus on detecting off-normal events to be analyzed by the responsible entity, FRCC or NERC.

### **2011 Goals and Key Deliverables**

- Continue FRCC support for maintenance of current SAFNR tool and further development of the NERC SAFNR project. Ensure FRCC goals support the project mission to provide FERC, NERC, and the staffs from the eight REs a visualization tool that enables the appropriate level of situation awareness regarding the near real-time conditions on the Bulk Power System. Work with the FRCC Reliability Coordinator to ensure the project mission is fulfilled and that appropriate hardware and software resources are allocated. Continue to support future development of the project capabilities.
- Host a FRCC Critical Infrastructure Protection Workshop open to all interested industry participants designed to complement the FRCC Compliance Workshops' CIP training and to promote understanding and consistent implementation of the NERC CIP standards.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

- **Personnel Expenses** – The increase is due to increased Critical Infrastructure Protection requirements and more man hours devoted to the CIP subcommittee for the Regional Entity function.
- **Meeting Expenses** – Remain virtually unchanged.
- **Operating Expenses** – The increase in budget is primarily due to the ongoing SAFNR Tool operation and maintenance costs that were not budgeted for in 2010.



## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 53,085	\$ 53,085	\$ -	\$ 67,741	\$ 14,656
Penalty Sanctions			\$ -	530	530
<b>Total ERO Funding</b>	<u>\$ 53,085</u>	<u>\$ 53,085</u>	<u>\$ -</u>	<u>\$ 68,272</u>	<u>\$ 15,187</u>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ 53,085</u>	<u>\$ 53,085</u>	<u>\$ -</u>	<u>\$ 68,272</u>	<u>\$ 15,187</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 24,185	\$ 26,020	\$ 1,835	\$ 28,598	\$ 4,413
Payroll Taxes	1,585	1,585	-	1,747	162
Benefits	2,469	2,469	-	2,894	425
Retirement Costs	3,511	3,760	249	4,139	628
<b>Total Personnel Expenses</b>	<u>\$ 31,750</u>	<u>\$ 33,834</u>	<u>\$ 2,084</u>	<u>\$ 37,378</u>	<u>\$ 5,628</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 44	\$ 44
Travel	1,740	1,423	(317)	1,552	(188)
Conference Calls	-	-	-	17	17
<b>Total Meeting Expenses</b>	<u>\$ 1,740</u>	<u>\$ 1,423</u>	<u>\$ (317)</u>	<u>\$ 1,613</u>	<u>\$ (127)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ 2,481	\$ 2,481	\$ 10,018	\$ 10,018
Office Rent	1,486	1,486	-	2,111	625
Office Costs	8,958	6,920	(2,038)	8,349	(609)
Professional Services	779	779	-	1,615	836
Miscellaneous	-	-	-	-	-
Depreciation	880	16,368	15,488	15,819	14,939
<b>Total Operating Expenses</b>	<u>\$ 12,103</u>	<u>\$ 28,034</u>	<u>\$ 15,931</u>	<u>\$ 37,912</u>	<u>\$ 25,809</u>
<b>Total Direct Expenses</b>	<u>\$ 45,593</u>	<u>\$ 63,291</u>	<u>\$ 17,698</u>	<u>\$ 76,903</u>	<u>\$ 31,310</u>
<b>Indirect Expenses</b>	<u>\$ 8,372</u>	<u>\$ 8,372</u>	<u>\$ -</u>	<u>\$ 7,115</u>	<u>\$ (1,258)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 53,965</u>	<u>\$ 71,663</u>	<u>\$ 17,698</u>	<u>\$ 84,018</u>	<u>\$ 30,052</u>
<b>Change in Assets</b>	<u>\$ (880)</u>	<u>\$ (18,578)</u>	<u>\$ (17,698)</u>	<u>\$ (15,746)</u>	<u>\$ (14,866)</u>
<b>Fixed Assets</b>					
Depreciation	\$ (880)	(880)	(15,488)	(15,819)	(14,939)
Total Fixed Asset Purchases		-		73	73
<b>Change in Fixed Assets</b>	<u>\$ 880</u>	<u>\$ 880</u>	<u>\$ 15,488</u>	<u>\$ 15,746</u>	<u>\$ 14,866</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ (0)</u>	<u>\$ (17,698)</u>	<u>\$ (2,210)</u>	<u>\$ -</u>	<u>\$ 0</u>

## General and Administrative

<b>General and Administrative</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.97	3.82	(0.15)
Expenses	\$ 746,888	\$ 669,930	\$ (76,958)
Inc(Dec) in Fixed Assets	\$ 32,575	\$ 932	\$ (31,643)
Total Allocation to Statutory Programs	\$ 779,463	\$ 670,862	\$ (108,601)
Working Capital Requirement	\$ (350,589)	\$ (469,420)	\$ (118,831)

### Program Scope and Functional Description Background

Charges included in General and Administrative are general legal expenses, executive time and expenses, human resources, information technology and accounting and finance. Every effort is made to charge items and time directly to activities and to designate as statutory or non-statutory. Undesignated items are shared costs between the Regional Entity Division and the Member Services Division and are allocated based on actual labor hours charged. The costs of General and Administrative have been included within the functional budgets as indirect costs for both 2010 and 2011 in order to present a full picture of the actual costs of each functional program.

### Legal and Regulatory Background

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

### 2011 Goals and Objectives

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

---

## Information Technology Background

The FRCC maintains a number of tools and other support services for the benefit of its members, Registered Entities, Reliability Coordinator agent(s), and other system operators. These services include the FRCC Hotline, Florida Transaction Management System (FTMS), Reliability Data Link (RDL), FRCCNet, FRCC satellite phone and the FRCC Load and Resource Database as well as other systems for collaboration, communication, data gathering and analysis.

### 2011 Goals and Objectives

- Provide I.T. and telecommunications resources for additional FRCC personnel.
- Update and enhance the FRCC Website to expand functionality and improve user experience.
- Develop and enhance tools to automate and improve FRCC data collection and analysis processes.
- Expand IT support of the FRCC CMEP and enhance the tools required to perform CMEP functions.

## Human Resources Background

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

### 2011 Goals and Objectives

- Recruit successful employees
- Improve human resource policies and procedures
- Provide management and training programs
- Ensure competitive employee compensation and benefits

## Finance and Accounting Background

The FRCC will submit its annual budget for statutory and non-statutory activities to the FRCC Board of Directors for approval and then file the approved annual budget for statutory and non-statutory activities to NERC. This includes supporting materials such as a complete business plan and organizational chart (which can be found on the Company's website: [www.frcc.com](http://www.frcc.com)), and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures.

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

---

**Finance and Accounting Objectives**

- Prepare the 2011 statutory and non-statutory budgets.
- Report budget variances to the FRCC Board and to NERC on a quarterly basis.
- Evaluate and advise on the impact of long-range planning.
- Provide on-going training to employees to ensure employees charge their time correctly.

**Non Operating Expense – Cash Reserve Requirement**

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

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

**Personnel Expenses** – More time will be directly accounted for in the statutory programs and in the Member Services division due to increases in staff there.

**Meeting Expenses** – Primarily the result of cost effective programs implemented in the travel area.

**Operating Expenses** – Primarily the result of Office Costs and the savings attained from purchasing programs implemented, offset by the increase in legal fees associated with the review and consultation required due to the audit by NERC of the Delegation Agreement.

## General and Administrative

Funding sources and related expenses for the general and administrative section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>General and Administrative</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ (350,589)	\$ (350,589)	\$ -	\$ (467,920)	\$ (117,331)
Penalty Sanctions				-	
<b>Total ERO Funding</b>	<b>\$ (350,589)</b>	<b>\$ (350,589)</b>	<b>\$ -</b>	<b>\$ (467,920)</b>	<b>\$ (117,331)</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ (350,589)</b>	<b>\$ (350,589)</b>	<b>\$ -</b>	<b>\$ (467,920)</b>	<b>\$ (117,331)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 489,746	\$ 506,583	\$ 16,837	\$ 455,187	\$ (34,559)
Payroll Taxes	32,090	34,212	2,122	27,808	(4,282)
Benefits	50,000	56,596	6,596	46,061	(3,939)
Retirement Costs	71,104	69,913	(1,191)	65,886	(5,218)
<b>Total Personnel Expenses</b>	<b>\$ 642,940</b>	<b>\$ 667,304</b>	<b>\$ 24,364</b>	<b>\$ 594,942</b>	<b>\$ (47,998)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 2,287	\$ 2,287	\$ -	\$ 703	\$ (1,584)
Travel	28,138	21,104	(7,034)	2,255	(25,883)
Conference Calls	195	195	-	276	81
<b>Total Meeting Expenses</b>	<b>\$ 30,620</b>	<b>\$ 23,586</b>	<b>\$ (7,034)</b>	<b>\$ 3,234</b>	<b>\$ (27,386)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ 490	\$ 490	\$ 280	\$ 280
Office Rent	30,091	32,480	2,389	33,602	3,511
Office Costs	27,472	23,767	(3,705)	11,925	(15,547)
Professional Services	15,765	13,747	(2,018)	25,714	9,949
Miscellaneous		-	-	-	-
Depreciation		11,112	11,112	233	233
<b>Total Operating Expenses</b>	<b>\$ 73,328</b>	<b>\$ 81,596</b>	<b>\$ 8,268</b>	<b>\$ 71,754</b>	<b>\$ (1,574)</b>
<b>Total Direct Expenses</b>	<b>\$ 746,888</b>	<b>\$ 772,486</b>	<b>\$ 25,598</b>	<b>\$ 669,930</b>	<b>\$ (76,958)</b>
<b>Indirect Expenses</b>	<b>\$ (779,463)</b>	<b>\$ (779,463)</b>		<b>\$ (670,862)</b>	<b>\$ 108,601</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ (32,575)</b>	<b>\$ (6,977)</b>	<b>\$ 25,598</b>	<b>\$ (932)</b>	<b>\$ 31,643</b>
<b>Change in Assets</b>	<b>\$ (318,014)</b>	<b>\$ (343,612)</b>	<b>\$ (25,598)</b>	<b>\$ (466,988)</b>	<b>\$ (148,974)</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ (11,112)	\$ (11,112)	\$ (233)	(233)
Total Fixed Asset Purchases	32,575	32,575	-	1,165	(31,410)
<b>Change in Fixed Assets</b>	<b>\$ (32,575)</b>	<b>\$ (21,463)</b>	<b>\$ 11,112</b>	<b>\$ (932)</b>	<b>\$ 31,643</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ (350,589)</b>	<b>\$ (365,075)</b>	<b>\$ (14,486)</b>	<b>\$ (467,920)</b>	<b>\$ (117,331)</b>

Section B – Supplemental Financial Information  
**2011 Business Plan and Budget**

## Reserve Balance

Table B-1

<b>Working Capital Reserve Analysis 2010-2011</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2009</b>	1,264,436
Less: Penalty sanctions being held to be used as offset to 2011 assessments <sup>1</sup>	(50,000)
Plus: 2010 ERO Funding (from LSEs or designees)	4,938,176
Plus: 2010 Other funding sources	132,421
Less: 2010 Projected expenses & capital expenditures	(5,258,252)
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<b>1,026,781</b>
<b>Desired Working Capital Reserve, December 31, 2011</b>	<sup>2</sup> 558,861
Less: Projected Working Capital Reserve, December 31, 2010	(1,026,781)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>(467,920)</b>
2011 Assessment for Expenses and Capital Expenditures	5,588,610
Less: Penalty Sanctions <sup>1</sup>	(50,000)
Less: Other Funding Sources	(103,630)
Adjustment to achieve desired Working Capital Reserve	(467,920)
<b>2011 Assessment</b>	<b>4,967,060</b>

<sup>1</sup> Represents collections prior to June 30, 2010.

<sup>2</sup> As documented in the June 27, 2008 minutes, the FRCC Board of Directors has approved the establishment of a funding reserve equal to 10% of its budgeted annual statutory expenses, with the understanding that should it become necessary to spend any of the reserve funds, the President shall provide a report detailing such expenditures at the next regular meeting of the Board of Directors.

### Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Table on page 12, of the 2011 FRCC Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

#### Penalty Sanctions

Penalty monies received prior to June 30, 2010 are to be used to offset assessments in the 2011 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2010 through June 30, 2011 will be used to offset assessments in the 2012 Budget.

All penalties received prior to June 30, 2010 are detailed below.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-2**

Penalty Sanctions Received On or Prior to June 30, 2010		Amount Received
	Date Received	
Penalty #1	12/28/2009	\$ 47,000
Penalty #2	5/18/2010	1,500
Penalty #3	6/11/2010	1,500
<b>Total Penalties Received</b>		<u>\$ 50,000</u>



## Supplemental Funding

Table B-3

Outside Funding Breakdown By Program	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget
<b>Reliability Standards Development</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Reliability Assessment and Performance Analysis</b>				
Services & Software Fees	\$ 23,520	\$ 23,520	\$ 24,200	\$ 680
<b>Total</b>	\$ 23,520	\$ 23,520	\$ 24,200	\$ 680
<b>Training, Education and Operator Certification</b>				
Workshops	\$ 108,901	\$ 108,901	\$ 79,430	\$ (29,471)
<b>Total</b>	\$ 108,901	\$ 108,901	\$ 79,430	\$ (29,471)
<b>Situation Awareness and Infrastructure Security</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>General and Administrative</b>				
Interest	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Total Outside Funding</b>	\$ 132,421	\$ 132,421	\$ 103,630	\$ (28,791)

## Personnel Expenses

### Table B-4

Personnel Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Salaries</b>					
<b>Total Salaries</b>	\$ 2,741,366	\$ 2,720,310	\$ 3,151,751	\$ 410,385	15.0%
<b>Total Payroll Taxes</b>	\$ 179,624	\$ 182,104	\$ 192,546	\$ 12,922	7.2%
<b>Benefits</b>					
Workers Compensation	\$ 8,224	\$ 8,224	\$ 9,457	\$ 1,233	15.0%
Medical, LTD, STD Insurances	243,922	240,000	290,958	47,036	19.3%
Employment Fees	30,000	30,000	16,000	(14,000)	-46.7%
Education	15,475	15,475	19,150	3,675	23.7%
Employee Welfare	16,158	16,125	18,515	2,357	14.6%
Relocation	40,000	30,000	30,000	(10,000)	-25.0%
<b>Total Benefits</b>	\$ 353,778	\$ 339,824	\$ 384,080	\$ 30,301	8.6%
<b>Retirement</b>					
Retirement Costs	\$ 398,007	\$ 351,185	\$ 456,201	\$ 58,194	14.6%
<b>Total Retirement</b>	\$ 398,007	\$ 351,185	\$ 456,201	\$ 58,194	14.6%
<b>Total Personnel Costs</b>	\$ 3,672,775	\$ 3,593,423	\$ 4,184,578	\$ 511,802	13.9%
<b>FTEs</b>	22.59	21.09	26.45	3.9	17.1%
<b>Cost per FTE</b>					
Salaries	\$ 121,342	\$ 128,986	\$ 119,159	(2,184)	-1.8%
Payroll Taxes	7,951	8,635	7,280	(671)	-8.4%
Benefits	15,659	16,113	14,521	(1,138)	-7.3%
Retirement	17,617	16,652	17,248	(369)	-2.1%
<b>Total Cost per FTE</b>	\$ 162,570	\$ 170,385	\$ 158,207	\$ (4,363)	-2.7%

## Consultants and Contracts

### Table B-5

Consultants and Contracts	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Consultants</b>					
Reliability Standards Development	\$ -	\$ -	\$ 84	\$ 84	
Compliance Monitoring & Enforcement and Org Reg	-	-	23,214	23,214	
Reliability Assessment and Performance Analysis	230,950	220,920	168,450	(62,500)	-27%
Training, Education and Operator Certification	-	-	64	64	
Situation Awareness and Infrastructure Security	-	2,481	10,018	10,018	
General and Administrative	-	490	280	280	
<b>Total Consulting and Contracts</b>	\$ 230,950	\$ 223,891	\$ 202,110	\$ (28,840)	-12%

**Office Rent****Table B-6**

Office Rent	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Office Rent	\$ 365,757	\$ 292,254	\$ 373,086	\$ 7,329	2.00%
<b>Total Office Rent</b>	<b>\$ 365,757</b>	<b>\$ 292,254</b>	<b>\$ 373,086</b>	<b>\$ 7,329</b>	<b>2.00%</b>

**Office Costs****Table B-7**

Office Costs	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Telephone	\$ 85,424	\$ 12,424	\$ 33,058	\$ (52,366)	-61.30%
Internet	7,274	7,274	7,096	\$ (178)	-2.45%
Office Supplies	13,697	13,697	15,482	\$ 1,785	13.03%
Computer Supplies	3,009	3,009	5,161	\$ 2,152	71.52%
Publications, Subscriptions & Dues	4,436	4,436	3,338	\$ (1,098)	-24.75%
Postage	2,716	2,716	2,194	\$ (522)	-19.22%
Equipment Maintenance	20,045	9,888	20,950	\$ 905	4.51%
Copying	3,377	3,377	11,253	\$ 7,876	233.22%
Printing	4,073	4,073	19,568	\$ 15,495	380.43%
Stationary Forms	6,128	6,128		\$ (6,128)	-100.00%
Commerical Insurance	11,202	11,202	12,901	\$ 1,699	15.17%
Miscellaneous		-		\$ -	
<b>Total Office Costs</b>	<b>\$ 161,381</b>	<b>\$ 78,224</b>	<b>\$ 131,001</b>	<b>\$ (30,380)</b>	<b>-18.83%</b>

**Professional Services****Table B-8**

Professional Services	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Outside Legal	\$ 71,285	\$ 151,653	\$ 161,275	\$ 89,990	126.24%
Accounting & Auditing Fees	16,971	16,971	16,772	\$ (199)	-1.17%
<b>Total Services</b>	<b>\$ 88,256</b>	<b>\$ 168,624</b>	<b>\$ 178,047</b>	<b>\$ 89,791</b>	<b>101.74%</b>

## Other Non-Operating Expenses

Table B-9

Other Non-Operating Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Interest Expense	\$ -	\$ -		\$ -	
Office Relocation	-	-		\$ -	
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

Section C – Non-Statutory Activities  
**2011 Business Plan and Budget**

<b>Non-Statutory Activities</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	8.8	12.4	3.6
Direct Expenses	4,230,322	5,486,005	1,255,683
Indirect Expenses	(0)	-	0
Inc(Dec) in Fixed Assets	(25,273)	(35,942)	(10,669)
<b>Total Funding Requirement</b>	<b>4,205,049</b>	<b>5,450,063</b>	<b>1,245,014</b>

### Non-Statutory Functional Scope Background

The Member Services division of the FRCC provides, coordinates or administers a variety of services relating to the reliable planning and operation of the Bulk Power System (BPS) within the FRCC Region. These services are carried out by the FRCC Planning Committee (PC) and the FRCC Operating Committee (OC), the FRCC Member Services Compliance Committee (CC), various subcommittees, task forces and working groups, as well as FRCC Staff.

### Members' Services Objectives

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

### Membership and Governance

The FRCC's Members in the Member Services Division include investor-owned utilities, cooperative utilities, municipal utilities, power marketers and independent power producers. Current membership is 24 FRCC Members in 2010.

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

### Planning Committee (PC) Functional Scope

The PC promotes the reliability of the bulk power system in the FRCC Region, assesses and encourages generation and transmission adequacy. The PC assesses generation adequacy by performing a reliability assessment taking into account projected load and resources. The PC, through the FRCC Regional Transmission Planning Process, provides a vehicle for ensuring that transmission planning within the FRCC will provide for the development of a robust transmission network within the FRCC Region. The Regional Transmission Planning Process is a coordinated transmission planning process that evaluates all transmission facilities with voltages 69kV and above. The major goal of this process is to ensure that the planning of

transmission facilities will meet the needs of all market participants in a coordinated, open and transparent transmission planning environment.

The FRCC will continue to develop, on an annual basis, a Regional Transmission Plan using this planning process. The Regional Plan is based on the Ten Year Site Plans that are required to be submitted to the Florida Public Service Commission (“FPSC”) on April 1<sup>st</sup> of each year. The FRCC participates in an annual Ten Year Site Plan Workshop held by the FPSC where the results of resource and transmission adequacy assessments are presented.

The FRCC PC relies on the following subordinate groups to achieve its goals: Resource Working Group (RWG), Stability Working Group (SWG), and the Transmission Working Group (TWG).

### **Resource Working Group**

The RWG performs reliability assessments of FRCC resource adequacy for the future 10-year period for peninsular Florida based on individual utility information that was the basis of their respective EIA-411 and Ten Year Site Plan filings with the Florida Public Service Commission. These reliability assessments are based upon the FRCC resource adequacy criteria.

### **Stability Working Group**

The SWG is responsible for assessing the dynamic performance of the FRCC bulk electric system under various credible system conditions. In addition, the SWG performs the following assessments: Coordination and performance of Special Protection Systems, the effectiveness of FRCC under-frequency load shedding program and coordination with other protection and control systems, and other assessments in support of the FRCC Regional Transmission Planning Process.

### **Transmission Working Group**

The TWG engages in active coordination of transmission planning within the FRCC Region under the direction of the FRCC Planning Committee in support of the FRCC Regional Transmission Planning Process. The TWG annually performs a FRCC Long Range Study, sensitivity studies as directed by the PC, evaluates Transmission Service Requests, and evaluates Generator Interconnection Service Requests. In addition, the TWG develops a FRCC Transmission Map on an annual basis.

## **Operating Committee (OC) Functional Scope**

The primary goal of the OC is to promote the reliability of the bulk power system within the FRCC Region. The OC is responsible for the coordination, operations planning, operation and maintenance of the interconnected systems operating in the Region. The OC’s primary reliability goals include effective implementation of the Regional Reliability Plan (*Reliability Process for the FRCC Bulk Electric System*), continuous improvement of operator awareness and communications, and ensuring that adequate physical, operational and cyber security objectives are in place for the Region’s shared communications network. The OC subordinate groups include the Operating Reliability Subcommittee (ORS), Data Exchange Working Group (DEWG), Fuel Reliability Working Group (FRWG), System Operator Subcommittee (SOS), Telecommunications Subcommittee (TS), System Protection and Control Subcommittee (SPCS)

and the Critical Infrastructure Protection Subcommittee (CIPS). As part of the Regional Reliability Plan, the OC ensures reliable operations are maintained through the implementation and oversight of the FRCC Reliability Coordinator (“RC”) functions as established by the FRCC Reliability Process.

The FRCC RC responsibilities include the real time operating function, operations planning function, and state capacity emergency coordination. The primary RC tasks are performed by an agent of the FRCC with oversight by FRCC committees and support staff. The agent currently performs the roles of real-time Reliability Coordinator (RC), Operations Planning Coordinator (OPC), and State Capacity Emergency Coordinator (SCEC) , although, in the future, some of these functions will be transitioned to FRCC staff. The overall FRCC RC function is accountable to the FRCC Operating Committee with primary oversight performed by Operating Reliability Subcommittee (ORS).

The OC through ORS, has implemented several RC function staffing and process improvement initiatives which will continue into 2011. The use of dedicated RC agent personnel to solely perform the FRCC RC functions on a round-the-clock basis will continue as well as enhancement of the FRCC oversight of the RC agent with the addition of two staff positions based out of the control center where the RC functions are performed. It is a goal of the OC to continue to develop a more robust FRCC RC compliance management program under the Member Services Division and to continue to improve and enhance the RC functional capabilities based on the evolving regulatory requirements and additional staff is required to carry out this mission.

### **Operating Reliability Subcommittee (ORS)**

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

### **Data Exchange Working Group (DEWG)**

The DEWG, subordinate to the ORS, supports the real-time data needs of the FRCC Reliability Coordinator and other entities identified by the FRCC ORS. It is also responsible for developing methodologies to facilitate the exchange of real-time, modeling, and other operational data to help ensure reliable electric power system operations. Accurate modeling of the FRCC bulk power system is essential to maintaining situation awareness and ensuring reliability. Within the FRCC, all operating entities provide system data via the FRCC Reliability Data Link (RDL). The FRCC RDL receives electric system reliability data from the operating entities on a real-time basis. The FRCC RDL allows data to be made available to all reliability entities.

### **Fuel Reliability Working Group (FRWG)**

The FRWG, also subordinate to the ORS, has been established to deal with matters relating to fuel and impacts to BPS reliability. Specifically, the FRWG provides the administrative oversight of a Regional fuel reliability forum that studies the interdependencies of fuel



availability and electric reliability and supports coordinated Regional responses to fuel issues and fuel emergencies.

### **FRCC Telecommunications Subcommittee (TS)**

The TS provides formal oversight for the TS budget which is included in the OC budget. The primary purpose of the TS is to ensure that adequate and redundant communications facilities are made available to the operating entities within the FRCC, including the FRCC Reliability Coordinator. The TS administers the FRCC Hotline program, Satellite phone program, FRCCNet program and also ensures that reliable and redundant communications are maintained with NERCNet, from a regional communications perspective. All TS programs are —non-statutory and support the Reliability Coordinator functions; with the exception of the FRCC satellite phone (located at the FRCC office) which is clearly a tool used by the Regional Entity to perform situation awareness and thus is budgeted as statutory.

### **FRCC System Protection and Control Subcommittee (SPCS)**

The FRCC System Protection and Control Subcommittee (SPCS) has primary responsibility for the coordination of protection and control systems within the FRCC region, including regional disturbance monitoring equipment, review of protective mis-operations, protection related disturbance analysis, and implementation of specific regional programs and procedures including the assessments of the FRCC Under-frequency Load Shedding Program. The SPCS also reviews and coordinates system protection and control equipment installations, settings, protection philosophies and testing criteria within the region, when installations impact multiple entities. The SPCS serves as an important forum for sharing subject matter expert guidance and lessons learned / best practices for equipment issues and protection coordination.

### **FRCC Critical Infrastructure Protection Subcommittee (CIPS)**

The purpose of the FRCC CIPS is to enhance the physical and cyber security of the critical bulk power infrastructure in the FRCC region, with an emphasis on protecting, preventing, limiting and recovering from malicious activities directed at the FRCC critical energy infrastructure. The CIPS provides guidance to the OC on matters of critical energy infrastructure security, including cyber and physical security.

### **Compliance Committee (CC) Functional Scope**

The FRCC Compliance Committee (CC) formally began as a Non-Statutory committee in March 2010. The CC responsibilities include serving as a forum for members to share, review and coordinate activities related to complying with reliability standards, identifying best practices for complying with reliability standards and monitoring the functions performed by the FRCC as a registered entity for compliance with reliability standards.

### **Major 2011 Cost Impacts**

#### **Total Non-Statutory Planning Committee (PC)**

The total Planning Committee (PC) expenses for 2011 are made up of the PC Committee budget, as well as the administrative costs to provide support personnel for implementation of the FRCC Planning Authority functions and all other Non-Statutory PC activities.

The 2011 PC budget is developed based on the activities of the RWG, the SWG and the TWG. These budgets are primarily for the labor involved in coordination activities performed by member representatives, software and meeting costs.

The total PC expense requirements for 2011 are \$606,962, which is 2.7% lower than last year's budget of \$623,555. The Available Transfer Capability Working Group is expected to be dissolved by 2011 and therefore no expenses for this group are included in the 2011 budget. The following is a breakdown of the major changes in the expenses for each Working Group. The FRCC Non-Statutory PC 2011 budget is made up of direct expenses associated with its subordinate groups. Changes to the direct expenses are described below:

### **Resource Working Group**

The workload for the RWG is expected to continue to increase in 2011 due to increased requirements from the NERC Reliability Assessment Subcommittee (RAS). To complete this additional work, the 2011 budget for RWG direct expenses increases by \$9,080 from the 2010 budget.

### **Stability Working Group**

The focus on BES stability is expected to increase to develop and implement specific planning assessment enhancements related to statutory requirements. However, the Non-Statutory SWG budget for 2011 remains the same as the 2010 budget for direct expenses.

### **Transmission Working Group**

The TWG budget for direct expenses decreases by \$5,260 from the 2010 budget. In general, the TWG expected software expenses are lower since no software purchases are planned for 2011.

### **Total Non-Statutory Operating Committee (OC)**

The total Operating Committee (OC) expenses for 2011 are made up of a 2011 Non-Statutory OC budget as well as the administrative costs to provide support personnel for implementation of the FRCC Reliability Coordinator (RC) functions and other OC activities.

The 2011 Operating Committee (OC) budget is developed based primarily on the activities of the Operating Reliability Subcommittee (ORS), the System Operator Subcommittee (SOS), the Telecommunications Subcommittee (TS), the Fuel Reliability Working Group (FRWG) and the Critical Infrastructure Protection Subcommittee (CIPS). These budgets are related to, or in support of, the FRCC Reliability Coordinator (RC) functions and include consulting costs, contract costs, computer software purchases and expenses to support the associated activities. These budgets do not include FRCC staff salaries or associated personnel costs.

The administrative costs associated with the FRCC OC support personnel include FRCC staff that support implementation of the FRCC RC functions and staff that support overall OC activities. The staff includes dedicated employees as well as shared employees.

The total OC expense requirements for 2011 are \$4,771,297 which is approximately 44.4% greater than last year's budget of \$3,303,867. This increase is primarily due to the increased regulatory and compliance pressure on the FRCC Reliability Coordinator, the reliability

enhancement measure from the Stipulation and Consent Agreement for the February 26, 2008 event and increased cost estimates by the RC agent, FPL.

FRCC staffing increases associated with this call for the addition of two new technical and support positions (a RC Operations Engineer and RC Administrator) to support the RC function. In addition, FPL has indicated that they do not plan to continue as the agent for Operations Planning Coordinator. Therefore, a new staff position is needed (Operations Planning Engineer) to perform that function. These three new positions add approximately \$416,000 to the cost of performing the RC function. The increase in the RC agent costs is almost \$900,000 more than the 2010 budget. Additionally, as a result of a review performed on the allocation of planning staff costs between the Reliability Assessment function and the non-statutory function, there has been a shift of personnel costs from the Regional Entity Division to the Member Services Division.

The FRCC Non-Statutory OC 2011 budget is made up of direct expenses associated with its subordinate groups. Changes to the direct expenses are described below.

#### **Operating Reliability Subcommittee (ORS)**

The ORS budget makes up approximately 93% of the direct expense OC 2011 budget. The 2011 ORS budget has a net increase of approximately 55% as compared to the 2010 budget. This is due to the increased RC agent costs described above. This also reflects some associated decreases due to shifting of some RC functions over to FRCC staff.

#### **Fuel Reliability Working Group (FRWG)**

The FRWG budget makes up approximately 2.4 % of the direct expense OC 2011 budget. The FRWG is a working group reporting to ORS and serves as budgetary oversight for the FRCC Gas Study Project. The 2011 budget remains relatively flat compared to the 2010 budget and includes a statutory portion to support the NERC Reliability Assessment process as well as a non-statutory portion to support overall FRCC fuel reliability studies and assessment.

#### **Telecommunications Subcommittee (TS)**

The TS budget makes up approximately 3.6 % of the direct expense OC 2011 budget. The 2011 budget has a net decrease of approximately 13% as compared to the 2010 budget. This decrease is due to an adjustment in the budgeting of the FRCCNet MPLS network based on the actual charges for the past two years.

#### **Critical Infrastructure Protection Subcommittee (CIPS)**

The CIPS budget makes up approximately 0.4 % of the direct expense OC 2011 budget. The increase in the budget for 2011 is the anticipated costs associated with supporting a CIPS forum as well as projected consulting costs associated with FRCCNet.

#### **Total Non-Statutory Compliance Committee (CC)**

The new Non-Statutory Compliance Committee (CC) expenses for 2011 are primarily made up of the administrative costs to provide support personnel for coordination activities and meeting costs. These costs are split between and accounted for in the Planning Committee and the Operating Committee.

### **Non Operating Expense – Cash Reserve Requirement**

The FRCC Board of Directors accepts the recommendation of the FRCC staff that a reserve equal to one (1) month of working capital is sufficient to be held for a cash reserve.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

**Personnel Expenses** – The increase is the result of the addition of five (5) employees needed for the implementation of the RC functions, RC Process enhancements, increases in regulatory oversight and documentation requirements as well as the shifting of the RC organizational structure. Additionally, based on a review of the man hour allocation methodology used by FRCC staff, it has been determined that more time is required for the Non-Statutory Planning functions than the Statutory functions.

**Meeting Expenses** – Primarily the result of increased meetings to be held by the various groups, offset slightly by the decrease resulting from cost effective programs implemented in the travel and teleconferencing areas.

**Operating Expenses** – The increase in expenses are due primarily to the enhancements being made to the Reliability Coordinator functions of the Operating Committee. The increases relate primarily to enhancements made by the RC agent and costs associated with supporting the real-time and next-day planning functions of the FRCC Reliability Coordinator. However decreases in Office Costs due to the savings attained from purchasing programs being implemented, and a decrease in legal fees that were associated with the defense of the FRCC concerning possible violations help to lessen this increase in costs for the RC function.

## 2010 Non-Statutory Budget and Projection and 2011 Budget Comparisons

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
NON-STATUTORY					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	\$ 3,939,466	3,939,466	\$ -	\$ 5,212,063	\$ 1,272,597
Testing Fees	-	-	-	-	-
Services & Software	265,583	265,583	-	234,000	(31,583)
Workshops	-	-	-	4,000	4,000
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ 4,205,049</u>	<u>\$ 4,205,049</u>	<u>\$ -</u>	<u>\$ 5,450,063</u>	<u>\$ 1,245,014</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,068,845	\$ 1,175,128	\$ 106,283	\$ 1,480,849	\$ 412,004
Payroll Taxes	70,034	70,034	-	90,468	20,434
Benefits	109,124	109,124	-	179,384	70,260
Retirement Costs	155,182	140,168	(15,014)	214,346	59,164
<b>Total Personnel Expenses</b>	<u>\$ 1,403,185</u>	<u>\$ 1,494,454</u>	<u>\$ 91,269</u>	<u>\$ 1,965,047</u>	<u>\$ 561,862</u>
<b>Meeting Expenses</b>					
Meetings	\$ 8,191	\$ 6,040	\$ (2,151)	\$ 47,702	\$ 39,511
Travel	74,333	74,333	-	65,830	(8,503)
Conference Calls	33,107	9,912	(23,195)	21,195	(11,912)
<b>Total Meeting Expenses</b>	<u>\$ 115,631</u>	<u>\$ 90,285</u>	<u>\$ (25,346)</u>	<u>\$ 134,727</u>	<u>\$ 19,096</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 1,700,725	\$ 1,714,488	\$ 13,763	\$ 2,664,816	\$ 964,091
Office Rent	65,672	67,992	2,320	109,316	43,644
Office Costs	433,890	310,764	(123,126)	383,045	(50,845)
Professional Services	191,744	158,680	(33,064)	97,952	(93,792)
Miscellaneous	-	-	-	-	-
Depreciation	41,848	8,668	(33,180)	59,298	17,450
<b>Total Operating Expenses</b>	<u>\$ 2,433,879</u>	<u>\$ 2,260,592</u>	<u>\$ (173,287)</u>	<u>\$ 3,314,427</u>	<u>\$ 880,548</u>
<b>Total Direct Expenses</b>	<u>\$ 3,952,695</u>	<u>\$ 3,845,331</u>	<u>\$ (107,364)</u>	<u>\$ 5,414,201</u>	<u>\$ 1,461,506</u>
<b>Indirect Expenses</b>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Other Non-Operating Expenses</b>	<u>\$ 277,627</u>	<u>\$ 277,627</u>	<u>\$ -</u>	<u>\$ 71,804</u>	<u>\$ (205,823)</u>
<b>Total Expenses</b>	<u>\$ 4,230,322</u>	<u>\$ 4,122,958</u>	<u>\$ (107,364)</u>	<u>\$ 5,486,005</u>	<u>\$ 1,255,683</u>
<b>Change in Assets</b>	<u>\$ (25,273)</u>	<u>\$ 82,091</u>	<u>\$ 107,364</u>	<u>\$ (35,942)</u>	<u>\$ 2,500,697</u>
<b>Fixed Assets</b>					
Depreciation	\$ (41,848)	\$ (41,848)	\$ -	\$ (59,298)	\$ (17,450)
Total Fixed Asset Purchases	16,575	16,575	-	23,356	6,781
<b>Change in Fixed Assets</b>	<u>\$ 25,273</u>	<u>\$ 25,273</u>	<u>\$ -</u>	<u>\$ 35,942</u>	<u>\$ 10,669</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ 0</u>	<u>\$ 107,364</u>	<u>\$ 107,364</u>	<u>\$ -</u>	<u>\$ 2,511,366</u>

Section C — 2010 Non-Statutory Business Plan and Budget

**Personnel Analysis**

Total FTE's by Program Area	Budget 2010	Projection 2010	Direct FTEs 2011 Budget	Shared FTEs <sup>1</sup> 2011 Budget	Total FTEs 2011 Budget	Change from 2010 Budget
<b>NON-STATUTORY</b>						
<b>Operational Programs</b>						
Operations Committee	3.18	3.18		6.59	6.59	3.41
Planning Committee	2.09	2.09		2.14	2.14	0.05
<b>Total FTEs Operational Programs</b>	<b>5.27</b>	<b>5.27</b>	<b>0.00</b>	<b>8.73</b>	<b>8.73</b>	<b>3.46</b>
<b>Administrative Programs</b>						
General & Administrative	3.56	3.56		3.71	3.71	0.15
<b>Total FTEs Administrative Programs</b>	<b>3.56</b>	<b>3.56</b>	<b>0.00</b>	<b>3.71</b>	<b>3.71</b>	<b>0.15</b>
<b>Total FTEs</b>	<b>8.83</b>	<b>8.83</b>	<b>0.00</b>	<b>12.44</b>	<b>12.44</b>	<b>3.61</b>

<sup>1</sup>A shared FTE is defined by NERC as an employee who performs both Statutory and Non-Statutory functions.

**Reserve Analysis — 2010–2011**

<b>Working Capital Reserve Analysis 2010-2011</b>	
<b>NON-STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2009</b>	
Beginning Cash @ January 1, 2010	269,020
2010 Funding (from members)	3,939,466
2010 Other funding sources	265,583
<b>Total Cash Available 2010</b>	<u>4,474,069</u>
<b>Cash Needed 2010</b>	
Less: '2010 Projected expenses & capital expenditures	(4,097,685)
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<u><u>376,384</u></u>
<b>Desired Working Capital Reserve, December 31, 2011</b>	
Less: Projected Working Capital Reserve, December 31, 2010	(376,384)
<b>Additional funding required to achieve desired Working Capital Reserve</b>	<u><u>71,804</u></u>
<b>2011 Funding (reserve adjustment)</b>	
2011 Funding for Expenses and Capital Expenditures	5,450,063
Less: Other Funding Sources	(238,000)
Adjustment to achieve desired Working Capital Reserve	71,804
<b>2011 Funding (reserve adjustment)</b>	<u><u>5,283,867</u></u>

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

Section D – Additional Consolidated Financial  
Statements  
**2011 Business Plan and Budget**



Section D — 2010 Additional Consolidated Financial Information

Statement of Activities and Capital Expenditures by Program 2011 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement							Non-Statutory Functions							
				Statutory Total	Reliability Standards Development (Section 300)	Compliance Monitoring and Org Reg % Cert(Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	General and Administrative	Non-Statutory Total	Operating Committee	Planning Committee					
<b>Funding</b>																		
<b>ERO Funding</b>																		
ERO Assessments	\$ 4,967,060	\$ 4,967,060	\$ -	\$ 4,967,060	\$ 289,173	\$ 3,910,561	\$ 963,442	\$ 204,062	\$ 67,741	\$ (467,920)	\$ -	\$ -	\$ -					
Penalty Sanctions	50,000	50,000	-	50,000	2,541	36,655	8,330	1,944	530	-	-	-						
<b>Total ERO Funding</b>	<b>5,017,060</b>	<b>5,017,060</b>	<b>-</b>	<b>5,017,060</b>	<b>291,714</b>	<b>3,947,216</b>	<b>971,772</b>	<b>206,006</b>	<b>68,272</b>	<b>(467,920)</b>	<b>-</b>	<b>-</b>	<b>-</b>					
Membership Dues	\$ 5,212,063	\$ -	\$ 5,212,063	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,212,063	\$ 4,588,210	\$ 623,853					
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-					
Services & Software	258,200	24,200	234,000	24,200	-	24,200	24,200	-	-	-	234,000	234,000	-					
Workshops	83,430	79,430	4,000	79,430	-	-	-	79,430	-	-	4,000	4,000	-					
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-					
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-					
<b>Total Funding</b>	<b>\$ 10,570,753</b>	<b>\$ 5,120,690</b>	<b>\$ 5,450,063</b>	<b>\$ 5,120,690</b>	<b>\$ 291,714</b>	<b>\$ 3,947,216</b>	<b>\$ 995,972</b>	<b>\$ 285,436</b>	<b>\$ 68,272</b>	<b>\$ (467,920)</b>	<b>\$ 5,450,063</b>	<b>\$ 4,826,210</b>	<b>\$ 623,853</b>					
<b>Expenses</b>																		
<b>Personnel Expenses</b>																		
Salaries	\$ 4,632,600	\$ 3,151,751	\$ 1,480,849	\$ 3,151,751	\$ 137,033	\$ 1,976,844	\$ 449,229	\$ 104,860	\$ 28,598	\$ 455,187	\$ 1,480,849	\$ 1,132,500	\$ 348,349					
Payroll Taxes	283,014	192,546	90,468	192,546	8,372	120,769	27,444	6,406	1,747	27,808	90,468	69,187	21,281					
Benefits	563,464	384,080	179,384	384,080	22,316	256,740	45,458	10,611	2,894	46,061	179,384	134,895	44,489					
Retirement Costs	670,547	456,201	214,346	456,201	19,835	286,139	65,024	15,178	4,139	65,886	214,346	163,924	50,422					
<b>Total Personnel Expenses</b>	<b>\$ 6,149,625</b>	<b>\$ 4,184,578</b>	<b>\$ 1,965,047</b>	<b>\$ 4,184,578</b>	<b>\$ 187,556</b>	<b>\$ 2,640,492</b>	<b>\$ 587,155</b>	<b>\$ 137,055</b>	<b>\$ 37,378</b>	<b>\$ 594,942</b>	<b>\$ 1,965,047</b>	<b>\$ 1,500,506</b>	<b>\$ 464,541</b>					
<b>Meeting Expenses</b>																		
Meetings	\$ 145,674.0	\$ 97,972.0	\$ 47,702.0	\$ 97,972.0	\$ 1,832.0	\$ 5,059.0	\$ 5,542.0	\$ 84,792.0	\$ 44.0	\$ 703.0	\$ 47,702.0	\$ 43,826.0	\$ 3,876.0					
Travel	285,816	219,986	65,830	219,986	40,832	131,418	32,965	10,964	1,552	2,255	65,830	52,153	13,677					
Conference Calls	41,940	20,745	21,195	20,745	1,580	8,128	10,300	444	17	276	21,195	17,707	3,488					
<b>Total Meeting Expenses</b>	<b>\$ 473,430</b>	<b>\$ 338,703</b>	<b>\$ 134,727</b>	<b>\$ 338,703</b>	<b>\$ 44,244</b>	<b>\$ 144,605</b>	<b>\$ 48,807</b>	<b>\$ 96,200</b>	<b>\$ 1,613</b>	<b>\$ 3,234</b>	<b>\$ 134,727</b>	<b>\$ 113,686</b>	<b>\$ 21,041</b>					
<b>Operating Expenses</b>																		
Consultants & Contracts	\$ 2,866,926	\$ 202,110	\$ 2,664,816	\$ 202,110	\$ 84	\$ 23,214	\$ 168,450	\$ 64	\$ 10,018	\$ 280	\$ 2,664,816	\$ 2,620,428	\$ 44,388					
Office Rent	482,402	373,086	109,316	373,086	10,116	286,354	33,162	7,741	2,111	33,602	109,316	83,601	25,715					
Office Costs	514,046	131,001	383,045	131,001	7,530	74,790	16,310	12,097	8,349	11,925	383,045	365,010	18,035					
Professional Services	275,999	178,047	97,952	178,047	7,741	111,675	25,378	5,924	1,615	25,714	97,952	71,125	26,827					
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-					
Depreciation	317,211	257,913	59,298	257,913	4,858	179,487	56,430	1,086	15,819	233	59,298	43,008	16,290					
<b>Total Operating Expenses</b>	<b>\$ 4,456,584</b>	<b>\$ 1,142,157</b>	<b>\$ 3,314,427</b>	<b>\$ 1,142,157</b>	<b>\$ 30,329</b>	<b>\$ 675,520</b>	<b>\$ 299,730</b>	<b>\$ 26,912</b>	<b>\$ 37,912</b>	<b>\$ 71,754</b>	<b>\$ 3,314,427</b>	<b>\$ 3,183,172</b>	<b>\$ 131,255</b>					
<b>Total Direct Expenses</b>	<b>\$ 11,079,639</b>	<b>\$ 5,665,438</b>	<b>\$ 5,414,201</b>	<b>\$ 5,665,438</b>	<b>\$ 262,129</b>	<b>\$ 3,460,617</b>	<b>\$ 935,692</b>	<b>\$ 260,167</b>	<b>\$ 76,903</b>	<b>\$ 669,930</b>	<b>\$ 5,414,201</b>	<b>\$ 4,797,364</b>	<b>\$ 616,837</b>					
<b>Indirect Expenses</b>																		
	-	-	-	-	34,092	491,807	111,761	26,087	7,115	(670,862)	-	-	-					
<b>Other Non-Operating Expenses</b>																		
	71,804	-	71,804	-	-	-	-	-	-	-	71,804	54,913	16,891					
<b>Total Expenses</b>	<b>\$ 11,151,443</b>	<b>\$ 5,665,438</b>	<b>\$ 5,486,005</b>	<b>\$ 5,665,438</b>	<b>\$ 296,221</b>	<b>\$ 3,952,424</b>	<b>\$ 1,047,453</b>	<b>\$ 286,254</b>	<b>\$ 84,018</b>	<b>\$ (932)</b>	<b>\$ 5,486,005</b>	<b>\$ 4,852,277</b>	<b>\$ 633,728</b>					
<b>Change in Assets</b>	<b>\$ (580,690)</b>	<b>\$ (544,748)</b>	<b>\$ (35,942)</b>	<b>\$ (544,748)</b>	<b>\$ (4,507)</b>	<b>\$ (5,208)</b>	<b>\$ (51,481)</b>	<b>\$ (818)</b>	<b>\$ (15,746)</b>	<b>\$ (466,988)</b>	<b>\$ (35,942)</b>	<b>\$ (26,067)</b>	<b>\$ (9,875)</b>					
<b>Fixed Assets</b>																		
Depreciation	\$ (317,211)	\$ (257,913)	\$ (59,298)	\$ (257,913)	\$ (4,858)	\$ (179,487)	\$ (56,430)	\$ (1,086)	\$ (15,819)	\$ (233)	\$ (59,298)	\$ (43,008)	\$ (16,290)					
Total Fixed Asset Purchases	204,441	181,085	23,356	181,085	351	174,279	4,949	268	73	1,165	23,356	16,941	6,415					
<b>Change in Fixed Assets</b>	<b>\$ 112,770</b>	<b>\$ 76,828</b>	<b>\$ 35,942</b>	<b>\$ 76,828</b>	<b>\$ 4,507</b>	<b>\$ 5,208</b>	<b>\$ 51,481</b>	<b>\$ 818</b>	<b>\$ 15,746</b>	<b>\$ (932)</b>	<b>\$ 35,942</b>	<b>\$ 26,067</b>	<b>\$ 9,875</b>					
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ (467,920)</b>	<b>\$ (467,920)</b>	<b>\$ -</b>	<b>\$ (467,920)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (467,920)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>					

0.9      0.2      3.8      12.4      9.5      2.9

## Statement of Financial Position

- As of December 31, 2009, per audit
- As of December 31, 2010, projected
- As of December 31, 2011, as budgeted

### Statement of Financial Position 2009 Audited, 2010 Projection, and 2011 Budget

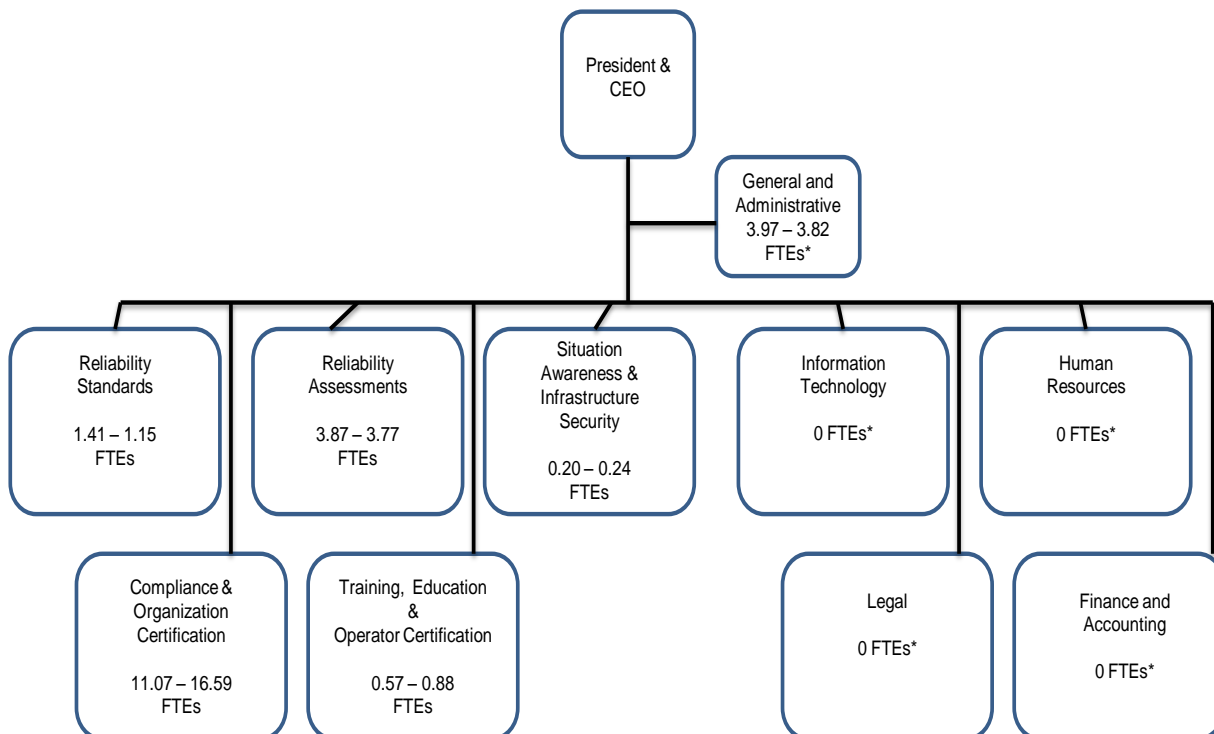
#### STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-09	Projected 31-Dec-10	Budget 31-Dec-11
<b>ASSETS</b>			
Cash	3,103,945	3,200,000	3,000,000
Accounts receivable	2,345,711	2,544,780	2,544,780
Other receivables	26,305	26,000	26,000
Prepaid expenses and other current assets	15,941	16,000	16,000
Other Assets	21,230	21,000	21,000
Property and equipment	467,940	739,754	626,984
Total Assets	<b>5,981,072</b>	<b>6,547,534</b>	<b>6,234,764</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	1,720,742	1,751,275	2,019,195
Deferred income	2,223,161	2,544,780	2,544,780
Compliance Penalty Assessment	47,000	-	-
Accrued postretirement benefits obligation	505,213	575,000	575,000
Total Liabilities	<b>4,496,116</b>	<b>4,871,055</b>	<b>5,138,975</b>
Net Assets - unrestricted	1,484,956	1,676,479	1,095,789
Total Liabilities and Net Assets	<b>5,981,072</b>	<b>6,547,534</b>	<b>6,234,764</b>

## Statutory Organizational Chart

### Florida Reliability Coordinating Council, Inc. Statutory Organization Chart

2010 Projected FTEs 21.09  
2011 Budgeted FTEs 26.45



\*All FTEs for Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative

**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 4**

**MIDWEST RELIABILITY ORGANIZATION**

**PROPOSED 2011 BUSINESS PLAN AND BUDGET**



# MIDWEST RELIABILITY ORGANIZATION

## 2011 Business Plan and Budget

**Approved by:  
MRO Board of Directors**

**Date  
June 24, 2010**



---

## Table of Contents

<b>Introduction .....</b>	<b>6</b>
1. <i>Organizational Overview.....</i>	<i>7</i>
2. <i>Membership and Governance .....</i>	<i>8</i>
3. <i>Statutory Functional Scope.....</i>	<i>9</i>
4. <i>2011 Key Assumptions.....</i>	<i>10</i>
5. <i>2011 Changes in Accounting Methodology.....</i>	<i>11</i>
6. <i>2011 Goals and Key Deliverables.....</i>	<i>11</i>
7. <i>2011 Overview of Cost Impacts.....</i>	<i>13</i>
<b>Section A – Statutory Programs .....</b>	<b>20</b>
<b>2011 Business Plan and Budget.....</b>	<b>20</b>
1. <i>Reliability Standards Program .....</i>	<i>21</i>
<i>Program Scope and Functional Description .....</i>	<i>21</i>
<i>2011 Key Assumptions.....</i>	<i>21</i>
<i>2011 Goals and Key Deliverables.....</i>	<i>23</i>
<i>Funding Sources and Requirements — Explanation of Increase (Decrease) .....</i>	<i>23</i>
<i>Funding Sources (Other than ERO Assessments) .....</i>	<i>23</i>
<i>Personnel Expenses.....</i>	<i>23</i>
<i>Meeting Expenses.....</i>	<i>23</i>
<i>Operating Expenses.....</i>	<i>23</i>
<i>Indirect Expenses .....</i>	<i>24</i>
<i>Other Non-Operating Expenses .....</i>	<i>24</i>
<i>Fixed Asset Additions.....</i>	<i>24</i>
2. <i>Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....</i>	<i>26</i>
<i>Program Scope and Functional Description .....</i>	<i>26</i>
<i>2011 Key Assumptions.....</i>	<i>26</i>
<i>2011 Compliance Monitoring Program Goals and Key Deliverables.....</i>	<i>27</i>
<i>Funding Requirements — Explanation of Increase (Decrease).....</i>	<i>27</i>
<i>2011 Key Assumptions.....</i>	<i>30</i>
<i>Funding Sources and Requirements — Explanation of Increase (Decrease) .....</i>	<i>32</i>
<i>Funding Sources (Other than ERO Assessments) .....</i>	<i>32</i>
<i>Personnel Expenses.....</i>	<i>32</i>
<i>Meeting Expenses.....</i>	<i>32</i>
<i>Travel Expense .....</i>	<i>32</i>
<i>Operating Expenses.....</i>	<i>33</i>
<i>Indirect Expenses .....</i>	<i>33</i>
<i>Other Non-Operating Expenses .....</i>	<i>33</i>
<i>Fixed Asset Additions.....</i>	<i>33</i>
3. <i>Reliability Assessment and Performance Analysis Program.....</i>	<i>35</i>
<i>Program Scope and Functional Description .....</i>	<i>35</i>
<i>2011 Key Assumptions.....</i>	<i>35</i>
<i>2011 Goals and Key Deliverables.....</i>	<i>36</i>
<i>Funding Sources and Requirements — Explanation of Increase (Decrease) .....</i>	<i>36</i>

	<i>Funding Sources (Other than ERO Assessments)</i> .....	36
	<i>Personnel Expenses</i> .....	37
	<i>Meeting Expenses</i> .....	37
	<i>Operating Expenses</i> .....	37
	<i>Indirect Expenses</i> .....	37
	<i>Other Non-Operating Expenses</i> .....	37
	<i>Fixed Asset Additions</i> .....	37
4.	<i>Training, Education, and Operator Certification Program</i> .....	39
	<i>Program Scope and Functional Description</i> .....	39
	<i>2011 Key Assumptions</i> .....	39
	<i>2011 Goals and Key Deliverables</i> .....	40
	<i>Funding Sources and Requirements — Explanation of Increase (Decrease)</i> .....	40
	<i>Funding Sources (Other than ERO Assessments)</i> .....	40
	<i>Personnel Expenses</i> .....	40
	<i>Meeting Expenses</i> .....	40
	<i>Operating Expenses</i> .....	40
	<i>Indirect Expenses</i> .....	41
	<i>Other Non-Operating Expenses</i> .....	41
	<i>Fixed Asset Additions</i> .....	41
5.	<i>Situation Awareness and Infrastructure Security Program</i> .....	43
	<i>Situation Awareness Program Scope and Functional Description</i> .....	43
	<i>2011 Key Assumptions</i> .....	43
	<i>2011 Goals and Key Deliverables</i> .....	43
	<i>Funding Sources and Requirements — Explanation of Increase (Decrease)</i> .....	44
	<i>Infrastructure Security Program Scope and Functional Description</i> .....	44
	<i>2011 Key Assumptions</i> .....	44
	<i>2011 Goals and Key Deliverables</i> .....	44
	<i>Funding Requirements – Explanation of Increase (Decrease)</i> .....	44
	<i>Funding Sources (Other than ERO Assessments)</i> .....	44
	<i>Personnel Expenses</i> .....	44
	<i>Meeting Expenses</i> .....	45
	<i>Operating Expenses</i> .....	45
	<i>Indirect Expenses</i> .....	45
	<i>Other Non-Operating Expenses</i> .....	45
	<i>Fixed Asset Additions</i> .....	45
6.	<i>Administrative Services</i> .....	47
	<i>Methodology for Allocation of Administrative Services Expenses to Programs</i> .....	47
	<i>Program Scope and Functional Description</i> .....	47
6a.	<i>Technical Committees and Member Forums</i> .....	48
	<i>Program Scope and Functional Description</i> .....	48
	<i>2011 Key Assumptions</i> .....	48
	<i>2011 Goals and Key Deliverables</i> .....	48
	<i>Funding Sources and Requirements — Explanation of Increase (Decrease)</i> .....	48
	<i>Funding Sources (Other than ERO Assessments)</i> .....	48
	<i>Personnel Expenses</i> .....	48
	<i>Meeting Expenses</i> .....	48
	<i>Operating Expenses</i> .....	48
	<i>Indirect Expenses</i> .....	49
	<i>Other Non-Operating Expenses</i> .....	49
	<i>Fixed Asset Additions</i> .....	49

6b. General and Administrative.....	51
Program Scope and Functional Description .....	51
2011 Key Assumptions.....	51
2011 Goals and Key Deliverables.....	51
Funding Sources and Requirements — Explanation of Increase (Decrease) .....	51
Funding Sources (Other than ERO Assessments) .....	52
Personnel Expenses.....	52
Meeting Expenses.....	52
Operating Expenses.....	52
Indirect Expenses .....	52
Other Non-Operating Expenses .....	52
Fixed Asset Additions.....	52
6c. Legal and Regulatory.....	54
Program Scope and Functional Description .....	54
2011 Key Assumptions.....	54
2011 Goals and Key Deliverables.....	54
Funding Sources and Requirements — Explanation of Increase (Decrease) .....	54
Funding Sources (Other than ERO Assessments) .....	54
Personnel Expenses .....	54
Meeting Expenses.....	55
Operating Expenses.....	55
Indirect Expenses .....	55
Other Non-Operating Expenses .....	55
Fixed Asset Additions.....	55
6d. Information Technology.....	57
Program Scope and Functional Description .....	57
2011 Key Assumptions.....	57
2011 Goals and Key Deliverables.....	57
Funding Sources and Requirements — Explanation of Increase (Decrease) .....	57
Funding Sources (Other than ERO Assessments) .....	58
Personnel Expenses .....	58
Meeting Expenses.....	58
Operating Expenses.....	58
Indirect Expenses .....	58
Other Non-Operating Expenses .....	58
Fixed Asset Additions.....	58
6e. Human Resources.....	60
6f. Human Resources, Finance, and Accounting .....	60
Program Scope and Functional Description .....	60
2011 Key Assumptions.....	60
2011 Goals and Key Deliverables.....	60
Funding Sources and Requirements — Explanation of Increase (Decrease) .....	60
Funding Sources (Other than ERO Assessments) .....	61
Personnel Expenses.....	61
Meeting Expenses.....	61
Operating Expenses.....	61
Indirect Expenses .....	61
Other Non-Operating Expenses .....	61
Fixed Asset Additions.....	61



---

<b>Section B – Supplemental Financial Information .....</b>	<b>63</b>
1. Supplemental Financial Information Reserve Balance .....	64
2. Explanation of Changes in Reserve Policy from Prior Years .....	64
3. Breakdown by Statement of Activity Sections .....	66
Penalty Sanctions.....	66
Supplemental Funding.....	67
Explanation of Significant Variances – 2011 Budget versus 2010 Budget.....	67
4. Personnel Expenses.....	68
Explanation of Significant Variances – 2011 Budget versus 2010 Budget.....	68
5. Consultants and Contracts.....	69
Explanation of Significant Variances – 2011 Budget versus 2010 Budget.....	69
Explanation of Significant Variances – 2011 Budget versus 2010 Budget.....	70
Explanation of Significant Variances – 2011 Budget versus 2010 Budget.....	71
Explanation of Significant Variances – 2011 Budget versus 2010 Budget.....	72
Explanation of Significant Variances – 2011 Budget versus 2010 Budget.....	73
<b>Section C – Non-Statutory Activities.....</b>	<b>74</b>
<b>2011 Business Plan and Budget.....</b>	<b>74</b>
Personnel Analysis.....	77
Reserve Analysis — 2010–2011.....	78
<b>Section D – Additional Consolidated Financial Statements.....</b>	<b>79</b>
<b>2011 Business Plan and Budget.....</b>	<b>79</b>
1. 2011 Consolidated Statement of Activities by Program, Statutory and Non-Statutory .....	80
<b>Attachment A.....</b>	<b>83</b>
2010 to 2011 FTE Comparison Organization Chart.....	83

## Introduction

<b>TOTAL RESOURCES</b> (in whole dollars)				
	2011 Budget	U.S.	Canada	Mexico
Statutory FTEs	34.5			
Non-statutory FTEs	-			
<b>Total FTEs</b>	34.5			
Statutory Expenses	\$ 8,089,514			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 8,089,514			
Statutory Inc(Dec) in Fixed Assets	\$ (41,310)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (41,310)			
Statutory Working Capital Requirement*	\$ 1,002,430			
Non-Statutory Working Capital Requirement**	\$ -			
<b>Total Working Capital Requirement</b>	\$ 1,002,430			
Total Statutory Funding Requirement	\$ 8,260,502			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 8,260,502			
<b>Statutory Funding Assessments</b>	\$ 8,260,502	\$ 6,875,216	\$ 1,385,286	\$ 0
<b>Non-Statutory Fees</b>	\$ 0	\$ 0	\$ 0	\$ 0
NEL	264,751,863	229,861,933	45,396,836	0
NEL%	100.00%	83.23%	16.77%	0.00%

\*Refer to Table B-1 on page 64 in Section B.

\*\*Refer to the Reserve Analysis on page 78 in Section C.

Midwest Reliability Organization (“MRO”) 2011 Business Plan and Budget has been developed by MRO staff. The plan and budget are subject to MRO Board of Directors (“Board”) approval and stakeholder review.

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. Amendments to the RDA between NERC and MRO have been approved by the MRO Board of Directors and NERC Board of Trustees and has been filed with FERC for review and approval. 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.

## Introduction

---

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



### 1. Organizational Overview

MRO is a non-profit corporation registered in Delaware and has a 501(c) 6 designation by the Internal Revenue Service. MRO is licensed and registered to conduct business and operate in all the states and two Canadian provinces within its region. The MRO region is comprised of municipal utilities, cooperatives, investor-owned utilities, a federal power marketing agency, Canadian Crown Corporations, large and small end-use load organizations, regional planning authorities, and independent power producers. The MRO region spans eight states and two Canadian provinces covering roughly one million square miles. MRO is independent of bulk power owners, users, and operators of the bulk power system (“BPS”), is not an operator, owner, or user of the BPS, and has no shared employees with a third or related party. MRO performs only those responsibilities under Section 215 of the Federal Power Act and similar functions through arrangements with Saskatchewan and Manitoba.

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

- Canadian Utility (2)
- Cooperative (2)
- Federal Power Marketing Agency (1)
- Generator and/or Power Marketer (2)
- Investor Owned Utility – Large (3)
- Investor Owned Utility – Small (2)

- Large End-Use Electricity Customer (1)
- Municipal Utility (2)
- Small End-Use Electricity Customer (1)
- Transmission System Operator (3)

Regulators are eligible to be members in MRO and share the same rights as members but have no vote. All meetings are open, but the MRO Board reserves the right to call a meeting into Executive Session.

## ***2. Membership and Governance***

MRO monitors approximately 124 entities in the region for compliance with mandatory reliability standards. Membership in MRO, which is voluntary and free, affords organizations the opportunity to participate in the technical activities and governance of the organization. The number of entities that are members of MRO is approximately 50.

The governance structure of MRO is a balanced stakeholder board whereby no two sectors can control a vote. The governance structure is permitted under the Energy Policy Act of 2005 for Regional Entities operating under delegated authority from the Electric Reliability Organization. The MRO Board has four committees:

- Hearing Body
- Governance and Personnel Committee (GPC)
- Finance and Audit Committee (FAC)
- Membership Committee

The Board's primary role is to assure the organization meets its requirements under the bylaws and performs its responsibilities with due care and in an efficient manner. The Board makes no determinations on compliance or enforcement matters. The Board has adopted procedures to assure they carry out their responsibilities free of conflicts. The Hearing Body of the Board fulfills the obligations in the conduct of hearings, a mandated function under the Rules found in the Compliance Monitoring and Enforcement Program (CMEP).

In addition, MRO has six standing committees:

- Standards Committee
- Compliance Committee
- Planning Committee
- Dispute Resolution Committee (for business disputes between members and MRO)
- Security Committee
- Operating Committee

The charters for these standing committees are defined on each standing committees' web page located on MRO's website at <http://www.midwestreliability.org/>.

### **3. Statutory Functional Scope**

The primary purposes of MRO are:

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

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

1. MRO is an effective reliability organization for a region that has a long tradition of managing within and across complex, multiple seams including an interconnection seam, structured markets to bi-lateral market seams, and an international border.
2. MRO creates a common forum for the region regardless of transmission allegiance.
3. The MRO region has a tradition of working successfully on reliability matters despite the complexities in seams, diverse constituencies, and jurisdictions. Approximately half of the load in MRO is public power, including Canada. MRO is a vital link to maintain and expand existing “reliability” relationships among regulators, bulk power users, owners, and operators.
4. Because of the seams, unique power system technical configurations, such as very long distances between load and generator, stability-limited transmission, the large percentage of hydro generation, and the diversity of its constituency, the region must have the ability and means to represent its own regional reliability interests for the benefit of the users, owner, and operators of the bulk power system and the public it serves as a CBRE under the final reliability rule and consistent with the Bilateral Principles.

The 2011 Business Plan and Budget fulfills MRO’s commitments related to the delegated functions from NERC, consistent with FERC and Canadian authorities:

- Implementation of compliance and enforcement programs to those subject to Reliability Standards
- Non-discriminatory, consistent enforcement process to those subject to Reliability Standards
- Adoption of Reliability Standards to ensure enforceability. Canadian enforceability has been sought through agreements with Saskatchewan and Manitoba
- Ability to propose standards to benefit the reliability of the MRO region, using an open, technically valid process
- Provide education and resources for operators, users, and owners of the bulk power system
- Assess and report on regional bulk power system reliability and adequacy
- Analyze and report on regional bulk power system events and evaluate those events

#### **4. 2011 Key Assumptions**

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process located in Exhibit A of NERC's 2011 Business Plan and Budget. The significant assumptions underlying NERC and Regional Entity business plans and budgets include:

1. The international, industry-based Self Regulatory Organization (SRO)<sup>1</sup> model continues to be used and no material changes to the SRO model impacting 2011 emerge from FERC's review of the Three-Year ERO Performance Assessment or its review of the proposed amendments to the Regional Entity delegation agreements.
2. The framework for delegation to Regional Entities is improved, as outlined in the proposed modifications to the Regional Entity delegation agreements, improving the efficiency, transparency, consistency, effectiveness, and quality of NERC and the Regional working relationship, including the incorporation of metrics.
3. Cost pressures strain stakeholder participation in NERC and Regional Entity activities.
4. In order to enhance reliability and the overall effectiveness of the ERO, improvements are needed in standards development, implementation, education, and training.
5. Standards development activities will face increased demands, including but not limited to those supporting the Reliability Standards Development Plan, FERC Order 693 directives and the National Emergency Standards Development Process.
6. NERC and Regional Entities will continue to gather data and perform analysis regarding the bulk electric system, including but not limited to support key federal and industry initiatives.
7. NERC will need to make significant investments in 2011 to support the implementation of a situation awareness tool for FERC, NERC, Regional Entities, and stakeholders' needs, as well as to meet both near and long-term ERO technology requirements.
8. The number of events requiring review, analysis, and reporting will increase.
9. CIP activities will increase significantly on all fronts, including compliance and other activities; expectations are that resource requirements will be significantly impacted over the next three years as the full measure of the standards become auditable for all entities on all implementation tables, the TFE program is implemented and the increase in scope as a result of Order No. 706B.
10. NERC and the Regional Entities are expected to see increased compliance related resource demands.

---

<sup>1</sup> Also referred to as "audited self regulation."

## **5. 2011 Changes in Accounting Methodology**

2011 MRO change in benefit cost distribution:

Budgeted payroll taxes, benefits, and retirement costs vary by employee. The 2010 Budget was prepared on a program actual experience using department (program) averages. The 2011 Budget was prepared on an employee-by-employee basis recognizing that payroll taxes, benefits, and retirement costs do vary by employee. Additionally, costs associated with vacation were moved from Benefits in 2010 to Salaries in 2011 to align costs with NERC and industry practices. Intuitively, if all costs remained constant, all employees' salaries would increase and benefits decrease. However, costs fluctuate for each employee causing exceptions when aligning costs on a per employee basis. The reader of the 2011 Budget should understand that MRO manages total organization-wide benefit costs rather than individual employee benefit costs. Therefore, the focus is on the overall "fringe" or benefit rate (%) and dollars to total payroll.

## **6. 2011 Goals and Key Deliverables**

The mission for MRO is to be valued by those we serve as a recognized leader in promoting reliability and mitigating risks to the Bulk Power System. MRO's operating principles are to identify opportunities for improvements through operational reviews, best practices and lessons learned. For more information on MRO's Benchmarks for Excellence and MRO Creed, please refer to MRO's website at <http://www.midwestreliability.org/>.

MRO business planning is driven by the following strategic initiatives adopted by the board after several discussions, which are used in conjunction with the organizational benchmarks for excellence:

1. Clearly segregate the roles and responsibilities of Compliance and Enforcement through rules and training
  - a. Thorough review and validation of alleged violations before official notifications ("one-up and next door review").
  - b. Propose NERC make necessary changes to standardize NERC and Regional Entity staff training
  - c. Develop separate labor and account schemes to segregate time reporting between compliance and enforcement
2. Work to improve existing Reliability Standards and support results-based Standard development to reduce unnecessary administrative requirements
  - a. Work to assign the 'fill in the blank' standards to those entities responsible for compliance
  - b. Work closely with neighboring Regions to ensure that any MRO Regional Reliability Standards that are developed are consistent.
3. Communicate meaningful lessons learned to the industry in a timely manner and encourage NERC to achieve more transparency, faster.
  - a. Facilitate stakeholder engagement by leveraging their applicable expertise to:

- i. Identify and communicate improvements from compliance audits, approved mitigation plans and enforcement actions to Registered Entities within MRO
    - ii. Identify and communicate improvements and recommendations from reviews of events and incidents. (Registered Entity is responsible for reporting, but MRO should act as facilitator to clarify the process and foster lessons learned to the industry)
  - b. Work with NERC to develop a process for providing insights and communicating lessons from approved and filed enforcement actions across North America
  - c. Raise awareness and monitor compliance with guidelines and other directives and Standards important to reliability through informal and voluntarily means
4. Educate Registered Entities on effectively demonstrating compliance with Reliability Standards
  - a. Increase communication with regional stakeholders on compliance requirements and their applicability to Reliability Standards based on violation trends and risk
  - b. Conduct periodic workshops which include details on how to effectively demonstrate compliance with frequently violated Reliability Standards
  - c. Use the quarterly newsletter and CMEP reports to provide tips on compliance
  - d. Communicate to Registered Entities upcoming mandatory standards and regional requirements to be implemented; provide details on how to demonstrate compliance with the new requirements
  - e. Support the Mid-Continent Compliance Forum to meet their objectives by providing MRO staff to present and provide information at events
5. Encourage Registered Entities to improve their compliance with Standards and prevent disturbances by addressing system risks
  - a. Conduct a webinar/workshop once a year on establishing and maintaining an effective compliance program
  - b. Publish MRO or NERC bulletin for the industry clarifying the importance of self reporting and a strong internal compliance program that detects, corrects, and reports violations quickly
  - c. Create guidance that quantifies the consideration given for self-reporting based on the criteria for compliance excellence, matching strong compliance programs with strong rewards
6. Work closely with NERC to establish reliability and performance metrics and provide reports.
  - a. Work with NERC to establish meaningful metrics (budget and performance) to measure effectiveness of the ERO enterprise (NERC and Regions)
  - b. Work with NERC to establish meaningful metrics to measure the bulk power system performance
  - c. Develop two to four MRO measures important for the Regional reliability based on trends and risks
7. Strengthen regional delegation model through NERC



- a. Explicit recognition that decisions in the Region are presumed valid and only those decisions which are precedent setting are reviewed by NERC or through other exceptions
- b. Work with NERC to establish more support for the Regions to ensure consistency and uniformity where necessary; well designed controls in Regions
- c. Address international matters in a collaborative, respectful manner to assure Reliability Standards are applicable in each jurisdiction within MRO

### **Long Term Business Planning**

NERC and the Regional Entities are actively working together to improve the overall ERO business planning and budgeting process, including long-term resource and financial planning. The 2011 Business Plan and Budget process included numerous face-to-face meetings, conference calls and exchanges of documentation among senior management and staff of NERC and Regional Entities regarding budget assumptions, resource requirements, and opportunities to improve operational efficiency and effectiveness, including factors affecting resource needs beyond the 2011 planning horizon. As an important first step in the development of a long-term business plan and budgeting process, the Common Business Plan and Budget Assumptions attached as Exhibit A in the NERC 2011 Business Plan and Budget incorporate assumptions affecting resource demands through the 2013 planning horizon. NERC and the Regional Entities continue to work together to develop, strengthen and improve an integrated long term ERO business plan and budget that leverages and builds on the combined strengths and resources of NERC and the Regional Entities to improve the overall effectiveness and efficiency of ERO operations.

## ***7. 2011 Overview of Cost Impacts***

### **Operational Programs**

#### **Standards**

#### ***Funding Requirements — Explanation of Increase (Decrease)***

For 2011, MRO will increase the staffing level in the Standards area. MRO will attempt to involve staff from Registered Entities in drafting teams and in other forums to replace the staff involvement. While MRO does reimburse travel expenses for approved regional representation, there is a savings in not having full time staff represent the region on all teams.

#### **Compliance**

For 2011, the compliance monitoring workload will increase primarily due to the continued expansion of the NERC CIP-002 through CIP-009 Reliability Standards, the MOD Standards, and the Nuclear Unit Power Plants. The additional workload will primarily occur in the audit and self-certification monitoring methods. MRO supports improved training and credentials for compliance staff, including CIP personnel.

### **Training and Education**

MRO will provide training to Registered Entities through workshops, presentation opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to try to identify training options for Registered Entities in the MRO region so that they can accomplish the objectives of the NERC program through a third party.

### **Reliability Assessment and Performance Analysis**

In 2011, MRO staff and representatives from Registered Entities will continue to participate in various Eastern Interconnection Reliability Assessment Groups (ERAG) and NERC stakeholder groups. MRO reimburses those individuals who represent MRO in the ERAG, NERC, and stakeholders groups for approved travel expenses.

### **Situation Awareness & Infrastructure Security Program**

#### **Situation Awareness**

MRO will participate in the development of the next phase of the Situation Awareness effort to monitor the bulk power system across North America. In addition, staff will monitor and respond to events and incidents to insure timely reporting, effective communication of potential risks, and mitigation of the risks to the bulk power system as a result of any events and incidents. Staff has emphasized the importance of standard EOP-004.

#### **Infrastructure Security Program**

The 2011 budget includes meeting dollars for the MRO Board Security Committee, travel to attend security related meetings, and capital dollars to support security improvements to MRO cyber systems.

### **Administrative Programs**

#### **Member Forums (Committees that meet for NERC business.)**

MRO staff and Registered Entity staff will continue to participate in NERC committees and working groups. By policy, MRO reimburses Registered Entities for approved regional representative travel expenses.

#### **General and Administrative**

The 2011 budget includes increased travel dollars that reflect the trend of higher travel costs and reimbursement of expenses for MRO Board of Directors.

In the 2011 Budget, MRO has included dollars for a working capital reserve.

### **Information Technology**

In 2011, MRO continues to prepare for the CIP Standards and address audit recommendations to improve information services, which fuel the majority of the increases in the budget. Also,

## Introduction

MRO used a third party to assess its security. Costs to maintain current technologies and services have remained flat.

### Legal and Regulatory

For 2011, MRO has increased its staffing level in the Legal and Regulatory area from 0.10 to 0.65 FTEs. MRO has re-assigned legal staff to enforcement proceedings in the Compliance Program in the 2010 business year. The 2011 Budget includes a part time legal staff to support external affairs. MRO will continue to use outside counsel where necessary.

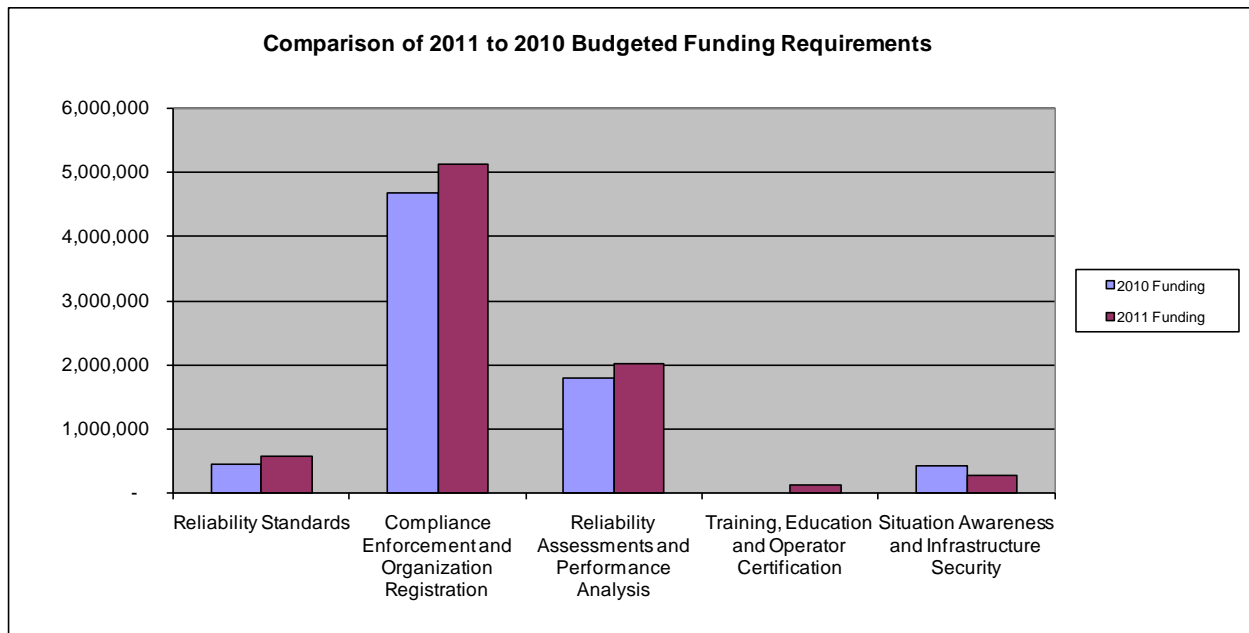
### Accounting / Human Resources

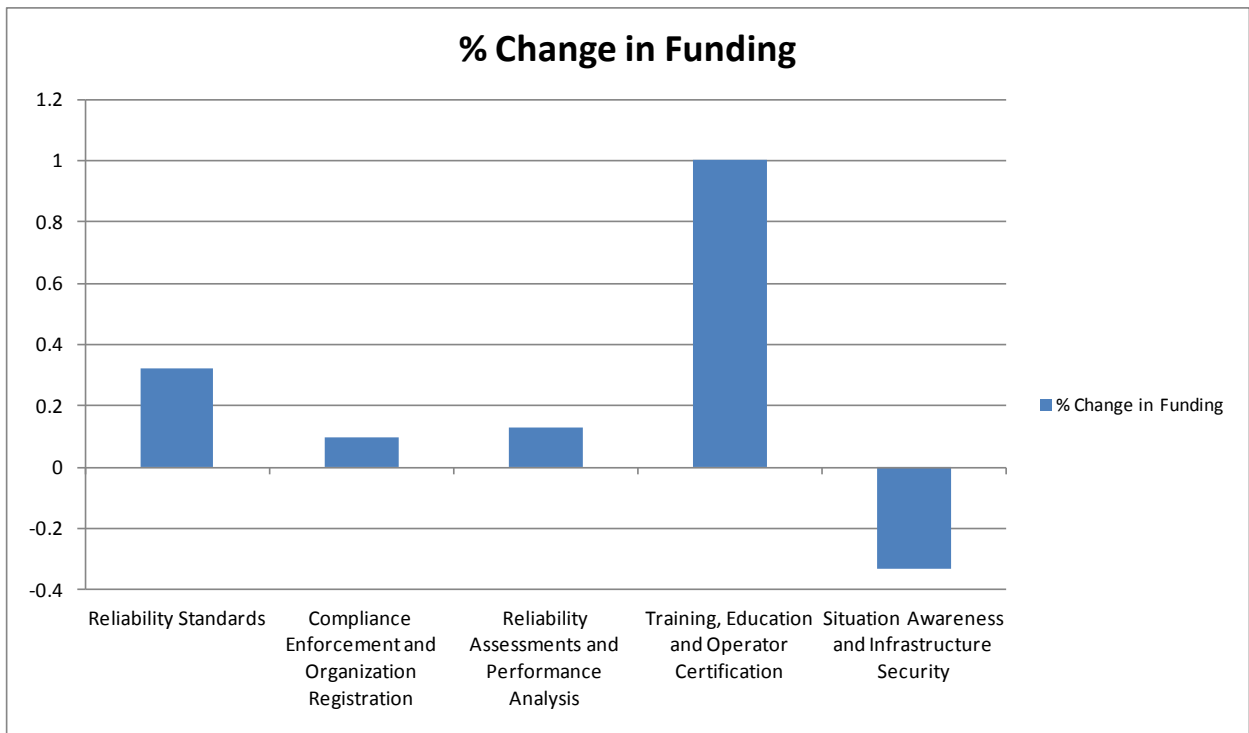
The 2011 Budget includes a slight decrease in office costs resulting from our continuous improvements in automating processes and/or sharing resources where possible. MRO efforts are not limited to, but include maintenance of core employee benefits, offsets to non-core benefits when necessary, exacting office and other operational costs, improving efficiencies, and establishing uniformity in methodologies of cost allocation. MRO staff further explores improved cost effectiveness of routine expenses and pursues early detection and quick resolution of budget concerns, lessening the impact of cost adjustments. MRO staff continues to address the demands of Sarbanes-Oxley (SOX) and corporate tax requirements via the revamped Form 990.

Program	Budget 2010	Projection 2010	Budget 2011	Variance	
				2011 Budget v 2010 Budget	Variance %
Reliability Standards	439,349	439,349	576,306	136,957	31.2%
Compliance Enforcement and Organization Registration	4,690,810	4,690,810	5,118,968	428,158	9.1%
Reliability Assessments and Performance Analysis	1,804,844	1,804,844	2,023,080	218,236	12.1%
Training, Education and Operator Certification	-	-	126,737	126,737	100.0%
Situation Awareness and Infrastructure Security	431,115	431,115	285,733	(145,382)	-33.7%
	<u>7,366,118</u>	<u>7,366,118</u>	<u>8,130,824</u>	<u>764,706</u>	<u>10.4%</u>

This graphical representation does not include an allocation of working capital requirements among the Program Areas

## Introduction





## Introduction

Total FTE's by Program Area	Budget 2010	Projection 2010	Direct FTEs 2011 Budget	Shared FTEs <sup>1</sup> 2011 Budget	Total FTEs 2011 Budget	Change from 2010 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	1.35	1.90	2.08		2.08	0.73
Compliance and Organization Registration and Certification	13.60	15.36	17.47		17.47	3.87
Training and Education	-	0.15	0.15		0.15	0.15
Reliability Assessment and Performance Analysis	6.40	6.40	6.75		6.75	0.35
Situation Awareness and Infrastructure Security	1.25	1.25	0.90		0.90	(0.35)
<b>Total FTEs Operational Programs</b>	<b>22.60</b>	<b>25.06</b>	<b>27.35</b>	<b>-</b>	<b>27.35</b>	<b>4.75</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	0.65	0.65	0.65		0.65	-
General & Administrative	1.50	1.35	1.35		1.35	(0.15)
Information Technology	1.90	0.40	2.40		2.40	0.50
Legal and Regulatory	0.10	2.40	0.65		0.65	0.55
Human Resources	-	-	-		-	-
Finance and Accounting	2.25	2.10	2.10		2.10	(0.15)
<b>Total FTEs Administrative Programs</b>	<b>6.40</b>	<b>6.90</b>	<b>7.15</b>	<b>-</b>	<b>7.15</b>	<b>0.75</b>
<b>Total FTEs</b>	<b>29.00</b>	<b>31.96</b>	<b>34.50</b>	<b>-</b>	<b>34.50</b>	<b>5.50</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

## 2010 Budget and Projection and 2011 Budget Comparisons

The 2010 Projection includes the phasing in of budgeted new hires in 2010 of 2.96 FTEs.

To view the 2010 to 2011 FTE Comparison Organization Chart, please refer to Attachment A on page 83.

## Statement of Activities and Capital Expenditures 2010 Budget & Projection, and 2011 Budget

### STATUTORY

	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>MRO Funding</b>					
MRO Assessments	\$ 7,503,746	\$ 7,503,746	\$ -	\$ 8,260,502	\$ 756,756
Penalty Sanctions	\$ 75,000	\$ 75,000	\$ -	\$ 137,000	\$ 62,000
<b>Total MRO Funding</b>	<b>\$ 7,578,746</b>	<b>\$ 7,578,746</b>	<b>\$ -</b>	<b>\$ 8,397,502</b>	<b>\$ 818,756</b>
Membership Dues	1	1	-	-	-
Federal Grants	319,990	319,990	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 7,898,736</b>	<b>\$ 7,898,736</b>	<b>\$ -</b>	<b>\$ 8,397,502</b>	<b>\$ 818,756</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,083,706	\$ 3,083,706	\$ -	\$ 4,065,185	\$ 981,479
Payroll Taxes	231,899	231,899	-	305,215	73,316
Benefits	561,066	561,066	-	632,490	71,424
Retirement Costs	500,904	500,904	-	561,627	60,723
<b>Total Personnel Expenses</b>	<b>\$ 4,377,575</b>	<b>\$ 4,377,575</b>	<b>\$ -</b>	<b>\$ 5,564,517</b>	<b>\$ 1,186,942</b>
<b>Meeting Expenses</b>					
Meetings	\$ 140,495	\$ 140,495	\$ -	\$ 174,050	\$ 33,555
Travel	529,195	529,195	-	610,409	81,214
Conference Calls	44,735	44,735	-	41,680	(3,055)
<b>Total Meeting Expenses</b>	<b>\$ 714,425</b>	<b>\$ 714,425</b>	<b>\$ -</b>	<b>\$ 826,139</b>	<b>\$ 111,714</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 995,115	\$ 995,115	\$ -	\$ 557,780	\$ (437,335)
Office Rent	228,300	228,300	-	223,800	(4,500)
Office Costs	382,822	382,822	-	432,420	49,598
Professional Services	277,530	277,530	-	214,053	(63,477)
Miscellaneous	-	-	-	-	-
Depreciation	330,000	330,000	-	270,805	(59,195)
<b>Total Operating Expenses</b>	<b>\$ 2,213,767</b>	<b>\$ 2,213,767</b>	<b>\$ -</b>	<b>\$ 1,698,858</b>	<b>\$ (514,909)</b>
<b>Total Direct Expenses</b>	<b>\$ 7,305,767</b>	<b>\$ 7,305,767</b>	<b>\$ -</b>	<b>\$ 8,089,514</b>	<b>\$ 783,747</b>
<b>Indirect Expenses</b>	<b>\$ (2)</b>	<b>\$ (2)</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 2</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 7,305,765</b>	<b>\$ 7,305,765</b>	<b>\$ -</b>	<b>\$ 8,089,514</b>	<b>\$ 783,749</b>
<b>Change in Assets</b>	<b>\$ 592,971</b>	<b>\$ 592,971</b>	<b>\$ -</b>	<b>\$ 307,988</b>	<b>\$ 35,007</b>
<b>Fixed Assets</b>					
Depreciation	(330,000)	(330,000)	-	(270,805)	59,195
Computer & Software CapEx	390,350	390,350	-	312,115	(78,235)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (60,350)</b>	<b>\$ (60,350)</b>	<b>\$ -</b>	<b>\$ (41,310)</b>	<b>\$ 19,040</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>(60,350)</b>	<b>(60,350)</b>	<b>-</b>	<b>(41,310)</b>	<b>19,040</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 532,621</b>	<b>\$ 532,621</b>	<b>\$ -</b>	<b>\$ 266,678</b>	<b>\$ 54,047</b>



---

## **Section A – Statutory Programs**

### **2011 Business Plan and Budget**

---



## Section A — 2011 Business Plan

### 1. Reliability Standards Program

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.35	2.08	0.73
Direct Expenses	283,443	363,730	80,287
Indirect Expenses	155,049	209,171	54,122
Inc(Dec) in Fixed Assets	857	3,405	2,548
Total Funding Requirement	439,349	576,306	136,957

#### ***Program Scope and Functional Description***

NERC uses stakeholder driven processes, consistent with the Rules, to develop and maintain Reliability Standards that apply to bulk power system owners, operators, and users and that enable NERC and Regional Entities to measure the reliability performance of bulk power system owners, operators, and users; and to hold them accountable for reliable operation of the bulk power systems. The Reliability Standards must be technically excellent, timely, just, reasonable, not unduly discriminatory or preferential, in the public interest, and consistent with other applicable Standards of governmental authorities.

Regional Entities may propose Regional Reliability Standards that set more stringent reliability requirements than the NERC Reliability Standard or cover matters not covered by an existing NERC Reliability Standard. Such Regional Reliability Standards shall in all cases be approved by NERC and FERC and shall be enforceable in accordance with the delegation agreement between NERC and the Regional Entity or other instrument granting authority over enforcement to the Regional Entity.

#### ***2011 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Standards Program can be located in the Key Assumptions section of Exhibit A in NERC's 2011 Business Plan and Budget.

MRO utilizes a balanced stakeholder Standards Committee ("SC") to administer the regional standards program and to provide regional input to NERC Standards development efforts and is charged with the following responsibilities:

- Assure MRO Regional Reliability Standards are consistent with NERC Reliability Standards

- Process all requests for new or modifications to MRO Reliability Standards using MRO's standards process
- Maintain MRO Reliability Standards process documentation
- Present new or modifications to MRO Reliability Standards for adoption by the MRO Board upon recommendation from the SC
- Promote coordination of MRO's efforts with other Regional Entities and NERC, including periodic review of Reliability Standards and their applicability to those subject to the Reliability Standards
- Provide recommendations to the NERC standing committees or other working groups as required
- Assign the development of a standard to a drafting team
- Provide comments on NERC proposed standards from MRO stakeholders

In supporting the work of the SC, MRO staff monitors the NERC Standards development efforts and facilitates the efforts of the SC, drafting teams and commenting groups to provide input in a coordinated manner. Staff also insures the regional processes are followed for regional standards development.

MRO staff and stakeholders provide technical advice and comment to NERC when developing Reliability Standards applicable across North America and the Eastern Interconnection. MRO staff and Registered Entities participate in NERC and MRO standards drafting teams, hold meetings and conferences to discuss standards, and actively work with NERC on their standards development plan.

MRO also develops regional Reliability Standards that are applicable across the MRO region. MRO's standards process is consensus-based, technically vetted, and open to the public and bordering entities that may be impacted by a regional Reliability Standard. Once the MRO Board, NERC and the applicable regulatory authorities approve a MRO-proposed regional Reliability Standard, the MRO Regional Reliability Standard is enforced according to agreements between NERC, MRO, and the regulatory authorities in the United States, Manitoba, and Saskatchewan.

For regional standards development, MRO uses a web-based standard voting system called Reliability Standards Voting Process ("RSVP"), which maintains the records of the comments and votes of each proposed standard. This system permits easy administration and convenience for those who participate in the standards process through the MRO Registered Ballot Body. There is no cost for participation.

NERC's Three Year Standards Development Plan included in NERC's 2011 Business Plan and Budget as Exhibit A supports the significant effort required by MRO to participate in standards development.

---

***2011 Goals and Key Deliverables***

- Completion of the “fill-in-the-blanks” project as outlined in the NERC three year plan
- Develop and propose MRO Reliability Standards as appropriate
- Provide comments and support to other NERC and MRO SC activities
- Work with NERC to improve interpretation of existing Reliability Standards
- Work with NERC to improve the process timeliness of Reliability Standards development
- Comment on all NERC SAR and draft standards
- Communicate with stakeholders and vote on all NERC Standards
- Support and inform SC and Board of standards-related activities
- Participate on various NERC groups and committees
- Provide standards workshops to Registered Entities

***Funding Sources and Requirements — Explanation of Increase (Decrease)***

For 2011, MRO will increase the staffing level in the Standards area. MRO will attempt to involve staff from Registered Entities in drafting teams and in other forums to replace staff involvement. While MRO does reimburse travel expenses for approved regional representation, there is a savings in not having full time staff represent the region on all teams.

***Funding Sources (Other than ERO Assessments)***

- Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO’s Supplemental Financial Information section, Table B-2, page 66.

***Personnel Expenses***

- For 2011, MRO will increase the staffing level in the Standards area. MRO will attempt to involve staff from Registered Entities in drafting teams and in other forums to replace the staff involvement. While MRO does reimburse travel expenses for approved regional representation, there is a savings in not having full time staff represent the region on all teams.
- Budgeted payroll taxes, benefits, and retirement costs reflect historical cost and distribution. Please refer to introduction, section 5, page 11, which explains MRO’s change in benefit cost distribution.

***Meeting Expenses***

- Meeting expenses are projected to increase in 2011. MRO will involve staff from Registered Entities in the standards development drafting activities. The increase in 2011 reflects MRO’s reimbursement of travel expenses incurred by the Registered Entities for their involvement.

***Operating Expenses***

- Consultant and contract costs remain at the same level as the 2010 budget.
- Office costs are projected to be similar to 2010.

***Indirect Expenses***

- 2011 expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs. These expenses reflect GAAP (Generally Accepted Accounting Principles) which includes non-cash expenses, primarily depreciation expense.

***Other Non-Operating Expenses***

- There are no non-operating expenses included in the 2011 Business Plan and Budget.

***Fixed Asset Additions***

- 2011 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

## Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Standards</b>					
	<b>2010 Budget</b>	<b>2010 Projection</b>	<b>Variance 2010 Projection v 2010 Budget Over(Under)</b>	<b>2011 Budget</b>	<b>Variance 2011 Budget v 2010 Budget Over(Under)</b>
<b>Funding</b>					
<b>MRO Funding</b>					
MRO Assessments	\$ 434,869	\$ 434,869	\$ -	\$ 565,887	\$ 131,018
Penalty Sanctions	\$ 4,480	\$ 4,480	\$ -	\$ 10,419	\$ 5,939
<b>Total MRO Funding</b>	<b>\$ 439,349</b>	<b>\$ 439,349</b>	<b>\$ -</b>	<b>\$ 576,306</b>	<b>\$ 136,957</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 439,349</b>	<b>\$ 439,349</b>	<b>\$ -</b>	<b>\$ 576,306</b>	<b>\$ 136,957</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 157,600	\$ 157,600	\$ -	\$ 206,345	\$ 48,745
Payroll Taxes	11,581	11,581	-	15,596	4,015
Benefits	37,262	37,262	-	23,968	(13,294)
Retirement Costs	20,200	20,200	-	26,981	6,781
<b>Total Personnel Expenses</b>	<b>\$ 226,643</b>	<b>\$ 226,643</b>	<b>\$ -</b>	<b>\$ 272,890</b>	<b>\$ 46,247</b>
<b>Meeting Expenses</b>					
Meetings	\$ 4,800	\$ 4,800	\$ -	\$ 13,000	\$ 8,200
Travel	21,000	21,000	-	42,000	21,000
Conference Calls	12,000	12,000	-	18,000	6,000
<b>Total Meeting Expenses</b>	<b>\$ 37,800</b>	<b>\$ 37,800</b>	<b>\$ -</b>	<b>\$ 73,000</b>	<b>\$ 35,200</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 12,000	\$ 12,000	\$ -	\$ 12,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	7,000	7,000	-	5,840	(1,160)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 19,000</b>	<b>\$ 19,000</b>	<b>\$ -</b>	<b>\$ 17,840</b>	<b>\$ (1,160)</b>
<b>Total Direct Expenses</b>	<b>\$ 283,443</b>	<b>\$ 283,443</b>	<b>\$ -</b>	<b>\$ 363,730</b>	<b>\$ 80,287</b>
<b>Indirect Expenses</b>	<b>\$ 155,049</b>	<b>\$ 155,049</b>	<b>\$ -</b>	<b>\$ 209,171</b>	<b>\$ 54,122</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 438,492</b>	<b>\$ 438,492</b>	<b>\$ -</b>	<b>\$ 572,901</b>	<b>\$ 134,409</b>
<b>Change in Assets</b>	<b>\$ 857</b>	<b>\$ 857</b>	<b>\$ -</b>	<b>\$ 3,405</b>	<b>\$ 2,548</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (857)	\$ (857)	\$ -	\$ (3,405)	\$ (2,548)
<b>Change in Fixed Assets</b>	<b>(857)</b>	<b>(857)</b>	<b>-</b>	<b>(3,405)</b>	<b>(2,548)</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	13.60	17.47	3.87
Direct Expenses	3,120,205	3,333,536	213,331
Indirect Expenses	1,561,970	1,756,832	194,862
Inc(Dec) in Fixed Assets	8,635	28,600	19,965
Total Funding Requirement	4,690,810	5,118,968	428,158

### ***Program Scope and Functional Description***

In 2011, the MRO compliance monitoring program includes performing CMEP activities with 124 Registered Entities in the MRO region.

The 2011 compliance program strategy continues, which includes placing Registered Entities “on notice” for all applicable regulatory approved Reliability Standards, and sets the expectation that Registered Entities should be compliant with the applicable Standards at all times. There are 124 Registered Entities participating in the compliance program, which includes various types of data submittals, monthly reporting, exception reporting, self-reporting, self-certification, spot checks, surveys, audits, and unscheduled (or random) spot checks and audits. All Registered Entities participate in compliance audits on a prescribed three and six-year schedule (or cycle). The BA, TOP, and RC entities receive an audit at least once every three years, and entities performing all other functions receive an audit at least once every six years. For 2011, there are a total of 27 compliance audits scheduled for the Operating, Planning, and Critical Infrastructure Protection (CIP) Reliability Standards.

In addition to the normal and ongoing compliance discovery activities under the NERC CMEP, MRO compliance staff may also conduct or participate in compliance investigations, compliance inquiries, and event analysis. These activities are included in the business plan for 2011. Over the past two years, MRO has enhanced its internal controls to assure non-discrimination in carrying out its delegated authority.

### ***2011 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Compliance Monitoring and Organization Registration and Certification Program can be located in the Key Assumptions section of Exhibit A in NERC’s 2011 Business Plan and Budget.

MRO will monitor compliance with Reliability Standards for each Registered Entity that has compliance responsibilities as defined in the MRO Registry. In the United States, MRO monitors

Reliability Standards according to Commission-approved rules (Compliance Monitoring and Enforcement Program or “CMEP”). In Saskatchewan and Manitoba, MRO carries out its compliance monitoring responsibilities according to agreements with the respective provincial authorities.

Organization Registration criteria and requirements are approved by NERC and the Commission in the United States, and MRO staff carries out those responsibilities through its Delegation Agreement. Registration is documented by MRO and incorporated into the overall NERC Registry. MRO staff registers all known entities (owners, operators, and users) subject to the Reliability Standards and revises the Registered Entity list as required under the rules.

MRO staff will conduct and assist NERC staff with Organization Certifications for the applicable functions determined by the NERC CCC, and by following procedures developed by NERC and the NERC CCC.

### ***2011 Compliance Monitoring Program Goals and Key Deliverables***

- Implement program consistent with Regional Delegation Agreement and NERC Rules
- Maintain an accurate and up-to-date detailed MRO registry
- Assure professionally trained staff are available to perform the required activities under the CMEP
- Deliver consistent, quality program results across all discovery methods
- Process initial compliance determinations of Standards in a fair, uniform, systematic, and timely manner
- Maintain controls for “one-up, and next door” reviews to assure all determinations receive adequate “due care”
- Ensure an accurate and complete discovery record is created, maintained, and retained for each possible violation discovered
- Continue to improve productivity by increasing the number of unscheduled spot checks or audits
- Continue to maintain efficiencies and effectiveness in the implementation of the program for MRO and Registered Entities by using our third party vendor webCDMS application
- Continue to improve education and training initiatives for Registered Entities by providing training, lessons learned, tips and techniques, and by sharing other relevant information that assists entities in being compliant
- Participate in NERC-led working groups where ERO-wide compliance program processes and procedures will be developed to drive consistency and transparency

### ***Funding Requirements — Explanation of Increase (Decrease)***

#### **Compliance Monitoring Explanation of Variances – 2011 Budget versus 2010 Budget**

##### **Entity (Organization) Registration**

- 2011 Variance: (no change in work load from 2010 to 2011)
- Work load associated with maintaining the registry will continue
- Pre-June 18, 2007 voluntary program (28 participants/255 functions)

- June 18, 2007 mandatory implementation (110 Registered Entities/432 functions)
- April 12, 2010 (124 Registered Entities/454 functions)
- Registration is an ongoing assignment
  - Continue to inventory generator facilities and transmission elements that meet NERC Criteria of Registration
  - Joint Registration Organization (JRO) maintenance
  - Coordinated Registration Organization (CFR) development and maintenance
  - Multi Regional Registered Entity (MRRE) implementation and maintenance
  - Modify registry if it's discovered an entity meets additional functional criteria through compliance monitoring processes
  - Continue to obtain and review system one-line diagrams, maps, and agreements used to identify owners and operators of the BES
  - Continue to manage overall registry by having a staff person directly assigned to this task

### **Entity (Organization) Certification**

- 2011 Variance: (no change in work load from 2010 to 2011)
- Work performed to certify additional functions with Registered Entities, and work performed to certify new Registered Entities is expected to continue. The equivalent rate or amount of work is expected to “hold steady” in 2010 (no change).

### **Annual Implementation Plan**

- 2011 Variance: (increase of work load in 2011 from 2010)
- The scope of the annual implementation plan (compliance monitoring program) is assumed to increase in 2011 due to the addition of the Modeling (MOD) Standards, the expanded scope of CIP Standards, the inclusion of the Nuclear Power Plants (NPP) into the program, and the mitigation tracking of approved Technical Feasibility Exceptions (TFEs).
  - Monitor compliance with all Regulatory Approved Reliability Standards as defined in the NERC Annual Implementation Plan
  - It is assumed that compliance monitoring through audit and annual self-certification will increase even though the “risk based approach” concept will continue. This is due to the implementation of the MOD Standards, the expanded scope of CIP Standards increasing from 13 to 43 requirements, all CIP applicable entities (all Table 1 – 4 entities) move to the “auditably compliant” stage, the inclusion of the Nuclear Power Plants into the program, and mitigation tracking for approved TFEs
  - It is assumed that the NERC 2011 Implementation Plan will hold steady for the other monitoring methods including monthly self-certification, quarterly self-certification, periodic data submittal, exception report, and spot-check, when compared to the 2010 Implementation Plan
  - Unscheduled spot-checks and / or audits are conducted if:
    - Entity registration changes (such as adding TOP, BA, RC function)
    - Evidence of compliance provided during an audit (or other method) is found to be non-compliant and the entity is using another entity's program or process



- Follow-up from self-certification is warranted
- Warranted due to event driven (compliance inquiry or other incident)
- Perform JRO and CFR type audits

### **Planned Audits (Operating and Planning Standards)**

- 2011 Variance: (increase of work load in 2011 from 2010)
- The number of audits to be performed in 2011 will hold steady when compared to 2010. However, the scope of the audit will expand by incorporating the Modeling (MOD) Reliability Standards, and we expect more spot checks. Therefore, the hours required to conduct an audit will increase.

### **Planned Audits (CIP Standards)**

- 2011 Variance: (increase of work load in 2011 from 2010)
- The NERC CIP-002-CIP-009 Reliability Standard compliance monitoring increases from 13 to 43 requirements. This represents a 315% increase in scope of compliance monitoring
- All Table 1 – 4 entities move to the “auditably compliant” stage
- The CIP audits for Nuclear Power Plants will begin to be incorporated into the compliance program in 2011
- It is assumed that the majority of compliance evidence with the CIP Standards will be required to be reviewed on-site, which will require additional hours
- Technical Feasibility Exceptions (TFEs) will be reviewed by the auditors during the audit

### **Annual Self-Certification Requirement**

- 2011 Variance: (increase in work load in 2011 from 2010)
- It is assumed that the NERC 2011 Implementation Plan, which identifies the Reliability Standard requirements to be monitored through annual self-certification, will increase even though the “risk based approach” concept will continue. This is due to the implementation of the MOD Standards into the program.
- The annual self-certification will also expand in scope due to the CIP Standards increasing from 13 to 43 requirements and all CIP applicable entities (all Table 1 – 4 entities) move to the “auditably compliant” stage.
- It is assumed that the specialized January and July CIP self-certifications will terminate and all CIP Reliability Standards will move into the normal and ongoing compliance monitoring program.

### **Compliance Inquiry Review**

- 2011 Variance: (no change in work load in 2011 from 2010)
- Assumption is to conduct compliance inquiry reviews in 2011. This is a voluntary and informal process performed to learn about an event or incident that occurred on the BES. The process includes a collection of data to learn the sequence of events and facts and circumstances pertaining to the incident in order to determine if any further review is warranted. A confidential (non-public) report is produced which either closes the incident or elevates to a Compliance Spot-Check, Compliance Investigation (CI), Event Analysis (EA), or both CI and EA. Cooperation and voluntary participation is considered a mitigating factor by enforcement if a violation is discovered. With changes to the

Event Analysis–CI process by NERC, staff believes the inquiry process maybe superseded.

### **Compliance Investigations (CIs)**

- 2011 Variance: (no change in work load in 2011 from 2010)
- Participate on NERC-led CI's conducted in MRO. NERC has created its own Event Analysis and Investigation department with expectations of conducting and "leading" the majority of the event reviews across the U.S. However, NERC still expects Regional Entity staff to participate on all NERC-led event review teams. The workload determination for this section assumes that NERC will lead all events and investigations in MRO and MRO will provide staff to participate on the team; MRO believes that this is an efficient division of labor and resources.

### **Compliance Violation Discovery: (Discovery of Possible Violations)**

- 2011 Variance: (increase of work load in 2011 from 2010)
- For every possible violation discovered through one of the eight discovery methods, MRO compliance staff performs an internal fact and circumstance review. Documentation development and organization of associated evidence requires resources.
- An increase of workload in this area is assumed due to the expanded scope of compliance monitoring with the CIP Standards, the MOD Standards, and Nuclear Power Plants.

### **Compliance Possible Violation "Discovery Record" Development**

- 2011 Variance: (increase of work load in 2011 from 2010)
- A discovery record is developed for every possible violation. The discovery record and supplemental forms represent the initial development of the enforcement disposition record.
- The number of discovered violations is expected to increase as explained above which will ultimately increase the number of required discovery records.

## **Compliance Enforcement Explanation of Variances - 2011 Budget versus 2010 Budget**

### ***2011 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for Enforcement can be located in the Key Assumptions section of Exhibit A in NERC's 2011 Business Plan and Budget.

**Processing of Alleged Violations**

- The current trend of alleged violations has increased and is expected to continue through 2011. For every possible violation verified by MRO compliance staff, MRO enforcement staff performs an internal fact and circumstance review to verify the existence of a violation and gather additional facts as necessary to determine the scope, duration, and nature of each violation. MRO enforcement staff prepares and issues a Notice of Possible Violation for each possible violation. MRO enforcement staff also prepares a Disposition Document and Notice of Alleged Violation for each alleged violation. This process includes the calculation of a proposed penalty, which is reviewed and considered by at least two MRO enforcement staff. Upon acceptance or lapse of the required time for response to the Notice of Alleged Violation, MRO enforcement staff prepares a Notice of Confirmed Violation (NOCV). MRO enforcement staff may also prepare a Notice of Supplemental Record Information (SRI) to complete the record. MRO enforcement staff also prepares a draft Notice of Penalty for submission to NERC upon filing of a NOCV or a Settlement Agreement. The drafting of these notices is an iterative process and requires resources.
- MRO enforcement staff anticipates an increase in the number of settlement discussions requested by Registered Entities in 2011. As more time passes since the date of mandatory effectiveness for the Standards, there is more likelihood of more serious financial penalties, which will result in an increase in settlement discussion requests. It is in the best interest of ensuring reliability of the bulk power system for Registered Entities to make investments in the system and have strong compliance programs, rather than risk significant financial penalties.
- Assuming an increase in the number and frequency of violations discovered with the inclusion of the CIP Standards and 41 Requirements.
- Assuming an increase in time spent in developing mitigation plans and verification of completion, due to increase in CIP violations.

**Mitigation Plan Acceptance and Verification of Completion**

- 2011 Variance: (increase of work load from 2010 to 2011)
- For every alleged violation identified by MRO enforcement staff, a mitigation plan must be submitted. MRO enforcement staff reviews each submitted mitigation plan to assess whether the proposed plan will mitigate the subject violation. Although the process of notifying the Registered Entity of the acceptance or rejection of the mitigation plan is automated, the review of each submitted plan is manual and may be time consuming. Often times, the development of the mitigation plan provide the information necessary to determine the potential risk and impact of a violation. Upon receiving notice from a Registered Entity certifying completion of the mitigation, MRO enforcement staff may need to request additional documentation from the Registered Entity and will validate or verify to determine if the mitigation has in fact been completed. Upon determining that the mitigation is complete, MRO enforcement staff prepares a formal verification of completion of mitigation identifying the evidence submitted, reviewed, and the findings in support of mitigation. In 2011, the verification of mitigation will be incorporated in the disposition document. Each of these steps requires time and resources, and in

certain instances, involves significant efforts to complete the verification. MRO has re-aligned resources to address the matter.

- Assuming an increase in the number and frequency of violations discovered with the inclusion of the CIP Standards and 41 Requirements.

#### **Record Development and Maintenance**

- Processes have been formalized and necessary documentation identified to complete the record. The CDMS application provides for a central repository accessible to each Registered Entity to submit and review its evidence.
- Assumes incorporation of the NERC Disposition Document, Abbreviated Notices, and Deficiency Notice templates for minor administrative violations.

#### ***Funding Sources and Requirements — Explanation of Increase (Decrease)***

For 2011, the compliance monitoring workload will increase primarily due to the continued expansion of the NERC CIP-002 through CIP-009 Reliability Standards, the MOD Standards, and the Nuclear Unit Power Plants. The additional workload will primarily occur in the audit and self-certification monitoring methods, as well as in Enforcement and Mitigation activities.

#### ***Funding Sources (Other than ERO Assessments)***

- Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO's Supplemental Financial Information section, Table B-2, page 66.

#### ***Personnel Expenses***

- The overall FTE count for compliance will increase in 2011 from 2010, which is consistent with the workload increase.
- Budgeted payroll taxes, benefits, and retirement costs reflect historical cost and distribution. Please refer to introduction, section 5, page 11, which explains MRO's change in benefit cost distribution.

#### ***Meeting Expenses***

- Expenditures in the "meeting expense" account will decrease in 2011 due to expenses associated with Registered Entity education and training workshops and seminars, compliance staff presenting at user group (forum) meetings, and conference calls (or webcasts) performed for the implementation of the CMEP, being moved to Training, Education, and Operator Certification Program (account 0900).

#### ***Travel Expense***

- Expenditures in the "travel" account will increase in 2011 primarily due to the expanded scope of audit, which will require additional travel expenses for the auditors. The auditors will be on the road more nights in 2011, when compared with 2010. The Enforcement area's "travel" expenditures will remain flat within 2010.

***Operating Expenses***

- **Consultants and Contracts**

- Expenditures in Consultants and Contracts have decreased substantially from 2010 due almost exclusively to the decrease in the use of outside resources for assistance in processing TFE requests. MRO has chosen to increase its staff, which is reflected in the higher personnel costs.

- **Office Costs**

- The “operating expense” account for 2011 will increase due to increasing staff.

***Indirect Expenses***

- 2011 expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs. These expenses reflect GAAP (Generally Accepted Accounting Principles), which includes non-cash expenses and primarily depreciation expense.

***Other Non-Operating Expenses***

- There are no non-operating expenses included in the 2011 Business Plan and Budget.

***Fixed Asset Additions***

- 2011 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

**Compliance Enforcement and Organization Registration and Certification Program**  
Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Compliance and Organization Registration and Certification</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>MRO Funding</b>					
MRO Assessments	\$ 4,645,677	\$ 4,645,677	\$ -	\$ 5,031,458	\$ 385,781
Penalty Sanctions	\$ 45,133	\$ 45,133	\$ -	\$ 87,510	\$ 42,377
<b>Total MRO Funding</b>	<b>\$ 4,690,810</b>	<b>\$ 4,690,810</b>	<b>\$ -</b>	<b>\$ 5,118,968</b>	<b>\$ 428,158</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 4,690,810</b>	<b>\$ 4,690,810</b>	<b>\$ -</b>	<b>\$ 5,118,968</b>	<b>\$ 428,158</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,567,964	\$ 1,567,964	\$ -	\$ 2,131,397	\$ 563,433
Payroll Taxes	123,368	123,368	-	160,644	37,276
Benefits	294,567	294,567	-	413,790	119,223
Retirement Costs	265,016	265,016	-	299,838	34,822
<b>Total Personnel Expenses</b>	<b>\$ 2,250,916</b>	<b>\$ 2,250,916</b>	<b>\$ -</b>	<b>\$ 3,005,669</b>	<b>\$ 754,754</b>
<b>Meeting Expenses</b>					
Meetings	\$ 52,195	\$ 52,195	\$ -	\$ 5,900	\$ (46,295)
Travel	111,685	111,685	-	126,109	14,424
Conference Calls	13,085	13,085	-	1,580	(11,505)
<b>Total Meeting Expenses</b>	<b>\$ 176,965</b>	<b>\$ 176,965</b>	<b>\$ -</b>	<b>\$ 133,589</b>	<b>\$ (43,376)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 647,500	\$ 647,500	\$ -	\$ 146,000	\$ (501,500)
Office Rent	-	-	-	-	-
Office Costs	44,824	44,824	-	48,278	3,454
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 692,324</b>	<b>\$ 692,324</b>	<b>\$ -</b>	<b>\$ 194,278</b>	<b>\$ (498,046)</b>
<b>Total Direct Expenses</b>	<b>\$ 3,120,205</b>	<b>\$ 3,120,205</b>	<b>\$ -</b>	<b>\$ 3,333,536</b>	<b>\$ 213,332</b>
<b>Indirect Expenses</b>	<b>\$ 1,561,970</b>	<b>\$ 1,561,970</b>	<b>\$ -</b>	<b>\$ 1,756,832</b>	<b>\$ 194,862</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 4,682,175</b>	<b>\$ 4,682,175</b>	<b>\$ -</b>	<b>\$ 5,090,368</b>	<b>\$ 408,194</b>
<b>Change in Assets</b>	<b>\$ 8,635</b>	<b>\$ 8,635</b>	<b>\$ -</b>	<b>\$ 28,600</b>	<b>\$ 19,964</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (8,635)	\$ (8,635)	\$ -	\$ (28,600)	\$ (19,965)
<b>Change in Fixed Assets</b>	<b>(8,635)</b>	<b>(8,635)</b>	<b>-</b>	<b>(28,600)</b>	<b>(19,965)</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### 3. Reliability Assessment and Performance Analysis Program

<b>Reliability Assessments and Performance Analysis</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	6.40	6.75	0.35
Direct Expenses	1,065,735	1,333,231	267,496
Indirect Expenses	735,045	678,799	(56,246)
Inc(Dec) in Fixed Assets	4,064	11,051	6,987
Total Funding Requirement	1,804,844	2,023,080	218,236

#### ***Program Scope and Functional Description***

The objectives of the reliability assessment and performance analysis program are to:

1. Conduct and report the results of an independent assessment of the overall reliability and adequacy of the interconnected North American bulk power systems, both as existing and as planned;
2. Analyze system events and disturbances on the bulk power system;
3. Identify the contributing factors of events that may be precursors of potentially more serious events;
4. Assess past reliability performance for lessons learned;
5. Disseminate findings and lessons learned to the electric industry to improve reliability performance; and
6. Develop reliability performance benchmarks. The final reliability assessment reports are approved by the board for publication to the electric industry and the general public.

#### ***2011 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Assessment and Performance Analysis Program can be located in the Key Assumptions section of Exhibit A in NERC's 2011 Business Plan and Budget.

MRO analyzes, assesses, and reports on reliability and adequacy in the past, present, and future. This includes the long-term and seasonal assessments developed by the MRO Operations Committee ("OC"), and the Planning Committee ("PC"), and their subcommittees as required by the Delegation Agreement. In addition, specific possible scenarios may be evaluated.

The OC and PC have balanced stakeholder representation, work with MRO staff, and reports to the MRO Board. The OC and PC reviews and consolidates the reports of the overall reliability of

the MRO region, both existing and planned. The OC and PC verify that assessments performed within the MRO region conform to MRO and NERC Reliability Standards.

In 2011, continued attention will be given to transmission adequacy and security, protection and control standards, special protection scheme reviews, resource adequacy, demand response, reliability metrics, integration of renewable generation per Renewable Portfolio Standards, operational issues and event analysis, Eastern Interconnection Reliability Assessment Group (ERAG), NERC and regulatory data requests, electric system modeling data, and reviews of regional reliability criteria and procedures.

### ***2011 Goals and Key Deliverables***

- Annually review the overall reliability of the MRO region and interregional bulk power system for near-term and long-term planning horizons and provide planning horizon (LTRA) assessment reports to the board and NERC.
- Review the seasonal assessments (summer and winter) of the MRO region and interregional bulk power system from an operational perspective.
- Review the post seasonal assessments (summer and winter) of the bulk power system to determine if the system performed according to the preseason plans.
- Review system disturbance reports and event analyses to assure the appropriate analysis is performed and that lessons learned are identified and shared with the industry.
- Annually (or as often as required by NERC), assess the MRO region for an emerging issue/scenario as determined by NERC.
- Perform special reliability assessments on a Regional, Inter-regional, and Interconnection basis as conditions warrant, or as directed by the Board or NERC.
- Coordinate with NERC on system event analyses on a Regional, Interregional, and Interconnection basis as conditions warrant.
- Annually prepare an MRO set of electric system modeling data.
- Perform all Regional Entity responsibilities associated with the PRC Standards, including mis-operations, review of special protection schemes, UFLS criteria, disturbance monitoring criteria, etc.
- Perform all regional responsibilities associated with the existing and future NERC Reliability Standards, as they apply to MRO Reliability Assessments.
- Participate in and represent the MRO region in all ERAG and NERC groups, as required, that report to the ERAG Management Committee (“MC”) and NERC Planning Committee (“PC”) and Operating Committee (“OC”).

### ***Funding Sources and Requirements — Explanation of Increase (Decrease)***

#### ***Funding Sources (Other than ERO Assessments)***

- Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO’s Supplemental Financial Information section, Table B-2, page 66.



### ***Personnel Expenses***

- This item has increased in 2011 due to time charged by additional executive staff and salary increases.
- Budgeted payroll taxes, benefits, and retirement costs reflect historical cost and distribution. Please refer to introduction, section 5, page 11, which explains MRO's change in benefit cost distribution.

### ***Meeting Expenses***

- 2011 budgeted meeting expenses are similar to the level in 2010.

### ***Operating Expenses***

- 2011 budgeted Consultant costs increased to budget for the development of the MIS Operation Secure Portal. The portal is 75% administrative overhead to facilitate the automated audit trail logging identified at NERC's audit of MRO when MRO formally requests information from a Registered Entity. 25% of the specification is actual collection of MIS Operation data. MRO has determined certain performance metrics are important and have been in the process of trending data, such as mis-operation, special protection systems, and mis-operation of special protections systems, to name a few. In the 2011 Business Plan and Budget, only 20% of the estimated cost has been included in an attempt to manage the budget. We expect to phase in this expense over 2011-2012.
- Contracts expense has increased due to the expiration of original model building contracts and an increase in future costs. It should be noted that the current MRO staff in the Reliability Assessment and Performance Analysis Program are undergoing training in model building with the intent to eliminate this cost in the future.

### ***Indirect Expenses***

- 2011 expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs. These expenses reflect GAAP (Generally Accepted Accounting Principles) which includes non-cash expenses, primarily depreciation expense.

### ***Other Non-Operating Expenses***

- There are no non-operating expenses included in the 2011 Business Plan and Budget.

### ***Fixed Asset Additions***

- 2011 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>MRO Funding</b>					
MRO Assessments	\$ 1,783,605	\$ 1,783,605	\$ -	\$ 1,989,269	\$ 205,664
Penalty Sanctions	\$ 21,239	\$ 21,239	\$ -	\$ 33,812	\$ 12,573
<b>Total MRO Funding</b>	<b>\$ 1,804,844</b>	<b>\$ 1,804,844</b>	<b>\$ -</b>	<b>\$ 2,023,080</b>	<b>\$ 218,236</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 1,804,844</b>	<b>\$ 1,804,844</b>	<b>\$ -</b>	<b>\$ 2,023,080</b>	<b>\$ 218,236</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 608,776	\$ 608,776	\$ -	\$ 767,657	\$ 158,881
Payroll Taxes	43,909	43,909	-	57,732	13,823
Benefits	91,077	91,077	-	77,711	(13,366)
Retirement Costs	89,373	89,373	-	111,101	21,728
<b>Total Personnel Expenses</b>	<b>\$ 833,135</b>	<b>\$ 833,135</b>	<b>\$ -</b>	<b>\$ 1,014,201</b>	<b>\$ 181,066</b>
<b>Meeting Expenses</b>					
Meetings	\$ 40,000	\$ 40,000	\$ -	\$ 48,000	\$ 8,000
Travel	108,000	108,000	-	103,000	(5,000)
Conference Calls	6,000	6,000	-	6,000	-
<b>Total Meeting Expenses</b>	<b>\$ 154,000</b>	<b>\$ 154,000</b>	<b>\$ -</b>	<b>\$ 157,000</b>	<b>\$ 3,000</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 48,100	\$ 48,100	\$ -	\$ 125,780	\$ 77,680
Office Rent	-	-	-	-	-
Office Costs	30,500	30,500	-	36,250	5,750
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 78,600</b>	<b>\$ 78,600</b>	<b>\$ -</b>	<b>\$ 162,030</b>	<b>\$ 83,430</b>
<b>Total Direct Expenses</b>	<b>\$ 1,065,735</b>	<b>\$ 1,065,735</b>	<b>\$ -</b>	<b>\$ 1,333,231</b>	<b>\$ 267,496</b>
<b>Indirect Expenses</b>	<b>\$ 735,045</b>	<b>\$ 735,045</b>	<b>\$ -</b>	<b>\$ 678,799</b>	<b>\$ (56,246)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 1,800,780</b>	<b>\$ 1,800,780</b>	<b>\$ -</b>	<b>\$ 2,012,030</b>	<b>\$ 211,250</b>
<b>Change in Assets</b>	<b>\$ 4,064</b>	<b>\$ 4,064</b>	<b>\$ -</b>	<b>\$ 11,051</b>	<b>\$ 6,987</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (4,064)	\$ (4,064)	\$ -	(11,051)	\$ (6,987)
<b>Change in Fixed Assets</b>	<b>(4,064)</b>	<b>(4,064)</b>	<b>-</b>	<b>(11,051)</b>	<b>(6,987)</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

#### 4. Training, Education, and Operator Certification Program

<b>Training, Education and Operator Certification</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	-	0.15	0.15
Direct Expenses	\$ -	\$ 111,407	\$ 111,407
Indirect Expenses	\$ -	\$ 15,084	\$ 15,084
Inc(Dec) in Fixed Assets	\$ -	\$ 246	\$ 246
Total Funding Requirement	\$ -	\$ 126,737	\$ 126,737

##### ***Program Scope and Functional Description***

Maintaining the reliability of the bulk power system through implementation of the Reliability Standards requires informed and trained Regional and Registered Entity personnel. Education and training is one of the primary objectives of MRO. The education and training program specifically pertains to the implementation of the Compliance Monitoring and Enforcement Program (CMEP), the application of Reliability Standards, Reliability Assessment information, lessons learned from event analysis, and other related information pertinent to system reliability and compliance. The target audience for this program is Registered Entities.

MRO will provide training to Registered Entities through workshops, presentation opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to try to identify training options for Registered Entities in the MRO region so that they can accomplish the objectives of the NERC program through a third party.

MRO does not provide training as a registered "training provider." The objectives outlined in the key assumptions are intended to educate and train the industry on CMEP implementation, the requirements of the Standards, lessons learned, and elements of an effective compliance program.

##### ***2011 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Training, Education, and Operator Certification Program can be located in the Key Assumptions section of Exhibit A in NERC's 2011 Business Plan and Budget.

Registered Entities are dedicated to being compliant with the Reliability Standards, which is why education and training is a key initiative for MRO. The MRO Compliance Committee assists in this area and oversees the compliance and enforcement training and education initiatives for Registered Entities, including stakeholder forums and group training initiatives. The Mid-Continent Compliance Forum (MCCF) was created in late 2008, with full implementation

beginning in 2009. The December 2009 MCCF meeting had over 100 participants. The forum is a place for Registered Entities to share compliance information and procedures and processes used for the reliable operation of power systems, as well as evidence of compliance with the requirements in the Reliability Standards.

Costs associated with the education and training initiatives were moved from Compliance, Organization Registration, and Enforcement in 2010 to Training, Education, and Operator Certification Program in 2011.

### ***2011 Goals and Key Deliverables***

In addition to MRO management team participating in, and presenting at, various forum meetings (such as MCCF, RTO/ISO, APDA, State Regulator meetings, etc.), MRO will hold three workshops (two compliance, enforcement, and reliability workshops and one CIP workshop).

### ***Funding Sources and Requirements — Explanation of Increase (Decrease)***

This account had zero funding in 2010. However, the funds needed in this account for 2011 have been transferred from the individual department accounts. The Registered Entity related training dollars have been removed from the individual departments.

### ***Funding Sources (Other than ERO Assessments)***

- Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO's Supplemental Financial Information section, Table B-2, page 66.

### ***Personnel Expenses***

- From 2010 to 2011, costs were moved from Compliance, Organization Registration, and Enforcement to Training, Education and Operator Certification Program, and FTEs increased due to an increase from two to three scheduled workshops.
- Budgeted payroll taxes, benefits, and retirement costs reflect historical cost and distribution. Please refer to introduction, section 5, page 11, which explains MRO's change in benefit cost distribution.

### ***Meeting Expenses***

- From 2010 to 2011, costs were moved from Compliance, Organization Registration, and Enforcement to Training, Education, and Operator Certification Program, and meeting costs increased consistently with the increase in the number of workshops.
- Member Travel Reimbursement - MRO does not charge any workshop fees; however, they do not reimburse travel costs when the Registered Entity travels for a workshop.

### ***Operating Expenses***

- From 2010 to 2011, costs were moved from Compliance, Organization Registration, and Enforcement to Training, Education, and Operator Certification Program, and office costs increased consistently with the increase in the number of workshops.

***Indirect Expenses***

- 2011 expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs. These expenses reflect GAAP (Generally Accepted Accounting Principles) which includes non-cash expenses, primarily depreciation expense.

***Other Non-Operating Expenses***

- There are no non-operating expenses included in the 2011 Business Plan and Budget.

***Fixed Asset Additions***

- 2011 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Training and Education</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>MRO Funding</b>					
MRO Assessments	\$ -	\$ -	\$ -	\$ 125,986	\$ 125,986
Penalty Sanctions	\$ -	\$ -	\$ -	\$ 751	\$ 751
<b>Total MRO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,737</u>	<u>\$ 126,737</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,737</u>	<u>\$ 126,737</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ 23,749	\$ 23,749
Payroll Taxes	-	-	-	1,780	1,780
Benefits	-	-	-	305	305
Retirement Costs	-	-	-	4,073	4,073
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,907</u>	<u>\$ 29,907</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 47,500	\$ 47,500
Travel	-	-	-	14,000	14,000
Conference Calls	-	-	-	15,000	15,000
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,500</u>	<u>\$ 76,500</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	5,000	5,000
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
<b>Total Direct Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,407</u>	<u>\$ 111,407</u>
<b>Indirect Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,084</u>	<u>\$ 15,084</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,491</u>	<u>\$ 126,491</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246</u>	<u>\$ 246</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ (246)	\$ (246)
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(246)</u>	<u>(246)</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 5. Situation Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.25	0.90	(0.35)
Direct Expenses	\$ 240,759	\$ 197,218	\$ (43,541)
Indirect Expenses	\$ 143,563	\$ 90,507	\$ (53,056)
Inc(Dec) in Fixed Assets	\$ 46,794	\$ (1,992)	\$ (48,786)
Total Funding Requirement	\$ 431,116	\$ 285,733	\$ (145,383)

### ***Situation Awareness Program Scope and Functional Description***

NERC and the Regions shall, through Reliability Coordinators and available tools, monitor present conditions on the bulk power system and provide leadership coordination, technical expertise, and assistance to the industry in responding to events as necessary.

To accomplish these goals, NERC and the Regions will:

1. Maintain real-time situation awareness of conditions on the bulk power system;
2. Notify the industry of significant bulk power system events that have occurred in one area, and which have the potential to impact reliability in other areas;
3. Maintain and strengthen high-level communication, coordination, and cooperation with governments and government agencies regarding real-time conditions; and
4. Enable the reliable operation of interconnected bulk power systems by facilitating information exchange and coordination among reliability service organizations.

### ***2011 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Situation Awareness and Infrastructure Security Program can be located in the Key Assumptions section of Exhibit A in NERC's 2011 Business Plan and Budget.

The Situation Awareness program includes costs and resources to monitor the Bulk Power System and respond to inquiries by NERC or others.

### ***2011 Goals and Key Deliverables***

The goal of the Situation Awareness program is to maintain a real-time awareness about the conditions of the Bulk Power System and to respond to events by providing coordination assistance and communication to regulators about the status. In 2011, staff will participate in the development of the second phase of the situation awareness tools.

---

***Funding Sources and Requirements — Explanation of Increase (Decrease)***

The current Situation Awareness program efforts are relatively new, and therefore; the 2011 budget includes dollars allocated to travel for coordination and development related activities and to computer related equipment.

***Infrastructure Security Program Scope and Functional Description***

NERC and the Regions shall coordinate electric industry activities to promote critical infrastructure protection of the bulk power system in North America by taking a leadership role in critical infrastructure protection of the electricity sector to reduce vulnerability and improve mitigation and protection of the electricity sector's critical infrastructure.

***2011 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for Critical Infrastructure Protection can be located in the Key Assumptions section of Exhibit A in NERC's 2011 Business Plan and Budget.

The Infrastructure Security Program is responsible for raising the awareness of security, promoting standard security practices, and aiding the Registered Entities in organizing and sharing security implementations specific to the energy sector.

The MRO Security Committee will focus on security implementation approaches utilized by Registered Entities. The Security Committee is comprised of MRO sector representatives and facilitated by MRO staff. These regional representatives also participate on the NERC Critical Infrastructure Protection Committee ("CIPC").

***2011 Goals and Key Deliverables***

The goal is to provide effective communication, coordination and industry facilitation of all areas of security to ensure the region is prepared for cyber-related incidents.

***Funding Requirements - Explanation of Increase (Decrease)***

The 2011 budget includes meeting dollars for the MRO Security Committee, travel to attend security related meetings, and capital dollars to support security improvements to MRO information systems.

***Funding Sources (Other than ERO Assessments)***

- Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO's Supplemental Financial Information section, Table B-2, page 66.

***Personnel Expenses***

- 2011 FTE has been reduced to reflect an increase in the stakeholder and NERC involvement.



- Budgeted payroll taxes, benefits, and retirement costs reflect historical cost and distribution. Please refer to introduction, section 5, page 11, which explains MRO's change in benefit cost distribution.

***Meeting Expenses***

- Meeting expenses are increased to reflect costs for meetings of the MRO Security Committee and other associated meeting and travel expense.

***Operating Expenses***

- Operating expenses are increased to include training and computer equipment purchases.

***Indirect Expenses***

- 2011 expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs. These expenses reflect GAAP (Generally Accepted Accounting Principles) which includes non-cash expenses, primarily depreciation expense.

***Other Non-Operating Expenses***

- There are no non-operating expenses included in the 2011 budget.

***Fixed Asset Additions***

- 2011 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.
- Situation Awareness has directly assigned fixed assets.
- The 2010 fixed asset purchase will be a onetime expense in the Situation Awareness Program, so the 2011 budget has reduced funding.

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>MRO Funding</b>					
MRO Assessments	\$ 426,967	\$ 426,967	\$ -	\$ 281,225	\$ (145,742)
Penalty Sanctions	\$ 4,148	\$ 4,148	\$ -	\$ 4,508	\$ 360
<b>Total MRO Funding</b>	<u>\$ 431,115</u>	<u>\$ 431,115</u>	<u>\$ -</u>	<u>\$ 285,733</u>	<u>\$ (145,382)</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ 431,115</u>	<u>\$ 431,115</u>	<u>\$ -</u>	<u>\$ 285,733</u>	<u>\$ (145,382)</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 123,143	\$ 123,143	\$ -	\$ 102,680	\$ (20,463)
Payroll Taxes	7,990	7,990	-	7,674	(316)
Benefits	23,721	23,721	-	13,771	(9,950)
Retirement Costs	18,274	18,274	-	18,278	4
<b>Total Personnel Expenses</b>	<u>\$ 173,129</u>	<u>\$ 173,129</u>	<u>\$ -</u>	<u>\$ 142,403</u>	<u>\$ (30,725)</u>
<b>Meeting Expenses</b>					
Meetings	\$ 8,500	\$ 8,500	\$ -	\$ 22,150	\$ 13,650
Travel	13,900	13,900	-	23,200	9,300
Conference Calls	12,150	12,150	-	-	(12,150)
<b>Total Meeting Expenses</b>	<u>\$ 34,550</u>	<u>\$ 34,550</u>	<u>\$ -</u>	<u>\$ 45,350</u>	<u>\$ 10,800</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	13,080	13,080	-	6,000	(7,080)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	20,000	20,000	-	3,465	(16,535)
<b>Total Operating Expenses</b>	<u>\$ 33,080</u>	<u>\$ 33,080</u>	<u>\$ -</u>	<u>\$ 9,465</u>	<u>\$ (23,615)</u>
<b>Total Direct Expenses</b>	<u>\$ 240,759</u>	<u>\$ 240,759</u>	<u>\$ -</u>	<u>\$ 197,218</u>	<u>\$ (43,540)</u>
<b>Indirect Expenses</b>	<u>\$ 143,563</u>	<u>\$ 143,563</u>	<u>\$ -</u>	<u>\$ 90,507</u>	<u>\$ (53,056)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 384,322</u>	<u>\$ 384,322</u>	<u>\$ -</u>	<u>\$ 287,725</u>	<u>\$ (96,596)</u>
<b>Change in Assets</b>	<u>\$ 46,793</u>	<u>\$ 46,793</u>	<u>\$ -</u>	<u>\$ (1,992)</u>	<u>\$ (48,786)</u>
<b>Fixed Assets</b>					
Depreciation	(20,000)	(20,000)	-	(3,465)	16,535
Computer & Software CapEx	66,000	66,000	-	-	(66,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ (46,000)</u>	<u>\$ (46,000)</u>	<u>\$ -</u>	<u>\$ 3,465</u>	<u>\$ 49,465</u>
Allocation of Fixed Assets	\$ (794)	\$ (794)	\$ -	\$ (1,473)	\$ (679)
<b>Change in Fixed Assets</b>	<u>(46,794)</u>	<u>(46,794)</u>	<u>-</u>	<u>1,992</u>	<u>48,786</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 6. Administrative Services

<b>Administrative Services</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	6.40	7.15	0.75
Total Direct Expenses	\$ 2,595,629	\$ 2,750,392	\$ 154,763
Inc(Dec) in Fixed Assets	\$ (14,350)	\$ (44,775)	\$ (30,425)
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 2,581,279	\$ 2,705,617	\$ 124,338
Funding Requirement for Working Capital	\$ 212,628	\$ 266,678	\$ 54,050

### ***Methodology for Allocation of Administrative Services Expenses to Programs***

All expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated to the delegated program areas by their respective FTEs. This allocation provides improved financial perspective for the delegated functions.

### ***Program Scope and Functional Description***

NERC's Administrative Services area includes all business and administrative functions of the organization, including technical committees and member forums, legal and regulatory, human resources, information technology, finance and accounting, and general expenses. Costs incurred for these services are allocated, as an indirect expense across NERC's other program areas.

## 6a. Technical Committees and Member Forums

<b>Technical Committees and Member Forums</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.65	0.65	-
Expenses	\$ 348,181	\$ 319,983	\$ (28,198)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### ***Program Scope and Functional Description***

MRO staff and Registered Entities participate in various NERC committees, working groups and task forces. This participation provides for Regional Entity staff input as well as Registered Entity input into NERC governance and other activities.

### ***2011 Key Assumptions***

This budget item covers all travel costs for MRO staff participation in various NERC forums. It also covers MRO reimbursement of approved Registered Entity travel costs for participation in the NERC forums as a representative of MRO.

### ***2011 Goals and Key Deliverables***

MRO's goal is to actively participate in NERC forums to best meet the goals of the Registered Entities in MRO.

### ***Funding Sources and Requirements — Explanation of Increase (Decrease)***

By policy, MRO reimburses approved regional representatives for travel expenses.

### ***Funding Sources (Other than ERO Assessments)***

- In 2011, the expenses related to the indirect program areas are being allocated entirely to the direct programs, and therefore; have no ERO assessment revenue.

### ***Personnel Expenses***

- FTEs remain flat from 2010 to 2011.
- Budgeted payroll taxes, benefits, and retirement costs reflect historical cost and distribution. Please refer to introduction, section 5, page 11, which explains MRO's change in benefit cost distribution.

### ***Meeting Expenses***

- MRO does reimburse travel expenses for approved regional representatives.

### ***Operating Expenses***

- No operating expenses are budgeted in 2011.

***Indirect Expenses***

- 2011 expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs. These expenses reflect GAAP (Generally Accepted Accounting Principles) which includes non-cash expenses, primarily depreciation expense.

***Other Non-Operating Expenses***

- There are no non-operating expenses included in the 2011 Business Plan and Budget.

***Fixed Asset Additions***

- 2011 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

## Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Technical Committees and Member Forums</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>MRO Funding</b>					
MRO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total MRO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 127,859	\$ 127,859	\$ -	\$ 84,646	\$ (43,213)
Payroll Taxes	10,702	10,702	-	6,272	(4,430)
Benefits	8,115	8,115	-	8,515	400
Retirement Costs	21,404	21,404	-	14,450	(6,954)
<b>Total Personnel Expenses</b>	<u>\$ 168,081</u>	<u>\$ 168,081</u>	<u>\$ -</u>	<u>\$ 113,883</u>	<u>\$ (54,197)</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	180,100	180,100	-	206,100	26,000
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 180,100</u>	<u>\$ 180,100</u>	<u>\$ -</u>	<u>\$ 206,100</u>	<u>\$ 26,000</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ 348,181</u>	<u>\$ 348,181</u>	<u>\$ -</u>	<u>\$ 319,983</u>	<u>\$ (28,197)</u>
<b>Indirect Expenses</b>	<u>\$ (348,181)</u>	<u>\$ (348,181)</u>	<u>\$ -</u>	<u>\$ (319,983)</u>	<u>\$ 28,198</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 6b. General and Administrative

<b>General and Administrative</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.50	1.35	(0.15)
Expenses	\$ 464,228	\$ 491,744	\$ 27,516
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ 212,628	\$ 266,678	\$ 54,050

### ***Program Scope and Functional Description***

The MRO General and Administrative function provides executive management of the corporation, management of the MRO office, and other administrative support programs.

### ***2011 Key Assumptions***

- The current economic downturn will continue into 2011 and adversely affect stakeholder travel budgets and resourcing for work in regional programs.
- MRO will continue the reimbursement of approved Registered Entity travel costs for participation in the NERC forums.
- In the 2011 Budget, MRO has included dollars for a working capital reserve.
- Any increase or decrease in assessments to achieve desired working capital reserve will be included in the General and Administrative area and to be allocated proportionately based on FTE to the direct programs.

### ***2011 Goals and Key Deliverables***

In the General and Administrative function, MRO will assure that there is adequate attention on the day-to-day management of the corporation that includes board governance, policies and procedures to maintain and enhance operation of the corporation, and proper record keeping and related responsibilities under regulations.

### ***Funding Sources and Requirements — Explanation of Increase (Decrease)***

The 2011 budget includes increased travel dollars that reflect the trend of higher travel costs and reimbursement of expenses for MRO Board of Directors.

In the 2011 Budget, as in 2010, there are no contingency dollars. MRO has included dollars for a working capital reserve.

### ***Assessments***

As documented in the April 2008 minutes, MRO staff recommended, and the Finance and Audit Committee approved, a cash reserve policy to maintain 45 days of cash. The MRO Board of Directors approved that the funding of the 45 day cash reserve begin in the 2010 budget with an initial funding amount of one-third of the projected requirements with other funding

installments to follow in 2011 and 2012, subject to a re-evaluation of the reserves policy previously adopted by the MRO Finance and Audit Committee.

In March 2010, this policy was re-evaluated by the Finance and Audit Committee who recommended at the March 25, 2010 board meeting that no change be made to the current cash reserve policy. The board directed staff to apply the full 2009 budget underage of \$583,678 to the reserves in 2010, and in 2011 assess the LSE's to the full 45 reserve days, thus reaching the current cash reserve policy in 2011.

### ***Funding Sources (Other than ERO Assessments)***

- In 2011, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue.

### ***Personnel Expenses***

- Personnel expenses reflect a reduction in the 2011 Business Plan. MRO Senior Staff record all hours spent in support of internal operational programs accordingly.
- Budgeted payroll taxes, benefits, and retirement costs reflect historical cost and distribution. Please refer to introduction, section 5, page 11, which explains MRO's change in benefit cost distribution.

### ***Meeting Expenses***

- The 2011 budget includes increased travel dollars that reflect the trend of higher travel costs and reimbursement of expenses for MRO Board of Directors members.

### ***Operating Expenses***

- In the 2011 Budget, as in 2010, there are no contingency dollars.

### ***Indirect Expenses***

- 2011 expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs. These expenses reflect GAAP (Generally Accepted Accounting Principles) which includes non-cash expenses, primarily depreciation expense.

### ***Other Non-Operating Expenses***

- There are no non-operating expenses included in the 2011 Business Plan and Budget.

### ***Fixed Asset Additions***

- 2011 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.



**General and Administrative**

Funding sources and related expenses for the general and administrative section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>General and Administrative</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>MRO Funding</b>					
MRO Assessments	\$ 212,628	\$ 212,628	\$ -	\$ 266,678	\$ 54,050
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total MRO Funding</b>	<u>\$ 212,628</u>	<u>\$ 212,628</u>	<u>\$ -</u>	<u>\$ 266,678</u>	<u>\$ 54,050</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ 212,628</u>	<u>\$ 212,628</u>	<u>\$ -</u>	<u>\$ 266,678</u>	<u>\$ 54,050</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 170,250	\$ 170,250	\$ -	\$ 188,293	\$ 18,043
Payroll Taxes	5,608	5,608	-	13,783	8,175
Benefits	26,408	26,408	-	15,525	(10,883)
Retirement Costs	23,961	23,961	-	22,791	(1,170)
<b>Total Personnel Expenses</b>	<u>\$ 226,228</u>	<u>\$ 226,228</u>	<u>\$ -</u>	<u>\$ 240,392</u>	<u>\$ 14,165</u>
<b>Meeting Expenses</b>					
Meetings	\$ 35,000	\$ 35,000	\$ -	\$ 35,000	\$ -
Travel	85,000	85,000	-	85,000	-
Conference Calls	1,500	1,500	-	500	(1,000)
<b>Total Meeting Expenses</b>	<u>\$ 121,500</u>	<u>\$ 121,500</u>	<u>\$ -</u>	<u>\$ 120,500</u>	<u>\$ (1,000)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	56,500	56,500	-	70,852	14,352
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 116,500</u>	<u>\$ 116,500</u>	<u>\$ -</u>	<u>\$ 130,852</u>	<u>\$ 14,352</u>
<b>Total Direct Expenses</b>	<u>\$ 464,228</u>	<u>\$ 464,228</u>	<u>\$ -</u>	<u>\$ 491,744</u>	<u>\$ 27,517</u>
<b>Indirect Expenses</b>	<u>\$ (464,228)</u>	<u>\$ (464,228)</u>	<u>\$ -</u>	<u>\$ (491,744)</u>	<u>\$ (27,516)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
<b>Change in Assets</b>	<u>\$ 212,628</u>	<u>\$ 212,628</u>	<u>\$ -</u>	<u>\$ 266,678</u>	<u>\$ 54,049</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ 212,628</u>	<u>\$ 212,628</u>	<u>\$ -</u>	<u>\$ 266,678</u>	<u>\$ 54,049</u>

## 6c. Legal and Regulatory

<b>Legal and Regulatory</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.10	0.65	0.55
Expenses	\$ 356,546	\$ 361,309	\$ 4,763
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### ***Program Scope and Functional Description***

MRO maintains outside consultants to provide advice to the president, board of directors, and staff on legal and regulatory matters affecting MRO.

### ***2011 Key Assumptions***

- In the 2011 Budget, as in 2010, there are no specific funds for hearings under CMEP Rules, and MRO would use its current budget and reserves in the first instance.
- MRO has not budgeted any costs for significant changes in its bylaws or related rules due to the renewals that took place in 2010.
- Additional FTEs have been budgeted in the Enforcement Department to handle the drafting of notices, disposition documents, and external affairs.

### ***2011 Goals and Key Deliverables***

Legal and Regulatory functions are responsible for timely and accurate filings to Regulatory authorities and external affairs.

### ***Funding Sources and Requirements — Explanation of Increase (Decrease)***

For 2011, MRO has increased its staffing level in the Legal and Regulatory area from 0.10 to 0.65 FTEs. MRO will continue to use outside counsel where necessary. However, MRO will staff a part time employee to handle external affairs.

### ***Funding Sources (Other than ERO Assessments)***

- In 2011, the expenses related to the indirect program areas are allocated entirely to the direct programs and therefore have no ERO assessment revenue.

### ***Personnel Expenses***

- For 2011, MRO has increased its staffing level in the Legal and Regulatory area from 0.10 to 0.65 FTEs. The .50 FTE will be designated for a part time employee to handle external affairs. MRO will continue to outsource legal representation for hearings.
- Budgeted payroll taxes, benefits, and retirement costs reflect historical cost and distribution. Please refer to introduction, section 5, page 11, which explains MRO's change in benefit cost distribution.

***Meeting Expenses***

- Meeting expenses increased consistently with the .5 FTE increase.

***Operating Expenses***

- The 2011 Consultant expense has been eliminated. The 2010 Consultant expense reflected the costs associated with the revised RDA, CMEP, and ROP, which took place in 2009 and 2010.

***Indirect Expenses***

- 2011 expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs. These expenses reflect GAAP (Generally Accepted Accounting Principles) which includes non-cash expenses, primarily depreciation expense.

***Other Non-Operating Expenses***

- There are no non-operating expenses included in the 2011 Business Plan and Budget.

***Fixed Asset Additions***

- 2011 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

## Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Legal and Regulatory</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>MRO Funding</b>					
MRO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total MRO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 12,500	\$ 12,500	\$ -	\$ 152,088	\$ 139,588
Payroll Taxes	1,218	1,218	-	11,607	10,389
Benefits	818	818	-	7,475	6,657
Retirement Costs	1,690	1,690	-	6,039	4,349
<b>Total Personnel Expenses</b>	<u>\$ 16,226</u>	<u>\$ 16,226</u>	<u>\$ -</u>	<u>\$ 177,209</u>	<u>\$ 160,983</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 2,500	\$ 2,500
Travel	4,320	4,320	-	6,000	1,680
Conference Calls	-	-	-	600	600
<b>Total Meeting Expenses</b>	<u>\$ 4,320</u>	<u>\$ 4,320</u>	<u>\$ -</u>	<u>\$ 9,100</u>	<u>\$ 4,780</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 111,000	\$ 111,000	\$ -	\$ -	\$ (111,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	225,000	225,000	-	175,000	(50,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 336,000</u>	<u>\$ 336,000</u>	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ (161,000)</u>
<b>Total Direct Expenses</b>	<u>\$ 356,546</u>	<u>\$ 356,546</u>	<u>\$ -</u>	<u>\$ 361,309</u>	<u>\$ 4,763</u>
<b>Indirect Expenses</b>	<u>\$ (356,546)</u>	<u>\$ (356,546)</u>	<u>\$ -</u>	<u>\$ (361,309)</u>	<u>\$ (4,763)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 6d. Information Technology

<b>Information Technology</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.90	2.40	0.50
Expenses	\$ 757,063	\$ 921,074	\$ 164,011
Inc(Dec) in Fixed Assets	\$ 14,350	\$ 44,775	\$ 30,425
Working Capital Requirement	\$ -	\$ -	\$ -

### ***Program Scope and Functional Description***

MRO's Information Technology ("IT") department provides the systems and communications tools for staff to perform Regional Entity functions.

### ***2011 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for Information Technology can be located in the Key Assumptions section of Exhibit A in NERC's 2011 Business Plan and Budget.

IT provides support and guidance for the technologies deployed at Midwest Reliability Organization. Technologies include office equipment such as copiers and faxes, servers to support connected and shared resources, printers, handheld devices, telephony, remote access and conference solutions as well as networking and security.

IT provides leadership in using technology effectively and securely. In doing so, users are more productive. The result is a keen focus on maintenance, investigation of issues, and deployment of new tools.

MRO IT department assesses patches, service packs, and upgrades in a semi-controlled environment, with select users, or within the department to assess whether or not the technology would provide an added benefit for the organization.

### ***2011 Goals and Key Deliverables***

The IT department's goal is 99.81% uptime on all systems.

### ***Funding Sources and Requirements — Explanation of Increase (Decrease)***

One increase in expenditures is due to maintenance of CIP Standards. Much of the work involves tracking and documenting areas of authorization and access on a daily, weekly, monthly, quarterly, and annual basis. The coordination with other departments for quarterly security audits and training, as well as processes for adding and removing people, will increase the workload but create a clearer audit trail.

---

***Funding Sources (Other than ERO Assessments)***

- In 2011, the expenses related to indirect program areas are being allocated entirely to direct programs and therefore have no ERO assessment revenue.

***Personnel Expenses***

- Increased FTEs by .50, which is consistent with the actual time tracking in 2009.
- Budgeted payroll taxes, benefits, and retirement costs reflect historical cost and distribution. Please refer to introduction, section 5, page 11, which explains MRO's change in benefit cost distribution.

***Meeting Expenses***

- N/A

***Operating Expenses***

- 2011 Contracts increase is due to CIP related requirements, and a higher number of FTEs requiring licensing.
- 2011 Office costs are consistent with the higher number of FTEs requiring computer supplies and maintenance on an on-going basis, as well as, higher costs in training the IT staff in meeting the CIP requirements.

***Indirect Expenses***

- 2011 expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs. These expenses reflect GAAP (Generally Accepted Accounting Principles) which includes non-cash expenses, primarily depreciation expense.

***Other Non-Operating Expenses***

- There are no non-operating expenses included in the 2011 Business Plan and Budget.

***Fixed Asset Additions***

- 2011 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs. The only negligible increase in Information Technology was a result of the addition of fixed assets related to normal business operations. A high percentage of capital equipment was purchased and placed in service in 2007 and will reach retirement in 2010 and 2011.

## Information Technology

Funding sources and related expenses for the information technology section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Information Technology</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>MRO Funding</b>					
MRO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total MRO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 141,114	\$ 141,114	\$ -	\$ 212,173	\$ 71,059
Payroll Taxes	8,243	8,243	-	15,674	7,431
Benefits	27,504	27,504	-	41,930	14,426
Retirement Costs	20,169	20,169	-	31,457	11,288
<b>Total Personnel Expenses</b>	<u>\$ 197,030</u>	<u>\$ 197,030</u>	<u>\$ -</u>	<u>\$ 301,234</u>	<u>\$ 104,204</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 91,615	\$ 91,615	\$ -	\$ 157,800	\$ 66,185
Office Rent	-	-	-	-	-
Office Costs	158,418	158,418	-	194,700	36,282
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	310,000	310,000	-	267,340	(42,660)
<b>Total Operating Expenses</b>	<u>\$ 560,033</u>	<u>\$ 560,033</u>	<u>\$ -</u>	<u>\$ 619,840</u>	<u>\$ 59,807</u>
<b>Total Direct Expenses</b>	<u>\$ 757,063</u>	<u>\$ 757,063</u>	<u>\$ -</u>	<u>\$ 921,074</u>	<u>\$ 164,011</u>
<b>Indirect Expenses</b>	<u>\$ (757,063)</u>	<u>\$ (757,063)</u>	<u>\$ -</u>	<u>\$ (921,074)</u>	<u>\$ (164,011)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	(310,000)	(310,000)	-	(267,340)	42,660
Computer & Software CapEx	324,350	324,350	-	312,115	(12,235)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ (14,350)</u>	<u>\$ (14,350)</u>	<u>\$ -</u>	<u>\$ (44,775)</u>	<u>\$ (30,425)</u>
Allocation of Fixed Assets	\$ 14,350	\$ 14,350	\$ -	\$ 44,775	\$ 30,425
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 6e. Human Resources

Human Resources costs are included in Finance and Accounting.

## 6f. Human Resources, Finance, and Accounting

<b>Human Resources, Finance and Accounting</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	2.25	2.10	(0.15)
Expenses	\$ 669,612	\$ 656,282	\$ (13,330)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### ***Program Scope and Functional Description***

#### **Human Resources**

The Human Resource function of MRO designs, plans, and implements Human Resource policies and procedures in adherence with applicable federal and state laws.

#### **Finance and Accounting**

The Finance and Accounting function directs the overall financial plans and accounting practices of the organization; oversees treasury, accounting, budget, tax, and audit activities; oversees financial and accounting system controls and standards.

### ***2011 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for Finance and Administrative can be located in the Key Assumptions section of Exhibit A in NERC's 2011 Business Plan and Budget.

### ***2011 Goals and Key Deliverables***

- Forecasts and projections
- Payroll and expense administration
- Preparation of Quarterly Financial Statements
- IRS Reporting - Form 990
- Review and improve fiscal controls
- Annual Independent Audit initiated by the Regional Entity

### ***Funding Sources and Requirements — Explanation of Increase (Decrease)***

Slight decrease in our office costs resulting from our continuous improvements in automating processes and/or sharing resources where possible. MRO efforts are not limited to, but include; maintenance of core employee benefits, offsets to non-core benefits when necessary, exacting office and other operational costs, improving efficiencies, and establishing uniformity



in methodologies of cost allocation. MRO staff further explores improved cost effectiveness of routine expenses, and pursues early detection and quick resolution of budget concerns, lessening the impact of cost adjustments. MRO staff continues to address the demands of SOX and corporate tax requirements via the revamped Form 990.

### ***Funding Sources (Other than ERO Assessments)***

- In 2011, the expenses related to indirect program areas are being allocated entirely to direct programs and therefore have no ERO assessment revenue.

### ***Personnel Expenses***

- Personnel expenses are assigned to the HR/Finance area. In the past, partial costs were assigned to other areas.
- Budgeted payroll taxes, benefits, and retirement costs reflect a closer approximation using known facts concerning tax, benefit, and retirement percentages. A review of previous years' actual paid costs versus increase assumptions for the upcoming fiscal year led to a budgeted value that is more functional than in previous years
- Budgeted payroll taxes, benefits, and retirement costs reflect historical cost and distribution. Please refer to introduction, section 5, page 11, which explains MRO's change in benefit cost distribution.

### ***Meeting Expenses***

- The travel increase reflects MRO staff participation in the NERC and Regional budget groups.

### ***Operating Expenses***

- Operating expenses increased due to escalated efforts for recruiting and retaining MRO talent.

### ***Indirect Expenses***

- 2011 expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs. These expenses reflect GAAP (Generally Accepted Accounting Principles) which includes non-cash expenses, primarily depreciation expense.

### ***Other Non-Operating Expenses***

- There are no non-operating expenses included in the 2011 Business Plan and Budget.

### ***Fixed Asset Additions***

- 2011 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

**Human Resources, Finance, and Accounting**

Funding sources and related expenses for the human resources, accounting, and finance section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Human Resources, Finance and Accounting</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>MRO Funding</b>					
MRO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total MRO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 174,500	\$ 174,500	\$ -	\$ 196,157	\$ 21,657
Payroll Taxes	19,280	19,280	-	14,453	(4,827)
Benefits	51,594	51,594	-	29,500	(22,094)
Retirement Costs	40,817	40,817	-	26,619	(14,198)
<b>Total Personnel Expenses</b>	<u>\$ 286,192</u>	<u>\$ 286,192</u>	<u>\$ -</u>	<u>\$ 266,729</u>	<u>\$ (19,462)</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	5,190	5,190	-	5,000	(190)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 5,190</u>	<u>\$ 5,190</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ (190)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 24,900	\$ 24,900	\$ -	\$ 56,200	\$ 31,300
Office Rent	228,300	228,300	-	223,800	(4,500)
Office Costs	72,500	72,500	-	65,500	(7,000)
Professional Services	52,530	52,530	-	39,053	(13,477)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 378,230</u>	<u>\$ 378,230</u>	<u>\$ -</u>	<u>\$ 384,553</u>	<u>\$ 6,323</u>
<b>Total Direct Expenses</b>	<u>\$ 669,612</u>	<u>\$ 669,612</u>	<u>\$ -</u>	<u>\$ 656,282</u>	<u>\$ (13,329)</u>
<b>Indirect Expenses</b>	<u>\$ (669,612)</u>	<u>\$ (669,612)</u>	<u>\$ -</u>	<u>\$ (656,282)</u>	<u>\$ 13,330</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



---

## **Section B – Supplemental Financial Information**

### **2011 Business Plan and Budget**

---

## Section B — Supplemental Financial Information

### 1. Supplemental Financial Information Reserve Balance

**Table B-1**

Working Capital Reserve Analysis 2010-2011	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2009	523,121
Plus: 2010 MRO Funding (from LSEs or designees)	7,578,746
Less: 2010 Projected expenses & capital expenditures	(7,366,115)
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<b>735,752</b>
Desired Working Capital <sup>1</sup> Reserve, December 31, 2011	2 1,002,430
Less: Projected Working Capital Reserve, December 31, 2010	(735,752)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>266,678</b>
2011 Expenses and Capital Expenditures	8,130,824
Less: Penalty Sanctions <sup>3</sup>	(137,000)
Less: Other Funding Sources	0
Adjustment to achieve desired Working Capital Reserve	266,678
<b>2011 MRO Assessment</b>	<b>8,260,502</b>

<sup>1</sup> For the purpose of this schedule, the Working Capital Reserves are equivalent to cash reserves.

<sup>2</sup> On April 2008, the MRO Finance and Audit Committee approved a desired working capital reserve of 45 days of cash.

<sup>3</sup> Represents collections on or prior to June 30, 2010. See page 66 for full disclosure.

### 2. Explanation of Changes in Reserve Policy from Prior Years

The MRO Board of Directors approved that the funding of the 45 day cash reserve begin in the 2010 budget with an initial funding amount of one-third of the projected requirements with other funding installments to follow in 2011 and 2012 subject to a re-evaluation of the reserves policy previously adopted by the MRO Board of Directors on June 19, 2008 by the MRO Finance and Audit Committee.

The MRO Board of Directors had directed staff and the Finance and Audit Committee to provide a re-evaluation and recommendation on reserve policy prior to March 31, 2010.

On March 25, 2010, the board approved a motion presented by the Finance and Audit Committee recommending no change to MRO's Cash Reserve Policy of 45 days. The board also

approved applying the 2009 budget underage of \$583K to reserves, thus reducing the amount to fund for reserve in 2011.

### 3. Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities on page 19 of the 2011 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

#### *Penalty Sanctions*

Penalty monies received prior to June 30, 2010 are to be used to offset assessments in the 2011 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2010 through June 30, 2011 will be used to offset assessments in the 2012 Budget.

All penalties received prior to June 30, 2010 are detailed below, including Company, the amount, and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-2**

Penalty Sanctions Received On or Prior to June 30, 2010	Date Received	Amount Received
	Aug-09	10,000
	Aug-09	50,000
	Mar-10	2,500
	Mar-10	70,500
	Mar-10	4,000
<b>Total Penalties Received</b>		<b>\$ 137,000</b>

**Supplemental Funding****Table B-3**

Outside Funding Breakdown By Program (excluding MRO Assessments & Penalty Sanctions)	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget
<b>Reliability Standards</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Workshops	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Reliability Assessment and Performance Analysis</b>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Federal Grants	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Training and Education</b>				
Workshops	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Situation Awareness and Infrastructure Security</b>				
Federal Grants	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Technical Committees and Member Forums</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>General and Administrative</b>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Total Outside Funding</b>	\$ -	\$ -	\$ -	\$ -

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

MRO does not earn interest income. Our general banking account offsets the bank charges with any earned interest.

## 4. Personnel Expenses

**Table B-4**

Personnel Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Salaries</b>					
<b>Total Salaries</b>	\$ 3,083,707	\$ 3,083,707	\$ 4,065,185	\$ 981,478	31.8%
<b>Total Payroll Taxes</b>	\$ 231,899	\$ 231,899	\$ 305,215	\$ 73,316	31.6%
<b>Total Benefits</b>	\$ 561,065	\$ 561,065	\$ 632,490	\$ 71,425	12.7%
<b>Total Retirement</b>	\$ 500,903	\$ 500,903	\$ 561,627	\$ 60,724	12.1%
<b>Total Personnel Costs</b>	\$ 4,377,574	\$ 4,377,574	\$ 5,564,517	\$ 1,186,943	27.1%
<b>FTEs</b>	29.00	29.00	34.50	5.50	0.19
<b>Cost per FTE</b>					
Salaries	\$ 106,335	\$ 106,335	\$ 117,831	11,497	10.8%
Payroll Taxes	7,997	7,997	8,847	850	10.6%
Benefits	19,347	19,347	18,333	(1,014)	-5.2%
Retirement	17,273	17,273	16,279	(993)	-5.8%
<b>Total Cost per FTE</b>	\$ 150,951	\$ 150,951	\$ 161,290	\$ 10,340	6.8%

### ***Explanation of Significant Variances – 2011 Budget versus 2010 Budget***

2011 MRO change in benefit cost distribution:

Budgeted payroll taxes, benefits, and retirements costs vary by employee. The 2010 Budget was prepared on a program actual experience using department (program) averages. The 2011 Budget was prepared on an employee-by-employee basis recognizing that payroll taxes, benefits, and retirement costs do vary by employee. Additionally, costs associated with vacation were moved from Benefits in 2010 to Salaries in 2011 to align costs with NERC and industry practices. Intuitively, if all costs remained constant, all employees' salaries would increase and benefits decrease. However, costs fluctuate for each employee causing exceptions when aligning costs on a per employee basis. The reader of the 2011 Budget should understand that MRO manages total organization-wide benefit costs rather than individual employee benefit costs. Therefore, the focus is on the overall "fringe" or benefit rate (%) and dollars to total payroll.



## 5. Consultants and Contracts

Table B-5

Consultants	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	587,500	587,500	75,000	(512,500)	-87%
Reliability Assessment and Performance Analysis (Secure Portal Dev for Periodic Data Collection)	-	-	50,000	50,000	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	60,000	60,000	60,000	-	0%
Legal and Regulatory	111,000	111,000	-	(111,000)	-100%
Information Technology	66,200	66,200	60,000	(6,200)	-9%
Human Resources	-	-	-	-	
Accounting and Finance	12,000	12,000	11,000	(1,000)	-0.08333
<b>Consultants Total</b>	<b>\$ 836,700</b>	<b>\$ 836,700</b>	<b>\$ 256,000</b>	<b>\$ (580,700)</b>	<b>-69%</b>
Contracts	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Contracts</b>					
Outsource Standards Tracking Software Applications	\$ 12,000	\$ 12,000	\$ 12,000	\$ -	0%
<b>Subtotal - Reliability Standards Contracts</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ -</b>	<b>0%</b>
Outsource Compliance Information Tracking Applications	-	-	-	-	
<b>Subtotal - Compliance and Organization Registration and Certification Contracts</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 71,000</b>	<b>\$ 11,000</b>	<b>18%</b>
	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 71,000</b>	<b>\$ 11,000</b>	<b>18%</b>
Model Series Development (MRO's portion of expenses of the MMWG/ERAG)	\$ 17,600	\$ 17,600	\$ 21,920	\$ 4,320	25%
Model Building	10,000	10,000	31,360	21,360	214%
PTI Software	20,500	20,500	22,500	2,000	10%
<b>Subtotal - Reliability Assessments Contracts</b>	<b>\$ 48,100</b>	<b>\$ 48,100</b>	<b>\$ 75,780</b>	<b>\$ 27,680</b>	<b>58%</b>
Cisco	1,815	1,815	16,000	14,185	782%
Barracuda	4,000	4,000	8,000	4,000	100%
Crow Canyon	400	400	-	(400)	-100%
Facilities / Security	7,000	7,000	16,000	9,000	129%
Lyris	2,500	2,500	2,000	(500)	-20%
DigiCert SSL	800	800	2,500	1,700	213%
Verisign - Domain Renewal	900	900	800	(100)	-11%
Great Plains	8,000	8,000	-	-	
Globalscape EFT	-	-	6,500	6,500	
Symantec Antivirus	-	-	10,000	10,000	
Varonis File Maintenance	-	-	4,000	4,000	
Net App Data Storage Maintenance	-	-	18,000	18,000	
VMWare	-	-	14,000	14,000	
<b>Subtotal - Information Technology Contracts</b>	<b>\$ 25,415</b>	<b>\$ 25,415</b>	<b>\$ 97,800</b>	<b>\$ 72,385</b>	<b>285%</b>
TSC - 401K 3rd Party Administrator	4,400	4,400	3,200	(1,200)	-27%
Discovery - FSA 3rd Party Administrator	1,200	1,200	1,200	-	0%
Stanton	1,200	1,200	3,200	2,000	167%
CPI-457b 3rd Party Administrator	-	-	1,500	1,500	
Ceidian & Virtual Time Center	6,100	6,100	6,100	-	0%
HR-Employment Costs	-	-	30,000	30,000	
<b>Subtotal - HR and Finance Contracts</b>	<b>\$ 12,900</b>	<b>\$ 12,900</b>	<b>\$ 45,200</b>	<b>\$ 32,300</b>	<b>250%</b>
<b>Contracts Total</b>	<b>\$ 158,415</b>	<b>\$ 158,415</b>	<b>\$ 301,780</b>	<b>\$ 143,365</b>	<b>90%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 995,115</b>	<b>\$ 995,115</b>	<b>\$ 557,780</b>	<b>\$ (437,335)</b>	<b>-44%</b>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget****Consulting Expenses**

- Compliance and Organization Registration costs decreased in 2011 due to TFE add-on's in 2010. The budgeted amount for 2011 will offset additional FTEs.
- Reliability Assessments and Performance Analysis costs increased for 2011 due to the development costs for the Secure Portal for periodic data collection. The total cost of the Secure Portal will be phased over six months.

- Legal costs decreased for 2011 due to the re-work of the RDA, CMEP, and Rules of Procedure ending in 2010.

### Contract Expenses

- Compliance and Organization Registration costs increased for 2011 due to the requirement of providing CDMS security certificates.
- Reliability Assessments and Performance Analysis costs increased for 2011 due to higher future costs for contracts reaching expiration.
- Information Technology costs increased for 2011 based on existing costs that were not captured in the previous budget. In addition, a higher FTE count requiring more licensing.
- Human Resources and Finance costs increased for 2011 due to an increase in hiring costs.

**Table B-6**

Office Rent	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Office Rent	\$ 160,000	\$ 160,000	\$ 172,900		8.06%
Utilities	26,400	26,400	18,300	(8,100)	-30.68%
Maintenance	14,400	14,400	10,000	(4,400)	-30.56%
Office Cleaning	25,000	25,000	20,000	(5,000)	-20.00%
Waste Management	2,500	2,500	2,600		4.00%
<b>Total Office Rent</b>	<b>\$ 228,300</b>	<b>\$ 228,300</b>	<b>\$ 223,800</b>	<b>\$ (17,500)</b>	<b>-1.97%</b>

### *Explanation of Significant Variances – 2011 Budget versus 2010 Budget*

#### Utilities

- MRO staff continues to better define our direct utility costs rather than accept an allocation from the building owners.

#### Maintenance and Office Cleaning

- MRO staff continues to look for cost saving measures, and annually evaluates existing contracts.

Table B-7

Office Costs	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Phone Service					
Data Circuit (qmo)	\$ 21,600	\$ 21,600	\$ 20,400	\$ (1,200)	-5.56%
Data Circuit (dsl)	1,560	1,560	-	(1,560)	-100.00%
Inbound long distance	8,400	8,400	8,400	-	0.00%
Voice Circuits	20,400	20,400	12,000	(8,400)	-41.18%
Business Cable	-	-	3,300	3,300	
Sunguard	38,020	38,020	24,000	(14,020)	-36.88%
Internet/Cell	30,704	30,704	35,812	5,108	16.64%
Office Supplies	24,224	24,224	25,452	1,228	5.07%
Employee Member Events	15,000	15,000	17,000	2,000	13.33%
Employee Related Expense (Drug Testing, Finder Fees Etc)	2,000	2,000	7,000	5,000	250.00%
Computer Supplies and Maintenance	18,498	18,498	46,000	27,502	148.68%
Publications & Subscriptions	8,560	8,560	9,550	990	11.57%
Professional Dues	23,062	23,062	15,443	(7,619)	-33.04%
Postage	1,500	1,500	1,800	300	20.00%
Temporary Services	-	-	1,500	1,500	
Finance-Filing/Reg Fees	1,200	1,200	6,000	4,800	400.00%
Equipment Repair/Service Contracts	32,500	32,500	48,000	15,500	47.69%
Bank Charges	6,000	6,000	6,000	-	0.00%
Sales & Use Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity & Supplies Promotional	2,500	2,500	4,000	1,500	60.00%
Departmental Functional Training	82,094	82,094	100,763	18,669	22.74%
Insurance Expense	45,000	45,000	40,000	(5,000)	-11.11%
<b>Total Office Costs</b>	<b>\$ 382,822</b>	<b>\$ 382,822</b>	<b>\$ 432,420</b>	<b>\$ 49,598</b>	<b>12.96%</b>

### *Explanation of Significant Variances – 2011 Budget versus 2010 Budget*

#### **Office Costs**

- Reliability Standards costs decreased for 2011 due to a lower FTE count.
- Enforcement costs increased for 2011 due to a higher FTE count.
- Reliability Assessment and Performance Analysis costs increased for 2011 due to an increase in training required.
- Situation Awareness costs decreased for 2011 due to 2010 being higher to cover the development of the Situation room.
- General and Administrative costs increased for 2011 due to an increase in FTEs in MRO staff.
- Information Technology costs increased for 2011 due to a higher FTE count in MRO staff and the related computer costs.

- Human Resources and Finance costs decreased for 2011 due to a cost reduction in insurance (same coverage).

#### Departmental Functional and Training Costs

- Compliance and Organization Registration costs increased for 2011 due to a higher FTE count.
- Reliability Assessments and Performance Analysis costs increased for 2011 due to additional Model building expertise, which will decrease consulting/contracts costs in the future.
- General and Administrative, and Information Technology costs increased for 2011 due to new technology.

**Table B-8**

Professional Services	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Independent Trustee Fees	\$ -	\$ -	\$ -	\$ -	
Outside Legal	225,000	225,000	175,000	(50,000)	-22.22%
Accounting & Auditing Fees	30,000	30,000	23,000	(7,000)	-23.33%
Actuarial Fees	22,530	22,530	16,053	(6,477)	-28.75%
<b>Total Services</b>	<b>\$ 277,530</b>	<b>\$ 277,530</b>	<b>\$ 214,053</b>	<b>\$ (63,477)</b>	<b>-22.87%</b>

#### *Explanation of Significant Variances – 2011 Budget versus 2010 Budget*

- Legal's costs decreased for 2011 due to the re-work for the RDA, CMEP, and Rules of Procedure ending in 2010.
- Human Resources and Finance costs decreased for 2011 due to the elimination of 3<sup>rd</sup> party administrative costs with the Pension Conversion completing by 2010.

Table B-9

Other Non-Operating Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Interest Expense	\$ -	\$ -		\$ -	-
Line of Credit Payment	\$ -	\$ -		\$ -	-
Office Relocation	-	-		\$ -	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

*Explanation of Significant Variances – 2011 Budget versus 2010 Budget*



---

## **Section C – Non-Statutory Activities**

### **2011 Business Plan and Budget**

---

## Section C — 2010 Non-Statutory Business Plan and Budget

<b>Non-Statutory Activities</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs			
Direct Expenses			
Indirect Expenses			
Inc(Dec) in Fixed Assets			
Total Funding Requirement			

In the 2011 Business Plan and Budget, MRO will not have non-statutory functions.

## 2010 Budget and Projection and 2011 Budget Comparisons

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>NON-STATUTORY</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>MRO Funding</b>					
MRO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total MRO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues/Non-statutory Assessments	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



**Personnel Analysis**

FTEs are defined as full-time employees only. Fractional FTEs reflect part-time employees or employees who worked in fewer than all four quarters of the year.

Total FTE's by Program Area	Budget 2010	Projection 2010	Direct FTEs 2011 Budget	Shared FTEs <sup>1</sup> 2011 Budget	Total FTEs 2011 Budget	Change from 2010 Budget
<b>NON-STATUTORY</b>						
<b>Operational Programs</b>						
<b>Total FTEs Operational Programs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Administrative Programs</b>						
	0.0	5.0	0.0	0.0	0.0	0.0
<b>Total FTEs Administrative Programs</b>	<b>0.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total FTEs</b>	<b>0.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

**Reserve Analysis — 2010–2011**

<b>Working Capital Reserve Analysis 2010-2011</b>	
<b>NON-STATUTORY</b>	
Beginning Working Capital Reserve (Deficit), December 31, 2009	0
Plus: 2010 Funding	
Plus: 2010 Other funding sources	0
Less: 2010 Projected expenses & capital expenditures	0
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<b>0</b>
Desired Working Capital Reserve, December 31, 2011	1 0
Less: Projected Working Capital Reserve, December 31, 2010	0
<b>Additional funding required to achieve desired Working Capital Reserve</b>	<b>0</b>
2011 Funding for Expenses and Capital Expenditures	0
Less: Other Funding Sources	0
Adjustment to achieve desired Working Capital Reserve	
<b>2011 Funding (reserve adjustment)</b>	<b>0</b>

<sup>1</sup> On xxxxxx, 20xx, the RE Finance and Audit Committee approved a desired working capital reserve of \$x,xxx,xxx. The reserve consists of the following components:



---

## **Section D – Additional Consolidated Financial Statements**

### **2011 Business Plan and Budget**

---

## Section D

### 1. 2011 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

#### *Statement of Financial Position*

- As of December 31, 2009, per audit
- As of December 31, 2010, projected
- As of December 31, 2011, as budgeted

Section D — Additional Financial Statements

2011 Consolidated Statement of Activities

Statement of Activities and Capital Expenditures by Program 2011 Budget	Functions in Delegation Agreement														Non-Statutory Functions	
	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources		Accounting and Finance
<b>Funding</b>																
<b>MRO Funding</b>																
MRO Assessments	8,260,502	8,260,502	-	8,260,502	565,887	5,031,458	1,989,269	125,986	281,225	-	266,678	-	-	-	-	-
Penalty Sanctions	137,000	137,000	-	137,000	10,419	87,510	33,812	751	4,508	-	-	-	-	-	-	-
<b>Total MRO Funding</b>	<b>8,397,502</b>	<b>8,397,502</b>	<b>-</b>	<b>8,397,502</b>	<b>576,306</b>	<b>5,118,968</b>	<b>2,023,080</b>	<b>126,737</b>	<b>285,733</b>	<b>-</b>	<b>266,678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>8,397,502</b>	<b>8,397,502</b>	<b>-</b>	<b>8,397,502</b>	<b>576,306</b>	<b>5,118,968</b>	<b>2,023,080</b>	<b>126,737</b>	<b>285,733</b>	<b>-</b>	<b>266,678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>																
<b>Personnel Expenses</b>																
Salaries	4,065,185	4,065,185	-	4,065,185	206,345	2,131,397	767,657	23,749	102,680	84,646	188,293	152,088	212,173	-	196,157	-
Payroll Taxes	305,215	305,215	-	305,215	15,596	160,644	57,732	1,780	7,674	6,272	13,783	11,607	15,674	-	14,453	-
Benefits	632,490	632,490	-	632,490	23,968	413,790	77,711	305	13,771	8,515	15,525	7,475	41,930	-	29,500	-
Retirement Costs	561,627	561,627	-	561,627	26,981	299,838	111,101	4,073	18,278	14,450	22,791	6,039	31,457	-	26,619	-
<b>Total Personnel Expenses</b>	<b>5,564,517</b>	<b>5,564,517</b>	<b>-</b>	<b>5,564,517</b>	<b>272,890</b>	<b>3,005,669</b>	<b>1,014,201</b>	<b>29,907</b>	<b>142,403</b>	<b>113,883</b>	<b>240,392</b>	<b>177,209</b>	<b>301,234</b>	<b>-</b>	<b>266,729</b>	<b>-</b>
<b>Meeting Expenses</b>																
Meetings	174,050	174,050	-	174,050	13,000	5,900	48,000	47,500	22,150	-	35,000	2,500	-	-	-	-
Travel	610,409	610,409	-	610,409	42,000	126,109	103,000	14,000	23,200	206,100	85,000	6,000	-	-	5,000	-
Conference Calls	41,680	41,680	-	41,680	18,000	1,580	6,000	15,000	-	-	500	600	-	-	-	-
<b>Total Meeting Expenses</b>	<b>826,139</b>	<b>826,139</b>	<b>-</b>	<b>826,139</b>	<b>73,000</b>	<b>133,589</b>	<b>157,000</b>	<b>76,500</b>	<b>45,350</b>	<b>206,100</b>	<b>120,500</b>	<b>9,100</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>-</b>
<b>Operating Expenses</b>																
Consultants & Contracts	557,780	557,780	-	557,780	12,000	146,000	125,780	-	-	-	60,000	-	157,800	-	56,200	-
Office Rent	223,800	223,800	-	223,800	-	-	-	-	-	-	-	-	-	-	223,800	-
Office Costs	432,420	432,420	-	432,420	5,840	48,278	36,250	5,000	6,000	70,852	-	-	194,700	-	65,500	-
Professional Services	214,053	214,053	-	214,053	-	-	-	-	-	-	-	175,000	-	-	39,053	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	270,805	270,805	-	270,805	-	-	-	-	3,465	-	-	-	267,340	-	-	-
<b>Total Operating Expenses</b>	<b>1,698,858</b>	<b>1,698,858</b>	<b>-</b>	<b>1,698,858</b>	<b>17,840</b>	<b>194,278</b>	<b>162,030</b>	<b>5,000</b>	<b>9,465</b>	<b>-</b>	<b>130,852</b>	<b>175,000</b>	<b>619,840</b>	<b>-</b>	<b>384,553</b>	<b>-</b>
<b>Total Direct Expenses</b>	<b>8,089,514</b>	<b>8,089,514</b>	<b>-</b>	<b>8,089,514</b>	<b>363,730</b>	<b>3,333,536</b>	<b>1,333,231</b>	<b>111,407</b>	<b>197,218</b>	<b>319,983</b>	<b>491,744</b>	<b>361,309</b>	<b>921,074</b>	<b>-</b>	<b>656,282</b>	<b>-</b>
<b>Indirect Expenses</b>																
	-	-	-	-	209,171	1,756,832	678,799	15,084	90,507	(319,983)	(491,744)	(361,309)	(921,074)	-	(656,282)	-
<b>Other Non-Operating Expenses</b>																
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>8,089,514</b>	<b>8,089,514</b>	<b>-</b>	<b>8,089,514</b>	<b>572,901</b>	<b>5,090,368</b>	<b>2,012,030</b>	<b>126,491</b>	<b>287,725</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Assets</b>	<b>307,988</b>	<b>307,988</b>	<b>-</b>	<b>307,988</b>	<b>3,405</b>	<b>28,600</b>	<b>11,051</b>	<b>246</b>	<b>(1,992)</b>	<b>-</b>	<b>266,678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>																
Depreciation	(270,805)	(270,805)	-	(270,805)	-	-	-	-	(3,465)	-	-	-	(267,340)	-	-	-
Computer & Software CapEx	312,115	312,115	-	312,115	-	-	-	-	-	-	-	-	312,115	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>(Inc)Dec in Fixed Assets</b>	<b>(41,310)</b>	<b>(41,310)</b>	<b>-</b>	<b>(41,310)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,465</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,775)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	-	-	-	-	(3,405)	(28,600)	(11,051)	(246)	(1,473)	-	-	-	44,775	-	-	-
<b>Change in Fixed Assets</b>	<b>(41,310)</b>	<b>(41,310)</b>	<b>-</b>	<b>(41,310)</b>	<b>(3,405)</b>	<b>(28,600)</b>	<b>(11,051)</b>	<b>(246)</b>	<b>1,992</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>266,678</b>	<b>266,678</b>	<b>-</b>	<b>266,678</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>-</b>	<b>266,678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

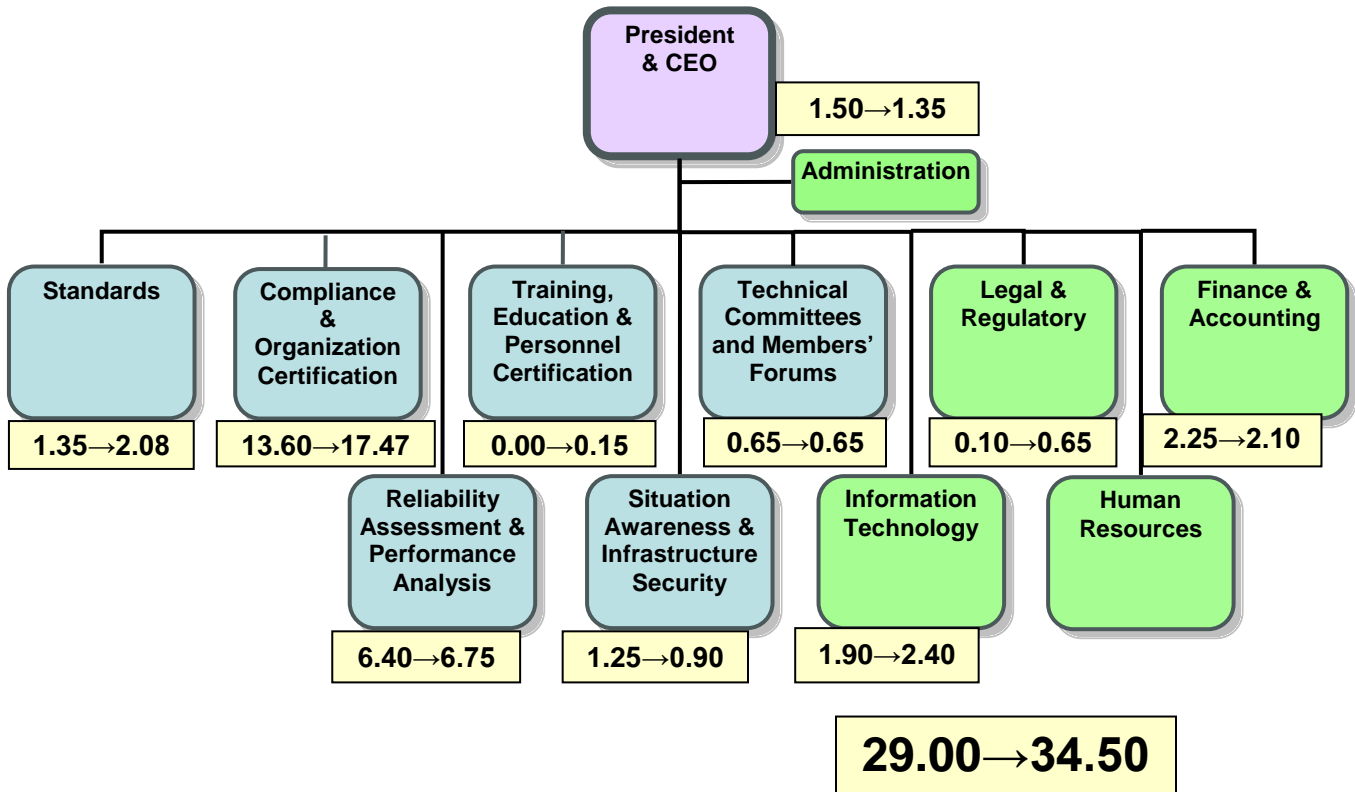
## Statement of Financial Position 2009 Audited, 2010 Projection, and 2011 Budget

### STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-09	Projected 31-Dec-10	Budget 31-Dec-11
<b>ASSETS</b>			
Cash	1,623,637	735,752	1,002,430
Accounts receivable, net of allowance for uncollectible	-	-	-
Other receivables	-	-	-
Prepaid expenses and other current assets	65,662	65,000	65,000
Property and equipment and capitalized software	1,078,503	1,138,853	1,234,048
Total Assets	<b>2,767,802</b>	<b>1,939,605</b>	<b>2,301,478</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	788,198	757,298	885,633
Deferred rent	137,576	81,722	48,582
Regional assessments collected in advance	135,488	-	-
Deferred compensation			
Accrued retirement liabilities	385,412	532,516	532,516
Total Liabilities	<b>1,446,674</b>	<b>1,371,536</b>	<b>1,466,731</b>
Net Assets - unrestricted	1,321,128	568,069	834,747
Total Liabilities and Net Assets	<b>2,767,802</b>	<b>1,939,605</b>	<b>2,301,478</b>

# Attachment A

## 2010 to 2011 FTE Comparison Organization Chart



**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 5**

**NORTHEAST POWER COORDINATING COUNCIL, INC.**

**PROPOSED 2011 BUSINESS PLAN AND BUDGET**

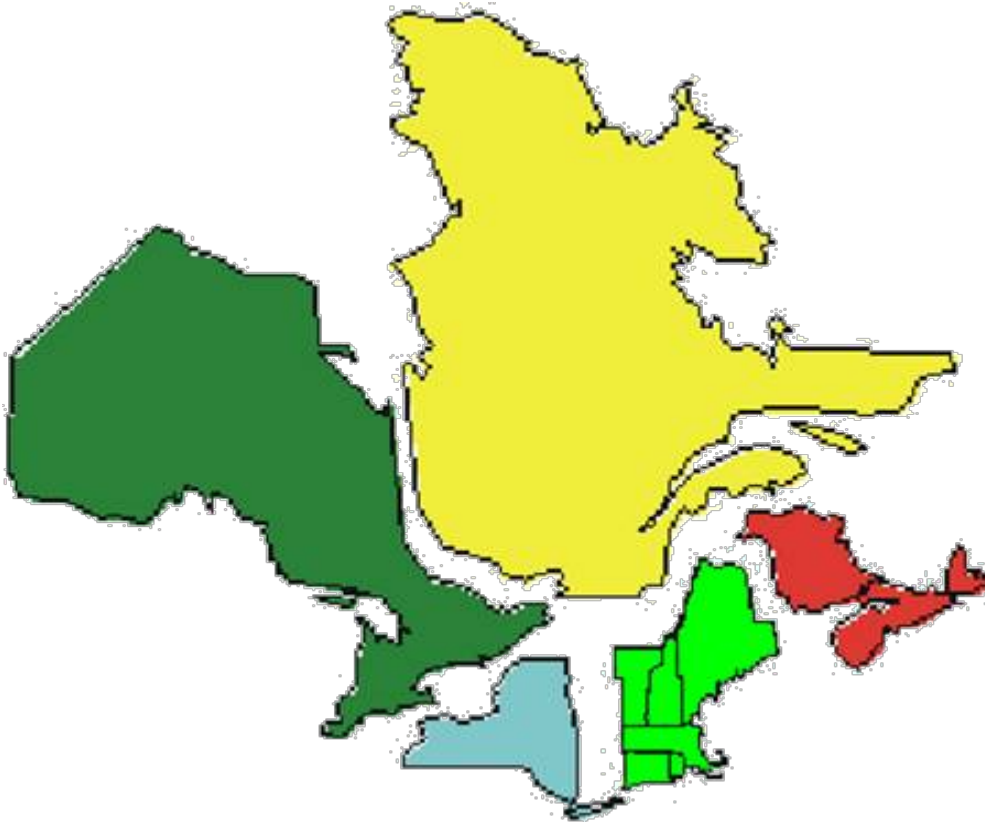




NORTHEAST POWER COORDINATING COUNCIL, INC.  
1040 AVE OF THE AMERICAS, NEW YORK, NY 10018 TELEPHONE (212) 840-1070 FAX (212) 302-2782

## **Northeast Power Coordinating Council, Inc. (NPCC)**

### **2011 Business Plan and Budget**



**Approved by  
NPCC Board of Directors July 7, 2010  
Resubmitted to NERC August 2, 2010**

# Table of Contents

<b>Introduction</b> .....	<b>3</b>
Personnel Analysis .....	17
<b>Section A — 2011 Business Plan</b> .....	<b>20</b>
Reliability Standards Program .....	20
Compliance Monitoring and Enforcement and Organization Registration and Certification Program .....	29
Reliability Assessment and Performance Analysis Program .....	36
Training, Education, and Operator Certification Program .....	47
Situation Awareness and Infrastructure Security Program .....	52
Administrative Services .....	60
Technical Committees and Member Forums .....	61
General and Administrative .....	64
Legal and Regulatory .....	67
Information Technology .....	70
Human Resources .....	73
Finance and Accounting .....	76
Regional Entity Assessment Analysis .....	79
<b>Section B — Supplemental Financial Information</b> .....	<b>83</b>
Reserve Balance .....	83
Breakdown by Statement of Activity Sections .....	84
<b>Section C — 2011 Criteria Services Division Business Plan and Budget</b> ..	<b>93</b>
Personnel Analysis .....	96
Reserve Analysis 2010–2011 .....	97
<b>Section D</b> .....	<b>99</b>
Statement of Financial Position .....	99
2011 Consolidated Statement of Activities by Program, Regional Entity and Criteria Services Division .....	99

## Introduction

<b>Total NPCC Resources</b>				
(in whole dollars)				
	2011 Budget	U.S.	Canada	Mexico
Regional Entity Division FTEs	30.42	1.00*		
Criteria Services Division FTEs	2.58			
<b>Total FTEs</b>	<b>34.0</b>			
Regional Entity Division Expenses	\$12,792,129			
Criteria Services Division Expenses	\$1,020,471			
<b>Total Expenses</b>	<b>\$13,812,600</b>			
Regional Entity Division Inc(Dec) in Fixed Assets	(\$75,320)			
Criteria Services Division Inc(Dec) in Fixed Assets	(\$6,180)			
<b>Total Inc(Dec) in Fixed Assets</b>	<b>(\$81,500)</b>			
Regional Entity Division Working Capital Requirement**	\$364,302			
Criteria Services Division Working Capital Requirement***	(\$664,691)			
<b>Total Working Capital Requirement</b>	<b>(\$300,390)</b>			
Total Regional Entity Division Funding Requirement	\$13,081,110			
Total Criteria Services Division Funding Requirement	\$349,600			
<b>Total Funding Requirement</b>	<b>\$13,430,711</b>			
<b>Regional Entity Division Assessments</b>	<b>\$12,652,610</b>	<b>\$7,397,523</b>	<b>\$5,255,087</b>	
<b>Regional Entity Division Assessments Percentage</b>	<b>100.0%</b>	<b>58.5%</b>	<b>41.5%</b>	
<b>Criteria Services Division Fees</b>	<b>\$349,600</b>	<b>\$158,648</b>	<b>\$190,953</b>	
NEL	652,049,000	295,898,000	356,151,000	
NEL %	100%	45.38%	54.62%	

\* Refer to Regional Entity Assessment Analysis on page 79 in Section A.

\*\* Refer to Table B-1 on page 83 in Section B.

\*\*\* Refer to the Reserve Analysis on page 97 in Section C.

## 2011 Overview of Total NPCC Resource Requirements

Due to the international nature of NPCC, the total resource requirements including both Regional Entity division and Criteria Services division are identified above. The individual divisional explanations are contained in subsequent sections.

NPCC proposes to increase its total funding requirement from \$12,645,916 to \$13,430,711 in 2011, an increase of \$784,794 or 6.2%. The proposed 2011 funding requirements will be satisfied by a Regional Entity division assessment of \$12,652,610 and Criteria Services division fees of some \$349,600, an increase of 2.8% compared to the 2010 funding requirements of \$12,645,916. NPCC believes that in 2011 it will continue to realize efficiencies that will allow the region to remain an effective provider of Regional Entity and Criteria Services division functions. NPCC's culture centers on consistent delivery of excellent results at a cost that is considerate of the longstanding tradition in the Northeast of affordable and reliable electricity.

## Organizational Overview

Northeast Power Coordinating Council, Inc. (NPCC) is a 501(c)(6) not-for-profit corporation in the state of New York responsible for promoting and improving the reliability of the international, interconnected bulk power systems in Northeastern North America through (i) the development of Regional Reliability Standards and compliance assessment and enforcement of

continent-wide and Regional Reliability Standards, coordination of system planning, design and operations, and assessment of reliability, (collectively, Regional Entity activities), and (ii) the establishment of Regionally-specific criteria, and monitoring and enforcement of compliance with such criteria (collectively, criteria services activities). NPCC provides the functions and services for Northeastern North America of a cross-border Regional Entity through a regional entity division, as well as Regionally-specific criteria services for Northeastern North America through a criteria services division. NPCC's website is [www.npcc.org](http://www.npcc.org).

The NPCC Region covers nearly 1.2 million square miles and is populated by more than 55 million people. NPCC U.S. includes the six New England states and the state of New York. NPCC Canada includes the provinces of Ontario, Québec and the Maritime provinces of New Brunswick and Nova Scotia. In total, from a net energy for load perspective, NPCC is approximately 45% U.S. and 55% Canadian. With regard to Canada, approximately 70% of Canadian net energy for load is within the NPCC Region.

On May 27, 2007, NPCC executed an agreement with the North American Electric Reliability Corporation (NERC) for the purpose of delegating to NPCC certain responsibilities and authorities of a cross-border Regional Entity as defined by *Section 215* of the Federal Power Act in the U.S. In addition, NPCC has executed Memoranda of Understanding with Canadian provincial regulatory and/or governmental authorities in Ontario, Québec, New Brunswick and Nova Scotia. The NPCC Board of Directors, at its April 27, 2010 meeting, unanimously endorsed an *Amended and Restated NPCC Regional Delegation Agreement* which was unanimously approved by the NERC Board of Trustees at its May 12, 2010 meeting.

In this 2011 business plan, NPCC has not included discretionary programs and has balanced the limited availability of funds with international reliability interests. The NPCC Board of Directors in its approval of the 2010 NPCC Business Plan and Budget tasked NPCC with establishing a base operating budget for 2011 reflecting the costs of efficient execution of existing operations and, in conjunction with NERC and other Regional Entities, developing justification for any necessary increases in resources to address identified additional requirements and proposing a long term strategy showing a measured growth approach in NPCC's regional entity division operations.

It is imperative that NPCC maintain its ability to carry out delegated authorities and responsibilities. NPCC has a 2011 targeted staffing level of 34 power industry professionals and support personnel. Details of the 2011 business plans and budget for each program area are included in Section A for the regional entity division. The 2011 regional entity division schedules are shown in Section B. Section C details the 2011 criteria services division business plan and budget.

## Membership and Governance

NPCC monitors approximately 293 registered entities and some 584 functions in the Region for compliance with mandatory Reliability Standards. NPCC currently has 70 members. There are two categories of membership, General and Full. The two categories distinguish between Regional Entity delegated services that are provided in support of the U.S. FERC and Canadian provincial MOUs or Agreements with regulatory and/or governmental authorities, and Criteria Services which FERC references as U.S. non-statutory or non-delegated activities.

General Membership is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the Electric Reliability Organization (ERO) that has an interest in the reliable operation of the Northeastern North American bulk power system. General Members that are also registered entities within the NPCC Region are subject to compliance with Reliability Standards, based on and consistent with their registration, and also receive additional services from the regional entity division of NPCC.

Full Membership is available to Members which are already General Members and participate in electricity markets in the Northeast. Independent system operators (ISOs), regional transmission organizations (RTOs), Transcos and other organizations or entities that perform the Balancing Authority function operating in Northeastern North America are expected to be Full Members of NPCC. The New York State Reliability Council and any other sub-regional reliability councils which may be formed are also expected to be Full Members. Full Members are subject to compliance with Regionally-specific criteria, in addition to Reliability Standards, and receive additional services from the Criteria Services division of NPCC, which is not funded through the ERO.

NPCC is governed by a Board of Directors consisting of stakeholders balanced by sector and an independent consultant Chairman. A maximum of three directors per voting sector comprise the Board to provide for fair stakeholder representation. Within NPCC, no two sectors can control and no one sector can block action. The voting sectors include:

- Sector 1) Transmission Owners
- Sector 2) Reliability Coordinators
- Sector 3) Transmission Dependent Utilities, Distribution Companies, Load Serving Entities
- Sector 4) Generator Owners
- Sector 5) Marketers, Brokers and Aggregators
- Sector 6) Customers
- Sector 7) State and Provincial Regulatory and/or Governmental Authorities
- Sector 8) Sub-Regional Reliability Councils, other Regional Entities and Interested Parties

A Finance and Audit Committee, a Pension Committee, a Corporate Governance and Nominating Committee, and a Management Development and Compensation Committee advise the Board on finance, governance, compensation and human resource matters. The Board endorses a non-employee, Certified Public Accountant for election by the NPCC Members as Treasurer of the corporation. The Treasurer chairs the Finance and Audit Committee and works with the Chief Operating Officer who provides oversight of the finances of the corporation. The Treasurer reports to the Board on the corporation's financial position, on Finance and Audit Committee activities, on tax code requirements, and on independent annual audit results and accounting practices.

The Regional Standards Committee (RSC), the Compliance Committee (CC), the Reliability Coordinating Committee (RCC), and the Public Information Committee, consistent with their approved scopes, are responsible for various reliability issues. The RSC, CC and RCC also provide technical policy recommendations to the Board. All General and Full Members are eligible for representation on the technical committees.

Industry technical experts from within the membership provide valuable input to the Board through various working groups and task forces as well as the committees. The *Amended and*

*Restated Bylaws* establish NPCC's independence from users, owners and operators of the bulk power system through the governance structure while providing fair stakeholder representation in the selection of officers. The members, from each of the eight voting sectors, vote to elect directors in their respective sector.

Compliance and enforcement activities are carried out by the NPCC compliance staff and are independent of all users, owners and operators of the international bulk power system and from the Hearings Officer. Compliance activities are governed in the United States by the *Amended and Restated Regional Delegation Agreement* between NERC and NPCC, delegating portions of NERC's authority as the ERO to NPCC. NPCC compliance activities in Canada are governed by individual provincial Memorandum of Understanding (MOU) providing the unique parameters for compliance and enforcement activities for each of the provinces. A MOU between the Independent Electricity System Operator in Ontario (IESO), NERC and NPCC establishes roles and responsibilities with regard to that province. NPCC, NERC and the New Brunswick System Operator are parties to a MOU that sets forth reliability activities for New Brunswick. The Régie de l'énergie, NERC and NPCC executed a MOU regarding the development of electric power transmission Reliability Standards and a program for the monitoring of the application of these standards for Québec. NPCC, NERC and Nova Scotia have recently concluded negotiation and executed a MOU that sets forth the mutual understanding of the parties in relation to the approval and implementation of NERC Reliability Standards and NPCC Regional reliability criteria.

## International Foundation

The Regional Entity functions and services differ according to particular regulatory backdrop:

### a) U.S. Foundation

The Federal Energy Regulatory Commission (FERC) certified NERC as the Electric Reliability Organization (ERO) on July 20, 2006. The ERO is responsible for developing and enforcing reliability standards within the United States. In executing part of its responsibilities, NERC delegates authority to the Regional Entities to perform certain functions through delegation agreements. Ensuring the reliability of the bulk power system in the state of New York and the six New England States was delegated from NERC to NPCC through the Amended and Restated Regional Delegation Agreement.

### b) Ontario

On February 5, 2010, NERC, NPCC and the Independent Electricity System Operator (IESO) amended and restated their earlier MOU, dated November 29, 2006, setting forth their mutual understanding as regards NERC's and NPCC's status in Ontario with respect to standard and criteria development, compliance enforcement, and other related matters. The IESO, whose statutory responsibilities include making and enforcing reliability standards, and making and enforcing Ontario market rules that govern the IESO-controlled grid and the wholesale electricity market, was established April 1, 1999 as the Independent Electricity Market Operator in Ontario under the *Electricity Act, 1998* (Ontario). The IESO is subject to the regulatory oversight of the Ontario Energy Board (OEB).

Among other things, the MOU recognizes that NERC and NPCC are standards authorities under the *Electricity Act, 1998* (Ontario). Additionally, under the authority of that same legislation, and as memorialized in the MOU, the NERC reliability standards and NPCC reliability criteria have effect in Ontario. However a 2008 amendment to the *Electricity Act, 1998* (Ontario) allows

the OEB to review these standards and criteria and issue orders preventing their implementation and remanding them back to NERC and NPCC.

The IESO is subject to compliance monitoring and enforcement by NPCC. The IESO is also subject to compliance monitoring and enforcement of the Ontario market rules by the IESO's Market Assessment and Compliance Division (MACD) that operates at arm's length from the IESO's business units. The MOU notes that where MACD, NERC, and NPCC engage in investigations pursuant to their respective mandates regarding compliance, MACD can request to take the lead. Moreover, of the three, MACD is the only entity that can assess financial penalties for any Ontario market participant's or the IESO's non-compliance with Ontario market rules, which includes non-compliance with NERC standards and NPCC criteria.

The MOU provides for a peer review process to promote the common compliance and enforcement objectives of NERC/NPCC and MACD. From the perspective of NPCC and NERC, this process, in part, is meant to assure registered entities outside of Ontario that the MACD program is rigorous, thorough and reliable.

The IESO is subject to NPCC assessments of compliance, including audits, as well as NPCC remedial action directives to correct non-compliance. In the event that the IESO disagrees with NPCC's finding of a violation or associated assessment of sanctions in connection with standards and criteria, the IESO has a right to a compliance hearing with NPCC.

c) Québec

The Régie de l'énergie, NERC and NPCC are parties to the May 8, 2009 *Agreement on the Development of Electric Power Transmission Reliability Standards and of Procedures and a Program for the Monitoring of the Application of These Standards for Quebec* (the Agreement). Under the terms of the Agreement, the Régie de l'énergie, which is charged with ensuring the reliability of the electric transmission in Quebec, retained NPCC and NERC as experts to develop reliability standards and monitoring program procedures for the province. The Agreement contemplates the execution of a second agreement at a later date that will detail the mandates granted to NPCC and NERC by the Régie de l'énergie.

The Régie de l'énergie is a public body established by the *Act respecting the Régie de l'énergie* (the Act). Pursuant to its authority under the Act, the Régie de l'énergie issued its Decision D-2007- 95 of August 14, 2007, designating the Direction – Contrôle des mouvements d'énergie (System Control unit) of Hydro-Québec TransÉnergie (HQTE) as the Reliability Coordinator for Québec. In accordance with its mandate and as recognized in the Agreement, it is this entity that filed the application for approval of reliability standards and monitoring program procedures developed by NERC and NPCC for approval by the Régie de l'énergie.

At this time, while the application is still pending, NPCC is proceeding with its reliability assurance activities within Québec, including but not limited to events analysis, compliance audits and compliance investigations, consistent with the NPCC Amended and Restated Bylaws. It is expected that following the approval of the application by HQTE, the Régie de l'énergie, NERC and NPCC will execute a second agreement to provide that NERC and NPCC will perform various processes including investigative functions and report their findings and any recommendations to the Régie de l'énergie. The investigative functions include, among other things, performing audits to determine if there is any basis for a violation of reliability standards.

The Régie de l'énergie will handle reliability enforcement, including imposing any sanctions and penalties.

d) New Brunswick

The New Brunswick System Operator (NBSO), NPCC and NERC are parties to a November 19, 2008 MOU. The NBSO is a not-for-profit corporation which was established on October 1, 2004 under the Electricity Act (NB) and charged with developing and administering the wholesale electricity market and maintaining reliability of the integrated power system in New Brunswick. The Electricity Act (NB) also introduced mandatory reliability requirements for the bulk power system in the province. The NBSO is responsible under the Electricity Act (NB) to make and enforce the New Brunswick Electricity Market Rules ("Market Rules"), including developing, adopting and enforcing mandatory reliability requirements.

The MOU recognizes that both NERC and NPCC are "standards authorities" within the context of the Electricity Act (NB) and as defined in the Market Rules. Indeed, NERC and NPCC reliability standards are adopted under the Market Rules and are, therefore, currently in effect in New Brunswick.

The MOU provides that NPCC has responsibilities regarding compliance assessment and enforcement of NERC reliability standards that are applicable in New Brunswick. NPCC will monitor and assess NBSO compliance with standards and criteria that are applicable to the NBSO for its registered functions. NPCC will make recommendations to the New Brunswick Energy and Utilities Board regarding sanctions and penalties for any non-compliance as the MOU does not provide NPCC with that authority. The NBSO will be responsible for registering, monitoring, assessing and enforcing compliance for New Brunswick entities. To the extent that the NBSO imposes penalties on market participants for non-compliance, those monies will be dispensed in accordance with the provisions of the Market Rules.

Throughout the term of the MOU, NBSO and NPCC will work cooperatively in identifying ongoing opportunities to enhance NBSO's compliance program applicable to New Brunswick entities which may include periodic reviews by NPCC and the sharing of best practices.

e) Nova Scotia

Nova Scotia Power Incorporated (NSPI), NPCC and NERC are parties to a May 11, 2010 Memorandum of Understanding regarding the approval and implementation of mandatory NERC reliability standards and NPCC regional reliability criteria. Pursuant to the MOU's terms, NERC and NPCC filed standards and criteria with the Nova Scotia Utility and Review Board (NSUARB) for approval on June 30, 2010. Once approved, the standards and criteria will become mandatory in Nova Scotia and NSPI will be subject to the NERC compliance monitoring and enforcement program, as implemented by NPCC.

NPCC will conduct compliance activities with respect to the standards and then forward any non-compliance information and recommendations to the NSUARB for use in enforcement proceedings. Enforcement will be administered by the NSUARB which will, among other things, determine whether a violation has occurred and, if so, what remedial measures or non-monetary penalties should be imposed.



---

## Regional Entity Division Functional Scope

NPCC's regional entity division functions in support of the ERO include:

- Active participation in the development of North American Reliability Standards for the bulk power system, and as needed development of Reliability Standards applicable within the NPCC cross-border Regional Entity
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed certification of such entities
- Assessment of the present and future reliability of the bulk power system
- Operational coordination and situation awareness support
- Event analysis and identifying lessons learned to improve reliability
- Effective training and education of reliability personnel
- Promoting the protection of critical electric infrastructure

In recognition of the importance of the compliance role of Regional Entities, NPCC has designated a significant percentage of its staff resources to compliance monitoring and enforcement. NPCC has also developed and deployed a robust set of online tools for gathering data, analysis, and tracking of compliance information to support its ability to carry out its responsibilities in a cost effective manner.

NPCC has organized the remaining staff into program areas consistent with EPOA 2005 to address the other functions listed above. These experts in operations, planning and reliability analysis assist registered entities in assessing and improving reliability. It is in support of these areas that NPCC engages the majority of industry experts on its technical committees.

## 2011 Key Assumptions

In developing the 2011 business plan, NPCC along with the other Regional Entities collaborated with NERC to develop a common set of business plan and budget assumptions. The key assumptions include the following:

1. The international, industry-based Self Regulatory Organization (SRO) model continues to be used and no material changes to the SRO model impacting 2011 emerge from FERC's review of the Three-Year ERO Performance Assessment or its review of the proposed amendments to the Regional Entity delegation agreements.
2. The framework for delegation to Regional Entities is improved, as outlined in the modifications to the Regional Entity delegation agreements, enhancing the efficiency, transparency, consistency, effectiveness, and quality of NERC and the Regional working relationship, including the incorporation of metrics.
3. Cost pressures strain stakeholder participation in NERC and Regional Entity activities.
4. In order to enhance reliability and the overall effectiveness of the ERO, improvements are needed in standards development, implementation, education, and training.
5. Standards development activities will face increased demands, including but not limited to those supporting the Reliability Standards Development Plan, FERC Order 693 directives and the National Emergency Standards Development Process.
6. NERC and Regional Entities will continue to gather data and perform analysis regarding the bulk electric system, including but not limited to support any governmental and/ or regulatory mandates and key industry initiatives.

7. NERC will need to make significant IT investments in 2011 to support the development of a situation awareness tool for FERC, NERC, Regional Entities and stakeholder needs, as well as to meet both near and long-term ERO technology requirements. Such coordinated investment by NERC will preclude the necessity of costly expenditures at the RE level to implement these initiatives.
8. The number of events requiring review, analysis, and reporting will increase.
9. Critical Infrastructure Protection (CIP) activities will increase significantly on all fronts, including compliance and other activities; expectations are that resource requirements will be significantly impacted over the next three years as the full measure of the standards become auditable for all entities on all implementation tables, the Technical Feasibility Exceptions (TFE) program is implemented and the increase in scope as a result of FERC Order No. 706-B regarding U.S. nuclear units.
10. NERC and the Regional Entities are expected to see increased compliance related resource demands.

## 2011 Goals and Key Deliverables

In developing the 2011 business plan, NERC and the Regional Entities have assumed:

### 1. Clear mandatory standards focused on Reliability Performance

- Develop Regional Reliability Standards as needed to comply with NERC's three-year work plan and FERC directives, and to meet any emergent reliability needs. Maintain active engagement of NPCC stakeholders in NERC standards process
- Continue working with stakeholders to develop results-based standards and to focus standards development on performance based requirements essential to reliability and eliminating nonessential or low-risk requirements
- Based on compliance program results and system events, identify key areas needing improvement. Implement educational and other technical assistance programs to improve Reliability Performance in areas where event analysis indicates a potential benefit

### 2. Systematic approach to improve Reliability Standards

- Develop processes that feed back improvement opportunities to NPCC and NERC Reliability Standards based on industry operating experience
- Incorporate feedback from events and investigations
- Incorporate feedback from Compliance actions
- Tools to effectively monitor and track implementation of improvement
- Systematic process to capture and identify/quantify risks
- Processes to develop timely and effective solutions
- Issues tracking and management

---

**3. Reliability improvement through rigorous, risk-based monitoring and enforcement of compliance with mandatory standards**

- Monitor registered entities in the NPCC Region for compliance with mandatory Reliability Standards, in accordance with the delegation agreement, the Compliance Monitoring and Enforcement Program (CMEP) and Canadian Provincial MOUs/Agreements, while utilizing risk-based methods to optimize reliability benefits and achieving quality and timeliness
- Enforce compliance with mandatory Reliability Standards by registered entities within the NPCC Region, in accordance with the delegation agreement, the CMEP and Canadian Provincial MOUs, while achieving quality and timeliness
- Ensure timely, thorough and comprehensive mitigation of all violations of mandatory Reliability Standards including prevention of recurrence
- Promote a strong culture of compliance excellence, reliability assurance, and risk-based methods among registered entities in the NPCC Region

**4. Objective and trustworthy Reliability Assessments and Reliability Performance trends**

- Provide annual and seasonal assessments of the future reliability of the bulk power system in the Region, in accordance with NERC definitions and requirements.
- Provide thorough data validation and create new efficiencies in data collection and analysis in support of the assessment program
- Develop and demonstrate bulk power system performance metrics for the purpose of analyzing and trending Reliability Performance improvements and benefits

**5. Situation awareness capability and event analysis leading to reliability improvements**

- Implement a NERC developed situation awareness capability to include near real-time information and communications protocols that meet the needs of FERC, NERC, NPCC and augment the capabilities of NPCC Reliability Coordinators
- Enhance NPCC's capability to conduct rigorous event and trend analyses and develop relevant lessons learned including rigorous event and trend analysis
- Provide reliability issues tracking and management to systematically provide notice and document actions to improve reliability within the Region
- Assist ES-ISAC by supporting this interface between NPCC entities with NERC and regulatory and/or governmental authorities during high impact events

**6. Cyber and physical security of critical infrastructure**

- Facilitate and support registered entities in complying with CIP Reliability Standards and in responding to cyber security alerts
- Facilitate the development of proactive measures to mitigate the impact of design-basis cyber threats and to improve the ability of NPCC entities to recover

---

**7. Knowledgeable and skilled reliability personnel**

- Actively support the training and education of reliability personnel within the Region, focusing on knowledge of reliability standards and recognizing and responding to system emergencies
- Provide information and support to registered entities to assist in the deployment of a systematic approach to training

**8. Information sharing and collaboration through technology**

- Working collaboratively with NERC and the other Regional Entities, guide in the deployment of technology to make NPCC and its stakeholder participants more efficient and productive in its program activities
- Facilitate the integration and seamlessness of ERO and Regional Entity information systems used for compliance and other applicable regional entity division functions such as alerts and recommendations tracking
- Work with other Regional Entities to share experience and learning points to promote greater benefits beyond NPCC, including collaboration on information management

**9. Effective and efficient use of resources**

- Continue to leverage industry expertise and leadership to support NPCC's regional entity division functions and to be more efficient
- Maintain a talented staff at NPCC and provide for continuous staff development through internal training, and other personnel methods to continue to meet the needs of the organization

**10. Continuing improvement**

- Maintain good standing as a Regional Entity by addressing all applicable recommendations and directives from the Three-year ERO assessment, including stakeholder inputs and audits by NERC and/or FERC
- Implement and refine performance indicators and feedback mechanisms to enable NPCC to continue being a learning organization
- Evaluate, develop, and implement meaningful performance indicators to assess performance of the Region

**11. Effective financial controls**

- Provide rigorous financial monitoring and control mechanisms and management of resources to remain an efficient provider of Regional Entity services

---

## 2011 Overview of Regional Entity Division Cost Impacts

NPCC proposes to increase its Regional Entity division funding requirement from \$11,500,439 to \$13,081,110 in 2011, an increase of \$1,580,672 or 13.7%. The proposed 2011 Regional Entity division assessment of \$12,652,610 to support the budget is an increase of 10.0% compared to the 2010 assessment of \$11,500,439. The following is a list of targeted budget increases to allow NPCC to accomplish the specific objectives outlined in the business plan (dollars are stated as an increase in the 2011 budget compared to the 2010 budget). The most significant impacts on the budget are in the area of personnel expenses, resulting in an increase of \$857,135. This increase has two components:

- **Projected increase in cost of current operations** – With the existing staffing level, an increase in personnel costs of \$151,648 or 2.4% is projected compared to 2010 budget. This projection reflects a budgeted average increase in salary for existing staff of 3%, an increase in payroll tax rates and a decrease in health insurance provision as compared to the 2010 budget.
- **Resource additions proposed in 2011** – The targeted staffing level for 2011 is 31.42 FTEs, an increase of an additional 4.01 FTEs compared to 2010 actual and to 2010 budget. The four additional employees to be added are two for compliance, one for information technology and one for event analysis. The remaining increase of 0.01 FTEs is due to the allocation of NPCC's President & CEO shifting from a ratio of 91/9 to 92/8 as a result of the increase in Regional Entity division FTEs.
  - For 2011, the budget impact of the staff additions is \$705,487, including all personnel related costs.

Other notable changes in the proposed budget from year to year include the following:

- **Meetings & Travel** – A total decrease of \$136,383 or 12.7% in meeting and travel costs due to conducting more meetings onsite, at member facilities, and via teleconference and continued focus on limited, required travel. In addition, to be consistent with NERC and other Regional Entities, NPCC will charge for participation in NPCC workshops in an effort to break even on costs.
- **Contracts & Consultants** – Increase of \$468,723 or 26.2% to address supplemental subject matter expert needs in several program areas

## Reliability Benefits of Resource Additions Proposed in 2011

### *Reliability Benefits from addition of Compliance Engineer*

- A staff addition will be required to effectively process increased work load associated with enforcement activities including enforcement investigations; the timely issuance of appropriate violation notices; review, acceptance and monitoring of mitigation plans and their implementation
- New hire will support the anticipated expansion of the number of registered entities in NPCC due to the implementation of the FERC Order related to the definition of Bulk Electric System
- NPCC will be able to expand the outreach program with registered entities, including the conduct of focused sessions related to current CMEP topics. These sessions would be in

addition to the two regularly scheduled annual workshops and could be in the form of a webinar

- New hire will support the enhancement of the rigor, thoroughness and timeliness of Compliance Investigations
- NPCC will be better able to implement the compliance program aspects of the individual executed MOU with Ontario, Québec, New Brunswick and Nova Scotia
- This staff addition will aid the enhancement of the NPCC Compliance website and the CMEP Data Administration Application which will provide improved interface with registered entities and NERC
- This staff addition will support the enhancement of the development and presentation of performance measures related to the implementation of the CMEP

*Reliability Benefits from addition of Compliance Staff position (focus on U.S. compliance issues)*

- A staff addition will be required to support the efficient and accurate processing of both: a) the initial request, by a registered U.S. entity, for a Technical Feasibility Exception (TFE) to applicable CIP Reliability Standards and make determination to accept or reject request (“Part A” of TFE evaluation process) and b) the detailed technical evaluation of the request including comprehensive review of all data submitted to support the request (“Part B” of TFE evaluation process.)
- New hire will play key role in the performance of some ten on-site expanded scope CIP audits of registered Transmission Owners (TOs) as per the NERC approved CIP Implementation Plan
- With this staff addition, NPCC will be able to effectively carry out its responsibilities as it relates to the implementation of FERC Order 706-B in which the Commission clarified that the facilities within a nuclear generation plant in the United States that are not regulated by the U.S. Nuclear Regulatory Commission are subject to compliance with the eight mandatory CIP Reliability Standards approved in FERC Order No. 706-B. Of the 63 U.S. nuclear plant sites, eight are in the NPCC U.S. footprint and qualified NPCC personnel will be required to participate in the necessary compliance audits.

*Reliability Benefits from addition of Event Analysis and Investigation Engineer*

- A staff addition will be required to support the expanded NERC initiative in the area of event analysis, which will include the rapid dissemination of lessons to be learned following an event on the system, the initiation of root cause analysis of all system events and the formal training of event personnel in root cause analysis
- New hire will assist with the expanded NERC event analysis program which requires increased coordination between the NPCC Situation Awareness and Compliance program areas as the analysis of an event evolves, additional staff will be needed
- New hire will support the adoption of the NERC CIP Version 4 standards revisions which will require the rigorous identification and monitoring of an expanded list of Critical Cyber Assets

---

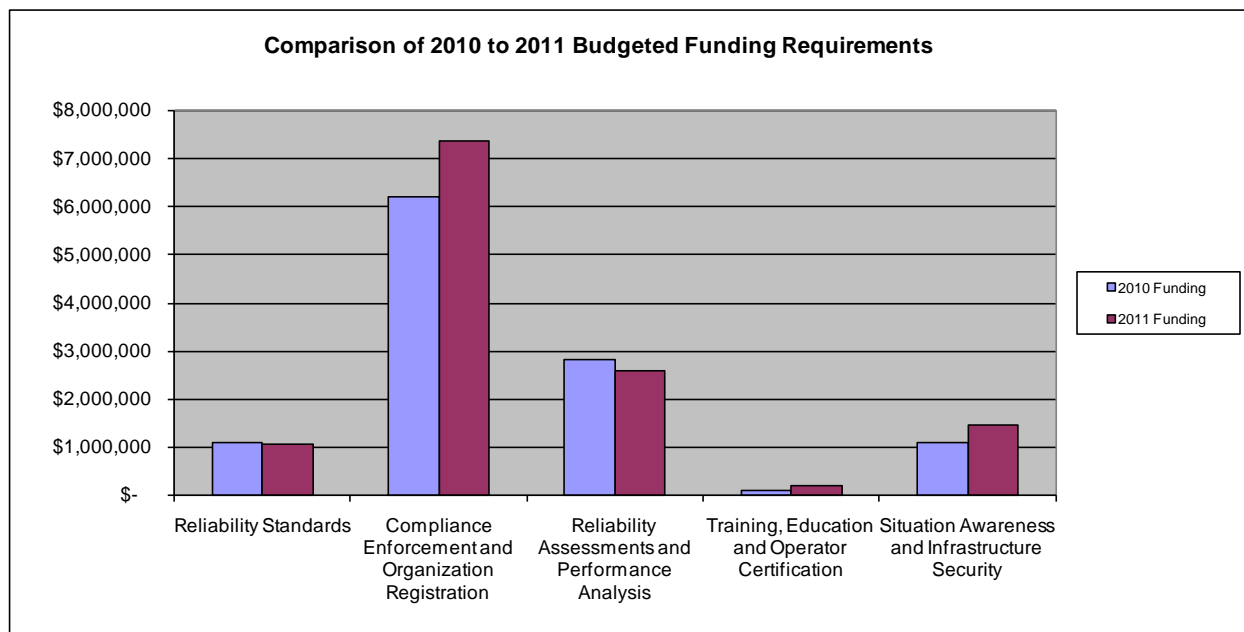
*Reliability Benefits of Information Technology Specialist*

- A staff addition supports the expanding demands associated with the increase in compliance activities and accompanying data management
- Staff addition will effectively address developing new and expanding Cyber Security requirements currently under development in Version 4, Phase II CIP standards
- New hire will effectively plan and implement changes in information technology architecture for an increased level of protection for CEII and confidential information
- With this staff addition, NPCC will increase development and implement further efficiencies and security for data at rest and in transit

### Summary by Program

Program	Budget 2010	Projection 2010	Budget 2011	Variance	
				2010 Budget v	Variance %
Reliability Standards	\$ 1,101,945	\$ 1,101,945	\$ 1,065,714	\$ (36,231)	-3.3%
Compliance Enforcement and Organization Registration	\$ 6,198,595	\$ 6,198,595	\$ 7,378,977	\$ 1,180,382	19.0%
Reliability Assessments and Performance Analysis	\$ 2,833,957	\$ 2,833,957	\$ 2,604,231	\$ (229,726)	-8.1%
Training, Education and Operator Certification	\$ 109,440	\$ 109,440	\$ 198,551	\$ 89,110	81.4%
Situation Awareness and Infrastructure Security	\$ 1,110,147	\$ 1,110,147	\$ 1,469,336	\$ 359,189	32.4%

This chart does not include allocation of working capital requirements among the Program Areas



This chart does not include allocation of working capital requirements among the Program Areas



## Personnel Analysis

Total FTEs by Program Area	Budget 2010	Projection 2010	Direct FTEs 2011 Budget	Shared FTEs <sup>1</sup> 2011 Budget	Total FTEs 2011 Budget	Change from 2010 Budget
<b>REGIONAL ENTITY DIVISION</b>						
<b>Operational Programs</b>						
Reliability Standards	2.00	2.00	2.00	0.00	2.00	0.00
Compliance Enforcement and Organization Registration and Certification	12.00	12.00	14.00	0.00	14.00	2.00
Training and Education	0.10	0.10	0.10	0.00	0.10	0.00
Reliability Assessment and Performance Analysis	4.90	4.90	4.90	0.00	4.90	0.00
Situation Awareness and Infrastructure Security	2.00	2.00	3.00	0.00	3.00	1.00
<b>Total FTEs Operational Programs</b>	<b>21.00</b>	<b>21.00</b>	<b>24.00</b>	<b>0.00</b>	<b>24.00</b>	<b>3.00</b>
<b>Administrative Programs</b>						
Member Forums	0.50	0.50	0.00	0.50	0.50	0.00
General and Administrative	1.91	1.91	1.00	0.92	1.92	0.01
Information Technology	2.00	2.00	3.00	0.00	3.00	1.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	1.00	1.00	1.00	0.00	1.00	0.00
Accounting and Finance	1.00	1.00	1.00	0.00	1.00	0.00
<b>Total FTEs Administrative Programs</b>	<b>6.41</b>	<b>6.41</b>	<b>6.00</b>	<b>1.42</b>	<b>7.42</b>	<b>1.01</b>
<b>Total FTEs</b>	<b>27.41</b>	<b>27.41</b>	<b>30.00</b>	<b>1.42</b>	<b>31.42</b>	<b>4.01</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

## 2010 Budget and Projection and 2011 Budget Comparisons

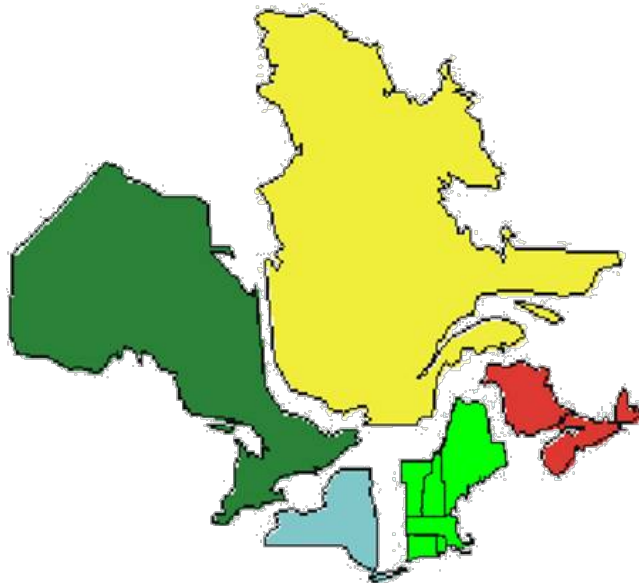
### Statement of Activities and Capital Expenditures 2010 Budget & Projection, and 2011 Budget

REGIONAL ENTITY DIVISION						
	2010 Budget	2010 Projection	Variance <sup>(2)</sup> 2010 Projection v 2010 Budget Over(Under)	2011 Budget Draft for Approval	Variance 2011 Budget v 2010 Budget Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 11,500,439	\$ 11,500,439	\$ -	\$ 12,652,610	\$ 1,152,172	
Penalty Sanctions <sup>(1)</sup>	-	-	-	308,500	308,500	
<b>Total ERO Funding</b>	<b>\$ 11,500,439</b>	<b>\$ 11,500,439</b>	<b>\$ -</b>	<b>\$ 12,961,110</b>	<b>\$ 1,460,672</b>	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	120,000	120,000	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
<b>Total Funding</b>	<b>\$ 11,500,439</b>	<b>\$ 11,500,439</b>	<b>\$ -</b>	<b>\$ 13,081,110</b>	<b>\$ 1,580,672</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 4,319,870	\$ 4,319,870	\$ -	\$ 5,055,070	\$ 735,199	
Payroll Taxes	246,223	246,223	-	291,508	45,284	
Benefits	1,077,454	1,077,454	-	1,134,918	57,464	
Retirement Costs	806,115	806,115	-	825,301	19,187	
<b>Total Personnel Expenses</b>	<b>\$ 6,449,662</b>	<b>\$ 6,449,662</b>	<b>\$ -</b>	<b>\$ 7,306,797</b>	<b>\$ 857,135</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 224,217	\$ 224,217	\$ -	\$ 269,325	\$ 45,108	
Travel	849,491	849,491	-	668,000	(181,491)	
Conference Calls	70,795	70,795	-	96,571	25,776	
<b>Total Meeting Expenses</b>	<b>\$ 1,144,503</b>	<b>\$ 1,144,503</b>	<b>\$ -</b>	<b>\$ 1,033,896</b>	<b>\$ (110,607)</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 1,786,324	\$ 1,786,324	\$ -	\$ 2,255,047	\$ 468,723	
Office Rent	625,850	625,850	-	626,127	277	
Office Costs	286,574	286,574	-	348,043	61,470	
Professional Services	794,890	794,890	-	892,751	97,861	
Computer & Equipment Leases	133,802	133,802	-	135,391	1,590	
Miscellaneous	54,820	54,820	-	55,450	630	
Depreciation	127,913	127,913	-	138,626	10,713	
<b>Total Operating Expenses</b>	<b>\$ 3,810,172</b>	<b>\$ 3,810,172</b>	<b>\$ -</b>	<b>\$ 4,451,436</b>	<b>\$ 641,264</b>	
<b>Total Direct Expenses</b>	<b>\$ 11,418,042</b>	<b>\$ 11,418,042</b>	<b>\$ -</b>	<b>\$ 12,792,129</b>	<b>\$ 1,374,087</b>	
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ 13,705</b>	<b>\$ 13,705</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (13,705)</b>	
<b>Total Expenses</b>	<b>\$ 11,418,042</b>	<b>\$ 11,418,042</b>	<b>\$ -</b>	<b>\$ 12,792,129</b>	<b>\$ 1,374,087</b>	
<b>Change in Assets</b>	<b>\$ 82,397</b>	<b>\$ 82,397</b>	<b>\$ -</b>	<b>\$ 288,981</b>	<b>\$ 206,585</b>	
<b>Fixed Assets</b>						
Depreciation	\$ (127,913)	\$ (127,913)	\$ -	\$ (138,626)	\$ (10,713)	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	18,273	18,273	-	20,886	2,613	
Equipment CapEx	27,410	27,410	-	28,557	1,147	
Leasehold Improvements	18,273	18,273	-	13,863	(4,411)	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 63,957</b>	<b>\$ 63,957</b>	<b>\$ -</b>	<b>\$ 75,320</b>	<b>\$ 11,363</b>	
Allocation of Fixed Assets	(0)	(0)	-	0	0	
<b>Change in Fixed Assets</b>	<b>63,957</b>	<b>63,957</b>	<b>-</b>	<b>75,320</b>	<b>11,363</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 146,354</b>	<b>\$ 146,354</b>	<b>\$ -</b>	<b>\$ 364,302</b>	<b>\$ 217,948</b>	
<sup>(1)</sup> \$308,500 of penalty sanctions collected to date and prior to June 30, 2010.						
<sup>(2)</sup> 2010 Projections reflect expectations based on the 1st quarter statement of activities. It is anticipated that projections could change throughout 2010 and would be reflected in each subsequent quarter's statement of activities.						

---

## Section A – Regional Entity Division 2011 Business Plan and Budget

---



## Section A — 2011 Business Plan

### Reliability Standards Program

<b>Reliability Standards Program</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	2.0	2.0	0.0
Direct Expenses	\$892,757	\$870,529	(\$22,227)
Indirect Expenses	\$215,280	\$201,462	(\$13,818)
Inc(Dec) in Fixed Assets	(\$6,091)	(\$6,277)	(\$186)
Total Funding Requirement	\$1,101,945	\$1,065,714	(\$36,231)

#### Program Scope and Functional Description

The NPCC Reliability Standards program is required under the FERC filed and approved Delegation Agreement and NERC Rules of Procedure Section 300. The program develops Regional Reliability Standards in accordance with Exhibit C to the Delegation Agreement and ensures that Regional criteria in the form of Directories are consistent with any applicable NERC and Regional Reliability Standards. The NPCC Reliability Standards program also supports and participates in the development, revision, and maintenance of NERC Reliability Standards, initiates new Reliability Standards when necessary, and provides a forum for the comprehensive review and improvement of those standards. The NPCC Reliability Standards program supports the reliability of the bulk power system by:

- Facilitating active participation of industry stakeholders in NERC Reliability Standards activities
- Providing a mechanism to seek clarity and provide feedback on compliance with Reliability Standards
- Maintaining technical reference documents as required

#### Funding Drivers and Reliability Benefits

- Expanded Scope of Standards activities
  - Responding to FERC Rulings, NOPRs, and preliminary staff assessments
  - Participating in other Regional Entities' standards development processes through review, comment and active participation in drafting
  - Providing a forum for all NPCC representatives on the NERC and neighboring Regional Entities' drafting teams
- Increased Number of Standards Projects
  - Active NERC Projects in the standards area are expected to increase to address FERC outstanding directives from Order 693 as well as other orders.
  - Number of formal interpretations expected by NERC will increase to an excess of 30 in 2011, all of which will require technical analysis

- NERC Reliability Standards will require Violation Severity Levels and Violation Risk Factors to be developed utilizing new processes; NPCC may need to develop alternate processes for the development of these as well
- Changes in NERC's Reliability Standards processes and directions will likely require modifications to NPCC procedures and associated FERC filings by NPCC
- Expanded efforts to educate and inform stakeholders in the areas of NERC and NPCC Regional Standards with anticipated additional forums

### 2011 Key Assumptions

- Facilitate stakeholder review, comment on, and develop ballot recommendations for all NERC Reliability Standards under development or revision
  - The Northeast benefits from NPCC's coordination of a broad stakeholder review process and development of consensus recommendations to assure proposed standards will support international reliability and provide appropriate reliability objectives for the Continent-wide standards
  - Coordinate a comprehensive review of the results based standards initiative processes and standards being developed and moved through the process
  - Participate in training programs to train the trainer and develop and convey this results-based standard development methodology to the Regional Standard drafting teams.
- Participate in the stakeholder efforts to develop SARs to further improve standards
- Monitor the drafting of key NERC Reliability Standards-CIP, UFLS, DME, TPL, Balancing Control, and Frequency Response, etc.
  - The Northeast monitoring of the development of standards ensures reliability requirements that are clear, measureable, and enforceable and support international reliability in the Northeast
- Develop and maintain the set of NPCC Directories to be consistent with the NERC Reliability Standards and to clearly delineate the more stringent NPCC criteria requirements
  - The combination of North American and Regional Reliability Standards with the more-stringent NPCC Regional criteria provides for consistency and operational clarity while providing robust defense in depth system reliability
- Monitor the Regional Standards development processes of the Midwest Reliability Organization (MRO), Reliability First Corporation (RFC) and SERC Reliability Corporation to achieve consistency within the Eastern Interconnection
  - The Northeast's reliability is enhanced by strengthening neighboring Regional Entities' Reliability Standards and ensuring that no cross border adverse impacts are introduced
- Review all reliability related requirements of all ERO and Regional Standards, criteria and ensure consistency, remove redundancies and adopt Functional Model language
  - The unambiguous assignment of reliability requirements to specific functional entities benefits international reliability
  - Participate in the continuing refinement of the Functional Model to capture evolving issues essential to reliability and new objectives in the industry, i.e. demand resource operator, planning functions, new activities yet to be identified such as those associated with Smart Grid, synchro-phasor technology, etc.
- Review all FERC orders and Provincial regulations as they relate to the standards, their revision and adoption

- Northeast reliability benefits from careful analyses of governmental orders or actions adopting standards to assure consistency in interpretation
- Review rulings that are issued and all FERC Directives for potential reliability related issues
- Enhance NPCC standards website pages to provide uniform and clear information to the stakeholders while also providing the historical and archived information to support NERC and FERC approvals and expanding requirements

### **2011 Goals and Key Deliverables**

The Reliability Standards program goals and objectives for 2011 are grouped into six categories: participation in North American ERO results-based standards development; Regional Reliability Standards development; directory development and standards improvement; business practice interface; process improvement and communication; and, ensuring that the more stringent Regional criteria are not inconsistent with the Reliability Standards and do not conflict with those standards.

#### **1) Participate in the ERO Results-Based Standards Development**

- Participate in the development and revision of the NERC three year work plan through review, commenting and drafting activities
- Participate in the results based standard initiative and project to develop a set of Standards Projects that will provide a defense in depth to achieving reliability
- Coordinate the development of ERO Reliability Standards within NERC's three-year standards work plan
- Conduct thorough reviews of all NERC standards being developed or revised and coordinate comments for Northeastern North America
- Conduct thorough reviews of all Industry requested NERC Formal Interpretations of standards and develop and promote the NERC Informal Guidance Process, a comprehensive process to deal with all standards related questions
- NPCC staff along with NPCC solicited Regional drafting team volunteers, will participate in the drafting of all ERO standards and provide geographic support for review and develop comments and propose improvements with specific emphasis on CIP
- NPCC and its members will review and provide comment on FERC preliminary staff assessments as appropriate
- Participate in ballots for ERO standards and provide recommendations to the NPCC Members of the NERC Registered Ballot Body
- Review and develop comments on FERC Notice of Proposed Rulemakings for any and all standards related issues as appropriate
- Evaluate proposed standards utilizing Regional technical task forces, working groups and committees
- Educate and notify stakeholders and regulators about issues related to standards development
- Provide a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC) and NPCC Task Force on Infrastructure Security and Technology (TFIST)
- Provide support to NERC's strategy in the identification scheduling and development of NERC directed Regional Reliability Standards

- Participate in NERC’s Standards Committee proposed triage system to identify immediate standards needs and reprioritize based on those needs
- Participate in and provide support to critical upcoming new Blackout related standards, UVLS, Voltage and Reactive Control, and Real Time Tools
- Identify and initiate Variances to the NERC Reliability Standards as soon as possible, allowing incorporation into the continent wide standard at its inception
- Support additional standards workload from Economic Stimulus, i.e. standards on integrating variable generation resources or EHV backbone, Smart Grid or synchrophasor projects as necessary

## 2) Regional Standards Development

- Complete the development of one Regional Standard utilizing the NPCC Regional Reliability Standard Development Procedure and submit the standard to NERC for approval of the NERC BOT, (on a schedule, and as needed by NERC). This standard will, in all likelihood, be the Special Protection System (SPS) Regional Standard, however, increased attention recently placed on the BAL standards due to the recent FERC Order may result in a reprioritization at NERC. This potential action may cause a reprioritization of the Regional Standard efforts and result in an NPCC Balancing Authorities Control standard moving forward. NPCC remains committed to being flexible and will respond to any new mandates and changes to the standards development schedules to be responsive to NERC and FERC reliability needs and best utilize staff and industry resources available.
- Draft additional Regional Standards,(on a schedule, and as needed by NERC) utilizing Regional technical committees and working groups in an open and inclusive forum
- Draft any additional standard NERC directs NPCC to develop to meet an urgent reliability related need
- Actively monitor and participate in the standards development activities of the other Regional Entities in the Eastern Interconnection especially the MRO, RFC and SERC to assure consistency within the Eastern Interconnection
- Accomplish all directives of ERO and governmental and/or regulatory authorities with regard to Regional Standards development and procedures
- Adhere to and surpass, where practical, the 2010-2012 NERC Work plan milestones as they pertain to targets for the Regional Standards

## 3) Standards Improvement

- Achieve NPCC reliability goals and objectives by initiating and efficiently completing standards activities
- Leverage internet and web based tools functionality to ensure inter-regional consistency and quality of Regional Reliability Standards
- Establish long-term strategy for standards improvement and initiate implementation
- Identify additional future Regional Standard opportunities
- Ensure the topics addressed by the Reliability Standards parallel changing industry needs
- Participate in reliability metrics activities to identify potential measures for benchmarking of reliability to determine if an adequate level of reliability is being achieved
- Support cost-benefit analysis activities to determine if any potential incremental increases in costs of implementing a standard have sufficient enough reliability benefit to implement that standard

---

#### 4) Business Practices Interface

- Coordinate the review of standards through NPCC staff and members participating in activities of the North American Electric Standards Review Board (NAESB)
- Identify potential market issues for Regional Standards through NPCC RCC reviews

#### 5) Process Improvement

- Identify efficiencies for a coordinated NERC standards development process and NPCC Regional Standards Development Procedure and recommend revisions as applicable
- Participate in the revision and redrafting of the NERC Standards Development Process that currently exists as a procedure
- Establish targets for NERC and NPCC standards procedure improvement and initiate implementation of the strategy
- Streamline and improve the Regional Standards process and enhance program tools and IT based solutions
- Develop and institute records retention programs to ensure sufficient documentation exists for regulatory approvals
- Create process for feedback loops to ensure that event analysis and investigation lessons learned and compliance issues involving violations are fed into the standards program area, as appropriate for review and potential consideration when revising standards
- Support the creation of a standards database, available to industry and online, to identify and review issues related to all approved and developing standards
- Participate in the Functional Model Working Group activities to refine functions, tasks and responsibilities of applicable entities
- Solicit and provide outreach to FERC in the Regional Standards Development Processes

#### 6) Communications

- Automate notifications process to assure awareness of dates and proceedings of all standard development activities
- Strengthen the relationship with the industry's technical committees to ensure adequate input to standards development
- Participate in NPCC and NERC workshops to promote awareness and educate the industry
- Promote the reliability objectives of the NERC standards as appropriate to the NPCC members of the NERC Registered Ballot Body

Technically excellent standards that enhance reliability require the full participation of industry experts from all Regional Entities as well as experts from different stakeholder segments to provide diverse yet helpful perspectives when developing Reliability Standards. The NPCC RSC promotes the drafting team process and solicits drafting team members from appropriate NPCC technical bodies and others in the industry and adjoining Regional Entities.

NPCC RSC will also provide notifications to Northeastern North America NERC Registered Ballot Body members of applicable deadlines for ballot pool registration and for casting ballots thereby enhancing participation, promulgation of important information and increasing awareness. This support will enhance efficiency of the NERC procedure and help to ensure the necessary quorums are present at ballot.



NPCC will also participate in the development and revision of standards as directed by FERC, Canadian provincial and other regulatory and/or governmental authorities. FERC to date has identified numerous NERC Reliability Standards needing further work and has issued numerous Directives. These standards, delineated in the NERC three-year work plan, will be ready to be reviewed and revised throughout 2011.

NPCC will provide support and coordination of NERC standards development activities for the following:

- 31 Standards Projects appearing in the 2009-2011 NERC Workplan (potentially 100+ Standards in these projects will carry over to 2011)
- 7 Standards Projects will be initiated in 2011 and these are envisioned to be results based and be developed to achieve a defense in depth strategy
- Omnibus filing of a number of standard revisions that addresses a percentage of the outstanding FERC issued directives in Order 693

The above standards, taken from the NERC three-year work plan account for at least 140+ total standards that will be reviewed, commented on as necessary, and coordinated, tracked and communicated with the NPCC membership. NPCC will also participate in the development of new standards resulting from lessons learned through NPCC and NERC programs.

### **Regional Standards Development**

The NPCC Regional Standards Development Procedure will have under development or regulatory approval, on a schedule coordinated with the ERO, three Regional Reliability Standards as noted below and also in accordance with the specific timelines in the NERC three-year standards work plan. These Regional Standards will include, but not be restricted to the following:

- Underfrequency Load Shedding (UFLS) anticipated to be gaining regulatory approvals
- Special Protection Systems (SPS) scheduled to begin development
- Balancing Authority Controls (BA - Reserve Sharing) scheduled to begin development

In addition to the three under development Regional Standards noted above, NPCC anticipates obtaining full regulatory approval by FERC and the Canadian provincial governmental and/or regulatory authorities for a NPCC Disturbance Monitoring Regional Standard.

The NPCC Underfrequency Load Shedding Regional Standard is envisioned to be approved by the NPCC member stakeholders and submitted to the NERC BOT for approval in 2011 with subsequent submissions to the FERC and Canadian provincial governmental and/or regulatory authorities shortly thereafter. All Regional Entities were directed by the ERO to develop four standards (UFLS, DME, SPS, and BA) to support the corresponding NERC ERO standards outlined in the work plan. These four standards, along with the associated ERO standards, address the fill in the blank standards which FERC currently is holding for future action. NPCC is also participating in the NERC Regional Reliability Standards Working Group to strive to achieve uniformity and coordination between the Regional Entities' standards.

NPCC is participating in the development of adjoining Regional Entities' standards through the review and commenting processes available. In addition NPCC is registered to cast ballots

where and as allowed by the individual adjoining Regional Entities' Reliability Standards development procedure.

Improvement in the quality of a standard can be quantified in a number of ways. The standards should identify an achievable, technically excellent reliability goal or objective. This goal should be measurable and have specific and concise requirements associated with it. How the reliability goal or objective is achieved will not be the focus of the process. Full participation from industry experts to provide proper technical guidance as well as multiple segments to provide diverse viewpoints is critical to the quality of the resultant standard. These attributes, along with open postings and notifications to allow the industry opportunities to participate are the key components to a successful process and achieving quality standards.

On an ongoing basis, NPCC will achieve consistency as outlined in the NERC Rules of Procedure, by maintaining reliability directories that incorporate NPCC's more stringent Regionally-specific criteria and Regional Standards into a single document with the applicable NERC Reliability Standards.

NPCC RSC and staff regularly participate in the NERC Standards Committee and Standards Committee Process Subcommittee activities and contribute to develop revisions of the standards procedure manual and various NERC standards related processes. The RSC also contributes in the Regional Standards procedure and utilizes and refines web based tools for easier user interface and to provide effective and timely notifications of standards activities.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

2011 Reliability Standards program funding is driven by the need for additional activities of NPCC standards drafting teams, ramped up NERC standards activity, FERC activity and increased number of rulings and directives anticipated as a result of the NERC three year work plan. NPCC anticipates greatly expanded activity (yet has held to not increasing staff) in the area of Eastern Interconnection interregional participation and support of adjoining Regional Entity drafting activities specifically RFC and MRO and SERC.

NPCC will continue to rely on contractors for subject matter expertise on an as-needed basis throughout 2011. The amount of Regional documents being converted into Directories and the maintenance of the Directories require subject matter expert input.

Based on the portion of professional/technical staff time and other resources devoted to Reliability Standards development, NPCC estimates that it will expend 8.4 percent of its resources on this activity.

### **Funding Sources (Other than ERO Assessments)**

- There are no significant changes requiring an explanation.

### **Personnel Expenses**

- There are no staffing changes anticipated. Shift in salaries and payroll taxes are due to refinement of budget model resulting in more accurate 2011 projections.

### Meeting Expenses

- Decrease in meeting expenses due to a continued effort to keep costs down by holding more meetings via teleconference, at member facilities, as well as lower meeting space rental rates through negotiations. Decrease in travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, on-site meetings, and meetings by conducted via teleconference. Consequently, there is an increase in conference calls.

### Operating Expenses

- There are no significant changes requiring an explanation.

### Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2011.

### Other Non-Operating Expenses

- The office relocation project concluded.

### Fixed Asset Additions

- In 2010, depreciation expense was under budgeted. Depreciation expense has decreased to reflect the 2011 FTE ratio allocation between program areas.

## Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2010 Budget & Projection, and 2011 Budget						
Reliability Standards						
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget Draft for Approval	Variance 2011 Budget v 2010 Budget Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 1,101,945	\$ 1,101,945	\$ -	\$ 1,040,006	\$ (61,939)	
Penalty Sanctions	-	-	-	25,708	25,708	
<b>Total ERO Funding</b>	<b>\$ 1,101,945</b>	<b>\$ 1,101,945</b>	<b>\$ -</b>	<b>\$ 1,065,714</b>	<b>\$ (36,231)</b>	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
<b>Total Funding</b>	<b>\$ 1,101,945</b>	<b>\$ 1,101,945</b>	<b>\$ -</b>	<b>\$ 1,065,714</b>	<b>\$ (36,231)</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 393,493	\$ 393,493	\$ -	\$ 390,341	\$ (3,152)	
Payroll Taxes	21,049	21,049	-	21,117	68	
Benefits	94,757	94,757	-	92,864	(1,892)	
Retirement Costs	77,701	77,701	-	67,694	(10,007)	
<b>Total Personnel Expenses</b>	<b>\$ 586,999</b>	<b>\$ 586,999</b>	<b>\$ -</b>	<b>\$ 572,016</b>	<b>\$ (14,983)</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 31,917	\$ 31,917	\$ -	\$ 27,000	\$ (4,917)	
Travel	126,532	126,532	-	120,000	(6,532)	
Conference Calls	12,155	12,155	-	20,100	7,945	
<b>Total Meeting Expenses</b>	<b>\$ 170,604</b>	<b>\$ 170,604</b>	<b>\$ -</b>	<b>\$ 167,100</b>	<b>\$ (3,504)</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 35,143	\$ 35,143	\$ -	\$ 35,143	\$ -	
Office Rent	45,667	45,667	-	39,853	(5,814)	
Office Costs	20,910	20,910	-	22,153	1,243	
Professional Services	9,333	9,333	-	13,294	3,961	
Computer & Equipment Leases	9,767	9,767	-	8,618	(1,149)	
Miscellaneous	4,000	4,000	-	3,529	(471)	
Depreciation	9,333	9,333	-	8,824	(510)	
<b>Total Operating Expenses</b>	<b>\$ 134,153</b>	<b>\$ 134,153</b>	<b>\$ -</b>	<b>\$ 131,414</b>	<b>\$ (2,740)</b>	
<b>Total Direct Expenses</b>	<b>\$ 892,757</b>	<b>\$ 892,757</b>	<b>\$ -</b>	<b>\$ 870,529</b>	<b>\$ (22,227)</b>	
<b>Indirect Expenses</b>	<b>\$ 215,280</b>	<b>\$ 215,280</b>	<b>\$ -</b>	<b>\$ 201,462</b>	<b>\$ (13,818)</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,000)</b>	
<b>Total Expenses</b>	<b>\$ 1,108,037</b>	<b>\$ 1,108,037</b>	<b>\$ -</b>	<b>\$ 1,071,991</b>	<b>\$ (36,045)</b>	
<b>Change in Assets</b>	<b>\$ (6,091)</b>	<b>\$ (6,091)</b>	<b>\$ -</b>	<b>\$ (6,277)</b>	<b>\$ (186)</b>	
<b>Fixed Assets</b>						
Depreciation	\$ (9,333)	(9,333)	\$ -	(8,824)	\$ 510	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	1,333	1,333	-	1,329	(4)	
Equipment CapEx	2,000	2,000	-	1,818	(182)	
Leasehold Improvements	1,333	1,333	-	882	(451)	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 4,667</b>	<b>\$ 4,667</b>	<b>\$ -</b>	<b>\$ 4,794</b>	<b>\$ 127</b>	
Allocation of Fixed Assets	\$ 1,424	\$ 1,424	\$ -	\$ 1,483	\$ 58	
<b>Change in Fixed Assets</b>	<b>6,091</b>	<b>6,091</b>	<b>-</b>	<b>6,277</b>	<b>186</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ (0)</b>	

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	12.0	14.0	2.0
Direct Expenses	\$4,943,461	\$6,012,680	\$1,069,219
Indirect Expenses	\$1,291,680	\$1,410,233	\$118,553
Inc(Dec) in Fixed Assets	(\$36,547)	(\$43,937)	(\$7,390)
Total Funding Requirement	\$6,198,595	\$7,378,977	\$1,180,382

### Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CORC) Program scope covers: 1) the identification and registration of those entities responsible for meeting the NERC Reliability Standards and any approved Regional Standards; 2) the implementation of the CMEP in the United States, including the compliance monitoring, assessment and enforcement of NERC Reliability Standards and Regional Reliability Standards, and 3) the implementation of compliance monitoring, assessment and enforcement recommendations in accordance with individual executed MOU in the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia.

The Compliance Committee (CC) is charged with providing objective stakeholder policy input to the NPCC CMEP in the U.S. and compliance related activities under the above mentioned MOUs in the NPCC portion of Canada. With regard to NERC Reliability Standards and Regional Reliability Standards, the CC provides an oversight role of the independent NPCC compliance staff's implementation of the CMEP. In this oversight role the CC will review and endorse the processes used by the NPCC compliance staff in the conduct of the CMEP.

The NPCC compliance staff makes the initial and final determination of alleged violations and determines appropriate penalties and sanctions in accordance with the NERC and the ERO *Sanctions Guidelines*. To accomplish this objective, NPCC's compliance staff is further divided into four sub-program areas: Compliance Implementation and Registration; Compliance Audit Program; Compliance Enforcement and Compliance Investigation:

#### ***Compliance Implementation and Registration***

The Compliance Implementation and Registration sub-program is responsible for:

- a) Identifying and registering all entities that are required to meet the NERC and Regional Reliability Standards. During the course of this activity regular communication with registered entities is promoted through face-to face meetings, compliance workshops, teleconferences and email;
- b) Development and maintenance of all NPCC CMEP Compliance Procedures, Compliance Instructions and all other NPCC CMEP related documentation;

- c) Development and maintenance of a set of Key Performance Indicators (KPI) that are used to measure the quality and effectiveness of the NPCC CMEP; and,
- d) Coordinating the implementation of NPCC Compliance Staff responsibilities as they pertain to the executed MOU with each of the Canadian Provinces in the NPCC Region.
- e) Day-to-day implementation of the CMEP;
- f) Development of annual CMEP Implementation Plan;
- g) Monitoring and assessment of self-certification, self report, exception reporting, periodic data and complaint submittals;
- h) Development and maintenance of CMEP Data Administration Application (CDAA); and,
- i) Development and maintenance of compliance website.
- j) Development and maintenance of performance measures related to all aspects of CMEP implementation
- k) Support the anticipated expansion of the number of registered entities in NPCC due to the implementation of the FERC Order related to the definition of Bulk Electric System

### ***Compliance Audit Program***

The Compliance Audit Program is charged with conducting both on-site and off-site compliance audits, including the auditing of applicable CIP. These audits are done on a predetermined long range schedule that is consistent with a predefined frequency. The audits are led by qualified senior NPCC Staff and the audit teams prepare public and non-public audit reports with their findings and recommendations, including the identification of any possible alleged violations. Specific lessons learned are factored into the audit program to promote continuous improvement. Conducting comprehensive spot-check program that is established to verify self-certifications, follow-up on entities who have previously violated a Reliability Standard and follow-up on entities that have been involved in a significant system event.

### ***Compliance Investigation***

- a) Conduct Investigations in conjunction with Events Analysis review as required. Coordinate with NERC and FERC, if necessary. Also coordinate inquiry with Situation Awareness Program Area.
- b) Conduct Compliance Investigation (CI) as required. Coordinate with NERC and FERC as necessary; also coordinate with Situation Awareness Program Area.

### ***Compliance Enforcement***

Compliance Enforcement is responsible for:

- a) Issuing all Notices as described in the CMEP including the Notice of Possible Violation (NOPV), Notice of Alleged Violation, and the Notice of Confirmed Violation (NOCV);
- b) Conducting comprehensive investigations based on the facts and circumstances related to all possible alleged violations of Reliability Standards, whether identified in an audit, a self-report, complaint, or other source, and determining whether further action is warranted;
- c) Reviewing, approving, submitting to NERC and tracking the progress of all mitigation plans associated with confirmed violations;
- d) Coordinating settlement activities once they have been initiated and submit settlement agreements to NERC for approval;
- e) Participating in the Hearing Process by representing NPCC before the Hearing Body. The Hearing Body is made up of members of the Compliance Committee. Compliance

- Hearings would be conducted at NPCC under the supervision of a qualified, independent hearing officer contracted by NPCC.; and
- f) Issuing Remedial Action Directives when appropriate.

## 2011 Key Assumptions and Cost Impacts

2010	2011
5 Large On-Site Audits	10 Large On-Site Audits
24 Medium On-Site Audits	12 Medium On-Site Audits
12 Large Off-Site Audits	25 Large Off-Site Audits
36 Medium Off-Site Audits	12 Medium Off-Site Audits
10 Small Off-Site Audits	7 Small Off-Site Audits
200 Spot Checks (Estimated)	300 Spot Checks (Estimated)
40 Violations (Estimated)	100 Violations (Estimated)
7 Settlements (Covering 35 Projected Violations)	50 Settlements (Covering 100 Projected Violations)
2 Hearings (Unbudgeted)	2 Hearings (Unbudgeted)
3 CI (Estimated)	5 CI (Estimated)
41 CIP Requirements/ 24 Entities; 13 CIP Requirements/ 3 Entities	41 CIP requirements/ 44 entities

- Increase in 2011 CORC Budget over 2010 CORC Budget is \$1,180,382 or 19%.
- 16.3% of that increase is associated with the addition of two FTEs.
- The drivers for the two additional FTEs are primarily related to increased workload in three specific areas: 1) Compliance Audit Program; 2) Enforcement Processing and 3) Compliance Investigations.
- Regarding the Compliance Audit Program (including the Spot Check Program, which typically assesses an entity's compliance with specific requirements of a single standard), the expanded scope and increased complexity of audits, due in part to the inclusion of all 41 CIP requirements applicable to a larger number of entities, results in approximate increases in resources required for each type of audit as follows:
  - Large On-Site Audits – 16.9%
  - Medium On-Site Audits – 23.9%
  - Large Off-Site Audits – 44.5%
  - Medium Off-Site Audits – 48.9%
  - Small Off- Site Audits – 62.6%

Even though in some cases the number of actual audits in a particular audit type listed above are actually projected to be smaller in 2011 than in 2010, the number of audits in other audit types are projected to increase. As a result, the cost of independent, exclusive contract auditors to support the audit program is projected to increase from \$1,100,000 to \$1,597,000 or 45.2% due to the reasons cited above.

The 2011 Spot Check Program is projected to include approximately 300 Spot Checks versus the 200 Spot Checks that were included in the 2010 CORC Budget. This represents a 50% increase in this program.

- The 2011 Business Plan projects the following increases in Enforcement Processing:
  - 100 violations projected versus 40 violations projected (150% increase)

- 50 Settlements versus 7 Settlements (614% increase)
- The 2011 Business Plan projects 5 Compliance Investigations versus the 3 that were in the 2010 Business Plan (67% increase). In addition, these Compliance Investigations are becoming more manpower intensive (requiring allocation of more resources).

## 2011 Goals and Key Deliverables

- Conduct 2011 CMEP incorporating all NERC Reliability Standards contained in the NERC monitored list for 2011 and any approved and applicable Regional Reliability Standards
  - Process identified violations as effectively as possible, including the timely identification of a violation, timely issuance of violation notices including the NOPV; the Notice of Alleged Violation and the NOCV
  - Implement settlement process when applicable and send proper notifications to NERC and FERC
  - Conduct necessary Hearings related to resolution of outstanding disputes regarding violations and/or sanctions. Send results of hearings to NERC and FERC
- Implement compliance responsibilities identified in the approved Canadian MOUs
- Evaluate CMEP, and Canadian entity compliance program implementation with the objective of establishing a long-term strategy for compliance improvement, and initiate the implementation of the long term strategy
- Provide NPCC Regional Entity input, through participation in appropriate NERC compliance committees, on policy and implementation issues related to compliance, including the development of compliance elements for all new or revised NERC Reliability Standards
- Provide required information to NERC on a timely basis including reporting of alleged violations and confirmed violations
- Track the progress of, report status of, and approve mitigation plans
- Conduct 2011 Compliance Audit Schedule of an estimated total of 129 Compliance Audits based on number of registered entities (Each audit covers a single registered entity that could be audited for multiple Functional Model types that they are registered for and is done in accordance with the 2011 Compliance Audit Program schedule)
- The 2011 Audits will be categorized by the number of requirements associated with the Reliability Standards that will be covered in the Compliance Audit. Six categories have been established based on the number of requirements to be audited and whether the audit is on-site or off-site. In 2011 there are projected to be 10 large on-site audits; 25 large off-site audits; 12 medium on-site audits; 12 medium off-site audits; and 7 small off-site audits. The estimates for the number of Compliance Audits are also based on the projected total number of registered entities for each type and the established three-year cycle for RC, BA, TOP Compliance Audits and the established six-year cycle for all other registered entity types.
- In addition, 44 Registered entities will be audited for the 41 CIP Requirements of CIP 002 to CIP 009. These will be both separate audits and CIP audits that will be combined with the normally schedule 2011 audits.
- Conduct spot check program during the year. A spot check can be viewed as a limited unscheduled small off-site compliance audit that will be utilized to verify self



certification submittals that have been done earlier in the year. In 2011 the number of spot checks to be done is estimated to be 300.

- Assure that NPCC Staff is trained to conduct Compliance Audits including CIP Compliance Audit training. Enhance overall implementation of Compliance Program utilizing Compliance Program Feedback Process and the development of Quality Enhancement Programs (QEP)
- Implement enhancements to CMEP that were identified through the analysis of Performance Measures
- Provide input to the development of compliance elements within proposed NPCC Regional Reliability Standards
- Enhance the CDAA to expand its capabilities from both the registered entity perspective and the NPCC Compliance Staff perspective
- Use established CDAA Users Group to seek input from the user community as to ways to enhance the application
- Provide applicable training to staff personnel to allow for the development of enhanced compliance program reporting

Conduct 2011 Compliance Workshops and interim information sessions for registered entities as necessary as a part of Training and Education program area.

Based on the portion of professional/technical staff time and other resources devoted to Compliance monitoring and enforcement and organizational registration and certification, NPCC estimates that it will expend 58 percent of its resources on this activity.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### **Funding Sources (Other than ERO Assessments)**

- There are no significant changes requiring an explanation.

#### **Personnel Expenses**

- Two additional Compliance Engineers will be added in 2011.

#### **Meeting Expenses**

- Travel expenses are increasing due to the addition of two Compliance Engineers in 2011 and the requirement to audit some CIP related materials on-site.

#### **Operating Expenses**

- Consultants and Contracts increase due to expanded quantity, complexity and scope of audits. NPCC makes extensive use of independent and exclusive contractors as subject matter experts. Significant CIP requirements warrant increases as indicated in the table on page 31. Increase in office costs due to increased staff.

#### **Indirect Expenses**

- Indirect expenses are allocated based on FTEs. Therefore, expenses related to indirect programs are due to the addition of two FTEs.

#### Other Non-Operating Expenses

- The office relocation project concluded.

#### Fixed Asset Additions

- In 2010, depreciation expense was under budgeted. Depreciation expense has increased to reflect the 2011 FTE ratio allocation between program areas.

## Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
Compliance Enforcement and Organization Registration and Certification						
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget Draft for Approval	Variance 2011 Budget v 2010 Budget Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 6,198,595	\$ 6,198,595	\$ -	\$ 7,199,018	\$ 1,000,423	
Penalty Sanctions	-	-	-	179,958	179,958	
<b>Total ERO Funding</b>	<b>\$ 6,198,595</b>	<b>\$ 6,198,595</b>	<b>\$ -</b>	<b>\$ 7,378,977</b>	<b>\$ 1,180,382</b>	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
<b>Total Funding</b>	<b>\$ 6,198,595</b>	<b>\$ 6,198,595</b>	<b>\$ -</b>	<b>\$ 7,378,977</b>	<b>\$ 1,180,382</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 1,971,523	\$ 1,971,523	\$ -	\$ 2,369,244	\$ 397,721	
Payroll Taxes	113,655	113,655	-	137,610	23,955	
Benefits	523,636	523,636	-	535,522	11,886	
Retirement Costs	260,791	260,791	-	294,210	33,419	
<b>Total Personnel Expenses</b>	<b>\$ 2,869,606</b>	<b>\$ 2,869,606</b>	<b>\$ -</b>	<b>\$ 3,336,586</b>	<b>\$ 466,980</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 26,628	\$ 26,628	\$ -	\$ 26,600	\$ (28)	
Travel	228,521	228,521	-	260,000	31,479	
Conference Calls	11,645	11,645	-	11,600	(45)	
<b>Total Meeting Expenses</b>	<b>\$ 266,795</b>	<b>\$ 266,795</b>	<b>\$ -</b>	<b>\$ 298,200</b>	<b>\$ 31,405</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 1,207,000	\$ 1,207,000	\$ -	\$ 1,704,000	\$ 497,000	
Office Rent	274,000	274,000	-	278,971	4,971	
Office Costs	125,461	125,461	-	155,071	29,610	
Professional Services	56,000	56,000	-	93,059	37,059	
Computer & Equipment Leases	58,600	58,600	-	60,324	1,724	
Miscellaneous	24,000	24,000	-	24,706	706	
Depreciation	56,000	56,000	-	61,765	5,765	
<b>Total Operating Expenses</b>	<b>\$ 1,801,061</b>	<b>\$ 1,801,061</b>	<b>\$ -</b>	<b>\$ 2,377,894</b>	<b>\$ 576,833</b>	
<b>Total Direct Expenses</b>	<b>\$ 4,943,461</b>	<b>\$ 4,943,461</b>	<b>\$ -</b>	<b>\$ 6,012,680</b>	<b>\$ 1,069,219</b>	
<b>Indirect Expenses</b>	<b>\$ 1,291,680</b>	<b>\$ 1,291,680</b>	<b>\$ -</b>	<b>\$ 1,410,233</b>	<b>\$ 118,553</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,000)</b>	
<b>Total Expenses</b>	<b>\$ 6,235,142</b>	<b>\$ 6,235,142</b>	<b>\$ -</b>	<b>\$ 7,422,914</b>	<b>\$ 1,187,772</b>	
<b>Change in Assets</b>	<b>\$ (36,547)</b>	<b>\$ (36,547)</b>	<b>\$ -</b>	<b>\$ (43,937)</b>	<b>\$ (7,390)</b>	
<b>Fixed Assets</b>						
Depreciation	\$ (56,000)	(56,000)	\$ -	\$ (61,765)	\$ (5,765)	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	8,000	8,000	-	9,306	1,306	
Equipment CapEx	12,000	12,000	-	12,724	724	
Leasehold Improvements	8,000	8,000	-	6,176	(1,824)	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 28,000</b>	<b>\$ 28,000</b>	<b>\$ -</b>	<b>\$ 33,559</b>	<b>\$ 5,559</b>	
Allocation of Fixed Assets	\$ 8,547	\$ 8,547	\$ -	\$ 10,378	\$ 1,831	
<b>Change in Fixed Assets</b>	<b>36,547</b>	<b>36,547</b>	<b>-</b>	<b>43,937</b>	<b>7,390</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>	

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessment and Performance Analysis Program Resources</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	4.9	4.9	0.0
Direct Expenses	\$2,321,444	\$2,126,027	(\$195,417)
Indirect Expenses	\$527,436	\$493,582	(\$33,855)
Inc(Dec) in Fixed Assets	(\$14,923)	(\$15,378)	(\$455)
Total Funding Requirement	\$2,833,957	\$2,604,231	(\$229,726)

### Program Scope and Functional Description

NPCC, through its top technical committee, the Reliability Coordinating Committee (RCC), integrates the deliverables of its Task Force's and Working Group's Reliability Assessment and Performance Analysis related activities. Consistent with the applicable NERC Reliability Standards, these efforts include:

- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserves in accordance with NPCC Reliability Directory No. 1 and other related reliability directories;
- Assessing the impact of planned transmission and resource additions or modifications on NPCC system reliability in accordance with NPCC Reliability Directory No. 1 and other related reliability directories.

Seasonal assessments of the overall NPCC resource adequacy assessments are performed and possible actions to mitigate any potential problems are identified. NPCC reviews operations and disturbances both internal and external to the Region in order to identify any lessons to be learned and recommends any necessary follow-up actions.

If appropriate, enhancements to Regional Standards or NPCC's more stringent, Regionally-specific reliability requirements are also recommended. NPCC promotes and conducts both inter-Area and interregional studies to enhance reliability and operational effectiveness, and provides a forum for the discussion and coordination of operating issues within the NPCC Region and with other Regions.

### 2011 Key Assumptions

Continue to provide the NPCC Regional perspective with active NPCC Staff participation on the NERC Planning and Operating Committees and key related NERC Subcommittees, Task Forces and Working Groups:

- ✓ Generation & Transmission Reliability Planning Models Task Force (G&TRPMTF)
- ✓ Data Coordination Working Group (DCWG)

- ✓ Reliability Assessment Subcommittee (RAS) - Seasonal and Long-Term Reliability Assessments
- ✓ Transmission Issues Subcommittee (TIS)
- ✓ Loss of Load Expectation (LOLE) Task Force
- ✓ Regional support and coordination of the NERC:
  - Generator Availability Data System (GADS)
  - Demand Availability Data System (DADS)
  - Transmission Availability Data System (TADS).

Initiation of the following key NPCC Reliability Assessment and Performance Analysis projects:

- ✓ Including the NPCC probabilistic reliability metrics proposed by the NERC G&TRPMTF for the 2011 NERC Long-Term Reliability Assessment in the NPCC 2011 Long Range Adequacy Overview.
- ✓ Developing updates to the NPCC Electric System Map.
- ✓ Liaison with the New York Defensive Strategies Working Group in coordination and implementation of SynchroPhasor measurement devices on the NPCC and neighboring systems and monitor related efforts of the NERC North American SynchroPhasor Initiative.
- ✓ Providing analytic support to NERC Event Analysis Coordinating Group (EACG) as needed.
- ✓ Reviewing of proposed Regional waivers to the NERC BES definition, as requested.
- ✓ Participating in on-going NERC analysis of the Eastern Interconnection Frequency Response.
- ✓ Developing NPCC guidelines for load modeling in system reliability studies.
- ✓ Conducting resource adequacy assessments addressing impacts of emerging reliability issues identified by the NERC Planning Committee (e.g., Climate Change Legislation, environmental requirements, etc.)
- ✓ Participation in Regional activities (such as the Eastern Interconnection Planning Collaborative) and coordinating any resulting NPCC inter-Area reliability analyses to assess the proposed integration of related large-scale renewable resource proposals.
- ✓ Completing the 2011 NERC Seasonal (and post Seasonal) Reliability Assessments.
- ✓ Completing the 2011 NERC Long-Term Reliability Assessment.

## 2011 Goals and Key Deliverables

### Task Force on Coordination of Planning

The primary mission of the NPCC Task Force on Coordination of Planning (TFCP) is to promote reliability through the coordination of NPCC Area and NERC planning processes and activities.

TFCP activities include, but are not limited to:

- Leading the NPCC Task Force review of the revision of NPCC Reliability Directory No. 1, and other NPCC criteria, guidelines, and procedures related to planning, and of those documents which provide for the uniform implementation, interpretation and monitoring of compliance with criteria, guidelines and procedures related to planning.
- Supporting the NPCC Directory Project by either drafting, reviewing or approving directories.
- Coordinating, monitoring, reviewing, and making recommendations on proposed or modified Special Protection Systems.

- Facilitating Wide-Area Planning by supporting the Joint ISO/RTO Planning Committee Activities, implementation of the Northeast Planning Protocol, and performing any NPCC interconnection reliability analyses, as required.
- Reviewing the overall reliability of the NPCC Areas and performing multi-Area probabilistic reliability assessments.
- Identifying and assisting in the development of new Regional Reliability Standards.
- Assisting the NPCC Compliance Subcommittee, to monitor and coordinate the compliance efforts of the Areas with NPCC planning documents and Registered Entities with NERC Reliability Standards.
- Reviewing the Standards Authorization Requests and NERC Reliability Standards as well as participating in the NERC process. Educating and informing NPCC membership and Registered Entities of developments.
- Ensuring coordination of data and assumptions for conducting NPCC planning studies (i.e. load forecasts, reserve requirements, DOE EIA 411 data, and new facilities)
- Monitoring the activities of other NPCC Task Forces to ensure coordination with planning activities.
- Completing any outstanding Blackout Recommendation Follow-Up actions.
- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserve margins in accordance with NPCC Directory No. 1 based on a schedule set forth in the Reliability Assessment Program.
- Coordinating the review of the compliance of future Area plans with the Basic Criteria, including an analysis of resource and transmission system additions, and the potential inter-Area effects of special protection systems, in accordance with NPCC Reliability Directory No.1 based on a schedule set forth in the Reliability Assessment Program. (Specific projects, which in the opinion of the task force could have an impact on the reliability of the NPCC Bulk Power System, may be reviewed outside of the set schedule).

#### Key TFCP Reliability Assessment and Performance Analysis Deliverables

- ✓ Coordinating activities related to reactive power and voltage control practices, which includes Under Voltage Load Shedding (UVLS) with the Task Force on Coordination of Operation and the Task Force on System Studies to ensure that developments in the NERC Planning Committee and its Subcommittees are addressed.
- ✓ Monitoring the actions of the NERC Transmission Issues Subcommittee (TIS) in the area of system protection and control.
- ✓ Monitoring the actions of the NERC Resource Issues Subcommittee (RIS) in the area of demand response and resource adequacy assessment.
- ✓ Overseeing the A-10 BPS Implementation Plan.
- ✓ Overseeing the summer 2011 and winter 2011-2012 NPCC multi-area probabilistic reliability evaluations.
- ✓ Overseeing the 2011 NPCC Long-Range Adequacy Overview.
- ✓ Evaluating and approving Area Transmission Reviews.
- ✓ Coordinating, monitoring, reviewing, and making recommendations on the retirement of existing in-service Special Protection Systems (SPS); and the implementation of proposed new or modified Special Protection Systems.
- ✓ Monitoring industry practices and making recommendations to NPCC on transmission adequacy standards related to intermittent generation such as wind or solar-voltaic.

- 
- ✓ Reviewing and giving direction to other task forces on changes required to the Underfrequency Load Shedding (UFLS) program required to take into account increasing amounts of distribution connected generation and/or intermittent generation.
  - ✓ Evaluating and recommending approval of NPCC Area Resource Adequacy Assessments.
  - ✓ Monitoring the developments in demand resources, energy efficiency and conservation methods including all intermittent renewable resources.
  - ✓ Conducting resource adequacy assessment studies addressing emerging reliability issues as identified by the NERC Planning Committee (e.g., Climate Change Legislation, environmental requirements, etc.)
  - ✓ Supporting Joint ISO/RTO Planning Committee activities.
  - ✓ Facilitating Wide-Area Planning through participation in Regional activities (such as the Eastern Interconnection Planning Collaborative) and coordinating any resulting required inter-Area Reliability Assessment of the proposed integration related large-scale renewable resource proposals.
  - ✓ Completion of the NERC 2011 Long-Term Reliability Assessment.

#### Task Force on System Studies

The primary mission of the NPCC Task Force on System Studies (TFSS) is to provide for active overall coordination of system studies of the reliability of the interconnected bulk power systems and for the review of certain NPCC documents.

The activities of the TFSS include, but are not limited to:

- Participating with the Task Force on Coordination of Planning, the Task Force on Coordination of Operation and the Task Force on System Protection in reviews of the NPCC Reliability Directory No.1 and other NERC Reliability Standards and NPCC criteria, guidelines, procedures and documents which provide for the uniform implementation, interpretation and monitoring of conformance to criteria, guidelines and procedures related to system studies.
- Conducting NPCC Area Reviews, in accordance with NPCC Reliability Directory No. 1, based on material presented by the Areas. These reviews will assess the impact of planned transmission and resource additions or modifications on system reliability, and determine the Area's conformance with the NPCC Basic Criteria.
- Reviewing and approving changes to Areas' lists of bulk power system elements, in accordance with the *Classification of Bulk Power System Elements* (Document A-10). Annually review and update the NPCC BPS List.
- Reviewing and classifying new and modified Special Protection Systems, in accordance with NPCC Reliability Directory No. 7. Annually reviewing and updating the NPCC SPS List.
- Conducting such load flow, transient stability, and other studies as required analyzing the overall reliability of the planned bulk power transmission systems of NPCC and the interconnections between NPCC and other Regional reliability organizations. As a part of this effort, analyze potential inter-Area effects of Special Protection Systems.
- Conducting analytical studies as appropriate to support the coordination of system planning, system operation and system protection in NPCC.
- Maintaining, through the SS-37 Working Group, a library of load flow base cases and associated dynamics data, for use in and support of Area Reviews, overall transmission

assessments, operational studies, inter-regional studies, etc. Coordinate this effort with the NERC inter-regional base case development process.

- In conjunction with other Task Forces, reviewing major system disturbances to ascertain the adequacy of the interconnected systems. Also, reviewing any associated recommendations for system modifications and considering the need for criteria changes.
- Identifying and recommending improved system study techniques. This includes, but is not limited to, the following:
  - improved techniques and models for power system simulation;
  - improved techniques for power system Reliability Assessment;
- Conducting a periodic review of the adequacy of the NPCC underfrequency load shedding program. Annually reviewing and updating the NPCC underfrequency load shedding database.
- Maintaining a listing and monitoring the status of major transmission and generation projects within NPCC.
- Maintaining liaison with other NPCC Task Forces and report to the Reliability Coordinating Committee as required.
- Monitoring the work of industry research and development organizations such as the IEEE, Canadian Electricity Association, Electric Power Research Institute, CIGRE and other technical organizations.
- Annually developing updates to the NPCC Electric System Map

#### Key TFSS Reliability Assessment and Performance Analysis Deliverables:

- ✓ Conducting Area Reviews, in accordance with the *Guidelines for NPCC Area Transmission Reviews* (Appendix B of NPCC Reliability Directory No. 1), based on material presented by the Areas. These reviews assess the impact of planned transmission and resource additions or modifications on system reliability, and determine the Area's conformance with the NPCC Basic Criteria. Through the Area Transmission Reviews, re-evaluate the performance and classification of existing SPSs and Dynamic Control Systems as appropriate.
- ✓ Reviewing and classifying new and modified Special Protection Systems, in accordance with NPCC Reliability Directory No. 7 *Procedure for NPCC Review of New or Modified Bulk Power System Special Protection Systems* as required.
- ✓ Reviewing and approving changes to the Areas' lists of bulk power system elements, in accordance with the *Classification of Bulk Power System Elements* (Document A-10), as required.
- ✓ Updating the NPCC Bulk Power System List.
- ✓ Participation in on-going NERC analysis of the Eastern Interconnection Frequency Response.
- ✓ Review of proposed Regional waivers to the NERC BES definition, as requested.
- ✓ Developing the annual library of power flow base cases and associated dynamic models for use by NPCC members and input into the development of the MMWG library of power flow and dynamic cases and databases for the Eastern Interconnection
  - i. Final development of NPCC power flow models for 2011
  - ii. Final development of NPCC dynamic models for 2011
  - iii. Address wind modeling issues including maintaining a database of wind models in the NPCC library of base case and provide documentation of those models



- ✓ Annually performing event replication and exercise the procedure. Reviewing existing Regional criteria and procedures for validation of data used in power flow and dynamic simulations by benchmarking against actual system performance. If the existing criteria or procedures are found to be deficient, propose changes to provide for adequate data validation (NERC Blackout Recommendation No. 14)
- ✓ Updating the NPCC SS-37 Working Group Procedure Manual and other related documents including the Master Tie line Data, and Interchange Schedule, as required.
- ✓ Providing mid-term updates to the 2011 Library of NPCC/MMWG cases
- ✓ Enhancing the governor modeling on a unit by unit basis suitable for use in the system simulation. Apply load controllers on all fossil fired units and calibrate accordingly with the observed response on units and systems, coordinated with the NPCC CO-1 Working Group.
- ✓ Annually reviewing and updating a list of NPCC underfrequency load shedding.
- ✓ Coordinate activities with those of the New York State Defensive Strategies Working Group, regarding the coordination and implementation of Synro-Phasor measurement devices.
- ✓ Developing NPCC guidelines for load modeling through review of past industry efforts to study dynamic load behavior, and contact others within the industry to benefit from their research. Focus on load behavior during large frequency and voltage excursions and the ability to model when load is tripped. Recommending whether to develop improved models for use in analysis of major disturbances or to develop appropriate models at the time of analyzing a disturbance.
- ✓ Classification of Bulk Power System Elements.
- ✓ Supporting Regional system studies to integrate large-scale renewable resources.
- ✓ Provide support to NERC EACG (Event Analysis Coordinating Group) as needed.
- ✓ Develop updates to the NPCC Electric System Map.

### **Task Force on System Protection (TFSP)**

The purpose of the NPCC Task Force on System Protection (TFSP) is to promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America through the establishment of directories, criteria, guidelines, and procedures and coordination of design, relative to the protection associated with the bulk power systems.

The Reliability Assessment and Performance Analysis activities of the TFSP include, but are not limited to:

- Assessing proposed protection systems and special protection systems in accordance with NPCC Reliability Directory No. 4 and No. 7.
- Reviewing and analyzing the performance of protection systems following selected major power system disturbances and events, inside as well as outside NPCC in accordance with NPCC Reliability Directory No. 4. Issue recommendations for changes to NPCC Documents, as appropriate.
- Providing technical advice on protection issues to NPCC and coordinate with other Task Forces on the application of Intelligent Electronic Devices (IEDs) that include functions related to energy management systems in addition to their protective functions, in order to safeguard the integrity of the protective functions.
- Reviewing and assessing significant protection issues of common interest or informational value.

- Reviewing and assessing regulatory and industry based documents as they relate to system protection.
- Maintaining an effective liaison with North America groups working in the protection areas (for example: NERC System Protection & Control Subcommittee.)
- Exchanging information with other power pools, Regional Reliability Councils, Regional Transmission Organizations and other industry groups on matters concerned with system protection.
- Identifying the need for special studies and new documents, recommend action to the Reliability Coordinating Committee.

#### Key TFSP Reliability Assessment and Performance Analysis Deliverables:

- ✓ Assessing proposed protection systems and special protection systems for compliance with NPCC Directory No. 4 and No. 7 criteria.
- ✓ Reviewing and analyzing the performance of protection systems in power system disturbances and events, brought to the attention of the Task Force, inside as well as outside NPCC in accordance with *Procedures for Task Force on System Protection Review of Disturbances* (Document C-30). Issuing recommendations for changes to NPCC Documents, as appropriate.
- ✓ Providing support to the NERC Event Analysis Coordinating Group as required.
- ✓ Supporting the completion of NPCC Blackout ‘Recommendation 2a’ effort.
- ✓ Reviewing and updating NPCC Undervoltage Load Shedding Database.
- ✓ Participate in the ongoing development and submission of NPCC input into the development of related NERC Reliability Standards.
- ✓ Conducting any follow-up to the bulk power system protection risk assessment as directed by the Reliability Coordinating Committee.

#### Task Force on Coordination of Operation

The NPCC Task Force on Coordination of Operation (TFCO) facilitates the coordination of operations among the NPCC Reliability Coordinator areas and adjacent NERC Regions to enhance the reliability of the bulk power system. In addition, the TFCO provides technical support regarding operating expertise to the NPCC RSC and the NPCC CC.

The activities of the NPCC TFCO include, but are not limited to:

- Conducting seasonal reviews of the overall reliability of the generation and transmission systems in NPCC, and coordinating these efforts with parallel assessments conducted by the NPCC Task Force on Coordination of Planning and by NERC. Reviewing the operational preparedness of NPCC and recommending possible actions to mitigate any potential problems identified for each operating period.
- Reviewing operations and system disturbances and providing any necessary follow-up, including the recommendation of remedial or mitigating actions.
- Facilitating the reliable operational integration of new bulk power system facilities.
- Coordinating the development of operating NPCC requirements and procedures affecting the reliability and operability of the bulk power system in coordination with, and as directed by, NERC and NPCC.
- Promoting and sponsoring inter-Balancing Authority Area and interregional studies to enhance reliability and operational effectiveness of the bulk power system.
- Providing coordination of operating issues with other NPCC Task Forces and other Regions.

- Reviewing, and acting upon, NERC actions, motions and recommendations in relation to the operation of the power system.
- Formulating the position of the TFCO on NERC Standards, and providing this position to the NPCC Regional Standards Committee as appropriate.
- Providing assistance as requested by the NPCC Regional Standards Committee in the development of Regional Standards and Directories.
- Providing assistance as requested by the NPCC Compliance Committee in monitoring and coordinating the compliance efforts of the registered entities of NPCC.

Key TFCO Reliability Assessment and Performance Analysis Deliverables:

- ✓ Address the need for, and appropriate magnitude of, synchronized operating reserve required by NPCC Reliability Directory No. 5.
- ✓ Monitor the development of the NERC North American SynchroPhasor Initiative.
- ✓ Expand the NPCC Reliability Directory No. 8 to address detailed Balancing Authority to Balancing Authority restoration within NPCC and between NPCC and its neighbors.
- ✓ Review NPCC Reliability Coordinator Area Restoration Plans.
- ✓ Completing the NPCC 2011 summer and 2011-12 Operational Reliability Assessments.
- ✓ Completion of the NERC 2011 Seasonal (and post Seasonal) Reliability Assessments.

### **NPCC Regulatory/Governmental Affairs Advisory Group**

The purpose of the NPCC Regulatory/Governmental Affairs Advisory Group is to promote NPCC interaction and coordination with Federal/State/Provincial governmental and/or regulatory agencies on a coordinated Regional basis, and identify and develop policy input for NPCC and Northeast Regional governmental and/or regulatory bodies.

The NPCC Governmental/Regulatory Affairs Advisory Group provides a forum where industry and governmental and/or regulatory representatives can exchange views and strive to develop consensus policy recommendations on reliability issues specific to the NPCC Region (Northeastern United States and Eastern Canada) and share actionable information among NPCC, NERC and other related governmental and/or regulatory agencies related to Regional energy and reliability matters.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

The Reliability Assessment and Performance Program funding increase is caused by the need to support the additional and expanded activities in this area, specifically the

- ✓ Reliability Assessment of renewable resource integration as identified by the Eastern Interconnection Planning Collaborative.
- ✓ Additional resource adequacy assessments to address impacts resulting from the NERC Planning Committee's identification of emerging reliability issues.
- ✓ Support of the activities of the NERC Event Analysis Coordinating Group (EACG)
- ✓ Support of the NERC analysis of the Eastern Interconnection Frequency response.
- ✓ Incorporation of probabilistic metrics proposed by the NERC G&TRPMTF for inclusion in the 2011 NERC Long-Term Reliability Assessment.
- ✓ Liaison with the NERC North American SynchroPhasor Initiative and activities of the New York Defensive Strategies Working Group.

In addition, NERC has expanded the role of several of the groups related to the support of their Planning Committee, and has formed additional groups to address their need for enhanced or

additional data collection. These activities require NPCC staff not only coordinate the activities of its members, but also those of the NPCC registered entities, including NPCC Regional support and coordination of the NERC:

- Generator Availability Data System (GADS)
- Demand Availability Data System (DADS)
- Transmission Availability Data System (TADS)
- Spare Equipment Database

Based on the portion of professional/technical staff time and other resources devoted to Reliability Assessment and performance analysis, NPCC estimates that it will expend 20.4 percent of its resources on this activity.

---

---

## Funding Sources and Requirements — Explanation of Increase (Decrease)

### Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

### Personnel Expenses

- There are no significant changes requiring an explanation.

### Meeting Expenses

- Decrease in meeting expenses due to a continued effort to keep costs down by holding more meetings via teleconference, at member facilities, as well as lower meeting space rental rates through negotiations. Decrease in travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, holding meetings at the NPCC offices, and meetings conducted via teleconference.

### Operating Expenses

- NPCC expects to meet proposed additional workload by increasing reliance on outside subject matter expert consultant services as needed. Contracts are decreasing due to negotiated lower contractor rates, resulting in a net decrease in the consultants & contracts account.

### Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2011.

### Other Non-Operating Expenses

- The office relocation project concluded.

### Fixed Asset Additions

- In 2010, depreciation expense was under budgeted. Depreciation expense has decreased to reflect the 2011 FTE ratio allocation between program areas.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
Reliability Assessment and Performance Analysis						
	2010	2010	Variance	2011 Budget	Variance	
	Budget	Projection	2010 Projection	Draft for Approval	2011 Budget	
			v 2010 Budget		v 2010 Budget	
			Over(Under)		Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 2,833,957	\$ 2,833,957	\$ -	\$ 2,541,245	\$ (292,712)	
Penalty Sanctions	-	-	-	62,985	62,985	
<b>Total ERO Funding</b>	<b>\$ 2,833,957</b>	<b>\$ 2,833,957</b>	<b>\$ -</b>	<b>\$ 2,604,231</b>	<b>\$ (229,726)</b>	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
<b>Total Funding</b>	<b>\$ 2,833,957</b>	<b>\$ 2,833,957</b>	<b>\$ -</b>	<b>\$ 2,604,231</b>	<b>\$ (229,726)</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 908,665	\$ 908,665	\$ -	\$ 919,883	\$ 11,218	
Payroll Taxes	50,634	50,634	-	51,133	499	
Benefits	223,793	223,793	-	188,208	(35,585)	
Retirement Costs	192,172	192,172	-	193,695	1,522	
<b>Total Personnel Expenses</b>	<b>\$ 1,375,264</b>	<b>\$ 1,375,264</b>	<b>\$ -</b>	<b>\$ 1,352,919</b>	<b>\$ (22,345)</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 51,789	\$ 51,789	\$ -	\$ 25,000	\$ (26,789)	
Travel	212,738	212,738	-	120,000	(92,738)	
Conference Calls	40,351	40,351	-	40,245	(106)	
<b>Total Meeting Expenses</b>	<b>\$ 304,878</b>	<b>\$ 304,878</b>	<b>\$ -</b>	<b>\$ 185,245</b>	<b>\$ (119,633)</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 396,277	\$ 396,277	\$ -	\$ 352,000	\$ (44,277)	
Office Rent	111,883	111,883	-	97,640	(14,244)	
Office Costs	51,230	51,230	-	54,275	3,045	
Professional Services	22,867	22,867	-	32,571	9,704	
Computer & Equipment Leases	23,928	23,928	-	21,113	(2,815)	
Miscellaneous	9,800	9,800	-	8,647	(1,153)	
Depreciation	22,867	22,867	-	21,618	(1,249)	
<b>Total Operating Expenses</b>	<b>\$ 638,852</b>	<b>\$ 638,852</b>	<b>\$ -</b>	<b>\$ 587,863</b>	<b>\$ (50,989)</b>	
<b>Total Direct Expenses</b>	<b>\$ 2,321,444</b>	<b>\$ 2,321,444</b>	<b>\$ -</b>	<b>\$ 2,126,027</b>	<b>\$ (195,417)</b>	
<b>Indirect Expenses</b>	<b>\$ 527,436</b>	<b>\$ 527,436</b>	<b>\$ -</b>	<b>\$ 493,582</b>	<b>\$ (33,855)</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ 2,450</b>	<b>\$ 2,450</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,450)</b>	
<b>Total Expenses</b>	<b>\$ 2,848,880</b>	<b>\$ 2,848,880</b>	<b>\$ -</b>	<b>\$ 2,619,609</b>	<b>\$ (229,271)</b>	
<b>Change in Assets</b>	<b>\$ (14,923)</b>	<b>\$ (14,923)</b>	<b>\$ -</b>	<b>\$ (15,378)</b>	<b>\$ (455)</b>	
<b>Fixed Assets</b>						
Depreciation	\$ (22,867)	(22,867)	\$ -	\$ (21,618)	\$ 1,249	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	3,267	3,267	-	3,257	(10)	
Equipment CapEx	4,900	4,900	-	4,453	(447)	
Leasehold Improvements	3,267	3,267	-	2,162	(1,105)	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 11,433</b>	<b>\$ 11,433</b>	<b>\$ -</b>	<b>\$ 11,746</b>	<b>\$ 312</b>	
Allocation of Fixed Assets	\$ 3,490	\$ 3,490	\$ -	\$ 3,632	\$ 142	
<b>Change in Fixed Assets</b>	<b>14,923</b>	<b>14,923</b>	<b>-</b>	<b>15,378</b>	<b>455</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>	

## Training, Education, and Operator Certification Program

<b>Training, Education, and Operator Certification</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	0.1	0.1	0.0
Direct Expenses	\$98,981	\$188,791	\$89,810
Indirect Expenses	\$10,764	\$10,073	(\$691)
Inc(Dec) in Fixed Assets	(\$305)	(\$314)	(\$9)
Total Funding Requirement	\$109,440	\$198,551	\$89,110

### Program Scope and Functional Description

The NPCC Training, Education, and Operator Certification program supports NERC Rules of Procedure Section 900. The program provides education and training necessary to understand and operate the bulk electric system. The target audience of the program is bulk power system operating personnel - including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. The program also supports NPCC staff training and development needs as well as the administration of records necessary to maintain status as a NERC Continuing Education provider.

### Training Program Background and Description

NPCC establishes and coordinates programs for system operator training relating to inter-Reliability Coordinator area matters, criteria, terminology, standards and operating procedures and instructions. It develops and conducts training seminars, held twice yearly, at which potential operational problems for the coming season are discussed, the implementation of NPCC standards and procedures are discussed, significant disturbances are reviewed for lessons to be learned and table-top drills and communication and coordination exercises. The seminars promote camaraderie and better communication among system operators from the NPCC Reliability Coordinator Areas.

NPCC also shares, evaluates and proposes new techniques and training aids as they become available; reviews opportunities to consolidate training among the NPCC Reliability Coordinators, which includes opportunities to share training material and training sessions and exchanges information on internal methods of system operator selection and training.

### Funding Drivers and Reliability Benefits

- Provide two high-quality continuing education seminars (Compliance and TFIST Workshop) for system operators, schedulers and dispatchers
  - System operators and schedulers participating in the Seminars get exposure to NPCC issues and current industry operations topics, review recent NPCC or major external disturbances, discuss projected conditions for the coming summer

- or winter peak season and participate in hands on exercises pertaining to system operation practices
- Seminar attendees also receive CE hours and each Balancing Authority Area utilizes the seminar content by including it in their internal training programs to provide CE hours to all system operators
- The seminars help to improve system operation coordination through better camaraderie among operators
- Review and revise the curriculum of the training seminars to better emphasize NERC standards, Regional Standards and business practices, NPCC wide-area operations and Regionally-specific criteria and procedures
  - Enhance the system operator's awareness and knowledge of the standards, criteria and procedures they apply in real time operation
- Provide more sharing of new training approaches, exchange of information on internal methods of system operator selection, training material and training sessions
  - Enhanced efficiency and cost savings in the training programs in the NPCC Balancing Authority Areas

### 2011 Key Assumptions

NPCC will conduct two workshops in 2011, for NPCC Stakeholders, for the express purpose of providing the most current and applicable information related to the development of NERC and Regional Reliability Standards and the implementation of the Compliance Monitoring and Enforcement Program (CMEP). These workshops, attended in the past by up to 250 participants, are specifically designed, primarily through the conduct of targeted breakout class room sessions and presentations on current industry related activities, to provide for the most efficient exchange of information between the NPCC Compliance and Standards Staff and the NPCC Stakeholders. Presentations in the past have been conducted by FERC, NERC and Stakeholder representatives in addition to NPCC Staff members. To supplement these workshops, NPCC is also considering additional methods for the dissemination of timely information, possibly in the form of on-line webinars. These webinars will focus on a specific topic pertinent to developments related to compliance program implementation and/or standards development that may arise in between the two regularly scheduled workshops.

With the exception of meeting expenses, it is proposed that the NPCC resources to support Training and Education will remain virtually unchanged for the calendar year 2011. In 2010, NPCC did not charge registration fees for training workshops. In 2011, to be consistent with NERC and other Regional Entities, NPCC will charge for participation in NPCC workshops in an effort to cover costs.

Although NERC anticipates a significant expansion of its training efforts, including the targeting of numerous subject areas in a cooperative effort with the Regions, the details have yet to be fully presented. It further appears that the major thrust of these tasks will fall in the calendar year 2012. For example, the findings of the NERC Event Analysis Coordinating Group will be the subject of training workshops, but NERC has targeted the product of the 2011 EAWG efforts to begin such an initiative. For this reason, it is proposed that the NPCC resources to support Training and Education remain constant for 2011, except in the area of meeting expenses.



---

**2011 Goals and Key Deliverables**

- Prepare and conduct the spring and autumn NPCC System Operator Seminars
- Review approaches to reliability related-task definition, task instruction, and instruction tracking on an individual basis
- Provide NPCC-coordinated input into the NERC development of standard PER-005, “System Personnel Training”
- Coordinate the implementation of PER-005, once approved, within the NPCC BA Areas and RC Areas.
- Expand the content of the Reliability Coordinator training programs, based on the new requirements generated by PER-005, for training of SCADA and field operators, including description of tasks, tracking of Continuing Education Hours and development of Individual Learning Activities
- Develop presentations on the intended Reliability Coordinator/Balancing Authority approaches to task identification and training development associated with NERC Standard PER-005, “System Personnel Training”
- Establish an NPCC repository of training resources and learning verification activities addressing fundamental power system topics, which may be shared as elements of operator training in compliance with NERC Standard PER-005, “System Personnel Training”
- Establish an NPCC repository of training resources and learning verification activities addressing NPCC procedures employed in real-time by RC/BA operators, which may be shared as elements of operator training in compliance with “System Personnel Training”
- Share among the NPCC RCs/BAs experiences on implementation of new NERC standard PER-005. Consider strategies to deal with any implementation difficulties

Based on the portion of professional/technical staff time and other resources devoted to training, education, and operator certification, NPCC estimates that it will expend 1.6 percent of its resources on this activity.

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- NPCC will charge for participation in NPCC workshops in an effort to cover costs.

**Personnel Expenses**

- There are no staffing changes anticipated for 2011.

**Meeting Expenses**

- Increased workshop expenses will be offset by fees charged to workshop participants. Decrease in travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, holding meetings at the NPCC offices, and meetings conducted via teleconference. Consequently, there is an increase in conference calls.

### Operating Expenses

- There are no significant changes requiring an explanation.

### Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2011.

### Other Non-Operating Expenses

- The office relocation project concluded.

### Fixed Asset Additions

- In 2010, depreciation expense was under budgeted. Depreciation expense has decreased to reflect the 2011 FTE ratio allocation between program areas.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>						
<b>2010 Budget &amp; Projection, and 2011 Budget</b>						
<b>Training and Education</b>						
				Variance		Variance
	2010	2010	2010 Projection	2010 Projection	2011 Budget	2011 Budget
	Budget	Projection	v 2010 Budget	Over(Under)	Draft for Approval	v 2010 Budget
						Over(Under)
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 109,440	\$ 109,440	\$ -		\$ 77,265	\$ (32,175)
Penalty Sanctions	-	-	-		1,285	1,285
<b>Total ERO Funding</b>	<b>\$ 109,440</b>	<b>\$ 109,440</b>	<b>\$ -</b>		<b>\$ 78,551</b>	<b>\$ (30,890)</b>
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	-	-	-		120,000	120,000
Interest	-	-	-		-	-
Miscellaneous	-	-	-		-	-
<b>Total Funding</b>	<b>\$ 109,440</b>	<b>\$ 109,440</b>	<b>\$ -</b>		<b>\$ 198,551</b>	<b>\$ 89,110</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 19,206	\$ 19,206	\$ -		\$ 19,134	\$ (72)
Payroll Taxes	1,044	1,044	-		1,049	5
Benefits	5,278	5,278	-		5,157	(122)
Retirement Costs	5,267	5,267	-		4,451	(817)
<b>Total Personnel Expenses</b>	<b>\$ 30,796</b>	<b>\$ 30,796</b>	<b>\$ -</b>		<b>\$ 29,790</b>	<b>\$ (1,006)</b>
<b>Meeting Expenses</b>						
Meetings	\$ 58,346	\$ 58,346	\$ -		\$ 149,725	\$ 91,379
Travel	3,874	3,874	-		3,000	(874)
Conference Calls	508	508	-		1,005	497
<b>Total Meeting Expenses</b>	<b>\$ 62,727</b>	<b>\$ 62,727</b>	<b>\$ -</b>		<b>\$ 153,730</b>	<b>\$ 91,003</b>
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 457	\$ 457	\$ -		\$ 457	\$ (0)
Office Rent	2,283	2,283	-		1,993	(291)
Office Costs	1,046	1,046	-		1,108	62
Professional Services	467	467	-		665	198
Computer & Equipment Leases	488	488	-		431	(57)
Miscellaneous	200	200	-		176	(24)
Depreciation	467	467	-		441	(25)
<b>Total Operating Expenses</b>	<b>\$ 5,408</b>	<b>\$ 5,408</b>	<b>\$ -</b>		<b>\$ 5,271</b>	<b>\$ (137)</b>
<b>Total Direct Expenses</b>	<b>\$ 98,981</b>	<b>\$ 98,981</b>	<b>\$ -</b>		<b>\$ 188,791</b>	<b>\$ 89,810</b>
<b>Indirect Expenses</b>	<b>\$ 10,764</b>	<b>\$ 10,764</b>	<b>\$ -</b>		<b>\$ 10,073</b>	<b>\$ (691)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 50</b>	<b>\$ 50</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ (50)</b>
<b>Total Expenses</b>	<b>\$ 109,745</b>	<b>\$ 109,745</b>	<b>\$ -</b>		<b>\$ 198,864</b>	<b>\$ 89,119</b>
<b>Change in Assets</b>	<b>\$ (305)</b>	<b>\$ (305)</b>	<b>\$ -</b>		<b>\$ (314)</b>	<b>\$ (9)</b>
<b>Fixed Assets</b>						
Depreciation	\$ (467)	(467)	\$ -		\$ (441)	\$ 25
Computer & Software CapEx	-	-	-		-	-
Furniture & Fixtures CapEx	67	67	-		66	(0)
Equipment CapEx	100	100	-		91	(9)
Leasehold Improvements	67	67	-		44	(23)
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 233</b>	<b>\$ 233</b>	<b>\$ -</b>		<b>\$ 240</b>	<b>\$ 6</b>
Allocation of Fixed Assets	\$ 71	\$ 71	\$ -		\$ 74	\$ 3
<b>Change in Fixed Assets</b>	<b>305</b>	<b>305</b>	<b>-</b>		<b>314</b>	<b>9</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ -</b>		<b>\$ 0</b>	<b>\$ 0</b>

## Situation Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	2.0	3.0	1.0
Direct Expenses	\$900,958	\$1,176,558	\$275,600
Indirect Expenses	\$215,280	\$302,193	\$86,913
Inc(Dec) in Fixed Assets	(\$6,091)	(\$9,415)	(\$3,324)
Total Funding Requirement	\$1,110,147	\$1,469,336	\$359,189

### Program Scope and Functional Description

The Situation Awareness and Infrastructure Security Program is the combination of near real time awareness of conditions on the bulk power system with the programs necessary to increase the physical and cyber security of the electricity infrastructure. This includes the operation and maintenance of tools and other support services for the benefit of Reliability Coordinators and other system operators. Maintaining the real-time awareness of conditions on the interconnected bulk power systems of the NPCC Reliability Coordinator Areas (including awareness of abnormal events, communicating information concerning system conditions and abnormal events to, and facilitating real-time communications among, system operators responsible for the reliable operation of the bulk power systems) is critical to maintaining reliable operation within NPCC.

On an ongoing, but non-real time basis, NPCC monitors the operational status of the bulk power system and coordinates normal and pre-emergency communication, awareness and assistance in addition to the same during an emergency among the Areas. The industry is notified of significant bulk power system events that have occurred in one Reliability Coordinator Area, and which have the potential to impact reliability in other NPCC Reliability Coordinator Areas or Regions external to NPCC. These events include contingencies on the bulk power system, potential shortfalls of operating reserve, operating problems, potential security threats and potential threats or disruptions to the cyber systems of the Reliability Coordinator Areas.

To assist in the evaluation of emerging tools to better identify evolving system conditions, NPCC actively coordinates the utilization of existing operational aids, and the implementation of new operational aids, including the Area Control Error (ACE) and Frequency Monitoring System; the NERC Hotline; Real-time Flows; the System Data Exchange (SDX); the Reliability Coordinator Information System (RCIS); the Transmission Services Information Network (TSIN); the Interchange Distribution Calculator (IDC); the interregional Security Network (ISN); and the Central Repository for Security Events (CRC).

The events of September 11<sup>th</sup> renewed the focus on possible sabotage to the physical infrastructure of the electric power system as well. In response, the NPCC System Operations Managers Working Group (CO-8) has in place the availability for 24 x 7 conference calls among

the NPCC Reliability Coordinator Area managers to address security threats within NPCC and the proper operating posture in response to such threats. A drill simulating the NPCC Security Conference Call is held among the control room managers on at least a monthly basis; the drill is conducted at random times.

The NPCC Emergency Preparedness Conference Call mechanism is a tool that has been put in place that enables the Reliability Coordinator Area Operations Managers in NPCC, and, as required, their counterparts in neighboring Regions, to rapidly communicate the status of current operating conditions and facilitate the procurement of assistance during emergency conditions. Items of particular concern that can be discussed during the Emergency Preparedness Conference Calls may include, but are not limited to, the following:

- Anticipated weather only as it is critical to the system or systems experiencing or projecting resource deficiencies
- Load forecast
- Largest first and second contingencies
- Potential need for emergency transfers
- operating reserve requirements and expected available operating reserve capacity deficiencies
- Potential fuel shortages or potential fuel supply disruptions which could lead to energy shortfalls
- identified or projected voltage conditions
- Status of short term contracts and other scheduled arrangements, particularly those that impact operating reserves
- Additional capability available within four hours and additional capability available within twelve hours
- Coordination of pumping schedules
- Any problems that might develop due to light load and minimum generation requirements
- Generator outages that may have a significant impact on an adjacent Area or neighboring system
- Transmission outages that may have an adverse impact on internal and external energy transfers
- expected transfer limits and limiting elements
- anticipated implementation of NERC Transmission Loading Relief (TLR) procedures or Lake Erie Emergency Redispatch (LEER) procedures
- The temporary modification or changes in the status of relay protection systems such that the normal levels of protection will not be provided
- The arming of special protection systems not normally armed
- The application of abnormal operating procedures

NPCC has also established a daily conference call to serve as a complement to the NPCC Emergency Conference Call and the Weekly Conference Call. The participants of the call are the control rooms of the New Brunswick System Operator, Hydro-Québec TransÉnergie, ISO New England, Inc., the New York ISO and the Independent Electricity System Operator in Ontario and NPCC Staff. In 2011 participation will be expanded to include both the MISO and PJM control rooms. The conference call is implemented through a bridge, the initiation of the call quickly ringing all pre-selected telephones simultaneously. The goal of the call is to alert all neighboring Areas of emerging problems. If no system difficulties are anticipated for the day, no

unnecessary information is to be discussed. Subjects for discussion are limited to credible events which could impact the ability of an Area to serve its load and meet its operating reserve obligations or would impose a burden to the interconnection, including the following:

- Projected Load
- Adverse Weather
- Operating Reserve
- Generation
- Transmission
- Sabotage

If conditions worsen in the course of the day, the NPCC Emergency Preparedness Conference Call will be held among the NPCC Reliability Coordinator Area Control Room Managers.

NPCC has also completed the first phase of the FERC-NERC-Regions situation awareness initiative. At the request of the FERC, the Reliability Coordinator Areas have developed procedures to provide to the FERC detailed operating data for their respective footprints. The intent of the effort was to permit the FERC to measure the health of the Interconnections and to identify parameters which may warn of a developing crisis, thus precluding a major cascading event. To fulfill its portion of the first phase effort, NPCC implemented a geographically based visualization of selected reliability indicators. Each Reliability Coordinator of NPCC has access within the control room to the following near real time displays:

- A geographic visualization of the complete NPCC footprint; or
- A detailed geographic visualization of any of the neighboring Reliability Coordinator footprints within NPCC

Each screen displayed includes the following data:

- Reliability Coordinator Area load
- Reliability Coordinator Area Control Error
- scheduled net interchange with its neighboring control area
- Actual net interchange with its neighboring control area
- Reliability Coordinator Area operating reserve
- Key interface loadings with limits
- Key bus voltages with typical operating range

Various dynamic, visual prompts are provided as conditions change. Arrows indicate interface flow direction, and key quantities are color coded. The data is refreshed at least every ninety seconds.

Recognizing the quantity of data displayed in a geographic format, and observing the ease with which the data can be understood and interpreted, the FERC is asking the remaining Reliability Coordinators to emulate the operational display methodology employed by NPCC. This will offer FERC a North American-wide common look and feel in its Situation Awareness displays utilizing the NPCC product.

NERC will need to make significant IT investments in 2011 to support the development of a situation awareness tool for FERC, NERC, Regional Entities and stakeholder needs, as well as to meet both near and long-term ERO technology requirements. Such coordinated investment by

NERC will preclude the necessity of costly expenditures at the RE level to implement these initiation.

To ensure the capability for continued voice communications among NPCC and its Reliability Coordinators, a satellite telephone network was also established, and it is tested on a monthly basis. This back-up communications system will function in the event of a collapse of the Public Switched Telephone Network (PSN), and cross-border voice communications can still be maintained among the Canadian Reliability Coordinators of NPCC and the Reliability Coordinators in the United States.

### **Critical Infrastructure Objectives**

NPCC's critical infrastructure objectives are defined within the scope of the NPCC Task Force on Infrastructure Security & Technology, (TFIST) and include, but are not confined to:

- Providing a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC)
- Representing and advocating NPCC's position in the activities of NERC groups involved in the development and/or implementation of physical and cyber security

NPCC's 2010 critical infrastructure goals and objectives, as identified by the 2009-2010 Work Plan of the Task Force on Infrastructure Security and Technology include, but are not confined to:

- Participating in the NERC Regional CIPC Liaison Task Force, to provide NPCC input into the process whereby future Department of Homeland Security (DHS) notifications are disseminated to the industry
- Annually reviewing infrastructure security & technologies and providing recommendations, when appropriate, to the RCC to enhance physical and cyber security in compliance with NERC guidelines/standards
- Reviewing of NPCC's information protection in order to be consistent with the requirements of the NERC Cyber Security Standards
- Addressing timely issues and updating member system personnel associated with the provision of on-line computer systems for operation of the power system, through the activities of the IST-1 (Infrastructure Security & Technology Workshop) Working Group
- Providing a forum to identify, discuss and advance the technology of telecommunications infrastructure for the reliable operation of the Bulk Power System in NPCC while also supporting TFIST in their work on issues related to telecommunications, through the activities of the IST-2 (Telecommunications) Working Group
- Providing a forum to identify, discuss and advance the EMS-SCADA technology of EMS-SCADA for the reliable operation of the NPCC Bulk Power System while also supporting TFIST in their work on issues related to EMS-SCADA, through the activities of the IST-3 (EMS-SCADA) Working Group
- Providing a forum to identify, discuss and advance the cyber security for the reliable operation of the NPCC Bulk Power System while also supporting TFIST in their work on issues related to cyber security, through the activities of the IST-4 (Cyber Security) Working Group
- Providing a forum to identify, discuss and advance the use physical security for the reliable operation of the NPCC Bulk Power System while also supporting TFIST in their work on issues related to physical security, through the activities of the IST-5 (Physical Security) Working Group

## System Operations Security Objectives

NPCC's system operations security objectives are defined within the scope of the NPCC Task Force on Coordination of Operation, (TFCO) and include, but are not confined to:

- Coordinating interregional pre-emergency actions in the event of a threat to the security of the Northeastern North American bulk power supply system
- Assisting in the development of real time operating tools assuring cyber security concerns are addressed

NPCC's 2011 operational situation awareness goals and objectives, as identified by the 2010-2011 Work Plan of the NPCC Task Force on Coordination of Operation (TFCO) include, but are not confined to:

- Expanded Wide Area View Among the NPCC Reliability Coordinators
  - Implement near real time visualization of the Reliability Coordinator Areas of NPCC
- Monitor the development of the NERC North American SynchroPhasor Initiative (NASPI) and determine the feasibility of the application for use within NPCC -
- Direct Voice Communications Among All NPCC Reliability Coordinators
  - Weekly Area Coordination Conference Calls  
Each week conference calls of the operations management personnel are initiated by NPCC to discuss operations expected, and identify possible concerns, during the forthcoming ten-day period (weekend and week following)
  - Daily Area Control Room Coordination Conference Calls  
Each morning, the NPCC Reliability Coordinator control rooms also take part in a regularly scheduled conference call. The goal of this call is to alert all neighboring Reliability Coordinators of any potential emerging problems which could lead to reliability concerns in the course of the day's operations. Subjects for discussion are limited to credible events which could impact the ability of a Reliability Coordinator to serve its load and meet its operating reserve obligations, or which would impose a burden to the neighboring NPCC Areas or the Eastern Interconnection
  - Emergency Preparedness Conference Call

The NPCC Emergency Preparedness Conference Call augments the regularly scheduled weekly and daily Area coordination conference call process to enable the Operations Managers in NPCC, and, as required, their counterparts in neighboring Regions, to rapidly communicate the status of current operating conditions and facilitate the procurement of assistance during, or in anticipation of, emergency conditions.

## 2011 Key Assumptions

- A significantly expanded NERC initiative in the area of event analysis and investigations will be in place for 2011, pursuing as major goals:
  - the rapid dissemination of lessons to be learned following an event on the system;
  - the initiation of root cause analysis of all system events;
  - the formal training of event personnel in root cause analysis; and
  - the clarification of event categorizations (NERC triage) to quickly identify the nature of an event and the level of reporting and review required. In the pursuit of



this program, NERC states that: "*The number of events requiring review and analysis are expected to increase.*"

- Critical infrastructure protection will command increasing resources in 2011, with the expectation by NERC that "*•• resource requirements will double, at a minimum, by the end of the next three years.*" The immediate implications of the adoption of the NERC CIP Version 4 standards revisions will require: the identification and monitoring of an expanded list of Critical Cyber Assets; and the establishment of an aggressive Technical Feasibility Exemption (TFE) program.
- The Phase II initiative for NERC Situation Awareness-FERC, NERC, Regions (SAFNR) will be implemented in 2011.
  - NERC has pledged to incur the cost for data acquisition directly from the Reliability Coordinators. Visibility to NPCC will be a minimal expense, but increased travel expenses are assumed as the Phase II effort is begun.
  - The effort will satisfy FERC's request for a "*•• common look and feel ••*" for each Regional display.

Based on the implications of the above activities projected for calendar year 2011, an additional FTE is proposed for the Situation Awareness program. Further, the NPCC level of operating cash reserves is increased in the business plan to provide flexibility in addressing further mandates as required.

### **2011 Goals and Key Deliverables**

- An expanded program for the review of system disturbances in NPCC consistent with the NERC Event Analysis program
- A process for the identification and monitoring of an expanded list of Critical Cyber Assets
- The establishment of an aggressive Technical Feasibility Exemption (TFE) program

Based on the portion of professional/technical staff time and other resources devoted to situation awareness and infrastructure security, NPCC estimates that it will expend 11.6 percent of its resources on this activity.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### **Funding Sources (Other than ERO Assessments)**

- There are no significant changes requiring an explanation.

#### **Personnel Expenses**

- Increase due to addition of one Event Analysis and Investigation Engineer in 2011.

#### **Meeting Expenses**

- There are no significant changes requiring an explanation.

#### **Operating Expenses**

- Increase associated with proportional application of additional staff.

### Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2011.

### Other Non-Operating Expenses

- The office relocation project concluded.

### Fixed Asset Additions

- In 2010, depreciation expense was under budgeted. Depreciation expense has increased to reflect the 2011 FTE ratio allocation between program areas.

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
Situation Awareness and Infrastructure Security						
				Variance		Variance
	2010	2010	2010 Projection	v 2010 Budget	2011 Budget	2011 Budget
	Budget	Projection	v 2010 Budget	Over(Under)	Draft for Approval	v 2010 Budget
						Over(Under)
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 1,110,147	\$ 1,110,147	\$ -		\$ 1,430,773	\$ 320,626
Penalty Sanctions	-	-	-		38,563	38,563
<b>Total ERO Funding</b>	<b>\$ 1,110,147</b>	<b>\$ 1,110,147</b>	<b>\$ -</b>		<b>\$ 1,469,336</b>	<b>\$ 359,189</b>
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	-	-	-		-	-
Interest	-	-	-		-	-
Miscellaneous	-	-	-		-	-
<b>Total Funding</b>	<b>\$ 1,110,147</b>	<b>\$ 1,110,147</b>	<b>\$ -</b>		<b>\$ 1,469,336</b>	<b>\$ 359,189</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 402,699	\$ 402,699	\$ -		\$ 561,174	\$ 158,475
Payroll Taxes	21,038	21,038	-		31,145	10,108
Benefits	53,879	53,879	-		91,221	37,342
Retirement Costs	108,315	108,315	-		109,368	1,054
<b>Total Personnel Expenses</b>	<b>\$ 585,931</b>	<b>\$ 585,931</b>	<b>\$ -</b>		<b>\$ 792,909</b>	<b>\$ 206,978</b>
<b>Meeting Expenses</b>						
Meetings	\$ 25,917	\$ 25,917	\$ -		\$ 26,000	\$ 83
Travel	66,902	66,902	-		70,000	3,098
Conference Calls	4,055	4,055	-		9,100	5,045
<b>Total Meeting Expenses</b>	<b>\$ 96,874</b>	<b>\$ 96,874</b>	<b>\$ -</b>		<b>\$ 105,100</b>	<b>\$ 8,226</b>
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 118,143	\$ 118,143	\$ -		\$ 134,143	\$ 16,000
Office Rent	45,667	45,667	-		59,779	14,113
Office Costs	20,910	20,910	-		33,229	12,319
Professional Services	9,333	9,333	-		19,941	10,608
Computer & Equipment Leases	9,767	9,767	-		12,926	3,160
Miscellaneous	4,000	4,000	-		5,294	1,294
Depreciation	9,333	9,333	-		13,235	3,902
<b>Total Operating Expenses</b>	<b>\$ 217,153</b>	<b>\$ 217,153</b>	<b>\$ -</b>		<b>\$ 278,549</b>	<b>\$ 61,396</b>
<b>Total Direct Expenses</b>	<b>\$ 900,958</b>	<b>\$ 900,958</b>	<b>\$ -</b>		<b>\$ 1,176,558</b>	<b>\$ 275,600</b>
<b>Indirect Expenses</b>	<b>\$ 215,280</b>	<b>\$ 215,280</b>	<b>\$ -</b>		<b>\$ 302,193</b>	<b>\$ 86,913</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ (1,000)</b>
<b>Total Expenses</b>	<b>\$ 1,116,238</b>	<b>\$ 1,116,238</b>	<b>\$ -</b>		<b>\$ 1,478,751</b>	<b>\$ 362,513</b>
<b>Change in Assets</b>	<b>\$ (6,091)</b>	<b>\$ (6,091)</b>	<b>\$ -</b>		<b>\$ (9,415)</b>	<b>\$ (3,324)</b>
<b>Fixed Assets</b>						
Depreciation	\$ (9,333)	(9,333)	\$ -		\$ (13,235)	\$ (3,902)
Computer & Software CapEx	-	-	-		-	-
Furniture & Fixtures CapEx	1,333	1,333	-		1,994	661
Equipment CapEx	2,000	2,000	-		2,726	726
Leasehold Improvements	1,333	1,333	-		1,324	(10)
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 4,667</b>	<b>\$ 4,667</b>	<b>\$ -</b>		<b>\$ 7,191</b>	<b>\$ 2,525</b>
Allocation of Fixed Assets	\$ 1,424	\$ 1,424	\$ -		\$ 2,224	\$ 799
<b>Change in Fixed Assets</b>	<b>6,091</b>	<b>6,091</b>	<b>-</b>		<b>9,415</b>	<b>3,324</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -</b>		<b>\$ (0)</b>	<b>\$ 0</b>

## Administrative Services

<b>Administrative Services</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	6.41	7.42	1.01
Total Direct Expenses	\$2,260,461	\$2,417,543	\$157,082
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Less: Other Funding Sources	\$0	\$0	\$0
Total Allocation to Regional Entity Division Programs as Indirect Expenses	(\$2,260,461)	(\$2,417,543)	(\$157,082)
Working Capital Requirement	\$146,354	\$364,302	\$217,948

### Program Scope and Functional Description

Administrative services support the previously identified five program areas of: Reliability Standards; compliance monitoring and enforcement and organization registration and certification; training, education, and operator certification; Reliability Assessment and performance analysis; and situation awareness and infrastructure security. Administrative services consist of: technical committees and members' forums; general and administrative; legal and regulatory; information technology; and human resources.

### Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs have been allocated proportionately to the direct programs for 2011 based on the number of FTEs in those programs.

---

## Technical Committees and Member Forums

### Program Scope and Functional Description

The success of the NPCC programs depends on the active and direct volunteerism and participation of its members. The stakeholders are the source of expertise in the industry. To promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America, NPCC invites high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior executives within NPCC and NERC to identify and discuss emerging issues related to the reliability of the NPCC Region.

### 2011 Key Assumptions

- NPCC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2011
- NPCC will continue to utilize methods to encourage active involvement in its Regional programs that require less stakeholder travel and face-to-face meetings, as the economy improves in 2011
- NPCC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability

### 2011 Goals and Key Deliverables

The 2011 NPCC General Meeting provides an opportunity for NPCC Members to meet high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior NERC and NPCC executives to discuss topics related to the reliable planning and operation of the power system, including consideration of emerging reliability, critical infrastructure and environmental issues.

### 2011 Public Information Committee Goals and Objectives

The objective of the NPCC Public Information Committee is to highlight and summarize NPCC activities and accomplishments in the past year, disseminate and coordinate the appropriate release of information to the media, respond to related requests for information, and coordinate with related NPCC Area, NERC media and public information activities. Activities anticipated for 2011 include, but are not limited to:

- Conducting the 2011 Media Event – release of the 2011 Summer NPCC Reliability Assessment
- Developing the NPCC 2011 Summer and Winter Reliability Outlooks
- Updating the 2011 NPCC Primer
- Participation in NERC Regional communication initiatives:
  - Monthly Regional communications teleconferences
  - Development of Compliance background information (FAQ) and sample press releases
  - Preparation of NERC Standards background information and outreach to registered entities
  - Coordination of Emergency or Blackout communications plans
  - Coordination with other related NERC groups (i.e., situation awareness, event analysis, Reliability Assessment Subcommittee, etc.)

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- There are no staffing changes anticipated.

## Meeting Expenses

- Decrease in travel expenses due to continued practice of advance bookings, using member facilities, adjustments to class of hotel used, holding meetings at the NPCC offices, and meetings conducted via teleconference.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2011.

## Other Non-Operating Expenses

- The office relocation project concluded.

## Fixed Asset Additions

- In 2010, depreciation expense was under budgeted. Depreciation expense has decreased to reflect the 2011 FTE ratio allocation between program areas.

## Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>						
<b>2010 Budget &amp; Projection, and 2011 Budget</b>						
<b>Member Forums</b>						
				Variance		Variance
	2010	2010	2010 Projection	v 2010 Budget	2011 Budget	v 2010 Budget
	Budget	Projection	Over(Under)	Draft for Approval	Over(Under)	Over(Under)
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 47,208	\$ 47,208	\$ -	\$ 46,772	\$ (436)	
Payroll Taxes	3,004	3,004	-	3,037	34	
Benefits	17,020	17,020	-	16,462	(558)	
Retirement Costs	13,446	13,446	-	11,137	(2,310)	
<b>Total Personnel Expenses</b>	<b>\$ 80,678</b>	<b>\$ 80,678</b>	<b>\$ -</b>	<b>\$ 77,408</b>	<b>\$ (3,270)</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 3,194	\$ 3,194	\$ -	\$ 3,000	\$ (194)	
Travel	22,746	22,746	-	5,000	(17,746)	
Conference Calls	215	215	-	225	10	
<b>Total Meeting Expenses</b>	<b>\$ 26,155</b>	<b>\$ 26,155</b>	<b>\$ -</b>	<b>\$ 8,225</b>	<b>\$ (17,930)</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 2,286	\$ 2,286	\$ -	\$ 2,286	\$ -	
Office Rent	11,417	11,417	-	9,963	(1,453)	
Office Costs	5,228	5,228	-	5,538	311	
Professional Services	2,333	2,333	-	3,324	990	
Computer & Equipment Leases	2,442	2,442	-	2,154	(287)	
Miscellaneous	1,000	1,000	-	882	(118)	
Depreciation	2,333	2,333	-	2,206	(127)	
<b>Total Operating Expenses</b>	<b>\$ 27,038</b>	<b>\$ 27,038</b>	<b>\$ -</b>	<b>\$ 26,353</b>	<b>\$ (685)</b>	
<b>Total Direct Expenses</b>	<b>\$ 134,122</b>	<b>\$ 134,122</b>	<b>\$ -</b>	<b>\$ 111,987</b>	<b>\$ (22,135)</b>	
<b>Indirect Expenses</b>	<b>\$ (134,122.10)</b>	<b>\$ (134,122)</b>	<b>\$ -</b>	<b>\$ (111,987)</b>	<b>\$ 22,135</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ 250</b>	<b>\$ 250</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (250)</b>	
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Fixed Assets</b>						
Depreciation	\$ (2,333)	(2,333)	\$ -	\$ (2,206)	\$ 127	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	333	333	-	332	(1)	
Equipment CapEx	500	500	-	454	(46)	
Leasehold Improvements	333	333	-	221	(113)	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 1,167</b>	<b>\$ 1,167</b>	<b>\$ -</b>	<b>\$ 1,199</b>	<b>\$ 32</b>	
Allocation of Fixed Assets	\$ (1,167)	(1,167)	\$ -	\$ (1,199)	\$ (32)	
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0)</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>	

## General and Administrative

### Program Scope and Functional Description

The NPCC general and administrative function provides executive management of the corporation, management of the NPCC office, and other administrative support programs.

### 2011 Key Assumptions

- Each of the delegated functional areas will evolve with continued emphasis on effective execution, efficiency, transparency, and consistency.
- Increased focus will be placed on facilitating reliability enhancing activities by Regional Entities such as entity distribution of lessons learned for predefined event types and reinforcement of effective compliance cultures.

### 2011 Goals and Key Deliverables

- Implementation and refinement of performance metrics to promote high quality and consistent implementation of delegated functions
- Implementation of continuing improvement activities to enable high quality performance of delegated functions while levelizing resources requirements
- NPCC processes and procedures are fully implemented
- Improvements in member services including ease of activities using NPCC website

### Funding Requirements — Explanation of Increase (Decrease)

In 2011, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment funding in 2011, except for the ERO assessment requirement to fund the working capital reserve.

All indirect general costs, including rent, office supplies, telephone, postage, etc. are being recorded in each program area.



---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- There are no significant changes requiring an explanation.

**Personnel Expenses**

- There are no staffing changes anticipated.

**Meeting Expenses**

- Meeting increase due to increased volume of meetings.

**Operating Expenses**

- There are no significant changes requiring an explanation.

**Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2011.

**Other Non-Operating Expenses**

- The office relocation project concluded.

**Fixed Asset Additions**

- In 2010, depreciation expense was under budgeted. Depreciation expense has decreased to reflect the 2011 FTE ratio allocation between program areas.

## General and Administrative

Funding sources and related expenses for the general and administrative section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
General and Administrative						
				Variance		Variance
	2010	2010	2010 Projection	2010 Projection	2011 Budget	2011 Budget
	Budget	Projection	Over(Under)	v 2010 Budget	Draft for Approval	v 2010 Budget
				Over(Under)		Over(Under)
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 146,354	\$ 146,354	\$ -	\$ 364,302	\$ 217,948	
Penalty Sanctions	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 146,354</b>	<b>\$ 146,354</b>	<b>\$ -</b>	<b>\$ 364,302</b>	<b>\$ 217,948</b>	
Membership Dues	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 146,354</b>	<b>\$ 146,354</b>	<b>\$ -</b>	<b>\$ 364,302</b>	<b>\$ 217,948</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 49,992	\$ 49,992	\$ -	\$ 47,904	\$ (2,088)	
Payroll Taxes	1,619	1,619	-	1,515	(103)	
Benefits	10,750	10,750	-	9,347	(1,403)	
Retirement Costs	14,469	14,469	-	11,491	(2,978)	
<b>Total Personnel Expenses</b>	<b>\$ 76,829</b>	<b>\$ 76,829</b>	<b>\$ -</b>	<b>\$ 70,257</b>	<b>\$ (6,572)</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 871	\$ 871	\$ -	\$ 5,000	\$ 4,129	
Travel	6,206	6,206	-	10,000	3,794	
Conference Calls	147	147	-	2,096	1,948	
<b>Total Meeting Expenses</b>	<b>\$ 7,225</b>	<b>\$ 7,225</b>	<b>\$ -</b>	<b>\$ 17,096</b>	<b>\$ 9,871</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 8,732	\$ 8,732	\$ -	\$ 8,732	\$ -	
Office Rent	43,600	43,600	-	38,296	(5,303)	
Office Costs	19,969	19,969	-	21,288	1,318	
Professional Services	8,913	8,913	-	12,775	3,861	
Computer & Equipment Leases	9,277	9,277	-	8,281	(996)	
Miscellaneous	3,820	3,820	-	3,392	(428)	
Depreciation	8,913	8,913	-	8,479	(434)	
<b>Total Operating Expenses</b>	<b>\$ 103,224</b>	<b>\$ 103,224</b>	<b>\$ -</b>	<b>\$ 101,242</b>	<b>\$ (1,982)</b>	
<b>Total Direct Expenses</b>	<b>\$ 188,232</b>	<b>\$ 188,232</b>	<b>\$ -</b>	<b>\$ 188,594</b>	<b>\$ 362</b>	
<b>Indirect Expenses</b>	<b>\$ (188,232.15)</b>	<b>\$ (188,232)</b>	<b>\$ -</b>	<b>\$ (188,594)</b>	<b>\$ (362)</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ 955</b>	<b>\$ 955</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (955)</b>	
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	
<b>Change in Assets</b>	<b>\$ 146,354</b>	<b>\$ 146,354</b>	<b>\$ -</b>	<b>\$ 364,302</b>	<b>\$ 217,948</b>	
<b>Fixed Assets</b>						
Depreciation	\$ (8,913)	(8,913)	\$ -	\$ (8,479)	\$ 434	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	1,273	1,273	-	1,277	4	
Equipment CapEx	1,910	1,910	-	1,747	(163)	
Leasehold Improvements	1,273	1,273	-	848	(425)	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 4,457</b>	<b>\$ 4,457</b>	<b>\$ -</b>	<b>\$ 4,607</b>	<b>\$ 150</b>	
Allocation of Fixed Assets	\$ (4,457)	(4,457)	\$ -	(4,607)	\$ (150)	
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 146,354</b>	<b>\$ 146,354</b>	<b>\$ -</b>	<b>\$ 364,302</b>	<b>\$ 217,948</b>	

---

## Legal and Regulatory

### Program Scope and Functional Description

NPCC's professional legal services provide counsel to the President and CEO, Board of Directors, Vice President and COO, Treasurer and staff on legal and regulatory matters including corporate law, code of conduct, confidentiality, governance, employment law and other areas affecting NPCC. Outside counsel reviews items filed with governmental agencies for legal sufficiency; maintains relationships with U.S. and Canadian jurisdictions, and provides contract review.

### 2011 Key Assumptions

- The level of detail required in notice of penalties to meet NERC and FERC expectations continues to increase
- The likelihood of a contested compliance action increases, with one to two hearings (ERO-wide) being projected
- NPCC will fund any compliance hearings out of cash reserves

### 2011 Goals and Key Deliverables

- Assure continuing recognition of NPCC as a cross-border Regional Entity
- Obtain regulatory approvals for new and revised Regional Reliability Standards on a timely basis
- Process all appeals of compliance actions in an effective and efficient manner
- Liaison with the appropriate U.S. and Canadian regulatory and/or governmental authorities regarding responses/filings to related governmental and/or regulatory directives/orders
- Liaison with federal, State and Provincial governmental and/or regulatory authorities

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- There are no significant changes requiring an explanation.

**Personnel Expenses**

- There are no staffing changes anticipated.

**Meeting Expenses**

- There are no significant changes requiring an explanation.

**Operating Expenses**

- There are no significant changes requiring an explanation.

**Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2011.

**Other Non-Operating Expenses**

- There are no significant changes requiring an explanation.

**Fixed Asset Additions**

- There are no significant changes requiring an explanation.

## Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2010 Budget & Projection, and 2011 Budget						
Legal and Regulatory						
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget Draft for Approval	Variance 2011 Budget v 2010 Budget Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-	-
<b>Total ERO Funding</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Funding</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-	-
Benefits	-	-	-	-	-	-
Retirement Costs	-	-	-	-	-	-
<b>Total Personnel Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Meeting Expenses</b>						
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-	-
Conference Calls	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Operating Expenses</b>						
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-
Professional Services	456,833	456,833	-	462,086	5,253	
Computer & Equipment Leases	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
<b>Total Operating Expenses</b>	\$ 456,833	\$ 456,833	\$ -	\$ 462,086	\$ 5,253	
<b>Total Direct Expenses</b>	\$ 456,833	\$ 456,833	\$ -	\$ 462,086	\$ 5,253	
<b>Indirect Expenses</b>	\$ (456,833.33)	\$ (456,833)	\$ -	\$ (462,086)	\$ (5,253)	
<b>Other Non-Operating Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Total Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Change in Assets</b>	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Fixed Assets</b>						
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	-	-	-	-	-	-
<b>TOTAL CHANGE IN ASSETS</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## Information Technology

### Program Scope and Functional Description

NPCC's Information Technology services ensure information assets and the environment in which they operate are secure. NPCC maintains an offsite backup server for continuity of essential operations in the event that its primary location is unavailable.

### 2011 Key Assumptions

- Continue to develop and maintain the portal through collaboration with other Regions and NERC (CUG).

### 2011 Goals and Key Deliverables

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

- Create an information security program aimed at reducing breach of security risks
- Determine long-term software and systems needs and hardware acquisitions
- Develop and implement information security standards and procedures
- Ensure all information systems are functional and secure, and that all applications running on those systems meet business requirements for performance, availability, and security
- Plan and implement organization-wide information systems, services, and network facilities, including local area networks, wide-area networks, and peripheral systems

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- There are no significant changes requiring an explanation.

**Personnel Expenses**

- One additional IT person will be added to staff in 2011. As compliance and associated audits, data, and information continue to grow, so will the need to properly store, archive, and ensure the security of such information. Architecture improvements will be required to properly position NPCC for upcoming FERC audits of the IT department. This additional hire will also help address additional security needs in the area of the CIP standards and their proposed requirements as planned for 2011. Increased efforts will be required to ensure compliance with the developing Version 4 Phase II CIP standards and develop and implement a strategy to deal with increasing needs to protect, store, and transmit sensitive and CEII data will be necessary.

**Meeting Expenses**

- Decrease in meeting expenses due to a continued effort to keep costs down by holding more meetings via teleconference, at member facilities, as well as lower meeting space rental rates through negotiations. Decrease in Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, holding meetings at the NPCC offices, and meetings conducted via teleconference. Consequently, there is an increase in conference calls.

**Operating Expenses**

- Increase associated with proportional application of additional staff.

**Indirect Expenses**

- Indirect expenses are allocated based on FTEs. Therefore, expenses related to indirect programs are due to the addition of one FTE.

**Other Non-Operating Expenses**

- The office relocation project concluded.

**Fixed Asset Additions**

- In 2010, depreciation expense was under budgeted. Depreciation expense has increased to reflect the 2011 FTE ratio allocation between program areas.

## Information Technology

Funding sources and related expenses for the information technology section of the 2011 business plan are shown in the table below.

<b>Statement of Activities</b>						
<b>2010 Budget &amp; Projection, and 2011 Budget</b>						
<b>Information Technology</b>						
				Variance		Variance
	2010	2010	2010 Projection	v 2010 Budget	2011 Budget	2011 Budget
	Budget	Projection	v 2010 Budget	Over(Under)	Draft for Approval	v 2010 Budget
						Over(Under)
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 307,758	\$ 307,758	\$ -	\$ 475,858	\$ 168,100	
Payroll Taxes	19,673	19,673	-	29,962	10,288	
Benefits	89,491	89,491	-	126,109	36,617	
Retirement Costs	85,894	85,894	-	91,938	6,044	
<b>Total Personnel Expenses</b>	<b>\$ 502,816</b>	<b>\$ 502,816</b>	<b>\$ -</b>	<b>\$ 723,867</b>	<b>\$ 221,050</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 12,777	\$ 12,777	\$ -	\$ 2,000	\$ (10,777)	
Travel	90,985	90,985	-	30,000	(60,985)	
Conference Calls	860	860	-	5,100	4,240	
<b>Total Meeting Expenses</b>	<b>\$ 104,622</b>	<b>\$ 104,622</b>	<b>\$ -</b>	<b>\$ 37,100</b>	<b>\$ (67,522)</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 9,143	\$ 9,143	\$ -	\$ 9,143	\$ -	
Office Rent	45,667	45,667	-	59,779	14,113	
Office Costs	20,910	20,910	-	33,229	12,319	
Professional Services	9,333	9,333	-	19,941	10,608	
Computer & Equipment Leases	9,767	9,767	-	12,926	3,160	
Miscellaneous	4,000	4,000	-	5,294	1,294	
Depreciation	9,333	9,333	-	13,235	3,902	
<b>Total Operating Expenses</b>	<b>\$ 108,153</b>	<b>\$ 108,153</b>	<b>\$ -</b>	<b>\$ 153,549</b>	<b>\$ 45,396</b>	
<b>Total Direct Expenses</b>	<b>\$ 716,591</b>	<b>\$ 716,591</b>	<b>\$ -</b>	<b>\$ 914,516</b>	<b>\$ 197,924</b>	
<b>Indirect Expenses</b>	<b>\$ (716,591.31)</b>	<b>\$ (716,591)</b>	<b>\$ -</b>	<b>\$ (914,516)</b>	<b>\$ (197,924)</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,000)</b>	
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Fixed Assets</b>						
Depreciation	\$ (9,333)	(9,333)	\$ -	\$ (13,235)	\$ (3,902)	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	1,333	1,333	-	1,994	661	
Equipment CapEx	2,000	2,000	-	2,726	726	
Leasehold Improvements	1,333	1,333	-	1,324	(10)	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 4,667</b>	<b>\$ 4,667</b>	<b>\$ -</b>	<b>\$ 7,191</b>	<b>\$ 2,525</b>	
Allocation of Fixed Assets	\$ (4,667)	(4,667)	\$ -	\$ (7,191)	\$ (2,525)	
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	



## Human Resources

### Program Scope and Functional Description

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

### 2011 Key Assumptions

- In light of employee voluntary turnover in 2010, a merit package assumption of 3% is reflected in the salaries of all program areas.
- Staff waiving health insurance coverage will continue to do so - approximately one third of staffing in all program areas wave coverage to maintain superior coverage from prior employers

### 2011 Goals and Key Deliverables

- Recruit exceptional employees
- Review employee compensation and benefits
- Provide management and training programs
- Improve human resource policies and procedures
- Maintain employee manual

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- There are no staffing changes anticipated.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2011.

## Other Non-Operating Expenses

- The office relocation project concluded.

## Fixed Asset Additions

- In 2010, depreciation expense was under budgeted. Depreciation expense has decreased to reflect the 2011 FTE ratio allocation between program areas.

## Human Resources

Funding sources and related expenses for the human resources section of the 2011 business plan are shown in the table below.

Statement of Activities						
2010 Budget & Projection, and 2011 Budget						
Human Resources						
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget Draft for Approval	Variance 2011 Budget v 2010 Budget Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 118,109	\$ 118,109	\$ -	\$ 117,006	\$ (1,103)	
Payroll Taxes	7,866	7,866	-	7,999	134	
Benefits	38,344	38,344	-	37,276	(1,068)	
Retirement Costs	33,599	33,599	-	27,839	(5,761)	
<b>Total Personnel Expenses</b>	<b>\$ 197,918</b>	<b>\$ 197,918</b>	<b>\$ -</b>	<b>\$ 190,120</b>	<b>\$ (7,798)</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 6,389	\$ 6,389	\$ -	\$ 4,000	\$ (2,389)	
Travel	45,493	45,493	-	45,000	(493)	
Conference Calls	430	430	-	1,050	620	
<b>Total Meeting Expenses</b>	<b>\$ 52,311</b>	<b>\$ 52,311</b>	<b>\$ -</b>	<b>\$ 50,050</b>	<b>\$ (2,261)</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 4,572	\$ 4,572	\$ -	\$ 4,572	\$ -	
Office Rent	22,833	22,833	-	19,926	(2,907)	
Office Costs	10,455	10,455	-	11,076	621	
Professional Services	4,667	4,667	-	6,647	1,980	
Computer & Equipment Leases	4,883	4,883	-	4,309	(575)	
Miscellaneous	2,000	2,000	-	1,765	(235)	
Depreciation	4,667	4,667	-	4,412	(255)	
<b>Total Operating Expenses</b>	<b>\$ 54,077</b>	<b>\$ 54,077</b>	<b>\$ -</b>	<b>\$ 52,707</b>	<b>\$ (1,370)</b>	
<b>Total Direct Expenses</b>	<b>\$ 304,805</b>	<b>\$ 304,805</b>	<b>\$ -</b>	<b>\$ 292,877</b>	<b>\$ (11,928)</b>	
<b>Indirect Expenses</b>	<b>\$ (304,805.16)</b>	<b>\$ (304,805)</b>	<b>\$ -</b>	<b>\$ (292,877)</b>	<b>\$ 11,928</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (500)</b>	
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>	
<b>Fixed Assets</b>						
Depreciation	\$ (4,667)	(4,667)	\$ -	\$ (4,412)	\$ 255	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	667	667	-	665	(2)	
Equipment CapEx	1,000	1,000	-	909	(91)	
Leasehold Improvements	667	667	-	441	(225)	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 2,333</b>	<b>\$ 2,333</b>	<b>\$ -</b>	<b>\$ 2,397</b>	<b>\$ 64</b>	
Allocation of Fixed Assets	\$ (2,333)	(2,333)	\$ -	\$ (2,397)	\$ (64)	
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0)</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>	

## Finance and Accounting

### Program Scope and Functional Description

The accounting and finance function directs the overall financial plans and accounting practices of the organization; oversees treasury, accounting, budget, tax, and audit activities; and oversees financial and accounting system controls and standards. NPCC uses a CPA firm to prepare its unaudited statements of activities and financial statements for quarterly reviews. Independent audits have identified this system as good practice.

### 2011 Key Assumptions

- Maintain or reduce meeting costs
- Accomplish NPCC goals and stay within budget parameters

### 2011 Goals and Key Deliverables

The objectives are to provide or obtain the financial and accounting services for NPCC and coordinate with NERC requirements:

- Utilize the NERC System of Accounts for consistency
- Utilize an accrual method of accounting for consistency with NERC in methodology
- Cash Management
- Budget Development using the NERC budget template formats
- Forecasts and Projections
- Alignment of NPCC Committees, Task Forces and Working Groups with the program areas
- Payroll and expense administration
- Preparation of unaudited Quarterly Financial Statements
- IRS Reporting
- Annual Independent Audit initiated by the Regional Entity
- NERC Audit

---

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- There are no significant changes requiring an explanation.

**Personnel Expenses**

- Increase due to staff electing into different tier medical coverage options.

**Meeting Expenses**

- Decrease in meeting expenses due to a continued effort to keep costs down by holding more meetings via teleconference, at member facilities, as well as lower meeting space rental rates negotiations. Decrease in travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, holding meetings at the NPCC offices, and meetings conducted via teleconference. Consequently, there is an increase in conference calls.

**Operating Expenses**

- There are no significant changes requiring an explanation.

**Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2011.

**Other Non-Operating Expenses**

- The office relocation project concluded.

**Fixed Asset Additions**

- In 2010, depreciation expense was under budgeted. Depreciation expense has decreased to reflect the 2011 FTE ratio allocation between program areas.

## Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2011 business plan are shown in the table below.

<b>Statement of Activities</b>						
<b>2010 Budget &amp; Projection, and 2011 Budget</b>						
<b>Accounting and Finance</b>						
				Variance		Variance
	2010	2010	2010 Projection	v 2010 Budget	2011 Budget	v 2010 Budget
	Budget	Projection	Over(Under)	Draft for Approval	Over(Under)	Over(Under)
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 101,218	\$ 101,218	\$ -	\$ 107,754	\$ 6,536	
Payroll Taxes	6,642	6,642	-	6,940	297	
Benefits	20,506	20,506	-	32,752	12,247	
Retirement Costs	14,460	14,460	-	13,479	(981)	
<b>Total Personnel Expenses</b>	<b>\$ 142,826</b>	<b>\$ 142,826</b>	<b>\$ -</b>	<b>\$ 160,925</b>	<b>\$ 18,099</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 6,389	\$ 6,389	\$ -	\$ 1,000	\$ (5,389)	
Travel	45,493	45,493	-	5,000	(40,493)	
Conference Calls	430	430	-	6,050	5,620	
<b>Total Meeting Expenses</b>	<b>\$ 52,311</b>	<b>\$ 52,311</b>	<b>\$ -</b>	<b>\$ 12,050</b>	<b>\$ (40,261)</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 4,572	\$ 4,572	\$ -	\$ 4,572	\$ -	
Office Rent	22,833	22,833	-	19,926	(2,907)	
Office Costs	10,455	10,455	-	11,076	621	
Professional Services	214,810	214,810	-	228,449	13,639	
Computer & Equipment Leases	4,883	4,883	-	4,309	(575)	
Miscellaneous	2,000	2,000	-	1,765	(235)	
Depreciation	4,667	4,667	-	4,412	(255)	
<b>Total Operating Expenses</b>	<b>\$ 264,220</b>	<b>\$ 264,220</b>	<b>\$ -</b>	<b>\$ 274,508</b>	<b>\$ 10,288</b>	
<b>Total Direct Expenses</b>	<b>\$ 459,857</b>	<b>\$ 459,857</b>	<b>\$ -</b>	<b>\$ 447,483</b>	<b>\$ (12,374)</b>	
<b>Indirect Expenses</b>	<b>\$ (459,856.71)</b>	<b>\$ (459,857)</b>	<b>\$ -</b>	<b>\$ (447,483)</b>	<b>\$ 12,374</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (500)</b>	
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>	
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	
<b>Fixed Assets</b>						
Depreciation	\$ (4,667)	(4,667)	\$ -	\$ (4,412)	\$ 255	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	667	667	-	665	(2)	
Equipment CapEx	1,000	1,000	-	909	(91)	
Leasehold Improvements	667	667	-	441	(225)	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 2,333</b>	<b>\$ 2,333</b>	<b>\$ -</b>	<b>\$ 2,397</b>	<b>\$ 64</b>	
Allocation of Fixed Assets	\$ (2,333)	(2,333)	\$ -	\$ (2,397)	\$ (64)	
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0)</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	

## Regional Entity Assessment Analysis

In the area of assessments for 2011 there are distinct funding mechanisms as outlined in the following table. For the regional entity division, the North American Electric Reliability Corporation (NERC) will assess load serving entities (LSEs) or their designees (within NPCC the designees are the Balancing Authority Areas (BAAs) for New York, New England, New Brunswick, Nova Scotia, Ontario and Québec) based upon 2009 proportional Net Energy for Load (NEL) and other specific program area funding arrangements and make quarterly remittances to the Regional Entity on or about the 15th day of January, April, July and October, 2011. For funding associated with the criteria services division, the Independent System Operators/Balancing Authority Areas (ISO/BAAs) will be assessed by NPCC for their proportional share of the divisional budget based upon 2009 NEL within the Region. Non ISO/BAA Full Members will be assessed no membership fee for 2011.

### NPCC Cost Allocation Methodology

The accompanying table provides information regarding cost allocation for both the regional entity division and the criteria services divisions of NPCC, including the details associated with the funding of the Compliance Program within the RE division. For purposes of determining assessments to support NPCC's resource requirements, costs are allocated among the BAAs within NPCC as the designees for the load-serving-entities in New York, New England, Ontario, Québec, New Brunswick and Nova Scotia (Column A-1).

In order to reflect and respect the international membership and nature of NPCC, the compliance responsibilities and authorities within the U.S., and the specific compliance responsibilities within each of the Canadian provinces within NPCC, the attendant costs of portions of the compliance program differ among the areas within the Regional Entity. Within the U.S. portion of NPCC all costs attributable to delegated (statutory) functions performed by NPCC, including all compliance functions, are assessed based on a NEL allocation. Within the Canadian portion of NPCC those costs attributable to compliance functions performed by NPCC on behalf of provincial governmental and/or regulatory authorities are allocated consistent with the unique Memoranda of Understanding or Agreements that have been entered into for those provinces. To address these different compliance regimes, NPCC developed a composite cost allocation methodology that allocates compliance costs on a fair and equitable basis within the Regional Entity.

As an initial step of that methodology, the NEL for each of the BAAs and their relative percentage to the NPCC total NEL is calculated for the most recent year for which data is available, the second previous year (Columns B-1 and C-1, respectively). In order to establish the RE division funding requirements for each balancing authority area on a NEL basis for all programs except for compliance (Column F-1), the proposed expenses and fixed assets of all other programs are calculated (Column D-1) and the adjustment for the RE division cash reserve requirement is identified (Column E-1). Any penalty monies received from NPCC registered entities within the U.S. prior to June 30<sup>th</sup> of the year preceding the business plan and budget year are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs (Columns B-1a., C-1a. and G-1, respectively). Consistent with each of the Canadian provincial MOUs and agreements, all penalty monies resulting from compliance actions within Canada, if any, would remain within the applicable province. The total budgeted fees for NPCC workshop participation are indicated as a credit

(Column H-1), with the resultant addition being the RE division assessment, without the compliance program costs, calculated on a NEL basis (Column I-1).

In accordance with the *NPCC Amended and Restated Bylaws* the CS division proposed expenses and fixed assets of all programs are calculated (Column J-1) and the adjustment for the CS division cash reserve requirement is identified (Column K-1), with the resultant addition being the CS division funding requirement and assessment, calculated on a NEL basis (Column L-1).

For costs associated with the RE division compliance program, NPCC's allocation methodology allocates 55% of the direct and indirect costs for the program, excluding the costs for a U.S.-only compliance staff position, between the BAAs in the United States and Canada on a NEL basis (Column B-2). The complete direct and indirect costs, including travel and meeting expenses, for a RE division compliance staff position to address TFE evaluations and the CIP Reliability Standards applicable to nuclear units within the United States are identified on a NEL basis (Column C-2).

The remaining 45% of the costs of the compliance program are apportioned between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an audit-based methodology (Columns D-2a., D-2c., and E-2b., respectively). The audit-based methodology incorporates relative costs based on categories of compliance audits which are reflective of their size and complexity, as well as the differing compliance program implementation models that are utilized in NPCC due to the international nature of the Regional Entity. As an example, the provincial governments of both Ontario and New Brunswick have designated independent entities within their provinces, the IESO and the NBSO respectively, to perform compliance and enforcement activities on their internal market participants, which therefore exclude those provinces from assessment of the remaining 45% of NPCC's compliance costs. The portion of the remaining 45% allocated to the U.S. portion of NPCC is calculated using the audit-based methodology, and this amount is then re-allocated between the New York and New England BAAs based on their relative NEL (Columns D-2b. and E-2a.).

Any penalty monies received from NPCC registered entities within the U.S. prior to June 30th of the year preceding the business plan and budget year are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs, and then added to the total compliance program expenses and fixed assets to yield a total compliance program assessment (Columns C-1a., G-2, F-2 and H-2, respectively).

Finally, the total RE division funding requirements and assessments by BAA are tabulated and the total funding requirements and assessments for NPCC, both the RE and CS divisions, are combined (Columns I-2 and J-2, and K-2 and L-2, respectively).



**Section B — Supplemental Financial Information**



**NPCC 2011 Regional Entity (RE)  
and Criteria Services (CS) Divisional Funding Information  
Compliance Allocation: CORC Direct and Indirect**

At their July 7, 2010 meeting, the NPCC Board of Directors approved a 2011 Budget for the RE Division of \$13,081,110, which includes total CORC program costs of \$7,378,977.

A-1	B-1	B-1a.	C-1	C-1a.	D-1	E-1	F-1	G-1	H-1	I-1	J-1	K-1	L-1
NPCC Balancing Authorities (LSE Designees)	2009 Net Energy (MWh)	2009 NPCC US NEL (MWh)	2009 NEL % of NPCC Total	2009 NEL % of NPCC U.S.	2011 <sup>1</sup> NPCC RE Division Expenses & Fixed Assets Minus CORC Program	Adjustment to RE Division Cash Reserve Requirement	2011 <sup>1</sup> NPCC RE Division Funding Requirement Minus CORC Program	Penalty Monies Applied to RE Division Minus CORC Program	Budgeted Workshop Fees	2011 <sup>1</sup> NPCC RE Division Assessment Minus CORC Program (F-1 plus G-1 plus H-1)	2011 NPCC CS Division Expenses & Fixed Assets	2011 Adjustment to CS Division Cash Reserve Requirement	2011 NPCC CS Division Funding Requirement & Member Fees (J-1 plus K-1)
New England	131,330,000	131,330,000	20.14112%	44.38354%	1,075,099	73,374	1,148,474	-57,051	-24,169	1,067,253	204,290	-133,876	70,414
New York	164,568,000	164,568,000	25.23859%	55.61646%	1,347,194	91,945	1,439,138	-71,490	-30,286	1,337,362	255,993	-167,759	88,234
Ontario	143,334,000		21.98209%		1,173,367	80,081	1,253,448	0	-26,379	1,227,070	222,962	-146,113	76,849
Québec	186,617,000		28.62009%		1,527,692	104,263	1,631,956	0	-34,344	1,597,612	290,291	-190,235	100,056
New Brunswick	14,153,000		2.17054%		115,860	7,907	123,767	0	-2,605	121,163	22,016	-14,427	7,588
Nova Scotia	12,047,000		1.84756%		98,620	6,731	105,350	0	-2,217	103,133	18,740	-12,281	6,459
<b>Total</b>	<b>652,049,000</b>	<b>295,898,000</b>	<b>100.00000%</b>	<b>100.00000%</b>	<b>\$5,337,832</b>	<b>\$364,302</b>	<b>\$5,702,133</b>	<b>-\$128,542</b>	<b>-\$120,000</b>	<b>\$5,453,592</b>	<b>\$1,014,291</b>	<b>-\$664,691</b>	<b>\$349,600</b>

**2011 CORC**

A-2 Balancing Authorities (LSE Designees)	B-2 2011 <sup>2</sup> NEL Based 55% CORC Program Excluding US-Only Staff	C-2 2011 <sup>2</sup> NEL Based CORC Program US-Only Staff	D-2 2011 <sup>3</sup> Allocation Methodology			E-2 2011 <sup>4</sup> 45% CORC Program		F-2 2011 Total CORC Program Expenses & Fixed Assets	G-2 Penalty Monies Applied to CORC Program	H-2 2011 Total CORC Program Assessment (F-2 plus G-2)	I-2 2011 RE Division Total Funding Requirement (F-1 plus F-2)	J-2 2011 RE Division Total Assessment (I-1 plus H-2)	K-2 2011 Total Funding Requirement (L-1 plus I-2)	L-2 2011 NPCC Total Assessment & Member Fees (L-1 plus J-2)		
			a			b									a	b
			Total NPCC Audit Based	U.S. NEL Based	Canada Audit Based	U.S. NEL Based	Canada Audit Based								U.S. NEL Based	Canada Audit Based
New England	775,074	169,641	61.49537%	42.83961%		1,348,823	2,293,539	-79,872	2,213,667	3,442,013	3,280,920	3,512,426	3,351,333			
New York	971,236	212,575	35.19510%	53.85085%		1,695,517	2,879,328	-100,086	2,779,242	4,318,467	4,116,603	4,406,701	4,204,838			
Ontario	845,919	0	0.00000%		0.00000%		845,919	0	845,919	2,099,367	2,072,988	2,176,216	2,149,838			
Québec	1,101,363	0	2.37321%		2.37321%		1,176,085	0	1,176,085	2,808,041	2,773,697	2,908,097	2,873,753			
New Brunswick	83,527	0	0.00000%		0.00000%		83,527	0	83,527	207,294	204,690	214,883	212,278			
Nova Scotia	71,098	0	0.93632%		0.93632%		100,579	0	100,579	205,929	203,712	212,388	210,171			
<b>Total</b>	<b>\$3,848,218</b>	<b>\$382,216</b>	<b>100.00000%</b>	<b>96.69046%*</b>	<b>3.30954%*</b>	<b>\$3,044,340</b>	<b>\$104,202</b>	<b>\$7,378,977</b>	<b>-\$179,958</b>	<b>\$7,199,018</b>	<b>\$13,081,110</b>	<b>\$12,652,610</b>	<b>\$13,430,711</b>	<b>\$13,002,211</b>		

\* Portions of the remaining 45% attributable to U.S. and Canadian NPCC. The Canadian costs are allocated utilizing the audit based methodology. The portion of the 96.69046% attributable to U.S. NPCC is allocated between the New York and New England balancing authority areas based on their respective net energy for load (NEL) as shown in Columns B-1a. and C-1a. The ratios in C-1a. are applied to the 96.69046% of U.S. audit costs to obtain the percentages (Column D-2 b) which are then applied to the 45% of CORC costs.

<sup>1</sup> Consistent with NERC's Policy on Allocation of Certain Compliance and Enforcement Costs, the NPCC Board approved Allocation Methodologies for Certain NPCC Compliance Program Area Costs Assessed to Non-U.S. Entities.

<sup>2</sup> Regional NEL based funding represents 55% of CORC Program, while 45% of CORC Program totaling \$3,148,542 is allocated using an audit based methodology for Canadian Balancing Authorities and an NEL based methodology for US Balancing Authorities for 2011.

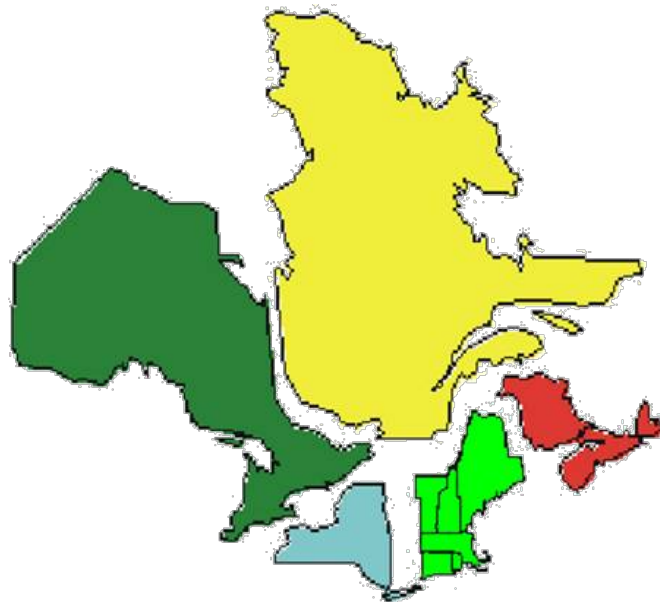
<sup>3</sup> Audit based allocation uses Compliance Registry Data registrants as of May 1, 2010.

<sup>4</sup> Allocation adjustment of \$692,115 and \$63,340 identified as NPCC CORC costs duplicative of Ontario and New Brunswick Compliance and Enforcement Programs, respectively.

---

## Section B – Supplemental Financial Information 2011 Business Plan and Budget

---



## Section B — Supplemental Financial Information

### Reserve Balance

#### Table B-1 – Reserve Balance

<b>Working Capital Reserve Analysis 2010-2011</b>	
<b>REGIONAL ENTITY DIVISION</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2009</b>	2,668,547
Plus: 2010 ERO Funding (from LSEs or designees)	11,500,439
Plus: 2010 Other funding sources	0
Less: 2010 Projected expenses & capital expenditures	<b>(11,354,085)</b>
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<b>2,814,901</b>
<b>Desired Working Capital Reserve, December 31, 2011</b> <sup>1</sup>	3,179,202
(25% of Total Regional Entity Budget of \$12,716,809)	
Less: Projected Working Capital Reserve, December 31, 2010	<b>(2,814,901)</b>
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>364,302</b>
2011 Expenses and Capital Expenditures	12,716,809
Less: Penalty Sanctions <sup>2</sup>	<b>(308,500)</b>
Less: Other Funding Sources	<b>(120,000)</b>
Adjustment to achieve desired Working Capital Reserve	364,302
<b>2011 Assessment</b>	<b>12,652,610</b>
<sup>1</sup> On July 7, 2010, the NPCC Board of Directors approved a desired working capital reserve level of 25%, or \$3,179,902.	
<sup>2</sup> Represents collections prior to June 30, 2010.	

### Explanation of Changes in Reserve Policy from Prior Years

NPCC departed from the 25% reserve level maintained over much of its history and lowered reserves to the 20% level due to what was expected to be greater predictability in services provided. With expanded work expectation there is substantial risk with regard to unfunded emerging mandates following business plan approval. Prudent planning includes increasing reserves from 20% - 25% to enable NPCC to meet potential future approved but unfunded 2011 activities.

### Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the regional entity division Statement of Activities on page 17 of the 2011 Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

#### Penalty Sanctions

Penalty monies received prior to June 30, 2010 are to be used to offset assessments in the 2011 Budget, as documented in the NERC Policy – accounting, financial statement, and budgetary treatment of penalties imposed and received for violations of Reliability Standard. Penalty monies received from July 1, 2010 through June 30, 2011 will be used to offset assessments in the 2012 Budget.

All penalties received prior to June 30, 2010 are detailed below, including date received and, the penalty amount.

Allocation Method: Penalty sanctions received have been allocated to the following regional entity division programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-2 – Penalty Sanctions**

<b>Penalty Sanctions Received Prior to June 30, 2010</b>	<b>Date Received</b>	<b>Amount Received</b>
Penalty Payment 1	12/17/2009	\$ 10,000.00
Penalty Payment 2	12/23/2009	\$ 30,000.00
Penalty Payment 3	3/19/2010	\$ 250,000.00
Penalty Payment 4	4/20/2010	\$ 2,500.00
Penalty Payment 5	4/20/2010	\$ 2,500.00
Penalty Payment 6	6/9/2010	\$ 9,500.00
Penalty Payment 7	6/9/2010	\$ 2,000.00
Penalty Payment 8	6/9/2010	\$ 2,000.00
<b>Total Penalties Received</b>		<b>\$ 308,500.00</b>

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget
<b>Reliability Standards</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Workshops	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Reliability Assessment and Performance Analysis</b>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Training and Education</b>				
Workshops	\$ -	\$ -	\$ 120,000	\$ 120,000
<b>Total</b>	\$ -	\$ -	\$ 120,000	\$ 120,000
<b>Situation Awareness and Infrastructure Security</b>				
Federal Grants	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Technical Committees and Member Forums</b>				
	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>General and Administrative</b>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Total Outside Funding</b>	\$ -	\$ -	\$ 120,000	\$ 120,000

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- NPCC is moving to the practice of charging a participant fee of \$200 per workshop to be consistent with other Regional Entities. NPCC assumed no interest income because of low market interest rates.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Salaries</b>					
Salary	\$ 4,299,770	\$ 4,299,770	\$ 5,018,103	\$ 718,333	16.7%
Employment Agency Fees	10,964	10,964	27,725	16,761	152.9%
Temporary Office Services	9,137	9,137	9,242	105	1.1%
<b>Total Salaries</b>	<b>4,319,870</b>	<b>4,319,870</b>	<b>5,055,070</b>	<b>735,199</b>	<b>17.0%</b>
<b>Total Payroll Taxes</b>	<b>246,223</b>	<b>246,223</b>	<b>291,508</b>	<b>45,284</b>	<b>18.4%</b>
<b>Benefits</b>					
Education Reimbursement	\$ 18,273	\$ 18,273	\$ 9,519	\$ (8,754)	-47.9%
Medical Insurance	720,442	720,442	702,468	(17,974)	-2.5%
Life-LTD-STD Insurance	36,196	36,196	45,787	9,591	26.5%
Worker's Compensation	13,996	13,996	14,156	161	1.1%
Vacation	288,547	288,547	362,988	74,441	25.8%
Relocation	-	-	-	-	-
<b>Total Benefits</b>	<b>1,077,454</b>	<b>1,077,454</b>	<b>1,134,918</b>	<b>57,464</b>	<b>5.3%</b>
<b>Retirement</b>					
Pension Contribution	\$ 540,473	\$ 540,473	\$ 485,190	\$ (55,283)	-10.2%
Employee Savings Plan	229,186	229,186	306,493	77,307	33.7%
Savings Admin	11,329	11,329	8,824	(2,505)	-22.1%
Deferred Compensation	25,126	25,126	24,794	(332)	-1.3%
<b>Total Retirement</b>	<b>806,115</b>	<b>806,115</b>	<b>825,301</b>	<b>19,187</b>	<b>2.4%</b>
<b>Total Personnel Costs</b>	<b>\$ 6,449,662</b>	<b>\$ 6,449,662</b>	<b>\$ 7,306,797</b>	<b>\$ 857,135</b>	<b>13.3%</b>
<b>FTEs</b>	<b>27.41</b>	<b>27.41</b>	<b>31.42</b>	<b>4.0</b>	<b>14.6%</b>
<b>Cost per FTE</b>					
Salaries	\$ 157,602	\$ 157,602	\$ 160,877	3,275	2.1%
Payroll Taxes	8,983	8,983	9,277	294	3.3%
Benefits	39,309	39,309	36,119	(3,190)	-8.1%
Retirement	29,410	29,410	26,265	(3,144)	-10.7%
<b>Total Cost per FTE</b>	<b>\$ 235,303</b>	<b>\$ 235,303</b>	<b>\$ 232,539</b>	<b>\$ (2,765)</b>	<b>-1.2%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- The increases in Salaries, Payroll Taxes, all insurances except Medical, and Employee Savings Plan are due primarily to the addition of 4.0 FTEs. NPCC has assumed an overall general wage increase of 3% and has funded at risk (variable incentives) compensation at less than 100%.
- The increase in Employment Agency Fee is due to recruiting efforts.
- The decrease in Education Reimbursement is due to fewer staff pursuing advanced degrees
- Assets in the retirement trust have performed better than the prior period such that the required funding is anticipated to be lower. Should NPCC's retirement trust experience poor performance, a supplement could be required.
- New hires are hired with vacation consistent with past tenure.

Table B-5 – Consultants and Contracts

Consultants	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ 2,000	\$ 2,000	\$ 2,000	\$ -	0.0%
Compliance Enforcement and Organization Registration and Certification	107,000	107,000	107,000	-	0.0%
Reliability Assessment and Performance Analysis	24,100	24,100	52,000	27,900	115.8%
Training and Education	100	100	100	-	0.0%
Situation Awareness and Infrastructure Security	2,000	2,000	2,000	-	0.0%
Member Forums	500	500	500	-	0.0%
General and Administrative	1,910	1,910	1,910	-	0.0%
Legal and Regulatory	-	-	-	-	-
Information Technology	2,000	2,000	2,000	-	0.0%
Accounting and Finance	1,000	1,000	1,000	-	0.0%
Human Resources	1,000	1,000	1,000	-	0.0%
<b>Consultants Total</b>	<b>\$ 141,610</b>	<b>\$ 141,610</b>	<b>\$ 169,510</b>	<b>\$ 27,900</b>	<b>19.7%</b>
Contracts	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Reliability Standards	\$ 33,143	\$ 33,143	\$ 33,143	\$ -	0.0%
Compliance Enforcement and Organization Registration and Certification	1,100,000	1,100,000	1,597,000	497,000	45.2%
Reliability Assessment and Performance Analysis	372,177	372,177	300,000	(72,177)	-19.4%
Training and Education	357	357	357	(0)	0.0%
Situation Awareness and Infrastructure Security	116,143	116,143	132,143	16,000	13.8%
Member Forums	1,786	1,786	1,786	-	0.0%
General and Administrative	6,822	6,822	6,822	-	0.0%
Legal and Regulatory	-	-	-	-	-
Information Technology	7,143	7,143	7,143	-	0.0%
Accounting and Finance	3,572	3,572	3,572	-	0.0%
Human Resources	3,572	3,572	3,572	-	0.0%
<b>Contracts Total</b>	<b>\$ 1,644,714</b>	<b>\$ 1,644,714</b>	<b>\$ 2,085,537</b>	<b>\$ 440,823</b>	<b>26.8%</b>
<b>Total Consultants and Contracts</b>	<b>\$ 1,786,324</b>	<b>\$ 1,786,324</b>	<b>\$ 2,255,047</b>	<b>\$ 468,723</b>	<b>26.2%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- Based on the 2010 complement of RAPA full time staff, NPCC expects to meet the proposed additional work as outlined in this business plan by utilizing an increased reliance on outside subject matter expert consultant services throughout 2011, as needed.
- Increase in Compliance Contractors due to expanded quantity, complexity and scope of audits.
- Reliability Assessment and Performance Analysis Contractor costs decreasing due to negotiated lower rates.
- Situation Awareness and Infrastructure Security Contractor costs are increasing due to assisted automation of the weekly conference call.

Table B-6 – Office Rent

Office Rent	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Office Rent	\$ 575,610	\$ 575,610	\$ 582,229	\$ 6,619	1.1%
Utilities	27,400	27,400	23,104	(4,295)	-15.7%
Maintenance	18,273	18,273	18,483	210	1.1%
Security	4,567	4,567	2,310	(2,256)	-49.4%
<b>Total Office Rent</b>	<b>\$ 625,850</b>	<b>\$ 625,850</b>	<b>\$ 626,127</b>	<b>\$ 277</b>	<b>0.0%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- Decrease in utilities due to lower utility rates as a result of direct metering associated with new lease.
- Security system was fully implemented in 2010 for entire staff. 2011 security costs are associated with new hires only.



Table B-7 – Office Costs

Office Costs	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Telephone	\$ 68,687	\$ 68,687	\$ 138,626	\$ 69,939	101.8%
Internet Expense	55,556	55,556	32,346	(23,209)	-41.8%
Office Supplies	24,242	24,242	25,877	1,634	6.7%
Computer Supplies and Maintenance	35,354	35,354	36,967	1,613	4.6%
Subscriptions & Publications	5,051	5,051	6,469	1,419	28.1%
Dues	7,071	7,071	3,697	(3,374)	-47.7%
Postage	2,525	2,525	1,479	(1,047)	-41.4%
Express Shipping	9,091	9,091	6,469	(2,622)	-28.8%
Copying	3,030	3,030	1,848	(1,182)	-39.0%
Reports	6,061	6,061	5,545	(516)	-8.5%
Stationary and Office Forms	6,061	6,061	5,545	(516)	-8.5%
Equipment Repair/Service Contracts	18,200	18,200	41,588	23,388	128.5%
Bank Charges	36,547	36,547	36,967	420	1.1%
Sales and Use Tax	-	-	-	-	-
Merchant Credit Card Fees	-	-	-	-	-
Presentation and Publicity	9,100	9,100	4,621	(4,479)	-49.2%
<b>Total Office Costs</b>	<b>\$ 286,574</b>	<b>\$ 286,574</b>	<b>\$ 348,043</b>	<b>\$ 61,470</b>	<b>21.4%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- Increase in telephone due to increased staff and increased conference calls, as well provision of Blackberries to a majority of staff for increased connectivity.
- Decreased internet expense due to negotiated lower rates.
- Equipment Repair and Service Contracts is increasing due to larger staff and more equipment required.

**Table B-8 - Professional Services**

Professional Services	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
BOT Fee	\$ 109,640	\$ 109,640	\$ 184,835	\$ 75,195	68.6%
BOT Search Fee	-	-	-	-	-
Legal - Reorganization	-	-	-	-	-
Accounting & Auditing Fees	210,143	210,143	221,801	11,658	5.5%
Legal Fees - Other	456,833	456,833	462,086	5,253	1.1%
Insurance - Commercial	18,273	18,273	24,028	5,755	31.5%
<b>Total Services</b>	<b>\$ 794,890</b>	<b>\$ 794,890</b>	<b>\$ 892,751</b>	<b>\$ 97,861</b>	<b>12.3%</b>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

- Corporate Governance and Nominating Committee to consider of addition of independent Directors to the Board for potentially higher BOT Fees.
- Increased Insurance – Commercial property expenses due to larger office space and more commercial property.

**Table B-9 – Other Non-Operating Expenses**

Other Non-Operating Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Office Relocation	13,705	13,705	-	(13,705)	-100.0%
<b>Total Non-Operating Expenses</b>	<b>\$ 13,705</b>	<b>\$ 13,705</b>	<b>\$ -</b>	<b>\$ (13,705)</b>	<b>-100.0%</b>

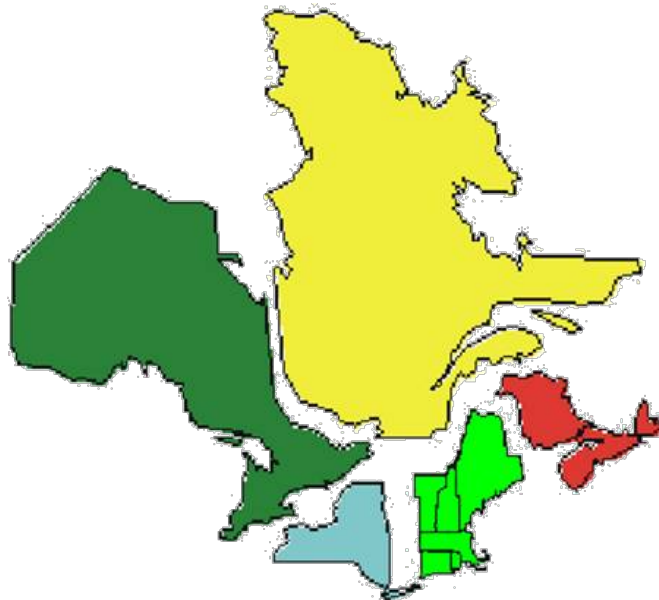
**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

- The office relocation project concluded.

---

## Section C – Criteria Services Division Activities 2011 Business Plan and Budget

---



## Section C — 2011 Criteria Services Division Business Plan and Budget

<b>Criteria Services Division</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	2.59	2.58	-0.01
Total Direct Expenses	\$1,105,351	\$1,020,471	(\$84,879)
Working Capital Reserve Requirement	\$46,170	(\$664,691)	(\$710,861)
Inc(Dec) in Fixed Assets	(\$6,043)	(\$6,180)	(\$137)
Total Funding Requirement	\$1,145,478	\$349,600	(\$795,877)

### NPCC Regionally-Specific Criteria Services Background

NPCC Criteria Services division activities are in the development, maintenance and promulgation of Regionally-specific more stringent criteria as well as criteria establishing resource adequacy requirements within the Region. These criteria contain requirements which are more stringent and more specific than the existing NERC Reliability Standards requirements.

### Membership and Governance

Full members are subject to compliance, with Regionally-specific criteria, in addition to continent-wide Reliability Standards, and receive criteria-related services from the Criteria Services division.

Full Members, other than Full Members that perform the Balancing Authority function, are not assessed an annual membership fee. Those that perform Balancing Authority functions are assessed and remit, a proportional net energy for load share, of expenses for criteria services. NPCC would also, directly assign criteria service division costs to a Balancing Authority Area or entity, where significant costs are incurred for that Balancing Authority Area. The funding for NPCC's Criteria Services division is approved by the NPCC Board of Directors.

### Criteria Services Division Functional Scope

Through its Criteria Services division, NPCC promotes the reliable and efficient operation of the international, interconnected bulk power systems in Northeastern North America through the establishment of Regionally-specific criteria, and monitoring and enforcement of compliance with such criteria.

NPCC provides Full Members, with Regional reliability assurance services, and acts as the vehicle through which States and Provinces can fulfill their political mandates, with respect to resource adequacy, as well as overseeing the Northeastern North American electric infrastructure.

## **Major 2011 Assumptions and Cost Impacts**

In 2010, senior level staff was reallocated from the Criteria Services division to the regional entity division. In place of senior level staff, junior level staff filled the resulting open position in the Criteria Services division, thus resulting in a decrease in personnel costs.

## **2011 Primary Goals and Objectives**

### **NPCC Criteria Compliance Background**

The NPCC Criteria Services division Compliance effort, the NPCC Reliability Compliance and Enforcement Program (RCEP), monitors, assesses and enforces compliance of NPCC Full Member entities responsible for meeting NPCC's Regionally-specific, more-stringent Criteria. Non-monetary sanctions are used to enforce violations of NPCC Criteria.

In NPCC Canada, NPCC monitors, assesses and enforces compliance to Regionally-specific NPCC Criteria in accordance with approved Memoranda of Understanding and Implementation Agreements that are in place or under development with each Canadian province within the Region. NPCC issues non-monetary sanctions to responsible Canadian entities for violations of NPCC Criteria.

The RCEP identifies those NPCC Criteria that are subject to monitoring, assessment and enforcement. These Criteria also are subject to NPCC Criteria Compliance Audits.

The NPCC Compliance Committee (CC) has final approval of compliance assessments related to the RCEP. This balanced stakeholder committee consists of representatives of the eight voting sectors as described in the NPCC *Amended and Restated Bylaws* and is chaired by the Assistant Vice President – Compliance or designee. The CC will also be used to resolve contested compliance and/or sanction or penalty determinations related to NPCC Criteria.

## 2010 Budget and Projection and 2011 Budget Comparisons

<b>Statement of Activities</b>						
<b>2010 Budget &amp; Projection, and 2011 Budget</b>						
<b>CRITERIA SERVICES DIVISION</b>						
				Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget Draft for Approval	Variance 2011 Budget v 2010 Budget Over(Under)
	2010 Budget	2010 Projection				
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	1,145,478	1,145,478	-	349,600	(795,877)	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
<b>Total Funding</b>	<b>\$ 1,145,478</b>	<b>\$ 1,145,478</b>	<b>\$ -</b>	<b>\$ 349,600</b>	<b>\$ (795,877)</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 378,635	\$ 378,635	\$ -	\$ 349,073	\$ (29,562)	
Payroll Taxes	23,156	23,156	-	22,224	(933)	
Benefits	103,438	103,438	-	111,788	8,350	
Retirement Costs	182,833	182,833	-	144,431	(38,402)	
<b>Total Personnel Expenses</b>	<b>\$ 688,062</b>	<b>\$ 688,062</b>	<b>\$ -</b>	<b>\$ 627,516</b>	<b>\$ (60,546)</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 23,600	\$ 23,600	\$ -	\$ 9,275	\$ (14,325)	
Travel	70,001	70,001	-	69,000	(1,001)	
Conference Calls	4,645	4,645	-	9,130	4,484	
<b>Total Meeting Expenses</b>	<b>\$ 98,246</b>	<b>\$ 98,246</b>	<b>\$ -</b>	<b>\$ 87,404</b>	<b>\$ (10,842)</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 125,340	\$ 125,340	\$ -	\$ 125,340	\$ -	
Office Rent	59,150	59,150	0	51,373	(7,777)	
Office Costs	28,181	28,181	-	28,557	375	
Professional Services	75,110	75,110	-	73,249	(1,861)	
Computer & Equipment Leases	12,698	12,698	-	11,109	(1,590)	
Miscellaneous	5,180	5,180	-	4,550	(630)	
Depreciation	12,087	12,087	-	11,374	(713)	
<b>Total Operating Expenses</b>	<b>\$ 317,747</b>	<b>\$ 317,747</b>	<b>\$ -</b>	<b>\$ 305,551</b>	<b>\$ (12,196)</b>	
<b>Total Direct Expenses</b>	<b>\$ 1,105,351</b>	<b>\$ 1,105,351</b>	<b>\$ -</b>	<b>\$ 1,020,471</b>	<b>\$ (84,879)</b>	
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ 1,295</b>	<b>\$ 1,295</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,295)</b>	
<b>Total Expenses</b>	<b>\$ 1,105,351</b>	<b>\$ 1,105,351</b>	<b>\$ -</b>	<b>\$ 1,020,471</b>	<b>\$ (84,879)</b>	
<b>Change in Assets</b>	<b>\$ 40,127</b>	<b>\$ 40,127</b>	<b>\$ -</b>	<b>\$ (670,871)</b>	<b>\$ (710,998)</b>	
<b>Fixed Assets</b>						
Depreciation	\$ (12,087)	(12,087)	\$ -	\$ (11,374)	\$ 713	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	1,727	1,727	-	1,714	(13)	
Equipment CapEx	2,590	2,590	-	2,343	(247)	
Leasehold Improvements	1,727	1,727	-	1,137	(589)	
<b>(Inc)Dec in Fixed Assets</b>	<b>\$ 6,043</b>	<b>\$ 6,043</b>	<b>\$ -</b>	<b>\$ 6,180</b>	<b>\$ 137</b>	
Allocation of Fixed Assets		\$ -				
<b>Change in Fixed Assets</b>	<b>\$ 6,043</b>	<b>6,043</b>	<b>\$ -</b>	<b>\$ 6,180</b>	<b>\$ 137</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 46,170</b>	<b>\$ 46,170</b>	<b>\$ -</b>	<b>\$ (664,691)</b>	<b>\$ (710,861)</b>	

## Personnel Analysis

Total FTEs by Program Area	Budget 2010	Projection 2010	Direct FTEs 2011 Budget	Shared FTEs <sup>1</sup> 2011 Budget	Total FTEs 2011 Budget	Change from 2010 Budget
<b>CRITERIA SERVICES DIVISION</b>						
<b>Operational Programs</b>						
Reliability Standards	1.00	1.00	1.00	0.00	1.00	0.00
Compliance Enforcement and Organization Registration and Certification	1.00	1.00	1.00	0.00	1.00	0.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
Reliability Assessment and Performance Analysis	0.00	0.00	0.00	0.00	0.00	0.00
Situation Awareness and Infrastructure Security	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total FTEs Operational Programs</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>0.00</b>	<b>2.00</b>	<b>0.00</b>
<b>Administrative Programs</b>						
Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General and Administrative	0.09	0.09	0.00	0.08	0.08	-0.01
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Accounting and Finance	0.50	0.50	0.00	0.50	0.50	0.00
<b>Total FTEs Administrative Programs</b>	<b>0.59</b>	<b>0.59</b>	<b>0.00</b>	<b>0.58</b>	<b>0.58</b>	<b>-0.01</b>
<b>Total FTEs</b>	<b>2.59</b>	<b>2.59</b>	<b>2.00</b>	<b>0.58</b>	<b>2.58</b>	<b>-0.01</b>



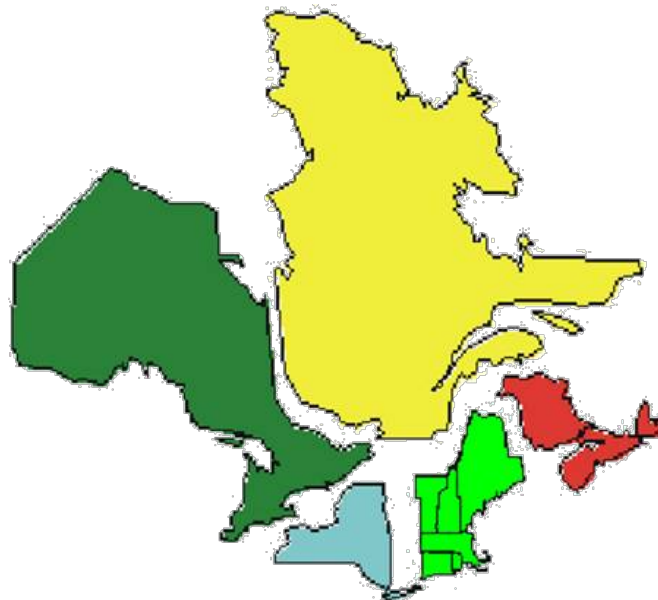
## Reserve Analysis 2010–2011

Working Capital Reserve Analysis 2010-2011		
CRITERIA SERVICES DIVISION		
<b>Beginning Working Capital Reserve (Deficit), December 31, 2009</b>		
Beginning Cash @ January 1, 2010		884,180
2010 Funding (from members)		1,145,478
2010 Other funding sources		0
<b>Total Cash Available 2010</b>		<b>2,029,658</b>
<b>Cash Needed 2010</b>		
2010 Projected expenses		(1,105,351)
2010 Fixed asset additions		(6,043)
<b>Total Cash Needed 2010</b>		<b>(1,111,394)</b>
<b>Projected Working Capital Reserve Balance, December 31, 2010</b>		<b>918,264</b>
Desired Working Capital Reserve Balance, December 31, 2011	1	253,573
Less: Projected Working Capital Reserve Balance December 31, 2010		(918,264)
<b>Increase(decrease) in funding needed to raise Working Capital Reserve balance</b>		<b>(664,691)</b>
2011 Funding requirement for expenses and fixed asset additions		
Adjustment to increase Working Capital Reserve balance		(664,691)
<b>2011 Funding and reserve adjustment</b>		<b>(664,691)</b>
<sup>1</sup> On July 7, 2010, the NPCC Board of Directors approved a desired working capital reserve level of 25%, or \$253,573.		

---

Section D – Additional Consolidated Financial  
Statements  
2011 Business Plan and Budget

---



## Section D

## Statement of Financial Position

<b>Statement of Financial Position</b>				
<b>2009 Audited, 2010 Projection, and 2011 Budget</b>				
<b>Regional Entity and Criteria Services Division</b>				
		(Per Audit)	Projected	Budget
		<b>31-Dec-09</b>	<b>31-Dec-10</b>	<b>31-Dec-11</b>
<b>ASSETS</b>				
Cash and cash equivalents		1,342,198	1,649,000	1,340,000
Restricted cash		543,932	800,000	505,000
Temporary cash investments		2,210,529	2,211,000	2,211,000
Prepaid expenses		167,150	167,000	167,000
Other assets		40,009	30,000	28,000
Equipment and leasehold improvements, net		1,301,857	1,196,000	1,088,000
<b>Total Assets</b>		<b>5,605,675</b>	<b>6,053,000</b>	<b>5,339,000</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accrued expenses and other liabilities		725,069	725,000	725,000
Accrued liability for pension		2,658,480	2,659,000	2,659,000
Deferred revenue		326,771	580,000	285,000
Deferred rent		646,637	755,000	761,000
<b>Total Liabilities</b>		<b>4,356,957</b>	<b>4,719,000</b>	<b>4,430,000</b>
Net Assets - unrestricted		1,248,718	1,334,000	909,000
<b>Total Liabilities and Net Assets</b>		<b>5,605,675</b>	<b>6,053,000</b>	<b>5,339,000</b>

NPCC Statement of Activities 2011 Budget	RE Division Total	Reliability Standards (Section 300)	Compliance Enforcement and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
<b>Funding</b>												
<b>ERO Funding</b>												
ERO Assessments	12,652,610	1,040,006	7,199,018	2,541,245	77,265	1,430,773	-	364,302	-	-	-	-
Penalty Sanctions	308,500	25,708	179,958	62,985	1,285	38,563	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>12,961,110</b>	<b>1,065,714</b>	<b>7,378,977</b>	<b>2,604,231</b>	<b>78,551</b>	<b>1,469,336</b>	-	<b>364,302</b>	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	120,000	-	-	-	120,000	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>13,081,110</b>	<b>1,065,714</b>	<b>7,378,977</b>	<b>2,604,231</b>	<b>198,551</b>	<b>1,469,336</b>	-	<b>364,302</b>	-	-	-	-
<b>Expenses</b>												
<b>Personnel Expenses</b>												
Salaries	5,055,070	390,341	2,369,244	919,883	19,134	561,174	46,772	47,904	-	475,858	117,006	107,754
Payroll Taxes	291,508	21,117	137,610	51,133	1,049	31,145	3,037	1,515	-	29,962	7,999	6,940
Benefits	1,134,918	92,864	535,522	188,208	5,157	91,221	16,462	9,347	-	126,109	37,276	32,752
Retirement Costs	825,301	67,694	294,210	193,695	4,451	109,368	11,137	11,491	-	91,938	27,839	13,479
<b>Total Personnel Expenses</b>	<b>7,306,797</b>	<b>572,016</b>	<b>3,336,586</b>	<b>1,352,919</b>	<b>29,790</b>	<b>792,909</b>	<b>77,408</b>	<b>70,257</b>	-	<b>723,867</b>	<b>190,120</b>	<b>160,925</b>
<b>Meeting Expenses</b>												
Meetings	269,325	27,000	26,600	25,000	149,725	26,000	3,000	5,000	-	2,000	4,000	1,000
Travel	668,000	120,000	260,000	120,000	3,000	70,000	5,000	10,000	-	30,000	45,000	5,000
Conference Calls	96,571	20,100	11,600	40,245	1,005	9,100	225	2,096	-	5,100	1,050	6,050
<b>Total Meeting Expenses</b>	<b>1,033,896</b>	<b>167,100</b>	<b>298,200</b>	<b>185,245</b>	<b>153,730</b>	<b>105,100</b>	<b>8,225</b>	<b>17,096</b>	-	<b>37,100</b>	<b>50,050</b>	<b>12,050</b>
<b>Operating Expenses</b>												
Consultants & Contracts	2,255,047	35,143	1,704,000	352,000	457	134,143	2,286	8,732	-	9,143	4,572	4,572
Office Rent	626,127	39,853	278,971	97,640	1,993	59,779	9,963	38,296	-	59,779	19,926	19,926
Office Costs	348,043	22,153	155,071	54,275	1,108	33,229	5,538	21,288	-	33,229	11,076	11,076
Computer and Equipment Leases	135,391	8,618	60,324	21,113	431	12,926	2,154	8,281	-	12,926	4,309	4,309
Professional Services	892,751	13,294	93,059	32,571	665	19,941	3,324	12,775	462,086	19,941	6,647	228,449
Miscellaneous	55,450	3,529	24,706	8,647	176	5,294	882	3,392	-	5,294	1,765	1,765
Depreciation	138,626	8,824	61,765	21,618	441	13,235	2,206	8,479	-	13,235	4,412	4,412
<b>Total Operating Expenses</b>	<b>4,451,436</b>	<b>131,414</b>	<b>2,377,894</b>	<b>587,863</b>	<b>5,271</b>	<b>278,549</b>	<b>26,353</b>	<b>101,242</b>	<b>462,086</b>	<b>153,549</b>	<b>52,707</b>	<b>274,508</b>
<b>Total Direct Expenses</b>	<b>12,792,129</b>	<b>870,529</b>	<b>6,012,680</b>	<b>2,126,027</b>	<b>188,791</b>	<b>1,176,558</b>	<b>111,987</b>	<b>188,594</b>	<b>462,086</b>	<b>914,516</b>	<b>292,877</b>	<b>447,483</b>
<b>Indirect Expenses</b>	-	201,462	1,410,233	493,582	10,073	302,193	(111,987)	(188,594)	(462,086)	(914,516)	(292,877)	(447,483)
<b>Other Non-Operating Expenses</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>12,792,129</b>	<b>1,071,991</b>	<b>7,422,914</b>	<b>2,619,609</b>	<b>198,864</b>	<b>1,478,751</b>	-	-	-	-	-	-
<b>Change in Assets</b>	<b>288,981</b>	<b>(6,277)</b>	<b>(43,937)</b>	<b>(15,378)</b>	<b>(314)</b>	<b>(9,415)</b>	-	<b>364,302</b>	-	-	-	-
<b>Fixed Assets</b>										4933.363971	4933.363971	
Depreciation	(138,626)	(8,824)	(61,765)	(21,618)	(441)	(13,235)	(2,206)	(8,479)	-	(13,235)	(4,412)	(4,412)
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	20,886	1,329	9,306	3,257	66	1,994	332	1,277	-	1,994	665	665
Equipment CapEx	28,557	1,818	12,724	4,453	91	2,726	454	1,747	-	2,726	909	909
Leasehold Improvements	13,863	882	6,176	2,162	44	1,324	221	848	-	1,324	441	441
<b>(Inc)Dec in Fixed Assets</b>	<b>75,320</b>	<b>4,794</b>	<b>33,559</b>	<b>11,746</b>	<b>240</b>	<b>7,191</b>	<b>1,199</b>	<b>4,607</b>	-	<b>7,191</b>	<b>2,397</b>	<b>2,397</b>
Allocation of Fixed Assets	0	1,483	10,378	3,632	74	2,224	(1,199)	(4,607)	-	(7,191)	(2,397)	(2,397)
<b>Change in Fixed Assets</b>	<b>75,320</b>	<b>6,277</b>	<b>43,937</b>	<b>15,378</b>	<b>314</b>	<b>9,415</b>	-	-	-	-	-	-
<b>TOTAL CHANGE IN ASSETS</b>	<b>364,302</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	-	<b>364,302</b>	-	-	-	-
<b>FTEs</b>	<b>31.42</b>	<b>2</b>	<b>14</b>	<b>4.9</b>	<b>0.1</b>	<b>3</b>	<b>0.5</b>	<b>1.92</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>1</b>

<b>NPCC Statement of Activities 2011 Budget</b>	<b>CS Division Total</b>	<b>Criteria Development</b>	<b>Criteria Compliance</b>	<b>General and Administrative</b>
---	--------------------------	---------------------------------	--------------------------------	---------------------------------------

**Funding**

**ERO Funding**

ERO Assessments	-	-	-	-
Penalty Sanctions	-	-	-	-
<b>Total ERO Funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Membership Dues	349,600	556,394	457,898	(664,691)
Testing Fees	-	-	-	-
Services & Software	-	-	-	-
Workshops	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-

<b>Total Funding</b>	<b>349,600</b>	<b>556,394</b>	<b>457,898</b>	<b>(664,691)</b>
----------------------	----------------	----------------	----------------	------------------

**Expenses**

**Personnel Expenses**

<b>Salaries</b>	349,073	151,551	154,846	42,676
<b>Payroll Taxes</b>	22,224	9,677	9,670	2,877
<b>Benefits</b>	111,788	45,509	45,382	20,897
<b>Retirement Costs</b>	144,431	55,760	55,604	33,067
<b>Total Personnel Expenses</b>	<b>627,516</b>	<b>262,498</b>	<b>265,502</b>	<b>99,516</b>

**Meeting Expenses**

<b>Meetings</b>	9,275	4,882	1,882	2,510
<b>Travel</b>	69,000	21,000	23,000	25,000
<b>Conference Calls</b>	9,130	7,050	1,050	1,030
<b>Total Meeting Expenses</b>	<b>87,404</b>	<b>32,932</b>	<b>25,932</b>	<b>28,540</b>

**Operating Expenses**

<b>Consultants &amp; Contracts</b>	125,340	108,572	14,072	2,697
<b>Office Rent</b>	51,373	19,926	19,926	11,520
<b>Office Costs</b>	28,557	11,076	11,076	6,404
<b>Computer and Equipment Leases</b>	11,109	4,309	4,309	2,491
<b>Professional Services</b>	73,249	6,647	6,647	59,955
<b>Miscellaneous</b>	4,550	1,765	1,765	1,020
<b>Depreciation</b>	11,374	4,412	4,412	2,551
<b>Total Operating Expenses</b>	<b>305,551</b>	<b>156,707</b>	<b>62,207</b>	<b>86,638</b>

<b>Total Direct Expenses</b>	<b>1,020,471</b>	<b>452,137</b>	<b>353,641</b>	<b>214,694</b>
------------------------------	------------------	----------------	----------------	----------------

<b>Indirect Expenses</b>	-	107,347	107,347	(214,694)
--------------------------	---	---------	---------	-----------

<b>Other Non-Operating Expenses</b>	-	-	-	-
-------------------------------------	---	---	---	---

<b>Total Expenses</b>	<b>1,020,471</b>	<b>559,484</b>	<b>460,988</b>	<b>-</b>
-----------------------	------------------	----------------	----------------	----------

<b>Change in Assets</b>	<b>(670,871)</b>	<b>(3,090)</b>	<b>(3,090)</b>	<b>(664,691)</b>
-------------------------	------------------	----------------	----------------	------------------

**Fixed Assets**

Depreciation	(11,374)	(4,412)	(4,412)	(2,551)
Computer & Software CapEx	-	-	-	-
Furniture & Fixtures CapEx	1,714	665	665	384
Equipment CapEx	2,343	909	909	525
Leasehold Improvements	1,137	441	441	255
<b>(Inc)Dec in Fixed Assets</b>	<b>6,180</b>	<b>2,397</b>	<b>2,397</b>	<b>1,386</b>

Allocation of Fixed Assets	-	693	693	(1,386)
----------------------------	---	-----	-----	---------

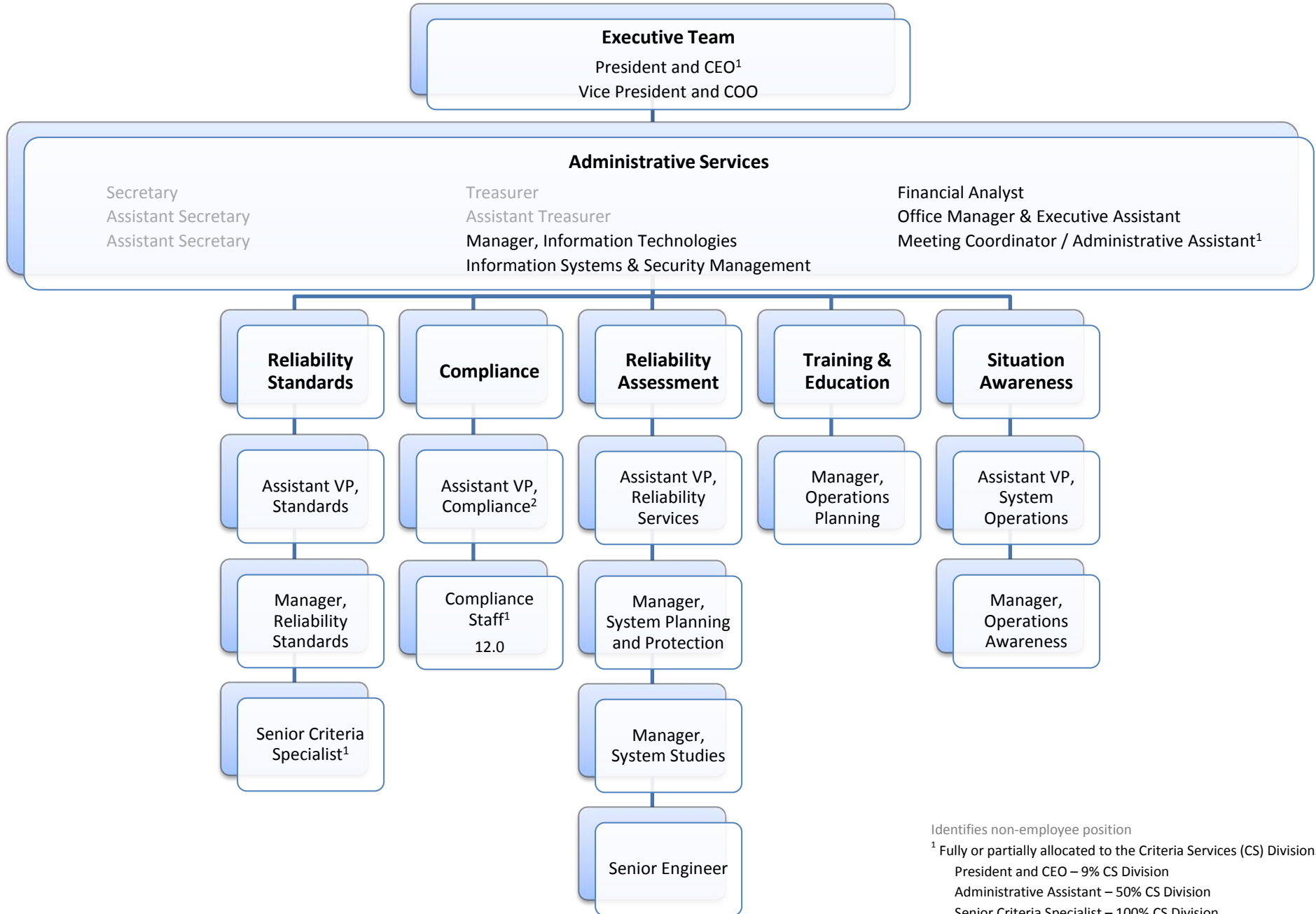
<b>Change in Fixed Assets</b>	<b>6,180</b>	<b>3,090</b>	<b>3,090</b>	<b>-</b>
-------------------------------	--------------	--------------	--------------	----------

<b>TOTAL CHANGE IN ASSETS</b>	<b>(664,691)</b>	<b>(0)</b>	<b>(0)</b>	<b>(664,691)</b>
-------------------------------	------------------	------------	------------	------------------

<b>FTEs</b>	<b>2.58</b>	<b>1</b>	<b>1</b>	<b>0.58</b>
-------------	-------------	----------	----------	-------------

# NORTHEAST POWER COORDINATING COUNCIL, INC. (NPCC)

## 2010 ORGANIZATIONAL CHART



Identifies non-employee position

<sup>1</sup> Fully or partially allocated to the Criteria Services (CS) Division.

President and CEO – 9% CS Division

Administrative Assistant – 50% CS Division

Senior Criteria Specialist – 100% CS Division

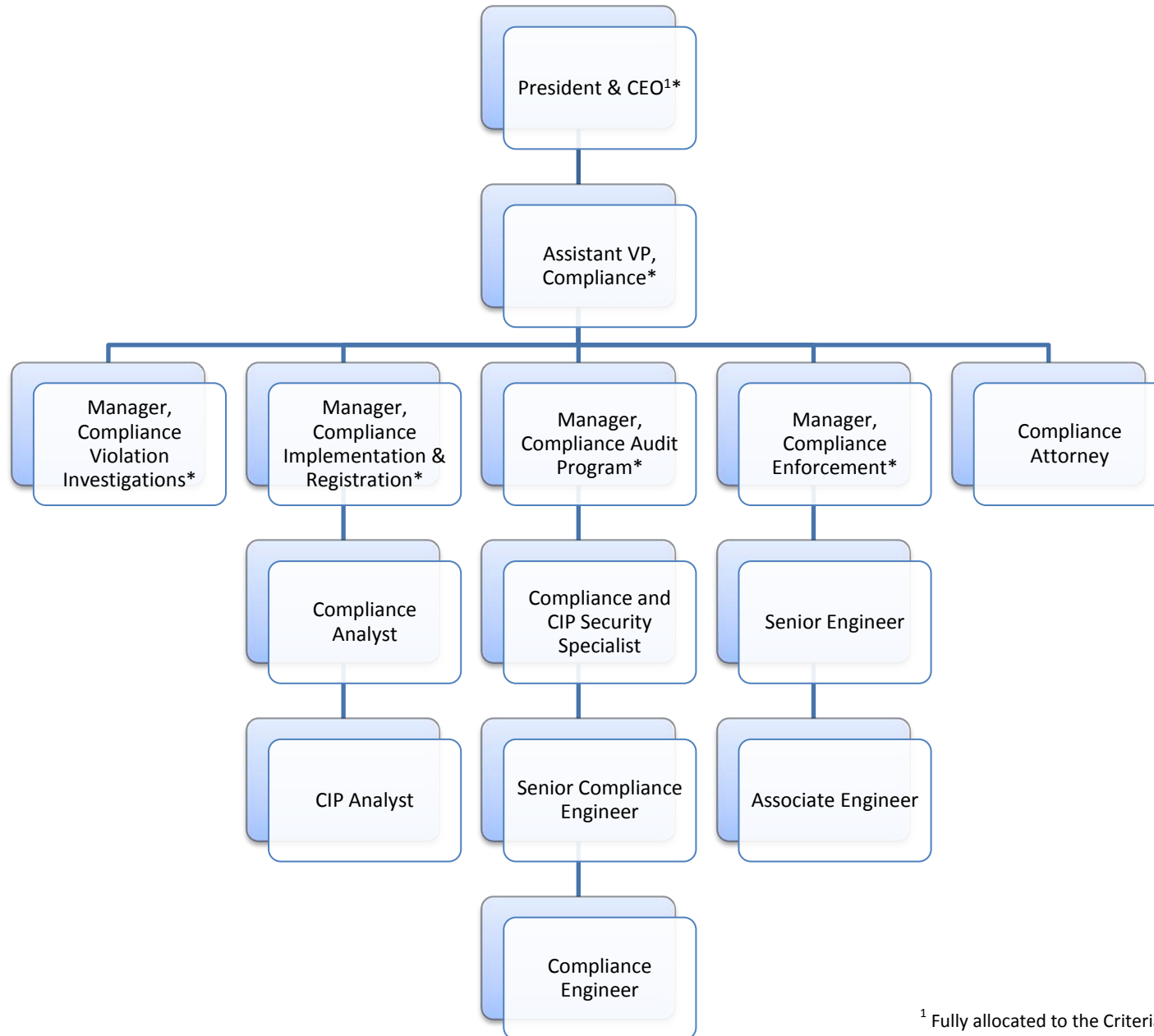
Compliance Engineer – 100% CS Division

<sup>2</sup> See Compliance Organizational Chart for details

# NORTHEAST POWER COORDINATING COUNCIL, INC. (NPCC)

## 2010 ORGANIZATIONAL CHART

### COMPLIANCE PROGRAM



<sup>1</sup> Fully allocated to the Criteria Services (CS) Division

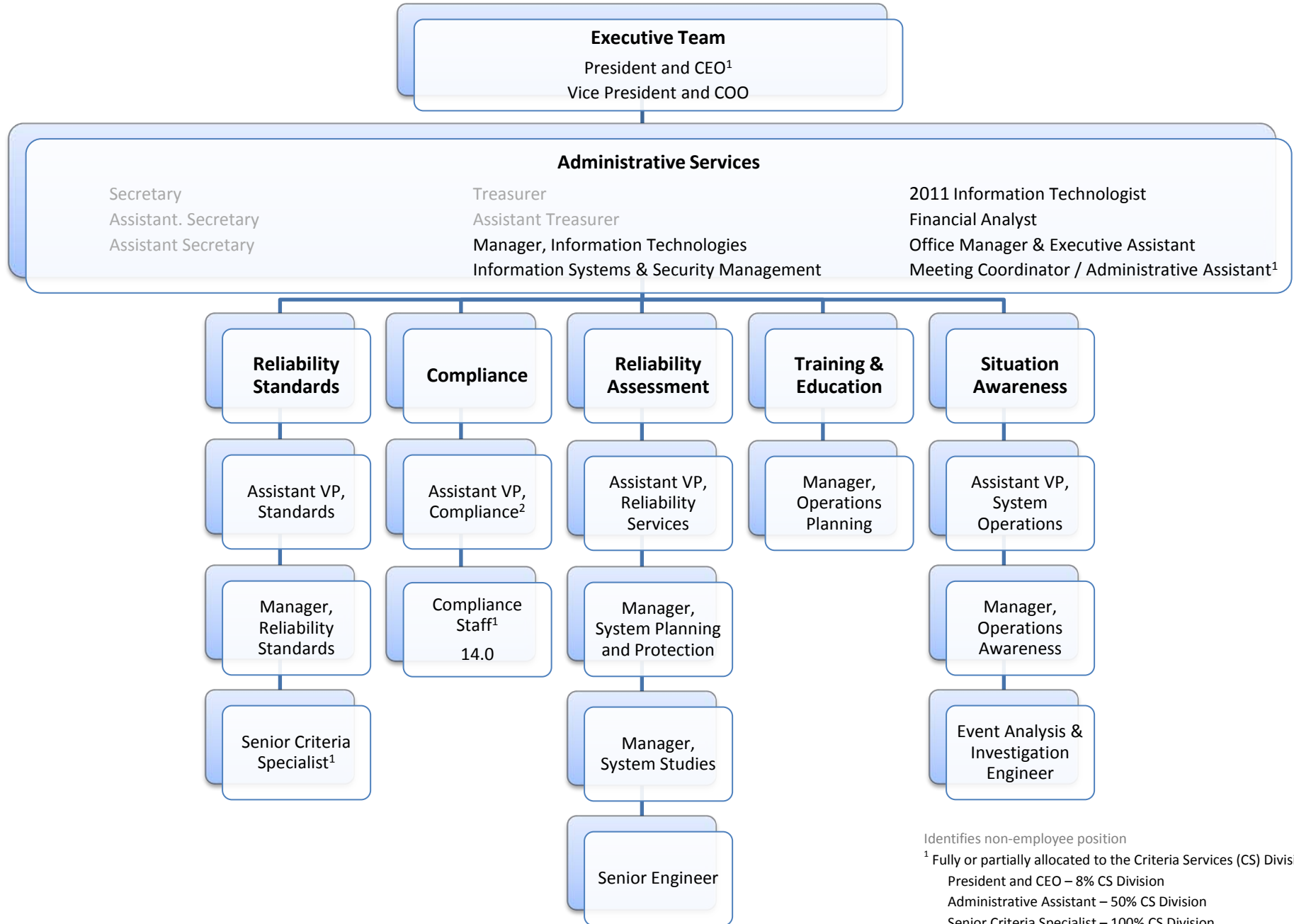
President & CEO – 9% CS Division

Compliance Engineer – 100% CS Division

\* Authorized to make compliance determinations

# NORTHEAST POWER COORDINATING COUNCIL, INC. (NPCC)

## 2011 PROJECTED ORGANIZATIONAL CHART



Identifies non-employee position

<sup>1</sup> Fully or partially allocated to the Criteria Services (CS) Division.

President and CEO – 8% CS Division

Administrative Assistant – 50% CS Division

Senior Criteria Specialist – 100% CS Division

Compliance Engineer – 100% CS Division

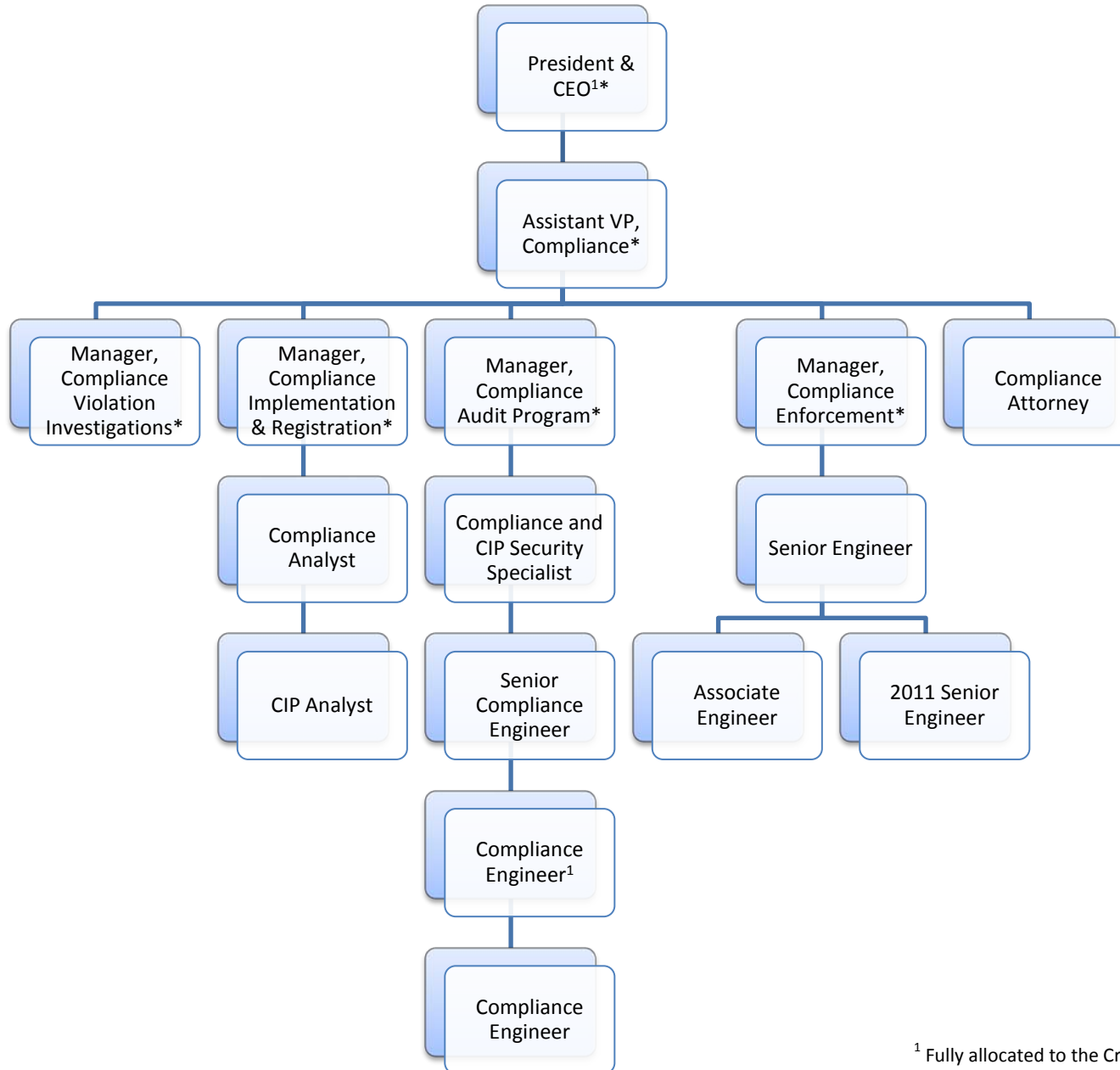
<sup>2</sup> See Compliance Organizational Chart for details



# NORTHEAST POWER COORDINATING COUNCIL, INC. (NPCC)

## 2011 PROJECTED ORGANIZATIONAL CHART

### COMPLIANCE PROGRAM



<sup>1</sup> Fully allocated to the Criteria Services (CS) Division  
President & CEO – 8% CS Division  
Compliance Engineer – 100% CS Division

\* Authorized to make compliance determinations

**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 6**

**RELIABILITYFIRST CORPORATION**

**PROPOSED 2011 BUSINESS PLAN AND BUDGET**



## **2011 Business Plan and Budget**

**Reliability*First* Corporation**

**Approved by Reliability*First* Board of Directors  
June 9, 2010**

## Table of Contents

<b>Introduction .....</b>	<b>3</b>
<b>Section A — 2011 Business Plan .....</b>	<b>14</b>
Reliability Standards Program.....	14
Compliance Monitoring and Enforcement and Organization Registration and Certification Program .....	19
Reliability Assessment and Performance Analysis Program .....	33
Training, Education, and Operator Certification Program.....	38
Situation Awareness and Infrastructure Security Program .....	42
Administrative Services .....	48
Technical Committees and Member Forums .....	49
General and Administrative .....	52
Legal and Regulatory .....	55
Information Technology .....	58
Human Resources .....	62
Finance and Accounting .....	65
<b>Section B – Supplemental Financial Information.....</b>	<b>69</b>
Working Capital Reserve Analysis 2010-2011 .....	69
Breakdown by Statement of Activity Sections .....	70
Table B-2: Penalty Sanctions .....	71
Table B-3: Supplemental Funding .....	72
Table B-4: Personnel Expenses .....	73
Table B-5: Consultants and Contracts .....	74
Table B-6: Office Rent .....	75
Table B-7: Office Costs.....	76
Table B-8: Professional Services.....	77
Table B-9: Non-Operating Expenses .....	78
<b>Section C — 2011 Non-Statutory Business Plan and Budget.....</b>	<b>80</b>
<b>Section D — Supplemental Information.....</b>	<b>82</b>
2011 Organizational Chart .....	82
Statement of Financial Position.....	83
Statement of Activities.....	84

## Introduction

TOTAL RESOURCES (in whole dollars)				
	2011 Budget	U.S.	Canada	Mexico
Statutory FTEs	68.0			
Non-statutory FTEs	-			
<b>Total FTEs</b>	68.0			
Statutory Expenses	\$ 15,415,851			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 15,415,851			
Statutory Inc(Dec) in Fixed Assets	\$ (196,202)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (196,202)			
Statutory Working Capital Requirement*	\$ (1,496,905)			
Non-Statutory Working Capital Requirement**				
<b>Total Working Capital Requirement</b>				
Total Statutory Funding Requirement	\$ 13,722,744			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 13,722,744			
<b>Statutory Funding Assessments</b>	\$ 12,803,844	\$ 12,803,844		
<b>Non-Statutory Fees</b>	\$ -	\$ -		
NEL	889,208,026	889,208,026		
NEL%				

\*Refer to Table B-1 on page 72 in Section B.

\*\*ReliabilityFirst does not perform any Non-Statutory Functions at this time.

## Organizational Overview

ReliabilityFirst Corporation (“ReliabilityFirst”) is a not-for-profit company incorporated in the State of Delaware and has been authorized by the Federal Energy Regulatory Commission (FERC) to operate as a Regional Entity. As a Regional Entity, ReliabilityFirst performs key reliability functions delegated to it by the Electric Reliability Organization (ERO) or North American Electric Reliability Corporation (NERC). These functions include: reliability standards development, organization registration and certification, compliance assessment and enforcement, assessment of the expected short and long-term reliability of the bulk power system, situation awareness, and industry training. ReliabilityFirst is responsible for overseeing the reliability of all or parts of the bulk power system in thirteen states and the District of Columbia.

ReliabilityFirst performed only those statutory functions delegated to it by the ERO in 2010 and the organization does not intend to perform any functions outside its ERO delegated activities in 2011. Although the corporate bylaws provide the flexibility to perform such functions, doing so would require Board authorization, and any such activities would be funded directly by those who benefit from them. As can be seen in this business plan, no activities outside the delegated functions are budgeted for or planned in 2011.

In order to properly carry out its ERO delegated functions, the proposed ReliabilityFirst 2011 Business Plan and Budget, has been submitted to NERC for approval. This Business Plan and Budget reflects ReliabilityFirst's best estimate of the costs it will incur in carrying out its delegated functions in support of the ERO in 2011. The overall budget reflects a 7% increase over that of 2010, driven primarily by increased staffing in the Compliance and Enforcement arena, in response to the continued expected increased activities and demands in performing this critical delegated function, particularly in the emerging critical infrastructure protection (CIP) area. The increased staff will affect the administrative areas causing us to add staff to Human Resources as well.

The existing offices can accommodate the proposed additional FTEs with minor modifications. ReliabilityFirst is confident we can identify and hire suitable candidates to fill all positions in 2011.

In developing this Business Plan and Budget, ReliabilityFirst, NERC and each of the other regional entities met and agreed upon common foundational and unique regional assumptions. The common foundational assumptions can be found in NERC's 2011 Business Plan and Budget Exhibit A; these assumptions were used in the development of this plan. Listed below is the only assumption unique to ReliabilityFirst:

- In 2011, ReliabilityFirst will perform an under frequency load shed (UFLS) dynamic analysis as required by NERC Standard PRC-006. ReliabilityFirst is required to perform this analysis in 2011 since the last one was performed in 2006 and this "fill-in-the-blank" reliability standard requires the analysis to be performed every five years.

## Membership and Governance

### Members

ReliabilityFirst has an open membership policy that permits full and fair participation of all industry stakeholders through their designated representatives. There is no annual fee for ongoing membership in ReliabilityFirst. As new members join, they are required to pay a nominal one-time fee to cover the costs of processing their membership application. This one-time fee currently ranges from \$250 for associate and adjunct members to \$1,000 for regular members and can be waived by the President of ReliabilityFirst for good cause.

- There are six (6) **Industry Sectors**: Suppliers, Transmission Companies, Regional Transmission Organizations (RTOs), Small Load Serving Entities (LSEs), Medium LSEs and Large LSEs.
- There are three (3) **Classes of Members**: Regular Members, Associate Members, and Adjunct Members.
  - A **Regular Member** is any entity that has joined an Industry Sector that either (i) has no Affiliates or Related Parties that are Members or (ii) is the entity designated to be the Regular Member by any related group of Associate Members.
  - An **Associate Member** is any entity that has joined an Industry Sector and is an Affiliate or Related Party of a Regular Member.

- An **Adjunct Member** is any entity that does not qualify to join an Industry Sector but has been approved for membership. Adjunct Members may include Regulatory Participants.

There are currently 74 members of ReliabilityFirst Corporation; 48 are regular with voting rights, 22 are associates, and 4 are adjunct. ReliabilityFirst's foundation has been and continues to be the broad, active participation of technical and policy experts representing electricity industry stakeholders within the Region who are committed to the reliability of the Bulk Power System. ReliabilityFirst believes that extensive use of industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a strong approach to reliability that is consistent with the industry self-regulatory model envisioned by Congress in the Energy Policy Act of 2005.

### **Board of Directors**

ReliabilityFirst Corporation is governed by a hybrid independent and balanced stakeholder Board.

- (a) The Board consists of fourteen (14) directors.
- (b) Eight directors are elected by the Industry Sectors as follows:
  - (i) Suppliers elect two (2) directors;
  - (ii) Transmission Companies elect two (2) directors;
  - (iii) RTOs elect one (1) director;
  - (iv) Small LSEs elect one (1) director;
  - (v) Medium LSEs elect one (1) director; and
  - (vi) Large LSEs elect one (1) director.
- (c) Three (3) directors are at-large. At-large directors are elected by all of the Industry Sectors voting together as a single class.
- (d) Three (3) directors are independent from ReliabilityFirst Corporation, any Member, Affiliate or Related Party of any Member. Independent directors are elected by all of the Industry Sectors voting together as a single class.

### **Statutory Functional Scope**

ReliabilityFirst performs statutory (or delegated) functions in support of the ERO, in accordance with the executed delegation agreement between ReliabilityFirst and the ERO. These functions are:

- Active participation in the development of North American reliability standards for the Bulk Power System, and as needed, development of reliability standards applicable within the ReliabilityFirst Region.
- Monitoring and enforcement of approved reliability standards, including the registration of responsible entities, and as needed, certification of such entities.
- Assessment of the present and future reliability, adequacy, and security of the Bulk Power System.
- Promoting effective training and education of personnel, and assisting in the certification of operating personnel.
- Promoting situation awareness and the protection of critical infrastructure.

ReliabilityFirst does not perform any non-statutory functions at this time, although ReliabilityFirst may in the future consider providing non-statutory functions from time to time as appropriate and as permitted by its Bylaws and applicable statutes and regulations.

In recognition of the importance of the compliance role of regional entities, ReliabilityFirst has dedicated most of its staff resources to compliance monitoring and enforcement. The compliance staff is further divided into three groups, one conducts compliance audits, the second conducts compliance program implementation, and the third performs enforcement.

## 2011 Goals and Key Deliverables

The ReliabilityFirst Corporation's 2011 Business Plan and Budget are driven by the following goals:

### 1. Reliability improvement through rigorous monitoring and enforcement of compliance with mandatory standards and adoption of risk-based efficiencies.

- Monitor registered entities in the ReliabilityFirst region for compliance with mandatory reliability standards, in accordance with the delegation agreement and Compliance Monitoring and Enforcement Program (CMEP), while adopting risk-based methods to optimize reliability benefits and improving quality and timeliness.
- Enforce compliance with mandatory reliability standards by registered entities within the ReliabilityFirst region in accordance with the delegation agreement and CMEP, while improving quality and timeliness.
- Ensure timely and thorough mitigation of all violations of mandatory reliability standards.
- Promote a strong culture of compliance excellence, reliability improvement, and risk-based methods among registered entities in the ReliabilityFirst region.
- Maintain a high degree of necessary independence in all compliance activities including audits, spot checks, enforcement, and violation processing.

### 2. Clear mandatory standards focused on reliability performance.

- Develop regional reliability standards as needed to comply with NERC's three-year work plan and FERC directives, and to meet any emerging reliability needs. Maintain active engagement of stakeholders in NERC standards process.
- Based on compliance program results and system events, identify key areas needing improvement and implement educational and other technical assistance programs to improve compliance in those areas.



---

**3. Objective and trustworthy reliability assessments and reliability performance trends.**

- Provide annual and seasonal assessments of the future reliability of the bulk power system in the region, in accordance with NERC definitions and requirements. Provide thorough data validation and create new efficiencies in data collection and analysis.
- Develop and demonstrate bulk power system performance metrics for the purpose of analyzing and trending reliability improvements and benefits.

**4. Situation awareness capability and event analysis leading to reliability improvements.**

- Develop a situation awareness capability to include near real-time information and communications protocols that meet the needs of FERC, NERC, ReliabilityFirst, and applicable registered entities.
- Develop ReliabilityFirst's capability to conduct rigorous event analysis and develop relevant lessons learned.
- Provide reliability issues tracking to systematically provide notice and document actions to improve reliability within the region.

**5. Cyber and physical security of critical infrastructure.**

- Facilitate and support registered entities in complying with Critical Infrastructure Protection (CIP) standards, and responding to cyber security alerts.
- Be a leader in complying with CIP standards for all entity data collection at ReliabilityFirst Corporation.
- Maintain compliance with all applicable provisions of the CIP standards, as they apply to Regional Entities.

**6. Knowledgeable and skilled reliability personnel.**

- Actively support the training and education of reliability personnel within the region, focusing on knowledge of reliability standards and recognizing and responding to system emergencies. Provide information and support to registered entities to assist in the deployment of a systematic approach to training.

**7. Information sharing and collaboration through technology.**

- Facilitate the integration and seamlessness of ERO and regional entity information systems used for compliance and other applicable statutory functions such as alerts and recommendations tracking.

**8. Effective and efficient use of resources.**

- Evaluate and, as appropriate, realign the ReliabilityFirst committee structure and activities to better leverage industry expertise and leadership, to better support ReliabilityFirst's statutory functions, and to be more efficient.
- Maintain a talented staff at ReliabilityFirst and provide for continuous staff development.

**9. Continuous improvement.**

- Maintain good standing as a regional entity by addressing all applicable recommendations and directives from the 3-year ERO assessment, including stakeholder inputs, and audits by NERC and/or FERC.
- Address all deficiencies or areas of improvement identified in the 2010 NERC conducted audit of ReliabilityFirst.
- Identify and use regional entity performance indicators and feedback mechanisms to enable ReliabilityFirst to continue being a learning organization.

**10. Effective financial controls.**

- Provide rigorous cost controls and efficient management of resources to remain an efficient provider of regional entity functions.

---

## 2011 Overview of Cost Impacts

Overall, the ReliabilityFirst 2011 budget (\$15.2M) increased 7% over the 2010 budget (\$14.2M). The 2011 assessment (\$12.8M) represents a 12% **decrease** due to a reduction in the contingency fund and penalties collected. The following is a list of targeted budget increases/decreases to allow ReliabilityFirst to accomplish the specific objectives outlined in the business plan.

- The most significant increases in the budget are a result of increased staffing in the Compliance Monitoring and Enforcement Program.

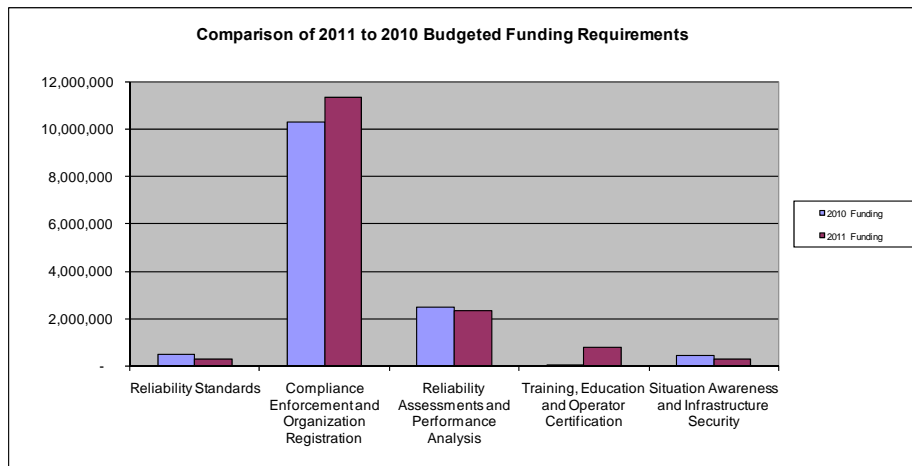
Staff additions proposed for 2011 represent the major portion of the operating budget increase at \$1.6M over the 2010 budget. The targeted staffing level for 2011 is 68 FTEs, a net increase of ten (10) FTEs compared to the 2010 budgeted staffing level of 58 FTEs. Seven (7) new FTEs will be needed to support the Compliance Monitoring and Enforcement Program. Three (3) FTEs will be needed to support the Training and Education department. One (1) FTE will be needed to support the Human Resources department. One (1) FTE in the Reliability Assessment Program will retire in 2011 and will not be replaced.

- Projected 2011 meeting expenses have decreased by 1% (\$9K) as compared to the 2010 budget. ReliabilityFirst emphasizes and will continue to emphasize the use of its in house virtual meeting capabilities to help reduce our meeting expenses and the travel expenses for our stakeholders.
- Projected 2011 operating expenses have decreased by 13% or \$462K compared to the 2010 budget. The primary driver for this is a reduced dependency on outside counsel for routine legal matters.

## Summary of Costs

Program	Budget 2010	Projection 2010	Budget 2011	Variance	
				2011 Budget v 2010 Budget	Variance %
Reliability Standards	517,456	517,456	321,352	(196,104)	-37.9%
Compliance Enforcement and Organization Registration	10,324,698	10,324,698	11,376,594	1,051,896	10.2%
Reliability Assessments and Performance Analysis	2,500,690	2,500,690	2,349,950	(150,740)	-6.0%
Training, Education and Operator Certification	70,671	70,671	820,513	749,842	1061.0%
Situation Awareness and Infrastructure Security	429,175	429,175	311,241	(117,934)	-27.5%

This graphical representation does not include \$40,000 in unallocated overhead expenses which are offset by interest income or an allocation of working capital requirements among the Program Areas.



## FTE's by Program Area

Total FTE's by Program Area	Budget 2010	Projection 2010	Total FTEs 2011 Budget	Change from 2010 Budget
<b>STATUTORY</b>				
<b>Operational Programs</b>				
Reliability Standards	1.50	1.00	1.00	-0.50
Compliance and Organization Registration and Certification	36.50	36.00	42.75	6.25
Training and Education	0.05	0.10	3.10	3.05
Reliability Assessment and Performance Analysis	8.50	9.50	8.50	0.00
Situation Awareness and Infrastructure Security	0.95	0.60	0.60	-0.35
<b>Total FTEs Operational Programs</b>	<b>47.50</b>	<b>47.20</b>	<b>55.95</b>	<b>8.45</b>
<b>Administrative Programs</b>				
Technical Committees and Member Forums	1.00	0.00	0.00	-1.00
General & Administrative	2.00	2.30	2.30	0.30
Information Technology	5.20	5.20	5.20	0.00
Legal and Regulatory	0.00	0.00	0.25	0.25
Human Resources	1.40	1.40	2.40	1.00
Finance and Accounting	0.90	1.90	1.90	1.00
<b>Total FTEs Administrative Programs</b>	<b>10.50</b>	<b>10.80</b>	<b>12.05</b>	<b>1.55</b>
<b>Total FTEs</b>	<b>58.00</b>	<b>58.00</b>	<b>68.00</b>	<b>10.00</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

## 2010 Budget and Projection and 2011 Budget Comparisons

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>STATUTORY</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ReliabilityFirst Assessments	\$ 14,345,192	\$ 14,345,192	\$ -	12,803,844	\$ (1,541,348)
Penalty Sanctions	\$ 180,000	\$ 180,000	\$ -	878,900	698,900
<b>Total ReliabilityFirst Funding</b>	<b>\$ 14,525,192</b>	<b>\$ 14,525,192</b>	<b>\$ -</b>	<b>\$ 13,682,744</b>	<b>\$ (842,448)</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	0	-	-	-	-
Services & Software	0	-	-	-	-
Workshops	0	-	-	-	-
Interest	40,000	40,000	-	40,000	-
Miscellaneous	0	-	-	-	-
<b>Total Funding</b>	<b>\$ 14,565,192</b>	<b>\$ 14,565,192</b>	<b>\$ -</b>	<b>\$ 13,722,744</b>	<b>\$ (842,448)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 7,196,074	\$ 7,196,074	\$ -	\$ 8,307,760	\$ 1,111,686
Payroll Taxes	461,580	461,580	-	560,486	98,906
Benefits	998,451	998,451	-	1,237,909	239,458
Retirement Costs	1,062,919	1,062,919	-	1,207,997	145,078
<b>Total Personnel Expenses</b>	<b>\$ 9,719,024</b>	<b>\$ 9,719,024</b>	<b>\$ -</b>	<b>\$ 11,314,152</b>	<b>\$ 1,595,128</b>
<b>Meeting Expenses</b>					
Meetings	\$ 227,600	\$ 227,600	\$ -	\$ 171,800	\$ (55,800)
Travel	674,500	674,500	-	728,200	53,700
Conference Calls	13,280	13,280	-	6,300	(6,980)
<b>Total Meeting Expenses</b>	<b>\$ 915,380</b>	<b>\$ 915,380</b>	<b>\$ -</b>	<b>\$ 906,300</b>	<b>\$ (9,080)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 571,000	\$ 571,000	\$ -	\$ 695,000	\$ 124,000
Office Rent	356,000	356,000	-	392,392	36,392
Office Costs	914,109	914,109	-	863,987	(50,122)
Professional Services	1,527,000	1,527,000	-	792,018	(734,982)
Miscellaneous	21,000	21,000	-	9,300	(11,700)
Depreciation	267,915	267,915	-	442,702	174,787
<b>Total Operating Expenses</b>	<b>\$ 3,657,024</b>	<b>\$ 3,657,024</b>	<b>\$ -</b>	<b>\$ 3,195,399</b>	<b>\$ (461,625)</b>
<b>Total Direct Expenses</b>	<b>\$ 14,291,428</b>	<b>\$ 14,291,428</b>	<b>\$ -</b>	<b>\$ 15,415,851</b>	<b>\$ 1,124,423</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ (0)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 14,291,428</b>	<b>\$ 14,291,428</b>	<b>\$ -</b>	<b>\$ 15,415,851</b>	<b>\$ 1,124,423</b>
<b>Change in Assets</b>	<b>\$ 273,764</b>	<b>\$ 273,764</b>	<b>\$ -</b>	<b>\$ (1,693,107)</b>	<b>\$ (1,966,871)</b>
<b>Fixed Assets</b>					
Depreciation	(267,915)	(267,915)	-	(442,702)	(174,787)
Computer & Software CapEx	54,000	54,000	-	235,000	181,000
Furniture & Fixtures CapEx	17,200	17,200	-	11,500	(5,700)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	90,000	90,000	-	-	(90,000)
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 106,715</b>	<b>\$ 106,715</b>	<b>\$ -</b>	<b>\$ 196,202</b>	<b>\$ 89,487</b>
Allocation of Fixed Assets	\$ (1)	\$ (1)	\$ -	-	\$ 1
<b>Change in Fixed Assets</b>	<b>106,714</b>	<b>106,714</b>	<b>-</b>	<b>196,202</b>	<b>89,488</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 380,478</b>	<b>\$ 380,478</b>	<b>\$ -</b>	<b>\$ (1,496,905)</b>	<b>\$ (1,877,383)</b>

---

Section A – Statutory Programs  
2011 Business Plan and Budget

---

## Section A — 2011 Business Plan

### Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	1.50	1.00	(0.50)
Direct Expenses	\$ 386,161	\$ 254,984	\$ (131,177)
Indirect Expenses	\$ 135,660	\$ 68,615	\$ (67,045)
Inc(Dec) in Fixed Assets	\$ (4,365)	\$ (2,247)	\$ 2,118
Total Funding Requirement	\$ 517,456	\$ 321,352	\$ (196,104)

### Program Scope and Functional Description

#### Background

Many of the proposed Reliability*First* standards development activities, focus, and priorities for 2011 are directly related to the continuing effort of Reliability*First* to consolidate prior documents associated with the merged regions - ECAR, MAAC, and portions of MAIN. On day one of 2006, Reliability*First* began operation with six approved “standards”, as they were referred to at the time, developed by the Reliability*First* development teams and a Reliability*First* Board approved Standards Development Manual. In addition, Reliability*First* needed to continue with the “legacy” regional documents as “organization standards”, as stated in the By-laws, which had been deemed compliant for all NERC Standards as they were in effect at that time. During 2006, Reliability*First* had six Standard Drafting Teams (SDTs) in place working on additional standards or revisions. Since 2006, the Reliability*First* Board of Directors has approved the following Regional standards:

- BAL-002-RFC-02 Operating Reserves (Reliability*First* BOD approved 05/09/07)
- BAL-502-RFC-02 Planning Resource Adequacy Analysis, Assessment, and Documentation (Reliability*First* BOD approved 12/04/08, NERC BOT approved 08/05/09)
- PRC-002-RFC-01 Disturbance Monitoring and Reporting Requirements (Reliability*First* BOD approved 05/14/09)
- MOD-024-RFC-01 Verification and Data Reporting of Generator Gross and Net Real Power Capability (Reliability*First* BOD approved 08/27/09)

The Reliability*First* Board of Directors has also retired or will be in the process of retiring the following day one Regional standards (which went through the full Standards Development Procedure):

- BAL-501-RFC-01 Automatic Reserve Sharing (Reliability*First* BOD retired 10/08/2008)
- EOP-001-RFC-01 Emergency Operations Plans (Reliability*First* BOD retired 06/09/2010)
- EOP-501-RFC-01 Transmission Emergency Action Plan (Reliability*First* BOD retired 06/09/2010)



Since our inception, ReliabilityFirst has taken an aggressive stance regarding addressing 'fill in the blank' standards and any other reliability gaps perceived to exist in the Region. Due to this aggressive stance, we are now positioned such that the majority of the effort aimed at eliminating reliability gaps through ReliabilityFirst standards has been completed. Therefore, we anticipate that in 2011 the number of standards related projects will be on the decline compared to previous years due to a number of standards projects nearing completion. Due to the expected decline in workload, the FTE count will decrease by 0.5 FTE for 2011.

### **Program Description and Functions Performed**

The ReliabilityFirst standards staff will continue to provide the best direction and prioritization of ReliabilityFirst initiated Regional Reliability Standards and the associated regional standards procedures by participation in NERC and other regional standard drafting efforts and related working groups, task forces, etc., such as the NERC Regional Reliability Standards Working Group (RRSWG).

1. ReliabilityFirst Standards staff will continue to serve and volunteer to serve as members of NERC SAR and Standard Drafting Teams.
2. ReliabilityFirst Standards staff will continue to volunteer to participate on special NERC teams to develop plans and programs related to regional tasks. This will include special teams such as the RRSWG which facilitates the development of the regional standards process across regions.

The ReliabilityFirst Standards Program relies on technical support from both the ReliabilityFirst staff and stakeholder volunteers for drafting teams. The teams are facilitated by the Standards staff. Even though more than six standards can be in development at one time, realistically only the six highest priority standards will be in the active drafting step at one time so as not to exhaust stakeholder and staff resources. Even with this restricted workload, additional assistance from the compliance staff may be needed from time to time to provide the proper support for the fluctuating standards staff work. This will allow staff to effectively facilitate ReliabilityFirst SDTs and to participate on NERC teams. This will also allow staff to develop their own skills and provide technical resources for ReliabilityFirst and NERC audits.

The ReliabilityFirst Standards staff will continue to keep the Standards Committee, Board of Directors, and all stakeholders informed of the progress in the development of ReliabilityFirst and NERC standards via public announcements, the corporate newsletter, webinars, and website postings.

### **2011 Key Assumptions**

In support of the ERO and Rules of Procedure, Section 300, ReliabilityFirst staff will continue to support any future regional reliability standards which include more stringent reliability requirements than the NERC reliability standard or cover matters not covered by an existing NERC reliability standard. ReliabilityFirst will also provide personnel support to achieve NERC's shared assumptions as listed in its 2011-2013 Business Plans and Budgets for Regional standards.

## 2011 Goals and Key Deliverables

The goals of the standards program for 2011 are to:

- Submit to NERC, and subsequently file with FERC, any regional standards that are needed to support revised NERC Reliability Standards.
- Submit to NERC, and subsequently file with FERC, any regional standards that are not covered by NERC Reliability Standards.
- Submit to NERC, and subsequently file with FERC, any regional standards that will be needed to provide an “interim” solution to reliability needs until replaced by revised NERC Reliability Standards.
- Retire regional reliability standards which are duplicative with NERC Reliability Standards.
- Retire all Legacy documents with appropriate regional reliability standards.

The objectives of the standards program for 2011 are to:

- Prioritize the regional standards drafting effort to align with the timing of NERC Reliability Standards revisions.
- Review and possibly modify the regional Standards Development Procedure to align with changing NERC and FERC requirements.
- Initiate and coordinate revisions to regional Standards in any stage of development to align with NERC and FERC requirements.
- Systematically extract requirements from “legacy” documents for developing regional standards and retire the documents or use portions of them in regional criteria and/or procedures.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

Funding for the Standards Program will decrease due to the reduction of 0.5 FTE needed to support this program. The FTE reduction is related to the recent and future completion of Regional Standards related projects within the Region and the downward trends of future Regional Standards related projects. All current and future Standards Authorization Requests (SARs) will be screened to determine if there is something unique about the Reliability *First* footprint that necessitates the Regional standard, or whether the proposed standard is more stringent than the existing NERC standards. Any SARs not meeting these criteria will be redirected through the NERC process. The reduction of 0.5 FTE will also decrease all other associated expenses proportionally to the FTE reduction. This 0.5 FTE was transferred to the Finance and Accounting department in June of 2010.

**Funding Source**

- Funding for this program in 2011 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

**Personnel Expenses**

- Staff resources are used to direct the Reliability *First* standard drafting teams and support the NERC standard drafting and development teams as defined in the business plan. The decrease in personnel expenses is a result of the 0.5 FTE reduction in support of this program.

**Meeting Expenses**

- Meeting, staff travel, and conference call expenses in support of the Reliability *First* and NERC standard drafting teams will decrease as a result of the 0.5 FTE reduction in support of this program.

**Operating Expense**

- Operating expenses will decrease due to the exclusion of consultants and contractors to help maintain the Share Point Database document management system. In 2011, this cost is included within the IT Department's consultant budget. This is partially offset by an increase in office costs as a result of this line item being allocated to each department for the 2011 budget.

**Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2011. This method of accounting results in a decrease compared to 2010 based upon a reduction in FTEs in this program and as a result of a reduction in total indirect costs allocated.

**Other Non-Operating Expenses**

- No other non-operating expenses are expected for 2011.

**Fixed Asset Additions**

- No fixed asset additions are expected for 2011.

## Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2011 Business Plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Standards</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 511,249	\$ 511,249	\$ -	\$ 305,644	\$ (205,605)
Penalty Sanctions	6,207	6,207	-	15,709	9,502
<b>Total ReliabilityFirst Funding</b>	<b>\$ 517,456</b>	<b>\$ 517,456</b>	<b>\$ -</b>	<b>\$ 321,352</b>	<b>\$ (196,104)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 517,456</b>	<b>\$ 517,456</b>	<b>\$ -</b>	<b>\$ 321,352</b>	<b>\$ (196,104)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 250,817	\$ 250,817	\$ -	\$ 160,722	\$ (90,095)
Payroll Taxes	14,099	14,099	-	9,901	(4,198)
Benefits	29,479	29,479	-	23,896	(5,583)
Retirement Costs	32,472	32,472	-	33,469	997
<b>Total Personnel Expenses</b>	<b>\$ 326,867</b>	<b>\$ 326,867</b>	<b>\$ -</b>	<b>\$ 227,988</b>	<b>\$ (98,879)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 28,800	\$ 28,800	\$ -	\$ 10,000	\$ (18,800)
Travel	22,500	22,500	-	14,000	(8,500)
Conference Calls	2,700	2,700	-	1,080	(1,620)
<b>Total Meeting Expenses</b>	<b>\$ 54,000</b>	<b>\$ 54,000</b>	<b>\$ -</b>	<b>\$ 25,080</b>	<b>\$ (28,920)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 5,294	\$ 5,294	\$ -	\$ -	\$ (5,294)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	1,916	1,916
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 5,294</b>	<b>\$ 5,294</b>	<b>\$ -</b>	<b>\$ 1,916</b>	<b>\$ (3,378)</b>
<b>Total Direct Expenses</b>	<b>\$ 386,161</b>	<b>\$ 386,161</b>	<b>\$ -</b>	<b>\$ 254,984</b>	<b>\$ (131,177)</b>
<b>Indirect Expenses</b>	<b>\$ 135,660</b>	<b>\$ 135,660</b>	<b>\$ -</b>	<b>\$ 68,615</b>	<b>\$ (67,045)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 521,821</b>	<b>\$ 521,821</b>	<b>\$ -</b>	<b>\$ 323,599</b>	<b>\$ (198,222)</b>
<b>Change in Assets</b>	<b>\$ (4,365)</b>	<b>\$ (4,365)</b>	<b>\$ -</b>	<b>\$ (2,247)</b>	<b>\$ 2,118</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	0
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ 4,365	\$ 4,365	-	2,247	(2,118)
<b>Change in Fixed Assets</b>	<b>4,365</b>	<b>4,365</b>	<b>-</b>	<b>2,247</b>	<b>(2,118)</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	36.50	42.75	6.25
Direct Expenses	\$ 7,491,596	\$ 8,612,632	\$ 1,121,036
Indirect Expenses	\$ 2,939,309	\$ 2,933,312	\$ (5,997)
Inc(Dec) in Fixed Assets	\$ (106,207)	\$ (169,350)	\$ (63,143)
Total Funding Requirement	\$ 10,324,698	\$ 11,376,594	\$ 1,051,896

### Program Scope and Functional Description

ReliabilityFirst will monitor compliance to Reliability and Critical Infrastructure Protection Standards through a variety of processes including:

- Self-certification and associated assessments and self-reporting by owners, operators, and users of the Bulk Power System, including reports of both specific incidents and events.
- Investigations of complaints received from other owners, operators, and users of the Bulk Power System and other persons and entities interested in the reliable operation of the Bulk Power System, including government entities.
- Compliance Investigations (CIs) associated with significant system disturbances or events whenever a ReliabilityFirst or NERC initiated investigation team is activated.
- Compliance Audits of the Standard requirements applicable to the functions of the registered owners, operators, and users of the Bulk Power System. Increased spot checking of individual standard requirements will also be performed as a planned assessment of compliance to selected standards, a validation of self-certifications, mitigation plans, and/or other follow up activities. Audits and Spot Checks both require detailed reporting.
- Data submittals for standards to support reporting requirements as indicated in the standards, studies, modeling, and seasonal assessments.
- Exception report monitoring is to ensure entities are appropriately assessing compliance to Reliability Standards where routine monitoring is not in place.
- Monitoring of the Critical Infrastructure Protection standards utilizing all compliance monitoring processes, considering the latest version of the CIP standards (which will change during 2010 and into 2011) and nuclear plant monitoring requirements.

To facilitate ReliabilityFirst compliance monitoring and enforcement activities, all owners, operators, and users of the Bulk Power System are required to register with ReliabilityFirst for the functions that are applicable to their organizations. ReliabilityFirst maintains organization registration information and regularly submits updated compliance information to NERC, which maintains the official compliance registry. Registration of organizations responsible to comply with the standards is reviewed on a regular basis. Certification of organizations performing primary reliability responsibilities will continue for entities required to satisfy the key registered functions. Organization Registration is an ongoing maintenance activity.

### 2011 Key Assumptions

The assumptions listed below are ReliabilityFirst specific and should be considered in concert with the 2011-13 Common Business Plan and Budget Assumptions developed by NERC and the regions.

1. The number of registered entities has increased in 2010 with approximately 10 additional entities, bringing the total to 369 entities. Organization Registration will continue as a living maintenance activity. Organization Certification activities will continue, typically from mergers and modified entity configuration versus new entities and functions.
2. The number and amount of time to complete CIP audits of all 43 requirements will increase. As presently planned there will be 12 large entities and 15 medium size entities that will receive a full 43 requirement CIP audit in 2011.
3. Version 4 of the CIP-002 Standard will clarify the expectations of the risk-based methodology that may result in a substantially expanded number of entities to be monitored for CIP. Significant resource impact is expected.
4. The review and assessment of Technical Feasibility Exceptions and the ability to access information offsite will be a challenge. The number of TFEs submitted to date is more than double what was anticipated. The expanded workload will be based on new entities identifying needed exceptions.
5. The number of possible reliability standard violations discovered in 2011 should continue to grow at a rate comparable to 2010 due to continuing first-time audits of the six-year audit cycle entities, completion of Compliance Investigations, and historical trend levels established in 2007, 2008, and 2009. Over the next few years a substantial upswing is expected in the number of possible CIP violations as CIP audits continue to ramp up based on entities auditable compliance dates, complexity of the CIP standards, and as the full understanding is reached for all CIP standards across all applicable registered entities. It is anticipated, as the full suite of CIP requirements becomes effective (presently 43) for the majority of affected Registered Entities (presently 53), that the number of CIP related violations will far surpass the number of non-CIP related violations on an annual basis through 2011.
6. Budgeting assumptions in the Enforcement Group are based on a projected 140 non-CIP violations and 180 CIP violations.

7. It is expected that the majority of possible violations will continue to be handled through the settlement process. Process efficiencies and experience offset the increased complexity of compliance cases and the level of effort for a settlement remains approximately the same as anticipated in 2010.
8. The compliance audits will be expanded due to the addition of five new MOD Reliability Standards and the evolving TPL standard which is expected to have more complex requirements to assess. To date the region has no experience with the new MOD standards which will require developing the skill set of our staff and identifying the resource impact during 2011.
9. The number of hearings conducted will remain low, with an anticipation of two hearings being initiated per year.
10. Reliability *First* expects to conduct approximately 50-60 event reviews of interest, 7 compliance investigations, and follow up on 10 complaints in 2011. New criteria that is being developed has initially indicated that all unplanned, multiple-facility trips will be considered candidates for these reviews, which could significantly impact staffing requirements.
11. NERC will begin implementation of the new organization certification program in 2011, transitioning from the legacy procedures for certifying entities. Compliance staff will be required to assist and support these efforts, which at this point in time is not clearly identified.
12. The second cycle of audits will be based on a risk-based methodology, but the change in methodology is not expected to result in a reduction in resource needs during the 2011- 2013 timeframe.
13. There are provisions in this budget and business plan to conduct Compliance Audits for the balance of plant systems at nuclear generating stations for adherence to the CIP standards beginning in 2012. The resources identified and associated training must begin by mid 2011. This is a new task assigned to the Regional Entities that will affect Reliability *First* resource requirements with the requisite CIP and other special qualifications.

---

## 2011 Goals and Key Deliverables

The overarching goal of the Compliance Monitoring and Enforcement Program is too: establish and prepare staff to achieve maximum effectiveness, inter- and intra-regional consistency and the requisite due diligence in monitoring and assessments, data and status reporting, enforcement actions, settlement activities, and hearing proceedings with regard to compliance to the Reliability and CIP Standards.

Implementation of Reliability*First* delegated CMEP responsibilities include, but are not limited to, the following:

1. Assure timely mitigation of all violations of Reliability and CIP Standards. Mitigation Plans will be assessed for effectiveness and reasonableness of implementation (including the time to complete) and will be tracked to closure. Tracking will include requiring the Registered Entity to provide regular status updates regarding the implementation of the accepted plan including when significant milestones are achieved. Registered Entities will be monitored for schedule slippage in the accepted mitigation plan timeline, or any significant change in status. In all cases, status updates will be required at least every ninety (90) days until the mitigation plan is completed. The Registered Entity is required to certify successful completion at the conclusion of the mitigation plan. Reliability*First* may ask for additional evidence to support the determination of a successful completion of the accepted mitigation plan and Reliability*First* may elect to perform an on-site review as part of the verification process.
2. Conduct thorough and formal compliance audits of the Reliability Standards on a three-year cycle of the RC/BA/TOP functional entities and the TOs with local control centers (TO/LCCs) within the region. Audit teams will consist of staff with minimal usage of contractors, with NERC and FERC personnel performing an oversight role. Industry volunteers will not serve on audit teams. These audits will review 12 to 18 entities per year, which will include monitoring upwards of 160 total functions, since many of these entities are also evaluated for the functions identified in paragraph 3.
  - RC – Reliability Coordinator
  - BA – Balancing Authority
  - TOP – Transmission Operator
  - TO/LCC – Transmission Owner/Local Control Center
  - IA – Interchange Authority
  - PA – Planning Authority
3. Conduct thorough and formal compliance audits of all other entities on a six-year cycle, which will include the listed below registered functions. These audits may include either site visits or off-site reviews. Approximately 60 – 80 entities will be reviewed annually with upwards of 250 total functions evaluated.
  - GO – Generator Owner
  - GOP – Generator Operator
  - LSE – Load Serving Entity



PSE – Purchasing-Selling Entity  
DP – Distribution Provider  
RP – Resource Planner  
PC – Planning Coordinator  
TP – Transmission Planner  
TSP – Transmission Service Provider

4. The Compliance audits of the CIP Standards will be performed as a separate audit from the above discussed audits. They will fall into the medium and small size audits as defined by the number of requirements they cover. However, the expected level of effort to perform a CIP audit is more than a non-CIP audit. These audits will range from 12 to 18 per year for large entities and 20 to 30 per year for medium sized entities. The number of these audits will be based on the number of entities that identify critical assets, which will change significantly when version 4 of CIP-002 is approved.
5. For 2011, 12 Large Compliance Audits and 100 Small/Medium Compliance Audits will be performed.
6. Spot-checks will be used to assess performance to randomly selected standards as outlined in the NERC and Reliability *First* Implementation Plans. The number of standards will be assessed each year (approximately 8 to 10), but may increase as risk assessment dictates. This monitoring process will also be performed to confirm self-certifications, self reports, and the status of mitigation plans or agreed to activities associated with settlement agreements.
7. Identify all violations and continue to implement and staff a case management and workflow structure to manage each violation effectively and treat each entity involved professionally. Follow all due process requirements in a manner that promotes efficient, effective, thorough, and fair processing of all enforcement related issues. Conduct initial violation fact and circumstance reviews and communicate with the entity through each step of the enforcement process. Manage all necessary activities of the enforcement process through final closure with NERC, including settlements, hearings, and participate as necessary in any appeals to NERC or regulatory agencies for alleged violations that are contested.
8. Manage all enforcement actions for consistent application of penalties for violations of Reliability and CIP Standards.
9. Manage all compliance activities in an unbiased, fair, and consistent manner, affording all Registered Entities appropriate due process.
10. Assure all auditors receive and meet all NERC auditor training requirements.

11. Develop and enhance processes, databases, and reporting tools for accurate tracking and reporting of compliance activities including compliance audits, spot checks, self-certifications, alleged and confirmed violations of reliability standards, penalty and sanction actions, settlements, hearings, disposition of all violations, mitigation plans, and management of the compliance monitoring process record.
12. Maintain reporting relationship with NERC and establish processes and procedures to report monitoring results, violations, levied penalties and sanctions, and track mitigation plans and settlement actions for violations. Also, develop trending information of compliance activities to identify any trends requiring action by Reliability*First*.
13. Report all potential alleged violations of Reliability Standards to NERC.
14. Prepare and distribute notices of proposed violation and penalty determinations associated with compliance violations.
15. Prepare and distribute all compliance monitoring process reports to NERC, Registered Entities, and Reliability*First* staff.
16. Provide enhanced analysis reports of violations and violation trends of Reliability Standards to the Reliability*First* Board Compliance Committee and NERC.
17. Report all violations of Standards for which investigation, decision, and hearing processes have been completed, including the identity of the organizations involved in those violations.
18. Identify trends pertaining to problem areas, entities that may require additional follow-up review, and communicate any lessons learned to other Registered Entities while protecting confidentiality.
19. Support the development of the compliance elements for all new or revised Reliability Standards within the Reliability*First* and NERC Standards Program. Support NERC standards drafting teams as resources are available.
20. Provide the necessary information regarding all financial penalties to support the collection and disbursement of the penalty funds.
21. Develop a plan for an independent audit or continuous self assessment of the Reliability*First* CMEP in 2011 to evaluate the success and effectiveness of the program in achieving its mission, and to prepare for the next ERO evaluation of Reliability*First*.
22. Work to increase efficiencies across all areas to reduce redundancy and increase productivity.

---

## **CIP Monitoring of the Forty-Three Requirements**

In 2010, the auditing of all 43 CIP requirements began on the BA, TOP, and RC as these entities are now expected to be compliant with all CIP requirements in the NERC CIP Implementation Plan. BAs, TOPs, and RCs will be monitored for 43 requirements on a three-year basis and will follow their current three-year cycle employed to monitor the 693 standards. The CIP and 693 standards will not be monitored concurrently but will be scheduled with an adequate separation to allow the entity to be prepared for each audit. In 2010, we will have conducted three (3) of these CIP audits and will obtain valuable information on the complexity and commitment needed to perform a comprehensive audit of these standards in 2011.

## **Nuclear Plant CIP Audits**

The nuclear power station audits will begin in January 2012 for the 43 CIP requirements. These audits will focus on the balance of plant systems, while the NRC will focus on the safety systems. These audits will be conducted by the NRC with the Regional Entities providing support to assist in conducting these audits. There will be six (6) to seven (7) audits conducted each year at the nuclear stations in *ReliabilityFirst*. It is anticipated this activity will require one additional FTE to support this compliance monitoring effort with the NERC guidance provided at this time.

## **Technical Feasibility Exceptions**

The Critical Infrastructure Protection (CIP) Standards allow for registered entities to request Technical Feasibility Exceptions (TFEs) to the standard requirements in certain instances. Once these requests are made, they must be reviewed and approved, and then short and long term plans to deal with the TFEs must also be evaluated, approved, and monitored to completion. This review process has been defined with Part A and Part B review cycles.

The influx of TFEs to meet the Part A requirements has produced 989 TFEs to date. Currently, CIP personnel have completed the Part A reviews and are working to complete the Part B portion of the TFE submittals which will continue for the remainder of 2010 and into 2011. The rate of TFE submittal for 2011 is expected to be reduced considerably, but we do not expect it to be reduced to zero in the next few years. This will be due to technology changes, additional entities being identified with critical assets, and the full understanding of the CIP standards.

According to Section 5.2 of Appendix 4D of the NERC Rules of Procedures, *ReliabilityFirst* must conduct a substantive review of the Part B Required Information. The Part B Required Information includes a comprehensive description of the basis on which the entity contends that a TFE is appropriate, including the specific equipment and a description of why strict compliance cannot be achieved; a detailed description of compensating or mitigating measures to ensure reliable operation of the Bulk Electric System; an assessment of the impact the TFE may have on the reliable operation of the Bulk Electric System; and a proposed timetable for implementing the compensating or mitigating measures. *ReliabilityFirst* must also evaluate the entity's plan and time schedule for achieving strict compliance with the applicable Reliability Standard and requirement. *ReliabilityFirst* must complete this substantive review within one year of receipt of the TFE request using existing compliance monitoring processes.

Therefore, it is expected that one FTE will continuously be allocated to provide oversight and management of the TFE process.

### **DESCRIPTION OF ADDITIONAL PROPOSED FTEs BY FUNCTIONAL AREA**

The Compliance Department's current workload is exceeding the available resources and this workload is not anticipated to subside in the next few years, but rather grow. Here are just a few of the increased initiatives that ReliabilityFirst will be responsible for through 2011:

- new standards and requirements are going to become effective (MOD, TPL, CIP);
- the spot check responsibilities have grown substantially with the monitoring of a minimum of 8 standards, or as risk assessments dictate, with individual reports for every entity;
- the expectation to request evidence of the reviews of the exception reporting standards and assessments of self certifications;
- the auditing of the CIP standards continues to grow in 2011 by at least a factor of four, as the requirements being monitored will increase from 13 to 43, along with an increased number of entities that will require monitoring;
- the enforcement process, as it has evolved, has increased in scope through the need for detailed fact and circumstance reviews of required evidence and documentation, along with extensive documentation for docket closure;
- the preparation to perform nuclear plant CIP audits; and
- the reporting of information to NERC has grown and has become a comprehensive monthly and more frequent requirement.

### **PROGRAM IMPLEMENTATION**

The on-going and increased expected review of evidence of compliance related material for all processes (e.g. self-certifications, periodic data submittals, and exception reporting) constitute the need to be more timely with our reviews and assessment of data. We are now expected to maintain accurate records tied to the evidence when evaluating, reporting, and following up with entities that did not provide a submittal as requested in the annual monitoring schedule, even when an entity reports fully compliant in a self-certification. As a result of the recent NERC audit of ReliabilityFirst, several recommendations and expectations were also identified and put into place that require more detailed reviews, an assessment be performed of each process, and more timely turnaround on the various data and information presented to the region via the portal or any other mechanism. There is an ongoing expectation to develop Key Performance Indicators (KPIs) on compliance related activities. The current workload is exceeding the available resources and this workload is not anticipated to diminish in future years, but remain the same or grow. No resources are available to pick up the expected additional workload associated with these administrative activities.

In the area of investigations, the criteria being proposed will expand and will now include an unplanned multiple facility trip threshold, along with the expectation by NERC and FERC to perform an increasing number of Compliance Investigations (CIs). This will create a need for additional staffing in the Compliance Implementation Department. Once a CI is initiated, these processes consume resources, requiring months of dedicated time and effort to complete these reviews. Experience has shown that the individuals leading these investigations essentially have very little or no time during the investigation for additional duties and/or responsibilities.

At least two (2) additional FTE's (Senior Engineer or Senior Consultant) in 2011 will be required to complete the anticipated workload.

### COMPLIANCE AUDITS

In review of our expected resources in the future, the compliance audit area has prepared an expected organizational vision and a number of major challenges that we must be aware of to determine our possible needs in 3 to 5 years. There is additional uncertainty as the NERC landscape still is unfolding.

Organizationally, the Compliance Audit area envisions being manned to achieve the following:

- Audit teams made up of two auditors responsible for the audit review, and one auditor responsible for audit review, documentation completion, and report writing for a total of three auditors per team.
- Audits will consist of 1 to 2+ teams based upon the number of registered functions and the scope of the audits.
- Audit teams will be assigned to 6 audits per year. Audit teams will be given 4 weeks for preparation and conducting the audit, then 3 weeks to finalize audit reports, resolution of any open issues, and support of enforcement activities as required, along with other assigned technical responsibilities (i.e. mitigation review and approval, enforcement technical support, etc). This time is needed to ensure that personnel maintain a satisfactory performance level and to reduce turnover as a result of over-extension of our employees.
- Audit teams will be primarily assigned to either 693 or CIP audits.
- Conducting more comprehensive audits according to GAGAS and regionally agreed upon sampling methods will add at least 2-3 man-weeks for a comprehensive audit review.
- During 2011 we will continue to review and assess efficiencies of the audit process and the risk based approach to the scope of the audits.

In 2011, the Audit area will be increasing its workload. The list below highlights several of the workload items that will increase the impact on our existing and new resources. At the same time ReliabilityFirst is attempting to improve the work environment of our employees, while continuously improving the efficiencies of processes and quality of the service we provide.

- Conducting approximately 12 Large and 100 Small/Medium audits in 2011 based on current registration;
- Monitor compliance of 53 entities with critical cyber assets (originally 41 entities) for 43 CIP requirements with expected expansion of technical requirements, complexity, and expansion of entities pending CIP Version 4 of the standards;
- Providing personnel for 19 nuclear station CIP audits (2011 will be preparation and staff qualification period with six (6) to seven (7) audits per year starting in 2012);

- Providing support on Investigations and Complaints (dependent on needs with 2 - 3 people estimated);
- Addition of new and revised standards which are more comprehensive and complex (e.g. NUC-001, CIP, TPL, and MOD standards in 2011 and upwards of 30 standards on the drawing board).
- Reduce the workload on our current over extended workforce. Extra hours logged by the Reliability*First* audit staff are equivalent to an additional 3.5 FTEs.
- Increased technical support to the Enforcement area on mitigation plans and evidence quality due to the growing number of violations and the need for technical knowledge.
- Continued TFE review, approval, monitoring, and remediation.
- Reduction in the use of contractors to reduce budgets.

The non-CIP auditors are currently participating in approximately 12 audits per year and the CIP auditors are averaging 6 audits per year. These auditors need time to prepare and/or perform the tasks as the audit lead, prepare for the next audit, work on various projects as assigned, attend NERC meetings, attend training, etc. which consumes their additional time available between audits. For the 693 auditors, the time between audits is roughly 3 weeks and in most cases less. For the CIP auditors, the number of audits will approximately double in 2011 as the schedule will include the CIP Table 3 entities and will also include the preparation for the nuclear unit on-site CIP Audits. This audit work load coupled with the technical support for enforcement, investigations, complaints, and training, etc., allows very little time for each phase of the audits. It should be noted that we presently are supplementing our needs with the support of high priced contractors which we are looking to minimize

To achieve the above objectives, Reliability*First* projects needing an additional seven (7) new staff members. With this addition of seven (7) new staff members, five (5) will be used for completion of the 693 and CIP audits. One (1) individual will provide support in the role of an administrative person, and one (1) individual will be designated to specifically support the nuclear plant CIP audits (other CIP skilled staff will also assist and support the nuclear plant effort).

In order to manage our existing and anticipated responsibilities in 2011, the Compliance Audit Area will require the following additional staff over the approved 2010 levels:

- 1 - Administrative Assistant
- 2 - Non-CIP Auditors
- 4 - CIP Auditors

---

**ENFORCEMENT MANAGEMENT**

With the experience of the initial filings in 2007 through 2009 of Violation Notices and Settlement Agreements completed, the requisite processing and detail of information and evidence that is required by NERC and FERC can be more accurately gauged. Present 2010 approved staffing levels in Enforcement can support completion and filing of 180 violations (120 Non-CIP and 60 CIP) per calendar year, based on each Case Manager managing 30 violations (20 Non-CIP and 10 CIP) per year, each Legal Assistant compiling and filing 90 violations (45 Non-CIP and 45 CIP) per year and each Technical Support person managing Mitigation Plans for 60 violations (40 Non-CIP and 20 CIP). Anticipated gain in efficiencies, experience, and the implementation of streamlined risk-proportional enforcement processing lead to the following estimations:

Per Case Manager - 45 violations (25 Non-CIP and 20 CIP)

Per Legal Assistant – 120 violations (60 Non-CIP and 60 CIP)

Based on the 2011 projection of 140 Non-CIP violations and 180 CIP violations, the resources required for Enforcement processing are as follows (these projections may necessitate the need to reassess the resource impact by mid 2011):

1 Legal Assistant

[+1 over 2010 Level]

## Workload and Manpower Analysis to Support Compliance Staffing Additions

To better support the increased staffing within the Compliance and Enforcement Program, a core task and workload analysis was performed based on core compliance activities. These core activities include audits, spot checks, mitigation plan review and verification, enforcement activities, compliance investigations (CI), TFE, and Event Analyses. The manpower analysis indicates the Compliance Department needs a total of 52 FTEs (including existing staff) to perform the core activities. ReliabilityFirst decided to be conservative with 42.75 FTEs and also to seek and implement efficiency improvements as experience is gained (for instance, auditors should become more proficient at their jobs with each audit they perform) and the manpower requirements should become more stable. Contractors will only be used if necessary to reduce the need for additional FTEs and to manage the workload. The table below shows the core task growth at a glance for the 2011 budget year.

### Workload Analysis

2009 Actual	2010 Projected	2011 Projected
10 Large Audits	14 Large Audits	12 Large Audits
67 Medium Audits	65 Small/Medium Audits	100 Small/Medium Audits
137 Spot Checks by Entity	251 Spot Checks by Entity	275 Spot Checks by Entity
13 CIP Requirements - 12 Entities to be monitored	41 CIP Requirements - 41 Entities to be monitored	43 CIP Requirements - 53 Entities to be monitored
N/A	N/A	6 New Mod STDs
N/A	N/A	TPL Standard - (Additional Requirements)
81 Violations	170 Violations	320 Violations
48 Settlements	50 Settlements	120 Settlements
1 Hearing	2 Hearings	2 Hearings
4 Compliance Investigations	5 Compliance Investigations	7 Compliance Investigations
2 Complaints	5 Complaints	10 Complaints
None	410 TFE (Received 916 as of April 2010) All Part B reviewed in 12 months	125 TFE Continuous Monitoring of the Remediation and Mitigation Actions
1 Organization Certification	2 Organization Certification	5 Organization Certification
None	None	Nuclear Station CIP Audits – 19 Plants over three year period – 2011 will be the preparation and personnel qualification period.



---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources

- Funding for this program in 2011 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

## Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 2011 are budgeted for 42.75 FTE's. Ten (10) compliance staff will be hired, with 3 FTE's to be allocated to the Training, Education, and Operator Certification Program and 0.25 FTE allocated to the Legal and Regulatory Program. In June 2010, 0.50 FTE was transferred to the Finance and Accounting Department.

## Meeting Expenses

- Meeting, staff travel, and conference call expenses in support of the implementation of the Reliability*First* compliance program will be slightly higher from 2011 budget levels (more staff and meetings).

## Operating Expenses

- Contractors may be utilized to supplement staff whenever workload exceeds the capabilities of the permanent staff. The contract support is necessary to compliment the staff in the areas of spot checks, audits, investigation and CIP activities, anticipating the hiring sequence and other unanticipated workload initiatives. However, every effort will be made to limit use of contract support.
- Office costs will increase in 2011 due to maintenance of the new compliance portal.
- Professional Services decreased for the 2011 budget. This represents legal support for Compliance.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2011. This method of accounting change results in an increase compared to 2010, as a result of additional FTEs offset by lower indirect costs being allocated.

## Other Non-Operating Expenses

- No other non-operating expenses are expected for 2011.

## Fixed Asset Additions

- Furniture & Fixtures - \$3,600 for filing cabinets for Enforcement.
- Computer & Software - Compliance has \$160,000 for Software Customization and \$10,000 for Metrics/Statistical Software.

## Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification section of the 2011 Business Plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Compliance and Organization Registration and Certification</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 10,190,215	\$ 10,190,215	\$ -	\$ 10,705,048	\$ 514,833
Penalty Sanctions	134,483	134,483	-	671,546	537,063
<b>Total ReliabilityFirst Funding</b>	<b>\$ 10,324,698</b>	<b>\$ 10,324,698</b>	<b>\$ -</b>	<b>\$ 11,376,594</b>	<b>\$ 1,051,896</b>
Membership Dues		-	-	-	-
Federal Grants		-	-	-	-
Services & Software		-	-	-	-
Workshops	-	-	-	-	-
Interest		-	-	-	-
Miscellaneous		-	-	-	-
<b>Total Funding</b>	<b>\$ 10,324,698</b>	<b>\$ 10,324,698</b>	<b>\$ -</b>	<b>\$ 11,376,594</b>	<b>\$ 1,051,896</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 4,317,573	\$ 4,317,573	\$ -	\$ 4,980,247	\$ 662,674
Payroll Taxes	286,992	286,992	-	357,152	70,160
Benefits	675,511	675,511	-	828,564	153,053
Retirement Costs	654,514	654,514	-	741,199	86,685
<b>Total Personnel Expenses</b>	<b>\$ 5,934,590</b>	<b>\$ 5,934,590</b>	<b>\$ -</b>	<b>\$ 6,907,162</b>	<b>\$ 972,572</b>
<b>Meeting Expenses</b>					
Meetings	\$ 16,000	\$ 16,000	\$ -	\$ 19,100	\$ 3,100
Travel	450,400	450,400	-	500,000	49,600
Conference Calls	3,600	3,600	-	2,400	(1,200)
<b>Total Meeting Expenses</b>	<b>\$ 470,000</b>	<b>\$ 470,000</b>	<b>\$ -</b>	<b>\$ 521,500</b>	<b>\$ 51,500</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 354,706	\$ 354,706	\$ -	\$ 380,000	\$ 25,294
Office Rent	-	-	-	-	-
Office Costs	212,300	212,300	-	236,086	23,786
Professional Services	520,000	520,000	-	331,000	(189,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	236,884	236,884
<b>Total Operating Expenses</b>	<b>\$ 1,087,006</b>	<b>\$ 1,087,006</b>	<b>\$ -</b>	<b>\$ 1,183,970</b>	<b>\$ 96,964</b>
<b>Total Direct Expenses</b>	<b>\$ 7,491,596</b>	<b>\$ 7,491,596</b>	<b>\$ -</b>	<b>\$ 8,612,632</b>	<b>\$ 1,121,036</b>
<b>Indirect Expenses</b>	<b>\$ 2,939,309</b>	<b>\$ 2,939,309</b>	<b>\$ -</b>	<b>\$ 2,933,312</b>	<b>\$ (5,997)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 10,430,905</b>	<b>\$ 10,430,905</b>	<b>\$ -</b>	<b>\$ 11,545,944</b>	<b>\$ 1,115,039</b>
<b>Change in Assets</b>	<b>\$ (106,207)</b>	<b>\$ (106,207)</b>	<b>\$ -</b>	<b>\$ (169,350)</b>	<b>\$ (63,143)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(236,884)	(236,884)
Computer & Software CapEx	-	-	-	160,000	160,000
Furniture & Fixtures CapEx	-	-	-	3,600	3,600
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 73,284</b>	<b>\$ 73,284</b>
Allocation of Fixed Assets	\$ 106,207	\$ 106,207	-	96,066	\$ (10,141)
<b>Change in Fixed Assets</b>	<b>106,207</b>	<b>106,207</b>	<b>-</b>	<b>169,350</b>	<b>63,143</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>

## Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	8.50	8.50	0.00
Direct Expenses	\$ 1,725,181	\$ 1,785,819	\$ 60,638
Indirect Expenses	\$ 768,742	\$ 583,232	\$ (185,510)
Inc(Dec) in Fixed Assets	\$ 6,767	\$ (19,101)	\$ (25,868)
Total Funding Requirement	\$ 2,500,690	\$ 2,349,950	\$ (150,740)

### Program Scope and Functional Description

In support of the ERO and Rules of Procedure, Section 800, ReliabilityFirst engineering staff will independently analyze, assess, and report on the reliability and adequacy of the bulk electric system within its footprint in the past, present, and future. This includes performance of seasonal, near-term and long-term resource and transmission future looking assessments, special investigations as warranted, analysis and reporting of system disturbances, and collection and dissemination of data, lessons learned and other information. ReliabilityFirst will also provide data and personnel support to achieve NERC's shared assumptions as listed in its 2011-2013 Business Plans and Budgets for Reliability Assessments and Events Analysis and Investigations.

In addition, one FTE was hired in 2010 as a protection systems subject matter expert, which increased the FTE count by one in 2010, but will reduce dependence on contractor experts that were reflected in 2009 actual expenses. This position will assist in system disturbance review and event analysis, along with conducting the mis-operation reporting review and analysis and participate in Compliance Investigations. This position was added to better handle protection system related issues by using staff instead of contracted personnel. Due to a retirement in mid 2011, the FTE count will decrease by one at the end of 2011. This position will not be filled immediately and the workload will be reviewed and analyzed before making a determination to replace this FTE at a later time.

### 2011 Goals and Key Deliverables

#### Assessments of Reliability Performance

- a. Perform seasonal (summer and winter) resource adequacy assessments per NERC Rules of Procedure Section 800 and NERC Standards MOD-016, TPL-005, and TPL-006.
- b. Perform long-term resource adequacy assessments per NERC Rules of Procedure Section 800 and NERC Standards MOD-016, TPL-005, and TPL-006.
- c. Perform seasonal (summer and winter) transmission assessments for the region per Rules of Procedure Section 800 and NERC Standards TPL-005, and TPL-006.

- d. Perform near-term (1 through 5 years into the future) transmission assessments for the region per NERC Rules of Procedure Section 800 and NERC Standards TPL-005, and TPL-006.
- e. Perform long-term (5 through 10 years into the future) transmission assessments for the region per NERC Rules of Procedure Section 800 and NERC Standards TPL-005, and TPL-006.
- f. Produce ReliabilityFirst Corporation assessments for the NERC Reliability Assessment Subcommittee's seasonal, long-term, and post-seasonal operational reports per NERC Rules of Procedure Section 800.
- g. Work with neighboring regional entities in the Eastern Interconnection Reliability Assessment Group (ERAG) to perform seasonal, near-term, and long-term transmission assessments for the region per NERC Standards TPL-005, and TPL-006.
- h. Perform an under frequency load shed (UFLS) dynamic analysis as required by NERC Standard PRC-006. ReliabilityFirst is required to perform this analysis in 2011 since the last one was performed in 2006 and this "fill-in-the-blank" standard requires the analysis to be performed every five years.

### **Model Development to Conduct Assessments**

- a. Develop power flow base case models for ReliabilityFirst per NERC Standards MOD-011 and MOD-014 - Eastern Interconnection Reliability Assessment Group (ERAG) – Multiregional Modeling Working Group (MMWG) effort.
- b. Develop power flow base case models for ReliabilityFirst per NERC Standards MOD-011 and MOD-014 (regional and interregional efforts).
- c. Develop dynamic base case models for ReliabilityFirst per NERC Standards MOD-013 and MOD-015 (ERAG MMWG effort).
- d. Develop dynamic base case models for ReliabilityFirst per NERC Standards MOD-013 and MOD-015 (regional and interregional efforts).

### **Event Analysis and Investigations Activities**

- a. The ReliabilityFirst staff will investigate disturbances as described in the regional disturbance reporting and event analysis procedure and cooperate on investigations with NERC and FERC staff and other Regional Entity staff, as needed. This also includes conducting system disturbance and post-mortem analyses.
- b. Collecting and reviewing disturbance reports as required in NERC Standard EOP-004.
- c. Collecting and reviewing disturbance reports as required by the Department of Energy in form OE-417.

**Reporting Requirements**

- a. Submit Reliability*First* load, capacity, and transmission data and power flow base cases annually for the DOE EIA-411 report.
- b. Submit Reliability*First* power flow data annually for the FERC 715 report.
- c. Assessment Report to the Public Utilities Commission of Ohio.

**Other Requirements and Activities**

- a. Continue to participate in the Eastern Interconnection Reliability Assessment Group, which includes the Management Committee, MMWG, and three study forums.
- b. Analyze protective relay misoperation information and track corrective action plans as required in NERC Standard PRC-003.
- c. Conduct initial and periodic Special Protection System (SPS) reviews as required in NERC Standards PRC-012, PRC-013, and PRC-014.
- d. Conduct Under Frequency Load Shed (UFLS) reviews as required in NERC Standard PRC-006.
- e. Conduct Under Voltage Load Shed (UVLS) reviews.
- f. Coordinate disturbance monitoring equipment placement as required in NERC Standard PRC-002.
- g. Develop and maintain a Reliability*First* bulk electric system facilities map.
- h. Develop and maintain a linear contingency database for transmission assessment studies.

## Funding Sources and Requirements — Explanation of Increase (Decrease)

### Funding Sources

- Funding for this program in 2011 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

### Personnel Expenses

- Slight increases in salary, payroll taxes, benefits, and savings and retirement expenses are due to the re-allocation of one FTE away from Technical Committees and Member Forums; the retirement of one FTE mid-2011 and the hiring of a protection systems subject matter expert in 2010.

### Meeting Expenses

- Meeting, staff travel, and conference call expenses in support of NERC and Reliability *First* committees, subcommittees, working groups, and task forces currently in place to assess and report on the adequacy of the bulk power system and investigate, analyze, and report on system disturbances. The increase in the travel cost from the budgeted amount is due to the addition of one FTE's participation in two NERC committees.

### Operating Expenses

- An increase in operating expenses is due to the use of contractors to assist with the Under Frequency Load Shed (UFLS) dynamic analysis as required by NERC Standard PRC-006. Reliability *First* is required to perform this analysis in 2011 since the last one was performed in 2006 and this "fill-in-the-blank" standard requires the analysis to be performed every five years.

### Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2011. This method of accounting change results in a decrease compared to 2010, since there is no change in FTE's in this program, the reduction is due to lower indirect costs being allocated.

### Other Non-Operating Expenses

- No other non-operating expenses are expected for 2011.

### Fixed Asset Additions

- No fixed asset additions are expected for 2011.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2011 Business Plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 2,465,518	\$ 2,465,518	\$ -	\$ 2,216,426	\$ (249,092)
Penalty Sanctions	35,172	35,172	-	133,524	98,352
<b>Total ReliabilityFirst Funding</b>	<b>\$ 2,500,690</b>	<b>\$ 2,500,690</b>	<b>\$ -</b>	<b>\$ 2,349,950</b>	<b>\$ (150,740)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 2,500,690</b>	<b>\$ 2,500,690</b>	<b>\$ -</b>	<b>\$ 2,349,950</b>	<b>\$ (150,740)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,064,882	\$ 1,064,882	\$ -	\$ 1,099,949	\$ 35,067
Payroll Taxes	71,049	71,049	-	72,714	1,665
Benefits	117,942	117,942	-	126,811	8,869
Retirement Costs	170,678	170,678	-	155,845	(14,833)
<b>Total Personnel Expenses</b>	<b>\$ 1,424,551</b>	<b>\$ 1,424,551</b>	<b>\$ -</b>	<b>\$ 1,455,319</b>	<b>\$ 30,768</b>
<b>Meeting Expenses</b>					
Meetings	\$ 52,000	\$ 52,000	\$ -	\$ 28,000	\$ (24,000)
Travel	90,000	90,000	-	90,000	-
Conference Calls	1,620	1,620	-	2,400	780
<b>Total Meeting Expenses</b>	<b>\$ 143,620</b>	<b>\$ 143,620</b>	<b>\$ -</b>	<b>\$ 120,400</b>	<b>\$ (23,220)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 103,000	\$ 103,000	\$ -	\$ 175,000	\$ 72,000
Office Rent	-	-	-	-	-
Office Costs	47,510	47,510	-	35,000	(12,510)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	100	100
Depreciation	6,500	6,500	-	-	(6,500)
<b>Total Operating Expenses</b>	<b>\$ 157,010</b>	<b>\$ 157,010</b>	<b>\$ -</b>	<b>\$ 210,100</b>	<b>\$ 53,090</b>
<b>Total Direct Expenses</b>	<b>\$ 1,725,181</b>	<b>\$ 1,725,181</b>	<b>\$ -</b>	<b>\$ 1,785,819</b>	<b>\$ 60,638</b>
<b>Indirect Expenses</b>	<b>\$ 768,742</b>	<b>\$ 768,742</b>	<b>\$ -</b>	<b>\$ 583,232</b>	<b>\$ (185,510)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 2,493,923</b>	<b>\$ 2,493,923</b>	<b>\$ -</b>	<b>\$ 2,369,051</b>	<b>\$ (124,872)</b>
<b>Change in Assets</b>	<b>\$ 6,767</b>	<b>\$ 6,767</b>	<b>\$ -</b>	<b>\$ (19,101)</b>	<b>\$ (25,868)</b>
<b>Fixed Assets</b>					
Depreciation	(6,500)	(6,500)	-	-	6,500
Computer & Software CapEx	38,000	38,000	-	-	(38,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (31,500)</b>	<b>\$ (31,500)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 31,500</b>
Allocation of Fixed Assets	\$ 24,733	\$ 24,733	\$ -	19,101	\$ (5,632)
<b>Change in Fixed Assets</b>	<b>(6,767)</b>	<b>(6,767)</b>	<b>-</b>	<b>19,101</b>	<b>25,868</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ (0)</b>

## Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	0.05	3.10	3.05
Direct Expenses	\$ 66,294	\$ 614,771	\$ 548,477
Indirect Expenses	\$ 4,522	\$ 212,708	\$ 208,186
Inc(Dec) in Fixed Assets	\$ (145)	\$ (6,966)	\$ (6,821)
Total Funding Requirement	\$ 70,671	\$ 820,513	\$ 749,842

### 2011 Key Assumptions

A new key emphasis for the Training, Education and Operator Certification Program in 2011 will be the allocation of an additional three (3) FTE's worth of effort aimed towards better educating industry participants regarding reliability and CIP standards, compliance with the standards, enforcement activities, and lessons learned from event analyses and investigations. This greater emphasis is intentionally added to better support the vision laid out by NERC under its new leadership and is reflective of the effort that *ReliabilityFirst* provides to registered entities, including such items as seminars, workshops, mitigation plan support, instructive enforcement notices, support during audits, etc. It is hoped that such activities will improve reliability and compliance to all standards.

Additionally, the *ReliabilityFirst* Training, Education and Operator Certification Program for 2011 will address *ReliabilityFirst* Board of Director's training and industry workshops for membership covering topics such as the *ReliabilityFirst* Standards Development and Compliance Monitoring and Enforcement Program and Critical Infrastructure Protection. Individual training needs or personal development of *ReliabilityFirst* staff are identified by the separate program areas and coordinated under the *ReliabilityFirst* Training, Education and Operator Certification Program, but the expenses for such training are included in each program area budget. *ReliabilityFirst* staff will work with staffs of the other Regional Entities and NERC staff in developing common, consistent training materials, and messages for delivery to the industry.

In preparing for the development of the 2011 Business Plan and Budget, NERC and the Regional Entities cooperated in the development of a set of common assumptions potentially affecting our respective budgets. Included in those common assumptions are a number of assumptions related to training and education. The *ReliabilityFirst* Training, Education and Operator Certification Program area will support the NERC efforts identified in these common assumptions with respect to training.

### 2011 Goals and Key Deliverables

The Training, Education, and Operator Certification Program area focuses on providing relevant training to entities operating in the *ReliabilityFirst* region. This training is structured to provide timely information in a concise format to enable participation at all levels within an organization.



**Board of Directors' Training**

Per the Bylaws of ReliabilityFirst, the Board of Directors will receive training annually to keep current with activities within the ReliabilityFirst footprint and to stay abreast of changes affecting the industry. This training will be conducted at times convenient to the members of the Board and will be prepared and presented primarily by ReliabilityFirst staff, normally in conjunction with a regularly scheduled Board of Directors' meeting.

**Industry Workshops**

In 2011, ReliabilityFirst will continue to offer workshops focused on keeping members abreast of the activities of ReliabilityFirst and other activities that may affect ReliabilityFirst members. The workshops will be geared toward enhancing understanding of the evolution of the industry as a result of the Energy Policy Act of 2005 and of ReliabilityFirst programs such as Standards Development and the Compliance Monitoring and Enforcement Program.

In late 2009, ReliabilityFirst also began offering workshops and Webinars on Critical Infrastructure Protection, particularly focused on the implementation of the Cyber Security Standards (CIP-002 – CIP-009). ReliabilityFirst continued offering Webinars on this topic area in 2010 and will continue to do so in 2011.

**Industry Education**

In 2011, ReliabilityFirst will increase and add greater focus to its activities aimed at helping industry participants achieve excellence in reliability. These activities will include:

- The development and publication of lessons learned/best practices from system events.
- Identification of common reasons why reliability standards are violated.
- Efforts to better prepare entities for compliance audits and also for enforcement activities.
- Increased focus on any lessons learned or trends in reliability assessments.
- Continued workshops and forums to allow for free exchange of information between ReliabilityFirst and its stakeholders.
- Some face-to-face workshops may require a registration fee from attendees to minimize the budgetary impact to ReliabilityFirst. Workshops to be conducted in 2011 include:
  - Compliance Monitoring and Enforcement Program workshops to promote an understanding of the program as it continues to evolve under the ERO.
  - Open forums to provide insight into new standards developed and approved by the industry, both NERC and ReliabilityFirst, changes in the Compliance Monitoring and Enforcement Program, or other topics requested by members/Registered Entities.
  - CIP standard Webinars to provide insight into the evolution of these standards and to provide a forum for representatives of registered entities to share thoughts, problems, and solution.
  - Updates to the base case development process used for developing computer models used to perform reliability assessments.

## Funding Sources and Requirements — Explanation of Increase (Decrease)

### Funding Sources

- Funding for this program in 2011 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

### Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 2011 are budgeted for 3.10 FTEs. Staff resources are used to support the objectives of the Training, Education, and Operator Certification Program area as defined in this business plan. As explained in the 2011 Key Assumptions section for Training, Education, and Operator Certification, there will be an increase to Personnel Expenses for this program area.

### Meeting Expenses

- Travel expenses were added to cover the trips that staff would take to provide additional assistance and special training to the entities.

### Operating Expenses

- No other operating expenses are expected for 2011.

### Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2011. This method of accounting results in an increase compared to 2010, as a result of additional FTEs, offset by lower indirect costs being allocated.

### Other Non-Operating Expenses

- No other non-operating expenses are expected for 2011.

### Fixed Asset Additions

- No fixed asset additions are expected for 2011.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification section of the 2011 Business Plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Training and Education</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 70,464	\$ 70,464	\$ -	\$ 771,816	\$ 701,352
Penalty Sanctions	207	207	-	48,697	48,490
<b>Total ReliabilityFirst Funding</b>	<b>\$ 70,671</b>	<b>\$ 70,671</b>	<b>\$ -</b>	<b>\$ 820,513</b>	<b>\$ 749,842</b>
Membership Dues		-	-	-	-
Federal Grants		-	-	-	-
Services & Software		-	-	-	-
Workshops	-	-	-	-	-
Interest		-	-	-	-
Miscellaneous		-	-	-	-
<b>Total Funding</b>	<b>\$ 70,671</b>	<b>\$ 70,671</b>	<b>\$ -</b>	<b>\$ 820,513</b>	<b>\$ 749,842</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 8,846	\$ 8,846	\$ -	\$ 417,327	\$ 408,481
Payroll Taxes	733	733	-	23,543	22,810
Benefits	896	896	-	39,982	39,086
Retirement Costs	1,419	1,419	-	58,919	57,500
<b>Total Personnel Expenses</b>	<b>\$ 11,894</b>	<b>\$ 11,894</b>	<b>\$ -</b>	<b>\$ 539,771</b>	<b>\$ 527,877</b>
<b>Meeting Expenses</b>					
Meetings	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Travel	-	-	-	25,000	25,000
Conference Calls	4,400	4,400	-	-	(4,400)
<b>Total Meeting Expenses</b>	<b>\$ 54,400</b>	<b>\$ 54,400</b>	<b>\$ -</b>	<b>\$ 75,000</b>	<b>\$ 20,600</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 66,294</b>	<b>\$ 66,294</b>	<b>\$ -</b>	<b>\$ 614,771</b>	<b>\$ 548,477</b>
<b>Indirect Expenses</b>	<b>\$ 4,522</b>	<b>\$ 4,522</b>	<b>\$ -</b>	<b>\$ 212,708</b>	<b>\$ 208,186</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 70,816</b>	<b>\$ 70,816</b>	<b>\$ -</b>	<b>\$ 827,479</b>	<b>\$ 756,663</b>
<b>Change in Assets</b>	<b>\$ (145)</b>	<b>\$ (145)</b>	<b>\$ -</b>	<b>\$ (6,966)</b>	<b>\$ (6,821)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ 145	\$ 145	-	6,966	6,821
<b>Change in Fixed Assets</b>	<b>145</b>	<b>145</b>	<b>-</b>	<b>6,966</b>	<b>6,821</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>

## Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	0.95	0.60	(0.35)
Direct Expenses	\$ 346,021	\$ 264,355	\$ (81,666)
Indirect Expenses	\$ 85,918	\$ 45,423	\$ (40,495)
Inc(Dec) in Fixed Assets	\$ (2,764)	\$ 1,463	\$ 4,227
Total Funding Requirement	\$ 429,175	\$ 311,241	\$ (117,934)

### Program Scope and Functional Description

With the finalization of the Department of Homeland Security (DHS) National Infrastructure Protection Plan and the Sector Specific Plan for the Energy Sector in early 2007, Situation Awareness and Infrastructure Security (SAIS) continues to receive more focus. The *ReliabilityFirst* SAIS activity continues to evolve to provide the tools and information required by the *ReliabilityFirst* staff and stakeholders to promote infrastructure protection. The *ReliabilityFirst* Situation Awareness and Infrastructure Security program area addresses two separate but related functions, Situation Awareness and Critical Infrastructure Protection (CIP).

### 2011 Key Assumptions – Situation Awareness

1. As part of its 2011 Business Plan and Budget, NERC will propose to make a significant investment to support the implementation of a situation awareness tool for FERC, NERC, Regional Entities, and stakeholder needs. The Reliability Coordinators will be the providers of data for this effort and NERC will coordinate and fund the development of this tool. During 2010, NERC and each region will independently evaluate its needs for a situation awareness tool to supplement or mirror the current FERC tool and will each fund its own work. The FERC situation awareness tool will continue to be developed in 2010 to meet regulator, NERC, Regional Entity, and stakeholder needs. Reliability Coordinators will bear the cost of providing systems and information to meet FERC requirements. *ReliabilityFirst* will participate in this work and will utilize the resultant tool for Situation Awareness.

2. NERC will separate CIP from Situation Awareness in 2010. In 2011, NERC will budget CIP separately from Situation Awareness, but will include CIP as a subsection of Situation Awareness for regulatory BP&B reporting purposes. Regional Entities should not plan to separately budget their CIP and Situation Awareness activities in 2011. During 2011, NERC and the Regional Entities will evaluate whether the Regional Entities should also separate CIP and Situation Awareness for budgeting and/or operational purposes. ReliabilityFirst will monitor this effort for potential impacts to future resource and budgeting needs.

### **2011 Key Assumptions – Critical Infrastructure Protection**

1. CIP activities will continue to increase on all fronts, including compliance and other activities. NERC and Regional Entities will evaluate current resources and will project resource needs over the next three years.
2. NERC and the Regional Entities will develop and support an education and implementation program to successfully implement version 4 of the CIP Standards. This is expected to be part of an overall education initiative. The education program will be based on a well developed audit plan and provide technical application guidance. This initiative will require the input of Subject Matter Experts. ReliabilityFirst intends to participate in this initiative.
3. NERC will collaborate with governmental organizations [i.e. federal agencies, law enforcement, and national labs] to develop CIP models, evaluate threats and address priority vulnerabilities. ReliabilityFirst will monitor these efforts and advise stakeholders as threats and vulnerabilities are identified.

### **2011 Goals and Key Deliverables**

The Situation Awareness and Infrastructure Security program area focuses on supporting the ReliabilityFirst staff and Registered Entities in understanding potential threats to the electricity sector, implementation of reliability standards developed to reinforce infrastructure security, and maintaining an awareness of conditions on the Bulk Power System.

To achieve these goals, ReliabilityFirst will focus its activities in the following areas:

#### **Support the ReliabilityFirst Critical Infrastructure Protection Committee**

In late 2006, ReliabilityFirst stakeholders formed the regional Critical Infrastructure Protection Subcommittee (CIPS). In late 2008 this subcommittee was elevated to a committee reporting directly to the ReliabilityFirst Board of Directors. The purpose of the committee is to share information concerning critical infrastructure protection (CIP) and to promote CIP within the ReliabilityFirst region. During 2011, SAIS will support the committee through scheduling and facilitation of committee meetings and Webinars and dissemination of messages, alerts, and warnings from NERC and DHS.

---

**Support/Oversee ReliabilityFirst Staff Resources Compliance to the NERC Cyber Security Standards (CIP-002 – CIP-009)**

ReliabilityFirst is committed to complying with the NERC Cyber Security Standards. The Situation Awareness and Infrastructure Security program area will continue to provide training, guidance, and oversight to the ReliabilityFirst staff, specifically including the Information Technology staff, in achieving compliance to these standards.

**Provide Information on CIP Related Issues**

This activity involves dissemination of information from agencies such as the Electricity Sector Information Sharing and Analysis Center (ES-ISAC), the U.S. Department of Homeland Security, and others containing information on events or suspected events representing potential threats to the electricity sector.

To accomplish this objective, ReliabilityFirst staff must be identified to the U.S. Department of Homeland Security and the ES-ISAC as individuals authorized to receive these communications. The communications can then be forwarded to selected representatives of ReliabilityFirst member companies.

ReliabilityFirst staff will continue working with other members of the NERC Critical Infrastructure Protection Committee and NERC staff to develop a robust messaging system for dissemination of CIP-related messages to the appropriate target audience. This will involve working with the Registered Entities within the ReliabilityFirst region to identify the appropriate individual(s) at each entity to receive these messages.

**Monitor the Health of the Bulk Power System (BPS)**

The use of situation awareness tools by ReliabilityFirst staff has been evolving over the last couple years. ReliabilityFirst staff continues to participate in the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) project and is making use of the SAFNR displays developed during this project. ReliabilityFirst is a signatory to the NERC Operating Reliability Data Confidentiality Agreement and as such staff has been using tools such as the Reliability Coordinator Information System (RCIS), System Data eXchange (SDX), and Area Control Error (ACE) and Abnormal Frequency System Monitoring to monitor the health of the Bulk Power System within the ReliabilityFirst geographical area.

**Maintain and Test Business Continuity/Disaster Recovery and Pandemic Plans for the ReliabilityFirst Office**

A business continuity plan deals with the ability to continue business functions in a degraded situation such as the loss of corporate assets including office space or computer assets. Disaster recovery deals with a more complete loss of access to corporate assets due to a large-scale event such as a tornado or blackout. A pandemic plan focuses on business continuity in the face of a declared pandemic. Due to the potential nature of a pandemic, special steps must be taken to permit continued operation with reduced staff availability.

To ensure staff understanding and the adequacy of these plans, it is necessary to periodically test them. During 2011, tabletop exercises will be used to test the effectiveness and adequacy of these plans. Lessons learned during these tabletop exercises will then be used to improve the plans and address deficiencies.

**Assist stakeholders in complying with NERC and ReliabilityFirst Standards Dealing with Critical Infrastructure Protection**

The standards currently addressing this issue are the NERC Cyber Security Standards (CIP-002 – CIP-009). These standards continue to evolve in response to direction from the Federal Energy Regulatory Commission. As these standards evolve, ReliabilityFirst stakeholders will continue to monitor and implement revisions to the standards as those revisions are completed and approved. ReliabilityFirst SAIS staff will be available to answer questions concerning these standards and will sponsor regional workshops and Webinars as needed to foster the exchange of ideas and solutions developed by stakeholders.

**Support the ReliabilityFirst Compliance Monitoring and Enforcement Program**

The Situation Awareness program area will continue to support the ReliabilityFirst Compliance Enforcement program area by providing expertise on and participating in audits that include assessment of compliance to the NERC Cyber Security Standards (CIP-002 – CIP-009).

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

Staffing for this program area is achieved through the sharing of one staff member with the Training, Education, and Operator Certification and the General and Administrative program areas. In 2010, the allocation of the shared employee was 95% to Situation Awareness and 5% to Training. In early 2010, an assessment of previous year's time commitment of this employee resulted in a re-allocation of this employee. For 2011, the allocation will be 60% to Situation Awareness and Infrastructure Security, 10% to Training, Education, and Operator Certification, and 30% to General and Administrative.

**Funding Sources**

- Funding for this program in 2011 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

**Personnel Expenses**

- Salary, payroll taxes, benefits, and savings and retirement expenses for 2011 are budgeted based on .60 FTEs for this program area. Staff resources are used to support the objectives of the Situation Awareness and Infrastructure Security Program as defined in the business plan.

**Meeting Expenses**

- Meeting, staff travel and conference call expenses are budgeted in support of Regional committees/subcommittees and NERC committees and working groups in place to support the Situation Awareness and Infrastructure Security Program. This includes expenses for four quarterly meetings of the NERC Critical Infrastructure Protection Committee (CIPC) and four quarterly meetings of the Reliability *First* Critical Infrastructure Protection Committee as well as NERC CIPC working group meetings and the NERC Board meetings.

**Operating Expenses**

- Changes in operating expenses between 2010 and 2011 are minimal.

**Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2011. This method of accounting results in a decrease compared to 2010, as a result of fewer FTEs and lower indirect costs being allocated.

**Other Non-Operating Expenses**

- No other non-operating expenses are expected for 2011.

**Fixed Asset Additions**

- In early 2010, a new room was established for the situation awareness tools. Because funds had not been budgeted for this new room, the furnishings remained in their original location. In early 2011, the new situation awareness room will be completed and the furnishings moved to their new location. This results in a minimal increase in fixed asset additions.



## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2011 Business Plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 425,244	\$ 425,244	\$ -	\$ 301,815	\$ (123,429)
Penalty Sanctions	3,931	3,931	-	9,425	5,494
<b>Total ReliabilityFirst Funding</b>	<b>\$ 429,175</b>	<b>\$ 429,175</b>	<b>\$ -</b>	<b>\$ 311,241</b>	<b>\$ (117,934)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 429,175</b>	<b>\$ 429,175</b>	<b>\$ -</b>	<b>\$ 311,241</b>	<b>\$ (117,934)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 168,079	\$ 168,079	\$ -	\$ 108,886	\$ (59,193)
Payroll Taxes	8,727	8,727	-	5,691	(3,036)
Benefits	7,576	7,576	-	9,790	2,214
Retirement Costs	26,959	26,959	-	14,891	(12,068)
<b>Total Personnel Expenses</b>	<b>\$ 211,341</b>	<b>\$ 211,341</b>	<b>\$ -</b>	<b>\$ 139,258</b>	<b>\$ (72,083)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 16,000	\$ 16,000	\$ -	\$ 10,000	\$ (6,000)
Travel	37,000	37,000	-	31,200	(5,800)
Conference Calls	180	180	-	144	(36)
<b>Total Meeting Expenses</b>	<b>\$ 53,180</b>	<b>\$ 53,180</b>	<b>\$ -</b>	<b>\$ 41,344</b>	<b>\$ (11,836)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 80,000	\$ 80,000	\$ -	\$ 80,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	1,800	1,800
Professional Services	-	-	-	-	-
Miscellaneous	1,500	1,500	-	1,364	(136)
Depreciation	-	-	-	589	589
<b>Total Operating Expenses</b>	<b>\$ 81,500</b>	<b>\$ 81,500</b>	<b>\$ -</b>	<b>\$ 83,753</b>	<b>\$ 2,253</b>
<b>Total Direct Expenses</b>	<b>\$ 346,021</b>	<b>\$ 346,021</b>	<b>\$ -</b>	<b>\$ 264,355</b>	<b>\$ (81,666)</b>
<b>Indirect Expenses</b>	<b>\$ 85,918</b>	<b>\$ 85,918</b>	<b>\$ -</b>	<b>\$ 45,423</b>	<b>\$ (40,495)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 431,939</b>	<b>\$ 431,939</b>	<b>\$ -</b>	<b>\$ 309,778</b>	<b>\$ (122,161)</b>
<b>Change in Assets</b>	<b>\$ (2,764)</b>	<b>\$ (2,764)</b>	<b>\$ -</b>	<b>\$ 1,463</b>	<b>\$ 4,227</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(589)	(589)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	3,400	3,400
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,811)</b>	<b>\$ (2,811)</b>
Allocation of Fixed Assets	\$ 2,764	\$ 2,764	-	1,348	\$ (1,416)
<b>Change in Fixed Assets</b>	<b>2,764</b>	<b>2,764</b>	<b>-</b>	<b>(1,463)</b>	<b>(4,227)</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ (0)</b>

## Administrative Services

<b>Administrative Services</b> (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	10.50	12.05	1.55
Total Direct Expenses	\$ 4,276,175	\$ 3,883,290	\$ (392,885)
Inc(Dec) in Fixed Assets	\$ (138,215)	\$ (125,729)	\$ 12,486
Less: Other Funding Sources	\$ 40,000	\$ 40,000	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 4,177,960	\$ 3,797,561	\$ (380,399)
Funding Requirements for Working Capital Requirement	\$ 380,478	\$ (1,496,905)	\$ (1,877,383)

Administrative Services are made up of the following programs; Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resource and Finance and Accounting.

### Methodology for Allocation of Administrative Services Expenses to Programs

- The ERO Assessment and penalty sanctions are only allocated across the delegated functions, except that ERO assessments needed to fund working capital are reflected in the General and Administrative Program within Administrative Services.
- The increase or decrease in assessments to achieve the desired working capital reserve balance is reflected as the Total Change in Assets. All personnel and meeting expenses are accounted for within their associated department's budget.
- The majority of the Operating Expenses are accounted for within their related department's budget, if an expense cannot be specifically linked to a department, it is included in one of the Administrative Services programs. All Expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated to the delegated program areas by their respective FTEs. This allocation provides improved financial perspective for the delegated functions.
- Capital expenditures are broken out as fixed assets at the end of each statement of activities rather than being included in their related lines in the operating expenses section.
- Expenses include depreciation, but since funding is not being requested for depreciation expense, it has been deducted from the funding requirement for capital expenditures.

## Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	1.00	0.00	(1.00)
Total Direct Expenses	\$ 131,715	\$ -	\$ (131,715)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

ReliabilityFirst has re-allocated the costs that were previously assigned to Member Forums to the Reliability Assessment and Performance Analysis Program for 2011. ReliabilityFirst has no forums similar to the North American Transmission Forum or Generator Forum, in which NERC uses this Member Forums program. The ReliabilityFirst member groups have been and continue to work exclusively on reliability assessment and performance analysis activities, and therefore have been included totally within the Reliability Assessment and Performance Analysis Program.

NERC had used the Technical Committee and Member Forums Program to administer its North American Generator and Transmission Forums. These Forums have not interacted with other NERC groups, they had their own agendas and activities that were completely separate (and confidential) from the other NERC functions and activities. ReliabilityFirst has no similar forums that serve these functions. In the NERC 2011 Business Plan and Budget, there are no FTEs or dollars allocated to this program, and ReliabilityFirst has followed this assumption in this plan. The Forums have now been recently incorporated as separate not-for-profit organizations and are no longer funded by NERC.

ReliabilityFirst has a Reliability Committee, which includes oversight of four subcommittees and two technical discussion forums. These organizational groups help address technical reliability issues for ReliabilityFirst. The Reliability Committee serves as the technical advisory body to address the reliability related activities required by the Reliability Standards via review and discussion of the regional activities and may make recommendations for improvements or enhancements, and provides a forum in which to debate technical issues associated with the reliability of the Bulk Power System. However, historically the Reliability Committee has almost exclusively dealt with reliability assessments and disturbance reporting and event analysis activities, which are contained in the Reliability Assessment and Performance Analysis Program. Each of the Committee's subgroups has also exclusively dealt with reliability assessments and disturbance reporting and event analysis activities. Two of the subgroups (the Resource Assessment Subcommittee and Transmission Performance Subcommittee) have used 100% of their time working on ReliabilityFirst assessment related activities. Additionally, the two technical discussion forums (the Power Flow Model Technical Discussion Forum and Dynamic Model Technical Discussion Forum) have used 100% of their effort in collecting the data to build transmission system models used for reliability assessment studies.

The two other subgroups (the Operations Subcommittee and Protection Subcommittee) historically have dealt with issues on disturbance reporting and event analysis, which are also included in the Reliability Assessment and Performance Analysis Program. The Protection Subcommittee has also handled data reporting issues, such as that reported for misoperations.

For these reasons, Reliability*First* has re-allocated budget and associated costs from the Technical Committees and Member Forums Program to the Reliability Assessment and Performance Analysis Program.

## Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2011 Business Plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Technical Committees and Member Forums</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 85,539	\$ 85,539	\$ -	\$ -	\$ (85,539)
Payroll Taxes	6,450	6,450	-	-	(6,450)
Benefits	12,481	12,481	-	-	(12,481)
Retirement Costs	13,705	13,705	-	-	(13,705)
<b>Total Personnel Expenses</b>	<u>\$ 118,175</u>	<u>\$ 118,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (118,175)</u>
<b>Meeting Expenses</b>					
Meetings	\$ 3,000	\$ 3,000	\$ -	\$ -	\$ (3,000)
Travel	10,000	10,000	-	-	(10,000)
Conference Calls	540	540	-	-	(540)
<b>Total Meeting Expenses</b>	<u>\$ 13,540</u>	<u>\$ 13,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,540)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ 131,715</u>	<u>\$ 131,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (131,715)</u>
<b>Indirect Expenses</b>	<u>\$ (131,715)</u>	<u>\$ (131,715)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,715</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

---

**General and Administrative**

<b>General and Administrative</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	2.00	2.30	0.30
Total Direct Expenses	\$ 2,099,791	\$ 1,556,719	\$ (543,072)
Inc(Dec) in Fixed Assets	\$ 48,485	\$ (20,075)	\$ (68,560)
Working Capital Requirement	\$ 380,478	\$ (1,496,905)	\$ (1,877,383)

**Program Scope and Functional Description**

The General and Administrative Department consists of the President, an Administrative Assistant and the Corporate Secretary. Responsibilities include oversight and management of all ReliabilityFirst Corporation's activities, interaction with the Board of Directors and other Regional Entity Management Groups, managing the relationships with governmental agencies, regulators, Members, stakeholders, and other industry organizations.

---

**Funding Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- In 2011, the expenses related to the indirect program areas, including General and Administrative, are being allocated entirely to the direct programs and therefore have no ERO assessment in 2011.
- Reduction in working capital is a direct result of the decrease in the contingency fund and an increase in the penalties collected.

**Personnel Expenses**

- A portion of an FTE (0.3) was added to reflect time spent on General and Administrative matters by the Corporate Secretary.

**Meeting Expenses**

- Projected meeting expenses are consistent with 2010 budget.

**Operating Expenses**

- Operating Expenses decreased for 2011 as a result of a portion of these expenses being allocated to the appropriate department for 2011 budget. The reduction in expenses also reflects the hiring of an on-staff attorney rather than the use of outside legal counsel.

**Indirect Expenses**

- Expenses related to indirect programs, including General and Administrative, have been allocated proportionately based on FTE count to the direct programs for 2011.

**Other Non-Operating Expenses**

- No other non-operating expenses are expected for 2011.

**Fixed Asset Additions**

- The additions in Furniture & Fixtures represent the furnishing of additional offices.

## General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2011 Business Plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>General and Administrative</b>					
Funding	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ 682,502	\$ 682,502	\$ -	\$ (1,496,905)	\$ (2,179,407)
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ 682,502</b>	<b>\$ 682,502</b>	<b>\$ -</b>	<b>\$ (1,496,905)</b>	<b>\$ (2,179,407)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	40,000	40,000	-	40,000	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 722,502</b>	<b>\$ 722,502</b>	<b>\$ -</b>	<b>\$ (1,456,905)</b>	<b>\$ (2,179,407)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 507,396	\$ 507,396	\$ -	\$ 589,540	\$ 82,144
Payroll Taxes	16,746	16,746	-	19,904	3,158
Benefits	24,787	24,787	-	31,208	6,421
Retirement Costs	43,007	43,007	-	67,043	24,036
<b>Total Personnel Expenses</b>	<b>\$ 591,936</b>	<b>\$ 591,936</b>	<b>\$ -</b>	<b>\$ 707,695</b>	<b>\$ 115,759</b>
<b>Meeting Expenses</b>					
Meetings	\$ 61,000	\$ 61,000	\$ -	\$ 54,000	\$ (7,000)
Travel	30,000	30,000	-	40,000	10,000
Conference Calls	240	240	-	276	36
<b>Total Meeting Expenses</b>	<b>\$ 91,240</b>	<b>\$ 91,240</b>	<b>\$ -</b>	<b>\$ 94,276</b>	<b>\$ 3,036</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	356,000	356,000	-	392,392	36,392
Office Costs	46,800	46,800	-	35,495	(11,305)
Professional Services	939,000	939,000	-	297,950	(641,050)
Miscellaneous	16,100	16,100	-	4,336	(11,764)
Depreciation	58,715	58,715	-	24,575	(34,140)
<b>Total Operating Expenses</b>	<b>\$ 1,416,615</b>	<b>\$ 1,416,615</b>	<b>\$ -</b>	<b>\$ 754,748</b>	<b>\$ (661,867)</b>
<b>Total Direct Expenses</b>	<b>\$ 2,099,791</b>	<b>\$ 2,099,791</b>	<b>\$ -</b>	<b>\$ 1,556,719</b>	<b>\$ (543,072)</b>
<b>Indirect Expenses</b>	<b>\$ (1,757,767)</b>	<b>\$ (1,757,767)</b>	<b>\$ -</b>	<b>\$ (1,516,719)</b>	<b>\$ 241,048</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 342,024</b>	<b>\$ 342,024</b>	<b>\$ -</b>	<b>\$ 40,000</b>	<b>\$ (302,024)</b>
<b>Change in Assets</b>	<b>\$ 380,478</b>	<b>\$ 380,478</b>	<b>\$ -</b>	<b>\$ (1,496,905)</b>	<b>\$ (1,877,383)</b>
<b>Fixed Assets</b>					
Depreciation	(58,715)	(58,715)	-	(24,575)	34,140
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	17,200	17,200	-	4,500	(12,700)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	90,000	90,000	-	-	(90,000)
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (48,485)</b>	<b>\$ (48,485)</b>	<b>\$ -</b>	<b>\$ 20,075</b>	<b>\$ 68,560</b>
Allocation of Fixed Assets	\$ 48,485	\$ 48,485	-	(20,075)	(68,560)
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 380,478</b>	<b>\$ 380,478</b>	<b>\$ -</b>	<b>\$ (1,496,905)</b>	<b>\$ (1,877,383)</b>



## Legal and Regulatory

<b>Legal and Regulatory</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.00	0.25	0.25
Total Direct Expenses	\$ -	\$ 140,996	\$ 140,996
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

ReliabilityFirst Corporation has in past years used outside counsel as the primary resource to assist with our legal and regulatory matters, because this was the most cost effective and efficient option at the time. With the addition of on-staff attorneys over the past two years, a shift in this philosophy is being assessed as cost advantages and efficiencies now favor a portion of that work being done internally. The proposed 2011 Budget reflects that shift in work.

---

**Funding Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- In 2011, the expenses related to the indirect program areas, including Legal and Regulatory, are being allocated entirely to the direct programs and therefore have no ERO assessment in 2011.

## Personnel Expenses

- Personnel expenses are related to the reallocation of 0.25 FTE from the Compliance Enforcement area.

## Meeting Expenses

- No meeting expenses are expected for 2011.

## Operating Expenses

- Operating expenses are a result of the reclassification of some outside legal counsel expenses from the General and Administrative department.

## Indirect Expenses

- Expenses related to indirect programs, including Legal and Regulatory, have been allocated proportionately based on FTE count to the direct programs for 2011.

## Other Non-Operating Expenses

- No other non-operating expenses are expected for 2011.

## Fixed Asset Additions

- No fixed asset additions are expected for 2011.

## Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2011 Business Plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Legal and Regulatory</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ 47,424	\$ 47,424
Payroll Taxes	-	-	-	2,402	2,402
Benefits	-	-	-	514	514
Retirement Costs	-	-	-	6,656	6,656
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 56,996</b>	<b>\$ 56,996</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	84,000	84,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 84,000</b>	<b>\$ 84,000</b>
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 140,996</b>	<b>\$ 140,996</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (140,996)</b>	<b>\$ (140,996)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	-	\$ -	-	-	-
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Information Technology

<b>Information Technology</b> (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	5.20	5.20	0.00
Total Direct Expenses	\$ 1,632,261	\$ 1,532,045	\$ (100,216)
Inc(Dec) in Fixed Assets	\$ (186,700)	\$ (103,883)	\$ 82,817
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

ReliabilityFirst Corporation relies on Information Technology (IT) to support the entire staff to achieve our reliability mission. The IT organization currently maintains, but is not limited to:

- Data Center
- Website Hosting
- Telecommuter Support
- Voice Over Internet Protocol
- Virtual Meeting and Conferencing
- Email
- Desktop Support
- Information Security
- Programming Support

IT provides the foundational computer networks, systems, and tools that drive day-to-day business processes and ensures that these information assets meet ReliabilityFirst Corporation's existing and future needs. Responsibilities encompass a variety of complex technical, administrative, and supervisory work in the development, installation, and maintenance of information technology systems.

### 2011 Key Assumptions

1. NERC or a regional entity or collaborative of regional entities will develop and implement certification procedures to allow vendors providing common reliability services to registered entities, such as tagging services, to become certified on CIP standards CIP-003 to CIP-009. This effort will provide a cost effective alternative to holding individual registered entities accountable for the CIP compliance of a vendor providing such services.
2. ReliabilityFirst will maintain compliance with the NERC Critical Infrastructure Protections Standards CIP-002–CIP-009 which will ensure that the integrity, security and confidentiality of our data are maintained.
3. Support the compliance department when performing CIP Standard audits and enforcement activities.
4. Continue the development, integration, and expansion of databases and applications into a unified company-wide Information Management System.

## 2011 Goals and Key Deliverables

Reliability<sup>First</sup> is a document centric organization and to satisfy that document centric need we implemented Microsoft Office SharePoint Server (MOSS) for a portion of the compliance program. Our main goal is to expand MOSS to every function of the Corporation, both internal and external. This effort will continue in 2011.

---

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- In 2011, the expenses related to the indirect program areas, including Information Technology, are being allocated entirely to the direct programs and therefore have no ERO assessment in 2011.

**Personnel Expenses**

- There are no significant changes requiring explanation.

**Meeting Expenses**

- There are no significant changes requiring explanation.

**Operating Expenses**

- Operating expenses decreased slightly for 2011 as a result of a portion of these expenses being allocated to the appropriate department for 2011 budget.

**Indirect Expenses**

- Expenses related to indirect programs, including Information Technology, have been allocated proportionately based on FTE count to the direct programs for 2011.

**Other Non-Operating Expenses**

- No other non-operating expenses are expected for 2011

**Fixed Asset Additions**

- Reliability *First* must replace servers periodically and these funds represent the replacement costs of those servers scheduled to be replaced in 2011.

## Information Technology

Funding sources and related expenses for the Information Technology section of the 2011 Business Plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Information Technology</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 547,308	\$ 547,308	\$ -	\$ 524,766	\$ (22,542)
Payroll Taxes	40,702	40,702	-	38,687	(2,015)
Benefits	111,617	111,617	-	97,686	(13,931)
Retirement Costs	80,785	80,785	-	75,833	(4,952)
<b>Total Personnel Expenses</b>	<b>\$ 780,412</b>	<b>\$ 780,412</b>	<b>\$ -</b>	<b>\$ 736,972</b>	<b>\$ (43,440)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 600	\$ 600	\$ -	\$ 700	\$ 100
Travel	27,600	27,600	-	22,000	(5,600)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 28,200</b>	<b>\$ 28,200</b>	<b>\$ -</b>	<b>\$ 22,700</b>	<b>\$ (5,500)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 16,000	\$ 16,000	\$ -	\$ 50,000	\$ 34,000
Office Rent	-	-	-	-	-
Office Costs	604,949	604,949	-	548,490	(56,459)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	202,700	202,700	-	173,883	(28,817)
<b>Total Operating Expenses</b>	<b>\$ 823,649</b>	<b>\$ 823,649</b>	<b>\$ -</b>	<b>\$ 772,373</b>	<b>\$ (51,276)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,632,261</b>	<b>\$ 1,632,261</b>	<b>\$ -</b>	<b>\$ 1,532,045</b>	<b>\$ (100,216)</b>
<b>Indirect Expenses</b>	<b>\$ (1,632,261)</b>	<b>\$ (1,632,261)</b>	<b>\$ -</b>	<b>\$ (1,532,045)</b>	<b>\$ 100,216</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	(202,700)	(202,700)	-	(173,883)	28,817
Computer & Software CapEx	16,000	16,000	-	70,000	54,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 186,700</b>	<b>\$ 186,700</b>	<b>\$ -</b>	<b>\$ 103,883</b>	<b>\$ (82,817)</b>
Allocation of Fixed Assets	\$ (186,700)	\$ (186,700)	-	(103,883)	82,817
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Human Resources

Human Resources (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	1.40	2.40	1.00
Total Direct Expenses	\$ 209,836	\$ 352,981	\$ 143,145
Inc(Dec) in Fixed Assets	\$ -	\$ 4,500	\$ 4,500
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

ReliabilityFirst realizes that talented, experienced employees are its greatest resource, and that finding, nurturing, and developing that talent is one of our most important tasks. That is why ReliabilityFirst will require two full-time and one part-time employees devoted to facilitating our human resource needs.

### 2011 Key Assumptions

By the end of 2011, ReliabilityFirst will have assembled a staff of 68 (including two part-time positions equaling one FTE) qualified management, professional, and technical employees with the expertise necessary to serve our stakeholders and to support the ERO by properly carrying out our delegated functions.

### 2011 Goals and Key Deliverables

- Recruit highly skilled and excellent employees.
- Provide training programs and career development.
- Review and manage employee benefits.
- Review succession plans and employee retention plans.



---

## Funding Sources and Requirements — Explanation of Increase (Decrease)

Since the Reliability*First* Human Resources Program has been and continues to be fully engaged with an increasing workload, it is expected that the expenses in 2011 will double due to adding an additional FTE to support the Human Resources program.

### Funding Sources (Other than ERO Assessments)

- In 2011, the expenses related to the indirect program areas, including Human Resources, are being allocated entirely to the direct programs and therefore have no ERO assessment in 2011.

### Personnel Expenses

- Salary, payroll taxes, benefits and savings and retirement expenses are for 2.4 FTEs. This is an increase of one FTE from 2010 budget. When the organization was at or below 50 employees, most of the work was handled by one person. As the organization expands past the 50 employee mark, the responsibilities increase. These responsibilities range from recruiting to orienting new employees, from writing job descriptions to tracking attendance, and from instituting and monitoring policies to monitoring benefits. The Human Resources staff must determine which Federal, State and local compliance requirements pertain to Reliability*First* and determine if, when and where updates are necessary. Reliability*First* is committed to attract and retain talented staff and that dictates a need for dedicated trained Human Resources professionals. Reliability*First* must track various laws and regulations of four (4) states along with their reporting requirements. The workload and need for backup on all these critical Human Resources functions supports the addition of one (1) FTE.

### Meeting Expenses

- No meeting expenses are expected for 2011.

### Operating Expenses

- Most of the Operating expenses are primarily monthly payroll and retirement service fees.

### Indirect Expenses

- Expenses related to indirect programs, including Human Resources, have been allocated proportionately based on FTE count to the direct programs for 2011.

### Other Non-Operating Expenses

- No other non-operating expenses are expected for 2011.

### Fixed Asset Additions

- The addition in computer & software represents the purchase of new human resources software.

## Human Resources

Funding sources and related expenses for the Human Resources section of the 2011 Business Plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Human Resources</b>					
Funding	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>ReliabilityFirstFunding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 138,612	\$ 138,612	\$ -	\$ 213,934	\$ 75,322
Payroll Taxes	9,249	9,249	-	17,639	8,390
Benefits	10,054	10,054	-	46,175	36,121
Retirement Costs	22,221	22,221	-	30,665	8,444
<b>Total Personnel Expenses</b>	<b>\$ 180,136</b>	<b>\$ 180,136</b>	<b>\$ -</b>	<b>\$ 308,413</b>	<b>\$ 128,277</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	1,300	1,300	-	1,400	100
Professional Services	25,000	25,000	-	39,168	14,168
Miscellaneous	3,400	3,400	-	3,500	100
Depreciation	-	-	-	500	500
<b>Total Operating Expenses</b>	<b>\$ 29,700</b>	<b>\$ 29,700</b>	<b>\$ -</b>	<b>\$ 44,568</b>	<b>\$ 14,868</b>
<b>Total Direct Expenses</b>	<b>\$ 209,836</b>	<b>\$ 209,836</b>	<b>\$ -</b>	<b>\$ 352,981</b>	<b>\$ 143,145</b>
<b>Indirect Expenses</b>	<b>\$ (209,836)</b>	<b>\$ (209,836)</b>	<b>\$ -</b>	<b>\$ (352,981)</b>	<b>\$ (143,145)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(500)	(500)
Computer & Software CapEx	-	-	-	5,000	5,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (4,500)</b>	<b>\$ (4,500)</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	4,500	4,500
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Finance and Accounting

<b>Accounting and Finance</b> (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	0.90	1.90	1.00
Total Direct Expenses	\$ 202,572	\$ 300,549	\$ 97,977
Inc(Dec) in Fixed Assets	\$ -	\$ (6,271)	\$ (6,271)
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Finance and Accounting department will work with the ERO and all ReliabilityFirst cost centers to produce an annual ReliabilityFirst budget and business plan that adequately supports its delegated functions.

In support of the ERO's funding/collection mechanism, ReliabilityFirst will annually collect and supply the ERO with a list of Load Serving Entities (LSE) within the ReliabilityFirst Corporation footprint and their associated Net Energy for Load (NEL) data as mandated by the Federal Energy Regulatory Commission.

### 2011 Key Assumptions

NERC and each regional entity will develop its own risk management strategies and budget accordingly to address those risks.

### 2011 Goals and Key Deliverables

- ReliabilityFirst will work with all Regional Entities through the Regional Entity Budget Group (REBG) to provide consistency in budget submittals to the ERO and to FERC and to coordinate LSE/NEL collection efforts to alleviate any potential double counting of LSE/NEL information.
- This department will provide all ReliabilityFirst cost centers, the Board of Directors, and the ERO with financial clarity and understanding of ReliabilityFirst's financial position.
- The Finance and Accounting department will direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget, tax, audit activities, and financial and accounting system controls and standards.
- Participate with NERC on the Regional Entity true-up filing.
- Constantly refine a cost collecting mechanism which will help control costs and build a more effective budget.
- Provide advice from the financial perspective on contracts into which the organization may enter.

---

## Funding Sources and Requirements — Explanation of Increase (Decrease)

Since the Reliability*First* Finance and Accounting program has been and continues to be fully engaged with an increasing workload, it is expected that the expenses in 2011 will almost double.

### Funding Sources (Other than ERO Assessments)

- In 2011, the expenses related to the indirect programs areas, including Finance and Accounting are being allocated entirely to the direct programs and therefore have no ERO assessment in 2011.

### Personnel Expenses

- Staffing levels increased from 0.9 to 1.9 FTEs. The additional FTE results from a .5 FTE transfer from both the Standards and Compliance Programs. This includes one shared person, one part-time accountant and one full time accountant. Salary, payroll taxes, benefits, and savings and retirement expenses are for 1.9 FTEs. As the organization grows from a small to a midsize organization it is necessary to increase staff for the following reasons:
  - The number of expense reports processed has doubled and is expected to increase, since most new hires are travelers.
  - Actual expenses are captured at a more detailed level.
  - More time is being spent analyzing expenses.
  - Additional time is being spent working with the department heads to establish an understanding of what items are in their cost center both actual and budget.

### Meeting Expenses

- Meetings and staff travel expenses in support of Finance and Accounting comprised of travel to various budget meetings for coordinating the budget process with all of the regions, and to Reliability*First* Board meetings.

### Operating Expenses

- Includes amounts for the yearend audit and the automation of the company's expense report process.

### Indirect Expenses

- Expenses related to indirect programs, including Finance and Accounting, have been allocated proportionately based on FTE count to the direct programs for 2011.

### Other Non-Operating Expenses

- No other non-operating expenses are expected for 2011.

### Fixed Asset Additions

- No fixed asset additions are expected for 2011.

## Finance and Accounting

Funding sources and related expenses for the Finance and Accounting section of the 2011 Business Plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Finance and Accounting</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 107,022	\$ 107,022	\$ -	\$ 164,965	\$ 57,943
Payroll Taxes	6,833	6,833	-	12,853	6,020
Benefits	8,108	8,108	-	33,283	25,175
Retirement Costs	17,159	17,159	-	23,477	6,318
<b>Total Personnel Expenses</b>	<u>\$ 139,122</u>	<u>\$ 139,122</u>	<u>\$ -</u>	<u>\$ 234,578</u>	<u>\$ 95,456</u>
<b>Meeting Expenses</b>					
Meetings	\$ 200	\$ 200	\$ -	\$ -	\$ (200)
Travel	7,000	7,000	-	6,000	(1,000)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 7,200</u>	<u>\$ 7,200</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ (1,200)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 12,000	\$ 12,000	\$ -	\$ 10,000	\$ (2,000)
Office Rent	-	-	-	-	-
Office Costs	1,250	1,250	-	3,800	2,550
Professional Services	43,000	43,000	-	39,900	(3,100)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	6,271	6,271
<b>Total Operating Expenses</b>	<u>\$ 56,250</u>	<u>\$ 56,250</u>	<u>\$ -</u>	<u>\$ 59,971</u>	<u>\$ 3,721</u>
<b>Total Direct Expenses</b>	<u>\$ 202,572</u>	<u>\$ 202,572</u>	<u>\$ -</u>	<u>\$ 300,549</u>	<u>\$ 97,977</u>
<b>Indirect Expenses</b>	<u>\$ (202,572)</u>	<u>\$ (202,572)</u>	<u>\$ -</u>	<u>\$ (300,549)</u>	<u>\$ (97,977)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(6,271)	(6,271)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,271</u>	<u>\$ 6,271</u>
Allocation of Fixed Assets	-	\$ -	-	(6,271)	(6,271)
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

---

## Section B – Supplemental Financial Information 2011 Business Plan and Budget

---

## Section B – Supplemental Financial Information

### Working Capital Reserve Analysis 2010-2011

**Table B-1**

<b>Working Capital Reserve Analysis 2010-2011</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2009</b>	2,647,327
Less: Penalty sanctions to be used as offset to 2011 assessments <sup>1</sup>	(350,900)
Plus: 2010 ReliabilityFirst Funding (from LSEs or designees)	14,345,192
Plus: 2010 Other funding sources	40,000
Less: 2010 Projected expenses & capital expenditures	(14,184,714)
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<b>2,496,905</b>
<b>Desired Working Capital Reserve, December 31, 2011</b>	<sup>2</sup> 1,000,000
Less: Projected Working Capital Reserve, December 31, 2010	(2,496,905)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>(1,496,905)</b>
2011 Expenses and Capital Expenditures	15,219,649
Less: Penalty Sanctions <sup>3</sup>	(878,900)
Less: Other Funding Sources	(40,000)
Adjustment to achieve desired Working Capital Reserve	(1,496,905)
<b>2011 ReliabilityFirst Assessment</b>	<b>12,803,844</b>

<sup>1</sup> Represents collections on or prior to December 31, 2009. See page 76 for full disclosure.

<sup>2</sup> On February 24, 2010, the ReliabilityFirst Finance and Audit Committee approved a desired working capital reserve of \$1,000,000

<sup>3</sup> Represents collections on or prior to June 30, 2010. See page 76 for full disclosure.

### Explanation of Changes in Reserve Policy from Prior Years

It is the policy of ReliabilityFirst to keep 10% of the budgeted years expenses or no less than \$1,000,000 as a reserve fund. This determination is made during the beginning of the annual budgeting process. For the 2010 budget the reserve is \$1,418,471 or 10% of budgeted year's expenses. In 2011, the reserve is reduced to \$1,000,000, taking in consideration the \$1,000,000 reserve and \$1,000,000 line of credit is sufficient for any 2011 contingencies.

**Breakdown by Statement of Activity Sections**

The following detailed schedules are in support of the Statutory Statement of Activities and Capital Expenditures Table contained in the introduction of the 2011 Reliability *First* Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.



**Table B-2: Penalty Sanctions**

<b>Penalty Sanctions Received On or Prior to June 30, 2010</b>	
<b>Date Received</b>	<b>Amount Received</b>
11/5/2009	20,000.00
11/9/2009	40,000.00
12/4/2009	225,000.00
12/7/2009	6,500.00
12/8/2009	5,000.00
12/14/2009	6,000.00
12/14/2009	7,500.00
12/18/2009	15,000.00
12/22/2009	5,000.00
12/28/2009	5,000.00
12/31/2009	15,900.00
<b>Total as of 12/31/2009</b>	<b>350,900.00</b>
1/4/2010	10,000.00
3/17/2010	160,000.00
4/1/2010	5,000.00
5/3/2010	5,000.00
5/19/2010	290,000.00
5/27/2010	15,000.00
5/27/2010	5,000.00
5/27/2010	8,000.00
6/1/2010	5,000.00
6/1/2010	5,000.00
6/7/2010	5,000.00
6/8/2010	15,000.00
<b>Total as of 06/30/2010</b>	<b>\$528,000.00</b>
<b>Total</b>	<b>\$878,900.00</b>

Penalty monies received prior to June 30, 2010 are to be used to offset assessments in the 2011 Budget, as documented in the NERC Policy – “Accounting, financial statement and budgetary treatment of penalties imposed and received for violations of reliability standard”. Penalty monies received from July 1, 2010 through June 30, 2011 will be used to offset assessments in the 2012 Budget.

All penalties received between July 1, 2009 and June 30, 2010 are detailed above.

### **Allocation Method**

Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring and Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-3: Supplemental Funding**

Outside Funding Breakdown By Program (excluding Reliability <i>First</i> Assessments & Penalty Sanctions)	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget
<b>General and Administrative</b>				
Interest Income	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
<b>Total</b>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ -</u>
<b>Total Outside Funding</b>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ -</u>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

- No explanation needed.

Table B-4: Personnel Expenses

Personnel Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Salaries</b>					
Salaries	\$ 7,196,074	\$ 7,196,074	\$ 8,307,760	\$ 1,111,686	15.4%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
<b>Total Salaries</b>	<b>\$ 7,196,074</b>	<b>\$ 7,196,074</b>	<b>\$ 8,307,760</b>	<b>\$ 1,111,686</b>	<b>15.4%</b>
<b>Total Payroll Taxes</b>	<b>\$ 461,580</b>	<b>\$ 461,580</b>	<b>\$ 560,486</b>	<b>\$ 98,906</b>	<b>21.4%</b>
<b>Benefits</b>					
Workers Compensation	\$ 16,859	\$ 16,859	\$ 21,170	\$ 4,311	25.6%
Medical Insurance	769,405	769,405	905,211	135,806	17.7%
Life-LTD-LTC Insurance	101,277	101,277	101,778	501	0.5%
Education	50,500	50,500	209,750	159,250	315.3%
Relocation	60,410	60,410	-	(60,410)	-100.0%
<b>Total Benefits</b>	<b>\$ 998,451</b>	<b>\$ 998,451</b>	<b>\$ 1,237,909</b>	<b>\$ 239,458</b>	<b>24.0%</b>
<b>Retirement</b>					
Discretionary 401k Contribution	\$ 661,333	\$ 661,333	\$ 754,999	\$ 93,666	14.2%
Savings Plan	401,586	401,586	452,998	51,412	12.8%
<b>Total Retirement</b>	<b>\$ 1,062,919</b>	<b>\$ 1,062,919</b>	<b>\$ 1,207,997</b>	<b>\$ 145,078</b>	<b>13.6%</b>
<b>Total Personnel Costs</b>	<b>\$ 9,719,024</b>	<b>\$ 9,719,024</b>	<b>\$ 11,314,152</b>	<b>\$ 1,595,128</b>	<b>16.4%</b>
<b>FTEs</b>	<b>58</b>	<b>58</b>	<b>68</b>	<b>10</b>	<b>17.2%</b>
<b>Cost per FTE</b>					
Salaries	\$ 124,070	\$ 124,070	\$ 122,173	(1,897)	-1.5%
Payroll Taxes	7,958	7,958	8,242	284	3.6%
Benefits	17,215	17,215	18,205	990	5.8%
Retirement	18,326	18,326	17,765	(562)	-3.1%
<b>Total Cost per FTE</b>	<b>\$ 167,569</b>	<b>\$ 167,569</b>	<b>\$ 166,385</b>	<b>\$ (1,185)</b>	<b>-0.7%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- The increase in **Salaries** is primarily due to the addition of 11 FTEs.
- The increase in **Workers' Compensation** is due to the addition of 11 new FTEs along with a budgeted increase in the workers compensation rates.
- The increase in **Medical Insurance** is due to the addition of the 11 new FTEs along with an estimated 10% increase in the insurance rates.
- The increase in **Education Reimbursement** is due to a greater number of employees taking advantage of the company's education benefits.
- The decrease in **Relocation** is due to the elimination of budget dollars for relocation expense.
- The increase in **Discretionary 401(K) contribution** is primarily due to the addition of the 11 new hires.
- The increase in **Savings Plan** is primarily due to the addition of the 11 new hires.

Table B-5: Consultants and Contracts

Consultants	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ 5,294	\$ 5,294	\$ -	\$ (5,294)	-100%
Compliance and Organization Registration and Certification	354,706	354,706	380,000	25,294	7%
Reliability Readiness Evaluation and Improvement	-	-	-	-	-
Reliability Assessment and Performance Analysis	103,000	103,000	175,000	72,000	70%
Training and Education	-	-	-	-	-
Situation Awareness and Infrastructure Security	80,000	80,000	80,000	-	0%
Committee and Member Forums	-	-	-	-	-
General and Administrative	-	-	-	-	-
Legal and Regulatory	-	-	-	-	-
Information Technology	16,000	16,000	50,000	34,000	213%
Human Resources	-	-	-	-	-
Accounting and Finance	12,000	12,000	10,000	(2,000)	-17%
<b>Consultants Total</b>	<b>\$ 571,000</b>	<b>\$ 571,000</b>	<b>\$ 695,000</b>	<b>\$ 124,000</b>	<b>22%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 571,000</b>	<b>\$ 571,000</b>	<b>\$ 695,000</b>	<b>\$ 124,000</b>	<b>22%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- The decrease in **Reliability Standards** costs are a result of consultant's costs associated with maintenance of the Share Point Database document management system being included within the IT Department's consultant budget in 2011.
- The increase in **Reliability Assessment and Performance Analysis** costs is due to the use of contractors to assist with the Under Frequency Load Shed (UFLS) dynamic analysis.
- The increase in **Information Technology** costs is due to the use of consultants to help maintain the Share Point Database document management system
- The decrease in **Accounting and Finance** costs is due to use of a contractor to fill-in while a staff member was out on family medical leave in 2010. However, the 2011 budget amount is for the automation of the company's expense report process.

Table B-6: Office Rent

Office Rent	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Office Rent	\$ 306,000	\$ 306,000	\$ 327,592	21,592	7.06%
Utilities	50,000	50,000	64,800	14,800	29.60%
Maintenance	-	-	-	-	
Security	-	-	-	-	
<b>Total Office Rent</b>	<b>\$ 356,000</b>	<b>\$ 356,000</b>	<b>\$ 392,392</b>	<b>\$ 36,392</b>	<b>10.22%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- The increase in **Utilities** is due to the additional office space acquired in January 2010.

Table B-7: Office Costs

Office Costs	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Telephone	\$ 129,970	\$ 129,970	\$ 129,480	\$ (490)	-0.38%
Internet	242,720	242,720	220,326	(22,394)	-9.23%
Office Supplies	35,800	35,800	33,800	(2,000)	-5.59%
Computer Supplies and Maintenance	459,339	459,339	439,080	(20,259)	-4.41%
Publications & Subscriptions	5,600	5,600	6,800	1,200	21.43%
Dues	6,710	6,710	3,766	(2,944)	-43.87%
Postage	3,300	3,300	3,680	380	11.52%
Express Shipping	2,400	2,400	2,000	(400)	-16.67%
Copying	-	-	18,700	18,700	
Reports	800	800	600	(200)	-25.00%
Stationary Forms	1,200	1,200	1,125	(75)	-6.25%
Equipment Repair/Service Contracts	26,000	26,000	4,360	(21,640)	-83.23%
Bank Charges	270	270	270	-	0.00%
Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity	-	-	-	-	
<b>Total Office Costs</b>	<b>\$ 914,109</b>	<b>\$ 914,109</b>	<b>\$ 863,987</b>	<b>\$ (50,122)</b>	<b>-5.48%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- The increase in **Publications & Subscriptions** is due to the rise in purchases of manuals and books to support increased staffing levels.
- The decrease in **Dues** is due to the reduction of professional fees in Information Technology.
- The increase in **Postage** is a result of the growth in volume of compliance related documents being sent out certified mail rather than express shipping along with the increase in the lease rate for the postage meter.
- The decrease in **Express Shipping** is a result of using alternative methods, such as e-mail and certified mail, to send out documents.
- The increase in **Copying** is due to the per page charges for copier usage that used to be recorded to the equipment repair/service contracts account.
- The decrease in **Reports** is due to the reduction in the budget estimate to reprint transmission system maps.
- The decrease in **Equipment Repair/Service Contracts** is due to the per page charges for copier usage that is now being recorded in the Copying account.

**Table B-8: Professional Services**

Professional Services	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Independent Trustee Fees	\$ 379,000	\$ 379,000	\$ 255,750	\$ (123,250)	-32.52%
Outside Legal	1,020,000	1,020,000	385,000	(635,000)	-62.25%
Accounting & Auditing Fees	68,000	68,000	79,068	11,068	16.28%
Insurance Commercial	60,000	60,000	72,200	12,200	20.33%
<b>Total Services</b>	<b>\$ 1,527,000</b>	<b>\$ 1,527,000</b>	<b>\$ 792,018</b>	<b>\$ (734,982)</b>	<b>-48.13%</b>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

- The decrease in **Independent Trustee Fees** is due to the removal of a search fee for a new independent director and to the reduction in compliance committee conference calls and other anticipated activities.
- Reliability *First* Corporation has in past years used outside counsel as the primary resource to assist with our legal and regulatory matters, because this was the most cost effective and efficient option at the time. With the addition of on-staff attorneys over the past two years, a shift in this philosophy is being assessed as cost advantages and efficiencies now favor a portion of that work being done internally. The decrease in **Outside Legal** reflects that shift in work.
- The increase in **Accounting & Auditing Fees** is due to increase in the monthly payroll services which is a direct correlation to the addition of new employees.
- The increase in **Insurance Commercial** is to account for the increase in insurance rates.

**Table B-9: Non-Operating Expenses**

Other Non-Operating Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Interest Expense	\$ -	\$ -		\$ -	-
Line of Credit Payment	-	-		\$ -	-
Office Relocation	-	-		\$ -	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

- No explanation needed.



---

Section C – Non-Statutory Activities  
2011 Business Plan and Budget

---

## **Section C — 2011 Non-Statutory Business Plan and Budget**

ReliabilityFirst performed only those functions delegated to it by the ERO in 2010 and the organization does not intend to perform any functions outside its ERO delegated activities in 2011, therefore Section C is not applicable.

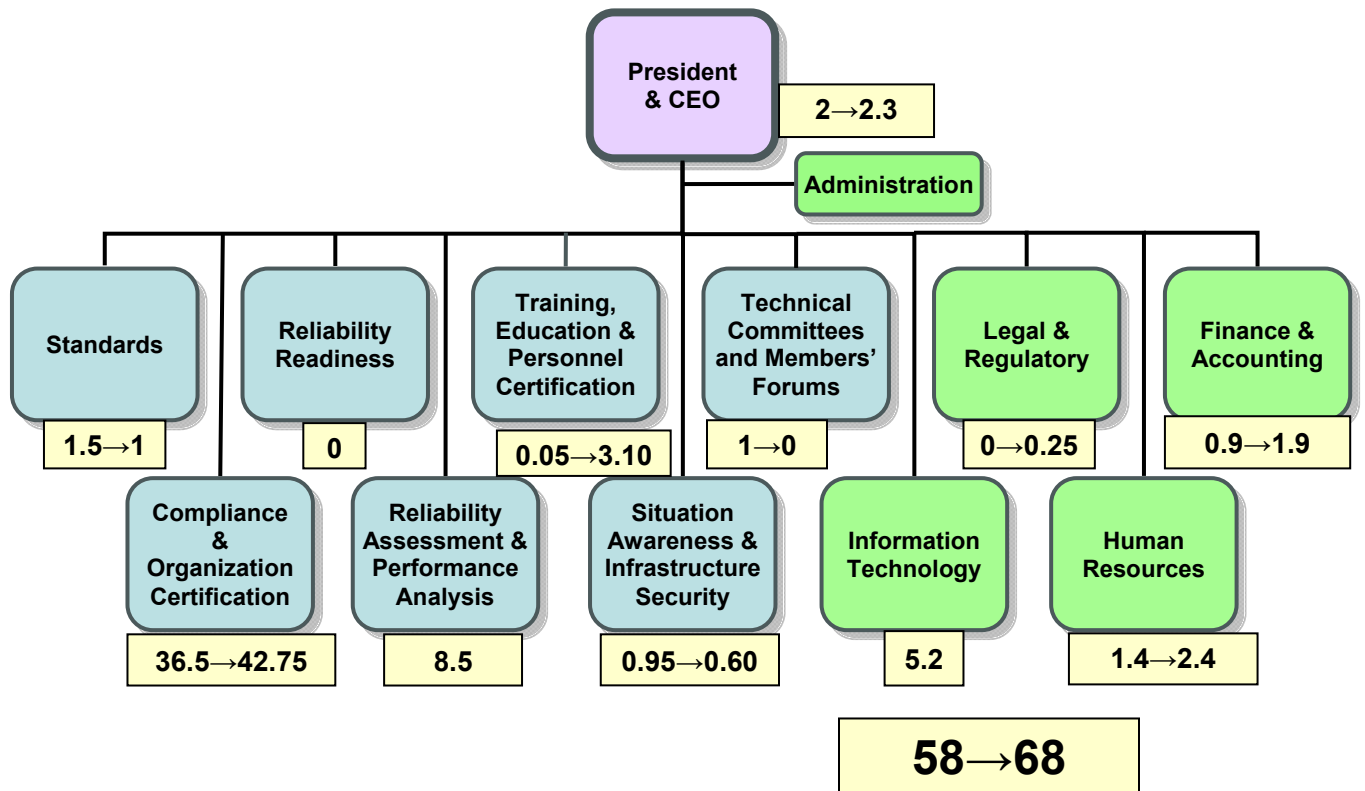
---

**Section D – Supplemental Information**  
**2011 Business Plan and Budget**

---

## Section D — Supplemental Information

### 2011 Organizational Chart



## Statement of Financial Position

**Statement of Financial Position**  
**2009 Audited, 2010 Projection, and 2011 Budget**

**STATUTORY and NON-STATUTORY**

	(Per Audit) 31-Dec-09	Projected 31-Dec-10	Budget 31-Dec-11
<b>ASSETS</b>			
Cash	4,516,433	4,463,482 <sup>▼</sup>	2,966,577 <sup>▼</sup>
Accounts receivable, net of allowance for uncollectible accounts	21,576	-	-
Other receivables	-	-	-
Prepaid expenses and other current assets	151,363	199,799	199,799
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	1,633,117	1,747,435	1,943,637
Total Assets	<b>6,322,489</b>	<b>6,410,716</b>	<b>5,110,013</b>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable and accrued expenses	2,042,045	1,919,522	1,919,522
Deferred income	-	-	-
Regional assessments collected in advance	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	-	-	-
Total Current Liabilities	<b>2,042,045</b>	<b>1,919,522</b>	<b>1,919,522</b>
Long Term Liabilities			
Accrued expenses	219,070	386,012	155,000
Total Long Term Liabilities	<b>219,070</b>	<b>386,012</b>	<b>155,000</b>
Net Assets - unrestricted	4,061,374	4,105,182	3,035,491
Total Liabilities and Net Assets	<b>6,322,489</b>	<b>6,410,716</b>	<b>5,110,013</b>



**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 7**

**SERC RELIABILITY CORPORATION**

**PROPOSED 2011 BUSINESS PLAN AND BUDGET**



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

# **SERC Reliability Corporation**

## **2011 Business Plan and Budget**

**FINAL**  
**July 7, 2010**



## TABLE OF CONTENTS

Introduction .....	3
Section A — 2011 Business Plan.....	16
Reliability Standards Program .....	16
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	19
Reliability Assessment and Performance Analysis Program.....	25
Training, Education, and Operator Certification Program .....	29
Situation Awareness and Infrastructure Security Program.....	32
Administrative Services.....	36
Technical Committees and Member Forums .....	37
General and Administrative.....	40
Legal and Regulatory.....	43
Information Technology .....	46
Human Resources .....	49
Finance and Accounting .....	52
Section B — Supplemental Financial Information .....	56
Reserve Balance.....	56
Breakdown by Statement of Activity Sections .....	57
Section C — 2010 Non-Statutory Business Plan and Budget .....	64
Section D.....	66
2011 Consolidated Statement of Activities by Program, Statutory and Non-Statutory .....	66
Statement of Financial Position .....	67
Organizational Chart .....	68

## Introduction

TOTAL RESOURCES (in whole dollars)				
	2011 Budget	U.S.	Canada	Mexico
Statutory FTEs	53.5			
Non-statutory FTEs	-			
<b>Total FTEs</b>	<b>53.5</b>			
Statutory Expenses	\$ 11,865,916			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	<b>\$ 11,865,916</b>			
Statutory Inc(Dec) in Fixed Assets	\$ (89,276)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	<b>\$ (89,276)</b>			
Statutory Working Capital Requirement <sup>†</sup>	\$ 144,368			
Non-Statutory Working Capital Requirement <sup>**</sup>	\$ -			
<b>Total Working Capital Requirement</b>	<b>\$ 144,368</b>			
Total Statutory Funding Requirement	\$ 11,921,008			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	<b>\$ 11,921,008</b>			
<b>Statutory Funding Assessments</b>	\$ 10,671,508	\$ 10,671,508	\$ -	\$ -
<b>Non-Statutory Fees</b>	\$ -	\$ -	\$ -	\$ -
NEL	990,093,522	990,093,522	0	0
NEL%	100%	100%	0%	0%

\*Refer to Table B-1 on page 56 in Section B.

\*\*As noted in Section C, SERC does not support any non-statutory functions.

## Organizational Overview

The SERC Reliability Corporation (SERC) is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power systems in all or portions of 16 central and southeastern states. The SERC Region covers an area of approximately 560,000 square miles and electric systems in the region serve approximately 26% of the net energy for load (NEL) in North America and 31% of the NEL in the Eastern Interconnection.

SERC executed an agreement with the North American Electric Reliability Corporation (NERC) on May 2, 2007, for the purpose of delegating to SERC certain responsibilities and authorities of a regional entity as defined by Section 215 of the Federal Power Act; Chapter I, Title 18, Code of Federal Regulations, Part 39; other Federal Energy Regulatory Commission (FERC) regulations and directives, and NERC rules of procedure.

SERC, initially called the Southeastern Electric Reliability Council, was formed in 1970 as a voluntary association of members comprising electric industry reliability stakeholders in the southeast. Throughout its history, SERC has been successful in promoting reliability of the bulk power system using an industry self-regulatory model, relying on reciprocity, peer influence, and the mutual reliability focus of owners, operators, and users of the bulk power system to ensure that the system remained reliable and secure.

---

SERC was incorporated as a 501(c)(6) nonprofit corporation in the state of Alabama on April 29, 2005 to position SERC to become a regional entity with an appropriate stakeholder governance structure. In April 2006, SERC changed its name to SERC Reliability Corporation.

SERC has a 2011 targeted staffing level of 53.5 power industry professionals and support personnel.

## Membership and Governance

SERC monitors 240 entities in the region for compliance with mandatory reliability standards. Membership in SERC, which is voluntary and free, affords participants the opportunity to participate in the technical activities and governance of the organization. The number of entities that are members of SERC is approximately 60.

SERC is governed by a Board of Directors, comprised of a representative from each member company. The Board of Directors delegates responsibility for operational oversight of the corporation to an Executive Committee of 12 directors. The board has also formed a Board Compliance Committee to oversee the program that monitors and enforces compliance of registered entities in the region to FERC-approved reliability standards. In October 2007, the board formed a Human Resources and Compensation Committee to advise the President, board officers, and the board on matters of employee compensation and human resources.

The board appoints one director to serve as a non-employee Treasurer of the corporation. The Treasurer is vested by the Board with the responsibility, working with the President, to provide oversight of the finances of the corporation. The Treasurer reports to the board at its semiannual meetings in April and October.

## Statutory Functional Scope

SERC provides statutory functions in support of the electric reliability organization, in accordance with the executed delegation agreement between SERC and NERC. The functions are:

- Active participation in the development of North American reliability standards for the bulk-power system, and as needed development of reliability standards applicable within the SERC Region.
- Monitoring and enforcement of approved reliability standards, including the registration of responsible entities, and as needed certification of such entities.
- Assessment of the present and future reliability, adequacy, and security of the bulk-power system.
- Promoting situation awareness.
- Conducting event analysis to identify and distribute lessons learned to improve reliability.
- Promoting effective training and education of reliability personnel, and assisting in the certification of operating personnel.
- Promoting the protection of critical infrastructure.

Amendments to the delegation agreement between NERC and SERC have been approved by the SERC board of directors and NERC board of trustees and have been filed with FERC for review and approval.

SERC does not provide any non-statutory functions at this time, although SERC may in the future consider providing non-statutory functions from time to time as appropriate and as permitted by its Board and applicable statutes and regulations.

In recognition of the importance of the compliance role of regional entities, SERC has dedicated over half of its staff resources to compliance monitoring and enforcement. The compliance staff is further divided into three groups, one conducting compliance audits, the second performing compliance assessments and enforcement, and the third conducting a variety of programmatic compliance activities on topics including investigations, Critical Infrastructure Protection, and registration and certification. SERC has developed and deployed a robust set of online tools for the gathering, analysis, and tracking of compliance information.

SERC has organized the remaining technical staff into a reliability services group and a reliability assessment group to address the other statutory functions listed above. These experts in operations, engineering, and analysis assist registered entities in assessing and improving reliability. It is in support of these areas that SERC engages the majority of industry experts on its technical committees.

## 2011 Key Assumptions

In developing the 2011 business plan, SERC along with the other Regional Entities collaborated with NERC to develop a common set of business plan and budget assumptions. The key assumptions include the following:

1. The international, industry-based Self Regulatory Organization (SRO) model continues to be used and no material changes to the SRO model impacting 2011 emerge from FERC's review of the Three-Year ERO Performance Assessment or its review of the proposed amendments to the Regional Entity delegation agreements.
2. The framework for delegation to Regional Entities is improved, as outlined in the proposed modifications to the Regional Entity delegation agreements, improving the efficiency, transparency, consistency, effectiveness, and quality of NERC and the Regional working relationship, including the incorporation of metrics.
3. Cost pressures strain stakeholder participation in NERC and Regional Entity activities.
4. In order to enhance reliability and the overall effectiveness of the ERO, improvements are needed in standards development, implementation, education, and training.
5. Standards development activities will face increased demands, including but not limited to those supporting the Reliability Standards Development Plan, FERC Order 693 directives and the National Emergency Standards Development Process.
6. NERC and Regional Entities will continue to gather data and perform analysis regarding the bulk electric system, including but not limited to support key federal and industry initiatives.
7. NERC will need to make significant investments in 2011 to support the implementation of a situation awareness tool for FERC, NERC, Regional Entities and stakeholder needs, as well as to meet both near and long-term ERO technology requirements.
8. The number of events requiring review, analysis, and reporting will increase.
9. CIP activities will increase significantly on all fronts, including compliance and other activities; expectations are that resource requirements will be significantly impacted over the next three years as the full measure of the standards become auditable for all entities on all implementation tables, the TFE program is implemented and the increase in scope as a result of Order No. 706B.
10. NERC and the Regional Entities are expected to see increased compliance related resource demands.

---

## Core Values

### 1. Improving Reliability and Stakeholder Service

- a. **Reliability Improvement** – SERC provides a reliability focus in its deliverables and promotes bulk power system reliability improvement.
- b. **Service Focus** – SERC develops and strengthens relations with its registered entities, and other reliability stakeholders, including NERC and applicable regulatory authorities, and achieves a reputation as a regional entity dedicated to the public's interest in the reliability of the Nation's bulk power system.
- c. **ERO Teamwork and Integration** – SERC influences and collaboratively facilitates process improvements, transparency, consistency, and quality and timely outcomes among the ERO and regional entities.

### 2. Providing Internal Process Controls and Accountability

- a. **Enforcement Accountability** – SERC performs its delegated compliance enforcement responsibilities in a manner that is firm, fair, objective, independent, and consistent. SERC protects confidential compliance information while striving to achieve a high level of transparency with respect to compliance process and expectations.
- b. **Compliance with Delegated Functions** – SERC maintains the necessary processes, controls, and document management to comply with its obligations under its delegation agreement.
- c. **Information Management** – SERC strives for transparency and user friendliness of both the public and nonpublic web sites. SERC streamlines and, to the extent practical, automates data gathering to reduce the overall burden on registered entities and members. SERC facilitates more effective and seamless information exchange across regional entities and NERC. SERC safeguards registered entities information in accordance with its confidentiality agreements.

### 3. Learning and Continuous Improvement

- a. **Learning Organization** – SERC is a learning organization focused on continuous improvement through self-assessment, acting on feedback from stakeholders providing adequate training, and proactive anticipation and preparation for externalities affecting the region and reliability stakeholders, including evolving reliability standards, rules, and directives.
- b. **Competency** – SERC strives to attract, develop, and retain highly competent and motivated staff. SERC seeks opportunities for resource sharing and collaboration with NERC and other regions in specialized areas where resources are scarce.

### 4. Financial Responsibility

- a. **Productive and Efficient Provider** – SERC leverages its size, resources, and other efficiencies to remain a productive and cost-effective regional entity, while maintaining performance excellence.

---

## 2011 Goals and Key Deliverables

### 1. Reliability improvement through rigorous, risk-based monitoring and enforcement of compliance with mandatory standards.

- a. Monitor registered entities in the SERC region for compliance with mandatory reliability standards, in accordance with the delegation agreement and CMEP, while utilizing risk-based methods to optimize reliability benefits and achieving quality and timeliness.
- b. Enforce compliance with mandatory reliability standards by registered entities within the SERC region, in accordance with the delegation agreement and CMEP while achieving quality and timeliness.
- c. Ensure timely, thorough and comprehensive mitigation of all violations of mandatory reliability standards including prevention of recurrence.
- d. Promote a strong culture of compliance excellence, reliability assurance, and risk-based methods among registered entities in the SERC region.

### 2. Clear mandatory standards focused on reliability performance.

- a. Develop regional reliability standards as needed to comply with NERC's three-year work plan and FERC directives, and to meet any emergent reliability needs. Maintain active engagement of SERC stakeholders in NERC standards process.
- b. Continue working with stakeholders to develop results-based standards and to focus standards development on performance based requirements essential to reliability and eliminating nonessential or low-risk requirements.
- c. Based on compliance program results and system events, identify key areas needing improvement. Implement educational and other technical assistance programs to improve reliability performance in areas where event analysis indicates a potential benefit.

### 3. Systematic approach to improve Reliability Standards

Develop processes that feed back improvement opportunities to SERC and NERC Reliability Standards based on industry operating experience.

- a. Incorporate feedback from events and incidents.
- b. Incorporate feedback from Compliance actions.
- c. Incorporate tools to effectively monitor and track implementation of improvement (issues management approach).
- d. Incorporate systematic process to capture and identify/quantify risks.
- e. Incorporate processes to develop timely and effective solutions.
- f. Incorporate issues tracking and management.

### 4. Objective and trustworthy reliability assessments and reliability performance trends.

- a. Provide annual and seasonal assessments of the future reliability of the bulk power system in the region, in accordance with NERC definitions and requirements.
- b. Provide thorough data validation and create new efficiencies in data collection and analysis in support of the assessment program.
- c. Develop and demonstrate bulk power system performance metrics for the purpose of analyzing and trending reliability performance improvements and benefits.

**5. Situation awareness capability and event analysis leading to reliability improvements.**

- a. Maintain a situation awareness capability to include near real-time information and communications protocols that meet the needs of FERC, NERC, SERC and SERC registered entities.
- b. Develop SERC's capability to conduct rigorous event and trend analyses and develop relevant lessons learned including rigorous event and trend analysis.
- c. Provide reliability issues tracking and management to systematically provide notice and document actions to improve reliability within the region.
- d. Assist ES-ISAC by providing interface to SERC entities with NERC and government agencies during high impact events.

**6. Cyber and physical security of critical infrastructure.**

- a. Facilitate and support registered entities in complying with CIP reliability standards, and responding to cyber security alerts.
- b. Facilitate the development of proactive measures to mitigate the impact of design-basis cyber threats and to improve the ability of SERC entities to recover.

**7. Knowledgeable and skilled reliability personnel.**

- a. Actively support the training and education of reliability personnel within the region, focusing on knowledge of reliability standards and recognizing and responding to system emergencies. Provide information and support to registered entities to assist in the deployment of a systematic approach to training.

**8. Information sharing and collaboration through technology.**

- a. Be a leader in the deployment of technology to make SERC and its stakeholder participants more efficient and productive in its program activities.
- b. Facilitate the integration and seamlessness of ERO and regional entity information systems used for compliance and other applicable statutory functions such as alerts and recommendations tracking.
- c. Work with other regions to share experience and learning points to promote greater benefits beyond the region, including collaboration on information management.

**9. Effective and efficient use of resources.**

- a. Continue to leverage industry expertise and leadership, to support SERC's statutory functions, and to be more efficient.
- b. Maintain a talented staff at SERC and provide for continuous staff development through internal training, rotation of personnel, succession planning, and other personnel methods to continue to meet the needs of the organization.

**10. Continuous improvement.**

- a. Maintain good standing as a regional entity by addressing all applicable recommendations and directives from the 3-year ERO assessment, including stakeholder inputs, and audits by NERC and/or FERC.
- b. Implement and refine performance indicators and feedback mechanisms to enable SERC to continue being a learning organization.
- c. Evaluate, develop, and implement meaningful performance indicators to assess performance of SERC Corporation and the region, including a composite regional performance index.

## 11. Effective financial controls.

- a. Provide rigorous cost controls and efficient management of resources to remain an efficient provider of regional entity functions.

## 2011 Overview of Cost Impacts

SERC proposes to increase its operating budget from \$10,701,683 to \$11,921,008 in 2011, an increase of \$1,219,325 or 11.4%. The proposed 2011 assessment of \$10,671,508 is an increase of 8.5% higher than the 2010 assessment of \$9,831,277. SERC believes that in 2011 it will continue to realize material efficiencies that allow the region to remain an efficient provider of statutory functions. SERC's culture centers on consistent delivery of excellent results at a cost that is considerate of the longstanding tradition in the Southeast of affordable and reliable electricity.

The following is a list of targeted budget increases to allow SERC to accomplish the specific objectives outlined in the business plan (dollars are stated as an increase in the 2011 budget compared to the 2010 budget).

Starting in 2010, SERC expects to perform Cross-Regional Compliance Monitoring for other regions. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entity. \$40,000 is included in the 2011 Business Plan and Budget under Other Funding and various expense accounts.

The most significant impacts on the budget are in the area of payroll due to increased staffing, which is described as three components:

- **Staff added in 2010** – An additional 2 FTEs were added in 2010 compared to the budget. The Compliance program added a registration and certification engineer to ensure that all applicable users, owners and operators of the bulk-power system within the SERC region are properly registered and certified for compliance with NERC and Regional Reliability Standards. In September 2009, the SERC Board Executive Committee approved the addition of this position. Additionally, the Compliance program added a critical infrastructure protection (CIP) auditor to address technical feasibility exceptions. In July 2009, the SERC Board Executive Committee approved the use of reserve funds to cover all TFE costs. These additions have been made in 2010 to meet critical needs to enable the organization to function effectively. During 2010, the costs of these additional employees will be funded through the reserve, if necessary.
- **Staff additions proposed in 2011** – The targeted staffing level for 2011 is 53.5 FTEs, an increase of an additional 6 FTEs compared to 2010 actual and 8 compared to 2010 budget. The additional employees added in compliance include two (2) auditors, and two (2) enforcement engineers; and an executive position and a compliance attorney, were added in general and administrative.
  - For 2011, the budget impact of the above two items is \$1,018,369, including salary and benefits.
- **Cost increase for maintaining staff budgeted in 2011** – The remaining increase in personnel costs of \$294,516, or 4.0% compared to 2010 reflects a budgeted average increase in salary for existing staff of 2%, an increase in payroll tax rates and an increase in health insurance rates.



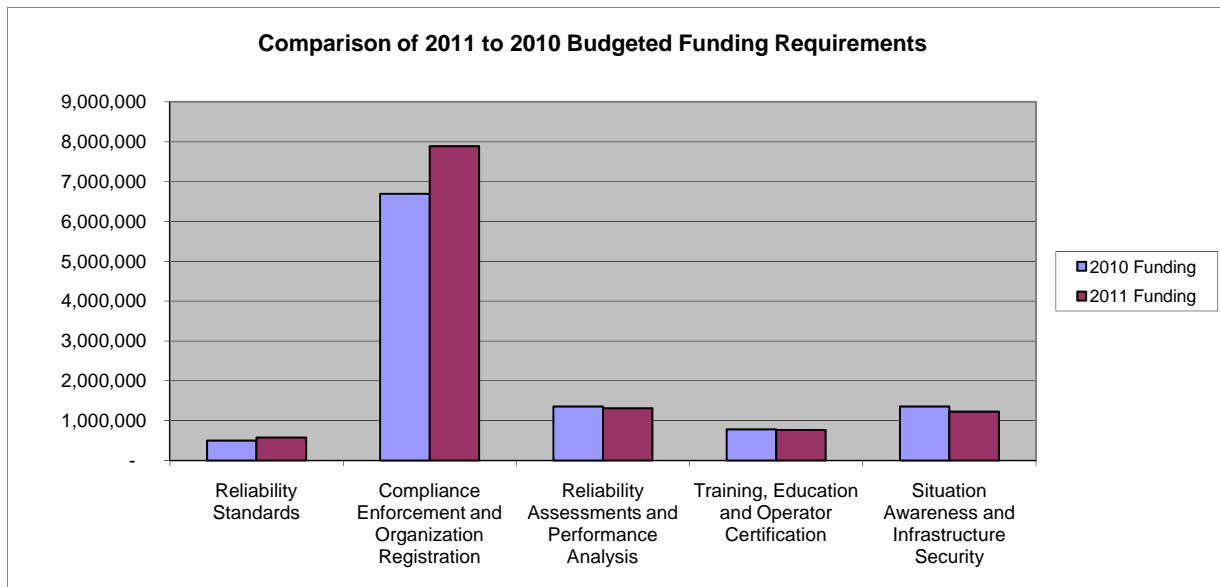
Other notable changes in the proposed budget from year to year include the following:

- **Travel** – A decrease of \$69,903 or 9.7% in travel costs due to a greater emphasis on the use of technology, hosting more meetings in the additional office space obtained in 2010 and emphasis on optimizing staff meeting attendance and continued high focus on efficient travel, thereby reducing costs.
- **Office costs** – A decrease of \$64,435 or 17.8% due to the one time purchase of office furniture and equipment for the additional office space obtained during 2010.
- **Depreciation** – An increase of \$57,696 or 105.1% due to the purchase of equipment, software and leasehold improvements during previous years as well as budgeted purchases for 2011.

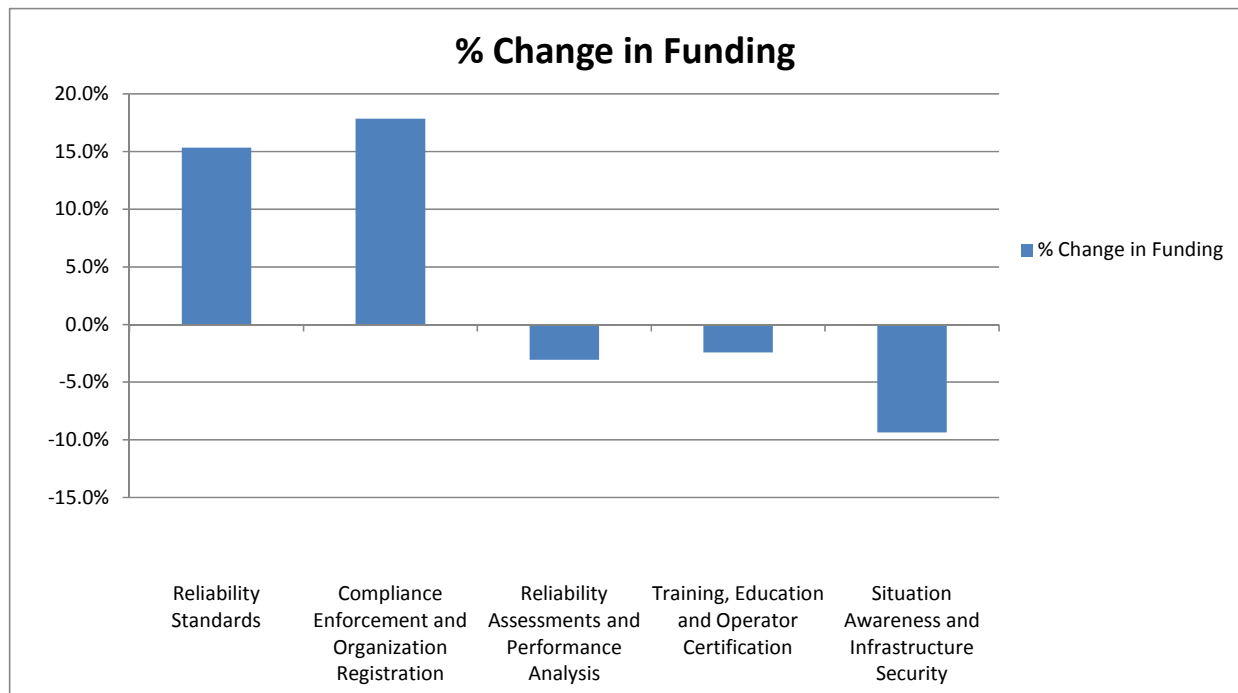
**Summary by Program**

Program	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Reliability Standards	498,597	480,026	575,149	76,552	15.4%
Compliance Enforcement and Organization Registration	6,695,079	6,974,218	7,890,536	1,195,457	17.9%
Reliability Assessments and Performance Analysis	1,353,404	1,230,096	1,311,838	(41,566)	-3.1%
Training, Education and Operator Certification	781,888	778,418	762,933	(18,955)	-2.4%
Situation Awareness and Infrastructure Security	1,352,715	1,215,736	1,226,184	(126,531)	-9.4%

This graphical representation does not include \$10,000 in unallocated overhead expenses, which are offset by interest income or an allocation of working capital requirements among the Program Areas.



This graphical representation does not include \$10,000 in unallocated overhead expenses, which are offset by interest income or an allocation of working capital requirements among the Program Areas.



**Reliability Standards** – The 15.4% increase in total funding from \$498,597 budgeted in 2010 to \$575,149 budgeted in 2011 is mainly due to the reallocation of personnel as described below in the Total FTE's by Program Area schedule, as well as a slight increase in meetings and travel costs due to the addition of special workshops to focus on the standards development process. Finally, the total indirect costs remained relatively consistent from 2010. However, a decrease in indirect expenses were allocated to the Reliability Standards program due to the addition of FTEs in other program areas.

**Compliance Enforcement and Organization Registration** – The 17.9% increase in total funding from \$6,695,079 budgeted in 2010 to \$7,890,536 budgeted in 2011 is primarily due to the addition of six FTE's as described below in the Total FTE's by Program Area schedule. With the additional FTEs, the indirect expenses allocated to the Compliance program have increased from 2010.

**Reliability Assessments and Performance Analysis** – The 3.1% decrease in total funding from \$1,353,404 budgeted in 2010 to \$1,311,838 budgeted in 2011 is due to a decrease in the need for consultants and contracts, and a decrease in indirect expenses being allocated to the Reliability Assessments program due to the addition of FTEs in other program areas.

**Training, Education and Operator Certification** – The 2.4% decrease in total funding from \$781,888 budgeted in 2010 to \$762,933 budgeted in 2011 is mainly due to a decrease in the need for consultants and contracts, and a decrease in indirect expenses being allocated to the Training program due to the addition of FTEs in other program areas. Due to the reallocation of personnel as described below in the Total FTE's by Program Area schedule, personnel expenses increased slightly.

**Situation Awareness and Infrastructure Security** – The 9.4% decrease in total funding from \$1,352,715 budgeted in 2010 to \$1,226,184 budgeted in 2011 is primarily due to the reallocation of personnel as described below in the Total FTE's by Program Area schedule in conjunction with a decrease in indirect expenses being allocated to the Situation Awareness program due to the reduction of FTEs in this program due to the reallocation and an addition of FTEs in other program areas.

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2010	2010	2011	FTEs <sup>1</sup> 2011	2011	from 2010
	Budget	Budget	Budget	Budget	Budget	Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	1.60	1.60	1.75	-	1.75	0.15
Compliance and Organization Registration and Certification	22.00	24.00	28.00	-	28.00	6.00
Training and Education	1.60	1.60	1.75	-	1.75	0.15
Reliability Assessment and Performance Analysis	4.50	4.50	4.50	-	4.50	-
Situation Awareness and Infrastructure Security	4.20	4.20	3.75	-	3.75	(0.45)
<b>Total FTEs Operational Programs</b>	<b>33.90</b>	<b>35.90</b>	<b>39.75</b>	<b>-</b>	<b>39.75</b>	<b>5.85</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	2.60	2.60	2.75	-	2.75	0.15
General & Administrative	9.00	9.00	11.00	-	11.00	2.00
Information Technology	-	-	-	-	-	-
Legal and Regulatory	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	-	-	-	-	-	-
<b>Total FTEs Administrative Programs</b>	<b>11.60</b>	<b>11.60</b>	<b>13.75</b>	<b>-</b>	<b>13.75</b>	<b>2.15</b>
<b>Total FTEs</b>	<b>45.50</b>	<b>47.50</b>	<b>53.50</b>	<b>-</b>	<b>53.50</b>	<b>8.00</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

This chart reflects the following changes:

1. During 2011, there is a change in the projected allocation of certain FTEs within the Reliability Standards; Situation Awareness and Infrastructure Security; Training, Education and Operator Certification; and Technical Committees and Member Forums programs.
2. A total increase in the Compliance program of 6 FTEs, which includes 2 auditors, 2 enforcement engineers, a registration and certification engineer and a CIP auditor.
3. An increase within the general and administrative program of 2 is due to an executive position and an attorney.

## 2010 Budget and Projection and 2011 Budget Comparisons

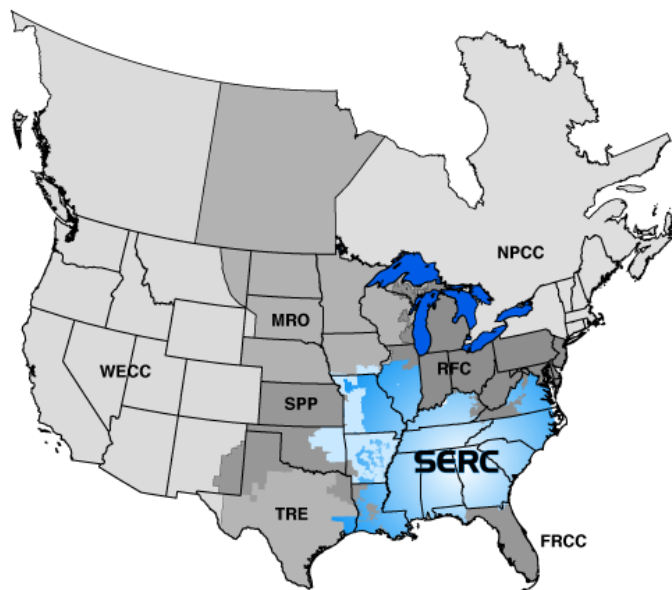
Statement of Activities and Capital Expenditures 2010 Budget & Projection, and 2011 Budget						
STATUTORY						
				Variance		Variance
	2010	2010		2010 Projection		2011 Budget
	Budget	Projection		v 2010 Budget	2011	v 2010 Budget
				Over(Under)	Budget	Over(Under)
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 9,831,277	\$ 9,831,277		\$ -	\$ 10,671,508	\$ 840,231
Penalty Sanctions	578,000	578,000		-	919,000	341,000
<b>Total ERO Funding</b>	<b>\$ 10,409,277</b>	<b>\$ 10,409,277</b>		<b>\$ -</b>	<b>\$ 11,590,508</b>	<b>\$ 1,181,231</b>
Workshops	272,406	241,580		(30,826)	280,500	8,094
Interest	20,000	14,910		(5,090)	10,000	(10,000)
Other Funding	-	80		80	40,000	40,000
<b>Total Funding</b>	<b>\$ 10,701,683</b>	<b>\$ 10,665,847</b>		<b>\$ (35,836)</b>	<b>\$ 11,921,008</b>	<b>\$ 1,219,325</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 5,919,604	\$ 5,992,905		\$ 73,301	\$ 6,720,718	\$ 801,114
Payroll Taxes	443,971	644,921		200,950	739,279	295,308
Benefits	536,169	543,203		7,034	723,655	187,486
Retirement Costs	555,467	519,197		(36,270)	584,444	28,977
<b>Total Personnel Expenses</b>	<b>\$ 7,455,211</b>	<b>\$ 7,700,226</b>		<b>\$ 245,015</b>	<b>\$ 8,768,096</b>	<b>\$ 1,312,885</b>
<b>Meeting Expenses</b>						
Meetings	\$ 468,813	\$ 401,464		\$ (67,349)	\$ 458,258	\$ (10,555)
Travel	722,061	579,522		(142,539)	652,158	(69,903)
Conference Calls	48,000	52,712		4,712	66,000	18,000
<b>Total Meeting Expenses</b>	<b>\$ 1,238,874</b>	<b>\$ 1,033,698</b>		<b>\$ (205,176)</b>	<b>\$ 1,176,416</b>	<b>\$ (62,458)</b>
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 1,141,450	\$ 1,111,710		\$ (29,740)	\$ 1,150,081	\$ 8,631
Office Rent	255,591	251,019		(4,572)	295,692	40,101
Office Costs	362,257	482,064		119,807	297,822	(64,435)
Professional Services	98,300	78,314		(19,986)	65,200	(33,100)
Miscellaneous	-	8,816		8,816	-	-
Depreciation	54,913	80,052		25,139	112,609	57,696
<b>Total Operating Expenses</b>	<b>\$ 1,912,511</b>	<b>\$ 2,011,975</b>		<b>\$ 99,464</b>	<b>\$ 1,921,404</b>	<b>\$ 8,893</b>
<b>Total Direct Expenses</b>	<b>\$ 10,606,596</b>	<b>\$ 10,745,899</b>		<b>\$ 139,303</b>	<b>\$ 11,865,916</b>	<b>\$ 1,259,320</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 10,606,596</b>	<b>\$ 10,745,899</b>		<b>\$ 139,303</b>	<b>\$ 11,865,916</b>	<b>\$ 1,259,320</b>
<b>Change in Assets</b>	<b>\$ 95,087</b>	<b>\$ (80,052)</b>		<b>\$ (175,139)</b>	<b>\$ 55,092</b>	<b>\$ (39,995)</b>
<b>Fixed Assets</b>						
Depreciation	(54,913)	(80,052)		(25,139)	(112,609)	(57,696)
Computer & Software CapEx	-	-		-	-	-
Furniture & Fixtures CapEx	-	-		-	-	-
Equipment CapEx	150,000	-		(150,000)	23,333	(126,667)
Leasehold Improvements	-	-		-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (95,087)</b>	<b>\$ 80,052</b>		<b>\$ 175,139</b>	<b>\$ 89,276</b>	<b>\$ 184,363</b>
Allocation of Fixed Assets	\$ -	\$ -		\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>(95,087)</b>	<b>80,052</b>		<b>175,139</b>	<b>89,276</b>	<b>184,363</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ 144,368</b>	<b>\$ 144,368</b>

---

## Section A – Statutory Programs

### 2011 Business Plan and Budget

---



## Section A — 2011 Business Plan

### Reliability Standards Program

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.60	1.75	0.15
Direct Expenses	\$ 333,962	\$ 399,308	\$ 65,346
Indirect Expenses	\$ 161,720	\$ 179,771	\$ 18,051
Inc(Dec) in Fixed Assets	\$ 2,915	\$ (3,930)	\$ (6,845)
Total Funding Requirement	\$ 498,597	\$ 575,149	\$ 76,552

#### Program Scope and Functional Description

The SERC Reliability Standards program is required under the Delegation Agreement (Exhibit C) and NERC Rules of Procedure Section 300. The program will develop regional reliability standards in accordance with Exhibit C to the Delegation Agreement as well as develop regional criteria. The program will also promote the development and maintenance of NERC reliability standards that enable NERC and regional entities to measure the reliability performance of bulk power system owners, operators, and users.

#### 2011 Key Assumptions

- SERC regional standards development activity will be limited. This is based on an expected increase in continent-wide standards activity to eliminate the fill-in-the-blank standards.
- SERC resources will support North American initiatives in the areas of:
  - Consistency and effectiveness of standards drafting teams
  - Outreach and workshops on standards requirements
  - National Emergency Standards Development process (if required)
  - Work to reformat existing standards to “Results-based” format
- The SERC regional standards development process is expected to be revised into alignment with the changes to the continent-wide process and to integrate the results-based development methodology. Improvements to the regional processes will be reflected in updated Regional Delegation Agreements.

#### 2011 Goals and Key Deliverables

- Promote active engagement of SERC stakeholders in standards development and SERC participation and leadership in the NERC standards process as that process is revised.
- Provide meaningful and useful (reliable) guidance/training to registered entities on reliability standards development and implementation status.
- Based on lessons from system events and serious or frequent non-compliances, identify key technical focus areas for training or other activities to reduce the possibility of wide-spread power outages.
- Revise Attachment C to the regional delegation agreement.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- Personnel expenses reflect the change in the projected allocation of certain FTEs within the Reliability Standards; Situation Awareness and Infrastructure Security; Training, Education and Operator Certification; and Technical Committees and Member Forums programs, causing a 0.15 increase in FTEs.

## Meeting Expenses

- Increase in meetings expense of \$22,834 and travel expense of \$11,017 is due to the addition of special workshops to focus on the standards development process.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.



## Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Standards</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 471,317	\$ 471,317	\$ -	\$ 532,975	\$ 61,658
Penalty Sanctions	27,280	27,280	-	42,174	14,894
<b>Total ERO Funding</b>	<b>\$ 498,597</b>	<b>\$ 498,597</b>	<b>\$ -</b>	<b>\$ 575,149</b>	<b>\$ 76,552</b>
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 498,597</b>	<b>\$ 498,597</b>	<b>\$ -</b>	<b>\$ 575,149</b>	<b>\$ 76,552</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 225,442	\$ 228,063	\$ 2,621	\$ 248,272	\$ 22,830
Payroll Taxes	16,908	25,087	8,179	27,310	10,402
Benefits	30,566	24,042	(6,524)	26,281	(4,285)
Retirement Costs	21,413	21,450	37	23,961	2,548
<b>Total Personnel Expenses</b>	<b>\$ 294,329</b>	<b>\$ 298,642</b>	<b>\$ 4,313</b>	<b>\$ 325,824</b>	<b>\$ 31,495</b>
<b>Meeting Expenses</b>					
Meetings	\$ 23,886	\$ 23,886	\$ -	\$ 46,720	\$ 22,834
Travel	15,747	15,428	(319)	26,764	11,017
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 39,633</b>	<b>\$ 39,314</b>	<b>\$ (319)</b>	<b>\$ 73,484</b>	<b>\$ 33,851</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 333,962</b>	<b>\$ 337,956</b>	<b>\$ 3,994</b>	<b>\$ 399,308</b>	<b>\$ 65,346</b>
<b>Indirect Expenses</b>	<b>\$ 161,720</b>	<b>\$ 144,406</b>	<b>\$ (17,314)</b>	<b>\$ 179,771</b>	<b>\$ 18,051</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 495,682</b>	<b>\$ 482,362</b>	<b>\$ (13,320)</b>	<b>\$ 579,079</b>	<b>\$ 83,397</b>
<b>Change in Assets</b>	<b>\$ 2,915</b>	<b>\$ 16,235</b>	<b>\$ 13,320</b>	<b>\$ (3,930)</b>	<b>\$ (6,845)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (2,915)	\$ 2,336	\$ 5,251	3,930	\$ 6,845
<b>Change in Fixed Assets</b>	<b>(2,915)</b>	<b>2,336</b>	<b>5,251</b>	<b>3,930</b>	<b>6,845</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ 18,571</b>	<b>\$ 18,571</b>	<b>\$ -</b>	<b>\$ -</b>

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	22.00	28.00	6.00
Direct Expenses	\$ 4,431,345	\$ 5,077,085	\$ 645,740
Indirect Expenses	\$ 2,223,658	\$ 2,876,338	\$ 652,680
Inc(Dec) in Fixed Assets	\$ 40,076	\$ (62,887)	\$ (102,963)
Total Funding Requirement	\$ 6,695,079	\$ 7,890,536	\$ 1,195,457

### Program Scope and Functional Description

The Compliance Monitoring and Enforcement Program is implemented by the SERC compliance staff, which is independent of stakeholders, registered entities, and other SERC staff. The SERC compliance staff makes the initial determination of alleged violations and proposes appropriate penalties and sanctions in accordance with the NERC Compliance Monitoring and Enforcement Program and the Penalties and Sanctions Guidelines. To accomplish this objective, SERC's compliance staff is further divided into three areas, audit, enforcement and programs.

The SERC Board Compliance Committee, a balanced committee of the SERC Board of Directors, is responsible for oversight of the SERC Compliance Monitoring and Enforcement Program. The Board Compliance Committee provides final review of all violations and proposed sanctions or settlements prepared by the SERC compliance staff prior to submittal to NERC and FERC for final approval. The Board Compliance Committee also acts as the hearing body responsible for resolving any disputes related to either a finding of violation or a sanction administered for a confirmed violation.

### Compliance Audits

SERC audit staff is charged with conducting compliance audits and spot-checks of all registered entities and identifying possible violations of non-CIP standards. The group maintains a long-range compliance audit plan that ensures compliance audits are conducted for each applicable registered entity within the SERC Region in accordance with a predefined frequency. Qualified senior SERC staff leads each compliance audit. The teams prepare public and non-public audit reports with their findings and recommendations, including the identification of any possible alleged violations. Specific lessons learned are factored into the audit program to promote continuous improvement.

### Compliance Enforcement

SERC's compliance enforcement staff is responsible for administering a number of monitoring processes including self-reporting, complaints, and self-certifications. Compliance enforcement staff also evaluates all possible violations of reliability standards, whether identified in an audit, a self-report, complaint, or other source, and determines whether the facts and circumstances warrant further action. If so, the staff completes a thorough assessment to determine whether there is a sufficient basis to allege a violation. Once the assessment is completed, the staff will formally notify the entity of its findings regarding the violation and any applicable penalties or sanctions and evaluate and accept the related mitigation plan. The enforcement staff may also engage in settlement negotiations with the entity, if requested.

Once a final determination of a confirmed violation is made by the enforcement staff, it is submitted to the Board Compliance Committee, along with any proposed penalty or sanctions. If the entity challenges the findings, the enforcement staff would prosecute its case before the Board Compliance Committee, who would then become the hearing body. Hearings are conducted at SERC under the supervision of a qualified, independent hearing officer hired by SERC. Once all proceedings have been completed, the compliance enforcement staff would file the case with NERC for review and approval, subject to final approval by FERC.

### ***Compliance Programs***

SERC's Compliance Programs group is responsible for coordinating and implementing a variety of programmatic compliance activities on topics including Critical Infrastructure Protection (CIP), leading or participating compliance investigations, as well as all activities related to entity registration and certification within the SERC region.

In the area of CIP, Compliance Programs staff conducts compliance audits and spot-checks in accordance with the implementation plans for the CIP standards. The team also conducts all phases of Technical Feasibility Exceptions (TFEs) reviews and validations.

The Registration and Certification staff leads all certification audits and acts as the subject matter experts for all registration related activities and questions. Staff also supports determination of the Net Energy for Load of each LSE for proper annual assessments.

### **2011 Key Assumptions**

- The number of registered entities increases (primarily GO/GOPs) by up to 10% due to continued efforts within the registration program
- Implementation of results-based standards and risk-based audit scope definition will begin in 2011 but without a significant reduction in required audit resources.
- Required non-CIP audits resources are projected to increase 10% due to MOD standards and NUC standard becoming part of NERC annual compliance implementation plan
- Increases in number of required non-CIP audits (between 10 and 20%) and addition of up to four unscheduled audits to reflect new registrants and risk-based monitoring
- Increase in scope and number (10 to 20% resource impact) of required CIP audits, due to CIP 002-009 standards reaching "Auditably Compliant" stage for Table 1, 2 and 3 entities, as well as time necessary to complete review of all CIP standards.
- Reduction in the number of required onsite follow-up visits for CIP activities, due to the installation of required equipment and associated procedures to provide for secure handling and retention of sensitive CIP compliance evidence within SERC's offices.
- CIP audits for nuclear facilities will not be conducted until late 2011 or early 2012
- TFE on-site reviews commenced in 2010 continue at a reduced pace (50%) in 2011.
- Less than five Compliance Violation Investigations (CVIs) are conducted
- Additional resources (5%) are required to support cross-regional coordination and implementation of the Multi-regional Registered Entity (MRRE) program
- Between 250 and 300 possible violations (CIP and non-CIP) are identified from all monitoring sources (estimated increase of 25% over 2009 levels)
- Two or less hearings are conducted

---

**2011 Goals and Key Deliverables**

- Reliability improvement through rigorous monitoring and enforcement of compliance with mandatory standards and adoption of risk-based efficiencies. Staff actions ensure that:
  - Compliance actions are focused to best promote reliability and minimize risk
  - Compliance audits are conducted to conform with 3 and 6 year audit intervals
  - Spot-checks are conducted to address adverse trends and to validate a random subset of self-certifications.
  - Effective and timely follow-up is conducted for self-reports and adverse self-certifications.
  - Timely and thorough mitigation is implemented for all violations of reliability standards.
  - Enforcement backlog and throughput are maintained at target levels.
  - NERC and other regions collaborate to streamline Rules of Procedure to allow for efficient processing of lower risk / significance violations.
- Clear mandatory standards focused on reliability performance.
  - Provide effective feedback from various compliance processes to improve reliability standards through requests for interpretation or revisions.
- Cyber and physical security of critical infrastructure.
  - Conduct a sufficient number of high quality CIP audits and spot-checks to promote improvements in cyber and physical security within the SERC Region
- Knowledgeable and skilled reliability personnel, effective and efficient use of resources, and continuous improvement.
  - Attract and retain a highly competent and skilled workforce.
  - Evolve processes, tools, and work assignments to optimize resources.
  - Continue to promote continuous improvement through active use of feedback, metrics, training, self-assessments, and other related tools.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

---

**Funding Sources (Other than ERO Assessments)**

- An increase of \$40,000 in Other Funding is due to SERC expects to perform Cross-Regional Compliance Monitoring for other regions. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entity.

**Personnel Expenses**

- The Compliance Program was budgeted in 2010 for 22 FTEs. 2010 projected staffing is 24, with the addition of a registration and certification engineer to ensure that all applicable users, owners and operators of the bulk-power system within the SERC region are properly registered; and a CIP Auditor to address technical feasibility exceptions. The registration and certification engineer and the CIP auditor are included in the 2011 budget, but were advanced in 2010.
- SERC plans to increase staffing within the compliance program by 4.0 additional FTEs.
  - Two additional Auditors. Due to the increased workload created by newly approved MOD and NUC standards, the additional auditors will perform audit functions, matrixed support to investigations, and other duties as assigned.
  - Two additional Compliance Enforcement Engineers. Compliance Enforcement Staff processes all possible violations identified through the following: 1) by the audit teams, through audits and spot checks; 2) through self-reports; and 3) through all other discovery methods. For each possible violation, a mitigation plan must be reviewed and approved by Enforcement Staff. The number of possible violations identified from all monitoring sources has continued to increase each year with the projected 2011 possible violations totaling 250-300. A large fraction of these possible violations involve CIP standards that pose added challenges in technical rigor and evidence handling.

**Meeting Expenses**

- In 2011, the meeting expense related to the compliance seminar is recorded in the Training program, causing meeting expense to decrease by \$77,520.
- Travel expenses decreased by \$94,280 due to a greater emphasis on the use of technology, hosting more meetings in the additional office space obtained in 2010 and SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel, thereby reducing costs.

**Operating Expenses**

- Consultants and contracts increased by \$68,886 mainly due to an increase in consortium costs needed for Information Technology maintenance and enhancements. Additionally, the 2011 budget includes \$95,000 for consultants to execute projected non-CIP audits and Compliance Violation Investigations (CVI). Experience to date shows CVIs are extremely complex and require significant resources to execute. Non-CIP audit scheduling is still heavily skewed towards spring and fall timeframes. This necessitates added staff to execute during high demand periods.

**Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 based on the number of FTEs in those programs.

**Other Non-Operating Expenses**

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Compliance and Organization Registration and Certification</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 6,319,976	\$ 6,319,976	\$ -	\$ 7,215,911	\$ 895,935
Penalty Sanctions	375,103	375,103	-	634,625	259,522
<b>Total ERO Funding</b>	<b>\$ 6,695,079</b>	<b>\$ 6,695,079</b>	<b>\$ -</b>	<b>\$ 7,850,536</b>	<b>\$ 1,155,457</b>
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	-	-	-	40,000	40,000
<b>Total Funding</b>	<b>\$ 6,695,079</b>	<b>\$ 6,695,079</b>	<b>\$ -</b>	<b>\$ 7,890,536</b>	<b>\$ 1,195,457</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,908,227	\$ 3,134,342	\$ 226,115	\$ 3,346,925	\$ 438,698
Payroll Taxes	218,117	344,778	126,661	368,162	150,045
Benefits	253,359	303,953	50,594	396,309	142,950
Retirement Costs	276,897	274,528	(2,369)	291,778	14,881
<b>Total Personnel Expenses</b>	<b>\$ 3,656,600</b>	<b>\$ 4,057,601</b>	<b>\$ 401,001</b>	<b>\$ 4,403,174</b>	<b>\$ 746,574</b>
<b>Meeting Expenses</b>					
Meetings	\$ 92,895	\$ 79,581	\$ (13,314)	\$ 15,375	\$ (77,520)
Travel	472,090	450,146	(21,944)	377,810	(94,280)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 564,985</b>	<b>\$ 529,727</b>	<b>\$ (35,258)</b>	<b>\$ 393,185</b>	<b>\$ (171,800)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 184,400	\$ 218,000	\$ 33,600	\$ 253,286	\$ 68,886
Office Rent	-	-	-	-	-
Office Costs	7,860	7,860	-	7,440	(420)
Professional Services	17,500	29,989	12,489	20,000	2,500
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 209,760</b>	<b>\$ 255,849</b>	<b>\$ 46,089</b>	<b>\$ 280,726</b>	<b>\$ 70,966</b>
<b>Total Direct Expenses</b>	<b>\$ 4,431,345</b>	<b>\$ 4,843,177</b>	<b>\$ 411,832</b>	<b>\$ 5,077,085</b>	<b>\$ 645,740</b>
<b>Indirect Expenses</b>	<b>\$ 2,223,658</b>	<b>\$ 2,166,082</b>	<b>\$ (57,576)</b>	<b>\$ 2,876,338</b>	<b>\$ 652,680</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 6,655,003</b>	<b>\$ 7,009,259</b>	<b>\$ 354,256</b>	<b>\$ 7,953,423</b>	<b>\$ 1,298,420</b>
<b>Change in Assets</b>	<b>\$ 40,076</b>	<b>\$ (314,180)</b>	<b>\$ (354,256)</b>	<b>\$ (62,887)</b>	<b>\$ (102,963)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (40,076)	\$ 35,041	\$ 75,117	62,887	\$ 102,963
<b>Change in Fixed Assets</b>	<b>(40,076)</b>	<b>35,041</b>	<b>75,117</b>	<b>62,887</b>	<b>102,963</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ (279,139)</b>	<b>\$ (279,139)</b>	<b>\$ -</b>	<b>\$ -</b>

## Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	4.50	4.50	-
Direct Expenses	\$ 890,368	\$ 859,676	\$ (30,692)
Indirect Expenses	\$ 454,839	\$ 462,269	\$ 7,430
Inc(Dec) in Fixed Assets	\$ 8,197	\$ (10,107)	\$ (18,304)
Total Funding Requirement	\$ 1,353,404	\$ 1,311,838	\$ (41,566)

### Program Scope and Functional Description

SERC's Reliability Assessment Department Team assessment function performs an independent reliability assessment of the entities within the region<sup>1</sup>, as required under the Delegation Agreement in accordance with the applicable NERC Rules of Procedure. SERC's Reliability Assessment also performs independent performance assessment utilizing data from its data collection sources along with other programs, such as NERC TADS and the new DADS programs.

SERC conducts and reports the results of its independent assessments of the overall reliability and adequacy of SERC region in support of the NERC obligation to perform similar analysis of the interconnected North American bulk power systems. The analysis performed addresses both the "as existing" and "as planned" system. The Reliability Assessment function of SERC develops reliability performance benchmarks for both resource and delivery activities within the region.

SERC maintains an effective data collection system utilizing the SERC Portal which ensures that all SERC registered entities with data collection obligations are aware of and meet data delivery requirements to support the SERC's internal and NERC's external assessment and performance analysis processes as needed. SERC will establish an effective data collection system by working closely with registered entities in the region, the management of the respective committees involved in the process<sup>2</sup> and through improvements to the SERC Portal.

The purpose of reliability assessment work products is to ensure effective communication of information among entities within the region and neighboring regions. The process ensures SERC is able to provide accurate and timely information to NERC, applicable government authorities, and others as appropriate.

### 2011 Key Assumptions

Additional workload resulting from the addition by NERC of the post seasonal assessment and special assessments. Additionally, SERC study groups have requested SERC Staff support for their annual database deliverables.

<sup>1</sup> The Annual Reliability Review Subcommittee Report to the Engineering Committee is the key SERC document which provides an overall assessment of the health and ability of the system within SERC to carry out its functions. The data used for this report supports all NERC assessments

<sup>2</sup> SERC committees involved in the Reliability Assessment process include; Engineering Committee, Reliability Review subcommittee, Dynamics Review subcommittee, Near Term, Long Term, Dynamics and Short Circuit study groups.



**2011 Goals and Key Deliverables**

- Annual data collection portal upgrades for Reliability Assessment purposes.
- Engagement with NERC Reliability Assessment Process, through the NERC Reliability Assessment subcommittee of the Planning committee in 2011 including performance in accordance with the agreed upon performance metrics between NERC and the regions.
- Assess and implement the indicated follow on studies from SERC's first region wide resource adequacy assessment using probabilistic methods. Obtain computer and software for the effort.
- Complete the SERC RRS Annual Report to the Engineering Committee.
- Complete NERC Seasonal and Long Term Assessment reports for 2011 in accordance with the agreed upon performance metrics between NERC and the regions.
- Implement Scenario Analysis and special assessments for in accordance with the agreed upon performance metrics between NERC and the regions.
- Complete SERC submittals for the EIA-411 and publish final data by July 31.
- With SERC stakeholder input to extend the Transmission Performance Report and risk analysis studies for the SERC region for implementation beginning in 2011.
- Assist SERC transmission owners in implementing NERC's TADS program.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- Personnel costs decreased by \$32,230 due to a change in the level of the management position, causing total compensation and benefits to decrease.
- Payroll taxes expense increased even though salary expense decreased due to an increase in payroll tax rates.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- Consultants and contracts expenses decreased by \$11,000 from the 2010 budget due to the Resource Adequacy program and the Dynamic Reduction Study. In 2011, SERC has budgeted \$24,000 to perform an extension of the 2010 resource adequacy study to take into account additional changes in input assumptions to support NERC performance analysis, a reduction of \$76,000 from 2010. Additionally, a contract to prepare a series of SERC-specific dynamics cases is conducted bi-annually. The last dynamics reduction resulted in the 2009 series cases. Funding for vendor support in developing reduced dynamics models of the SERC region in the amount of \$60,000 is projected in 2011. SERC has budgeted \$65,000 in relation to our NEL share of the Multiregional Model Working Group (MMWG)/Eastern Interconnection Reliability Assessment Group (ERAG) expenses, an increase of \$5,000 from 2010.
- Computer supplies and maintenance increased by \$18,000 from the 2010 budget due to computer programs required for the Resource Adequacy program.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 1,276,678	\$ 1,276,678	\$ -	\$ 1,202,185	\$ (74,493)
Penalty Sanctions	76,726	76,726	-	109,653	32,927
<b>Total ERO Funding</b>	<b>\$ 1,353,404</b>	<b>\$ 1,353,404</b>	<b>\$ -</b>	<b>\$ 1,311,838</b>	<b>\$ (41,566)</b>
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 1,353,404</b>	<b>\$ 1,353,404</b>	<b>\$ -</b>	<b>\$ 1,311,838</b>	<b>\$ (41,566)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 524,718	\$ 493,140	\$ (31,578)	\$ 474,380	\$ (50,338)
Payroll Taxes	39,354	54,245	14,891	52,182	12,828
Benefits	42,317	51,671	9,354	52,060	9,743
Retirement Costs	45,390	46,921	1,531	40,927	(4,463)
<b>Total Personnel Expenses</b>	<b>\$ 651,779</b>	<b>\$ 645,977</b>	<b>\$ (5,802)</b>	<b>\$ 619,549</b>	<b>\$ (32,230)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 41,565	\$ 29,472	\$ (12,093)	\$ 42,050	\$ 485
Travel	35,224	23,276	(11,948)	29,277	(5,947)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 76,789</b>	<b>\$ 52,748</b>	<b>\$ (24,041)</b>	<b>\$ 71,327</b>	<b>\$ (5,462)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 160,000	\$ 130,000	\$ (30,000)	\$ 149,000	\$ (11,000)
Office Rent	-	-	-	-	-
Office Costs	1,800	1,800	-	19,800	18,000
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 161,800</b>	<b>\$ 131,800</b>	<b>\$ (30,000)</b>	<b>\$ 168,800</b>	<b>\$ 7,000</b>
<b>Total Direct Expenses</b>	<b>\$ 890,368</b>	<b>\$ 830,525</b>	<b>\$ (59,843)</b>	<b>\$ 859,676</b>	<b>\$ (30,692)</b>
<b>Indirect Expenses</b>	<b>\$ 454,839</b>	<b>\$ 406,141</b>	<b>\$ (48,698)</b>	<b>\$ 462,269</b>	<b>\$ 7,430</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 1,345,207</b>	<b>\$ 1,236,666</b>	<b>\$ (108,541)</b>	<b>\$ 1,321,945</b>	<b>\$ (23,262)</b>
<b>Change in Assets</b>	<b>\$ 8,197</b>	<b>\$ 116,738</b>	<b>\$ 108,541</b>	<b>\$ (10,107)</b>	<b>\$ (18,304)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (8,197)	\$ 6,570	\$ 14,767	10,107	\$ 18,304
<b>Change in Fixed Assets</b>	<b>(8,197)</b>	<b>6,570</b>	<b>14,767</b>	<b>10,107</b>	<b>18,304</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ 123,308</b>	<b>\$ 123,308</b>	<b>\$ -</b>	<b>\$ -</b>

## Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	1.60	1.75	0.15
Direct Expenses	\$ 617,252	\$ 587,092	\$ (30,160)
Indirect Expenses	\$ 161,721	\$ 179,771	\$ 18,050
Inc(Dec) in Fixed Assets	\$ 2,915	\$ (3,930)	\$ (6,845)
Total Funding Requirement	\$ 781,888	\$ 762,933	\$ (18,955)

### Program Scope and Functional Description

The SERC Training, Education, and Operator Certification program is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure Section 900. The program provides education and training necessary to understand and operate the bulk power system. The target audience of the program is bulk power system operating personnel - including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. The program also supports SERC staff training and development as well as the administration of records necessary to maintain status as a NERC Continuing Education provider.

### 2011 Key Assumptions

- SERC will continue to offer quality, relevant NERC Certified Continuing Education Hours to system operators in the region
- SERC will support the North American initiatives in the areas of:
  - Developing a training academy to enhance consistency and effectiveness of ERO processes
  - Training and education products for registered entities

### 2011 Goals and Key Deliverables

- Actively support the training and education of reliability personnel within the region, focusing on:
  - Knowledge of reliability standards and recognizing and responding to system emergencies.
  - Provide information and support to registered entities to assist with a systematic approach to training.
  - Provide system operator training events including wide-area restoration competency, bulk power system principles, or operating lessons learned.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- Personnel expenses reflect the change in the projected allocation of certain FTEs within the Reliability Standards; Situation Awareness and Infrastructure Security; Training, Education and Operator Certification; and Technical Committees and Member Forums programs, causing a 0.15 increase in FTEs.

## Meeting Expenses

- As noted in the Compliance explanations, the meeting expenses related to the compliance seminar for 2011 is recorded in the Training program, causing meeting expense to increase by \$72,110.

## Operating Expenses

- In 2010, SERC budgeted \$160,500 for a restoration training simulator, which was a one time expense causing a decrease in consultants and contracts of \$144,250. In 2011, \$35,000 is budgeted for presenters at the system operator conference and for the development and maintenance of computer-delivered training modules.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Training and Education</b>					
Funding	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>ERO Funding</b>					
ERO Assessments	\$ 482,202	\$ 482,202	\$ -	\$ 440,259	\$ (41,943)
Penalty Sanctions	27,280	27,280	-	42,174	14,894
<b>Total ERO Funding</b>	<b>\$ 509,482</b>	<b>\$ 509,482</b>	<b>\$ -</b>	<b>\$ 482,433</b>	<b>\$ (27,049)</b>
Workshops	272,406	241,580	(30,826)	280,500	8,094
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 781,888</b>	<b>\$ 751,062</b>	<b>\$ (30,826)</b>	<b>\$ 762,933</b>	<b>\$ (18,955)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 213,800	\$ 217,032	\$ 3,232	\$ 237,095	\$ 23,295
Payroll Taxes	16,035	23,874	7,839	26,080	10,045
Benefits	17,919	19,441	1,522	21,033	3,114
Retirement Costs	20,307	20,374	67	22,863	2,556
<b>Total Personnel Expenses</b>	<b>\$ 268,061</b>	<b>\$ 280,721</b>	<b>\$ 12,660</b>	<b>\$ 307,071</b>	<b>\$ 39,010</b>
<b>Meeting Expenses</b>					
Meetings	\$ 135,250	\$ 165,571	\$ 30,321	\$ 207,360	\$ 72,110
Travel	34,691	4,556	(30,135)	37,661	2,970
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 169,941</b>	<b>\$ 170,127</b>	<b>\$ 186</b>	<b>\$ 245,021</b>	<b>\$ 75,080</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 179,250	\$ 185,500	\$ 6,250	\$ 35,000	\$ (144,250)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 179,250</b>	<b>\$ 185,500</b>	<b>\$ 6,250</b>	<b>\$ 35,000</b>	<b>\$ (144,250)</b>
<b>Total Direct Expenses</b>	<b>\$ 617,252</b>	<b>\$ 636,348</b>	<b>\$ 19,096</b>	<b>\$ 587,092</b>	<b>\$ (30,160)</b>
<b>Indirect Expenses</b>	<b>\$ 161,721</b>	<b>\$ 144,406</b>	<b>\$ (17,315)</b>	<b>\$ 179,771</b>	<b>\$ 18,050</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 778,973</b>	<b>\$ 780,754</b>	<b>\$ 1,781</b>	<b>\$ 766,863</b>	<b>\$ (12,110)</b>
<b>Change in Assets</b>	<b>\$ 2,915</b>	<b>\$ (29,692)</b>	<b>\$ (32,607)</b>	<b>\$ (3,930)</b>	<b>\$ (6,845)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (2,915)	\$ 2,336	\$ 5,251	3,930	\$ 6,845
<b>Change in Fixed Assets</b>	<b>(2,915)</b>	<b>2,336</b>	<b>5,251</b>	<b>3,930</b>	<b>6,845</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ (27,356)</b>	<b>\$ (27,356)</b>	<b>\$ -</b>	<b>\$ -</b>

## Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	4.2	3.8	(0.5)
Direct Expenses	\$ 887,215	\$ 849,382	\$ (37,833)
Indirect Expenses	\$ 424,516	\$ 385,224	\$ (39,292)
Inc(Dec) in Fixed Assets	\$ 40,984	\$ (8,422)	\$ (49,406)
Total Funding Requirement	\$ 1,352,715	\$ 1,226,184	\$ (126,531)

### Program Scope and Functional Description

- The SERC Situation Awareness program is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure sections 1001 and 1002. The Situation Awareness Program monitors near real-time activities on the bulk electric system for the purposes of identifying any conditions that are impacting or have the potential to impact the reliability of the bulk power system in the SERC Region. SERC situation awareness activities rely on high-level communications, coordination and cooperation among SERC staff, Reliability Coordinators, adjacent NERC Regions, and NERC ES-ISAC regarding near real-time system conditions.
- The SERC Critical Infrastructure Protection program is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure section 1003. The Critical Infrastructure Protection (CIP) program is responsible for the awareness of critical infrastructure security, CIP standards education and outreach, and promoting security best practices within the SERC Region in order to promote the advancement of the physical and cyber security of the bulk power system.
- The SERC Event Analysis program is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure sections 807 and 808 and appendix 8. The ERO Certification Order at Paragraph 370 stated that Regional Entities should have an important role in investigations of system disturbances and other major events that affect their regions. The SERC Event Analysis program also:
  - Analyzes off-normal events on the bulk power system
  - Identifies the root causes of events that may be precursors of potentially more serious events;
  - Assesses past reliability performance for lessons learned;
  - Disseminates findings and lessons learned to improve reliability performance.

### 2011 Key Assumptions

- The number of events requiring review and analysis are expected to increase through ERO-enterprise joint processes and resourcing for triage, analysis, and reporting of system events. SERC will encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and will promote information sharing.
- SERC situation awareness activities will continue to leverage the use of technology to reduce the burden on SERC operating entities to provide monitoring information.
- Infrastructure protection activities will focus on response and recovery capabilities to minimize the impact of credible threats to the bulk power system.

**2011 Goals and Key Deliverables**

- SERC will maintain awareness of operational situations and reportable events within the SERC Region and maintain appropriate relationships with registered entities as necessary.
- SERC will facilitate and support registered entities in complying with CIP reliability standards by providing education and outreach opportunities.
- SERC will support ERO initiatives to develop and provide root cause analysis training for staff and industry subject matter experts who participate in event analysis and investigation teams.



---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- Personnel expenses reflect the change in the projected allocation of certain FTEs within the Reliability Standards; Situation Awareness and Infrastructure Security; Training, Education and Operator Certification; and Technical Committees and Member Forums programs, causing a 0.45 decrease in FTEs.
- Payroll taxes expense increased even though salary expense decreased due to an increase in payroll tax rates.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- Consultants and contracts expense increased by \$30,000 from the 2010 budget substantially for GIS software compatible with available geospatial data for improved visualization of the SERC region and user enhancements for the voice-over-internet hotline system used by SERC BA's, TOP's, and RC's.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- In 2010, SERC budgeted \$50,000 for enhancements to the tracking database, including \$16,667 in depreciation expense. In 2011, all depreciation expense is being recorded in general and administrative, causing a decrease of \$33,333.

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 1,281,104	\$ 1,281,104	\$ -	\$ 1,135,810	\$ (145,294)
Penalty Sanctions	71,611	71,611	-	90,374	18,763
<b>Total ERO Funding</b>	<b>\$ 1,352,715</b>	<b>\$ 1,352,715</b>	<b>\$ -</b>	<b>\$ 1,226,184</b>	<b>\$ (126,531)</b>
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 1,352,715</b>	<b>\$ 1,352,715</b>	<b>\$ -</b>	<b>\$ 1,226,184</b>	<b>\$ (126,531)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 577,571	\$ 573,718	\$ (3,853)	\$ 528,538	\$ (49,033)
Payroll Taxes	43,318	63,109	19,791	58,139	14,821
Benefits	58,483	44,554	(13,929)	56,874	(1,609)
Retirement Costs	54,150	53,354	(796)	46,886	(7,264)
<b>Total Personnel Expenses</b>	<b>\$ 733,522</b>	<b>\$ 734,735</b>	<b>\$ 1,213</b>	<b>\$ 690,437</b>	<b>\$ (43,085)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 26,820	\$ 26,820	\$ -	\$ 21,375	\$ (5,445)
Travel	60,206	36,248	(23,958)	57,570	(2,636)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 87,026</b>	<b>\$ 63,068</b>	<b>\$ (23,958)</b>	<b>\$ 78,945</b>	<b>\$ (8,081)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 50,000	\$ 45,000	\$ (5,000)	\$ 80,000	\$ 30,000
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	16,667	-	(16,667)	-	(16,667)
<b>Total Operating Expenses</b>	<b>\$ 66,667</b>	<b>\$ 45,000</b>	<b>\$ (21,667)</b>	<b>\$ 80,000</b>	<b>\$ 13,333</b>
<b>Total Direct Expenses</b>	<b>\$ 887,215</b>	<b>\$ 842,803</b>	<b>\$ (44,412)</b>	<b>\$ 849,382</b>	<b>\$ (37,833)</b>
<b>Indirect Expenses</b>	<b>\$ 424,516</b>	<b>\$ 379,065</b>	<b>\$ (45,451)</b>	<b>\$ 385,224</b>	<b>\$ (39,292)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 1,311,731</b>	<b>\$ 1,221,868</b>	<b>\$ (89,863)</b>	<b>\$ 1,234,606</b>	<b>\$ (77,125)</b>
<b>Change in Assets</b>	<b>\$ 40,984</b>	<b>\$ 130,847</b>	<b>\$ 89,863</b>	<b>\$ (8,422)</b>	<b>\$ (49,406)</b>
<b>Fixed Assets</b>					
Depreciation	(16,667)	-	16,667	-	16,667
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	50,000	-	(50,000)	-	(50,000)
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (33,333)</b>	<b>\$ -</b>	<b>\$ 33,333</b>	<b>\$ -</b>	<b>\$ 33,333</b>
Allocation of Fixed Assets	\$ (7,651)	\$ 6,132	\$ 13,783	8,422	\$ 16,073
<b>Change in Fixed Assets</b>	<b>(40,984)</b>	<b>6,132</b>	<b>47,116</b>	<b>8,422</b>	<b>49,406</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ 136,979</b>	<b>\$ 136,979</b>	<b>\$ -</b>	<b>\$ -</b>

## Administrative Services

<b>Administrative Services</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	11.60	13.75	2.15
Total Direct Expenses	\$ 3,446,454	\$ 4,093,373	\$ 646,919
Inc(Dec) in Fixed Assets	\$ (38,246)	\$ (89,276)	\$ (51,030)
Less: Other Funding Sources	\$ (20,000)	\$ (10,000)	\$ 10,000
Total Allocation to Statutory Programs as Indirect Expenses	\$ (3,426,454)	\$ (4,083,373)	\$ (656,919)
Funding Requirement for Working Capital	\$ -	\$ 144,368	\$ 144,368

### Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs have been allocated proportionately to the direct programs for 2011 based on the number of FTEs in those programs.

---

## Technical Committees and Member Forums

### Program Scope and Functional Description

The Technical Committees and Members' Forums serve to strengthen capabilities within the region to plan and operate bulk electric systems reliably and in compliance with reliability standards. The success of SERC's reliability programs depends on the active and direct participation of its members. The forums are also a source of expertise in the industry for enhancing reliability through technical excellence. The goal of these meetings is to:

- Participate in the establishment of Reliability Standards;
- Participate in the measurement of performance relative to these Reliability Standards;
- Promote conformance to and compliance with these Reliability Standards;
- Develop and exchange information with respect to planning and operating matters relating to the reliability and adequacy of the bulk-power system;
- Review as necessary activities within the region on reliability and adequacy in order to meet Reliability Standards;
- Perform technical functions through assignment of specific tasks to subcommittees and working groups.

### 2011 Key Assumptions

- SERC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2011.
- The current economic downturn will continue to adversely affect stakeholder travel budgets and resourcing for work in regional programs. SERC will need to develop methods to encourage active involvement with less travel and face-to-face meetings.
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.

### 2011 Goals and Key Deliverables

- 100 percent of SERC standing committees and their subgroups are operating under a documented committee management plan in support of a 3-year work-plan.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- Personnel expenses reflect the change in the projected allocation of certain FTEs within the Reliability Standards; Situation Awareness and Infrastructure Security; Training, Education and Operator Certification; and Technical Committees and Member Forums programs, causing a 0.15 increase in FTEs.

## Meeting Expenses

- Decrease in meeting expenses of \$27,394 is due to the emphasis on the use of WebEx for meetings.

## Operating Expenses

- In 2010, SERC used a consultant to enhance the portal for online collaboration. In 2011, costs include the continued maintenance and updates on the portal causing consultants and contracts to decrease by \$40,025.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
Technical Committees and Member Forums						
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	
Penalty Sanctions				-		
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Other Funding	-	-	-	-	-	
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 385,904	\$ 388,569	\$ 2,665	\$ 410,899	\$ 24,995	
Payroll Taxes	28,943	42,743	13,800	45,199	16,256	
Benefits	24,694	27,165	2,471	29,270	4,576	
Retirement Costs	36,771	37,109	338	40,037	3,266	
<b>Total Personnel Expenses</b>	<b>\$ 476,312</b>	<b>\$ 495,586</b>	<b>\$ 19,274</b>	<b>\$ 525,405</b>	<b>\$ 49,093</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 136,372	\$ 37,131	\$ (99,241)	\$ 108,978	\$ (27,394)	
Travel	67,325	16,572	(50,753)	63,929	(3,396)	
Conference Calls	-	-	-	-	-	
<b>Total Meeting Expenses</b>	<b>\$ 203,697</b>	<b>\$ 53,703</b>	<b>\$ (149,994)</b>	<b>\$ 172,907</b>	<b>\$ (30,790)</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 49,400	\$ 6,000	\$ (43,400)	\$ 9,375	\$ (40,025)	
Office Rent	-	-	-	-	-	
Office Costs	1,020	1,020	-	1,020	-	
Professional Services	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
<b>Total Operating Expenses</b>	<b>\$ 50,420</b>	<b>\$ 7,020</b>	<b>\$ (43,400)</b>	<b>\$ 10,395</b>	<b>\$ (40,025)</b>	
<b>Total Direct Expenses</b>	<b>\$ 730,429</b>	<b>\$ 556,309</b>	<b>\$ (174,120)</b>	<b>\$ 708,707</b>	<b>\$ (21,722)</b>	
<b>Indirect Expenses</b>	<b>\$ (730,429)</b>	<b>\$ (556,309)</b>	<b>\$ 174,120</b>	<b>\$ (708,707)</b>	<b>\$ 21,722</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Fixed Assets</b>						
Depreciation	-	-	-	-	-	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-	
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

## General and Administrative

### Program Scope and Functional Description

The SERC general and administrative function provides executive management of the corporation, management of the SERC office, and other administrative support programs.

### 2011 Key Assumptions

- Each of the delegated functional areas will evolve with continued emphasis on effective execution, efficiency, transparency, and consistency.
- Increased focus will be placed on facilitating reliability enhancing activities by registered entities such as entity distribution of lessons learned for predefined event types and reinforcement of effective compliance cultures.

### 2011 Goals and Key Deliverables

- Implementation and refinement of performance metrics to promote high quality and consistent implementation of delegated functions
- Implementation of continuous improvement activities to enable high quality performance of delegated functions while levelizing resources requirements
- SERC-wide procedures are fully implemented
- Improvements in member services including ease of activities requiring Portal interface

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- Increase in personnel expenses for General and Administrative is due to the addition of two FTEs, an executive position and an attorney. All personnel costs for the other administrative functions, including Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative.

## Meeting Expenses

- Increase in travel expense by \$30,731 due to all support travel has been reclassified into General and Administrative from IT, Legal and Finance.
- Increase in conference calls expense by \$18,000 is due to an emphasis on the use of technology for meetings

## Operating Expenses

- Consultants and contractors increased by \$40,000 for continuous improvement activities such as self evaluation, corrective action, and bench marking.
- Office rent increased by \$40,101 due to a full year's expense on the additional office space leased, beginning in 2010.
- Office costs decreased by \$97,150 mainly due to the one time purchase of furniture and equipment for the additional office space during 2010.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- Increase in depreciation of \$74,363 is due to a full year of depreciation expense on assets and leasehold improvements. Additionally, the increase in equipment of \$23,333 is for the purchase of a storage area network, which will provide an updated data storage and back-up system.



## General and Administrative

Funding sources and related expenses for the general and administrative section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>General and Administrative</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ 144,368	\$ 144,368
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 144,368</b>	<b>\$ 144,368</b>
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	80	80	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ 80</b>	<b>\$ 80</b>	<b>\$ 144,368</b>	<b>\$ 144,368</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,083,942	\$ 958,041	\$ (125,901)	\$ 1,474,609	\$ 390,667
Payroll Taxes	81,296	91,085	9,789	162,207	80,911
Benefits	108,831	72,377	(36,454)	141,828	32,997
Retirement Costs	100,539	65,461	(35,078)	117,992	17,453
<b>Total Personnel Expenses</b>	<b>\$ 1,374,608</b>	<b>\$ 1,186,964</b>	<b>\$ (187,644)</b>	<b>\$ 1,896,636</b>	<b>\$ 522,028</b>
<b>Meeting Expenses</b>					
Meetings	\$ 11,750	\$ 39,003	\$ 27,253	\$ 16,400	\$ 4,650
Travel	28,416	33,296	4,880	59,147	30,731
Conference Calls	48,000	52,712	4,712	66,000	18,000
<b>Total Meeting Expenses</b>	<b>\$ 88,166</b>	<b>\$ 125,011</b>	<b>\$ 36,845</b>	<b>\$ 141,547</b>	<b>\$ 53,381</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ 4,500	\$ 4,500	\$ 40,000	\$ 40,000
Office Rent	255,591	251,019	(4,572)	295,692	40,101
Office Costs	255,987	317,892	61,905	158,837	(97,150)
Professional Services	20,000	18,464	(1,536)	15,000	(5,000)
Miscellaneous	-	8,816	8,816	-	-
Depreciation	38,246	80,052	41,806	112,609	74,363
<b>Total Operating Expenses</b>	<b>\$ 569,824</b>	<b>\$ 680,743</b>	<b>\$ 110,919</b>	<b>\$ 622,138</b>	<b>\$ 52,314</b>
<b>Total Direct Expenses</b>	<b>\$ 2,032,598</b>	<b>\$ 1,992,718</b>	<b>\$ (39,880)</b>	<b>\$ 2,660,321</b>	<b>\$ 627,723</b>
<b>Indirect Expenses</b>	<b>\$ (2,032,598)</b>	<b>\$ (1,992,638)</b>	<b>\$ 39,960</b>	<b>\$ (2,660,321)</b>	<b>\$ (627,723)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ 80</b>	<b>\$ 80</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 144,368</b>	<b>\$ 144,368</b>
<b>Fixed Assets</b>					
Depreciation	(38,246)	(80,052)	(41,806)	(112,609)	(74,363)
Computer & Software CapEx	-	27,637	27,637	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	23,333	23,333
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ 38,246</b>	<b>\$ 52,415</b>	<b>\$ 14,169</b>	<b>\$ 89,276</b>	<b>\$ 51,030</b>
Allocation of Fixed Assets	\$ (38,246)	\$ (52,415)	\$ (14,169)	(89,276)	\$ (51,030)
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 144,368</b>	<b>\$ 144,368</b>

---

## Legal and Regulatory

### Program Scope and Functional Description

SERC maintains legal counsel in house and has outside legal consultants to provide legal advice to the CEO, Board of Directors, and staff on legal and regulatory matters affecting SERC; review items filed with governmental agencies for legal sufficiency; and review all contracts.

- Ensure continuing recognition of SERC as a regional entity.
- Obtain regulatory approvals for new and revised regional reliability standards on a timely basis.
- Review legal documents, including notices of penalty, required to be filed with FERC
- Provide hearing services for all contested compliance actions, and other services as needed, such as transcription.
- Provide legal counsel as needed for SERC during compliance proceedings.
- Process all appeals of compliance actions in an effective and efficient manner.
- Liaison with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Review all contracts and changes to personnel policies.

### 2011 Key Assumptions

- The level of detail required in notice of penalties to meet NERC and FERC expectations continues to increase
- The likelihood of a contested compliance action increases, with one to two hearings (ERO-wide) being projected

### 2011 Goals and Key Deliverables

- Two or less SERC notices of penalty are remanded by NERC
- Five or less SERC notices of penalty filed with the commission are tolled for more information

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- There are no significant changes requiring an explanation. There are no FTEs included in the Legal and Regulatory program. All in-house attorneys are recorded under the General and Administrative program.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- Professional services decreased \$22,500 due to the hiring of an in-house counsel which will lower legal costs. As noted above under Personnel Expense, all in-house attorneys are recorded under the Compliance program.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2010 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
Legal and Regulatory						
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	
Penalty Sanctions				-		
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Other Funding	-	-	-	-	-	
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	
Payroll Taxes	-	-	-	-	-	
Benefits	-	-	-	-	-	
Retirement Costs	-	-	-	-	-	
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Meeting Expenses</b>						
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -	
Travel	-	-	-	-	-	
Conference Calls	-	-	-	-	-	
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	27,500	8,194	(19,306)	5,000	(22,500)	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
<b>Total Operating Expenses</b>	<b>\$ 27,500</b>	<b>\$ 8,194</b>	<b>\$ (19,306)</b>	<b>\$ 5,000</b>	<b>\$ (22,500)</b>	
<b>Total Direct Expenses</b>	<b>\$ 27,500</b>	<b>\$ 8,194</b>	<b>\$ (19,306)</b>	<b>\$ 5,000</b>	<b>\$ (22,500)</b>	
<b>Indirect Expenses</b>	<b>\$ (27,500)</b>	<b>\$ (8,194)</b>	<b>\$ 19,306</b>	<b>\$ (5,000)</b>	<b>\$ 22,500</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Fixed Assets</b>						
Depreciation	-	-	-	-	-	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-	
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

---

## Information Technology

### Program Scope and Functional Description

The Information Technology area of SERC offers project and vendor management for all current technology related contracts. The technology group at SERC supports other staff and SERC members with the portal system and core technology infrastructure. Current SERC projects include:

- Guidance (hosting and development for SERC Portal, SERC web site and the consortium)
- Inter7 (Operating Committee hot line equipment vendor)
- Telecommunication circuits (conference bridge, Operating Committee hotline service)
- OATI checkout tool (Operating Committee project for region wide scheduling checkout tool)
- WebEx (web meeting and collaboration solution)
- Document management system
- Storage Area Network (SAN) (data storage and back-up system)

### 2011 Key Assumptions

- The Consortium will continue to work together, enabling SERC and other regions to share the total costs of development.
- SERC will continue to support the OATI Check out tool.

### 2011 Goals and Key Deliverables

- Development and use of performance metrics used to gauge the availability and usability of key IT services

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- There are no significant changes requiring an explanation. All personnel for Information Technology are included under the General and Administrative program.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- Consultants and contracts are increasing by \$65,020 to support software development and hosting of the portal and hotline.
- Office costs are increasing by \$15,135 due to the server room modifications needed to meet relevant CIP requirements.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2011 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- Fixed assets decreased by \$100,000 due to the one time cost in 2010 for the purchase of a document management system.

## Information Technology

Funding sources and related expenses for the information technology section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
Information Technology						
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	
Penalty Sanctions				-		
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Other Funding	-	-	-	-	-	
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	
Payroll Taxes	-	-	-	-	-	
Benefits	-	-	-	-	-	
Retirement Costs	-	-	-	-	-	
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Meeting Expenses</b>						
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -	
Travel	6,882	-	(6,882)	-	(6,882)	
Conference Calls	-	-	-	-	-	
<b>Total Meeting Expenses</b>	<b>\$ 6,882</b>	<b>\$ -</b>	<b>\$ (6,882)</b>	<b>\$ -</b>	<b>\$ (6,882)</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 518,400	\$ 522,710	\$ 4,310	\$ 583,420	\$ 65,020	
Office Rent	-	-	-	-	-	
Office Costs	90,590	148,392	57,802	105,725	15,135	
Professional Services	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
<b>Total Operating Expenses</b>	<b>\$ 608,990</b>	<b>\$ 671,102</b>	<b>\$ 62,112</b>	<b>\$ 689,145</b>	<b>\$ 80,155</b>	
<b>Total Direct Expenses</b>	<b>\$ 615,872</b>	<b>\$ 671,102</b>	<b>\$ 55,230</b>	<b>\$ 689,145</b>	<b>\$ 73,273</b>	
<b>Indirect Expenses</b>	<b>\$ (615,872)</b>	<b>\$ (671,102)</b>	<b>\$ (55,230)</b>	<b>\$ (689,145)</b>	<b>\$ (73,273)</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Fixed Assets</b>						
Depreciation	-	-	-	-	-	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	100,000	-	(100,000)	-	(100,000)	
Leasehold Improvements	-	-	-	-	-	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (100,000)</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ 100,000</b>	
Allocation of Fixed Assets	\$ 100,000	\$ -	\$ (100,000)	-	\$ (100,000)	
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

## Human Resources

### Program Scope and Functional Description

The SERC human resources function is responsible for recruiting stellar employees, maintaining appropriate salaries and benefits based on industry data, providing for employee training programs and updating the employee handbook.

### 2011 Key Assumptions

- Average salary increase of 2%. This assumption is reflected in the salary expense budget for all program areas.
- Increase in insurance premiums of 15%. This assumption is reflected in the benefits expense budget for all program areas.

### 2011 Goals and Key Deliverables

- Attract, develop and retain highly competent and motivated staff.
- Continuous review of compensation and benefits.



---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

In the 2011 and 2010 Business Plan and Budgets, there are no expenses related to Human Resources, as all personnel expenses for Human Resources are included under the General and Administrative program and there are no additional costs. Due to this, there are no significant changes requiring an explanation.

## Human Resources

Funding sources and related expenses for the human resources section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
Human Resources						
				Variance		Variance
	2010	2010	2010 Projection	v 2010 Budget	2011	2011 Budget
	Budget	Projection	v 2010 Budget	Over(Under)	Budget	v 2010 Budget
				Over(Under)		Over(Under)
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ -	\$ -	\$ -		\$ -	\$ -
Penalty Sanctions					-	
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
Workshops	-	-	-		-	-
Interest	-	-	-		-	-
Other Funding	-	-	-		-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ -	\$ -	\$ -		\$ -	\$ -
Payroll Taxes					-	-
Benefits	-	-	-		-	-
Retirement Costs	-	-	-		-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>						
Meetings	\$ -	\$ -	\$ -		\$ -	\$ -
Travel	-	-	-		-	-
Conference Calls	-	-	-		-	-
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Operating Expenses</b>						
Consultants & Contracts	\$ -	\$ -	\$ -		\$ -	\$ -
Office Rent	-	-	-		-	-
Office Costs	-	-	-		-	-
Professional Services	-	-	-		-	-
Miscellaneous	-	-	-		-	-
Depreciation	-	-	-		-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>						
Depreciation	-	-	-		-	-
Computer & Software CapEx	-	-	-		-	-
Furniture & Fixtures CapEx	-	-	-		-	-
Equipment CapEx	-	-	-		-	-
Leasehold Improvements	-	-	-		-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -		-	
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>

---

## Finance and Accounting

### Program Scope and Functional Description

The objectives are to provide the financial and accounting services for SERC, and coordinate with NERC requirements through:

- Providing payroll and expense administration.
- Preparing quarterly financial statements.
- Filing federal and state tax and other forms required of non-profit corporations.
- Reviewing and improve fiscal controls and complete a year-end external audit.

### 2011 Key Assumptions

- Maintain or reduce meeting costs.
- Accomplish SERC goals and staying within budget.

### 2011 Goals and Key Deliverables

- Prepare and review monthly, quarterly and annual financial statements.
- Maintain budgetary controls.
- Process payroll and expense reports.
- Maintain necessary internal controls.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- Decrease in interest income of \$10,000 due to the decrease in market rates.

## Personnel Expenses

- There are no significant changes requiring an explanation. All personnel for Finance and Accounting are included under the General and Administrative program.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- There are no significant changes requiring an explanation.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2011 business plan are shown in the table below.

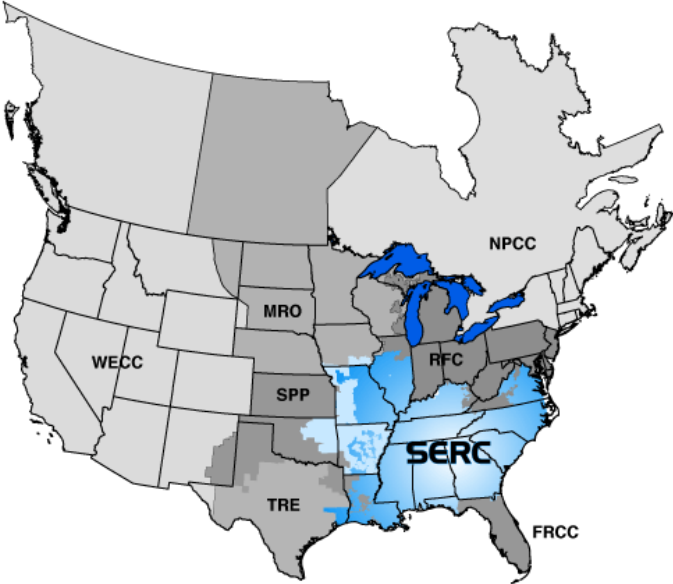
Statement of Activities and Capital Expenditures						
2010 Budget & Projection, and 2011 Budget						
Finance and Accounting						
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	
Penalty Sanctions				-		
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Workshops	-	-	-	-	-	
Interest	20,000	14,910	(5,090)	10,000	(10,000)	
Other Funding	-	-	-	-	-	
<b>Total Funding</b>	<b>\$ 20,000</b>	<b>\$ 14,910</b>	<b>\$ (5,090)</b>	<b>\$ 10,000</b>	<b>\$ (10,000)</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	
Payroll Taxes	-	-	-	-	-	
Benefits	-	-	-	-	-	
Retirement Costs	-	-	-	-	-	
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 275	\$ -	\$ (275)	\$ -	\$ (275)	
Travel	1,480	-	(1,480)	-	(1,480)	
Conference Calls	-	-	-	-	-	
<b>Total Meeting Expenses</b>	<b>\$ 1,755</b>	<b>\$ -</b>	<b>\$ (1,755)</b>	<b>\$ -</b>	<b>\$ (1,755)</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	5,000	5,100	100	5,000	-	
Professional Services	33,300	21,667	(11,633)	25,200	(8,100)	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
<b>Total Operating Expenses</b>	<b>\$ 38,300</b>	<b>\$ 26,767</b>	<b>\$ (11,533)</b>	<b>\$ 30,200</b>	<b>\$ (8,100)</b>	
<b>Total Direct Expenses</b>	<b>\$ 40,055</b>	<b>\$ 26,767</b>	<b>\$ (13,288)</b>	<b>\$ 30,200</b>	<b>\$ (9,855)</b>	
<b>Indirect Expenses</b>	<b>\$ (20,055)</b>	<b>\$ (11,857)</b>	<b>\$ 8,198</b>	<b>\$ (20,200)</b>	<b>\$ (145)</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses</b>	<b>\$ 20,000</b>	<b>\$ 14,910</b>	<b>\$ (5,090)</b>	<b>\$ 10,000</b>	<b>\$ (10,000)</b>	
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Fixed Assets</b>						
Depreciation	-	-	-	-	-	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Allocation of Fixed Assets		\$ -		-		
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

---

# Section B – Supplemental Financial Information

## 2011 Business Plan and Budget

---



## Section B — Supplemental Financial Information

### Reserve Balance

Table B-1

<b>Working Capital Reserve Analysis 2010-2011</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2009</b>	\$ 2,053,151
Less: Penalty sanctions to be used as offset to 2011 assessments, received prior to 12/31/09	(424,000)
Plus: Penalty sanctions to be used as offset to 2011 assessments <sup>1</sup>	919,000
Plus: 2010 ERO Funding (from LSEs or designees)	9,831,277
Plus: 2010 Other funding sources	256,570
Less: 2010 Projected expenses & capital expenditures	(10,665,847)
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<b>\$ 1,970,151</b>
<b>Desired Working Capital Reserve, December 31, 2011</b>	<sup>2</sup> 1,195,519
Less: Projected Working Capital Reserve, December 31, 2010	(1,970,151)
Plus: Penalty sanctions to be used as offset to 2011 assessments	919,000
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>\$ 144,368</b>
2011 Expenses and Capital Expenditures	\$ 11,776,640
Less: Penalty Sanctions <sup>1</sup>	(919,000)
Less: Other Funding Sources	(330,500)
Adjustment to achieve desired Working Capital Reserve	144,368
<b>2011 ERO Assessment</b>	<b>\$ 10,671,508</b>

<sup>1</sup> Represents collections on or prior to June 30, 2010. See page 50 or full disclosure.

<sup>2</sup> As documented in the April 23, 2008 minutes, the SERC Board of Directors has approved the establishment of a cash reserve equal to up to 10% of its budgeted annual statutory operating costs, with the understanding that should it become necessary to spend any of the reserve funds, the President shall provide a report detailing such expenditures at the next regular meeting of the Board of Directors. The reserve was established for contingencies.

### Explanation of Changes in Reserve Policy from Prior Years

There has been no change in SERC's reserve policy.

## Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities and Capital Expenditures, page 14, of the 2011 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

### Penalty Sanctions

Penalty monies received prior to June 30, 2010 are to be used to offset assessments in the 2011 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2010 through June 30, 2011 will be used to offset assessments in the 2012 Budget.

All penalties received prior to July 1, 2010 are detailed below, including Company, the amount, and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-2**

	Date Received	Amount Received
<b>Name of Entity</b>		
Penalty payment 1	12-Aug-2009	\$ 10,000
Penalty payment 2	30-Oct-2009	100,000
Penalty payment 3	2-Nov-2009	50,000
Penalty payment 4	4-Nov-2009	15,000
Penalty payment 5	9-Nov-2009	100,000
Penalty payment 6	8-Dec-2009	6,000
Penalty payment 7	17-Dec-2009	8,000
Penalty payment 8	28-Dec-2009	10,000
Penalty payment 9	5-Jan-2010	115,000
Penalty payment 10	5-Jan-2010	10,000
Penalty payment 11	8-Feb-2010	3,000
Penalty payment 12	12-Feb-2010	11,000
Penalty payment 13	12-Feb-2010	11,000
Penalty payment 14	24-Feb-2010	150,000
Penalty payment 15	10-Mar-2010	140,000
Penalty payment 16	10-Mar-2010	20,000
Penalty payment 17	22-Mar-2010	5,000
Penalty payment 18	26-Mar-2010	35,000
Penalty payment 19	29-Mar-2010	10,000
Penalty payment 20	29-Mar-2010	15,000
Penalty payment 21	30-Mar-2010	3,000
Penalty payment 22	30-Mar-2010	7,500
Penalty payment 23	1-Apr-2010	7,500
Penalty payment 24	1-Apr-2010	7,500
Penalty payment 25	10-May-2010	7,000
Penalty payment 26	10-May-2010	7,500
Penalty payment 27	11-May-2010	2,000
Penalty payment 28	17-May-2010	2,000
Penalty payment 29	17-May-2010	2,000
Penalty payment 30	17-May-2010	10,000
Penalty payment 31	20-May-2010	20,000
Penalty payment 32	20-May-2010	10,000
Penalty payment 33	25-May-2010	9,000
<b>Total Penalties Received</b>		<b>\$ 919,000</b>



Table B-3 - Supplemental Funding

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget
<b>Reliability Standards</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Other Funding	\$ -	\$ -	\$ 40,000	\$ 40,000
<b>Total</b>	\$ -	\$ -	\$ 40,000	\$ 40,000
<b>Reliability Assessment and Performance Analysis</b>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Training and Education</b>				
Workshops	\$ 272,406	\$ 241,580	\$ 280,500	\$ 8,094
<b>Total</b>	\$ 272,406	\$ 241,580	\$ 280,500	\$ 8,094
<b>Situation Awareness and Infrastructure Security</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Technical Committees and Member Forums</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>General and Administrative</b>				
Miscellaneous	\$ -	\$ 80	\$ -	\$ -
<b>Total</b>	\$ -	\$ 80	\$ -	\$ -
<b>Finance</b>				
Interest	\$ 20,000	\$ 14,910	\$ 10,000	\$ (10,000)
<b>Total</b>	\$ 20,000	\$ 14,910	\$ 10,000	\$ (10,000)
<b>Total Outside Funding</b>	\$ 292,406	\$ 256,570	\$ 330,500	\$ 38,094

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

Other funding increased \$40,000 due to SERC expects to perform Cross-Regional Compliance Monitoring for other regions. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entity.

Interest income decreased \$10,000 due to the decrease in market rates.

**Table B-4 - Personnel Expenses**

Personnel Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Salaries</b>					
Salaries	\$ 5,919,604	\$ 5,862,906	\$ 6,720,718	\$ 801,114	13.5%
Employment Agency Fees	-	130,000	-	-	
Temporary Office Services	-	-	-	-	
<b>Total Salaries</b>	<b>\$ 5,919,604</b>	<b>\$ 5,992,906</b>	<b>\$ 6,720,718</b>	<b>\$ 801,114</b>	<b>13.5%</b>
<b>Total Payroll Taxes</b>	<b>\$ 443,971</b>	<b>\$ 644,920</b>	<b>\$ 739,279</b>	<b>\$ 295,308</b>	<b>66.5%</b>
<b>Benefits</b>					
Workers Compensation	\$ 13,000	\$ -	\$ -	\$ (13,000)	-100.0%
Medical Insurance	405,102	470,153	606,193	201,091	49.6%
Life-LTD-LTC Insurance	43,468	21,051	34,855	(8,613)	-19.8%
Education	39,599	12,000	47,607	8,008	20.2%
Relocation	35,000	40,000	35,000	-	0.0%
<b>Total Benefits</b>	<b>\$ 536,169</b>	<b>\$ 543,204</b>	<b>\$ 723,655</b>	<b>\$ 187,486</b>	<b>35.0%</b>
<b>Retirement</b>					
Discretionary 401k Contribution	\$ 262,127	\$ 8,607	\$ -	\$ (262,127)	-100.0%
Savings Plan	293,340	9,540	584,444	291,104	99.2%
<b>Total Retirement</b>	<b>\$ 555,467</b>	<b>\$ 18,146</b>	<b>\$ 584,444</b>	<b>\$ 28,977</b>	<b>5.2%</b>
<b>Total Personnel Costs</b>	<b>\$ 7,455,211</b>	<b>\$ 7,199,176</b>	<b>\$ 8,768,096</b>	<b>\$ 1,312,885</b>	<b>17.6%</b>
<b>FTEs</b>	<b>45.5</b>	<b>47.5</b>	<b>53.5</b>	<b>8</b>	<b>17.6%</b>
<b>Cost per FTE</b>					
Salaries	\$ 130,101	\$ 126,166	\$ 125,621	(4,480)	-3.4%
Payroll Taxes	9,758	13,577	13,818	4,061	41.6%
Benefits	11,784	11,436	13,526	1,742	14.8%
Retirement	12,208	382	10,924	(1,284)	-10.5%
<b>Total Cost per FTE</b>	<b>\$ 163,851</b>	<b>\$ 151,562</b>	<b>\$ 163,890</b>	<b>\$ 39</b>	<b>0.0%</b>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

Salaries increased \$801,114 and payroll taxes increased \$295,308 due to the addition of 8 employees compared to 2010 budget. A total of 2 FTEs were added in 2010 compared to the budget. The Compliance program added a registration and certification engineer to ensure that all applicable users, owners and operators of the bulk-power system within the SERC region are properly registered and certified for compliance with NERC and Regional Reliability Standards and a CIP auditor was added to address the technical feasibility exceptions. These additions have been made in 2010 to meet critical needs to enable the organization to function effectively. The costs of these additional employees will be offset in 2010 by vacancies in other positions and funded through the reserve if necessary. In 2011, the additional employees in compliance include two auditors, and two enforcement engineers, and in general and administrative, an executive position and an attorney. The budget reflects an increase in salary for existing staff of 2%.

Medical insurance increased \$201,091 due to premium increases.

Retirement costs increased \$28,977 due to the overall staffing increases and budgeted salary increases as noted above.

Table B-5 - Consultants and Contracts

Consultants	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	76,500	78,237	95,000	18,500	24%
Reliability Assessment and Performance Analysis	160,000	130,000	149,000	(11,000)	-7%
Training and Education	18,750	25,000	35,000	16,250	87%
Situation Awareness and Infrastructure Security	50,000	45,000	25,000	(25,000)	-50%
Committee and Member Forums	49,400	6,000	9,375	(40,025)	-81%
General and Administrative	-	4,500	40,000	40,000	
Legal and Regulatory	-	-	-	-	
Information Technology	-	378	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
<b>Consultants Total</b>	<b>\$ 354,650</b>	<b>\$ 289,115</b>	<b>\$ 353,375</b>	<b>\$ (1,275)</b>	<b>0%</b>
Contracts	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Contracts</b>					
Computer & Communications Support	\$ 121,200	\$ 142,420	\$ 128,700	\$ 7,500	
IT Web and Portal Support	333,300	358,975	414,906	81,606	
Checkout Tool	150,000	120,000	132,000	(18,000)	
Hotline Maintenance	21,800	22,388	30,000	8,200	
Website redesign	-	-	25,000	25,000	
Document management support	-	18,312	11,100	11,100	
<b>Subtotal - Software Contracts</b>	<b>626,300</b>	<b>662,095</b>	<b>741,706</b>	<b>115,406</b>	<b>18%</b>
<b>Situation Awareness and Infrastructure Security</b>					
Inter7 Hotline Enhancements	-	-	10,000	10,000	
Database design - custom basemaps and transmission overlay	-	-	35,000	35,000	
Root-Cause Analysis / Risk decision tree software tool	-	-	10,000	10,000	
<b>Subtotal - Situation Awareness and Infrastructure Security</b>	<b>-</b>	<b>-</b>	<b>55,000</b>	<b>55,000</b>	<b>100%</b>
<b>Education and Training</b>					
Virtual Simulator	160,500	160,500	-	(160,500)	
<b>Subtotal - Education and Training Contracts</b>	<b>160,500</b>	<b>160,500</b>	<b>-</b>	<b>(160,500)</b>	<b>-100%</b>
<b>Contracts Total</b>	<b>\$ 786,800</b>	<b>\$ 822,595</b>	<b>\$ 796,706</b>	<b>\$ 9,906</b>	<b>1%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 1,141,450</b>	<b>\$ 1,111,710</b>	<b>\$ 1,150,081</b>	<b>\$ 8,631</b>	<b>1%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

A decrease of \$25,000 in consultants in the Situation Awareness and Infrastructure Security program relates to removal of data collection activities to support situation awareness reporting to FERC and NERC staff, as this was performed in 2010.

A decrease of \$40,025 in consultants in Committee and Member Forums is due to the costs for continued maintenance and updates for work performed in 2010 on the portal.

An increase of \$40,000 in consultants in General and Administrative is for continuous improvement activities such as self evaluation, corrective action, and bench marking.

An increase of \$115,406 in software contracts in is due various projects, including redesigning of the SERC website; additional consortium projects and support for the document management system.

An increase of \$55,000 in contracts in the Situation Awareness and Infrastructure Security program is primarily for GIS software compatible with available geospatial data for improved visualization of the SERC region and user enhancements for the voice-over-internet hotline system used by SERC BA's, TOP's, and RC's.

A decrease of \$160,500 in contracts in Education and Training is due to a one time expense of a restoration training simulator for 2010.

**Table B-6 – Office Rent**

Office Rent	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Office Rent	\$ 255,591	\$ 251,019	\$ 295,692	40,101	15.69%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Security	-	-	-	-	
<b>Total Office Rent</b>	<b>\$ 255,591</b>	<b>\$ 251,019</b>	<b>\$ 295,692</b>	<b>\$ 40,101</b>	<b>15.69%</b>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

In 2010, SERC increased their office space by 5,431 square feet causing the increase in rent expense. The new office space will be for additional offices along with a large conference room that will enable SERC to host large meetings in-house.

**Table B-7 – Office Costs**

Office Costs	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Telephone	\$ 122,280	107,045	\$ 117,940	\$ (4,340)	-3.55%
Internet	-	-	-	-	
Office Supplies	131,264	200,738	37,934	(93,330)	-71.10%
Computer Supplies and Maintenance	77,690	148,392	116,725	39,035	50.24%
Publications & Subscriptions	-	65	-	-	
Dues	5,000	3,240	2,000	(3,000)	-60.00%
Postage	2,000	1,708	2,000	-	0.00%
Express Shipping	4,000	1,976	2,000	(2,000)	-50.00%
Copying	8,000	5,500	5,000	(3,000)	-37.50%
Reports	-	-	-	-	
Equipment Repair/Service Contracts	7,023	8,300	9,223	2,200	31.33%
Bank Charges	-	-	-	-	
Taxes	-	-	-	-	
Merchant Card Fees	5,000	5,100	5,000	-	0.00%
Presentation & Publicity	-	-	-	-	
<b>Total Office Costs</b>	<b>\$ 362,257</b>	<b>\$ 482,064</b>	<b>\$ 297,822</b>	<b>\$ (64,435)</b>	<b>-17.79%</b>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

Decrease in office supplies of \$93,330 is due to a one time expense for the additional furniture and equipment needed to furnish the new office space in 2010.

Increase in computer supplies and maintenance of \$39,035 is due to an increase in planned purchases of computers and equipment to replace existing staff computers in accordance with a three year replacement term.

**Table B-8 – Professional Services**

Professional Services	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Independent Trustee Fees	\$ -	\$ -	\$ -	\$ -	
Legal Fees	45,000	38,183	25,000	(20,000)	-44.44%
Accounting & Auditing Fees	33,300	21,667	25,200	(8,100)	-24.32%
Insurance Commercial	20,000	18,464	15,000	(5,000)	-25.00%
<b>Total Services</b>	<b>\$ 98,300</b>	<b>\$ 78,314</b>	<b>\$ 65,200</b>	<b>\$ (33,100)</b>	<b>-33.67%</b>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

Legal fees include outside legal and other legal. Outside legal expenses include charges in support of regulatory matters. Other legal fees represent charges for all other legal matters. Decrease in outside legal expense of \$15,000 and \$5,000 in other legal expense as SERC has in-house legal counsel to help with compliance filings.

**Table B-9 – Other Non-operating Expenses**

Other Non-Operating Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment	-	-	-	-	
Office Relocation	-	-	-	-	
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

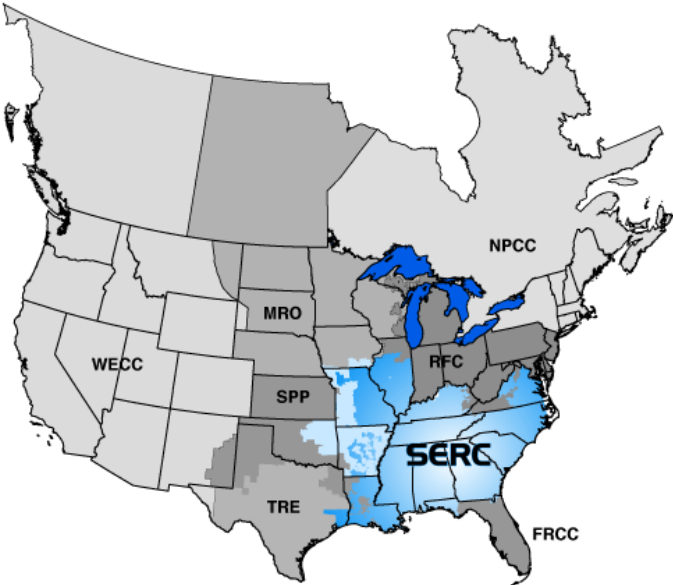
No significant variances.

---

# Section C – Non-Statutory Activities

## 2011 Business Plan and Budget

---



---

**Section C — 2010 Non-Statutory Business Plan and Budget**

<b>Non-Statutory Activities</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	-	-	-
Direct Expenses	-	-	-
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	-	-	-
Total Funding Requirement	-	-	-

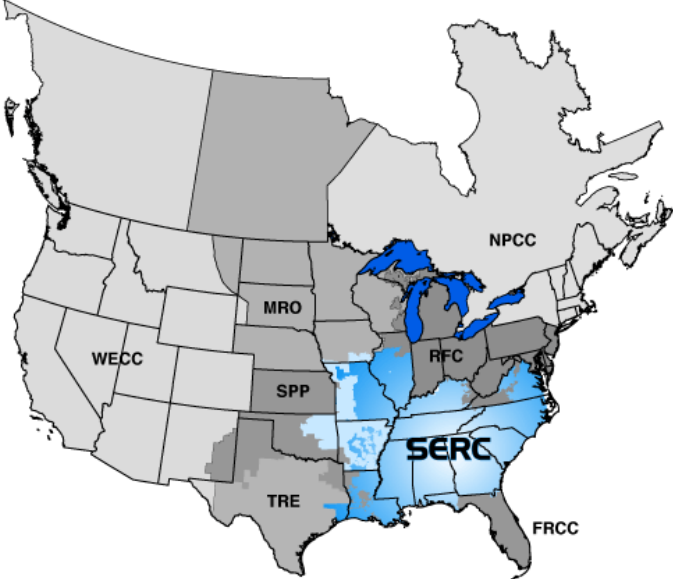
SERC does not provide any non-statutory functions at this time, although SERC may in the future consider providing non-statutory functions from time to time as appropriate and as permitted by its Board and applicable statutes and regulations.

---

# Section D – Additional Consolidated Financial Statements

## 2011 Business Plan and Budget

---





Section D

2011 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2011 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement											Non-Statutory Functions		
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources		Accounting and Finance	Non-Statutory Total
<b>Funding</b>																	
<b>ERO Funding</b>																	
ERO Assessments	10,671,508	10,671,508	-	10,671,508	532,975	7,215,911	1,202,185	440,259	1,135,810	-	144,368	-	-	-	-	-	-
Penalty Sanctions	919,000	919,000	-	919,000	42,174	634,625	109,653	42,174	90,374	-	-	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>11,590,508</b>	<b>11,590,508</b>	<b>-</b>	<b>11,590,508</b>	<b>575,149</b>	<b>7,850,536</b>	<b>1,311,838</b>	<b>482,433</b>	<b>1,226,184</b>	<b>-</b>	<b>144,368</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Workshops	280,500	280,500	-	280,500	-	-	-	280,500	-	-	-	-	-	-	-	-	-
Interest	10,000	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-	-	-	10,000
Other Funding	40,000	40,000	-	40,000	-	40,000	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>11,921,008</b>	<b>11,921,008</b>	<b>-</b>	<b>11,921,008</b>	<b>575,149</b>	<b>7,890,536</b>	<b>1,311,838</b>	<b>762,933</b>	<b>1,226,184</b>	<b>-</b>	<b>144,368</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>
<b>Expenses</b>																	
<b>Personnel Expenses</b>																	
Salaries	6,720,718	6,720,718	-	6,720,718	249,272	3,346,925	474,380	237,095	528,538	410,899	1,474,609	-	-	-	-	-	-
Payroll Taxes	739,279	739,279	-	739,279	27,310	369,182	52,182	26,080	58,139	45,199	162,207	-	-	-	-	-	-
Benefits	723,655	723,655	-	723,655	26,281	396,309	52,060	21,033	56,874	29,270	141,828	-	-	-	-	-	-
Retirement Costs	584,444	584,444	-	584,444	23,961	291,778	40,927	22,863	46,886	40,037	117,992	-	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>8,768,096</b>	<b>8,768,096</b>	<b>-</b>	<b>8,768,096</b>	<b>325,824</b>	<b>4,403,174</b>	<b>619,549</b>	<b>307,071</b>	<b>690,437</b>	<b>525,405</b>	<b>1,896,636</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Meeting Expenses</b>																	
Meetings	458,258	458,258	-	458,258	46,720	15,375	42,050	207,360	21,375	108,978	16,400	-	-	-	-	-	-
Travel	652,158	652,158	-	652,158	26,764	377,810	29,277	37,661	57,570	63,929	59,147	-	-	-	-	-	-
Conference Calls	66,000	66,000	-	66,000	-	-	-	-	-	-	66,000	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>1,176,416</b>	<b>1,176,416</b>	<b>-</b>	<b>1,176,416</b>	<b>73,484</b>	<b>393,185</b>	<b>71,327</b>	<b>245,021</b>	<b>78,945</b>	<b>172,907</b>	<b>141,547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating Expenses</b>																	
Consultants & Contracts	1,150,081	1,150,081	-	1,150,081	-	253,286	149,000	35,000	80,000	9,375	40,000	-	583,420	-	-	-	-
Office Rent	295,692	295,692	-	295,692	-	-	-	-	-	-	295,692	-	-	-	-	-	-
Office Costs	297,822	297,822	-	297,822	-	7,440	19,800	-	-	1,020	158,837	-	105,725	-	-	5,000	-
Professional Services	65,200	65,200	-	65,200	-	20,000	-	-	-	-	15,000	5,000	-	-	-	-	25,200
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	112,609	112,609	-	112,609	-	-	-	-	-	-	112,609	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>1,921,404</b>	<b>1,921,404</b>	<b>-</b>	<b>1,921,404</b>	<b>-</b>	<b>280,726</b>	<b>168,800</b>	<b>35,000</b>	<b>80,000</b>	<b>10,395</b>	<b>622,138</b>	<b>5,000</b>	<b>689,145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,200</b>
<b>Total Direct Expenses</b>	<b>11,865,916</b>	<b>11,865,916</b>	<b>-</b>	<b>11,865,916</b>	<b>399,308</b>	<b>5,077,085</b>	<b>859,676</b>	<b>587,092</b>	<b>849,382</b>	<b>708,707</b>	<b>2,660,321</b>	<b>5,000</b>	<b>689,145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,200</b>
<b>Indirect Expenses</b>																	
	-	-	-	-	179,771	2,876,338	462,269	179,771	385,224	(708,707)	(2,660,321)	(5,000)	(689,145)	-	-	-	(20,200)
<b>Other Non-Operating Expenses</b>																	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>11,865,916</b>	<b>11,865,916</b>	<b>-</b>	<b>11,865,916</b>	<b>579,079</b>	<b>7,953,423</b>	<b>1,321,945</b>	<b>766,863</b>	<b>1,234,606</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>
<b>Change in Assets</b>	<b>55,092</b>	<b>55,092</b>	<b>-</b>	<b>55,092</b>	<b>(3,930)</b>	<b>(62,887)</b>	<b>(10,107)</b>	<b>(3,930)</b>	<b>(8,422)</b>	<b>-</b>	<b>144,368</b>	<b>(10,107)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>																	
Depreciation	(112,609)	(112,609)	-	(112,609)	-	-	-	-	-	-	(112,609)	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	23,333	23,333	-	23,333	-	-	-	-	-	-	23,333	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>(Inc)Dec in Fixed Assets</b>	<b>89,276</b>	<b>89,276</b>	<b>-</b>	<b>89,276</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89,276</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	-	-	-	-	3,930	62,887	10,107	3,930	8,422	-	(89,276)	-	-	-	-	-	-
<b>Change in Fixed Assets</b>	<b>89,276</b>	<b>89,276</b>	<b>-</b>	<b>89,276</b>	<b>3,930</b>	<b>62,887</b>	<b>10,107</b>	<b>3,930</b>	<b>8,422</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>144,368</b>	<b>144,368</b>	<b>-</b>	<b>144,368</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>144,368</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	<b>53.5</b>	<b>53.5</b>	<b>-</b>	<b>53.50</b>	<b>1.75</b>	<b>28.00</b>	<b>4.50</b>	<b>1.75</b>	<b>3.75</b>	<b>2.75</b>	<b>11.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Statement of Financial Position**

- As of December 31, 2009, per audit
- As of December 31, 2010, projected
- As of December 31, 2011, as budgeted

**Statement of Financial Position  
2009 Audited, 2010 Projection, and 2011 Budget**

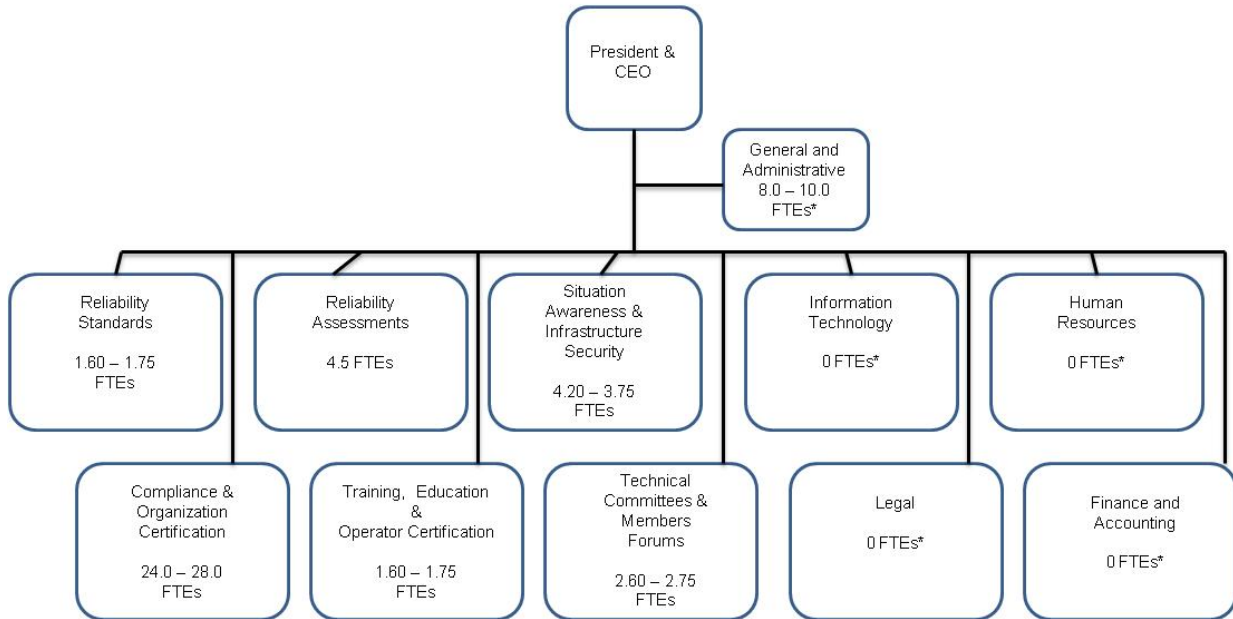
**STATUTORY and NON-STATUTORY**

	(Per Audit) 31-Dec-09	Projected 31-Dec-10	Budget 31-Dec-11
<b>ASSETS</b>			
Cash	2,792,743	3,260,660	2,986,592
Accounts receivable	166,656	-	-
Other receivables	-		
Prepaid expenses and other current assets	114,758	50,000	50,000
Property and equipment, net	220,998	214,298	255,600
Total Assets	<b>3,295,155</b>	<b>3,524,958</b>	<b>3,292,192</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	1,201,940	1,200,000	1,200,000
Deferred income	1,020,555	1,000,000	600,000
Total Liabilities	<b>2,222,495</b>	<b>2,200,000</b>	<b>1,800,000</b>
Net Assets - unrestricted	1,072,660	1,324,958	1,492,192
Total Liabilities and Net Assets	<b>3,295,155</b>	<b>3,524,958</b>	<b>3,292,192</b>

# Organizational Chart

## SERC Reliability Corporation Organization Chart

2010 Projected FTEs 47.5  
2011 Budgeted FTEs 53.5



\*All FTEs for Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative

**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 8**

**SOUTHWEST POWER POOL REGIONAL ENTITY**

**PROPOSED 2011 BUSINESS PLAN AND BUDGET**



**2011 Business Plan and Budget**

**Southwest Power Pool Regional Entity**

**Approved by SPP Regional Entity Trustees**

**June 24, 2010**

# Table of Contents

<b>Introduction</b> .....	3
<b>Section A - 2011 Business Plan</b> .....	10
Reliability Standards Program.....	11
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	14
Reliability Assessment and Performance Analysis Program.....	19
Training, Education, and Operator Certification Program .....	23
Situation Awareness and Infrastructure Security Program.....	26
Administrative Services .....	30
Technical Committees and Member Forums .....	31
General and Administrative.....	33
Legal and Regulatory.....	36
Information Technology .....	38
Human Resources .....	39
Finance and Accounting .....	40
<b>Section B — Supplemental Financial Information</b> .....	41
Reserve Balance.....	42
Breakdown by Statement of Activity Sections .....	43
<b>Section C — 2010 Non-Statutory Business Plan and Budget</b> .....	49
<b>Section D</b> .....	53
<b>Section E</b> .....	56
<b>Section F</b> .....	57

## Introduction

TOTAL RESOURCES (in whole dollars)				
	2011 Budget	U.S.	Canada	Mexico
Statutory FTEs	29.67			
Non-statutory FTEs	-			
<b>Total FTEs</b>	29.67			
Statutory Expenses	\$ 9,797,236			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 9,797,236			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ -			
Statutory Working Capital Requirement Adjustment	\$ (514,752)			
Non-Statutory Working Capital Requirement	\$ -			
<b>Total Working Capital Requirement</b>	\$ (514,752)			
Total Statutory Funding Requirement	\$ 9,282,485			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 9,282,485			
<b>Statutory Funding Assessments</b>	\$ 9,282,485	\$ 9,282,485		
<b>Non-Statutory Fees</b>	\$ -	\$ -		
NEL	203,022,708	203,022,708		
NEL%	100%	100%		

\*Refer to Table B-1 on page 41 in Section B.

### Organizational Overview

Southwest Power Pool, Inc. (SPP), founded in 1941 and based in Little Rock, Arkansas, is a non-profit organization whose primary mission is maintaining electric reliability. SPP is one of nine Federal Energy Regulatory Commission (FERC)-approved Independent System Operators/Regional Transmission Organizations (ISOs/RTOs) and one of eight North American Electric Reliability Corporation (NERC) Regional Entities.

Southwest Power Pool Regional Entity (SPP RE), an independent and functionally separate division of SPP, was created for the purpose of fulfilling the duties specified in the FERC-approved Regional Entity Delegation Agreement between SPP and NERC. As a NERC Regional Entity, SPP RE promotes and works to improve the reliability of the bulk power system (BPS). Specifically, SPP RE is responsible for developing reliability standards, monitoring and enforcing entity compliance with reliability standards, assessing and evaluating the reliability of the bulk power systems, and providing technical expertise and assistance to the owners, operators and users of the BPS, in particular to the entities located within the SPP RE's footprint—an eight-state area that includes Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, and Texas. There are 126 entities registered in the SPP RE footprint.

---

Sections A and B of this business plan and budget (BP&B) details the programs and costs for the activities the SPP RE performs to fulfill the duties specified in the Regional Entity Delegation Agreement between SPP and NERC.

The SPP's RTO activities, which are listed in Section C of this BP&B, are non-statutory, and as such, are not included in the SPP RE's BP&B.

### **Membership and Governance**

The SPP RE is governed by three independent Regional Entity Trustees, who operate separately from the SPP, Inc. Board of Directors. The SPP RE Trustees have autonomy over decisions in fund allocation and approval of the SPP RE Budget, as well as oversight of SPP RE decisions on regional standards, compliance enforcement actions, and penalties. The SPP RE's General Manager reports directly to the SPP RE Trustees. Only the SPP RE Trustees and certain SPP RE Staff members have the authority to make compliance and enforcement decisions. The direct staff of the SPP RE is independent of all users, owners, and operators of the bulk power system. The SPP RE's organizational chart is presented in Section F.

Additionally, in order to avoid the appearance of any conflicts of interest, historically, the SPP RE has engaged NERC to perform certain compliance enforcement authority activities for SPP in its capacity as an RTO. In 2011, SERC Reliability Corporation (SERC) will perform the compliance enforcement authority activities with respect to the SPP's registered functions in the SPP region.

The governance of the SPP RE, which has been approved by NERC and FERC, meets the requirements of the Energy Policy Act of 2005.

### **Statutory Functional Scope**

SPP RE performs various activities in the execution of its delegated functions and in support of NERC's responsibilities as the electric reliability organization (ERO). These activities include:

- Reliability Standard Development
- Compliance Enforcement
- Organization Registration and Certification
- Reliability Assessment and Performance Analysis
- Training and Education
- Situation Awareness and Infrastructure Security

### **2011 Key Assumptions**

The key assumptions underlying the SPP RE 2011 Business Plan and Budget (BP&B) are consistent with those contained in NERC's 2011 BP&B, Exhibit A.<sup>1</sup> The assumptions that are of particular importance to the SPP RE's 2011 BP&B include the expectation that:

1. NERC and the Regional Entities will continue to work collaboratively to promote and improve the reliability of the BPS;

---

<sup>1</sup> See NERC BP&B posted on NERC at [http://www.nerc.com/filez/business\\_plan\\_2011.html](http://www.nerc.com/filez/business_plan_2011.html) on April 20, 2010.



2. NERC and the Regional Entities will continue to work under the regulatory framework governing the establishment and enforcement of reliability standards for the BPS established by Energy Policy Act of 2005;
3. SPP RE's delegated authorities and responsibilities will remain relatively constant, with incremental process improvements reflected in the revised delegation agreements between NERC and the Regional Entities;
4. NERC and the Regional Entities' negotiations of amendments and extensions of the terms of the existing delegation agreements will reach a successful conclusion;<sup>2</sup>
5. Cyber and critical asset security will continue to be a priority in the United States; and
6. Economic conditions continue to place cost pressures on NERC and Regional Entities to work as efficiently as possible and leverage overall resources. Similarly, cost pressures on the electric utility industry may affect stakeholder resources available to participate in NERC and Regional Entities' activities.

In addition to the above assumptions, which are shared among NERC and the Regional Entities, assumptions that are unique to the SPP RE include:

- SPP RE continues to operate as an independent and functionally separate division of SPP;
- SPP RE continues to utilize SPP Shared staff to coordinate and facilitate the development of reliability standards and to conduct certain activities in the SPP RE's Reliability Assessment and Performance Analysis and Situation Awareness and Infrastructure Security programs;
- SPP will prepare the studies and analyses required by the new MOD Reliability Standards for the applicable entities registered in the SPP RE; and
- SPP RE will engage SERC (subject to FERC approval) to perform the compliance enforcement authority activities for the SPP registered functions that would otherwise be performed by the SPP RE.

Key assumptions specific to individual programs are provided in Section A of this BP&B.

### **2011 Goals and Key Deliverables**

As stated in NERC's 2011 BP&B, Exhibit A, NERC and Regional Entities will continue to work cooperatively, while maintaining each of the organization's independent governance structure. In particular, NERC and the Regional Entities will place greater emphasis on working collaboratively towards providing more transparency, sharing information, including lessons learned, and setting high expectations for the industry to improve performance. NERC and the Regional Entities will increase their overall effectiveness by: 1) assessing risks and materiality,

---

<sup>2</sup> Amendments to the delegation agreements between NERC and SPP RE have been approved by the SPP RE Trustees and NERC board of trustees and filed with FERC for review and approval.

2) focusing on matters that impact the BPS reliability, and 3) naturally evolving into a teaching, instructive, improvement-based electric reliability oversight organization.

## 2011 Overview of Cost Impacts

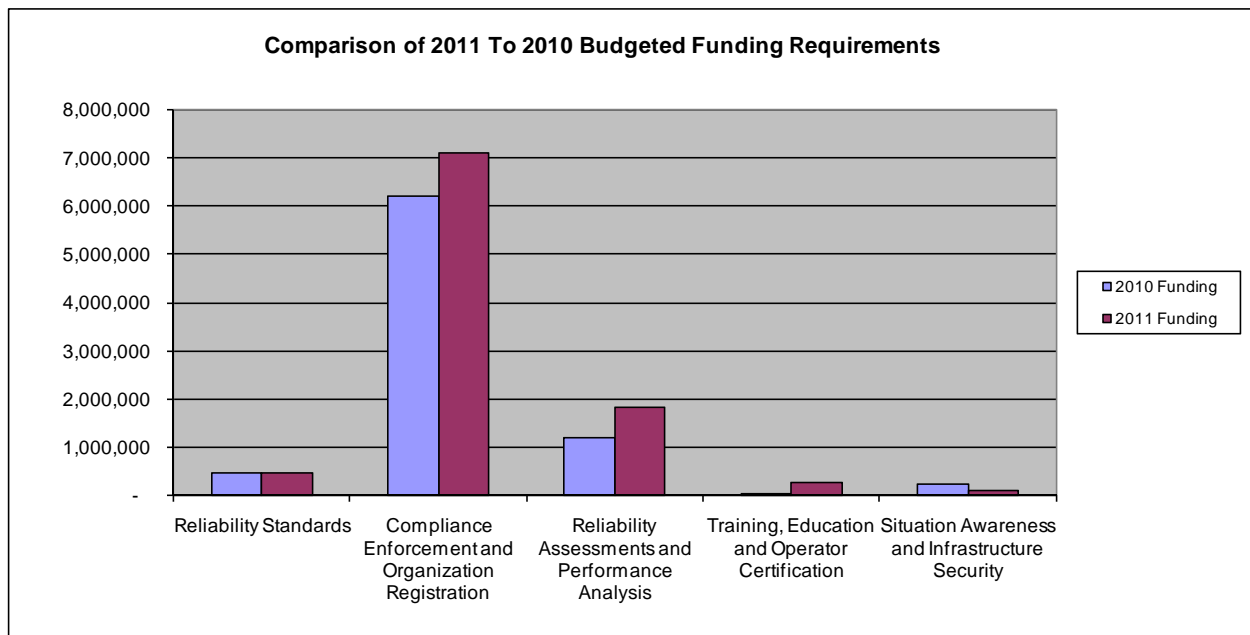
SPP RE proposes to increase its operating budget from \$8.1 million to \$9.8 million, an increase of \$1.7 million or 20%. In 2011 as in most years, the operating budget and assessment funding is generally the same. However, in 2010, the SPP RE assessment funding of \$6.8 million was almost \$1.4 million or 17% less than the \$8.1 operating budget.<sup>3</sup> The difference between the 2010 operating budget and the 2010 assessment funding was due to: 1) 2009 Projected Expenses being approximately \$525 thousand less than 2009 Budgeted Expenses, and 2) 2008 Actual Expenses being approximately \$856 thousand less than 2008 Budgeted Expenses and/or Actual Assessments.

As shown in the table and chart that follow, the proposed \$1.7 million increase in the 2011 budget as compared to 2010 is concentrated in three of the five operational programs: 1) Compliance Enforcement and Organization Registration- \$912,449; 2) Reliability Assessments and Performance Analysis- \$614,393; and 3) Training, Education and Operator Certification- \$246,580.<sup>4</sup> The increases in these programs were partially offset by a \$135,643 decrease in the Situation Awareness and Infrastructure Security program.

Program	Budget 2010	Projection 2010	Budget 2011	Variance	
				2011 Budget v 2010 Budget	Variance %
Reliability Standards	462,874	462,874	483,549	20,675	4.5%
Compliance Enforcement and Organization Registration	6,195,777	6,195,777	7,108,226	912,449	14.7%
Reliability Assessments and Performance Analysis	1,212,602	1,212,602	1,826,995	614,393	50.7%
Training, Education and Operator Certification	30,180	30,180	276,760	246,580	817.0%
Situation Awareness and Infrastructure Security	237,349	237,349	101,706	(135,643)	-57.1%

<sup>3</sup> See SPP RE's 2010 BP&B, Table 5: Working Capital Reserve Analysis 2009-2010, page 44.

<sup>4</sup> To help maintain the confidentiality of employees' salaries, the personnel expenses for the Training and Education FTE are accounted for within the Compliance Enforcement and Organization Registration Area.



This graphical representation does not include an allocation of working capital requirements among the Program Areas

One of the principal drivers for the cost increases is the additional FTEs budgeted for 2011 as compared to 2010. As shown in the table below, the 2011 budgeted FTEs result in proposed increases of 3.92, 1.0, and 1.0 FTEs in the Compliance Enforcement and Organization Registration, Reliability Assessments and Performance Analysis, and Training, Education and Operator Certification programs, respectively. The proposed increases in budgeted FTEs for these programs are partially offset by a 0.50 reduction in the number of budgeted FTEs in the Situation Awareness and Infrastructure Security. The net increase in proposed budgeted FTEs is 5.42.

Total FTE's by Program Area	Budget 2010	Projection 2010	Direct FTEs 2011 Budget	Shared FTEs <sup>1</sup> 2011 Budget	Total FTEs 2011 Budget	Change from 2010 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	1.50	0.50	1.00	0.50	1.50	0.00
Compliance and Organization Registration and Certification	14.00	18.13	17.92	0.00	17.92	3.92
Training and Education	0.00	0.00	1.00	0.00	1.00	1.00
Reliability Assessment and Performance Analysis	4.00	4.00	2.00	3.00	5.00	1.00
Situation Awareness and Infrastructure Security	0.75	0.25	0.00	0.25	0.25	-0.50
<b>Total FTEs Operational Programs</b>	<b>20.25</b>	<b>22.88</b>	<b>21.92</b>	<b>3.75</b>	<b>25.67</b>	<b>5.42</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	4.00	3.00	4.00	0.00	4.00	0.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Finance and Accounting	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total FTEs Administrative Programs</b>	<b>4.00</b>	<b>3.00</b>	<b>4.00</b>	<b>0.00</b>	<b>4.00</b>	<b>0.00</b>
<b>Total FTEs</b>	<b>24.25</b>	<b>25.88</b>	<b>25.92</b>	<b>3.75</b>	<b>29.67</b>	<b>5.42</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

The additional 5.42 FTEs budgeted for 2011 as compared to 2010 increased direct Personnel Expenses by approximately \$563,282. The additional 5.42 FTEs are also the cause of approximately \$707,000 or 74% of the approximately \$950,000 increase in the SPP, Inc. Indirect Expenses.

The remaining \$243,000 or 26% of the increase in the SPP, Inc. Indirect Expenses is caused by the approximately five dollar increase in the SPP, Inc. Indirect Expense rate (from the 2010 budgeted \$64/FTE to the estimated 2011 \$69/FTE). The SPP, Inc. Indirect Expense rate reflects overhead costs such as Human Resources, Information Technology, Accounting, and Fixed Assets. A table showing the derivation of the Indirect Expense Rate is presented in Section E.

Additional information regarding the proposed changes to the SPP RE operating budget is detailed in the Statutory Statement of Activities and Capital Expenditures table below.

## 2010 Budget and Projection and 2011 Budget Comparisons

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget Projection</b>					
<b>STATUTORY</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 6,755,854	\$ 6,755,854	\$ -	\$ 9,094,985	\$ 2,339,131
Penalty Sanctions	-	-	-	187,500	187,500
<b>Total SPP RE Funding</b>	<u>\$ 6,755,854</u>	<u>\$ 6,755,854</u>	<u>\$ -</u>	<u>\$ 9,282,485</u>	<u>\$ 2,526,631</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ 6,755,854</u>	<u>\$ 6,755,854</u>	<u>\$ -</u>	<u>\$ 9,282,485</u>	<u>\$ 2,526,631</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,861,623	\$ 2,619,270	\$ (242,353)	\$ 3,301,544	\$ 439,921
Payroll Taxes	194,700	181,382	(13,318)	252,118	57,418
Benefits	243,975	233,042	(10,933)	276,324	32,349
Retirement Costs	112,725	104,741	(7,984)	146,319	33,594
<b>Total Personnel Expenses</b>	<u>\$ 3,413,023</u>	<u>\$ 3,138,435</u>	<u>\$ (274,588)</u>	<u>\$ 3,976,305</u>	<u>\$ 563,282</u>
<b>Meeting Expenses</b>					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 68,750	\$ 43,750
Travel	318,000	314,000	(4,000)	444,300	126,300
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 343,000</u>	<u>\$ 339,000</u>	<u>\$ (4,000)</u>	<u>\$ 513,050</u>	<u>\$ 170,050</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 1,175,000	\$ 1,087,250	\$ (87,750)	\$ 1,097,000	\$ (78,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	290,000	343,000	53,000	343,000	53,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 1,465,000</u>	<u>\$ 1,430,250</u>	<u>\$ (34,750)</u>	<u>\$ 1,440,000</u>	<u>\$ (25,000)</u>
<b>Total Direct Expenses</b>	<u>\$ 5,221,023</u>	<u>\$ 4,907,685</u>	<u>\$ (313,338)</u>	<u>\$ 5,929,355</u>	<u>\$ 708,332</u>
SPP Inc. Indirect Expenses	\$ 2,917,760	\$ 3,053,019	\$ 135,259	\$ 3,867,881	\$ 950,121
SPP RE Indirect Expenses <sup>(1)</sup>	-	-	-	-	-
<b>Total Indirect Expenses</b>	<u>\$ 2,917,760</u>	<u>\$ 3,053,019</u>	<u>\$ 135,259</u>	<u>\$ 3,867,881</u>	<u>\$ 950,121</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 8,138,783</u>	<u>\$ 7,960,704</u>	<u>\$ (178,079)</u>	<u>\$ 9,797,236</u>	<u>\$ 1,658,453</u>
<b>Change in Assets</b>	<u>\$ (1,382,929)</u>	<u>\$ (1,204,850)</u>	<u>\$ 178,079</u>	<u>\$ (514,752)</u>	<u>\$ 868,177</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ (1,382,929)</u>	<u>\$ (1,204,850)</u>	<u>\$ 178,079</u>	<u>\$ (514,752)</u>	<u>\$ 868,177</u>

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

---

## Section A – Statutory Programs 2011 Business Plan and Budget

---



## Section A — 2011 Business Plan

### Reliability Standards Program

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.50	1.50	-
Direct Expenses	\$ 202,950	\$ 220,834	\$ 17,884
Indirect Expenses- SPP Inc.	\$ 180,480	\$ 195,567	\$ 15,087
Indirect Expenses- SPP RE	\$ 79,444	\$ 67,149	\$ (12,295)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 462,874	\$ 483,549	\$ 20,675

### Program Scope and Functional Description

The Reliability Standards Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 300. The SPP RE direct and shared staff members assigned to this program coordinate with NERC to develop and maintain technically sound, fair and balanced reliability standards that enable NERC and Regional Entities to measure the reliability performance of bulk power system owners, operators, and users. The staff members assigned to this program also participate in the development of regional standards. The regional standards are developed using the procedures outlined in the SPP RE Standards Development Process Manual, which has been approved by FERC and NERC.

### 2011 Key Assumptions

The key assumptions concerning the SPP RE's Reliability Standards Program are consistent with the assumptions contained in NERC's 2011 BP&B, Exhibit A. In addition to the assumptions that are shared among NERC and the Regional Entities, it is expected that the SPP RE will continue to utilize SPP Shared staff to assist SPP RE coordinate and facilitate the development of reliability standards.

### 2011 Goals and Key Deliverables

- Meet directives of ERO governmental authorities regarding standards development and procedures;
- Meet stated targets in the regional "fill-in-the-blank" standards work plan;
- Maintain consistency and quality of regional reliability standards;
- Communicate with stakeholders and regulators regarding standards development;
- Participate and represent SPP region on NERC's Standard Drafting Teams that may have significant influence on the planning and business practices of the entities registered with the SPP RE;

- 
- Develop and implement a under-frequency load shedding (UFLS) regional reliability standard (PRC-006); and
  - Initiate the development of a digital monitoring equipment (DME) regional reliability standard (PRC-001).

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources (Other than ERO Assessments)

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

#### Personnel Expenses

- There are no planned changes in budgeted FTEs for this program. Changes in Personnel Expenses are the result of changes in salaries and benefits of the existing FTEs.

#### Meeting Expenses

- Meeting expenses are expected to increase by \$5,000 or 33% as a result of NERC's plan to increase the number of projects in its reliability standards development plan and the SPP RE's plan to develop and implement an UFLS regional reliability standard and to initiate the development of a DME regional reliability standard.

#### Operating Expenses

- There are no significant changes in operating expenses for this program.

#### Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to the SPP RE based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been increased to reflect the higher projected 2011 indirect expense rate.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A



## Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Standards</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 462,874	\$ 462,874	\$ -	\$ 472,592	\$ 9,718
Penalty Sanctions	-	-	-	10,958	10,958
<b>Total SPP RE Funding</b>	<b>\$ 462,874</b>	<b>\$ 462,874</b>	<b>\$ -</b>	<b>\$ 483,549</b>	<b>\$ 20,675</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 462,874</b>	<b>\$ 462,874</b>	<b>\$ -</b>	<b>\$ 483,549</b>	<b>\$ 20,675</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 135,300	\$ 45,100	\$ (90,200)	\$ 146,500	\$ 11,200
Payroll Taxes	10,350	3,450	(6,900)	11,187	837
Benefits	12,900	4,300	(8,600)	11,554	(1,346)
Retirement Costs	5,400	1,800	(3,600)	6,593	1,193
<b>Total Personnel Expenses</b>	<b>\$ 163,950</b>	<b>\$ 54,650</b>	<b>\$ (109,300)</b>	<b>\$ 175,834</b>	<b>\$ 11,884</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	15,000	5,000	(10,000)	20,000	5,000
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 15,000</b>	<b>\$ 5,000</b>	<b>\$ (10,000)</b>	<b>\$ 20,000</b>	<b>\$ 5,000</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 24,000	\$ 24,000	\$ -	\$ 25,000	\$ 1,000
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 24,000</b>	<b>\$ 24,000</b>	<b>\$ -</b>	<b>\$ 25,000</b>	<b>\$ 1,000</b>
<b>Total Direct Expenses</b>	<b>\$ 202,950</b>	<b>\$ 83,650</b>	<b>\$ (119,300)</b>	<b>\$ 220,834</b>	<b>\$ 17,884</b>
SPP Inc. Indirect Expenses	\$ 180,480	\$ 58,996	\$ (121,484)	\$ 195,567	\$ 15,087
SPP RE Indirect Expenses	79,444	27,134	(52,310)	67,149	(12,295)
<b>Total Indirect Expenses</b>	<b>\$ 259,924</b>	<b>\$ 86,130</b>	<b>\$ (173,794)</b>	<b>\$ 262,716</b>	<b>\$ 2,792</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 462,874</b>	<b>\$ 169,780</b>	<b>\$ (293,094)</b>	<b>\$ 483,549</b>	<b>\$ 20,675</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 293,094</b>	<b>\$ 293,094</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ 293,094</b>	<b>\$ 293,094</b>	<b>\$ -</b>	<b>\$ -</b>

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	14.0	17.92	3.92
Direct Expenses*	\$ 3,447,900	\$ 3,659,538	\$ 211,638
Indirect Expenses- SPP Inc.	\$ 1,684,480	\$ 2,335,939	\$ 651,459
Indirect Expenses- SPP RE	\$ 1,063,397	\$ 1,112,749	\$ 49,352
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 6,195,777	\$ 7,108,226	\$ 912,449
* Includes Personnel Expenses of 1 FTE from Training and Education Program to maintain confidentiality			

### Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 400. The SPP RE CMEP is administered by the SPP RE staff. Only the SPP RE Trustees and certain SPP RE Staff members have the authority to make compliance and enforcement decisions.

During the fourth quarter of 2009, the SPP RE CMEP was reorganized into three distinct groups: Compliance Monitoring; Critical Infrastructure Protection (CIP); and Enforcement. The SPP RE Executive Director of Compliance is responsible for the oversight of the Compliance Monitoring and CIP groups (collectively referred to as Compliance groups), while the SPP RE Manager of Enforcement is responsible for the oversight of the Enforcement group.

### Compliance

Including the Executive Director of Compliance, a total of nine FTEs are budgeted for the Compliance groups. Specifically, four FTEs, compliance specialist and engineers, have been budgeted for the Compliance Monitoring group and four FTEs, CIP compliance specialists, have been budgeted for the CIP group. Although there is no change in the number of budgeted FTEs for the CIP group when compared to the 2010 budget, compared to the 2009 staffing levels, the four FTEs positions budgeted for this group, all of which are currently filled, represent a 100% increase.

The FTEs assigned to the Compliance groups are responsible for registering owners, operators and users of the BPS and monitoring and assessing registered entities' compliance with NERC-approved reliability standards. The various activities performed by the staff members assigned to the Compliance groups include: 1) conducting compliance audits, spot checks, and self certifications of entities registered in the SPP RE footprint, 2) reviewing periodic data submittals and self-reports made by entities registered in the SPP RE footprint, and 3) participating in various SPP and NERC working groups and SPP RE workshops. The initial determination of a registered entity's compliance or non-compliance is made by the Compliance groups.

In addition to the SPP RE Staff, the SPP RE uses consultants to assist the SPP RE with compliance audits, CIP spot checks, and CIP technical feasibility exception requests (TFEs).

### Enforcement

Including the Manager of Enforcement, a total of eight and nine-tenths FTEs are budgeted for the this group. The 3.92 increase in 2011 budgeted FTEs above 2010 budgeted FTEs for the Compliance Monitoring and Enforcement and Organization Registration and Certification Program are assigned to the Enforcement group. The 3.92 FTE increase in this program area reflects: 1) the impact of the 2009 reorganization, which resulted in the net transfer of 1 FTE from the SPP RE Administrative area and 1 open FTE repurposed from Reliability Standards program area into Enforcement; 2) two part-time law clerks (1.25 FTEs) hired in late 2009 as an unbudgeted resource; and 3) the addition of a compliance enforcement attorney (.67 FTE) with an anticipated hire date of May 1, 2011.

The FTEs assigned to the Enforcement group are responsible for reviewing the Compliance groups' findings of non-compliance, notifying registered entities and NERC of the alleged violations, reviewing and verifying the registered entities' mitigation plans, determining proposed monetary penalties and non-monetary sanctions, and participating in settlement negotiations. The various activities performed by the staff members assigned to the Enforcement group include: 1) conducting discovery, 2) preparing and issuing Preliminary Notice of Possible Violations, Notice of Alleged Violations and Penalties and Sanctions, and Confirmed Notice of Violation, 2) reviewing, accepting, and verifying completion of mitigation plans, 3) participating in settlement negotiations, 4) participating in hearing of contested violations, as necessary, and 5) participating in various SPP and NERC working groups and SPP RE workshops.

In addition to the SPP RE Staff, the SPP RE uses consultants to assist the SPP RE with reviewing, accepting, and verifying completion of mitigation plans.

### **2011 Key Assumptions**

The SPP RE's assumptions for this program are consistent with those contained in NERC's 2011 BP&B, Exhibit A. These assumptions do not take into account the effects that may result from a possible initiative by NERC and the regions to move to a risk-based audit methodology. If such an initiative is undertaken, the SPP RE will amend its BP&B to appropriately reflect this change in assumptions.

### **2011 Goals and Key Deliverables**

- Perform six to eight on-site FERC Order 693 compliance audits of registered RC, BA, and TOP entities (3-year cycle entities);
- Perform fifteen to eighteen off-site FERC Order 693 compliance audits of other registered entities (6-year cycle entities);
- Perform six to eight on-site CIP compliance audits of registered entities;
- Perform ten to sixteen off-site CIP compliance audits of registered entities;

- 
- Perform spot check, self-certifications, exception reporting, and periodic data submittals of specified standards as dictated by NERC's 2011 Compliance Monitoring and Enforcement Program Annual Implementation Plan;
  - Perform Compliance Investigations, as necessary;
  - Perform independent review of initial findings of alleged violations;
  - Create Notice of Alleged Violation (NAV) and Notice of Confirmed Violations (NOCV);
  - Negotiate and develop settlements of violations;
  - Verify that findings of non-compliance are and/or have been appropriately mitigated;
  - Participate in Regional Hearing process, as necessary; and
  - Engage SERC (subject to FERC approval) to perform the compliance enforcement authority activities for the registered functions of SPP, Inc. in the SPP RE region.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources (Other than ERO Assessments)

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

#### Personnel Expenses

- There is a planned increase of 3.92 FTEs for this program (a 28% increase above 14 FTEs budgeted for 2010). The 3.92 FTE increase in this program area reflects: 1) the impact of the 2009 reorganization which resulted in the net transfer of 1 FTE from the SPP RE Administrative area and 1 open FTE repurposed from Reliability Standards program area into Enforcement; 2) two part-time law clerks (1.25 FTEs) hired in late 2009 as an unbudgeted resource; and 3) the addition of 0.67 FTE as an enforcement attorney with an anticipated hire date of May 1, 2011. Additional changes in Personnel Expenses are the result of changes in salaries and benefits of the existing FTEs. When the mandatory, enforceable program began, SPP RE anticipated processing 50 violations per year. It now appears that the violation rate is approximately 175 per year.

#### Meeting Expenses

- There are no planned changes in the Meeting Expenses for this program.

#### Operating Expenses

- The Consultant Expenses are expected to decrease for this program as a result of transitioning work originally planned to be performed by consultants to direct staff, specifically in the Critical Infrastructure Protection group related to accepting and approving Technical Feasibility Exceptions. Contract Expenses are expected to increase as a result of the engagement of SERC to perform the compliance enforcement authority activities for the registered functions of SPP, Inc. in the SPP RE region. As specified in the agreement between SPP RE and SERC, Section 5, SPP RE has included \$40,000 in

---

its 2010 projected expenses to reflect the expected compensation to SERC for the performance of CEA activities of the SPP, Inc. registered functions, including the anticipated cost of a 2010 compliance audit, in 2010. The 2011 budgeted expenses include \$20,000 for expected compensation to SERC for the performance of on-going CEA activities of the registered functions of SPP, Inc. during 2011.<sup>5</sup> The net change in Consultant and Contract Expenses is a decrease of \$117,500 or 11%.

#### Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to the SPP RE based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been increased to reflect the higher indirect expense rate.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A

---

<sup>5</sup> As specified in Section 5(c) of the agreement, SERC shall invoice and SPP RE shall pay the actual expenses incurred by SERC in the performance of its CEA activities of the SPP's registered functions.

## Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Compliance and Organization Registration and Certification</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 6,195,777	\$ 6,195,777	\$ -	\$ 6,977,342	\$ 781,565
Penalty Sanctions	-	-	-	130,885	130,885
<b>Total SPP RE Funding</b>	<b>\$ 6,195,777</b>	<b>\$ 6,195,777</b>	<b>\$ -</b>	<b>\$ 7,108,226</b>	<b>\$ 912,449</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 6,195,777</b>	<b>\$ 6,195,777</b>	<b>\$ -</b>	<b>\$ 7,108,226</b>	<b>\$ 912,449</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,794,100	\$ 1,735,372	\$ (58,728)	\$ 2,037,181	\$ 243,081
Payroll Taxes	117,600	117,703	103	155,567	37,967
Benefits	146,200	150,902	4,702	174,867	28,667
Retirement Costs	70,000	69,415	(585)	89,423	19,423
<b>Total Personnel Expenses</b>	<b>\$ 2,127,900</b>	<b>\$ 2,073,392</b>	<b>\$ (54,508)</b>	<b>\$ 2,457,038</b>	<b>\$ 329,138</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	225,000	225,000	-	225,000	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 225,000</b>	<b>\$ 225,000</b>	<b>\$ -</b>	<b>\$ 225,000</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 1,095,000	\$ 1,007,250	\$ (87,750)	\$ 977,500	\$ (117,500)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,095,000</b>	<b>\$ 1,007,250</b>	<b>\$ (87,750)</b>	<b>\$ 977,500</b>	<b>\$ (117,500)</b>
<b>Total Direct Expenses</b>	<b>\$ 3,447,900</b>	<b>\$ 3,305,642</b>	<b>\$ (142,258)</b>	<b>\$ 3,659,538</b>	<b>\$ 211,638</b>
SPP Inc. Indirect Expenses	\$ 1,684,480	\$ 2,138,588	\$ 454,108	\$ 2,335,939	\$ 651,459
SPP RE Indirect Expenses	1,063,397	1,072,253	8,856	1,112,749	49,352
<b>Total Indirect Expenses</b>	<b>\$ 2,747,877</b>	<b>\$ 3,210,841</b>	<b>\$ 462,964</b>	<b>\$ 3,448,688</b>	<b>\$ 700,811</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 6,195,777</b>	<b>\$ 6,516,484</b>	<b>\$ 320,707</b>	<b>\$ 7,108,226</b>	<b>\$ 912,449</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (320,707)</b>	<b>\$ (320,707)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ (320,707)</b>	<b>\$ (320,707)</b>	<b>\$ -</b>	<b>\$ -</b>

## Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	4.0	5.0	1.0
Direct Expenses	\$ 523,200	\$ 901,107	\$ 377,907
Indirect Expenses- SPP Inc.	\$ 481,280	\$ 651,890	\$ 170,610
Indirect Expenses- SPP RE	\$ 208,122	\$ 273,998	\$ 65,876
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 1,212,602	\$ 1,826,995	\$ 614,393

### Program Scope and Functional Description

The Reliability Assessments and Performance Analysis Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 800. The SPP RE direct and shared staff members assigned to this program support NERC's efforts in preparing three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report. These reports analyze electricity demand and the Reliability and Adequacy Assessment Objectives adequacy of supply throughout the North American bulk power system, as well as examine the adequacy of the transmission system. SPP Shared staff also conducts inter-regional studies and other planning studies to comply with NERC's various transmission planning (TPL) standards.

The SPP RE is responsible for conducting Event Analyses on reliability events within the SPP RE footprint. This analysis may be conducted by the entity involved in the event, an assigned SPP Working Group/Committee, a technical team comprised of industry experts or may be conducted by the RE, NERC or FERC staff. The SPP RE is responsible for producing a final technical report on each incident. Any issues that surface which may lead to standards compliance questions will be handled through the CMEP portion of this Business Plan.

### 2011 Key Assumptions

The SPP RE expects to continue to utilize SPP Shared staff to assist SPP RE in fulfilling its non-CMEP activities in this program. Key assumptions shared by NERC and the Regional Entities affecting the SPP RE budget in this program area include:

- NERC and the Regional Entities will prioritize and budget for two special reliability assessment initiatives per year.
- SPP RE will continue to support the NERC Reliability Assessment Subcommittee;
- NERC and the Regional Entities will define clear, uniform criteria/ranking for reporting and categorizing of system events and security incidents.
- NERC and the Regional Entities will work together to develop joint processes and resourcing for triage, analysis, and reporting of system events to the regulators and will coordinate with regulators regarding these issues.

- NERC and the Regional Entities will provide timely publication of lessons learned and recommendations and track responses to recommendations.
- NERC and the Regional Entities will refine the criteria and process to encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and information sharing.
- The number of events requiring review and analysis are expected to increase.

### **2011 Goals and Key Deliverables**

- Maintain and host a library of solved power flow models, a system dynamics database, and dynamics simulation cases for use by regional reliability organizations and their registered entities to assist with planning and evaluating future systems and current operating conditions
- Provide regional input to NERC's three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report;
- Participate in NERC meetings to discuss reliability assessment and analyses of the impact of these assessments;
- Conduct inter-regional and other planning studies to comply with NERC's TPL standards, including participation in the Eastern Interconnection Reliability Assessment Group (ERAG);<sup>6</sup>
- Investigate, assess, and report on the potential impacts of new and evolving electricity market practices, new or proposed regulatory procedures, and new or proposed legislation (e.g., environmental requirements) on the adequacy and operating reliability of the bulk power system;
- Maintain a working dialog on bulk power system reliability and adequacy issues with SPP members; and
- Participate actively in the following NERC working groups/committees/task forces:
  - Reliability Metrics Working Group (RMWG)
  - Resource Issues Subcommittee (RIS)
  - Loss of Load Expectation Group (LOLE)
  - Demand Response Data Task Force (DRDTF)
  - Reliability Assessment Guidebook Task Force (RAGTF)

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources (Other than ERO Assessments)

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

---

<sup>6</sup>The SPP RE's share of the \$240,000 ERAG budgeted expenses for 2011 is 6.3% or approximately \$15,000.



#### Personnel Expenses

- One additional FTE, a newly created position on the SPP RE direct staff, is budgeted for this program to address the increase in event analyses. Without the additional resource, the SPP RE expects it would have to refer some events analyses to NERC instead of conducting the analyses by the RE. Additionally, the 2010 budget assumed lower salaries; therefore, the increase in Salaries Expense in the 2011 budget reflects both an additional FTE and higher compensation. Additional changes in Personnel Expenses are the result of changes in salaries and benefits of the existing FTEs.

#### Meeting Expenses

- Meeting Expenses, specifically travel expenses, are expected to increase by \$80,000 as a result of both the additional FTE as well as the expected increase activity in this program.

#### Operating Expenses

- Operating Expenses, specifically consultant expenses, are expected to increase by \$19,000 due to the expected increased activity in this program.

#### Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to the SPP RE based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been increased to reflect the higher indirect expense rate.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 1,212,602	\$ 1,212,602	\$ -	\$ 1,790,469	\$ 577,867
Penalty Sanctions	-	-	-	36,526	36,526
<b>Total SPP RE Funding</b>	<b>\$ 1,212,602</b>	<b>\$ 1,212,602</b>	<b>\$ -</b>	<b>\$ 1,826,995</b>	<b>\$ 614,393</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 1,212,602</b>	<b>\$ 1,212,602</b>	<b>\$ -</b>	<b>\$ 1,826,995</b>	<b>\$ 614,393</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 360,800	\$ 360,800	\$ -	\$ 595,000	\$ 234,200
Payroll Taxes	27,600	27,600	-	45,436	17,836
Benefits	34,400	34,400	-	48,895	14,495
Retirement Costs	14,400	14,400	-	26,775	12,375
<b>Total Personnel Expenses</b>	<b>\$ 437,200</b>	<b>\$ 437,200</b>	<b>\$ -</b>	<b>\$ 716,107</b>	<b>\$ 278,907</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	30,000	30,000	-	110,000	80,000
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 30,000</b>	<b>\$ 30,000</b>	<b>\$ -</b>	<b>\$ 110,000</b>	<b>\$ 80,000</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 56,000	\$ 56,000	\$ -	\$ 75,000	\$ 19,000
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 56,000</b>	<b>\$ 56,000</b>	<b>\$ -</b>	<b>\$ 75,000</b>	<b>\$ 19,000</b>
<b>Total Direct Expenses</b>	<b>\$ 523,200</b>	<b>\$ 523,200</b>	<b>\$ -</b>	<b>\$ 901,107</b>	<b>\$ 377,907</b>
SPP Inc. Indirect Expenses	\$ 481,280	\$ 471,964	\$ (9,316)	\$ 651,890	\$ 170,610
SPP RE Indirect Expenses	208,122	169,711	(38,411)	273,998	65,876
<b>Total Indirect Expenses</b>	<b>\$ 689,402</b>	<b>\$ 641,675</b>	<b>\$ (47,727)</b>	<b>\$ 925,888</b>	<b>\$ 236,486</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 1,212,602</b>	<b>\$ 1,164,875</b>	<b>\$ (47,727)</b>	<b>\$ 1,826,995</b>	<b>\$ 614,393</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 47,727</b>	<b>\$ 47,727</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ 47,727</b>	<b>\$ 47,727</b>	<b>\$ -</b>	<b>\$ -</b>

## Training, Education, and Operator Certification Program

<b>Training, Education and Operator Certification</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	-	1.00	1.00
Direct Expenses	\$ 25,000	\$ 112,250	\$ 87,250
Indirect Expenses- SPP Inc.	\$ -	\$ 130,378	\$ 130,378
Indirect Expenses- SPP RE	\$ 5,180	\$ 34,132	\$ 28,952
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 30,180	\$ 276,760	\$ 246,580
* Includes Personnel Expenses of 1 FTEs from Training and Education Program to maintain confidentiality			

### Program Scope and Functional Description

The Training, Education, and Operator Certification Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 900. The SPP RE direct staff design, develop, and conduct training and education via compliance workshops, CIP workshops, webinars, and white papers.

Operator Certification Training is provided by SPP RTO staff, and as such, the expenses for this training continue to be excluded from the SPP RE budget and are included in the SPP, Inc. budget.

### 2011 Key Assumptions

In addition to the assumptions that are shared among NERC and the Regional Entities, due to increase emphasis on training, it is expected that the SPP RE will utilize consultants to assist the SPP RE direct staff to design, develop, and conduct training and education. Specific training areas targeted for 2011 include: Critical Infrastructure Protection, Lessons Learned, Effective Compliance Cultures, Self Reports & Self Certifications, Currently Monitored Standards and Registration.

### 2011 Goals and Key Deliverables

- Host a minimum of two compliance workshops;
- Host a minimum of one CIP workshops;
- Participate in NERC and other Regional Entities training and educational programs, as necessary;
- Publish Compliance Analysis Reports and/or Whitepapers detailing “lessons learned,” as necessary and appropriate; and
- Host a minimum of four compliance webinars.

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

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

## Personnel Expenses

- The addition of one FTE for budgeted SPP RE Direct staff has been added due to the increased emphasis placed on this program. To help maintain the confidentiality of employees' salaries, the personnel expenses for the Training and Education FTE are accounted for within the Compliance Enforcement and Organization Registration Area.

## Meeting Expenses

- Meeting Expenses are expected to increase by \$43,750 due to the expected increased activity in this program, in particular an increase in the number of SPP RE compliance webinars.

## Operating Expenses

- Operating Expenses, specifically consultant expenses, are expected to increase by \$19,500 due to the expected increased activity in this program. SPP RE expects its consultants to assist the SPP RE with the design, develop, and deliver of its training and education programs.

## Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to the SPP RE based on a fixed rate per hour per FTE. The increase in the SPP, Inc. Indirect Expenses are result of the addition of one budgeted FTE.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

## Other Non-Operating Expenses

- N/A

## Fixed Asset Additions

- N/A

**Training, Education, and Operator Certification Program**

Funding sources and related expenses for the training, education, and operator certification section of the 2011 business plan are shown in the table below.

## Statement of Activities and Capital Expenditures 2010 Budget & Projection, and 2011 Budget

### Training and Education

Funding	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 30,180	\$ 30,180	\$ -	\$ 269,454	\$ 239,274
Penalty Sanctions	-	-	-	7,305	7,305
<b>Total SPP RE Funding</b>	<b>\$ 30,180</b>	<b>\$ 30,180</b>	<b>\$ -</b>	<b>\$ 276,760</b>	<b>\$ 246,580</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 30,180</b>	<b>\$ 30,180</b>	<b>\$ -</b>	<b>\$ 276,760</b>	<b>\$ 246,580</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 68,750	\$ 43,750
Travel	-	-	-	24,000	24,000
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ -</b>	<b>\$ 92,750</b>	<b>\$ 67,750</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 19,500	\$ 19,500
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,500</b>	<b>\$ 19,500</b>
<b>Total Direct Expenses</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ -</b>	<b>\$ 112,250</b>	<b>\$ 87,250</b>
SPP Inc. Indirect Expenses	\$ -	\$ -	-	\$ 130,378	\$ 130,378
SPP RE Indirect Expenses	5,180	8,109	-	34,132	28,952
<b>Total Indirect Expenses</b>	<b>\$ 5,180</b>	<b>\$ 8,109</b>	<b>\$ 2,929</b>	<b>\$ 164,510</b>	<b>\$ 159,330</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 30,180</b>	<b>\$ 33,109</b>	<b>\$ 2,929</b>	<b>\$ 276,760</b>	<b>\$ 246,580</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (2,929)</b>	<b>\$ (2,929)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ (2,929)</b>	<b>\$ (2,929)</b>	<b>\$ -</b>	<b>\$ -</b>

## Situation Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.75	0.25	(0.50)
Direct Expenses	\$ 106,373	\$ 52,996	\$ (53,377)
Indirect Expenses- SPP Inc.	\$ 90,240	\$ 32,595	\$ (57,645)
Indirect Expenses- SPP RE	\$ 40,737	\$ 16,115	\$ (24,622)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 237,350	\$ 101,706	\$ (135,644)

### Program Scope and Functional Description

The Situation Awareness and Infrastructure Security Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 1000.

NERC coordinates electric industry activities to promote critical infrastructure protection of the bulk power system in North America. NERC has a leadership role in the critical infrastructure protection of the electricity sector to reduce vulnerability and improve mitigation and protection of the electricity sector's critical infrastructure. NERC acts as the electricity sector's Sector Coordinator and operates its Information Sharing and Analysis Center to gather and communicate information about security-related threats within the sector, United States and Canadian governmental authorities, and other critical infrastructure sectors. NERC also performs security planning activities focused on the critical infrastructure protection of the electricity sector, including sharing sensitive or classified information with federal, state, and provincial governmental authorities. As stated in NERC's 2011 BP&B, Exhibit A, specifically item two on page 11, as a part of its 2011 Business Plan and Budget, NERC is proposing to make a significant investment to support the implementation of a situation awareness tool for FERC, NERC, Regional Entities, and stakeholder needs. The Reliability Coordinators will be the providers of data for this effort and NERC will coordinate and fund the development of this tool. In its BP&B, the SPP RE has assumed that any costs associated with the Phase 2 development of the Situation Awareness- FERC, NERC, Regions ("SAFNR") software application will likewise be funded by NERC.

SPP Reliability Coordinator actively participates in NERC critical infrastructure protection activities and serves as an information conduit between NERC and SPP members. These activities are non-statutory. SPP also sponsors a Critical Infrastructure Protection Working Group (CIPWG), which:

- Serves as an expert advisory panel to the SPP Board of Directors, committees, and members, provides a forum for discussion of physical and cyber security issues within the SPP Region;
- Provides general guidance to SPP members on CIP Standards and related compliance efforts; and

- Serves as the interface between the NERC Critical Information Protection Committee (CIPC) and the SPP membership, including:
  - Serving as a conduit for information flow between the CIPC and SPP members
  - Developing guidance and recommendations to CIPC members representing the SPP

The CIPWG consists of SPP members who are subject to the NERC CIP Cyber Security Standards (CIP-002-1 through CIP-009-1) and is facilitated by an SPP staff member. The working group meets quarterly at a member location. Additional meetings and conference calls are scheduled as required.

SPP RE is represented on the CIPC by three SPP member company representatives who represent the physical, cyber, and operations disciplines. Per the SPP Bylaws, SPP RE reimburses the member representatives for travel expenses incurred while performing CIPC responsibilities.

CIP compliance monitoring and enforcement is included in Compliance Monitoring and Enforcement and Organization Registration and Certification Program.

### **2011 Key Assumptions**

In addition to the assumptions that are shared among NERC and the Regional Entities, the SPP RE expects the continued support of the SPP CIPWG, and continued support for CIPC participation from designated SPP member representatives.

### **2011 Goals and Key Deliverables**

- Continue sponsoring the Critical Infrastructure Protection Working Group (CIPWG)
  - Continue quarterly meetings
  - Maintain and Increase CIPWG membership
  - Provide progress updates on CIP standards drafting
  - Provide a discussion forum for NERC-requested comments and ballot issues
  - Provide support to the RE-sponsored CIP “How-To” Workshop
- Provide enhanced support to SPP registered entities about CIP Standards
  - Provide general recommendations on appropriate security best practices
  - Provide opportunities for technical and compliance-related training
  - Provide registered entities-Only discussion periods regarding CIP compliance progress
  - Maintain the CIPWG electronic mail lists for group discussion of CIP-related issues
- Continue supporting CIPC attendance by CIPWG representatives
  - Reimburse expenses for Physical, Cyber, and Operations representatives (or designated alternates)

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

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

## Personnel Expenses

- Budgeted FTEs, which represent SPP Shared staff, were reduced to one-quarter FTE to better reflect actual hours billed to the SPP RE by SPP Shared staff in 2009 and 2010 to date.

## Meeting Expenses

- Meeting Expenses are expected to increase by \$5,300 due to the expected increased activity in this program.

## Operating Expenses

- There are no changes in the budgeted Operating Expenses for this program, i.e., the budgeted amount remains at zero.

## Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to the SPP RE based on a fixed rate per hour per FTE. The decrease in the SPP, Inc. Indirect Expenses is due to the reduction in budgeted FTE.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

## Other Non-Operating Expenses

- N/A

## Fixed Asset Additions

- N/A



## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 237,349	\$ 237,349	\$ -	\$ 99,880	\$ (137,469)
Penalty Sanctions	-	-	-	1,826	1,826
<b>Total SPP RE Funding</b>	<b>\$ 237,349</b>	<b>\$ 237,349</b>	<b>\$ -</b>	<b>\$ 101,706</b>	<b>\$ (135,643)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 237,349</b>	<b>\$ 237,349</b>	<b>\$ -</b>	<b>\$ 101,706</b>	<b>\$ (135,643)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 72,623	\$ 24,208	\$ (48,415)	\$ 24,813	\$ (47,810)
Payroll Taxes	5,550	1,850	(3,700)	1,895	(3,655)
Benefits	7,275	2,425	(4,850)	1,872	(5,403)
Retirement Costs	2,925	975	(1,950)	1,117	(1,808)
<b>Total Personnel Expenses</b>	<b>\$ 88,373</b>	<b>\$ 29,458</b>	<b>\$ (58,915)</b>	<b>\$ 29,696</b>	<b>\$ (58,677)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	18,000	6,000	(12,000)	23,300	5,300
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 18,000</b>	<b>\$ 6,000</b>	<b>\$ (12,000)</b>	<b>\$ 23,300</b>	<b>\$ 5,300</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 106,373</b>	<b>\$ 35,458</b>	<b>\$ (70,915)</b>	<b>\$ 52,996</b>	<b>\$ (53,377)</b>
SPP Inc. Indirect Expenses	\$ 90,240	\$ 29,498	-	\$ 32,595	\$ (57,645)
SPP RE Indirect Expenses	40,737	11,501	-	16,115	(24,622)
<b>Total Indirect Expenses</b>	<b>\$ 130,977</b>	<b>\$ 40,999</b>	<b>\$ (89,978)</b>	<b>\$ 48,710</b>	<b>\$ (82,267)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 237,349</b>	<b>\$ 76,457</b>	<b>\$ (160,892)</b>	<b>\$ 101,706</b>	<b>\$ (135,643)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 160,892</b>	<b>\$ 160,892</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ 160,892</b>	<b>\$ 160,892</b>	<b>\$ -</b>	<b>\$ -</b>

## Administrative Services

<b>Administrative Services</b> (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	4.0	4.0	-
Total Direct Expenses	\$ 1,396,880	\$ 1,504,142	\$ 107,262
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 1,396,880	\$ 1,504,142	\$ 107,262
Funding Requirement for Working Capital Requirement	\$ -	\$ (514,752)	\$ (514,752)

### Methodology for Allocation of Administrative Services Expenses to Programs

The expenses for finance and accounting, information technology, and human resources administrative support services that are provided to the SPP RE by SPP (SPP, Inc. Indirect Expenses), which are separate and distinct from the services provided by SPP RE direct staff and consultants and contractors, are assessed to the SPP RE based on a fixed rate per hour per FTE. The SPP Indirect Expense rate is calculated by dividing the total costs for these support functions (excluding certain IT costs that are specific to SPP's RTO functions) by the total hours worked by non-support personnel. The indirect expense rate is then multiplied by each hour directly charged to the SPP RE by SPP Shared staff and for designated number of hours for SPP RE direct staff. A table showing the derivation of the SPP, Inc. Indirect Expense rate is presented in Section E of this BP&B.

SPP RE Administrative Services Expenses, which are limited to expenses incurred for SPP RE General and Administrative and Legal and Regulatory programs, are allocated among the five operational programs based on the program's pro rata share of the total direct operational program expense.

## Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

SPP RE provides forums for registered entities within its footprint to discuss and share reliability concerns. This includes SPP committees, subcommittees, working groups, and task forces that are grouped by technical areas. The expenses incurred by the SPP RE for these forums are included in the direct expenses of the applicable program.

SPP RE also conducts a minimum of two public workshops per year where registered entities are able to interact with SPP RE staff and NERC staff and discuss reliability issues. These expenses are included in the Training, Education, and Operator Certification Program.

### 2011 Key Assumptions

- SPP RE liaisons to SPP working groups attend approximately 14 SPP working group meetings in 2011.

### 2011 Goals and Key Deliverables

- Provide input on ERO and RE issues, including but not limited to the NERC Members Representative Committee and other NERC standing committees
- Provide technical committee forums to act as standards-drafting teams in development of SPP regional reliability standards

### Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- N/A

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

## General and Administrative

<b>General and Administrative</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	4.0	4.0	-
Expenses	\$ 1,246,880	\$ 1,354,142	\$ 107,262
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ (514,752)	\$ (514,752)

### Program Scope and Functional Description

The General and Administrative function consists of the RE General Manager, the RE Manager of Finance and Process Improvement, two RE Administrative Assistants, and three independent Regional Entity Trustees.<sup>7</sup>

The RE Trustees, who are independent of the SPP Board of Directors, any SPP member, SPP registered entity, industry stakeholder, or organizational group, have autonomy over decisions in fund allocation and approval of the SPP RE budget, as well as decisions on regional standards, compliance enforcement actions, and penalties.

The RE General Manager provides executive level support through, among other means, participation in meetings and conference calls with other Regional Entities and Senior NERC staff. The RE General Manager reports directly to the three independent RE Trustees.

The RE Manager of Finance and Process Improvement is responsible for coordinating and developing the SPP RE annual BP&B, reviewing the RE monthly Statement of Activities, performing process improvement activities for the RE operational program functions and coordinating outreach activities such as compliance workshops and the quarterly newsletters for registered entities. The RE Manager of Finance and Process Improvement also provides support to the SPP RE CMEP activities by coordinating and facilitating the development of compliance plans, policies, procedures.

The RE Administrative Assistants provide support to all SPP RE programs and SPP RE direct staff members.

### 2011 Key Assumptions

- SPP RE continues to operate as an independent and functionally separate division of SPP

### 2011 Goals and Key Deliverables

- Ensure that the SPP RE fulfills the responsibilities of the Regional Delegation Agreement between SPP and NERC;

<sup>7</sup> As a part of the 2009 reorganization, the SPP RE Counsel was transferred to the CMEP program area, and the RE Manager of Finance and Process position was created.

- 
- Ensure that the SPP RE is adequately staffed and has the resources needed to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC;
  - Implement recommendations resulting from the 2010 NERC audit of the SPP RE; and
  - Continue to explore opportunities to enhance the effectiveness and efficiency of the SPP RE in promoting and improving the reliability of the bulk power system

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources (Other than ERO Assessments)

- The General and Administrative costs are allocated to the five operational programs resulting in zero funding requirements.

#### Personnel Expenses

- There were no material changes in the General and Administrative Personnel Expenses.

#### Meeting Expenses

- Meeting Expenses are expected to increase by \$12,000 due to the expected increase participation in NERC forums and working groups, as well as an expected increase in SPP RE's outreach activities, including increase participation in SPP member forums and SPP RE training and education activities.

#### Operating Expenses

- The \$53,000 increase in Operating Expenses is primarily due to an increase in professional services fees for personnel recruiting services.

#### Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to the SPP RE based on a fixed rate per hour per FTE. The decrease in the SPP, Inc. Indirect Expenses is due to the reduction in budgeted FTEs.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A

## General and Administrative

Funding sources and related expenses for the general and administrative section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>General and Administrative</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ -	\$ -	\$ -	\$ (514,752)	\$ (514,752)
Penalty Sanctions	-	-	-	-	-
<b>Total SPP RE Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (514,752)</b>	<b>\$ (514,752)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (514,752)</b>	<b>\$ (514,752)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 498,800	\$ 453,790	\$ (45,010)	\$ 498,050	\$ (750)
Payroll Taxes	33,600	30,779	(2,821)	38,033	4,433
Benefits	43,200	41,015	(2,185)	39,135	(4,065)
Retirement Costs	20,000	18,152	(1,848)	22,412	2,412
<b>Total Personnel Expenses</b>	<b>\$ 595,600</b>	<b>\$ 543,735</b>	<b>\$ (51,865)</b>	<b>\$ 597,630</b>	<b>\$ 2,030</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	30,000	48,000	18,000	42,000	12,000
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 30,000</b>	<b>\$ 48,000</b>	<b>\$ 18,000</b>	<b>\$ 42,000</b>	<b>\$ 12,000</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	140,000	193,000	53,000	193,000	53,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 140,000</b>	<b>\$ 193,000</b>	<b>\$ 53,000</b>	<b>\$ 193,000</b>	<b>\$ 53,000</b>
<b>Total Direct Expenses</b>	<b>\$ 765,600</b>	<b>\$ 784,735</b>	<b>\$ 19,135</b>	<b>\$ 832,630</b>	<b>\$ 67,030</b>
<b>SPP Inc. Indirect Expenses</b>	<b>\$ 481,280</b>	<b>\$ 353,973</b>	<b>\$ -</b>	<b>\$ 521,512</b>	<b>\$ 40,232</b>
<b>SPP RE Indirect Expenses</b>	<b>\$ (1,246,880)</b>	<b>\$ (1,138,708)</b>	<b>\$ -</b>	<b>\$ (1,354,142)</b>	<b>\$ (107,262)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (514,752)</b>	<b>\$ (514,752)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	-	\$ -	-	-	-
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (514,752)</b>	<b>\$ (514,752)</b>

## Legal and Regulatory

<b>Legal and Regulatory</b> (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ 150,000	\$ 150,000	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The SPP RE has an RE Counsel that provides exclusive legal support to the SPP RE.<sup>8</sup> If SPP RE is required to convene hearings under the Compliance Enforcement and Organization Registration program, independent hearing officers may be utilized.

### 2011 Key Assumptions

- Estimated hearing costs are included to support three hearings in 2011.

### 2011 Goals and Key Deliverables

- Provide hearing officer if SPP RE is required to convene hearings

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Funding Sources (Other than ERO Assessments)

- The Legal and Regulatory costs are allocated to the five operational programs resulting in zero funding requirements.

#### Personnel Expenses

- N/A

#### Meeting Expenses

- N/A

#### Operating Expenses

- N/A

#### Indirect Expenses

- N/A

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A

<sup>8</sup> SPP RE General Counsel is accounted for in the Compliance Enforcement and Organization Registration program, Enforcement group.



## Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Legal and Regulatory</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total SPP RE Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	150,000	150,000	-	150,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ -</u>
<b>SPP Inc. Indirect Expenses</b>	\$ -	\$ -	-	\$ -	\$ -
<b>SPP RE Indirect Expenses</b>	<u>\$ (150,000)</u>	<u>\$ (150,000)</u>	<u>-</u>	<u>\$ (150,000)</u>	<u>\$ -</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## Information Technology

Information Technology (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The SPP Information Technology department provides resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

### 2011 Key Assumptions

- The SPP Information Technology department continues to provide resources for the SPP RE.

### 2011 Goals and Key Deliverables

- To provide adequate information technology support for the SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

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

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

---



---

**Human Resources**

	Human Resources (in whole dollars)		
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Program Scope and Functional Description**

The SPP Human Resource department provides resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

**2011 Key Assumptions**

- The SPP Human Resource department continues to provide resources for the SPP RE.

**2011 Goals and Key Deliverables**

- To provide adequate human resource support for the SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

Funding Sources (Other than ERO Assessments)

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

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

---

**Finance and Accounting**

<b>Accounting and Finance</b>			
	(in whole dollars)		
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Program Scope and Functional Description**

The SPP Accounting department provides resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

**2011 Key Assumptions**

- The SPP Accounting department continues to provide resources for the SPP RE.

**2011 Goals and Key Deliverables**

- To provide adequate accounting and finance support for the SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

Funding Sources (Other than ERO Assessments)

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

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Section B – Supplemental Financial Information  
2011 Business Plan and Budget



## Section B — Supplemental Financial Information

### Reserve Balance

**Table B-1**

<b>Working Capital Reserve Analysis 2010-2011</b>	
<b>STATUTORY</b>	
Beginning Working Capital Reserve (Deficit), December 31, 2009	\$ 1,719,602
Plus: 2010 SPP RE Funding (from LSEs or designees)	6,755,854
Plus: 2010 Other funding sources	0
Less: 2010 Projected expenses & capital expenditures	(7,960,704)
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<b>514,752</b>
Desired Working Capital Reserve, December 31, 2011	<sup>2</sup> \$ -
Less: Projected Working Capital Reserve, December 31, 2010	(514,752)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>(514,752)</b>
2011 Expenses and Capital Expenditures	9,797,236
Less: Penalty sanctions to be used as offset to 2011 assessments	<sup>1</sup> (187,500)
Less: Other Funding Sources	0
Adjustment to achieve desired Working Capital Reserve	(514,752)
<b>2011 SPP RE Assessment</b>	<b>9,094,985</b>

<sup>1</sup> Represents collections on or prior to June 30, 2010. See page 43 for full disclosure.

<sup>2</sup> The SPP RE does not require a working capital reserve in that on a cash basis SPP, Inc. is able to fund shortfalls in its statutory (Regional Entity) funding through its operating cash balances, and also has access to liquidity through a bank credit facility.

### Explanation of Changes in Reserve Policy from Prior Years

There have not been any changes in the SPP RE Reserve Policy. SPP RE does not require working capital reserve in that on a cash basis SPP is able to fund shortfalls in its statutory (Regional Entity) funding through its operating cash balances, and also has access to liquidity through a bank credit facility.

## Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 9 of the 2011 RE Business Plan and Budget. All significant variances have been disclosed by program in the preceding pages.

### Penalty Sanctions

Penalty monies received prior to June 30, 2010 are to be used to offset assessments in the 2011 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2010 through June 30, 2011 will be used to offset assessments in the 2012 Budget.

All penalties received prior to June 30, 2010 are detailed below, including Company, the amount, and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-2**

Penalty Sanctions Received On or Prior to June 30, 2010		
Name of Entity	Date Received	Amount Received
Entity 1	April 27, 2010	\$ 50,000
Entity 2	June 11, 2010	\$ 137,500
<b>Total Penalties Received</b>		<u>\$ 187,500</u>

## Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (excluding SPP RE Assessments & Penalty Sanctions)	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget
Reliability Standards	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Training and Education	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative 0	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ -	\$ -	\$ -	\$ -

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

The SPP RE has not projected any interest income for 2011 because at the current market interest rate any interest income would be minimal.



## Personnel Expenses

Table B-4

Personnel Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Salaries</b>					
Salaries	\$ 2,861,623	2,619,270	\$ 3,301,544	\$ 439,921	15.4%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
<b>Total Salaries</b>	<b>\$ 2,861,623</b>	<b>\$ 2,619,270</b>	<b>\$ 3,301,544</b>	<b>\$ 439,921</b>	<b>15.4%</b>
<b>Total Payroll Taxes</b>	<b>\$ 194,700</b>	<b>\$ 181,382</b>	<b>\$ 252,118</b>	<b>\$ 57,418</b>	<b>29.5%</b>
<b>Benefits</b>					
Workers Compensation	\$ -	\$ -	\$ -	\$ -	
Medical Insurance	202,075	220,065	230,564	28,489	14.1%
Life-LTD-LTC Insurance	11,900	11,422	14,780	2,880	24.2%
Education	30,000	1,555	30,980	980	3.3%
Relocation	-	-	-	-	
<b>Total Benefits</b>	<b>\$ 243,975</b>	<b>\$ 233,042</b>	<b>\$ 276,324</b>	<b>\$ 32,349</b>	<b>13.3%</b>
<b>Retirement</b>					
Discretionary 401k Contribution	\$ 112,725	\$ 104,741	\$ 146,319	\$ 33,594	29.8%
Savings Plan	-	-	-	-	
<b>Total Retirement</b>	<b>\$ 112,725</b>	<b>\$ 104,741</b>	<b>\$ 146,319</b>	<b>\$ 33,594</b>	<b>29.8%</b>
<b>Total Personnel Costs</b>	<b>\$ 3,413,023</b>	<b>\$ 3,138,435</b>	<b>\$ 3,976,305</b>	<b>\$ 563,282</b>	<b>16.5%</b>
<b>FTEs</b>	<b>24.25</b>	<b>25.88</b>	<b>29.67</b>	<b>5.42</b>	<b>22.3%</b>
<b>Cost per FTE</b>					
Salaries	\$ 118,005	\$ 101,228	\$ 111,288	(6,717)	-5.7%
Payroll Taxes	8,029	7,010	8,498	469	5.8%
Benefits	10,061	9,006	9,314	(747)	-7.4%
Retirement	4,648	4,048	4,932	284	6.1%
<b>Total Cost per FTE</b>	<b>\$ 140,743</b>	<b>\$ 121,292</b>	<b>\$ 134,033</b>	<b>(6,710)</b>	<b>-4.8%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

The variances are principally due to the additional 5.42 budgeted FTEs. The variances in benefits and retirement are also due to changes in the ratios used to develop those cost estimates. For example, the ratio used to develop the Discretionary 401k Contribution for 2010 was 3.9%. Consistent with SPP, Inc's current 401k matching program, the ratio used to develop the Discretionary 401k Contribution for 2011 was 4.5% (75% of the employee contribution up to 6%).

## Consultants and Contracts

### Table B-5

Consultants	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ -	\$ -	-	\$ -	
Compliance and Organization Registration and Certification	1,025,000	865,750	856,000	(169,000)	-16%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	56,000	56,000	75,000	19,000	34%
Training and Education	-	-	19,500	19,500	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
<b>Consultants Total</b>	<b>\$ 1,081,000</b>	<b>\$ 921,750</b>	<b>\$ 950,500</b>	<b>\$ (130,500)</b>	<b>-12%</b>
<b>Contracts</b>					
Reliability Standards	\$ 24,000	\$ 24,000	\$ 25,000	\$ 1,000	4%
Compliance and Organization Registration and Certification	70,000	141,500	121,500	51,500	74%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
<b>Contracts Total</b>	<b>\$ 94,000</b>	<b>\$ 165,500</b>	<b>\$ 146,500</b>	<b>\$ 52,500</b>	<b>56%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 1,175,000</b>	<b>\$ 1,087,250</b>	<b>\$ 1,097,000</b>	<b>\$ (78,000)</b>	<b>-7%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

The \$78,000 reduction in consultant and contracts costs is due to the expectation that the SPP RE's reliance on consultants will be reduced as a result of increased staffing in the Compliance Monitoring and Enforcement and Organization Registration and Certification Program.

Table B-6

Office Rent	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Office Rent	\$ -	\$ -	\$ -	\$ -	-
Utilities	-	-	-	-	-
Maintenance	-	-	-	-	-
Security	-	-	-	-	-
<b>Total Office Rent</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

This cost is included in the SPP, Inc. Indirect Expense rate.

Table B-7

Office Rent	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Office Rent	\$ -	\$ -	\$ -	\$ -	-
Utilities	-	-	-	-	-
Maintenance	-	-	-	-	-
Security	-	-	-	-	-
<b>Total Office Rent</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

This cost is included in the SPP, Inc. Indirect Expense rate.

Table B-8

Professional Services	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Independent Trustee Fees	\$ 140,000	\$ 143,000	\$ 143,000	\$ 3,000	0.00%
Outside Legal	150,000	150,000	150,000	-	0.00%
Accounting & Auditing Fees	-	-	-	-	
Insurance Commercial	-	-	-	-	
Other	-	50,000	50,000	50,000	0.00%
<b>Total Services</b>	<b>\$ 290,000</b>	<b>\$ 343,000</b>	<b>\$ 343,000</b>	<b>\$ 53,000</b>	<b>0.00%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

The \$53,000 increase in Operating Expenses is primarily due to an increase in professional services fees for personnel recruiting services.

Table B-9

Other Non-Operating Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

N/A

---

## Section C – Non-Statutory Activities 2011 Business Plan and Budget

---



## Section C — 2010 Non-Statutory Business Plan and Budget

### **Non-Statutory Functional Scope**

As discussed in the Introduction, SPP is one of nine FERC-approved Independent System Operators/Regional Transmission Organizations (ISOs/RTOs). As an RTO, SPP helps ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. These activities are budgeted for separately from the SPP RE and constitute the non-statutory activities further described below.

### **Membership and Governance (for non-statutory activities)**

SPP is a relationship-based organization with member-driven processes offering independence through diversity in Organizational Group membership and recognition that reliability and economic/equity issues are inseparable. SPP strives to continuously improve and implement new concepts in a deliberate evolutionary manner.

SPP membership is voluntary and open to any electric utility, federal power marketing agency, transmission service provider, any entity engaged in the business of producing, selling and/or purchasing electric energy for resale, and any entity willing to meet the membership requirements, including execution of the Membership Agreement. Membership is also open to entities eligible to take service under the SPP Open Access Transmission Tariff (OATT). SPP offers its Members greater efficiency and service reliability through better coordination.

SPP members serve over 5 million customers across nine states: Arkansas, Kansas, Louisiana, Mississippi, Missouri, Nebraska, New Mexico, Oklahoma, and Texas.

SPP is governed in accordance with its Bylaws by an independent Board of Directors consisting of seven directors independent of any SPP Member. The Board of Directors works to ensure equity to all Members and acts in the best interest of SPP through its management, control and direction of the general business of SPP.

### **Non-Statutory Functional Scope**

SPP is mandated by the Federal Energy Regulatory Commission (Commission) to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity.

SPP provides the following primary services to our members and customers:

Tariff Administration: SPP provide Independent administration of the Open Access Transmission Tariff that offers one-stop shopping for regional transmission service with consistent rates and terms.

Reliability Coordination: SPP monitors power flow throughout our footprint. We anticipate problems and take preemptive action to mitigate operating limit violations. SPP coordinates regional response in emergency situations or blackouts.

Regional Scheduling: SPP ensures that the amount of power sent is coordinated and matched with power received. SPP's regional scheduling service reduces the number of entities with which SPP members and customers have to coordinate.

Market Operations: SPP administers an Energy Imbalance Marketplace, monitors resource/load balance and ensures that less expensive power is used to serve load before expensive power, all while ensuring system reliability is met.

Expansion Planning: SPP's planning process seeks to identify system limitations and develop transmission upgrades for increased capacity.

Contract Services: SPP provides reliability, tariff administration, and scheduling for non-members on a contract basis.

Finally, as a Public Utility under the Federal Power Act, SPP is required to submit its budget to the Commission. The Commission already has approved SPP's activities and has ordered that SPP's budgets be filed with the Commission.<sup>9</sup>

### **Schedule for Preparation and Approval of SPP Inc.'s Overall Annual Budget**

SPP's overall annual budget is prepared on a budget cycle to be approved by its independent Board of Directors annually at its October meeting. Because of this timing difference with the NERC budget process; SPP is unable to provide an accurate 2011 SPP budget for non-statutory activities at this time. The process begins during the second quarter when the SPP staff develops preliminary non-statutory budgets. During the third quarter the Finance Committee of SPP initially reviews and evaluates the budget prepared by SPP staff. Once the budget is approved by the Finance Committee, it is presented to the Board of Directors for their review and approval at its quarterly meeting held in October. The SPP overall annual budget is then submitted to FERC for approval.

---

<sup>9</sup> See Sw. Power Pool, Inc., 109 FERC ¶ 61,010, at P 98 (2004) (requiring SPP to file its operating budget on an annual basis). See also Sw. Power Pool, Inc., 109 FERC ¶ 61,009, at PP 3-5 (2004), order on reh'g, 110 FERC ¶ 61,137 (2005) (describing history of SPP RTO application, including approval and revision of SPP Bylaws); see also, generally, Sw. Power Pool, Inc., 108 FERC ¶ 61,003 (2004), order on reh'g, 110 FERC ¶ 61,138 (2005); Sw. Power Pool, Inc., 106 FERC ¶ 61,110 (2004).



**SOUTHWEST POWER POOL  
NET REVENUE REQUIREMENT GROWTH**

(000's)	<u>2010 Budget</u>	<u>2009 Actual</u>
<b>Income</b>		
Tariff Administration Service	\$65,304	\$55,325
Fees & Assessments	21,222	17,061
Contract Services Revenue	22,400	22,706
Miscellaneous Income	7,706	6,528
<b>Total Income</b>	<b>116,632</b>	<b>101,619</b>
<b>Expense</b>		
Salary & Benefits	58,958	50,140
Employee Travel	1,228	1,405
Administrative	2,936	2,804
Assessments & Fees	12,759	13,104
Meetings	736	757
Communications	3,119	3,255
Leases	1,678	1,533
Maintenance	6,678	5,292
Services	18,685	18,511
Regional State Committee	490	135
Depreciation & Amortization	16,798	20,597
Other Expense	3,486	(4,146)
<b>Total Expense</b>	<b>127,549</b>	<b>113,384</b>
<b>Net Income (Loss)</b>	<b>(\$10,917)</b>	<b>(\$11,765)</b>
Debt Repayment	9,206	8,206
MW/h Forecast	333,458	323,793
Net Revenue Requirement	68,358	61,095
Calculated Admin Fee / MWh	\$0.205	\$0.189
Recommended Admin Fee / MWh	\$0.195	\$0.170
Capital Expense	73,301	17,817
Headcount	476	424

*2009 actual data corresponds to SPP's annual Accountants Report. For footnote information and other statements and schedules please refer the report located at:  
[http://www.spp.org/publications/2009\\_SPP\\_Accountants\\_Report\\_Financial\\_Statements.pdf](http://www.spp.org/publications/2009_SPP_Accountants_Report_Financial_Statements.pdf)*



---

Section D – Additional Consolidated Financial  
Statements  
2011 Business Plan and Budget

---



Section D — Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Section D 2011 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2011 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement										Non-Statutory Functions	
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology		Human Resources
<b>Funding</b>															
<b>SPP RE Funding</b>															
SPP RE Assessments	9,094,985	9,094,985	-	9,094,985	472,592	6,977,342	1,790,469	269,454	99,880	-	(514,752)	-	-	-	-
Penalty Sanctions	187,500	187,500	-	187,500	10,958	130,885	36,526	7,305	1,826	-	-	-	-	-	-
<b>Total SPP RE Funding</b>	<b>9,282,485</b>	<b>9,282,485</b>	<b>-</b>	<b>9,282,485</b>	<b>483,549</b>	<b>7,108,226</b>	<b>1,826,995</b>	<b>276,760</b>	<b>101,706</b>	<b>-</b>	<b>(514,752)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>9,282,485</b>	<b>9,282,485</b>	<b>-</b>	<b>9,282,485</b>	<b>483,549</b>	<b>7,108,226</b>	<b>1,826,995</b>	<b>276,760</b>	<b>101,706</b>	<b>-</b>	<b>(514,752)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>															
<b>Personnel Expenses</b>															
Salaries	3,301,544	3,301,544	-	3,301,544	146,500	2,037,181	595,000	-	24,813	-	498,050	-	-	-	-
Payroll Taxes	252,118	252,118	-	252,118	11,187	155,567	45,436	-	1,895	-	38,033	-	-	-	-
Benefits	276,324	276,324	-	276,324	11,554	174,867	48,895	-	1,872	-	39,135	-	-	-	-
Retirement Costs	146,319	146,319	-	146,319	6,593	89,423	26,775	-	1,117	-	22,412	-	-	-	-
<b>Total Personnel Expenses</b>	<b>3,976,305</b>	<b>3,976,305</b>	<b>-</b>	<b>3,976,305</b>	<b>175,834</b>	<b>2,457,038</b>	<b>716,107</b>	<b>-</b>	<b>29,696</b>	<b>-</b>	<b>597,630</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Meeting Expenses</b>															
Meetings	68,750	68,750	-	68,750	-	-	-	68,750	-	-	-	-	-	-	-
Travel	444,300	444,300	-	444,300	20,000	225,000	110,000	24,000	23,300	-	42,000	-	-	-	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>513,050</b>	<b>513,050</b>	<b>-</b>	<b>513,050</b>	<b>20,000</b>	<b>225,000</b>	<b>110,000</b>	<b>92,750</b>	<b>23,300</b>	<b>-</b>	<b>42,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating Expenses</b>															
Consultants & Contracts	1,097,000	1,097,000	-	1,097,000	25,000	977,500	75,000	19,500	-	-	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Services	343,000	343,000	-	343,000	-	-	-	-	-	-	193,000	150,000	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>1,440,000</b>	<b>1,440,000</b>	<b>-</b>	<b>1,440,000</b>	<b>25,000</b>	<b>977,500</b>	<b>75,000</b>	<b>19,500</b>	<b>-</b>	<b>-</b>	<b>193,000</b>	<b>150,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Direct Expenses</b>	<b>5,929,355</b>	<b>5,929,355</b>	<b>-</b>	<b>5,929,355</b>	<b>220,834</b>	<b>3,659,538</b>	<b>901,107</b>	<b>112,250</b>	<b>52,996</b>	<b>-</b>	<b>832,630</b>	<b>150,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SPP Inc. Indirect Expenses</b>	<b>3,867,881</b>	<b>3,867,881</b>	<b>-</b>	<b>3,867,881</b>	<b>195,567</b>	<b>2,335,939</b>	<b>651,890</b>	<b>130,378</b>	<b>32,595</b>	<b>-</b>	<b>521,512</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SPP RE Indirect Expenses</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>67,149</b>	<b>1,112,749</b>	<b>273,998</b>	<b>34,132</b>	<b>16,115</b>	<b>-</b>	<b>(1,354,142)</b>	<b>(150,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Indirect Expenses</b>	<b>3,867,881</b>	<b>3,867,881</b>	<b>-</b>	<b>3,867,881</b>	<b>262,716</b>	<b>3,448,688</b>	<b>925,888</b>	<b>164,510</b>	<b>48,710</b>	<b>-</b>	<b>(832,630)</b>	<b>(150,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses</b>	<b>9,797,236</b>	<b>9,797,236</b>	<b>-</b>	<b>9,797,236</b>	<b>483,549</b>	<b>7,108,226</b>	<b>1,826,995</b>	<b>276,760</b>	<b>101,706</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Assets</b>	<b>(514,752)</b>	<b>(514,752)</b>	<b>-</b>	<b>(514,752)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(514,752)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>															
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>(Ino)Dec in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>(514,752)</b>	<b>(514,752)</b>	<b>-</b>	<b>(514,752)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(514,752)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

---

Section E – Calculation of SPP, Inc. Indirect Expense  
Rate  
2011 Business Plan and Budget

---



## Section E

### CALCULATION OF THE SPP INC. INDIRECT EXPENSE RATE<sup>1</sup>

<u>Support Groups<sup>2</sup></u>	<u>Overhead Costs to Allocate</u>
Administration	\$ 14,753,589 *
Officers	3,014,759 **
Accounting	1,020,531
Human Resources	1,585,937
Customer Services	400,513
Legal	618,991
Communications	283,782
Information Technology	10,396,940
<b>Total Costs</b>	<b>\$ 32,075,042 A</b>
<b><u>Non-Support Resource Groups</u></b>	
Ending 2009 Headcounts	246
Average Work Hours/FTE in 2009	1880
<b># of Work Hours in 2009</b>	<b>462,480 B</b>
<b>2009 Indirect Overhead Expense Rate Rate (A/B)</b>	<b>\$ 69.35</b>
<b>Times Budgeted SPP RE FTEs</b>	<b>29.67</b>
<b>Times Average Work Hours/FTE in 2010</b>	<b>1,880</b>
<b>Budgeted SPP Inc. Indirect Costs</b>	<b>\$ 3,867,881</b>

<sup>1</sup>Due to the timing of the budget process/schedule, the estimated overhead rate for 2011 is based on actual 2009 costs. Any variance between the estimated overhead rate and the actual 2011 overhead rate will be included in the annual 2011 Business Plan and Budget true-up filing.

<sup>2</sup> The services provided by these support groups are separate and distinct from the services provided by SPP RE direct staff and consultants and contractors.

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

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

---

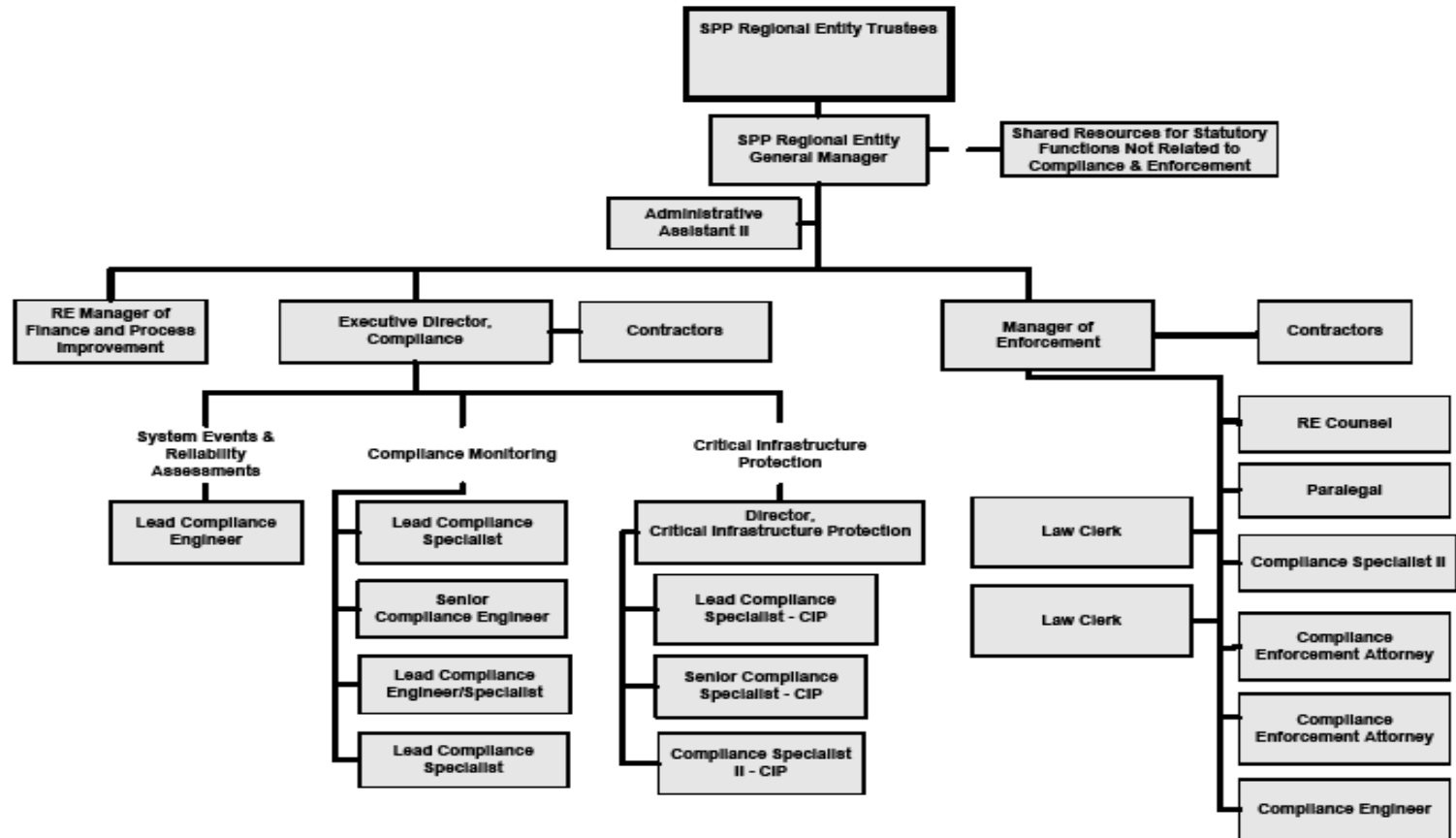
## Section F– Organizational Chart 2011 Business Plan and Budget

---





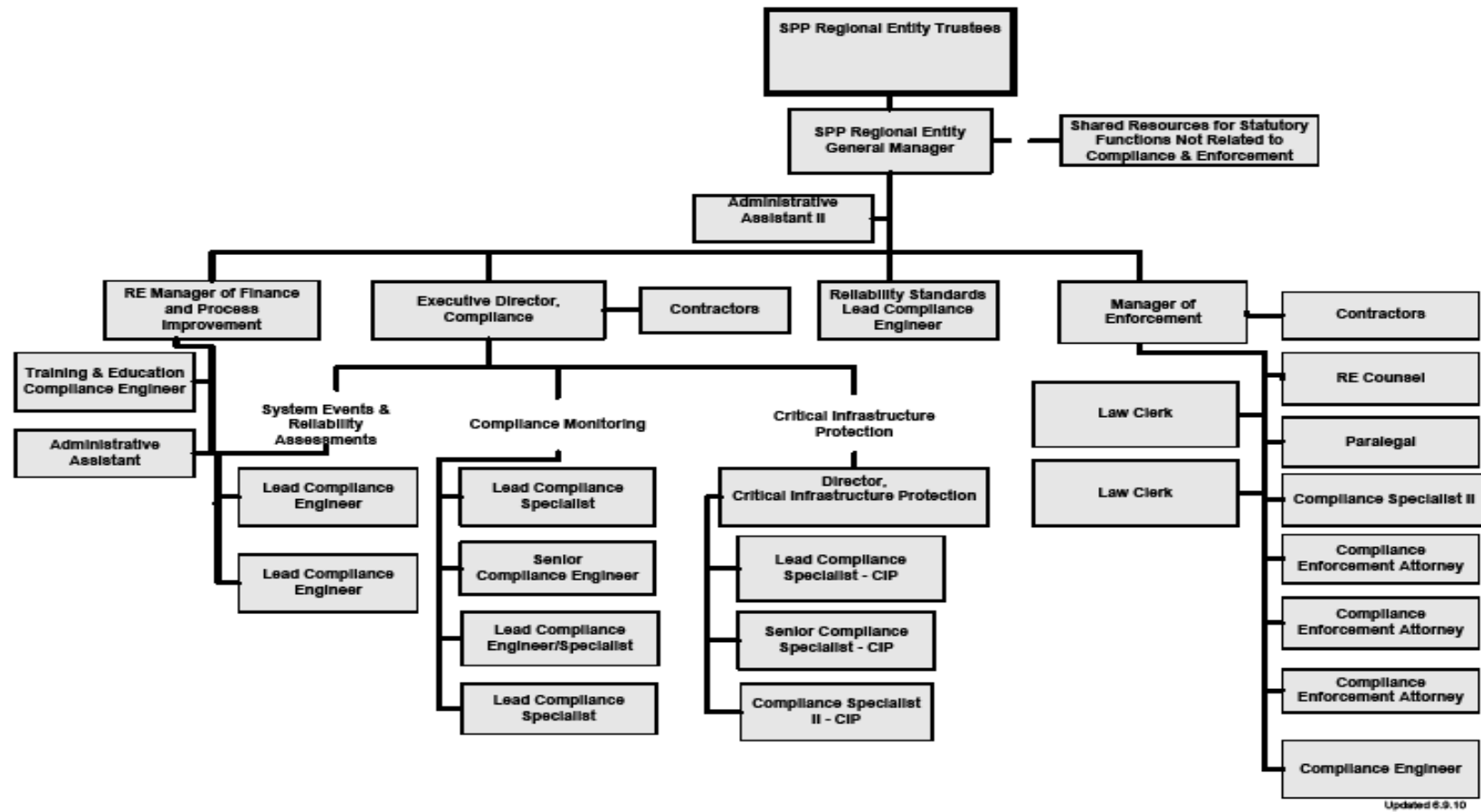
## Organizational Chart - 2010



Updated 7.6.10



### Organizational Chart - 2011



Updated 6.9.10

**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 9**

**TEXAS RELIABILITY ENTITY**

**PROPOSED 2011 BUSINESS PLAN AND BUDGET**





**2011 Business Plan and Budget  
Final**

**Texas Reliability Entity, Inc.**

**Approved by:**

**Texas RE Board of Directors**

**June 30, 2010**

# Table of Contents

Introduction .....	3
Section A — 2011 Business Plan.....	14
Reliability Standards Program .....	14
Compliance Monitoring and Enforcement and Organization Registration and Certification Program .....	19
Reliability Assessment and Performance Analysis Program.....	14
Training, Education, and Operator Certification Program.....	17
Situation Awareness and Infrastructure Security Program.....	36
Administrative Services .....	40
General and Administrative .....	48
Legal and Regulatory .....	49
Information Technology .....	56
Human Resources .....	59
Finance and Accounting.....	63
Section B — Supplemental Financial Information.....	65
Reserve Balance.....	65
Breakdown by Statement of Activity Sections.....	66
Section C — 2010 Non-Statutory Business Plan and Budget.....	75
Personnel Analysis.....	77
Reserve Analysis — 2010–2011 .....	78
Section D .....	80
2011 Consolidated Statement of Activities by Program, Statutory and Non-Statutory.....	81
2011 Texas RE Organization Chart.....	82

## Introduction

<b>TOTAL RESOURCES</b> (in whole dollars)				
	2011 Budget	U.S.	Canada	Mexico
Statutory FTEs	49.0			
Non-statutory FTEs	1.0			
<b>Total FTEs</b>	50.0			
Statutory Expenses	\$ 9,517,049			
Non-Statutory Expenses	\$ 265,969			
<b>Total Expenses</b>	\$ 9,783,018			
Statutory Inc(Dec) in Fixed Assets	\$ (153,085)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (153,085)			
Statutory Working Capital Requirement*	\$ 127,459			
Non-Statutory Working Capital Requirement**	\$ -			
<b>Total Working Capital Requirement</b>	\$ 127,459			
Total Statutory Funding Requirement	\$ 9,491,423			
Total Non-Statutory Funding Requirement	\$ 265,969			
<b>Total Funding Requirement</b>	\$ 9,757,392			
<b>Texas RE Statutory Funding Assessments</b>	\$ 9,227,823	\$ 9,227,823		
<b>Texas RE Non-Statutory Fees</b>	\$ 265,969	\$ 265,969		
NEL	308,277,759	308,277,759		
NEL%	100%	100%		

\*Refer to Table B-1 on page 65 in Section B.

\*\*Refer to the Reserve Analysis on page 78 in Section C.

## Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that was formed to be the Regional Entity for the Electric Reliability Council of Texas (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 and North American Electric Reliability Corporation (NERC) have executed an Amended and Restated Delegation Agreement (Delegation Agreement) for the ERCOT region, and this Delegation Agreement was approved by the Federal Energy Regulatory Commission (FERC) on May 6, 2010. Amendments to the Delegation Agreement between NERC and Texas RE, extending the Delegation Agreement for a five (5)-year period beginning January 1, 2011, have been approved by the Texas RE board of directors and NERC board of trustees and were filed with FERC for approval on June 9, 2010.

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 performing statutory duties as a Regional Entity, Texas RE will also perform limited non-statutory duties. Texas RE does not anticipate performing the audits, investigations, or other monitoring or reporting of market participants' compliance with ERCOT Protocols and Operating Guides that it performed in 2010 and its predecessor Texas Regional Entity performed in previous years. Texas RE will, however need to respond to subpoenas and provide testimony and technical support to the PUCT regarding Texas RE's previous non-statutory compliance and reporting from the period in which Texas RE conducted these activities, during 2011.

## 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, or any newly defined NERC reliability function for demand response.

Membership in Texas RE is voluntary and open to any entity that is a user, owner, or operator in the ERCOT region BPS, who registers with Texas RE and complies with the Texas RE Bylaws requirements. Texas RE charges a nominal fee for membership, but the membership fee can be waived upon good cause shown. Any person or entity that has a direct and material interest in the 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:

- 
- The Texas RE President & 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, 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 assure that Texas RE meets its requirements under the Bylaws and Delegation Agreement. The PUCT acts as the Hearing Body for contested matters under the Compliance Monitoring and Enforcement Program (CMEP). As the Hearing Body, the PUCT makes a recommendation to the Board, and the Board makes final compliance and enforcement decisions on contested cases. The Texas RE Board performs this role, rather than a board compliance committee as used by other Regional Entities, because the Texas RE Board is smaller and has only seven voting members.

Texas RE has two membership committees, the Member Representatives Committee and the Reliability Standards Committee. The Member Representatives Committee 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 Reliability Standards Committee includes representatives from the six 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, and manages and participates in the Regional Standards Development Process, coordinates the development of regional standards and variances with the development of national standards, and monitors, reviews, and comments on NERC (national) standards under development and standards interpretation requests.

### **Statutory Functional Scope**

In accordance with the Delegation Agreement and in compliance with the NERC Rules of Procedure (NERC ROP), Texas RE performs the following statutory Functions:

- Propose and participate in the development of reliability standards, or modifications thereof and propose and develop needed regional standards or variances through Texas RE's Standards Development Process.
- Monitor and enforce approved reliability standards, including the registration of responsible entities and, as needed, the certification of such entities within the ERCOT region, through the NERC ROP.
- Perform other delegation-related services on behalf of NERC, in furtherance of NERC's responsibilities as the Electric Reliability Organization (ERO) under the Federal Power Act (FPA), including:
  - Assessment and performance analysis of the present and future reliability, adequacy, and security of the BPS.
  - Promote effective training and education of reliability personnel and assist in the certification of operating personnel.

- 
- Promote situation awareness and the security and protection of critical infrastructure.
  - Event Analysis and Reliability Improvement

## 2011 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process located in Exhibit A of NERC's 2011 Business Plan and Budget. The significant assumptions underlying NERC and Regional Entity business plans and budgets include:

1. The international, industry-based Self Regulatory Organization (SRO) model continues to be used and no material changes to the SRO model impacting 2011 emerge from FERC's review of the Three-Year ERO Performance Assessment or its review of the proposed amendments to the Regional Entity delegation agreements.
2. The framework for delegation to Regional Entities is improved, as outlined in the proposed modifications to the Regional Entity delegation agreements, improving the efficiency, transparency, consistency, effectiveness, and quality of NERC and the Regional Entity working relationship, including the incorporation of metrics.
3. Cost pressures strain stakeholder participation in NERC and Regional Entity activities.
4. In order to enhance reliability and the overall effectiveness of the ERO, improvements are needed in standards development, implementation, education, and training.
5. Standards development activities will face increased demands, including but not limited to those supporting the Reliability Standards Development Plan, FERC Order 693 directives and the National Emergency Standards Development Process.
6. NERC and Regional Entities will continue to gather data and perform analysis regarding the bulk electric system, including but not limited to support key federal and industry initiatives.
7. NERC will need to make significant investments in 2011 to support the implementation of a situation awareness tool for FERC, NERC, Regional Entities, and stakeholders' needs, as well as to meet both near and long-term ERO technology requirements.
8. The number of events requiring review, analysis, and reporting will increase.
9. CIP activities will increase significantly on all fronts, including compliance and other activities; expectations are that resource requirements will be significantly impacted over the next three years as the full measure of the standards become auditable for all entities on all implementation tables, the TFE program is implemented and the increase in scope as a result of Order No. 706B.
10. NERC and the Regional Entities are expected to see increased compliance related resource demands.

## 2011 Goals and Key Deliverables

Texas RE's 2011 Business Plan and Budget is driven by the following goals:

---

- 
1. Improve reliability through rigorous monitoring and enforcement of compliance with mandatory standards, in accordance with the Delegation Agreement and the NERC ROP:
    - a. Maintain accurate registrations for responsible entities.
    - b. Monitor compliance of registered entities in the ERCOT region with mandatory reliability standards, in accordance with the Delegation Agreement and NERC ROP, while adopting risk-based methodologies to optimize reliability benefits and improving quality and timeliness.
    - c. Ensure timely and thorough mitigation of all violations of mandatory reliability standards.
    - d. Enforce compliance with the mandatory reliability standards by registered entities in the ERCOT region, in accordance with the Delegation Agreement and NERC ROP while improving quality and timeliness.
    - e. Promote a strong culture of compliance, reliability improvement, and risk-based methods among registered entities in the ERCOT region.
    - f. Maintain a high degree of independence in all compliance and enforcement activities.
  2. Effectively communicate with NERC, other Regional Entities, regulators, and industry stakeholders as follows:
    - a. Continue to build and improve cooperative relationships with other Regional Entities, registered entities, industry stakeholders, and regulators through regular, consistent messaging regarding all of Texas RE's program areas.
    - b. Deliver a consistent message through the Texas RE website and a variety of electronic media (including the bi-monthly newsletter) as a timely and efficient means of providing important information to the industry and the public.
  3. Maintain effective financial controls and conduct Texas RE operations within the approved budget.
  4. Maintain clear mandatory standards focused on performance requirements essential to reliability
    - a. Participate in and encourage stakeholder engagement in the development of national standards, in support of NERC projects.
    - b. Propose and facilitate development of regional standards or variances that are needed to comply with NERC's three-year work plan, FERC directives, and to meet any emergent ERCOT region-wide reliability needs.
    - c. Identify key areas needing improvement and implement educational and other technical assistance programs to improve compliance in those areas based on compliance program results and system events.
  5. Continue to improve situation awareness and event analysis capabilities
    - a. Develop a situation awareness capability that meets the needs of FERC, NERC, Texas RE, and registered entities.
    - b. Improve timeliness of root cause analyses and lessons learned and strengthen overall reliability.
-

- 
6. Work with NERC to facilitate and support registered entities in complying with CIP reliability standards, and responding to cyber security alerts.
    - a. Texas RE will maintain compliance with all applicable provisions of the CIP standards, as they apply to Regional Entities.
  7. Efficiently adopt appropriate technology to increase efficiency and improve timeliness.
    - a. Facilitate the integration of ERO and Regional Entity information systems used for compliance and other applicable statutory functions.
  8. Maintain knowledgeable and skilled reliability personnel.
    - a. Actively support the training and education of reliability personnel within the ERCOT region, focusing on knowledge of reliability standards and recognizing and responding to system emergencies.
  9. Continuously improve.
    - a. Remain in good standing as a Regional Entity by addressing all applicable recommendations and directives from the 3-year ERO assessment, including stakeholder inputs, and audits by NERC and/or FERC.
    - b. Address any deficiencies or areas of improvement identified in the 2010 NERC conducted AUP audit of Texas RE.
  10. Identify key performance indicators and benchmarks for Texas RE operations.

## 2011 Overview of Cost Impacts

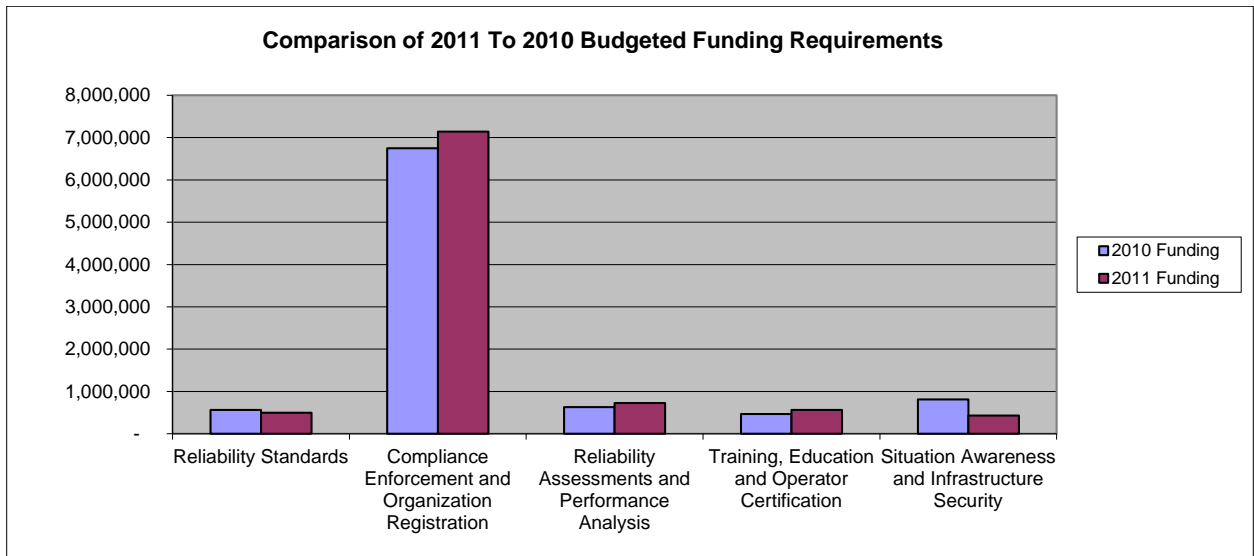
Texas RE's statutory expenses (including capital expenses) are increasing approximately 1.6% or \$147K from statutory expenses of \$9,216K in 2010 to \$9,363K for statutory expenses (\$9,517K in operating expenses offset by -\$153K in net fixed assets) in 2011. Texas RE's statutory expenses (excluding capital and start up expenses) are increasing \$1,456K or 18.4% from 2010 to 2011. The cost increases are primarily attributed to the following cost impact items reflected below. All comparisons are to the Texas RE Amended 2010 Budget, approved by the commission on May 6, 2010.

1. Texas RE will not be affiliated with nor receive any administrative services from Electric Reliability Council of Texas, Inc. (ERCOT ISO) or any other registered entity during any portion of 2011.
2. Texas RE personnel costs will increase by \$1,397K in 2011, because Texas RE proposes to add 9.5 statutory FTEs. A summary of these changes is as follows:
  - a. Additions:
    - 693 Audits – 1.5 FTEs
    - CIP Audits – 2.5 FTEs
    - Organization Registration – 1.0 FTEs
    - Compliance Monitoring (excluding Audits) – 1.38 FTEs
    - Enforcement – 1.0 FTEs
    - Reliability Assessments and Performance Analysis – 0.74 FTEs
    - Training – 0.87 FTEs
    - Administrative Services – 1.6 FTEs



- b. Reductions:
- Reliability Standards – 0.09 FTEs
  - Situation Awareness – 1.0 FTEs
3. Meeting expenses are increasing by \$6K for the increased cost of the NERC and Regional Entity meetings hosted at Texas RE offices. The total meetings expense is \$234K, of which, \$216K is reimbursed through attendance fees for the Operations Training Seminar and the Compliance, Standards, and CIP Workshops. The remaining balance \$18K is related to meeting expenses for meetings hosted by Texas RE.
  4. Travel expenses are also increasing \$128K for a variety of reasons. 2011 will be the first year of significant CIP audit activity, which adds approximately \$63K to the travel costs in 2011. Additionally, there is approximately \$6K in higher audit expense for the non-CIP (693) audits due to lengthier on-site audits. There is approximately \$21K in additional NERC-related and workgroup related travel included in 2011. Finally, the remaining increase amount \$38K is primarily attributed to travel required for the Texas RE Independent Directors.
  5. Conference calls are increasing by approximately \$12K related to web conferencing services, which costs are higher than when Texas RE received administrative services from ERCOT ISO through a Memorandum of Understanding (MOU).
  6. Office rent is increasing \$135K year-over-year for two reasons: First, a large portion of the rent that was previously covered by the non-statutory budget (\$80K) is being moved into the statutory budget. This is because the non-statutory budget receives an allocation of indirect expenses based on its pro-rata share of FTEs, and the non-statutory budget is substantially reduced in 2011. The second reason for the increase is because Texas RE is procuring additional space to address future growth and need for meeting space. The resulting increase from this is approximately \$55K for the year.
  7. Office costs are increasing by \$176K for professional services primarily attributed to information technology (IT) services, which are being outsourced at a higher cost than the amount previously paid to ERCOT ISO under the MOU for the first half of 2010.
  8. Professional services are declining \$464K due to the elimination of start-up expenses from 2010 as well as the shifting of expense to office costs and consultants & contracts (due to the MOU).
  9. Miscellaneous expense is decreasing \$45K primarily due to the shift of training expenses to employee benefits from this account category.
  10. There is a decrease of approximately \$78K in indirect expenses allocated to statutory functions. These indirect expenses are allocating to the non-statutory budget for 2011.
  11. Depreciation is increasing \$143K due to 2011 recognizing a full year of a higher depreciable base of assets. 2010 was a start-up year for Texas RE, during which it purchased significant IT equipment and other fixed assets. There is also additional depreciation expense impacting the budget in 2011 for new projects being expected to be completed in 2011.
  12. Finally, fixed assets costs are decreasing because Texas RE's start-up asset purchases were completed in 2010. The year-over-year decrease is \$1,267K.

Program	Budget 2010	Projection 2010	Budget 2011	Variance	
				2010 Budget v	Variance %
Reliability Standards	561,400	551,154	497,938	(63,462)	-11.3%
Compliance Enforcement and Organization Registration	6,746,229	6,939,596	7,142,058	395,829	5.9%
Reliability Assessments and Performance Analysis	630,416	609,329	729,533	99,117	15.7%
Training, Education and Operator Certification	464,526	460,615	561,336	96,810	20.8%
Situation Awareness and Infrastructure Security	813,822	681,533	433,099	(380,723)	-46.8%



\*These exhibits do not include an allocation of working capital requirements among the Program Areas

Total FTE's by Program Area	Budget	Projection	Direct	Shared	Total FTEs	Change
	2010	2010	FTEs 2011 Budget	FTEs <sup>1</sup> 2011 Budget	2011 Budget	from 2010 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	2.06	1.67		1.97	1.97	-0.09
Compliance and Organization Registration and Certification	21.74	26.64		29.12	29.12	7.38
Training and Education	0.97	1.77		1.84	1.84	0.87
Reliability Assessment and Performance Analysis	2.44	1.51		3.18	3.18	0.74
Situation Awareness and Infrastructure Security	3.03	1.50		2.03	2.03	-1.00
<b>Total FTEs Operational Programs</b>	<b>30.24</b>	<b>33.09</b>	<b>0.00</b>	<b>38.14</b>	<b>38.14</b>	<b>7.90</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	0.00	0.25		0.50	0.50	0.50
General & Administrative	1.06	2.17		1.71	1.71	0.65
Information Technology	2.48	2.53		2.60	2.60	0.12
Legal and Regulatory	3.17	2.36		3.02	3.02	-0.15
Human Resources	0.85	0.90		1.03	1.03	0.18
Finance and Accounting	1.70	1.70		2.00	2.00	0.30
<b>Total FTEs Administrative Programs</b>	<b>9.26</b>	<b>9.91</b>	<b>0.00</b>	<b>10.86</b>	<b>10.86</b>	<b>1.60</b>
<b>Total FTEs</b>	<b>39.50</b>	<b>43.00</b>	<b>0.00</b>	<b>49.00</b>	<b>49.00</b>	<b>9.50</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

## 2010 Budget and Projection and 2011 Budget Comparisons

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
STATUTORY					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>Texas RE Funding</b>					
Texas RE Assessments	\$ 9,144,340	\$ 9,144,340	\$ -	\$ 9,227,823	\$ 83,483
Penalty Sanctions	-	-	\$ -	20,000	20,000
<b>Total Texas RE Funding</b>	<b>\$ 9,144,340</b>	<b>\$ 9,144,340</b>	<b>\$ -</b>	<b>\$ 9,247,823</b>	<b>\$ 103,483</b>
Membership Dues	27,000	27,000	-	27,500	500
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	180,000	180,000	-	215,500	35,500
Interest	2,000	2,000	-	600	(1,400)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 9,353,340</b>	<b>\$ 9,353,340</b>	<b>\$ -</b>	<b>\$ 9,491,423</b>	<b>\$ 138,083</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,841,781	\$ 3,498,056	\$ (343,724)	\$ 4,795,004	\$ 953,224
Payroll Taxes	302,981	282,630	(20,351)	423,650	120,669
Benefits	408,773	378,687	(30,086)	589,499	180,726
Retirement Costs	550,669	519,226	(31,443)	693,219	142,551
<b>Total Personnel Expenses</b>	<b>\$ 5,104,203</b>	<b>\$ 4,678,599</b>	<b>\$ (425,604)</b>	<b>\$ 6,501,372</b>	<b>\$ 1,397,169</b>
<b>Meeting Expenses</b>					
Meetings	\$ 228,000	\$ 179,185	\$ (48,815)	\$ 234,300	\$ 6,300
Travel	194,392	173,159	(21,233)	322,753	128,361
Conference Calls	-	-	-	12,000	12,000
<b>Total Meeting Expenses</b>	<b>\$ 422,392</b>	<b>\$ 352,344</b>	<b>\$ (70,048)</b>	<b>\$ 569,053</b>	<b>\$ 146,661</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 604,483	\$ 604,483	\$ -	\$ 608,171	\$ 3,688
Office Rent	363,900	363,900	-	499,000	135,100
Office Costs	48,612	48,612	-	224,495	175,883
Professional Services	1,214,246	1,456,562	242,316	750,000	(464,246)
Miscellaneous	44,843	44,843	-	-	(44,843)
Depreciation	299,657	343,657	44,000	443,085	143,428
<b>Total Operating Expenses</b>	<b>\$ 2,575,740</b>	<b>\$ 2,862,056</b>	<b>\$ 286,316</b>	<b>\$ 2,524,751</b>	<b>\$ (50,989)</b>
<b>Total Direct Expenses</b>	<b>\$ 8,102,335</b>	<b>\$ 7,892,999</b>	<b>\$ (209,336)</b>	<b>\$ 9,595,176</b>	<b>\$ 1,492,841</b>
<b>Indirect Expenses</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ (78,127)</b>	<b>\$ (78,127)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 8,102,335</b>	<b>\$ 7,892,999</b>	<b>\$ (209,336)</b>	<b>\$ 9,517,049</b>	<b>\$ 1,414,714</b>
<b>Change in Assets</b>	<b>\$ 1,251,005</b>	<b>\$ 1,460,341</b>	<b>\$ 209,336</b>	<b>\$ (25,626)</b>	<b>\$ (1,276,631)</b>
<b>Fixed Assets</b>					
Depreciation	(299,657)	(343,657)	(44,000)	(443,085)	(143,428)
Computer & Software CapEx	1,081,500	1,358,496	276,996	290,000	(791,500)
Furniture & Fixtures CapEx	332,215	334,391	2,176	-	(332,215)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (1,114,058)</b>	<b>\$ (1,349,229)</b>	<b>\$ (235,171)</b>	<b>\$ 153,085</b>	<b>\$ 1,267,143</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>(1,114,058)</b>	<b>(1,349,229)</b>	<b>(235,171)</b>	<b>153,085</b>	<b>1,267,143</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 136,947</b>	<b>\$ 111,112</b>	<b>\$ (25,835)</b>	<b>\$ 127,459</b>	<b>\$ (9,488)</b>

---

## Section A – Statutory Programs

### 2011 Business Plan and Budget

---



---

**Section A — 2011 Business Plan**
**Reliability Standards Program**

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	2.06	1.97	(0.09)
Direct Expenses	\$ 273,959	\$ 342,515	\$ 68,557
Indirect Expenses	\$ 228,439	\$ 153,911	\$ (74,529)
Inc(Dec) in Fixed Assets	\$ 59,002	\$ 1,512	\$ (57,490)
Total Funding Requirement	\$ 561,400	\$ 497,938	\$ (63,462)

**Program Scope and Functional Description**

The Texas RE Reliability Standards program facilitates the development of regional standards and variances, in accordance with the Texas RE Standards Development Process, which was approved as Exhibit C to the Delegation Agreement, and supports the national NERC Reliability Standards program. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE Reliability Standards Committee (RSC) and all regional standard drafting teams (SDTs).

The Texas RE Standards Development Process is open to all individuals and organizations that are directly and materially affected by the ERCOT region BPS, with no undue financial barriers and regardless of Texas RE membership status. As of June 3, 2010, Texas RE has 96 members and 50 entities have joined the Registered Ballot Body.

Texas RE's Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. In addition, all proposed standards are posted on the Texas RE Reliability Standards Tracking Site for public comments. The site allows all interested parties to submit comments during designated commenting periods. This process includes an appeals process. The site allows all registered parties (including NERC registered entities and others) to efficiently submit comments on Standard Authorization Requests (SARs) and draft standards during commenting periods, and it allows members of the Registered Ballot Body to join any open Registered Ballot Pool and to vote online.

Texas RE Standards staff supports and participates in the NERC Standards Committee and Regional Reliability Standards Working Group and has contributed to the 2010-2012 NERC Work Plan. The Texas RE Standards Coordinator was nominated and accepted into the NERC Communications and Planning Subcommittee of the NERC Standards Committee. In addition, the Texas RE staff reviews draft reliability standards from NERC and other regions, and staff from other Regional Entities reviews draft Texas RE regional standards.

---

In general, Texas RE works to ensure that stakeholders have the most current and accurate information on regional and continent-wide reliability standards. Texas RE informs stakeholders of the impact and requirements of emerging NERC standards through training at Texas RE workshops and through other means including bi-monthly newsletters and email list announcements. Procedures, forms, meetings, minutes, notes, agendas, drafts, etc., for all regional activities associated with standards are posted in a timely fashion on the Texas RE website. Market notices on major topics and upcoming meetings are sent regularly to Texas RE email lists. Articles on reliability standards topics are included in the bi-monthly Texas RE newsletter.

Other functions performed by the Texas RE Standards staff (cooperating with other Texas RE functions) include:

- Monitor NERC and FERC standards-related activities and communicate relevant actions to other Texas RE employees as well as registered entities in the ERCOT region;
- Monitor the ERCOT Protocol and Operating Guide revision process and the PUC rule revision process to identify and react to proposals that have the potential to affect the reliability of the BPS;
- Provide timely information regarding Texas RE standards development activities to other interested parties in the region, including various ERCOT stakeholder committees.

### **2011 Key Assumptions**

- Regional standards workflow will generally remain constant, with no more than four (4) new SARs being developed during 2010, but will include integration of the impacts of the reassignment of requirements currently assigned to the Regional Reliability Organization (RRO).
- Standards program staffing is complete with two principal employees (one of whom spend some time supporting the Membership Forum program) and other shared employees, equating to 1.97 full time equivalent employees (FTEs) to perform the functions described above.
- The Standards program will enhance its outreach to stakeholders through additional announcements, newsletters, and enhancement of its training programs.
- As a voting member of NERC, Texas RE will be able to fully and independently participate in NERC standards activities. Standards staff will continue to support NERC in its continent-wide standards development efforts and will coordinate NERC standards participation in the ERCOT region, including reviewing issues and providing recommendations regarding commenting and voting in the NERC process. A stakeholder subcommittee may be formed to assist with this work.
- National standards projects will increase, in response to FERC Order 693, other FERC directives, and the need to review all standards every five years.
- Texas RE Standards staff will participate in additional NERC training to improve their effectiveness, including training in improving the quality of reliability standards, facilitation, negotiation, project management, and leadership.
- Travel will increase in 2011 to meet goals of increasing participation in NERC and other regional committees and subcommittees, additional training, meeting with NERC/FERC

---

relating to specific standard development projects, and increasing local travel related to interactions with stakeholders and regulators.

- Texas RE will host a number of standards-related meetings, including monthly RSC meetings, standard drafting team meetings and regional standard workshops in 2011.

### **2011 Goals and Key Deliverables**

The goals of the Reliability Standards Program for 2011 are as follows:

1. Meet all FERC and NERC directives with regard to regional standards development and procedures and maintain effective relationships and communications with the standards staff at NERC and the other Regional Entities.
2. Develop regional standards program communications that educate and inform stakeholders and support the Texas RE Standards Development program objectives.
3. Integrate the impacts of the anticipated reassignment of requirements currently assigned to the RRO.
4. Work closely with NERC and registered entities within the Texas RE footprint to develop regional standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain regional variances; and otherwise address issues that are not adequately addressed in NERC Reliability Standards (such as improving fill-in-the-blank requirements).
5. Facilitate Texas RE participation in NERC standards development activities. Prepare recommendations for voting on NERC ballots based on internal review and analysis and on input from stakeholders in the region.
6. Streamline and improve Texas RE's Standards Development Process and associated tools, including consideration of the results-based standards development methodology.
7. Consider developing an expedited process for standard development projects that do not require significant technical effort.
8. Participate and be actively involved in various NERC Reliability Standards programs and related functions.
9. Continue to enhance communication to and education of the registered entities to ensure adequate representation on the Registered Ballot Body.

To implement these goals, Texas RE Standards staff plans to lead the RSC in developing a mechanism to provide for more comprehensive review and comment on existing and proposed NERC standards, such as by forming a NERC Standards Review Subcommittee. Such a subcommittee could provide input to Texas RE in connection with Texas RE's vote on NERC Standards ballots, and it will provide a forum for stakeholder discussion of standards-related issues and for preparing group comments for submission to NERC.

The BAL-001-TRE-1 Standard Drafting Team continues its work to satisfy the FERC directive to develop a primary frequency response mechanism in a regional standard, by translating certain requirements in ERCOT Protocol section 5.9 into a regional standard format. The team has gone beyond the specific order of the directive by developing an enhanced primary frequency response standard and metric. The team has developed a quantitative performance metric for individual generating units, which has received substantial attention at the national level.



---

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources**

- Funding received for this activity is through assessment income and Texas RE membership dues, which fully funds total expenses and fixed asset requirements.

**Personnel Expenses**

- Headcount is decreasing approximately .09 FTEs, which brings the total to 1.97 FTEs for Reliability Standards. Despite the adjustments in staff, there has been a base increase of \$71K for personnel expenses due to the mix of personnel who perform standards-related work.

**Meeting Expenses**

- It is expected that Texas RE will host several regional standards related meetings, including RSC meetings, standard drafting team meetings and workshops in 2011, resulting in the addition of \$3K in costs for these activities.
- Travel will increase for the Reliability Standards activity. With the volume of NERC related meetings, standard drafting team meetings and training, the travel costs associated with those meetings will be higher by \$3K year-over-year.

**Operating Expenses**

- Operating Expenses are decreasing year-over-year by almost \$9K due to a reduction in Professional Services costs.
- The budget for Consultants & Contracts in 2011 is for costs associated with the use and maintenance of the Standards Tracking System, which provides standards development information, ballot body membership, and commenting and voting functionality for the Reliability Standards area. The same amount (\$10K) was included in Professional Services in 2010.
- In 2010, professional dues were reflected under Miscellaneous, totaling less than \$1K. In 2011, that expense was reclassified to Office Costs.

**Indirect Expenses**

- The indirect expenses for 2011 are budgeted at \$154K, which reflects a decrease of \$75K year-over-year due to lower administrative services costs. The higher costs in 2010 are attributed to non-recurring start-up costs that were paid in 2010.

**Other Non-Operating Expenses**

- N/A

**Fixed Asset Additions**

- There are capital costs for software revisions to the Reliability Standards Tracking System. Those revisions are associated with implementing Texas RE's revised ballot body structure.

## Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Standards</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>Texas RE Funding</b>					
Texas RE Assessments	\$ 561,400	\$ 561,400	\$ -	\$ 495,484	\$ (65,916)
Penalty Sanctions	-	-	-	1,033	1,033
<b>Total Texas RE Funding</b>	<b>\$ 561,400</b>	<b>\$ 561,400</b>	<b>\$ -</b>	<b>\$ 496,517</b>	<b>\$ (64,883)</b>
Membership Dues	-	-	-	1,420	1,420
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 561,400</b>	<b>\$ 561,400</b>	<b>\$ -</b>	<b>\$ 497,938</b>	<b>\$ (63,462)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 184,729	\$ 168,201	\$ (16,528)	\$ 236,012	\$ 51,283
Payroll Taxes	14,901	13,900	(1,001)	20,967	6,066
Benefits	20,489	18,981	(1,508)	26,697	6,209
Retirement Costs	26,697	25,173	(1,524)	34,222	7,524
<b>Total Personnel Expenses</b>	<b>\$ 246,816</b>	<b>\$ 226,255</b>	<b>\$ (20,561)</b>	<b>\$ 317,898</b>	<b>\$ 71,082</b>
<b>Meeting Expenses</b>					
Meetings	\$ 400	\$ 314	\$ (86)	\$ 3,700	\$ 3,300
Travel	6,824	6,079	(745)	9,987	3,163
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 7,224</b>	<b>\$ 6,393</b>	<b>\$ (831)</b>	<b>\$ 13,687</b>	<b>\$ 6,463</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Office Rent	-	-	-	-	-
Office Costs	480	480	-	930	450
Professional Services	18,824	18,824	-	-	(18,824)
Miscellaneous	615	615	-	-	(615)
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 19,919</b>	<b>\$ 19,919</b>	<b>\$ -</b>	<b>\$ 10,930</b>	<b>\$ (8,989)</b>
<b>Total Direct Expenses</b>	<b>\$ 273,959</b>	<b>\$ 252,567</b>	<b>\$ (21,392)</b>	<b>\$ 342,515</b>	<b>\$ 68,557</b>
<b>Indirect Expenses</b>	<b>\$ 228,439</b>	<b>\$ 228,439</b>	<b>\$ -</b>	<b>\$ 153,911</b>	<b>\$ (74,529)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 502,398</b>	<b>\$ 481,006</b>	<b>\$ (21,392)</b>	<b>\$ 496,426</b>	<b>\$ (5,972)</b>
<b>Change in Assets</b>	<b>\$ 59,002</b>	<b>\$ 80,394</b>	<b>\$ 21,392</b>	<b>\$ 1,512</b>	<b>\$ (57,490)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	10,000	10,000
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (10,000)</b>	<b>\$ (10,000)</b>
Allocation of Fixed Assets	\$ (59,002)	\$ (59,002)	-	8,488	\$ 67,490
<b>Change in Fixed Assets</b>	<b>(59,002)</b>	<b>(59,002)</b>	<b>-</b>	<b>(1,512)</b>	<b>57,490</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 0</b>	<b>\$ 21,392</b>	<b>\$ 21,392</b>	<b>\$ (0)</b>	<b>\$ (0)</b>

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b>			
(in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	21.74	29.12	7.38
Direct Expenses	\$ 3,465,857	\$ 4,991,215	\$ 1,525,358
Indirect Expenses	\$ 2,409,652	\$ 2,275,064	\$ (134,588)
Inc(Dec) in Fixed Assets	\$ 870,720	\$ (124,220)	\$ (994,940)
Total Funding Requirement	\$ 6,746,229	\$ 7,142,058	\$ 395,829

### Program Scope and Functional Description

Texas RE's Compliance Monitoring and Enforcement and Organization Registration and Certification Program includes the key activities of registering (and where required, certifying) responsible entities, monitoring and assessing compliance with the NERC Reliability Standards and regional standards, and enforcing and ensuring mitigation of violations of Standards in accordance with NERC ROP. The primary monitoring and assessment methods include audits, self-reports, self-certifications, complaints, spot checks, compliance analyses/investigations, exception reporting and data submittals. Texas RE's substantially increased CIP activities during 2011- 2013 will have the most impact on this program. Texas RE had only one Table 1 CIP entity in 2010, and 40 registered entities are planned to become audibly compliant for the first time in 2011. These CIP activities are expected to further expand in 2012 and 2013 as Version 4 of the CIP standards is expected to further increase the number of registered entities with Critical Cyber Assets (CCAs) from the current CIP-002 risk-based methodology. Additionally, there will be a modest increase in 2011 due to start up and training costs for the expanded Nuclear standards. Full impact will not be felt until 2012 when the new standards begin to be audited.

### 2011 Key Assumptions

#### Organization Registration and Certification

- Texas RE will expend significant additional resources identifying, surveying, and mapping non-registered entity transmission and generation assets, including those of industrial facilities in the region.
- The amount of registration maintenance and review efforts will remain at least at 2010 levels.
- Texas RE will improve the timeliness of its registration activities and communications with stakeholders.

- 
- Significant Joint Registration Organizations (JROs) workload will continue, for maintenance of the existing JROs and Coordinated Functional Registrations (CFRs) and for facilitation of potential new JROs and CFRs.
  - No registration disputes are budgeted for 2011.
  - Significant additional time and resources will be expended communicating with owners of and analyzing and registering (and certifying, where needed) new transmission assets being planned and constructed as part of the Competitive Renewable Energy Zone (CREZ) transmission line projects in the ERCOT region. The Texas RE and NERC Portals should be fully functional and supporting electronic registration of new entities, revised entity information, and reporting of registration information to NERC by early 2011.
  - The number of registered functions is expected to continue to increase in 2011.

#### Compliance Monitoring

- 22 non-CIP (693) on-site audits and 30 non-CIP (693) table-top audits will be performed in 2011.
- The time to perform the 693 on-site and table-top audits will continue to increase due to an increase in depth and complexity (including the addition of new standards such as the five new MOD Standards).
- CIP related audits will be added to the 2011 audit schedule as most registered entities become auditably compliant.
- 14 on-site CIP audits will be performed of registered entities with declared critical assets. The on-site CIP audit is expected to require twice the time of a typical 693 on-site audit (net increase of 13).
- Six (6) table-top CIP audits will be performed of registered entities with no declared critical assets (net increase of 6).
- The audit group will provide scheduling and coordination of the CIP audits.
- The audit group will schedule and coordinate CIP audits.
- The audit group will also provide auditor support for each CIP audit.
- Each compliance auditor and investigator will be required to attend high priority NERC auditor and investigation training.
- A single Texas RE auditor will become qualified in accordance with the NRC-NERC MOU to conduct compliance monitoring of GOs/GOPs with nuclear holdings (per Order No. 706B) and support the NERC-led development of the nuclear auditing program.
- The number of non-CIP spot checks will be increased by 10% in conjunction with the risk-based approach to auditing.
- Modifications to the program will need to be made to support the changes to the NERC ROP that are in the process of being made.
- The compliance investigators will support one significant compliance investigation triggered by system events and eight compliance reviews following lesser events.
- Self-reported violations for CIP are expected to surpass those from the non-CIP (693) standards in 2011, but are not estimated to exceed 24.

- 
- The number of self-reports and complaints for non-CIP standards will be similar to 2010.
  - The work required for self-certifications is expected to increase as the CIP standards (and other newly applicable standards) are included for 2011.
  - Compliance investigations associated with events and disturbances are expected to increase, including additional investigations for CIP-related events.
  - Texas RE's Technical Feasibility Exceptions (TFE) evaluation and analysis workload will continue at the same level and will not expand in scope based on the assumption that as old TFEs are processed and closed new TFEs will continue to be created. Due to the uncertainty of the impact of version 4 of the CIP standards, no resources are planned to be added to address a possible influx of new TFEs related to the standards change.
  - TFE approvals will result in on-going compensating measure validation checks, quarterly and yearly reporting tracking and change management of TFEs.

### Compliance Enforcement

- The number of possible violations will continue to increase in 2011 as it has in 2010 (8 violations from January – April 2009 and 24 possible violations from January – April 2010).
- The volume of enforcement work for settlements will continue to increase, and the majority of alleged violations will continue to be handled through the settlement process.
- Targeted, aggressive enforcement will be used for those matters posing the most risk to the BPS.
- One large or two small to medium enforcement matters will be contested.
- Texas RE will continue to expend significant time coordinating with NERC and other Regional Entities to improve consistency in processing violations and applying penalties for registered entities.
- Texas RE staff will primarily draft and provide additional assistance to NERC regarding Notices of Penalty.
- Texas RE will work with NERC to develop new streamlined mechanisms to expedite minor administrative violations.

### Data Management and Reporting

- The level of compliance and enforcement data required to be tracked and number of reports requiring creation will continue to increase as the volume of audits, investigations, and enforcement actions increases.
- Records management efforts will continue and increase as additional audits, investigations, self-certifications, self-reports, and enforcement actions are processed and the volume of records continue to increase – particularly for the new CIP data.

---

## 2011 Goals and Key Deliverables

### Organization Registration and Certification

- Continue to register and certify entities in accordance with Texas RE procedures and the NERC ROP, and improve the timeliness of the registrations and communications with stakeholders.
- Continue to work with NERC and other Regional Entities to improve consistency in performing registration and certification of registered entities.
- Perform surveys and analyses to identify all significant non-registered transmission and generation assets of industrial and other large facilities in the ERCOT region.
- Efficiently analyze and register new transmission assets planned and constructed as part of the CREZ transmission line project and plan for any required certifications.
- Work with the other Regional Entities and NERC on the NERC functional mapping project.

### Compliance Monitoring

- Continue to schedule and perform the audit program in accordance with Texas RE procedures and the NERC ROP.
- Perform formal, in depth, compliance audits on a one-year cycle for the RC/BA function, on a three-year cycle for the TOP function, and on a six-year cycle for all other registered functions.
- Implement the anticipated changes to the NERC ROP
- Schedule and perform an increased number of spot-checks in accordance with Texas RE procedures and the NERC Rules of Procedure.
- Continue to work with NERC and other Regional Entities to improve consistency in performing audits of registered entities.
- Continue to efficiently process all self-reports to timely either refer possible violations to enforcement or promptly notify the entity if no violation exists.
- Complete compliance investigations of events and disturbances in accordance with Texas RE procedures and the NERC ROP but in a more timely manner.
- Collaborate with NERC to enhance registered entities understanding of the requirements, capture lessons learned from assessments and enforcement actions, and reduce errors in self-reports.
- Efficiently create, communicate, distribute, review, and analyze annual self-certifications for all registered functions.

### Technical Feasibility Exceptions (TFEs)

- TFEs will be timely evaluated and processed
  - Approved TFEs will be validated and closed when completed, and otherwise tracked and tested while remaining open.
-

Compliance Enforcement

- Review and process or dismiss all possible and alleged violations in a more timely fashion, to enhance visibility of penalties.
- Manage all settlements and contested cases to completion, as efficiently as possible.
- Coordinate with and provide assistance to Legal on settlements, appeals and contested cases.
- Continue to review and verify completion of mitigation plans in accordance with the NERC ROP but in a more timely fashion.
- Use targeted, aggressive enforcement for the violations posing the most risk to the BPS.
- Prosecute all contested enforcement matters and appeals.
- Work with NERC and other Regional Entities to streamline mechanisms to expedite minor, administrative violations and look to gain more discretion to handle the minor violations which pose no threat to the BPS.

Data Management and Reporting

- Improve the consistency and timeliness of the tracking of all compliance and enforcement data to enable review by and report creation for compliance and enforcement staff, management, the Board, and NERC.
- Continue records management efforts to include additional data and information and improve efficiency of data access and reporting.
- Assist Information Technology group with the preparation for and implementation of new document management software.

---

---

## Funding Sources and Requirements — Explanation of Increase (Decrease)

### Funding Sources

- Funding received for this activity is through assessment income and fully funds total expenses and fixed asset requirements.

### Personnel Expenses

- Headcount is increasing approximately 7.38 FTEs, which brings the total to 29.12 FTEs for this activity. Only 3.0 new positions are requested to accommodate this increase, resulting in increased personnel costs of \$390K. The other 4.38 FTEs are being reassigned from non-statutory activities to accommodate increased statutory workloads, resulting in increased statutory cost of \$647K. (Texas RE will no longer be performing non-statutory activities, except those described in the non-statutory Activities Section of this document.) Finally, there is approximately \$250K in merit, promotion, and benefits increases included in the 2011 budget.

### Organization Registration and Certification

- In 2010, Texas RE required approximately one (1) FTE dedicated to performing non-statutory activities. In 2010, the headcount for Organization Registration and Certification was 1.69 FTEs. In 2011, the total headcount requirements are 2.69 FTEs, which includes the FTE that will be utilized to assist with additional statutory work requirements and to improve efficiency and timeliness of registration processing and communications.
  - Significant resources will be required to identify, survey, map, and register, if required, non-registered entity transmission and generation assets, specifically including those of industrial facilities in the region.
  - Additional surveys and mapping of the registered entities' functions will be required to ensure no gaps, on an on-going basis.
  - Resources will be required in 2011 for the review of, communications with, and registration of the CREZ transmission companies, as well as for planning of potential certification reviews.

### Compliance Monitoring

- In 2010, the number of dedicated auditors to the 693 on-site and table-top audits was 8.87. In 2011, the number of dedicated auditors will be 10.37. The increase is a result of the following:
  - The time to perform the 693 on-site and table-top audits will continue to increase due to an increase in depth and complexity.
  - Approximately 20% more requirements will be included in non-CIP compliance audits in 2011. This is a result of various standards being added to the list of audited actively monitored standards.
- In 2010, Texas RE required 3.5 FTEs to perform CIP compliance activities including Technical Feasibility Exception (TFE) processing. In 2011, the number of FTEs will increase by 2.5, for a total of 6.0 FTEs for this activity.



- 
- 14 of the CIP audits will be on-site and require one week on-site, and one week off-site to complete as compared to three to four days for a non-CIP on-site audit.
  - There are 43 requirements that have multiple sub-requirements that will be addressed in each on-site CIP audit.
  - Six (6) table-top CIP audits will be performed of registered entities with no declared critical assets.
  - In 2010, Texas RE required approximately 3.4 FTEs dedicated to perform the remainder of the Compliance Monitoring (excluding all audits). In 2011, Texas RE will require 4.78 FTEs, which is an increase of 1.38 FTEs.
    - The workload associated with event analyses and subsequent compliance reviews and compliance investigations is increasing with NERC's emphasis on expanding this area. Staff increases will allow for increased numbers of evaluations of disturbances and events in a more timely fashion.
    - The overall time to perform an individual event review and subsequent compliance review shall remain the same even though no non-statutory component of the review will be performed in 2011. 100% of this time in 2011 will be allocated to statutory.
    - Over the next three years, NERC has planned to increase the number of required spot-checks by 10%. Texas RE is expecting to increase the number of required spot-checks by approximately 10% as well.
    - The number of self-reported violations will continue to increase and require additional validation work. Many of the self-reports are expected to be related to the CIP Reliability Standards as almost all the registered entities will be required to be "Auditably Compliant" in 2011. In 2010, only one registered entity must be "Auditably Compliant".

#### Compliance Enforcement

- In 2010, Compliance Enforcement had 4.28 FTEs for this activity. Texas RE will require one (1) additional FTE for Compliance Enforcement, bringing the total headcount for this activity to 5.28 FTEs. This additional headcount is to process the increased NERC Violations in 2011, based upon current violation trends. The number of violations resulting from audits and self-reports has increased this year and there is an expectation that this trend will also be seen in 2011. Texas RE will also spend additional time processing each NERC violation than assumed in the 2010 budget. An additional 20 hours per violation has been budgeted for 2011. Most entities with alleged violations have requested settlement negotiations. Settlement takes more Texas RE enforcement staff time than the Notice of Alleged Violation process. Texas RE staff will now primarily draft and provide more assistance regarding the Notices of Penalty. Additional hours will be required to draft disposition documents to support Notice of Penalties.

### Meeting Expenses

- Texas RE does not expect to host NERC sponsored, or workgroup meetings in 2011 for Compliance, Organization Registration, and Certification activities, resulting in a reduction in budget of \$4K year-over-year.
- Travel will increase for Compliance, Organization Registration, and Certification activities. There is approximately \$68K in increased travel related to CIP audits. This will be the first year with significant CIP audit activity in Texas RE's region. The remaining increase of \$22K is associated with longer duration onsite audits, as well as increased participation at NERC sponsored meetings, workgroups and training.

### Operating Expenses

- Consultants and contracts reflect approximately \$257K for hosting and maintenance of compliance applications and recruitment. In 2010, these costs were included as part of professional services.
- Office costs are increasing \$2K year-over-year related to additional professional dues, audit supplies, and telephone expenses.
- Professional services in 2010 included hosting and maintenance of compliance applications (mentioned under consulting & contracts above) in 2010, and these amounts are being reclassified to consultants and contracts in 2011. The expenses, which are budgeted in 2011, under professional services, are approximately \$295K, for outside legal expenses related to enforcement and registration activities.
- In 2010, miscellaneous expenses included dues and training. In 2011, dues have been reclassified to office costs, and training is being reclassified as part of employee benefits.
- Depreciation expense attributed to the compliance applications and additional enhancements are causing the depreciation expense to increase \$43K year-over-year.

### Indirect Expenses

- The indirect expenses for 2011 are budgeted at \$2,275K, which reflects a decrease of \$135K year-over-year due to lower administrative services costs. The lower costs for administrative services are attributed to non-recurring start-up costs paid in 2010.

### Other Non-Operating Expenses

- N/A

### Fixed Asset Additions

- There are capital costs for software revisions to compliance applications, such as the compliance portal that are being reflected under this activity.

## Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Compliance and Organization Registration and Certification</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>Texas RE Funding</b>					
Texas RE Assessments	\$ 6,746,229	\$ 6,746,229	\$ -	\$ 7,105,792	\$ 359,563
Penalty Sanctions	-	-	-	15,270	15,270
<b>Total Texas RE Funding</b>	<b>\$ 6,746,229</b>	<b>\$ 6,746,229</b>	<b>\$ -</b>	<b>\$ 7,121,062</b>	<b>\$ 374,833</b>
Membership Dues	-	-	-	20,996	20,996
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 6,746,229</b>	<b>\$ 6,746,229</b>	<b>\$ -</b>	<b>\$ 7,142,058</b>	<b>\$ 395,829</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,037,418	\$ 1,855,130	\$ (182,288)	\$ 2,942,088	\$ 904,671
Payroll Taxes	161,372	150,533	(10,839)	260,251	98,879
Benefits	221,580	205,272	(16,308)	367,508	145,928
Retirement Costs	289,434	272,907	(16,527)	426,603	137,169
<b>Total Personnel Expenses</b>	<b>\$ 2,709,803</b>	<b>\$ 2,483,841</b>	<b>\$ (225,962)</b>	<b>\$ 3,996,450</b>	<b>\$ 1,286,647</b>
<b>Meeting Expenses</b>					
Meetings	\$ 4,000	\$ 3,144	\$ (856)	\$ -	\$ (4,000)
Travel	154,664	137,770	(16,894)	245,078	90,413
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 158,664</b>	<b>\$ 140,914</b>	<b>\$ (17,750)</b>	<b>\$ 245,078</b>	<b>\$ 86,413</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 256,957	\$ 256,957
Office Rent	-	-	-	-	-
Office Costs	12,062	12,062	-	14,480	2,418
Professional Services	428,660	428,660	-	294,500	(134,160)
Miscellaneous	15,561	15,561	-	-	(15,561)
Depreciation	141,107	141,107	-	183,750	42,643
<b>Total Operating Expenses</b>	<b>\$ 597,389</b>	<b>\$ 597,389</b>	<b>\$ -</b>	<b>\$ 749,687</b>	<b>\$ 152,297</b>
<b>Total Direct Expenses</b>	<b>\$ 3,465,857</b>	<b>\$ 3,222,144</b>	<b>\$ (243,712)</b>	<b>\$ 4,991,215</b>	<b>\$ 1,525,358</b>
<b>Indirect Expenses</b>	<b>\$ 2,409,652</b>	<b>\$ 2,409,652</b>	<b>\$ -</b>	<b>\$ 2,275,064</b>	<b>\$ (134,588)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 5,875,509</b>	<b>\$ 5,631,796</b>	<b>\$ (243,712)</b>	<b>\$ 7,266,279</b>	<b>\$ 1,390,770</b>
<b>Change in Assets</b>	<b>\$ 870,720</b>	<b>\$ 1,114,433</b>	<b>\$ 243,712</b>	<b>\$ (124,220)</b>	<b>\$ (994,940)</b>
<b>Fixed Assets</b>					
Depreciation	(141,107)	(141,107)	-	(183,750)	(42,643)
Computer & Software CapEx	374,237	427,753	53,516	185,000	(189,237)
Furniture & Fixtures CapEx	15,215	17,391	2,176	-	(15,215)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	0
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (248,345)</b>	<b>\$ (304,036)</b>	<b>\$ (55,692)</b>	<b>\$ (1,250)</b>	<b>\$ 247,095</b>
Allocation of Fixed Assets	\$ (622,375)	\$ (622,375)	-	125,470	747,846
<b>Change in Fixed Assets</b>	<b>(870,720)</b>	<b>(926,411)</b>	<b>(55,692)</b>	<b>124,220</b>	<b>994,940</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ 188,021</b>	<b>\$ 188,021</b>	<b>\$ 0</b>	<b>\$ (0)</b>

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessments and Performance Analysis</b>			
(in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	2.44	3.18	0.74
Direct Expenses	\$ 290,095	\$ 494,790	\$ 204,695
Indirect Expenses	\$ 270,464	\$ 248,444	\$ (22,020)
Inc(Dec) in Fixed Assets	\$ 69,857	\$ (13,702)	\$ (83,559)
Total Funding Requirement	\$ 630,416	\$ 729,533	\$ 99,117

### Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis ("RAPA") program provides input to seasonal and long-term reliability assessments for the adequacy of resources and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system events and disturbances that impact the ERCOT region BPS. In addition to support for these assessments and analyses, Texas RE will continue to participate with NERC in ongoing work to evaluate risk and severity from reliability performance, measure progress in improving current reliability and track leading indicators of future reliability. This program will ensure that data is collected from registered entities, reviewed, analyzed, and provided as input to NERC's detailed databases measuring the ongoing reliability performance of generation, transmission and demand response. RAPA also identifies and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency ("HILF") events, industry trends, or proposed public policy measures. Special reliability assessments on the effects to reliability of the BPS from specific issues or situations are developed based on an industry-based risk assessment and emerging initiatives. Event analyses will determine causative factors for system disturbances as well as best practices used in preparing or recovering from them. Texas RE will assist NERC and the other Regional Entities in disseminating these insights to industry.

### 2011 Key Assumptions

Texas RE RAPA program will:

- Provide independent reviews of reliability assessments for the ERCOT region and assist NERC in its overall development of the long-term, winter and summer assessments, along with the post-seasonal reviews and probabilistic risk study
- Along with other Regional Entities, gather data or perform analysis in support of federal initiatives related to the stimulus package, critical infrastructure protection to include high impact/low frequency (HILF), climate change, environmental regulations, and/or renewable energy initiatives
- Support the Transmission Adequacy Data System ("TADS") along with the new Demand response data system ("DADS") collection, which is mandatory in 2011

- 
- Participate in metric development, collection, and analysis with industry stakeholders through the Reliability Metrics Working Group (“RMWG”)
  - Support for two special reliability assessment initiatives in 2011 under NERC direction
  - Review and analyze system events and disturbances for lessons learned and system trends, in accordance with new process developments underway at NERC in 2010. The overall volume of events reviewed is expected to be similar to 2010.

### **2011 Goals and Key Deliverables**

- Provide ERCOT regional input to NERC reliability assessment reports:
  1. One 10-year long-term reliability assessment
  2. Two pre-seasonal assessments: summer and winter
  3. Two post-seasonal operational assessments: winter and summer
  4. One annual risk/severity and reliability metrics report, including overall system risk and violation risk analysis
  5. Additional reports for special assessments addressing key reliability issues, industry reliability concepts and emerging issues
- Evaluate, track, and assess severity/risk and reliability metrics and risk indices – including the maintenance of online reliability metrics and risk indices.
- Administer the Transmission Availability Data System (TADS) and launch the Demand response Availability Data System (DADS) within the ERCOT region
- Represent the ERCOT region on a reliability assessment and performance analysis team to review regional reliability assessment processes, criteria, and methods improving consistency and leveraging practices
- Participate in NERC and regional working groups such as the Reliability and Assessment Subcommittee (RAS) and other committees as needed to monitor and provide input on regional planning activities
- Timely review and analyze all events and system disturbances for lessons learned and system trends, including but not limited to Department of Energy and NERC reportable events, Emergency Electric Alert (EEA) implementation, special protection system activation, equipment outages and failures, underfrequency and undervoltage relay operation, and any failure to meet NERC requirements related to frequency control or transmission security

---

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources**

- Funding received for this activity is through assessment income and fully funds total expenses and fixed asset requirements.

**Personnel Expenses**

- Reliability Assessments and Performance Analysis headcount is increasing by .74 FTEs. The additional .74 FTEs are needed to facilitate more independent Texas RE involvement in regional reliability assessment development along with NERC's plans for additional data collection, special assessments and reliability metrics. The increase is resulting in a budget impact to the Reliability Assessments and Performance Analysis activity personnel expenses of \$167K. Finally, there is \$30K in merit and benefits increases in the proposed 2011 budget.

**Meeting Expenses**

- Travel will increase for Reliability Assessments and Performance Analysis activities. The expanded responsibilities of this activity are necessitating the increase in the travel budget by \$8K. This is to accommodate the travel for RAS, RMWG and related committees and stakeholder meetings, increased workflow requirements, as well as the participation at NERC sponsored meetings, workgroups and training.

**Operating Expenses**

- In 2010, miscellaneous expenses included training costs. In 2011, training is being reclassified as part of employee benefits and therefore that expense is reflected in a different area.

**Indirect Expenses**

- The indirect expenses for 2011 are budgeted at \$248K, which reflects a decrease of \$22K year-over-year due to lower administrative services costs. The lower costs for administrative services are attributed to non-recurring start-up costs paid in 2010.

**Other Non-Operating Expenses**

- N/A

**Fixed Asset Additions**

- There is only an allocation of fixed assets for corporate applications associated with this activity.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>Texas RE Funding</b>					
Texas RE Assessments	\$ 630,416	\$ 630,416	\$ -	\$ 725,572	\$ 95,156
Penalty Sanctions	-	-	-	1,668	1,668
<b>Total Texas RE Funding</b>	<b>\$ 630,416</b>	<b>\$ 630,416</b>	<b>\$ -</b>	<b>\$ 727,240</b>	<b>\$ 96,824</b>
Membership Dues	-	-	-	2,293	2,293
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 630,416</b>	<b>\$ 630,416</b>	<b>\$ -</b>	<b>\$ 729,533</b>	<b>\$ 99,117</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 217,004	\$ 197,588	\$ (19,415)	\$ 361,177	\$ 144,174
Payroll Taxes	17,187	16,032	(1,154)	32,136	14,949
Benefits	23,632	21,892	(1,739)	40,421	16,789
Retirement Costs	30,793	29,035	(1,758)	52,371	21,578
<b>Total Personnel Expenses</b>	<b>\$ 288,615</b>	<b>\$ 264,548</b>	<b>\$ (24,067)</b>	<b>\$ 486,105</b>	<b>\$ 197,490</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	806	718	(88)	8,685	7,879
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 806</b>	<b>\$ 718</b>	<b>\$ (88)</b>	<b>\$ 8,685</b>	<b>\$ 7,879</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	673	673	-	-	(673)
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 673</b>	<b>\$ 673</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (673)</b>
<b>Total Direct Expenses</b>	<b>\$ 290,095</b>	<b>\$ 265,939</b>	<b>\$ (24,155)</b>	<b>\$ 494,790</b>	<b>\$ 204,695</b>
<b>Indirect Expenses</b>	<b>\$ 270,464</b>	<b>\$ 270,464</b>	<b>\$ -</b>	<b>\$ 248,444</b>	<b>\$ (22,020)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 560,559</b>	<b>\$ 536,404</b>	<b>\$ (24,155)</b>	<b>\$ 743,234</b>	<b>\$ 182,675</b>
<b>Change in Assets</b>	<b>\$ 69,857</b>	<b>\$ 94,012</b>	<b>\$ 24,155</b>	<b>\$ (13,702)</b>	<b>\$ (83,559)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (69,857)	\$ (69,857)	\$ -	13,702	\$ 83,559
<b>Change in Fixed Assets</b>	<b>(69,857)</b>	<b>(69,857)</b>	<b>-</b>	<b>13,702</b>	<b>83,559</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ 24,155</b>	<b>\$ 24,155</b>	<b>\$ -</b>	<b>\$ (0)</b>

## Training, Education, and Operator Certification Program

<b>Training, Education and Operator Certification</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.97	1.84	0.87
Direct Expenses	\$ 328,735	\$ 425,510	\$ 96,776
Indirect Expenses	\$ 107,918	\$ 143,754	\$ 35,836
Inc(Dec) in Fixed Assets	\$ 27,874	\$ (7,928)	\$ (35,802)
Total Funding Requirement	\$ 464,526	\$ 561,336	\$ 96,810

### Program Scope and Functional Description

The Texas RE Training, Education, and Operator Certification program provides the education and training necessary to understand and operate the BPS, in accordance with NERC ROP Section 900. In 2011, the Texas RE Training, Education, and Operator Certification program will develop materials for and hold:

- Two (2) full-day Standards and Compliance workshops;
- Two (2) partial day workshops focusing on CIP standards compliance

In addition to the above workshops, Texas RE will also continue to coordinate and facilitate six (6) regular sessions of the Texas RE Operations Training Seminar and will continue to oversee and facilitate the System Operator testing in 2011. The purpose of this seminar is to refresh the understanding of operational fundamentals; introduce changes occurring to operational interfaces, equipment, systems, and processes; address the impact of market processes on system performance and operation; provide an update on compliance and address emerging compliance initiatives; and address emerging issues in performance and system reliability. Texas RE will also continue to administer the System Operator testing process and will coordinate with ERCOT ISO on revision of the ERCOT Fundamentals Training Manual.

The Texas RE Training staff will continue to publish a bi-monthly newsletter, which will include useful compliance and standards-related information, updates about Texas RE and NERC activities, training, procedures, templates, forms, and current reliability-related topics.

Texas RE staff will continue to participate on selected industry sponsored seminars and panels to provide as much information to the industry as possible as well as to receive feedback.

### 2011 Key Assumptions

In 2011, the Texas RE Training, Education, and Operator Certification program assumes the following:



- Texas RE will develop and deliver two (2) full day Standards and Compliance workshops.
- Texas RE will develop and deliver two (2) partial day CIP standards Compliance workshops.
- Texas RE will coordinate and facilitate six sessions of the Texas RE Operations Training Seminar.
- The majority of the external expenses (but not employee time) incurred for the workshops and the Operations Training Seminar will be reimbursed through fees paid by workshop and seminar attendees.
- Texas RE will continue to oversee and facilitate the System Operator testing.
- The Training, Education, and Operator Certification program will remain a fully statutory function.
- Work with compliance staff to create teachable lessons-learned to incorporate into compliance workshops and Operations Training Seminar.
- One Training employee will participate on the NERC-Regional Entity Training and Education Group.

### **2011 Goals and Key Deliverables**

1. Develop two (2) full-day high quality 2011 Standards and Compliance workshops (approximately 125 stakeholders each).
2. Develop and deliver two (2) partial-day high quality CIP workshops.
3. Coordinate and host six (6) sessions of the Texas RE Operations Training Seminar (Three to Four days in length).
4. Create and publish a bi-monthly newsletter to update and educate stakeholders on compliance and standards information.
5. Continue to oversee and facilitate the System Operator testing.
6. Participate in the NERC-Regional Entity Training and Education Group conference calls and meetings.
7. Maintain a database for tracking seminar and workshop participants and feedback, and use this feedback to continue to improve on future seminars and workshops.

---

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources**

- The majority of funding received (62%) for this activity is through assessment income and fully funds total personnel costs, indirect expenses, and fixed asset requirements.
- The remaining funding (38%) is received from attendance fees associated with the workshops and the Operations Training Seminar. These fees are designed to offset all direct workshop and seminar expenses, excluding the above mentioned categories.

**Personnel Expenses**

- Headcount is increasing approximately .87 FTEs, which brings the total to 1.84 FTEs for this activity. The .87 FTEs are being transferred from other activities to accommodate increased workloads, resulting in increased cost of \$87K for this activity. The increased personnel expenses for the additional .87 FTEs are offset by corresponding reductions in other areas. Finally, there is approximately \$15K in merit, promotion, and benefits increases included in the 2011 budget.

**Meeting Expenses**

- Texas RE will need to use outside conference space at an estimated cost of \$30K for all workshops and \$186K for the Operations Training Seminar; however, these costs will be reimbursed to Texas RE through fees paid by attendees.

**Operating Expenses**

- In 2010, employees working in this activity had training budgeted under miscellaneous expenses; however, in 2011, employee training expenses are being reclassified under employee benefits and therefore that expense is reflected in a different area.

**Indirect Expenses**

- The indirect expenses for 2011 are budgeted at \$144K, which reflects an increase of \$36K year-over-year. This activity is attracting additional indirect expense due to the increase in personnel. This is despite an overall reduction to the indirect expense pool for 2011.

**Other Non-Operating Expenses**

- N/A

**Fixed Asset Additions**

- There is only an allocation of fixed assets for corporate applications associated with this activity.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Training and Education</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>Texas RE Funding</b>					
Texas RE Assessments	\$ 284,526	\$ 284,526	\$ -	\$ 343,544	\$ 59,018
Penalty Sanctions	-	-	-	965	965
<b>Total Texas RE Funding</b>	<b>\$ 284,526</b>	<b>\$ 284,526</b>	<b>\$ -</b>	<b>\$ 344,509</b>	<b>\$ 59,983</b>
Membership Dues	-	-	-	1,327	1,327
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	180,000	180,000	-	215,500	35,500
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 464,526</b>	<b>\$ 464,526</b>	<b>\$ -</b>	<b>\$ 561,336</b>	<b>\$ 96,810</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 81,122	\$ 73,864	\$ (7,258)	\$ 155,953	\$ 74,831
Payroll Taxes	6,425	5,993	(432)	13,831	7,406
Benefits	8,834	8,184	(650)	17,311	8,477
Retirement Costs	11,511	10,854	(657)	22,613	11,102
<b>Total Personnel Expenses</b>	<b>\$ 107,893</b>	<b>\$ 98,896</b>	<b>\$ (8,997)</b>	<b>\$ 209,709</b>	<b>\$ 101,816</b>
<b>Meeting Expenses</b>					
Meetings	\$ 220,000	\$ 172,898	\$ (47,102)	\$ 215,500	\$ (4,500)
Travel	-	-	-	301	301
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 220,000</b>	<b>\$ 172,898</b>	<b>\$ (47,102)</b>	<b>\$ 215,801</b>	<b>\$ (4,199)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	842	842	-	-	(842)
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 842</b>	<b>\$ 842</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (842)</b>
<b>Total Direct Expenses</b>	<b>\$ 328,735</b>	<b>\$ 272,635</b>	<b>\$ (56,099)</b>	<b>\$ 425,510</b>	<b>\$ 96,776</b>
<b>Indirect Expenses</b>	<b>\$ 107,918</b>	<b>\$ 107,918</b>	<b>\$ -</b>	<b>\$ 143,754</b>	<b>\$ 35,836</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 436,653</b>	<b>\$ 380,554</b>	<b>\$ (56,099)</b>	<b>\$ 569,264</b>	<b>\$ 132,611</b>
<b>Change in Assets</b>	<b>\$ 27,874</b>	<b>\$ 83,973</b>	<b>\$ 56,099</b>	<b>\$ (7,928)</b>	<b>\$ (35,802)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ (27,874)	\$ (27,874)	-	7,928	\$ 35,802
<b>Change in Fixed Assets</b>	<b>(27,874)</b>	<b>(27,874)</b>	<b>-</b>	<b>7,928</b>	<b>35,802</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ 56,099</b>	<b>\$ 56,099</b>	<b>\$ 0</b>	<b>\$ -</b>

## Situation Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	3.03	2.03	(1.00)
Direct Expenses	\$ 391,907	\$ 283,248	\$ (108,660)
Indirect Expenses	\$ 335,309	\$ 158,598	\$ (176,711)
Inc(Dec) in Fixed Assets	\$ 86,605	\$ (8,747)	\$ (95,352)
Total Funding Requirement	\$ 813,822	\$ 433,099	\$ (380,723)

### Program Scope and Functional Description

This program includes two distinctly unique parts: Situation Awareness and Infrastructure Security. Situation Awareness covers the assessment of the current condition of and threats to the BPS and development and application of situation awareness tools for monitoring the BPS. Infrastructure Security resources participate in the on-going development of CIP standards, improving regional coordination and cooperation of the CIP program, and to support the NERC-led efforts to develop industry alerts and guidance and to support NERC's role as the Electricity Sector – Information Sharing and Analysis Center. (Most of the CIP resources functionally reside in the Compliance, Enforcement and Organizational Registration and Certification Program.)

### 2011 Key Assumptions

- Expansion of the Situation Awareness for FERC, NERC and the Regional Entities ("SAFNR") tool is planned in 2011. Primary effort will be the responsibility of the Reliability Coordinator (RC) in this region, with overall project management and funding arranged by NERC.
- More rigorous utilization and reporting associated with Situation Awareness is planned in 2011.
- The CIP Standards will continue to be modified via the Standards development process which will drive ongoing work load through 2011.

### 2011 Goals and Key Deliverables

- Implement the SAFNR system, train Texas RE personnel on its use and coordinate its application with the RC in the ERCOT region, NERC and FERC.
- Assist NERC, RC and other Regional Entities' staff in conducting drills meant to improve coordination during wide-area system disturbances.
- Assist NERC staff in delivering "lessons learned" outreach to registered entities in 2011.

- Participate in the NERC CIP conference calls and meetings to advance national coordination and cooperation and improve CIP processes and systems.
- Attend NERC CIP training sessions.
- Train 1 employee for Nuclear CIP audits.
- Texas RE will provide support to NERC in the creation of the Nuclear CIP program.

---

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources**

- Funding received for this activity is through assessment income and fully funds total expenses and fixed asset requirements.

**Personnel Expenses**

- Situation Awareness and Infrastructure Security headcount is decreasing by 1.00 FTE. Transfers away from this activity are resulting in a net decrease to personnel expenses \$105K (most work has been shifted to the CMEP program). The transfers are not expected to impact workflow and the following items are expected to be accomplished including the normal activities of this area:
  - Incremental increases in personnel to assist NERC and the RC in the region in coordinating SAFNR system development and to begin enhanced use of the system and
  - Shifting CIP personnel to Compliance activities in 2011.

**Meeting Expenses**

- Travel will decrease \$3K for Situation Awareness and Infrastructure Security. The travel related to the CIP audits is budgeted in the Compliance area. The travel expense budgeted under Situation Awareness and Infrastructure Security is primarily for attending CIP workgroup meetings.

**Operating Expenses**

- In 2010, miscellaneous expenses included training costs. In 2011, training has been reclassified as part of employee benefits and therefore that expense is reflected in a different area.

**Indirect Expenses**

- The indirect expenses for 2011 are budgeted at \$159K, which reflects a decrease of \$177K year-over-year due to lower administrative services costs and fewer personnel, which is the basis of the allocation. The lower costs for administrative services are attributed to non-recurring start-up costs paid in 2010.

**Other Non-Operating Expenses**

- N/A

**Fixed Asset Additions**

- There is only an allocation of fixed assets for corporate applications associated with this activity.

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>Texas RE Funding</b>					
Texas RE Assessments	\$ 813,822	\$ 813,822	\$ -	\$ 430,571	\$ (383,251)
Penalty Sanctions	-	-	-	1,064	1,064
<b>Total Texas RE Funding</b>	<u>\$ 813,822</u>	<u>\$ 813,822</u>	<u>\$ -</u>	<u>\$ 431,636</u>	<u>\$ (382,186)</u>
Membership Dues	-	-	-	1,464	1,464
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ 813,822</u>	<u>\$ 813,822</u>	<u>\$ -</u>	<u>\$ 433,099</u>	<u>\$ (380,723)</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 291,164	\$ 265,113	\$ (26,050)	\$ 209,656	\$ (81,507)
Payroll Taxes	23,060	21,511	(1,549)	18,651	(4,409)
Benefits	31,708	29,374	(2,334)	23,272	(8,436)
Retirement Costs	41,316	38,957	(2,359)	30,400	(10,916)
<b>Total Personnel Expenses</b>	<u>\$ 387,247</u>	<u>\$ 354,955</u>	<u>\$ (32,292)</u>	<u>\$ 281,980</u>	<u>\$ (105,268)</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	4,260	3,795	(465)	1,268	(2,992)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 4,260</u>	<u>\$ 3,795</u>	<u>\$ (465)</u>	<u>\$ 1,268</u>	<u>\$ (2,992)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	400	400	-	-	(400)
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (400)</u>
<b>Total Direct Expenses</b>	<u>\$ 391,907</u>	<u>\$ 359,150</u>	<u>\$ (32,758)</u>	<u>\$ 283,248</u>	<u>\$ (108,660)</u>
<b>Indirect Expenses</b>	<u>\$ 335,309</u>	<u>\$ 335,309</u>	<u>\$ -</u>	<u>\$ 158,598</u>	<u>\$ (176,711)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 727,217</u>	<u>\$ 694,459</u>	<u>\$ (32,758)</u>	<u>\$ 441,846</u>	<u>\$ (285,371)</u>
<b>Change in Assets</b>	<u>\$ 86,605</u>	<u>\$ 119,363</u>	<u>\$ 32,758</u>	<u>\$ (8,747)</u>	<u>\$ (95,352)</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ (86,605)	\$ (86,605)	-	8,747	95,352
<b>Change in Fixed Assets</b>	<u>(86,605)</u>	<u>(86,605)</u>	<u>-</u>	<u>8,747</u>	<u>95,352</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ 32,758</u>	<u>\$ 32,758</u>	<u>\$ 0</u>	<u>\$ -</u>

---

**Administrative Services**

<b>Administrative Services</b> (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	9.26	10.86	1.60
Total Direct Expenses	\$ 3,351,783	\$ 3,057,898	\$ (293,885)
Inc(Dec) in Fixed Assets	\$ 865,713	\$ (164,335)	\$ (1,030,048)
Less: Other Funding Sources	\$ (29,000)	\$ (600)	\$ 28,400
Total Allocation to Statutory Programs as Indirect Expenses	\$ (3,351,783)	\$ (2,983,407)	\$ 368,376
Funding Requirement for Working Capital	\$ 136,947	\$ 127,459	\$ (9,488)

**Methodology for Allocation of Administrative Services Expenses to Programs**

- Texas RE allocates its indirect expenses to the functional areas via a headcount allocation. Each direct activity receives a pro-rata allocation of expense based on its FTEs compared to total FTEs.
- Texas RE maintains the Fines and Penalty money collected and is used to reduce the amount of the assessments to the region.
- Texas RE also makes adjustments to its cash reserve using the General and Administrative (G&A) function.
- Fixed assets that benefit the entire corporation that are not specific to any one activity/function will be allocated based on headcount to all of the direct activities.

---

**Technical Committees and Member Forums**



<b>Technical Committees and Member Forums</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	-	0.50	0.50
Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

Texas RE staff will provide limited administrative support for the Texas RE Member Representatives Committee (MRC) and other membership activities, including the scheduling and coordination of MRC and membership meetings, distribution and posting of meeting materials and minutes, maintenance of applicable areas of the Texas RE website, and facilitation of membership announcements and communications. The MRC is a stakeholder committee, comprised of two representatives from each Sector (except for Sectors with less than two members, which have only one representative), which currently has eleven representatives. The MRC meets at least six times per year (and plans to meet approximately eight times in 2011) to discuss Texas RE business plans, budgets, and funding, and other matters relevant to Texas RE's operations and purpose, including compliance and the reliability of the BPS. The MRC normally meets prior to the Texas RE Board meetings and provides feedback and input to Texas RE staff and Board of Directors. The chair and vice chair of MRC are also on the Texas RE Board. This position is budgeted under G&A to protect the confidentiality of compensation.

### 2011 Key Assumptions

- Texas RE will hold approximately eight MRC meetings and one membership meeting per year
- The MRC will not have a significant number of working groups or subcommittees in 2011
- MRC will review and discuss NERC Event Analysis Lessons Learned, NERC Compliance Application Notices (CANs), and NERC Compliance Analysis Reports
- Texas RE subject matter experts will be available to provide a limited amount of support for compliance and event analysis-related discussions
- Support of the RSC will be from Texas RE Reliability Standards staff
- Membership meetings will only require outside conference meeting space for a maximum of one meeting per year

### 2011 Goals and Key Deliverables

The Goal of the technical committee and member forums program is to coordinate membership registration, voting, and communications, and to provide and facilitate a mechanism for owners, users, and operators of the BPS to communicate, coordinate best practices (including

---

discussions of NERC CANs, Compliance Analysis Reports, and Event Lessons Learned), and provide input to Texas RE staff and the Texas RE Board of Directors.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources

- In 2010, Texas RE funded the primary support for the new Member Representatives Committee and subcommittee activities in the Legal and Regulatory and General & Administrative budget.

#### Personnel Expenses

- There is approximately .50 FTEs for this activity; however, for salary confidentiality purposes the personnel expenses are being accumulated under the G&A activity.

#### Meeting Expenses

- The meeting expenses associated with membership and committees are reflected under the G&A activity as well. These are reflected there for consistency. The revenue and expenses are being contained to one area that will allow appropriate accounting.

#### Operating Expenses

- There are no significant operating expenses for this area.

#### Indirect Expenses

- This is an indirect activity and therefore does not receive an allocation of indirect expense. This activity fully allocates through the G&A activity allocation.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A

## Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2011 business plan are included in General & Administrative.

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Technical Committees and Member Forums					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>Texas RE Funding</b>					
Texas RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total Texas RE Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Indirect Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

---

**General and Administrative**

<b>General and Administrative</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.06	1.71	0.65
Direct Expenses	\$ 2,605,000	\$ 1,143,056	\$ (1,461,943)
Inc(Dec) in Fixed Assets	\$ 170,450	\$ (115,952)	\$ (286,402)
Working Capital Requirement	\$ 136,947	\$ 127,459	\$ (9,488)

**Program Scope and Functional Description**

This activity includes the President and CEO who carries out the general affairs of the Texas RE. A significant amount of the CEO's time is expended for and allocated to CMEP and other operational activities. Additionally, this budget reflects an executive assistant, who provides administrative support and assists in maintaining internal controls (by providing for segregation of duties for procurement, vendor approval and similar activities). A significant portion of the time expended by the G&A staff is expended for and allocated to core activities, including standards, compliance monitoring, enforcement, registration, training, situation awareness, reliability assessment, and performance analysis, training, and other indirect activities. The CEO reports exclusively to the Texas RE Board of Directors. The CEO is responsible for:

1. Overseeing and managing the activities of Texas RE.
2. Making final decisions with respect to non-contested enforcement related to compliance actions for violations of reliability standards.
3. Making employment-related decisions for all employees of Texas RE.
4. Making an annual report and periodic reports to Texas RE's Board concerning the activities and expenditures of Texas RE.
5. Ensuring that Texas RE files all required reports with NERC.
6. Monitoring the expenditures of the monies received by Texas RE to ensure that such are deployed in accordance with the approved Texas RE Budget (in cooperation with the Finance Staff).
7. Retaining or terminating outside counsel or other advisors as deemed appropriate.
8. Performing such other duties as may be determined from time to time by Texas RE's Board, for the benefit of Texas RE.

**2011 Key Assumptions**

- Texas RE will perform all statutory activities in the ERCOT region as the Regional Entity.
- A small portion of non-statutory related work will be required to finalize and assist the PUCT with wrapping-up its monitoring requirements.

- 
- Texas RE will be a separate corporation that is not associated with nor affiliated with ERCOT ISO and does not receive any administrative services from ERCOT ISO.
  - Texas RE total staff will increase from 47 (46 Budgeted in 2010) staff to 50 (40.5 statutory to 49.0 statutory, and 6.5 non-statutory to 1.0 non-statutory).
  - Where possible, all appropriate direct program expenses will be direct costs to the respective program and function. Only corporate services expenses and personnel will remain in administrative services.
  - Members Forum FTEs and expenses are included within this activity due to compensation confidentiality for employees and because Members forum revenue is recorded within the G&A activity. Due to these items being included within, there is no need to break the operating expenses out into the Members Forum activity.

### **2011 Goals and Key Deliverables**

1. Communicate and maintain effective relationships with the Board, industry, regulators, and other stakeholders.
2. Ensure that the new corporation is appropriately staffed and managed to maximize stakeholder value as well as to maintain independence.
3. Effectively manage the NERC Compliance Monitoring and Enforcement Program.
4. Manage Texas RE's Standards Development Process.
5. Establish key performance indicators and benchmarks for Texas RE operations.

---

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources**

- Indirect program costs are allocated to the direct programs.
- Texas RE is expecting to receive \$28K in membership dues in 2011. These dues are used to support the member processes and activities within Texas RE. This funding is allocated to the programs based on Texas RE's allocation method.
- Additionally, Texas RE is reflecting Fines and Penalties expected to be collected before June 30, 2010 of \$20K, which is being used to lower assessments in the region. This funding is allocated to the programs based on Texas RE's allocation method.
- Finally, Texas RE is expecting to earn less than \$1K in interest income that will be used to further reduce assessments in the region.

**Personnel Expenses**

- In 2010, personnel expenses for G&A, Legal, IT, HR, and Finance were all budgeted under the G&A activity to avoid identifying individual employee compensation. However, for 2011, G&A, only reflects the personnel expenses of the G&A activity, HR activity, and Member Forums activities. The budgets for IT, Legal and Finance have all been reclassified to their respective activities for 2011. This is the reason for the \$1,144K decrease in personnel costs. An external relations liaison position was added in July 2010 (this position was not included in the 2010 budget), to support the four new Independent Directors and to provide governmental, external relations, and Legal program support. The HR Manager's salary and benefits are being reflected under G&A to avoid releasing sensitive information about one individual's salary to the broader public.
- The amount of time personnel are performing direct activities related to standards, compliance monitoring, enforcement, registration, training, situation awareness, and reliability assessment and performance analysis, as well as other indirect activities are being appropriately budgeted in those respective areas.

**Meeting Expenses**

- The annual membership meeting cost is being included as a meeting expense under G&A. This is \$6K and is paid for using the membership dues collected. The balance of the expense \$4K is attributed to hosting meetings at Texas RE offices for NERC, workgroup, or employee purposes.
- Travel is increasing \$27K primarily due to added Board related travel expenses included under the G&A budget (board related travel is \$38K, less \$11K in general G&A travel reallocated to direct activities).

**Operating Expenses**

- Consultants and contracts in 2010 included the MOU charges under ERCOT ISO as well as the Board related expenses. In 2011, due to the chart of accounts change with the new company accounting structure, the Board related costs are being reflected under Professional Services. The MOU costs are no longer applicable with the separation of Texas RE from ERCOT ISO.

- 
- Rent expenses are increasing \$135K for two reasons. First, because less non-statutory activities will be performed by Texas RE in 2010, a larger portion of the rent expense will be attributable to statutory activities. The amount of rent charged as non-statutory in 2010 that will be charged as statutory in 2011 is \$80K. The allocation of indirect expenses (which includes rent) to non-statutory activities is based upon the number of FTEs performing non-statutory activities compared to the total number of FTEs. The second reason for the increase is attributed to Texas RE procuring additional space for its current staff, future growth and meeting space. Texas RE does not have enough space for its proposed 2011 headcount. Additionally, the lease is expected to expire December 31, 2010. Therefore, there are reasons to move to new and larger space that will enable Texas RE to operate more effectively and efficiently.
  - Professional services for 2011 reflect an increase in budget of \$146K for the year. This is attributable to the director expenses previously budgeted under consultants and contracts.
  - Miscellaneous expenses are decreasing for 2011 by \$1K for employee training expenses that have been transferred to the benefits category.
  - Depreciation is decreasing in G&A due to declining book values of fixed assets recorded within in prior years.

#### Indirect Expenses

- Indirect program costs are allocated to the direct programs.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- The allocation of fixed assets declined due to 2010 being a start-up year with significant capital purchases due to Texas RE start-up.

## General and Administrative

Funding sources and related expenses for the general and administrative section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>General and Administrative</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>Texas RE Funding</b>					
Texas RE Assessments	\$ 107,947	\$ 107,947	\$ -	\$ 126,859	\$ 18,912
Penalty Sanctions	-	-	-	-	-
<b>Total Texas RE Funding</b>	<u>\$ 107,947</u>	<u>\$ 107,947</u>	<u>\$ -</u>	<u>\$ 126,859</u>	<u>\$ 18,912</u>
Membership Dues	27,000	27,000	-	-	(27,000)
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	2,000	2,000	-	600	(1,400)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ 136,947</u>	<u>\$ 136,947</u>	<u>\$ -</u>	<u>\$ 127,459</u>	<u>\$ (9,488)</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,030,345	\$ 938,160	\$ (92,185)	\$ 161,154	\$ (869,191)
Payroll Taxes	80,036	74,660	(5,376)	13,056	(66,980)
Benefits	102,530	94,984	(7,546)	24,663	(77,867)
Retirement Costs	150,918	142,300	(8,617)	21,311	(129,606)
<b>Total Personnel Expenses</b>	<u>\$ 1,363,829</u>	<u>\$ 1,250,104</u>	<u>\$ (113,725)</u>	<u>\$ 220,184</u>	<u>\$ (1,143,645)</u>
<b>Meeting Expenses</b>					
Meetings	\$ 3,600	\$ 2,829	\$ (771)	\$ 13,100	\$ 9,500
Travel	17,158	15,284	(1,874)	44,094	26,937
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 20,758</u>	<u>\$ 18,113</u>	<u>\$ (2,645)</u>	<u>\$ 57,194</u>	<u>\$ 36,437</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 604,483	\$ 604,483	\$ -	\$ 780	\$ (603,703)
Office Rent	363,900	363,900	-	499,000	135,100
Office Costs	28,830	28,830	-	29,145	315
Professional Services	75,300	75,300	-	220,800	145,500
Miscellaneous	1,350	1,350	-	-	(1,350)
Depreciation	146,550	146,550	-	115,952	(30,598)
<b>Total Operating Expenses</b>	<u>\$ 1,220,413</u>	<u>\$ 1,220,413</u>	<u>\$ -</u>	<u>\$ 865,677</u>	<u>\$ (354,735)</u>
<b>Total Direct Expenses</b>	<u>\$ 2,605,000</u>	<u>\$ 2,488,630</u>	<u>\$ (116,370)</u>	<u>\$ 1,143,056</u>	<u>\$ (1,461,943)</u>
<b>Indirect Expenses</b>	<u>\$ (2,605,000)</u>	<u>\$ (2,605,000)</u>	<u>\$ -</u>	<u>\$ (1,143,056)</u>	<u>\$ 1,461,943</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ (116,370)</u>	<u>\$ (116,370)</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Change in Assets</b>	<u>\$ 136,947</u>	<u>\$ 253,316</u>	<u>\$ 116,370</u>	<u>\$ 127,459</u>	<u>\$ (9,488)</u>
<b>Fixed Assets</b>					
Depreciation	(146,550)	(146,550)	-	(115,952)	30,598
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	317,000	317,000	-	-	(317,000)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ (170,450)</u>	<u>\$ (170,450)</u>	<u>\$ -</u>	<u>\$ 115,952</u>	<u>\$ 286,402</u>
Allocation of Fixed Assets	\$ 170,450	\$ 170,450	-	(115,952)	(286,402)
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ 136,947</u>	<u>\$ 253,316</u>	<u>\$ 116,370</u>	<u>\$ 127,459</u>	<u>\$ (9,488)</u>



## Legal and Regulatory

<b>Legal and Regulatory</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.17	3.02	(0.15)
Direct Expenses	\$ 154,078	\$ 398,705	\$ 244,627
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Legal and Regulatory area provides legal advice, counsel, and governmental and external relations support to Texas RE management, Board, and employees, on all legal and regulatory matters affecting the organization. The Legal and Regulatory group also oversees (1) corporate membership enrollment, meetings, and voting, (2) Board meetings, minutes, support, training and other activities, (3) corporate documents and transactions, (4) the work of any outside legal counsel, and (5) the prosecution of any contested enforcement matters. Expenses allocated to this area include: General Counsel, two Corporate Counsel, a Paralegal, an External Relations Liaison, and a Legal Assistant; however, a significant portion of the time expended by the Legal and Regulatory staff is expended for and allocated to core activities, including compliance monitoring, enforcement, registration, training, and technical committees.

### 2011 Key Assumptions

The Legal and Regulatory program makes the following assumptions for 2011:

- The volume of legal work required for corporate governance, personnel, NERC registration, standards development, and compliance will remain at current 2010 rates
- The number of enforcement actions will continue to increase, causing the review, advice, and possible prosecution of enforcement matters to also continue to increase
- The volume of legal work required for enforcement settlements will continue to increase, with the majority of possible violations handled through the settlement process
- The time expended on each enforcement matter will continue to remain high or slightly increase in 2011, but Texas RE will have only one large or two small contested enforcement hearings
- The volume of transactional legal work required by attorneys will slightly reduce in 2011 from the large volume required in mid-2010 for the transition of all information technology and other services from ERCOT, and the assignment of all Texas Regional Entity assets and liabilities to Texas RE, which will allow additional Legal time to be spent supporting the anticipated increased enforcement activities as well as membership activities
- There will be no significant registration disputes or hearings in 2011 (if any occur, cash reserves might need to be expended)

- 
- Outside counsel may assist in contested enforcement cases, but minimal, if any, outside counsel will be used for corporate, tax, or human resource matters
  - Additional Legal and Regulatory time will be spent on governmental and other external relations and communications during 2011, particularly during the 2011 Texas Legislature session, which includes Sunset Review of the PUCT and ERCOT ISO.
  - The time spent preparing materials and reports for and supporting Board and Board committee meetings will increase due to the additional Legal and Regulatory time needed for the orientation of and communications with the four new Texas RE Independent Directors
  - Legal and Regulatory will support membership registration and the Member Representatives Committee activities.
  - Texas RE Legal will continue to oversee a corporate ethics and antitrust compliance program, including new hire and annual training for all employees
  - Texas RE Legal will prepare and provide new hire and annual safety and sabotage awareness training for all employees
  - Texas RE will not be able to continue to routinely use ERCOT ISO conference rooms for its stakeholder and Board meetings at no charge.
  - Texas RE will move offices in December 2010 to office space with additional and larger conference rooms for stakeholder and Board meetings, which will require a support function to ensure physical security is maintained for visitors (through escorting visitors and maintaining security badge records)

### **2011 Goals and Key Deliverables**

The Legal and Regulatory program goals and deliverables include:

1. Provide timely useful legal advice to the CEO, the Board, and all program areas
  2. Effectively communicate information to the Board and Texas RE members
  3. Prepare and provide Board orientation training materials
  4. Oversee membership registration and maintain an accurate roster of members
  5. Provide training materials to Human Resources for new hire employee training and conduct annual employee ethics, antitrust compliance, security, and sabotage awareness training for all employees
  6. Maintain effective relationships and communications with NERC, FERC, PUCT, and other state and federal representatives
  7. Timely file all documents required by NERC or FERC
  8. Provide advice and assistance and coordinate with NERC regarding all enforcement program documents
  9. Assist with the prosecution and any appeal of contested enforcement matters
  10. Provide advice and counsel regarding disputed registration or other matters
  11. Review and provide advice regarding all regulatory filings
  12. Provide advice and oversee risk management and insurance programs
  13. Negotiate and prepare or approve all contracts
-

---

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources**

- Indirect program costs are allocated to the direct programs.

**Personnel Expenses**

- The total number of legal FTEs is decreasing slightly year-over-year due to timekeeping and trends. The amount of time personnel are performing direct activities related to enforcement, registration and certification are being appropriately budgeted in those respective areas.
- Of the personnel expenses being budgeted in 2011, these expenses are being recorded separately from the G&A program, unlike 2010's budget. This is due to no one employee's salary being separately identifiable.
- No additional FTEs will be added to Legal and Regulatory in 2011. The additional FTE added in June 2010 as an External Relations Liaison is allocated between Legal and Regulatory and Member Forums in 2011, but additional attorney time is allocated to CMEP in 2011, offsetting the additional Legal and Regulatory work by the External Relations Liaison.

**Meeting Expenses**

- Travel expenses are increasing to accommodate more NERC related travel which will be required for training and for coordination with other Regional Entities and NERC.

**Operating Expenses**

- The consultants and contracts cost for Ethicspoint, \$1.8K are being recorded under contracts in 2011. In 2010, these expenses were recorded under miscellaneous.
- Office costs for legal and regulatory are decreasing \$3K year-over-year due to efficiencies between G&A and Legal and Regulatory.
- The professional services for external legal expenses are decreasing \$120K due to direct coding of outside counsel expenses to where the work is being performed. For each invoice received, it is evaluated to determine which activity is receiving the service and is subsequently being recorded under that activity.
- In 2010, the miscellaneous expenses category was for seminars/training costs. In 2011, employee training is being reclassified as part of employee benefits and therefore that expense is reflected in a different area.

**Indirect Expenses**

- Indirect program costs are allocated to the direct programs.

**Other Non-Operating Expenses**

- N/A

**Fixed Asset Additions**

- N/A

## Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Legal and Regulatory</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>Texas RE Funding</b>					
Texas RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total Texas RE Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ 274,717	\$ 274,717
Payroll Taxes	-	-	-	24,410	24,410
Benefits	-	-	-	31,154	31,154
Retirement Costs	-	-	-	39,834	39,834
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,114</u>	<u>\$ 370,114</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	4,478	3,989	(489)	6,551	2,073
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 4,478</u>	<u>\$ 3,989</u>	<u>\$ (489)</u>	<u>\$ 6,551</u>	<u>\$ 2,073</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 1,800	\$ 1,800
Office Rent	-	-	-	-	-
Office Costs	5,400	5,400	-	2,240	(3,160)
Professional Services	138,000	138,000	-	18,000	(120,000)
Miscellaneous	6,200	6,200	-	-	(6,200)
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 149,600</u>	<u>\$ 149,600</u>	<u>\$ -</u>	<u>\$ 22,040</u>	<u>\$ (127,560)</u>
<b>Total Direct Expenses</b>	<u>\$ 154,078</u>	<u>\$ 153,589</u>	<u>\$ (489)</u>	<u>\$ 398,705</u>	<u>\$ 244,627</u>
<b>Indirect Expenses</b>	<u>\$ (154,078)</u>	<u>\$ (154,078)</u>	<u>\$ -</u>	<u>\$ (398,705)</u>	<u>\$ (244,627)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ (489)</u>	<u>\$ (489)</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ 489</u>	<u>\$ 489</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ 489</u>	<u>\$ 489</u>	<u>\$ -</u>	<u>\$ 0</u>

## Information Technology

<b>Information Technology</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	2.48	2.60	0.12
Direct Expenses	\$ 238,250	\$ 1,033,157	\$ 794,907
Inc(Dec) in Fixed Assets	\$ 654,263	\$ (48,383)	\$ (702,646)
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

Texas RE's IT program provides a broad range of information technology support to Texas RE, including the following: management of IT operations; IT-related vendor management; strategy; planning, development, and deployment of enterprise systems and computer applications/systems; and training, research, and planning for improvement and efficiency.

Management of IT operations includes administration and maintenance of hardware (laptops, phones, servers, and peripherals), systems (networks and databases), software, and applications such as the Texas RE Portal, Compliance Issue Tracking System, public Web site, regional standards tracking Web tool, and document management system. Texas RE's approach is to keep its in-house IT staff small and outsource most maintenance, services, and new development. To ensure that applications and hardware are well maintained, service levels remain high, and costs are controlled, IT staff manages multiple IT vendors, oversees day-to-day support and administration, and plans for future requirements.

Texas RE IT staff will continue several operational initiatives in 2011 in support of the IT infrastructure implemented in 2010. These initiatives include identifying and fulfilling technology needs to reinforce and improve operations; refining IT policies and procedures to make operations more efficient, secure, and prepared for eventualities; and providing additional employee training on IT best practices. Texas RE IT staff also foresees that the early part of 2011 will be devoted to executing carry-over IT work related to Texas RE's late 2010 relocation to a larger office space.

Although much of 2011 will be focused on operations, Texas RE IT staff will also work with Texas RE management to update its long-term technology strategy. Strategic focus will be on hardening security; increasing Texas RE efficiency and meeting the needs of the mobile workforce; and planning for system integration and communications, both internal and external (NERC and other Regional Entities).

### 2011 Key Assumptions

- Texas RE will continue to outsource many key IT services (server hosting and related services, networking, electronic security, deskside support, email, etc.) to third-party vendors. A small Texas RE staff will oversee the vendors and the related policies, service, performance, and costs.

- 
- Texas RE will not increase IT FTEs but will meet the need for highly specialized work or work increases by augmenting staff with temporary contractors, used mainly for development or project work. IT employees will cross-train to serve as backups for each other.
  - Texas RE will be a member of the Regional Entity Consortium User Group to collaborate on and share the development costs for the portal with other Regional Entities and NERC.
  - Texas RE will have transitioned the non-statutory work performed on behalf of the PUCT to another entity selected by the PUCT effective December 31, 2010; and the IT program will not support data required for monitoring the ERCOT Protocols.
  - Texas RE will relocate to a larger office space in December 2010.

### 2011 Goals and Key Deliverables

IT objectives for 2011 include the following:

1. Manage current IT operations, including the application, software, and service portfolio; budget; infrastructure; service support (employee access, service desk/service requests, events, incidents, problems, changes, releases, configuration); service design and delivery (service level, risk, capacity, availability, continuity, information security, compliance, architecture); service transition; demand; and hardware and network security.
2. Monitor and update long-term strategy in response to business needs, including regularly meeting with managers and soliciting input from staff.
3. Continue to research and develop and/or purchase software and hardware to respond to immediate business needs and industry changes.
4. Manage vendors to ensure quality of services and applications and responsiveness to Texas RE needs.
5. Engineer project requirements, and prioritize and oversee IT projects
6. Work effectively with other Regional Entities and NERC to ensure that Texas RE remains consistent.
7. Conduct annual evaluation of technologies and vendors for functionality, performance, availability, and cost-effectiveness.
8. Coordinate with CIP staff to conduct annual evaluation of vendors to ensure adherence to Texas RE security requirements.
9. Create baseline metrics for Texas RE usage (storage, networks, support requests, etc.) for the purpose of scaling services appropriately.
10. Update IT operating policies and procedures and implement new ones in response to IT best practices training and “lessons learned” after a year of full-scale operations.
11. Coordinate with CIP staff to assess and if necessary update IT security requirements in response to industry changes.
12. Test the IT plan for disaster response and recovery.
13. Train and support Texas RE staff on software and applications.
14. Train IT staff on best operational practices and ensure IT staff members are trained in multiple areas of IT operations.

---

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources**

- Indirect program costs are allocated to the direct programs.

**Personnel Expenses**

- The total number of IT FTEs is slightly increasing year-over-year due to timekeeping and trends. The amount of time personnel are performing direct activities related to enforcement, registration and certification are being appropriately budgeted in those respective areas.
- Personnel expenses are being recorded separately from the G&A program. This is due to no one employee's salary being separately identifiable.

**Meeting Expenses**

- Anticipate hosting one CUG meeting at Texas RE's offices. This is resulting in meeting costs of \$2K for 2011.
- Travel is decreasing slightly year-over-year due to Texas RE hosting at least 1 meeting at its offices, this will eliminate at least one trip from 2010.
- Conference calls expense of \$12K is related to online conference calling services being procured for Texas RE staff use. This was previously incurred under the MOU prior to 2011.

**Operating Expenses**

- Consultants and contracts expense is increasing \$331K year-over-year. The 2011 budget reflects the full year of managed hosting and managed services. In 2010, that budget was reflected under professional services. The expenses are approximately \$100K higher than 2010. This is due to the finalization of the IT set-up, which was not completed when the 2010 budget was created and approved.
- Office costs are increasing \$173K to accommodate the internet/telephone expenses previously reflected under the MOU in the G&A activity. Reflects increases for hosting costs, managed services costs and support services, all of which were significantly higher than 2010's budget, which was an unknown start-up year.
- In 2010, miscellaneous expenses included seminar/employee training costs. In 2011, training is being reclassified as part of employee benefits and therefore that expense is reflected in a different area.
- Depreciation expense is generally increasing \$131K to accommodate the transfer of IT assets from the G&A, and Finance programs as well as the increased base of assets associated with the new Texas RE.

**Indirect Expenses**

- Indirect program costs are allocated to the direct programs.

**Other Non-Operating Expenses**

- N/A

**Fixed Asset Additions**

- The allocation of fixed assets declined due to 2010 being a start-up year with significant capital purchases due to Texas RE start-up.

## Information Technology

Funding sources and related expenses for the information technology section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Information Technology</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>Texas RE Funding</b>					
Texas RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total Texas RE Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ 267,102	\$ 267,102
Payroll Taxes	-	-	-	23,733	23,733
Benefits	-	-	-	37,535	37,535
Retirement Costs	-	-	-	38,730	38,730
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 367,100</b>	<b>\$ 367,100</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 2,000	\$ 2,000
Travel	4,057	3,614	(443)	3,805	(252)
Conference Calls	-	-	-	12,000	12,000
<b>Total Meeting Expenses</b>	<b>\$ 4,057</b>	<b>\$ 3,614</b>	<b>\$ (443)</b>	<b>\$ 17,805</b>	<b>\$ 13,748</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 330,634	\$ 330,634
Office Rent	-	-	-	-	-
Office Costs	960	960	-	174,235	173,275
Professional Services	214,733	457,049	242,316	-	(214,733)
Miscellaneous	6,500	6,500	-	-	(6,500)
Depreciation	12,000	56,000	44,000	143,383	131,383
<b>Total Operating Expenses</b>	<b>\$ 234,193</b>	<b>\$ 520,509</b>	<b>\$ 286,316</b>	<b>\$ 648,252</b>	<b>\$ 414,059</b>
<b>Total Direct Expenses</b>	<b>\$ 238,250</b>	<b>\$ 524,123</b>	<b>\$ 285,873</b>	<b>\$ 1,033,157</b>	<b>\$ 794,907</b>
<b>Indirect Expenses</b>	<b>\$ (238,250)</b>	<b>\$ (238,250)</b>	<b>\$ -</b>	<b>\$ (1,033,157)</b>	<b>\$ (794,907)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ 285,873</b>	<b>\$ 285,873</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (285,873)</b>	<b>\$ (285,873)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	(12,000)	(12,000)	(44,000)	(143,383)	(131,383)
Computer & Software CapEx	666,263	889,743	223,480	95,000	(571,263)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (654,263)</b>	<b>\$ (877,743)</b>	<b>\$ (179,480)</b>	<b>\$ 48,383</b>	<b>\$ 702,646</b>
Allocation of Fixed Assets	\$ 654,263	\$ 654,263	-	(48,383)	\$ (702,646)
<b>Change in Fixed Assets</b>	<b>-</b>	<b>(223,480)</b>	<b>(179,480)</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ (509,353)</b>	<b>\$ (465,353)</b>	<b>\$ -</b>	<b>\$ -</b>



---



---

## Human Resources

<b>Human Resources</b> (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	0.85	1.03	0.18
Direct Expenses	\$ 121,720	\$ 9,123	\$ (112,597)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Texas RE Human Resources program provides a broad range of support to all Texas RE employees. The HR function consists of delivery and enforcement of all personnel and employment related policies, procedures, and documents. HR is responsible for administering all employee benefits programs, recruiting, the new hire process, orientation, partnering with managers to develop and counsel employees, and maintaining competitive market analysis on all Texas RE positions. HR will also maintain the HRIS and the Payroll Master File and ensure Department of Labor compliance with all federal and state requirements. HR will continue to develop and enhance the culture of Texas RE as it grows, an effort to improve retention, maintain low employee turnover, and attract top talent for new positions. HR will minimize risk to the organization by ensuring that employees are treated in a fair and consistent manner and that the Texas RE employment policies are followed on a regular basis.

### 2011 Key Assumptions

- Texas RE Human Resources program will consist of 1 position, the HR Manager.
- HR will begin to enhance and improve various policies, procedures, systems, and programs which were originally put into place for “start-up” and necessary based on timing of the spin-off event.
- HR will begin to analyze key HRIS data for purposes of being a strategy partner to management.

### 2011 Goals and Key Deliverables

- Reduce the length of time of the recruitment process (from open requisition to offer letter) by at least 20%
- Enhance employee benefits plans
- Enhance and improve available employee self-service features within HRIS
- Improve the performance review process for all employees

---

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- Indirect program costs are allocated to the direct programs.

**Personnel Expenses**

- Personnel expenses are being recorded in the G&A program. This is due to one employee's salary being separately identifiable.

**Meeting Expenses**

- Travel is being budgeted to accommodate two HR related training sessions.

**Operating Expenses**

- Consultants and contracts expense previously budgeted under professional services in 2010. In 2011, there will not be start-up costs to be paid and therefore expenses are reduced. Overall, the expenses are \$114K less than the prior year.
- Professional services reflects a reduction in 2011 due to reclassification of expense as mentioned above, as well as the elimination of start-up costs / benefits administration costs budgeted in 2010, that will not be incurred in 2011. However, there is \$8K budgeted for legal support related to specific HR related areas.

**Indirect Expenses**

- Indirect program costs are allocated to the direct programs.

**Other Non-Operating Expenses**

- N/A

**Fixed Asset Additions**

- N/A

## Human Resources

Funding sources and related expenses for the human resources section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Human Resources</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>Texas RE Funding</b>					
Texas RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total Texas RE Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	1,363	1,363
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,363</u>	<u>\$ 1,363</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	260	260
Professional Services	121,720	121,720	-	7,500	(114,220)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 121,720</u>	<u>\$ 121,720</u>	<u>\$ -</u>	<u>\$ 7,760</u>	<u>\$ (113,960)</u>
<b>Total Direct Expenses</b>	<u>\$ 121,720</u>	<u>\$ 121,720</u>	<u>\$ -</u>	<u>\$ 9,123</u>	<u>\$ (112,597)</u>
<b>Indirect Expenses</b>	<u>\$ (121,720)</u>	<u>\$ (121,720)</u>	<u>\$ -</u>	<u>\$ (9,123)</u>	<u>\$ 112,597</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>

---

**Finance and Accounting**

<b>Finance and Accounting</b> (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	1.70	2.00	0.30
Direct Expenses	\$ 232,736	\$ 473,858	\$ 241,121
Inc(Dec) in Fixed Assets	\$ 41,000	\$ -	\$ (41,000)
Working Capital Requirement	\$ -	\$ -	\$ -

**Program Scope and Functional Description**

The Finance and Accounting staff will provide a broad range of support to Texas RE management and personnel. Finance and Accounting staff are required to formulate and monitor Texas RE budget for controlling funds to implement Texas RE's objectives and will also review and evaluate the performance of key processes for maintaining tight financial controls in a cost-effective and efficient manner. Finance and Accounting staff will guide the annual budget process for the Texas RE and measure performance of all key aspects of Texas RE to ensure performance matches or exceeds expectations, including the analysis of trends affecting budget needs and developing periodic financial reports. Texas RE's monthly general ledger close activities will be managed by Texas RE Finance and Accounting personnel. The Finance and Accounting staff are required to ensure Texas RE appropriately accounts for all statutory and non-statutory expenses and revenue. This will involve generating monthly financial reports that will be communicated to the CEO, the program managers and the board.

Texas RE Finance and Accounting will also direct the financial affairs of the organization and prepare financial analyses of operations, including interim and final financial statements with supporting schedules, for the guidance of management. Additionally, Texas RE Finance and Accounting will have responsibility for the company's financial plans and policies, its accounting practices, the conduct of its relationships with banking institutions, the maintenance of its fiscal records, and the preparation of financial reports. Texas RE Finance and Accounting will be centrally responsible for general accounting, accounts payable, accounts receivable, payroll processing, fixed asset accounting, cost accounting, and budgetary controls.

The Finance and Accounting staff are required to generate quarterly and annual financial reports to be filed with NERC as well as other ad hoc reporting that may be required.

**2011 Key Assumptions**

- Non-statutory activities are not requiring as many resources from Finance as they once did; therefore, there are additional resources available to perform required statutory activities and that adjustment is expected to occur in 2011.
- The volume of transactions will approximate what has been processed in 2010.
- There will be no accounting system changes.

- 
- We will continue to outsource the payroll processing and expense reporting functions.
  - There will be no additional banking requirements.

**2011 Goals and Key Deliverables**

1. Ensure that the accounting, finance, and budgeting functions are appropriately managed at Texas RE.
2. Keep the CEO informed of budget, expenditures, and total operational financial performance.
3. Continue to provide financial reports to the Board.
4. Ensure that Texas RE receives an unqualified opinion on the audit of the financial statements.
5. Continue to support and coordinate with NERC finance staff to meet quarterly and annual reporting requirements as well as any additional financial reports.
6. Provide workflow and financial reports to Texas RE management and adjust as required to better enable Texas RE staff operational success.

---

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources**

- Indirect program costs are allocated to the direct programs.

**Personnel Expenses**

- Personnel expenses are being recorded separately from the G&A program. This is due to no one employee's salary being separately identifiable.

**Meeting Expenses**

- Travel costs are decreasing year-over-year due to use of conference calls for REBG meetings.

**Operating Expenses**

- Consultants and contracts reflect the annual maintenance costs for the accounting system. The net effect is an \$8K increase in 2011, over 2010, which was a partial start-up year.
- Office costs are increasing \$2K in 2011 due to the need to purchase check stock, postage and forms.
- Professional services are reflecting reductions from 2010 related to lower pricing obtained for accounting support services. The expected decrease for 2011 is \$8K.
- The miscellaneous category was related to banking and cash management start-up costs that will no longer be necessary in 2011. This reduction in expense is approximately \$13K.

**Indirect Expenses**

- Indirect program costs are allocated to the direct programs.

**Other Non-Operating Expenses**

- N/A

**Fixed Asset Additions**

- N/A

## Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Finance and Accounting</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>Texas RE Funding</b>					
Texas RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total Texas RE Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ 187,145	\$ 187,145
Payroll Taxes	-	-	-	16,614	16,614
Benefits	-	-	-	20,938	20,938
Retirement Costs	-	-	-	27,136	27,136
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,833</u>	<u>\$ 251,833</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	2,145	1,911	(234)	1,619	(526)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 2,145</u>	<u>\$ 1,911</u>	<u>\$ (234)</u>	<u>\$ 1,619</u>	<u>\$ (526)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 8,000	\$ 8,000
Office Rent	-	-	-	-	-
Office Costs	880	880	-	3,205	2,325
Professional Services	217,010	217,010	-	209,200	(7,810)
Miscellaneous	12,701	12,701	-	-	(12,701)
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 230,591</u>	<u>\$ 230,591</u>	<u>\$ -</u>	<u>\$ 220,405</u>	<u>\$ (10,186)</u>
<b>Total Direct Expenses</b>	<u>\$ 232,736</u>	<u>\$ 232,502</u>	<u>\$ (234)</u>	<u>\$ 473,858</u>	<u>\$ 241,121</u>
<b>Indirect Expenses</b>	<u>\$ (232,736)</u>	<u>\$ (232,736)</u>	<u>\$ -</u>	<u>\$ (473,858)</u>	<u>\$ (241,121)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ (234)</u>	<u>\$ (234)</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ 234</u>	<u>\$ 234</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	41,000	41,000	-	-	(41,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ (41,000)</u>	<u>\$ (41,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,000</u>
Allocation of Fixed Assets	\$ 41,000	\$ 41,000	-	-	(41,000)
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ 234</u>	<u>\$ 234</u>	<u>\$ -</u>	<u>\$ 0</u>

---

## Section B – Supplemental Financial Information

### 2011 Business Plan and Budget

---





## Section B — Supplemental Financial Information

### Reserve Balance

Table B-1

<b>Working Capital Reserve Analysis 2010-2011</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2009</b>	1,736,988
Less: Penalty sanctions to be used as offset to 2011 assessments <sup>1</sup>	(20,000)
Plus: 2010 Texas RE Funding (from LSEs or designees)	9,144,340
Plus: 2010 Other funding sources	209,000
Less: 2010 Projected expenses & capital expenditures	(9,242,228)
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<b>1,828,099</b>
<b>Desired Working Capital Reserve, December 31, 2011</b> <sup>2</sup>	1,955,558
Less: Projected Working Capital Reserve, December 31, 2010	(1,828,099)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>127,459</b>
2011 Expenses and Capital Expenditures	9,363,964
Less: Penalty Sanctions <sup>1</sup>	(20,000)
Less: Other Funding Sources	(243,600)
Adjustment to achieve desired Working Capital Reserve	127,459
<b>2011 Texas RE Assessment</b>	<b>9,227,823</b>

<sup>1</sup> Represents collections on or prior to June 30, 2010. See page 66 for full disclosure.

<sup>2</sup> On June 30, 2010, the Texas RE board approved a desired working capital reserve.

### Explanation of Changes in Reserve Policy from Prior Years

- Texas RE is maintaining a 75-day cash reserve in 2011. This reserve benchmark is the same as it was in 2010; however, because the budget dollars are increasing, so too must the dollar amount of the reserve.

### Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 13, of the 2011 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

### Penalty Sanctions

Penalty monies received prior to June 30, 2010 are to be used to offset assessments in the 2011 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2010 through June 30, 2011 will be used to offset assessments in the 2012 Budget.

All penalties received prior to June 30, 2010 are detailed below.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-2**

Penalty Sanctions Received On or Prior to June 30, 2010	Date Received	Amount Received
	8/26/09	5,000
	9/4/09	5,000
	6/3/10	10,000
<b>Total Penalties Received</b>		\$ 20,000

## Supplemental Funding

Table B-3

Outside Funding Breakdown By Program	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget
<b>Reliability Standards</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Workshops	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
<b>Reliability Assessment and Performance Analysis</b>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
<b>Training and Education</b>				
Workshops	\$ 180,000	\$ 180,000	\$ 215,500	\$ 35,500
Total	\$ 180,000	\$ 180,000	\$ 215,500	\$ 35,500
<b>Situation Awareness and Infrastructure Security</b>				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
<b>Technical Committees and Member Forums</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>General and Administrative</b>				
Membership Dues	\$ 27,000	\$ 27,000	\$ 27,500	\$ 500
Interest Income	2,000	2,000	600	(1,400)
Total	\$ 29,000	\$ 29,000	\$ 28,100	\$ (900)
<b>Total Outside Funding</b>	<b>\$ 209,000</b>	<b>\$ 209,000</b>	<b>\$ 243,600</b>	<b>\$ 34,600</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

1. Texas RE is increasing the number of workshops and will be charging workshop attendees for the direct expenses associated with conducting those workshops.

## Personnel Expenses

Table B-4

Personnel Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Salaries</b>					
Salary	\$ 3,841,781	\$ 3,498,056	\$ 4,795,004	\$ 953,224	25%
<b>Total Salaries</b>	<b>\$ 3,841,781</b>	<b>\$ 3,498,056</b>	<b>\$ 4,795,004</b>	<b>\$ 953,224</b>	<b>25%</b>
<b>Total Payroll Taxes</b>					
	\$ 302,981	\$ 282,630	\$ 423,650	\$ 120,669	40%
<b>Benefits</b>					
Life, Health, Vision, etc.	\$ 408,773	\$ 378,687	\$ 589,499	\$ 180,726	44%
<b>Total Benefits</b>	<b>\$ 408,773</b>	<b>\$ 378,687</b>	<b>\$ 589,499</b>	<b>\$ 180,726</b>	<b>44%</b>
<b>Retirement</b>					
401(k) Contr. & Employee Matching	\$ 550,669	\$ 519,226	\$ 693,219	\$ 142,551	26%
<b>Total Retirement</b>	<b>\$ 550,669</b>	<b>\$ 519,226</b>	<b>\$ 693,219</b>	<b>\$ 142,551</b>	<b>26%</b>
<b>Total Personnel Costs</b>	<b>\$ 5,104,203</b>	<b>\$ 4,678,599</b>	<b>\$ 6,501,372</b>	<b>\$ 1,397,169</b>	<b>27%</b>
<b>FTEs</b>	39.50	43.00	49.00		
<b>Cost per FTE</b>					
Salaries	\$ 97,255	\$ 81,350	\$ 97,857	\$ 602	0.6%
Payroll Taxes	7,670	6,573	8,646	976	12.7%
Benefits	10,348	8,807	12,031	1,682	16.3%
Retirement	13,940	12,075	14,147	207	1.5%
<b>Total Cost per FTE</b>	<b>\$ 129,213</b>	<b>\$ 108,805</b>	<b>\$ 132,681</b>	<b>\$ 3,468</b>	<b>2.7%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

1. Texas RE salaries per FTE are in line with expectations based on the changes in headcount and the salary assumptions.
2. Payroll taxes are higher due to higher FUTA (Federal Unemployment Taxes) and SUTA (State Unemployment Taxes). This increase is resulting from a lack of history with the respective agencies. When companies do not have an experience rating with the agencies that coordinate unemployment benefits for former employees, the amount paid for unemployment taxes is higher than a company with a verified low experience rating. This is expected to continue for at least another year.
3. Also included in benefits expense is training expenses for employees that were previously recorded under miscellaneous expense category. This is approximately \$29K in new expense for employee benefits.
4. Benefits expense also reflects \$30K in relocation that was previously budgeted under the MOU with ERCOT ISO prior to 2011. Finally, the remaining amount of increase for benefits (\$122K) is attributed to the increase in headcount.
5. The retirement expenses are budgeted based on expected participation rates.

## Consultants and Contracts

Table B-5

Consultants	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Consultants</b>					
65000-Consultants	\$ -	\$ -	\$ 20,000	\$ 20,000	100.00%
65200-IT-Hosting Fees	-	-	\$ 67,223	67,223	100.00%
65300-IT-Managed Services Fees	-	-	\$ 510,368	510,368	100.00%
<b>Consultants Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 597,591</b>	<b>\$ 597,591</b>	
Contracts	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Contracts</b>					
Corporate Support Allocation (MOU)	\$ 44,777	\$ 44,777	\$ -	\$ (44,777)	-100.00%
Board Related Search & Support Fees	487,675	487,675	-	(487,675)	-100.00%
IT Administration (MOU)	72,032	72,032	-	(72,032)	-100.00%
Contracts	-	-	2,580	2,580	100.00%
Maintenance for Accounting System	-	-	8,000	8,000	100.00%
<b>Contracts Total</b>	<b>\$ 604,483</b>	<b>\$ 604,483</b>	<b>\$ 10,580</b>	<b>\$ (593,903)</b>	<b>-98%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 604,483</b>	<b>\$ 604,483</b>	<b>\$ 608,171</b>	<b>\$ 3,688</b>	<b>1%</b>

## Explanation of Significant Variances – 2011 Budget versus 2010 Budget

1. Consultant's expense of \$20K is reflecting recruiter fees that are separate from the benefits expense charged to personnel expenses. However, the administration costs were previously budgeted under professional services in 2010. In 2011, there will not be start-up costs to be paid and therefore it is appropriate to reduce the expense budget.
2. IT hosting fees represent Data Centers (Primary and Backup), Electronic Security Equipment Maintenance and Subscription \$67K. This expense category was also paid under the MOU and professional services prior to 2011.
3. IT managed service fees are for Managed Hosting Services and Infrastructure Services, Reliability Standards Tracking Site, 24-hour Managed Security Service Provider for Networks, Service Desk, and Managed Exchange Services. The total expense of \$510K was previously paid under the MOU and professional services prior to 2011.
4. Under contracts, the previous MOU expenses (Corporate Support, Board, and IT Administration) paid to ERCOT ISO, prior to 2011 are no longer within this category. However, there are now direct expenses within G&A, IT, HR, and Finance that are accounted for in different account categories. Due to a new chart of accounts for 2010 associated with the separation of Texas RE from ERCOT ISO, it was necessary to adopt a chart of accounts more closely aligned with NERC.
5. There is \$3K for EthicsPoint is budgeted in 2011 under contracts. This expense was previously budgeted under professional services in prior years.
6. Finally, the \$8K for maintenance expense is attributed to the annual maintenance for the accounting system. This is a new expense for 2011.

Table B-6

Office Rent	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Office Rent & Facilities	\$ 261,900	\$ 261,900	\$ 475,000	213,100	-20.05%
Utilities	-	-	-	-	
Security	-	-	24,000	24,000	100.00%
2010 Office Move and Improvements	50,000	50,000	-	(50,000)	100.00%
2010 Office Move Project Management Expense	25,000	25,000	-	(25,000)	100.00%
MRC, Standards, and Board Meeting Room	27,000	27,000	-	(27,000)	100.00%
<b>Total Office Rent</b>	<b>\$ 363,900</b>	<b>\$ 363,900</b>	<b>\$ 499,000</b>	<b>\$ 135,100</b>	<b>37.13%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

1. Rent expenses are increasing \$213K for two reasons.
  - First, the non-statutory portion of the rent expense is being absorbed into the statutory activity/area. The amount of rent previously charged would no longer be direct coded to non-statutory expenses (\$80K). In 2010, the non-statutory area had direct rent expense recorded to that particular budget. However, with the significant changes in 2011, the non-statutory activities receive an allocation of indirect expenses (which includes rent) based on its number of FTEs percentage to total FTEs.
  - The second reason for the increase is attributed to Texas RE procuring additional space for its current staff, future growth and meeting space. The resulting increase from this is approximately \$133K for the year. Texas RE does not have enough space for its proposed 2011 headcount.
2. Additionally, the lease will expire December 31, 2010. Therefore, there are reasons to move to a new and larger space that will enable Texas RE to operate more effectively and efficiently.
3. Finally, Texas RE believes that procuring the larger space will allow Texas RE to reduce the meeting costs over time. If Texas RE is required to host its larger meetings offsite, the cost of hotel, food and ancillary services will be higher.

Table B-7

Office Costs	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Office Supplies	\$ 16,766	\$ 16,766	\$ 9,600	\$ (7,166)	-42.74%
Computer Supplies	-	-	20,000	20,000	100.00%
Telephone/Cell Phones	14,040	14,040	36,240	22,200	158.12%
Postage	3,713	3,713	1,440	(2,273)	-61.22%
Express Shipping	7,980	7,980	4,000	(3,980)	-49.87%
Stationary Forms	4,913	4,913	2,350	(2,563)	-52.17%
Reports - Graphics	1,200	1,200	1,000	(200)	-16.67%
Internet Expense			105,655	105,655	100.00%
Subscriptions & Publications		-	1,240	1,240	100.00%
Equipment Repair/Srv. Contracts			37,420	37,420	100.00%
Bank Charges			600	600	100.00%
71500-Dues			4,950	4,950	100.00%
<b>Total Office Costs</b>	<b>\$ 48,612</b>	<b>\$ 48,612</b>	<b>\$ 224,495</b>	<b>\$ 132,913</b>	<b>361.81%</b>

#### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

1. General office supplies prior to 2011 reflected computer supplies and certain contract expenses for document destruction. Those new accounts are broken-out in 2011 and so can be tracked more accurately. The result is a shift in expense to computer supplies of \$7K.
2. There will be small items purchased over the course of the year that do not meet the capital threshold, such as mice, cords, powerstrips, small UPS units, etc. In total, computer supplies purchases will increase \$20K.
3. Telephone is increasing primarily related to online meeting service costs. This expense was previously included in the MOU costs prior to 2011. The result is an increase of \$12K for those expenses. Additionally, there is approximately a \$10K increase in general telephone expense which also was paid under the MOU prior to 2011.
4. Centralized management of the postage, express shipping and stationary should allow us to reduce costs by approximately \$9K from the 2010 budget. The volumes are decreasing due to the new corporate structure.
5. Internet expense is increasing \$106K. This expense category was paid under the MOU prior to 2011 and a small amount for hosting was budgeted in 2010. However, the contracts in place will require the higher connectivity expense between Texas RE, its data center and its back-up location.
6. Equipment repair and maintenance for the Local Area Network Equipment Service Support and Maintenance, Network Server Hardware Service and Warranty is expected to total approximately \$37K.
7. The remaining items for subscriptions, publications, bank charges, and dues were previously paid under miscellaneous and have been reclassified here for the new chart of accounts.

Table B-8

Professional Services	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Outside Legal	\$ 390,000	\$ 390,000	\$ 320,000	\$ (70,000)	-17.95%
Accounting & Auditing Fees	87,820	\$ 87,820	90,000	2,180	2.48%
Accounting Services Fees	46,582	\$ 46,582		(46,582)	-100.00%
Insurance / Risk Management	82,608	\$ 82,608	85,000	2,392	2.90%
IT Professional Services	388,217	\$ 630,533		(388,217)	-100.00%
RSVP Hosting	10,000	\$ 10,000		(10,000)	-100.00%
Recruitment	63,000	\$ 63,000	14,180	(48,820)	-77.49%
Other Professional Services	60,000	\$ 60,000		(60,000)	-100.00%
Benefits Administration	70,720	\$ 70,720	20,020	(50,700)	-71.69%
Board Fees	-	\$ -	220,800	220,800	100.00%
Security	15,300	\$ 15,300	-	(15,300)	-100.00%
<b>Total Services</b>	<b>\$ 1,214,246</b>	<b>\$ 1,456,562</b>	<b>\$ 750,000</b>	<b>\$ (464,246)</b>	<b>-48.51%</b>

#### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

1. Outside legal expenses are expected to decrease from 2010 to 2011. Therefore the budget is being reduced \$70K.
2. Accounting and auditing fees (including accounting services fees) are reflecting reductions of \$44K. This is attributed to savings in HR and Finance service providers.
3. IT professional services have been moved to consultants and contracts and are now in a more permanent account for Texas RE's new environment. This \$388K reduction has been shifted to the items above in Tables B-5 and B-7.
4. The hosting for the Standards Tracking Tool (RSVP) is now included in the general hosting costs for Texas RE. The new environment allows for the consolidation of that hosting into IT.
5. By adding a dedicated HR manager in 2010, Texas RE was able to capitalize on efficiencies and reduce its recruiting fees.
6. Other professional services related to the separation planning will not be incurred in 2011.
7. Benefits administration costs for benefit design and management are expected to be significantly less due to elimination of start-up expenses. The result is a savings of \$51K.
8. Board fees have been shifted from consultants and contracts to professional services in the new chart of accounts. The increase reflected here is \$221K; however, there is a corresponding reduction under consultants and contracts of \$488K.
9. Security is now budgeted under rent and facilities and therefore in 2011, there is \$0 budgeted in this category. It is expected that security will remain within rent and facilities from now on.



Table B-9

Other Non-Operating Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

---

## Section C – Non-Statutory Activities

### 2011 Business Plan and Budget

---



**Section C — 2010 Non-Statutory Business Plan and Budget**

<b>Non-Statutory Activities</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	6.5	1.0	(5.5)
Direct Expenses	\$ 1,112,132	\$ 187,842	\$ (924,290)
Indirect Expenses	\$ -	\$ 78,127	\$ 78,127
Inc(Dec) in Fixed Assets	\$ 37,000	\$ -	\$ (37,000)
Total Funding Requirement	\$ 1,149,132	\$ 265,969	\$ (883,163)

**Non-Statutory Functional Scope**

Texas RE will also perform limited non-statutory duties. Texas RE does not anticipate performing the audits, investigations, or other monitoring or reporting of market participants' compliance with ERCOT Protocols and Operating Guides that it performed in 2010 and its predecessor Texas Regional Entity performed in previous years. Texas RE will, however, need to respond to subpoenas and provide testimony and technical support to the Public Utility Commission of Texas (PUCT) regarding Texas RE's previous non-statutory compliance and reporting from the period in which Texas RE conducted these activities, for a transitional period.

**Major 2011 Assumptions and Cost Impacts**

- Texas RE will not be the compliance authority performing Protocol and Operating Guide compliance monitoring and reporting for the PUCT in 2011
- Texas RE's non-statutory activities will include responding to subpoenas and providing testimony and technical support to the PUCT regarding compliance matters from prior to 2011

**2011 Primary Goals and Objectives —**

- Appropriately respond to all subpoenas and requests for information and provide required testimony and technical support for the PUCT

Section C — 2010 Non-Statutory Business Plan and Budget

2010 Budget and Projection and 2011 Budget Comparisons

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>NON-STATUTORY</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>Texas RE Funding</b>					
Texas RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Texas RE Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues/Non-statutory Assessments	1,183,879	1,183,879	-	265,969	\$ (917,910)
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 1,183,879</b>	<b>\$ 1,183,879</b>	<b>\$ -</b>	<b>\$ 265,969</b>	<b>\$ (917,910)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 656,614	\$ 656,614	\$ -	\$ 112,913	\$ (543,701)
Payroll Taxes	53,181	53,181	-	10,023	(43,159)
Benefits	73,123	73,123	-	12,533	(60,589)
Retirement Costs	95,280	95,280	-	16,372	(78,908)
<b>Total Personnel Expenses</b>	<b>\$ 878,199</b>	<b>\$ 878,199</b>	<b>\$ -</b>	<b>\$ 151,842</b>	<b>\$ (726,357)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 5,600	\$ 5,600	\$ -	\$ -	\$ (5,600)
Travel	624	624	-	-	(624)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 6,224</b>	<b>\$ 6,224</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,224)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 82,467	\$ 82,467	\$ -	\$ -	\$ (82,467)
Office Rent	60,600	60,600	-	-	(60,600)
Office Costs	810	810	-	-	(810)
Professional Services	45,684	45,684	-	36,000	(9,684)
Miscellaneous	8,148	8,148	-	-	(8,148)
Depreciation	30,000	30,000	-	-	(30,000)
<b>Total Operating Expenses</b>	<b>\$ 227,709</b>	<b>\$ 227,709</b>	<b>\$ (0)</b>	<b>\$ 36,000</b>	<b>\$ (191,709)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,112,132</b>	<b>\$ 1,112,132</b>	<b>\$ -</b>	<b>\$ 187,842</b>	<b>\$ (924,290)</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 78,127</b>	<b>\$ 78,127</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 1,112,132</b>	<b>\$ 1,112,132</b>	<b>\$ -</b>	<b>\$ 265,969</b>	<b>\$ (846,163)</b>
<b>Change in Assets</b>	<b>\$ 71,748</b>	<b>\$ 71,748</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ (71,748)</b>
<b>Fixed Assets</b>					
Depreciation	(30,000)	(30,000)	-	-	30,000
Computer & Software CapEx	67,000	67,000	-	-	(67,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (37,000)</b>	<b>\$ (37,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,000</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
<b>Change in Fixed Assets</b>	<b>(37,000)</b>	<b>(37,000)</b>	<b>-</b>	<b>-</b>	<b>37,000</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 34,748</b>	<b>\$ 34,748</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ (34,748)</b>

## Personnel Analysis

Fractional FTEs reflect part-time, shared employees, or employees who worked in fewer than all four quarters of the year.

Total FTE's by Program Area	Budget 2010	Projection 2010	Direct FTEs 2011 Budget	Shared FTEs <sup>1</sup> 2011 Budget	Total FTEs 2011 Budget	Change from 2010 Budget to 2011 Budget
<b>NON-STATUTORY</b>						
<b>Operational Programs</b>						
Protocol	5.00	3.50		0.75	0.75	-4.25
<b>Total FTEs Operational Programs</b>	<b>5.00</b>	<b>3.50</b>	<b>0.00</b>	<b>0.75</b>	<b>0.75</b>	<b>-4.25</b>
<b>Administrative Programs</b>						
G&A	1.50	0.50		0.25	0.25	-1.25
<b>Total FTEs Administrative Programs</b>	<b>1.50</b>	<b>0.50</b>	<b>0.00</b>	<b>0.25</b>	<b>0.25</b>	<b>-1.25</b>
<b>Total FTEs</b>	<b>6.50</b>	<b>4.00</b>	<b>0.00</b>	<b>1.00</b>	<b>1.00</b>	<b>-5.50</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

---



---

**Reserve Analysis — 2010–2011**

<b>Working Capital Reserve Analysis 2010-2011</b>	
<b>NON-STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2009</b>	0
Plus: 2010 Texas RE Funding (from LSEs or designees)	
Plus: 2010 Other funding sources	1,183,879
Less: 2010 Projected expenses & capital expenditures	(1,149,132)
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<u><u>34,748</u></u>
<b>Desired Working Capital Reserve, December 31, 2011</b>	<sup>1</sup> 0
Less: Projected Working Capital Reserve, December 31, 2010	(34,748)
<b>Additional funding required to achieve desired Working Capital Reserve</b>	<u><u>(34,748)</u></u>
2011 Funding for Expenses and Capital Expenditures	265,969
Less: Other Funding Sources	(265,969)
Adjustment to achieve desired Working Capital Reserve	
<b>2011 Funding (reserve adjustment)</b>	<u><u>0</u></u>

<sup>1</sup> On June 30, 2010, the RE Board of Directors approved a desired working capital reserve of \$0 due to change in non-statutory work assumption in 2011.

---

**Section D – Additional Consolidated Financial  
Statements**  
**2011 Business Plan and Budget**

---

Section D — Additional Financial Statements

Section D  
2011 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities - Capital Expenditures by Program - 2011 Budget	Statutory Total		Non-Statutory Total		Functions in the Joint Bond Agreement									Non-Statutory Functions				
	Total	Statutory Total	Total	Non-Statutory Total	Reliability Assessments and Assurance Activities (Section 800)	Compliance and Organization Standards (Section 409 & 509)	Reliability Standards (Section 305)	Reliability Assessments and Assurance Activities (Section 800)	Technology and Education Section (900)	Station Awareness and Infrastructure Society (Section 1909)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total	
Funding																		
Total RE Funding	9,277,823	9,277,823	-	430,571	725,872	710,792	725,872	343,544	843,071	-	126,859	-	-	-	-	-	-	-
Texas RE Assessments	20,000	20,000	-	-	1,658	15,270	1,658	965	1,024	-	-	-	-	-	-	-	-	-
Penalty Assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Texas RE Funding	9,247,823	9,247,823	-	430,571	727,240	712,062	727,240	344,509	843,636	-	126,859	-	-	-	-	-	-	-
Non-Statutory Funding	265,969	-	265,969	-	-	-	-	-	-	1,464	-	-	-	-	-	-	-	265,969
Membership Dues	27,500	27,500	-	-	2,293	20,996	-	-	1,327	-	-	-	-	-	-	-	-	-
Books & Software	215,500	215,500	-	-	-	-	215,500	-	-	-	-	-	-	-	-	-	-	-
Workshops	600	600	-	-	-	-	600	-	-	-	-	-	-	-	-	-	-	-
Interest	600	600	-	-	-	-	600	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	600	-	-	-	-	-	-	-	-
Total Funding	9,757,392	9,491,423	265,969	666,542	729,533	714,058	729,533	666,542	854,959	1,464	127,459	-	-	-	-	-	265,969	
Expenses																		
Personnel Expenses																		
Salaries	4,807,918	4,795,004	112,913	181,154	361,177	2,942,088	361,177	155,953	209,656	161,154	274,717	267,102	-	-	-	-	187,145	
Payroll Taxes	433,672	423,650	10,022	13,056	32,136	200,251	32,136	13,031	16,651	13,056	24,410	23,233	-	-	-	-	16,614	
Benefits	602,032	589,499	12,533	24,663	40,421	367,508	40,421	17,311	23,272	24,663	31,154	37,535	-	-	-	-	20,038	
Retirement Costs	709,592	693,219	16,372	34,222	52,271	426,603	52,271	22,613	30,400	21,311	30,834	38,730	-	-	-	-	27,136	
Total Personnel Expenses	6,653,214	6,501,372	151,842	253,045	486,105	3,956,450	486,105	209,709	281,980	220,184	320,114	367,100	-	-	-	-	251,933	
Meeting Expenses																		
Meetings	234,300	234,300	-	-	3,700	-	215,500	-	-	13,100	-	2,000	-	-	-	-	-	-
Travel	322,753	322,753	-	-	9,897	245,078	9,897	301	1,268	44,094	6,551	3,805	-	-	-	-	1,619	
Conference Calls	12,000	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	569,053	569,053	-	-	13,697	245,078	13,697	215,801	1,268	57,194	6,551	17,805	-	-	-	-	1,619	
Operating Expenses																		
Utilities	608,171	608,171	-	-	10,000	256,957	-	-	-	780	1,800	330,634	-	-	-	-	8,000	
Office Rent	489,000	489,000	-	-	-	-	-	-	-	489,000	-	-	-	-	-	-	-	
Office Costs	224,495	224,495	-	-	930	14,480	-	-	-	29,145	2,240	174,235	-	-	-	-	3,205	
Professional Services	786,000	750,000	36,000	-	750,000	294,500	-	-	-	220,800	18,000	-	-	-	-	-	209,200	
Miscellaneous	143,085	143,085	-	-	443,095	-	-	-	-	115,852	-	143,383	-	-	-	-	-	
Depreciation	2,950,931	2,924,951	25,980	-	10,930	749,887	-	-	-	863,677	22,040	649,232	-	-	-	-	220,465	
Total Operating Expenses	9,783,018	9,595,176	187,842	253,045	4,991,215	4,991,215	4,991,215	425,510	263,248	1,143,056	388,705	1,033,157	-	-	-	-	473,658	
Indirect Expenses	(78,127)	(78,127)	-	-	-	2,275,064	248,444	143,754	158,598	(1,143,056)	(98,705)	(1,033,157)	-	-	-	-	(473,658)	
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Expenses	9,783,018	9,517,049	265,969	666,542	5,069,279	7,266,279	743,234	569,264	441,846	127,459	388,705	1,033,157	-	-	-	-	265,969	
Change in Assets	(25,629)	(25,629)	-	-	(13,702)	(124,220)	(13,702)	(7,929)	(6,747)	(127,459)	-	-	-	-	-	-	-	-
Fried Assets																		
Computer & Software CapEx	(143,085)	(143,085)	-	-	-	(183,750)	-	-	-	(115,952)	-	(143,383)	-	-	-	-	-	
Furniture & Fixtures CapEx	290,000	290,000	-	-	10,000	185,000	-	-	-	-	-	95,000	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(Inc/Dec) in Fried Assets	146,915	146,915	-	-	10,000	(1,250)	-	-	-	(115,952)	-	(48,383)	-	-	-	-	-	
Allocation of Fried Assets	-	-	-	-	8,469	125,470	13,702	7,929	8,747	(115,952)	-	(48,383)	-	-	-	-	-	
Change in Fried Assets	153,085	153,085	-	-	(1,812)	124,220	13,702	7,929	8,747	-	-	-	-	-	-	-	-	
TOTAL CHANGE IN NET ASSETS	127,459	127,459	-	-	0	0	0	0	0	127,459	-	-	-	-	-	-	-	
FTEs	50.00	49.00	1.00	1.00	1.97	29.12	3.18	1.84	2.03	0.59	1.71	3.02	2.60	1.03	2.00	1.00	1.00	



Section D — Additional Financial Statements

**Statement of Financial Position**

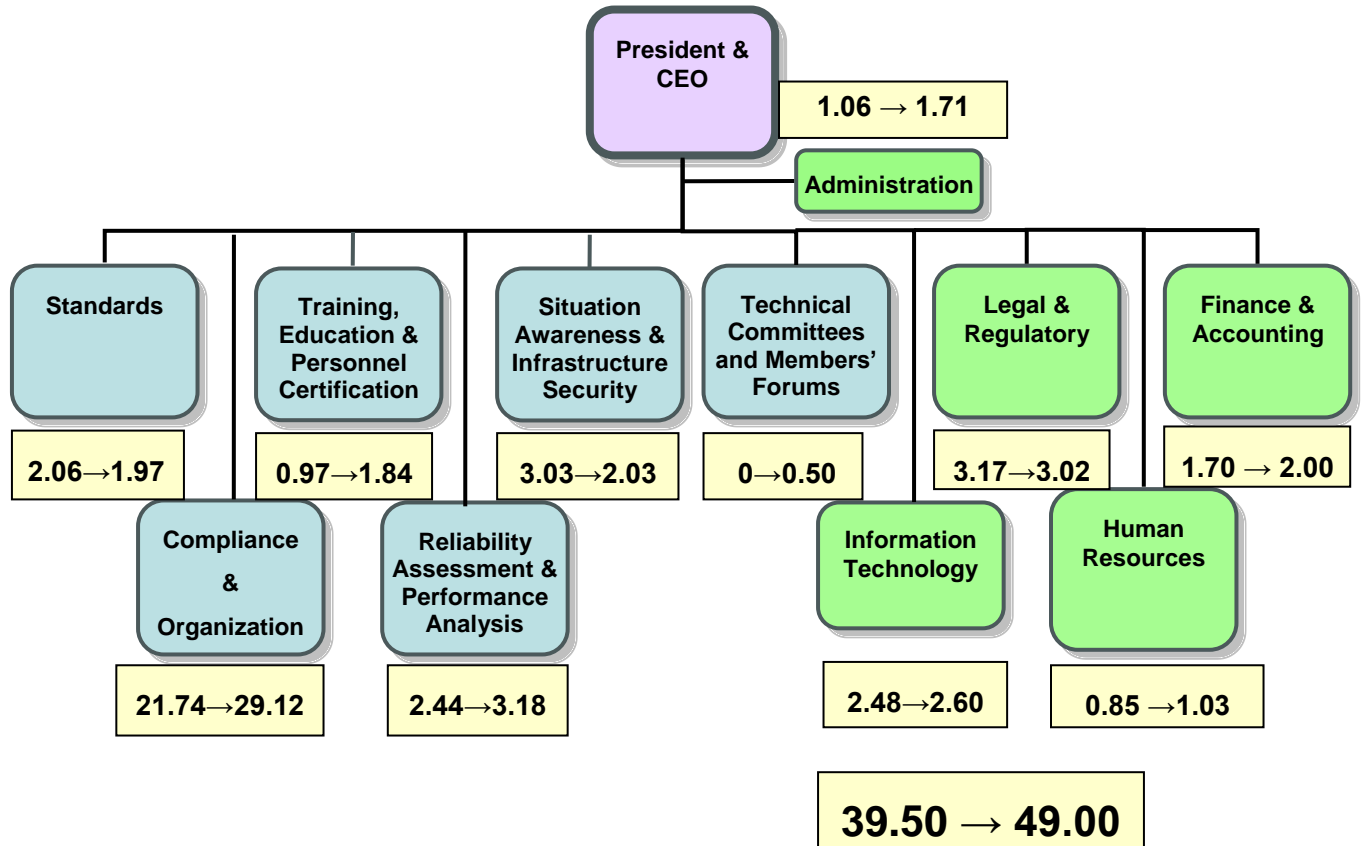
- As of December 31, 2009, per audit
- As of December 31, 2010, projected
- As of December 31, 2011, as budgeted

**Statement of Financial Position  
2009 Audited, 2010 Projection, and 2011 Budget**

**STATUTORY and NON-STATUTORY**

	(Per Audit) 31-Dec-09	Projected 31-Dec-10	Budget 31-Dec-11
<b>ASSETS</b>			
Cash	2,551,152	2,450,698	2,363,957
Accounts receivable, net of allowance for uncollectible	1,756,745	-	
Other receivables	-		
Prepaid expenses and other current assets	-		
Security deposit	-	50,000	50,000
Cash value of insurance policies	-		
Property and equipment	536,424	1,872,653	1,719,568
Total Assets	<b>4,844,321</b>	<b>4,373,352</b>	<b>4,133,526</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	903,722	413,841	413,841
Deferred income	1,667,187	-	
Regional assessments collected in advance			
Regulatory Liability	1,736,122	-	
Accrued retirement liabilities			
Total Liabilities	<b>4,307,032</b>	<b>413,841</b>	<b>413,841</b>
Net Assets - unrestricted	537,289	3,959,511	3,719,685
Total Liabilities and Net Assets	<b>4,844,321</b>	<b>4,373,352</b>	<b>4,133,526</b>
	4,844,321	4,373,352	4,133,526

2011 Texas RE Statutory Organization Chart



**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 10**

**WESTERN ELECTRICITY COORDINATING COUNCIL**

**PROPOSED 2011 BUSINESS PLAN AND BUDGET**



## **2011 Business Plan and Budget**

**Western Electricity Coordinating Council**

**Approved by:  
WECC Board of Directors**

**Date:  
June 18, 2010**

# Table of Contents

<b>Introduction.....</b>	<b>3</b>
Organizational Overview.....	3
Membership and Governance.....	3
Statutory Functional Scope.....	4
2011 Key Assumptions .....	4
2011 WECC Goals and Key Deliverables.....	5
2011 Overview of Cost Impacts .....	5
Personnel Analysis .....	7
2010 Budget and Projection and 2011 Budget Comparisons .....	8
<b>Section A — 2011 Business Plan.....</b>	<b>11</b>
Reliability Standards Program.....	11
Compliance Monitoring and Enforcement and Organization Registration and Certification Program	15
Hearings.....	22
Reliability Assessment and Performance Analysis Program .....	24
Training, Education, and Operator Certification Program .....	29
Situation Awareness and Infrastructure Security Program.....	32
Administrative Services.....	37
Technical Committees and Member Forums .....	38
General and Administrative.....	43
Legal and Regulatory .....	46
Information Technology .....	49
Human Resources.....	52
Finance and Accounting .....	55
<b>Section B — Supplemental Financial Information.....</b>	<b>61</b>
Reserve Balance .....	61
Penalty Sanctions .....	63
Supplemental Funding.....	64
Personnel Expenses .....	66
Consultants and Contracts .....	67
Office Rent .....	68
Office Costs.....	69
Professional Services.....	70
Other Non-Operating.....	71
<b>Section C — 2010 Non-Statutory Business Plan and Budget .....</b>	<b>75</b>
Personnel Analysis .....	79
Reserve Analysis — 2010–2011 .....	80
<b>Section D – Additional Consolidated Financial Statements.....</b>	<b>83</b>
2011 Consolidated Statement of Activities by Program, Statutory and Non-Statutory .....	83
Statement of Financial Position.....	84
<b>Appendix A: U.S. DOE Grants.....</b>	<b>85</b>
<b>Appendix B: WECC Organizational Chart .....</b>	<b>89</b>
<b>Appendix C: Adjustment to the AESO 2011 Assessment .....</b>	<b>91</b>

## Introduction

<b>TOTAL RESOURCES</b> (in whole dollars)				
	<b>2011 Budget</b>	<b>U.S.</b>	<b>Canada</b>	<b>Mexico</b>
Statutory FTEs*	207.9			
Non-statutory FTEs	5.0			
<b>Total FTEs</b>	212.9			
Statutory Expenses	\$ 61,168,910			
Non-Statutory Expenses	\$ 1,578,070			
<b>Total Expenses</b>	\$ 62,746,980			
Statutory Inc(Dec) in Fixed Assets	\$ 7,036,540			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ 7,036,540			
Statutory Working Capital Requirement**	847,498			
Non-Statutory Working Capital Requirement***	6,114,082			
<b>Total Working Capital Requirement</b>	6,961,580			
Total Statutory Funding Requirement	\$ 68,205,450			
Total Non-Statutory Funding Requirement	\$ 1,578,070			
<b>Total Funding Requirement</b>	\$ 69,783,520			
<b>Statutory Funding Assessments</b>	\$ 37,915,529	\$ 32,515,725	\$ 4,914,693	\$ 485,111
<b>Non-Statutory Fees</b>	\$ 1,578,070	\$ 1,578,070		
NEL****	847,828,789	720,047,487	117,038,716	10,742,586
NEL%	100.0%	84.9%	13.8%	1.3%

\*An FTE is defined as a full-time equivalent employee.

\*\*Refer to Table B-1 on page 61 in Section B.

\*\*\*Refer to the Reserve Analysis on page 80 in Section C.

\*\*\*\*NEL is defined as Net Energy for Load.

## Organizational Overview

The Western Electricity Coordinating Council (WECC) is a Utah Nonprofit Corporation whose mission is to assure a reliable bulk electric system (BES) in the Western Interconnection. WECC's Web site is <http://www.wecc.biz>. WECC's geographic area is the Western Interconnection – an area in which the use and generation of electricity is synchronized. This area includes all or part of 14 U.S. states, two Canadian provinces, and a portion of Baja California Norte, Mexico.

## Membership and Governance

WECC has 303 members<sup>1</sup> divided into the following seven membership classes:<sup>2</sup>

1. Large Transmission Owners
2. Small Transmission Owners
3. Transmission Dependent Energy Service Providers
4. End Users

<sup>1</sup> As of July 7, 2010.

<sup>2</sup> For purposes of voting for Board representation, all Canadian members of WECC form "Class 6." For all other purposes, Canadian members participate in member classes 1 – 5 and 7 according to their characteristics. See Section 6.2.1 of the WECC Bylaws.

5. Representatives of State and Provincial Governments
6. Canadian Members
7. Members at Large

WECC membership is open to any person or entity that has an interest in the reliable operation of the Western Interconnection BES. WECC membership is not a requirement for participation in the WECC standards development process.<sup>3</sup>

WECC is governed by an independent and balanced stakeholder board<sup>4</sup> consisting of 32 directors. Members in classes 1 through 5 are eligible to elect four directors in their class. In addition, the Canadian delegation elects four directors and the Mexican delegation elects one. Seven directors with no member affiliation (Non-affiliated Directors) are elected by the WECC membership. Members of Class 7 do not elect representatives to the WECC Board of Directors (Board), but do vote on the election of Non-affiliated Directors.

Nine Board committees recommend policy on various reliability issues or handle governance, finance, and human resource (HR) matters. These committees are described in the Technical Committees and Member Forums section on page 38.

Input comes to the WECC Board from the member organizations, from other interested parties, and through recommendations from the WECC Standing Committees.

Under the direction of the WECC Board, the three Standing Committees of members — the Planning Coordination Committee (PCC), the Operating Committee (OC), and the Market Interface Committee (MIC) — provide technical work and policy recommendations to the WECC Board. All member organizations are eligible for representation on the Standing Committees.

### **Statutory Functional Scope**

WECC has been approved by the Federal Energy Regulatory Commission (FERC) as a Regional Entity, with authority — pursuant to the WECC / North American Electricity Reliability Corporation (NERC) Delegation Agreement — to create, monitor, and enforce standards for the reliability of the BES in the Western Interconnection. WECC's role as reliability coordinator is recognized by FERC through its acceptance of NERC's Compliance Registry.<sup>5</sup>

### **2011 Key Assumptions**

NERC and the eight Regional Entities, including WECC, collaborated in the development of a common set of business planning assumptions, goals, and metrics. The purpose of this effort is to promote consistency, efficiency, and accountability in the 2011 business plans and budgets of NERC and the Regional Entities by coordinating underlying business plan assumptions, goals, and metrics. The general assumptions developed at the NERC and regional level are attached as

---

<sup>3</sup> Non-WECC members may participate in standards drafting teams, and Participating Stakeholders may vote on Regional Reliability Standards. A Participating Stakeholder is defined in Section 3.21 of the WECC Bylaws and the Participating Stakeholder Application Process is described in Section 8.6.2. The Reliability Standards Voting Procedure is outlined in Section 8.6.1.2 of the WECC Bylaws.

<sup>4</sup> As provided for in Section 215 of the Federal Power Act, 16 U.S.C. 824o(e)(4)(A)(iii) (2006).

<sup>5</sup> North American Electric Reliability Corporation 119 FERC ¶ 61,059 (2007) order on reh'g at P 2.

an appendix to the 2011 NERC Business Plan and Budget.<sup>6</sup> At NERC's request, region-specific assumptions are described in each region's business plan.

## 2011 WECC Goals and Key Deliverables

- Assure a reliable BES in the Western Interconnection.
- Initiate the transition of operational authority from the WECC Board to WECC management.
- Continue to implement the Compliance Monitoring and Enforcement Program (CMEP).
- Improve and enhance transmission planning, and loads and resources assessments.
- Be the credible source of interconnection-wide information.
- Assure system reliability for renewable resource integration in the Western Interconnection.
- Advance the quality and scope of training activities to assure that operators and Registered Entities have the information and tools they need.
- Meet the performance milestones of the three U.S. Department of Energy (U.S. DOE) grants.
- Enhance situation awareness in the Western Interconnection through the implementation of the Western Interconnection Synchrophasor Program (WISP).

## 2011 Overview of Cost Impacts

WECC's proposed 2011 statutory budget is \$68.2 million, a \$9.0 million (15.2 percent) increase over the 2010 statutory budget<sup>7</sup>. The majority of this increase (\$8.1 million) is associated with grant expenses related to the U.S. DOE grants. The major drivers of the increase are:

- Personnel Expenses increase due to the addition of 26.1 FTEs. Compliance has a net increase of 8.5 FTEs to keep pace with NERC requirements, the work associated with monitoring and enforcing an increased number of Critical Infrastructure Protection (CIP) requirements, and to reduce the number of independent contractors used to perform routine CMEP tasks. WISP, included in the Situational Awareness and Infrastructure Security Program, is adding 6.2 FTEs to support the WISP infrastructure and applications to be deployed in the Reliability Coordination Offices (RCO). Legal is adding three FTEs, one corporate records specialist and two attorneys, to provide additional in-house legal support. The remaining 8.4 FTEs are being added to support WECC's continued growth and are discussed in more detail in the appropriate sections of this business plan.
- Meeting and Travel Expenses decrease by approximately \$254,000, primarily due to the new training and meeting facilities in WECC's new Salt Lake City office location. These costs savings will partially offset the increase in Office Rent described below.
- Consultants and Contracts increase by \$1.5 million, primarily due to work associated with the three U.S. DOE grants.
- Office Costs increase by \$1.6 million. Of this increase, \$576,000 relates to a new webSAS license, which is described in more detail in the Situation Awareness and Infrastructure Security Program section. Office Rent also increases \$572,000, primarily

<sup>6</sup> See [2011 – 2013 Business Plans and Budgets: Shared Assumption \(NERC and the Regional Entities\)](#).

<sup>7</sup> "2010 statutory budget" refers to the statutory budget included in the WECC Amended Business Plan and Budget approved by FERC on July 23, 2010



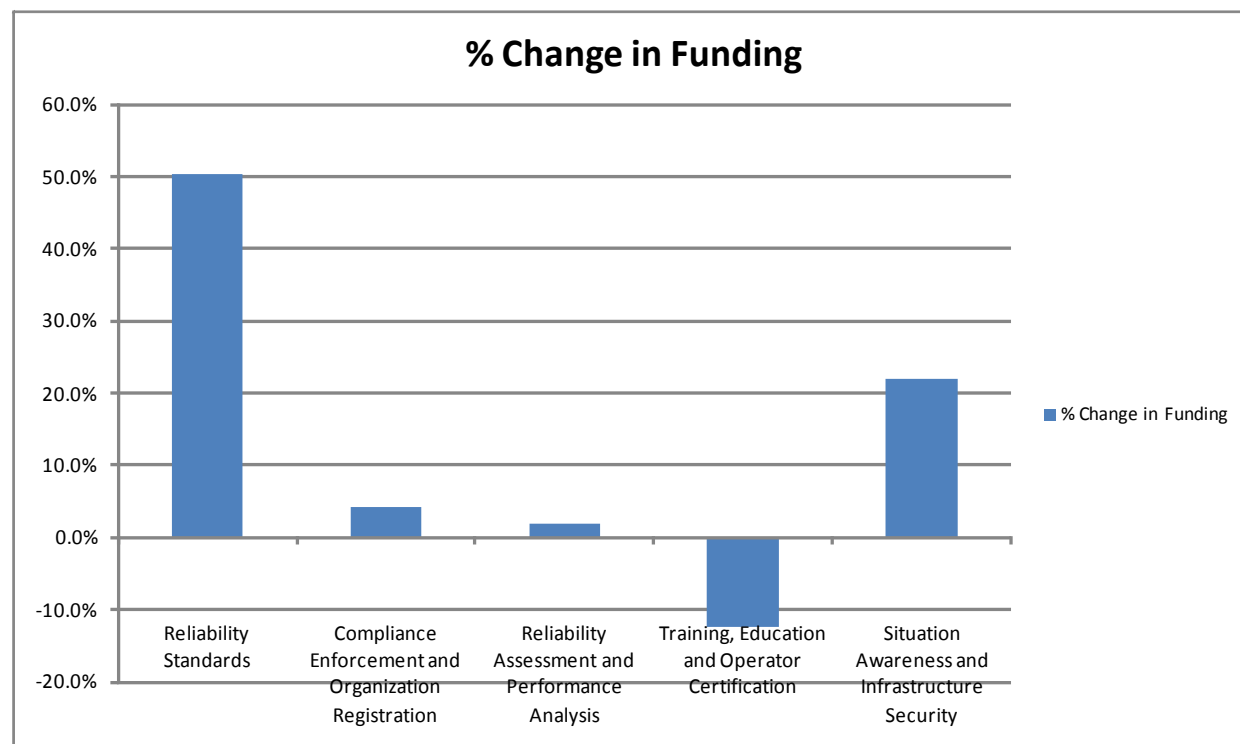
as a result of WECC moving into its new office facilities in Salt Lake City. The remaining increase in Office Costs is mostly attributable to increased maintenance costs, Wide-area Network (WAN) expenses, and warranty renewals for the RCOs.

- Computer and Software Expenditures increase by approximately \$6.5 million, mainly due to WISP expenditures (\$5.2 million) as described in the Situation Awareness and Infrastructure Security Program section. An additional \$700,000 increase is budgeted for the Base Case Coordination System (BCCS), as described in the Reliability Assessment and Performance Analysis section.
- Other Non-Operating expenses decrease by approximately \$3 million due to the pay off of WECC’s line of credit in 2010.

A summary of funding requirements for WECC’s primary statutory functional areas is shown in the following tables and graph:

Program	Budget 2010	Projection 2010	Budget 2011*	Variance	
				2011 Budget v 2010 Budget	Variance %
Reliability Standards	738,927	738,927	1,111,558	372,631	50.4%
Compliance Enforcement and Organization Registration	13,385,975	14,685,975	13,942,033	556,059	4.2%
Reliability Assessment and Performance Analysis	8,814,011	8,814,011	8,990,273	176,262	2.0%
Training, Education and Operator Certification	1,165,657	1,165,657	1,020,974	(144,683)	-12.4%
Situation Awareness and Infrastructure Security	34,982,314	34,982,314	42,664,211	7,681,897	22.0%

\* The 2011 budget numbers exclude an allocation \$122,400 of costs from Technical Committees and Member Forums, which are offset by grant funding. The 2011 budget numbers also exclude an allocation of \$354,000 of costs from General and Administration, which are offset by interest income and miscellaneous income.



## Personnel Analysis

FTEs are defined as full-time employees only. Fractional FTEs reflect part-time employees or partial allocation of headcount.

Total FTEs by Program Area	Budget 2010	Projection 2010	Direct FTEs 2011 Budget	Shared FTEs 2011 Budget	Total FTEs 2011 Budget	Change from 2010 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	3.0	3.0	4.5	0.0	4.5	1.5
Compliance and Organization Registration and Certification	50.0	50.0	58.5	0.0	58.5	8.5
Training and Education	3.5	3.5	3.5	0.0	3.5	-
Reliability Assessment and Performance Analysis	23.0	23.0	21.7	0.0	21.7	(1.3)
Situation Awareness and Infrastructure Security	62.6	62.6	70.8	0.0	70.8	8.2
<b>Total FTEs Operational Programs</b>	<b>142.1</b>	<b>142.1</b>	<b>159.0</b>	<b>0.0</b>	<b>159.0</b>	<b>16.9</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	7.0	7.0	7.5	0.0	7.5	0.5
General & Administrative	15.0	15.0	16.7	0.0	16.7	1.7
Information Technology	3.7	3.7	5.7	0.0	5.7	2.0
Legal and Regulatory	8.0	8.0	11.0	0.0	11.0	3.0
Human Resources	3.0	3.0	4.0	0.0	4.0	1.0
Finance and Accounting	3.0	3.0	4.0	0.0	4.0	1.0
<b>Total FTEs Administrative Programs</b>	<b>39.7</b>	<b>39.7</b>	<b>48.9</b>	<b>0.0</b>	<b>48.9</b>	<b>9.2</b>
<b>Total FTEs</b>	<b>181.8</b>	<b>181.8</b>	<b>207.9</b>	<b>0.0</b>	<b>207.9</b>	<b>26.1</b>

\* A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

## 2010 Budget and Projection and 2011 Budget Comparisons

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>STATUTORY</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 39,132,457	\$ 39,132,457	\$ -	37,915,529	\$ (1,216,928)
Penalty Sanctions	\$ -	\$ -	\$ -	865,650	865,650
<b>Total WECC Funding</b>	<b>\$ 39,132,457</b>	<b>\$ 39,132,457</b>	<b>\$ -</b>	<b>\$ 38,781,179</b>	<b>\$ (351,278)</b>
Membership Dues	-	-	-	-	-
Federal Grants	19,926,124	19,926,124	-	28,066,621	8,140,497
Services & Software	-	-	-	-	-
Workshops	1,315,100	1,315,100	-	1,003,650	(311,450)
Interest	-	-	-	350,000	350,000
Miscellaneous	61,000	61,000	-	4,000	(57,000)
<b>Total Funding</b>	<b>\$ 60,434,681</b>	<b>\$ 60,434,681</b>	<b>\$ -</b>	<b>\$ 68,205,450</b>	<b>\$ 7,770,769</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 19,254,205	\$ 19,254,204	\$ -	\$ 21,554,916	\$ 2,300,713
Payroll Taxes	\$ 1,676,435	1,676,434	-	1,882,449	206,016
Benefits	\$ 2,799,461	2,799,460	-	3,049,550	250,090
Retirement Costs	\$ 1,332,975	1,332,974	-	1,481,665	148,691
<b>Total Personnel Expenses</b>	<b>\$ 25,063,076</b>	<b>\$ 25,063,071</b>	<b>\$ -</b>	<b>\$ 27,968,580</b>	<b>\$ 2,905,509</b>
<b>Meeting Expenses</b>					
Meetings	\$ 1,527,070	\$ 1,527,070	\$ -	\$ 1,273,370	\$ (253,700)
Travel	1,829,350	1,829,350	-	1,840,885	11,535
Conference Calls	138,480	138,480	-	148,070	9,590
<b>Total Meeting Expenses</b>	<b>\$ 3,494,900</b>	<b>\$ 3,494,900</b>	<b>\$ -</b>	<b>\$ 3,262,325</b>	<b>\$ (232,575)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 17,981,636	\$ 19,281,636	\$ 1,300,000	\$ 19,521,605	\$ 1,539,969
Office Rent	1,581,000	1,581,000	-	2,153,000	572,000
Office Costs	3,458,053	3,608,053	150,000	5,032,593	1,574,540
Professional Services	1,039,280	1,039,280	-	1,202,400	163,120
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	2,442,250	2,442,250
<b>Total Operating Expenses</b>	<b>\$ 24,059,969</b>	<b>\$ 25,509,969</b>	<b>\$ 1,450,000</b>	<b>\$ 30,351,848</b>	<b>\$ 6,291,879</b>
<b>Total Direct Expenses</b>	<b>\$ 52,617,945</b>	<b>\$ 54,067,940</b>	<b>\$ 1,450,000</b>	<b>\$ 61,582,753</b>	<b>\$ 8,964,813</b>
<b>Indirect Expenses</b>	<b>\$ (364,177)</b>	<b>\$ (364,177)</b>	<b>\$ -</b>	<b>\$ (413,843)</b>	<b>\$ (49,666)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 2,966,207</b>	<b>\$ 2,966,207</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,966,207)</b>
<b>Total Expenses</b>	<b>\$ 55,219,976</b>	<b>\$ 56,669,971</b>	<b>\$ 1,450,000</b>	<b>\$ 61,168,910</b>	<b>\$ 5,948,940</b>
<b>Change in Assets</b>	<b>\$ 5,214,705</b>	<b>\$ 3,764,710</b>	<b>\$ (1,450,000)</b>	<b>\$ 7,036,540</b>	<b>\$ 1,821,830</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(2,442,250)	(2,442,250)
Computer & Software CapEx	2,442,645	2,442,645	-	8,906,433	6,463,788
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	20,000	20,000	-	-	(20,000)
Leasehold Improvements	1,537,667	1,537,667	-	572,357	(965,310)
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (4,000,312)</b>	<b>\$ (4,000,312)</b>	<b>\$ -</b>	<b>\$ (7,036,540)</b>	<b>\$ (3,036,228)</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ (0)
<b>Change in Fixed Assets</b>	<b>(4,000,312)</b>	<b>(4,000,312)</b>	<b>-</b>	<b>(7,036,540)</b>	<b>(3,036,228)</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 1,214,393</b>	<b>\$ (235,602)</b>	<b>\$ (1,450,000)</b>	<b>\$ -</b>	<b>\$ (1,214,398)</b>

---

## Section A – Statutory Programs 2011 Business Plan and Budget

---

This page intentionally left blank.

## Section A — 2011 Business Plan

### Reliability Standards Program

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.0	4.5	1.5
Direct Expenses	\$ 514,728	\$ 761,062	\$ 246,334
Indirect Expenses	\$ 218,505	\$ 372,459	\$ 153,954
Inc(Dec) in Fixed Assets	\$ 5,694	\$ (21,962)	\$ (27,656)
Total Funding Requirement	\$ 738,927	\$ 1,111,558	\$ 372,631

#### Program Scope and Functional Description

WECC's standards development activities are divided into two categories: participation in the NERC standards development process and the development of Western Interconnection Regional Reliability Standards (RRS) and Regional Criteria.

WECC's process is open to all interested parties and provides for their input throughout the drafting, comment, and approval process. Each standard is recommended by vote of the appropriate WECC Standing Committee and Interested Stakeholders. Standards are balloted three times per year (as needed) at WECC Standing Committee meetings and, in extraordinary circumstances, can be voted by e-mail. Once approved by the WECC Board, the standards are sent to the NERC Board of Trustees for approval. NERC then files these reliability standards with FERC for approval.

The WECC standards development process is also used for the development of WECC Regional Criteria. Regional Criteria are requirements that are approved by the WECC Board. They do not require NERC or FERC approval. WECC will follow the same process for developing documents to meet the requirements of NERC Fill-in-the-Blank Standards as needed.

#### 2011 Key Assumptions

- Integration of renewable resources may require new or modified reliability standards.
- WECC will continue to rely on stakeholder volunteers for the staffing of NERC standard drafting teams.
- WECC standards staff will take an active role in coordination and communication of NERC standards drafting teams' activities to the Western stakeholders.
- WECC expects that a significant proportion of the work required to develop regional standards and criteria will continue to be performed by voluntary stakeholder participation.
- FERC will approve the RRSs currently under consideration.

- WECC is in the process of a comprehensive review of its Standards Development Process and expects that changes to the development and voting process will be implemented
- Depending on the final treatment of the NERC Fill-in-the-Blank Standards, it may be necessary to develop one or more RRSs addressing any regional obligations in this area.

### **2011 Goals and Key Deliverables**

- Encourage balanced member participation on all projects identified in the WECC RRS development process and the NERC Reliability Standards Work Plan.
- Participate (at least one WECC volunteer member) actively in each project identified in the NERC Reliability Standards Work Plan.
- Participate on select NERC standard drafting teams, either as a voting member of the drafting team or as an observer.
- Develop, if required, RRSs for use only in the Western Interconnection.
- Provide support, as requested, to Alberta and British Columbia in the development of standards applicable in those provinces.
- Respond in a timely manner to all requests for the development of RRSs and Regional Criteria, as identified in the FERC-approved *Process for Developing and Approving WECC Standards*.
- Assure that all RRSs are both comprehensive and written in unambiguous language, and are clearly communicated to Registered Entities.
- Triage NERC standard development projects and provide timely analyses to WECC members.
- Undertake regular outreach to keep stakeholders informed about standards development and the NERC Results-Based Standards initiative.
- Continue updates and enhancements to the WECC Standards Outreach Web page.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### **Funding Sources (Other than ERO Assessments)**

- Assessments are offset by the allocation of \$25,000 in penalty sanctions received by WECC prior to June 30, 2010.

#### **Personnel Expenses**

- Personnel Expenses increase \$176,000 due to the addition of 1.5 FTEs.

#### **Meeting Expenses**

- Meetings increase by \$10,000 due to an anticipated increase in the number of meetings held and attended.
- Travel increases by \$41,000 due to an increase in the number of meetings attended. Travel to NERC standards meetings is budgeted in this program in 2011.

- Conference calls increase by \$10,000 due to an anticipated increase in the number of meetings held.

**Operating Expenses**

- Operating Expenses increase \$9,000 due to estimated legal counsel and consulting needs, in addition to increased office costs.

**Indirect Expenses**

- Indirect expenses are allocated based on FTEs. The Reliability Standards allocation increases due to the addition of 1.5 FTEs and an increase in total indirect costs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Not applicable.



## Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Standards</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 738,927	\$ 738,927	\$ -	\$ 1,087,059	\$ 348,132
Penalty Sanctions				24,500	24,500
<b>Total WECC Funding</b>	<u>\$ 738,927</u>	<u>\$ 738,927</u>	<u>\$ -</u>	<u>\$ 1,111,558</u>	<u>\$ 372,631</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ 738,927</u>	<u>\$ 738,927</u>	<u>\$ -</u>	<u>\$ 1,111,558</u>	<u>\$ 372,631</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 385,467	\$ 385,467	\$ -	\$ 524,091	\$ 138,624
Payroll Taxes	34,692	34,692	-	47,168	12,476
Benefits	43,626	43,626	-	58,826	15,200
Retirement Costs	26,983	26,983	-	36,687	9,704
<b>Total Personnel Expenses</b>	<u>\$ 490,768</u>	<u>\$ 490,768</u>	<u>\$ -</u>	<u>\$ 666,772</u>	<u>\$ 176,004</u>
<b>Meeting Expenses</b>					
Meetings	\$ 4,000	\$ 4,000	\$ -	\$ 14,250	\$ 10,250
Travel	12,000	12,000	-	53,250	41,250
Conference Calls	5,760	5,760	-	15,900	10,140
<b>Total Meeting Expenses</b>	<u>\$ 21,760</u>	<u>\$ 21,760</u>	<u>\$ -</u>	<u>\$ 83,400</u>	<u>\$ 61,640</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 2,400	\$ 2,400
Office Rent	-	-	-	-	-
Office Costs	2,200	2,200	-	6,490	4,290
Professional Services	-	-	-	2,000	2,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 2,200</u>	<u>\$ 2,200</u>	<u>\$ -</u>	<u>\$ 10,890</u>	<u>\$ 8,690</u>
<b>Total Direct Expenses</b>	<u>\$ 514,728</u>	<u>\$ 514,728</u>	<u>\$ -</u>	<u>\$ 761,062</u>	<u>\$ 246,334</u>
<b>Indirect Expenses</b>	<u>\$ 218,505</u>	<u>\$ 218,505</u>		<u>\$ 372,459</u>	<u>\$ 153,954</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 733,233</u>	<u>\$ 733,233</u>	<u>\$ -</u>	<u>\$ 1,133,521</u>	<u>\$ 400,288</u>
<b>Change in Assets</b>	<u>\$ 5,694</u>	<u>\$ 5,694</u>	<u>\$ -</u>	<u>\$ (21,962)</u>	<u>\$ (27,656)</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	0
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ (5,694)	\$ (5,694)		21,962	\$ 27,656
<b>Change in Fixed Assets</b>	<u>(5,694)</u>	<u>(5,694)</u>	<u>-</u>	<u>21,962</u>	<u>27,656</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	50.0	58.5	8.5
Direct Expenses	\$ 9,463,332	\$ 9,286,867	\$ (176,465)
Indirect Expenses	\$ 3,641,750	\$ 4,841,962	\$ 1,200,212
Inc(Dec) in Fixed Assets	\$ 280,893	\$ (186,795)	\$ (467,688)
Total Funding Requirement	\$ 13,385,975	\$ 13,942,033	\$ 556,058

### Program Scope and Functional Description

Compliance monitoring and enforcement is essential to WECC's mission as a Regional Entity and its fulfillment of the requirements of the WECC / NERC Delegation Agreement. Compliance and enforcement activities are carried out by the WECC Compliance staff and are independent of all users, owners, and operators of the BES, and from the Hearings staff. Compliance activities are governed in the United States by the agreement between NERC and WECC.

The requirements of the WECC CMEP are specified in the WECC / NERC Delegation Agreement. All standards are monitored and enforced under the CMEP, including standards made mandatory pursuant to FERC Order 693<sup>8</sup> and the CIP standards under FERC Order 706.<sup>9</sup> Under the CMEP, WECC uses the following methods to monitor compliance with the reliability standards by the Registered Entities:

- **Compliance Audits** – Conducts either on-site or off-site audits of all Registered Entities.
- **Self-Certification** – Reviews Registered Entities' annual certifications of compliance or non-compliance with standards.
- **Spot-Checking** – Verifies compliance with specific standards in connection with reviews of self-certification, or in scheduled CIP spot checks.
- **Compliance Violation Investigations** – Investigates violations usually the result of a system event or disturbance, but may result from other sources.
- **Self-Reporting** – Reviews and follows up on reports from Registered Entities' continuous monitoring efforts by its internal compliance programs.
- **Periodic Data Submittals** – Reviews monthly and quarterly reports that are submitted in compliance with certain standards.
- **Exception Reporting** – Requires reports on a small set of standards when violations occur.

<sup>8</sup> Mandatory Reliability Standards for the Bulk-Power System, Order No. 693, 72 FR 16,416 (Apr. 4, 2007), FERC Stats. & Regs. ¶ 31,242 (2007).

<sup>9</sup> Mandatory Reliability Standards for Critical Infrastructure Protection, Order No. 706, 73 FR 7368 (Feb. 7, 2008), 122 FERC ¶ 61,040 (2008).

- **Complaints** – Investigates whether a violation has occurred when the WECC Compliance staff is alerted to a potential violation.

The Compliance function also undertakes the following processes in support of its activities:

- **Registration** – Facilitates the registration process, ensures that there are no gaps in the registration of entities in the Western Interconnection, and helps resolve registration disputes.
- **Mitigation Plans** – Reviews, monitors, and verifies mitigation plans filed by entities to correct violations.
- **Penalty Calculations** – Determines, as appropriate, proposed penalties for alleged violations.
- **Settlement Negotiations** – Conducts settlement negotiations with Registered Entities when requested.
- **Hearings and Appeals** – Participates in any hearings and appeals as needed.
- **Outreach and Education** – Manages an active educational program, holding numerous in-person meetings and monthly calls in an effort to educate Registered Entities on compliance issues and to improve their compliance programs.

The Hearings budget is included in the Compliance budget and is reflected in the table on page 22. For structural and governance purposes, the Hearings function is discussed separately in this section.

### **Compliance in Alberta, British Columbia, and Mexico**

Alberta and British Columbia, Canada; and Baja California Norte, Mexico; all part of the WECC footprint, have adopted or are adopting NERC and WECC mandatory reliability standards. Agreements between WECC, the Canadian provinces, and Mexico's Comisión Federal de Electricidad (CFE) are necessary to assure interconnection reliability across international borders.

Pursuant to an agreement with the Alberta Market Surveillance Administrator, WECC monitors the compliance of the Alberta Electric System Operator (AESO) with reliability standards adopted by the Alberta Utilities Commission.

WECC also works with the British Columbia Utilities Commission, acting as the commission's administrator of its compliance monitoring program. These monitoring activities began during the first quarter of 2010.

WECC is in discussions with CFE regarding WECC's role in CFE's compliance monitoring activities. WECC anticipates it will continue to work with CFE by performing monitoring functions on CFE's behalf.

### **Reliability Management System (RMS)**

In 1996, the Western Systems Coordinating Council (WSCC)<sup>10</sup> created the RMS, a contract-based compliance enforcement mechanism. The RMS grew to encompass 14 criteria. In the

---

<sup>10</sup> The WSCC was one of the companies and regional transmission associations that merged to form WECC.

United States, five of the RMS criteria are now part of the NERC Reliability Standards and eight others have been adopted as WECC Regional Reliability Standards (RRS).<sup>11</sup> In Canada and Mexico, the RMS is still used to monitor RMS criteria. In 2009 and 2010, Alberta and British Columbia adopted mandatory standards and continued to phase out corresponding RMS criteria. During 2010, British Columbia terminated the RMS agreement. Alberta, Canada and Baja, Mexico are currently phasing out the RMS criteria. WECC expects that by 2011 RMS will be phased out as all of the RMS requirements will be addressed through either NERC standards or WECC RRSs.

### 2011 Key Assumptions

- Additional budget requirements are needed to accommodate data processing and management for the Compliance Issues Tracking System (CITS).
- Use of contractors will transition to FTEs to perform work associated with Order 693 auditing requirements.
- Based on the experience of auditing the first 13 requirements, WECC estimates it will take at least twice as long as previously anticipated to audit all 43 CIP requirements.

### 2011 Goals and Key Deliverables

- Improve reliability through monitoring and enforcement of compliance with mandatory standards in accordance with the Delegation Agreement and the CMEP.
- Work with Registered Entities within the WECC Region to promote a strong culture of compliance and reliability improvement.
- Identify where the existing NERC Reliability Standards can be improved or clarified.
- Based on compliance program results and system events, identify key areas needing improvement and implement educational efforts to improve compliance in those areas.
- Retain, hire, and develop knowledgeable and skilled staff.
- Use technology effectively to collaborate and share information.
- Use resources effectively and efficiently.
- Conduct approximately 24 on-site Order 693 audits.
- Conduct approximately 20 CIP audits of all 43 requirements.
- Conduct approximately 70 off-site audits.
- Process approximately 15,000 self-certification forms.
- Process approximately 450 self-report forms.
- Perform approximately 27 spot-checks (includes Order 693 and CIP).
- Process approximately 700 violations.
- Review approximately 375 mitigation plans.
- Conduct five Compliance Investigations.
- Complete validation of the approximately 1,100 Part B Technical Feasibility Exceptions (TFE) initiated in 2010.

---

<sup>11</sup> The original eight WECC Regional Reliability Standards have been revised and now are incorporated in seven WECC RRSs.

---

## Funding Sources and Requirements — Explanation of Increase (Decrease)

WECC is the largest of the Regional Entities with 459 Registered Entities that include 1,217 registered functions (as of June 30, 2010). The Compliance Department manages the CMEP processes for every Registered Entity and every registered function. Based on actual workload in 2009, on the assumptions in the 2010 WECC Business Plan and Budget, experience gained to date, the assumptions in the 2011 WECC Business Plan and Budget, and the addition of Canadian and Mexican monitoring functions; the estimated workload for 2011 is expected to increase significantly over 2010.

Program expenses for 2011 are driven by additional staffing and the associated costs of conducting audits, spot-checks, investigations, reviews of self-certifications, and other CMEP activities. The scope of audits will expand in 2011. The expansion in scope is mainly due to an increase in the number of standards that are included in the actively monitored program, particularly the CIP standards. In 2009, WECC monitored a total of 94 standards (1012 requirements) through its CMEP process. Of those, 49 standards — containing a total of 418 requirements — were subject to audit. In 2010, WECC will monitor approximately 95 standards (1016 requirements). Of those, 56 standards are being audited, encompassing approximately 557 separate requirements. The number of standards to be audited in 2011 will not be known until November 2010 when NERC issues its 2011 Implementation Plan.

WECC continues to seek efficiencies in its processes and use of resources. A risk-based audit approach that covered fewer standards could provide welcome efficiencies and better use of resources as well as other, less tangible, benefits. However, at this time WECC cannot responsibly budget fewer resources even if the risk-based approach could be designed, approved, and implemented in 2011. The scope and benefits of this approach are unknown at this time. Although this approach could require audits of a smaller number of standards, it also may involve greater depth of auditing, so the actual time saved, if any, is unclear. More importantly, the common assumptions indicate that efficiencies gained by a risk-based audit approach will likely be offset by the extra workload expected from the vast expansion of CIP standards and expectations. Passage and effective dates of the Version 4 CIP standards, which are expected to be significantly different from current versions, are another uncertainty facing the regions. The resources needed to monitor and enforce Version 4 are not known at this time.

The registration process in the Western Interconnection appears to have stabilized. No increase or decrease in staff resources is anticipated for the registration function. WECC continues to work with entities in the WECC Region to further their understanding of how registration applies to their facilities. WECC continues to devote resources to requests from entities to add or remove functions, or to be de-registered.

As a result of projected growth in workload and staffing described earlier, comprehensive training will be required. This will include initial training for new staff and training for existing audit staff that need a minimum of 40 hours per year of continuing training. NERC has

informally indicated that it will offer – and require – training on Compliance Investigations during 2011.

Additional funds will be required to enhance existing features and develop new functionality on the WECC Portal. One example is CITS, which will provide WECC staff with a workflow interface that will record and track the violation life cycle. This system will also allow WECC to be directly synchronized with NERC's system and will automate the secure transmission of WECC's compliance violation data. In addition to CITS, WECC will implement a document management system using the Microsoft Office SharePoint Server. WECC, other regions, and NERC are working on these initiatives collaboratively.

Throughout 2011, WECC will work toward customizing three existing WECC Portal forms and developing new forms as needed. WECC will also maintain separate portals for the two Canadian Provinces (Alberta and British Columbia) and one for Baja, Mexico.

### **Funding Sources (Other than ERO Assessments)**

- Assessments are offset by the allocation of \$318,000 in penalty sanctions received by WECC prior to June 30, 2010.
- A decrease of \$146,000 in workshop revenue is anticipated in 2011 due to the elimination of fees for attending WECC Portal training workshops.

### **Personnel Expenses**

- Personnel Expenses increase \$637,000 due to a net increase of 8.5 FTEs and a budgeted two percent merit increase for existing employees.

### **Meeting Expenses**

- Meetings decrease by \$127,000 due to the availability of the new Salt Lake City meeting facilities.
- Travel increases by \$117,000 due to expanded CIP audit requirements and an increase in FTEs.
- Conference Calls decrease by \$14,000 due to anticipated levels of usage, based on 2009 actual results.

### **Operating Expenses**

- Consultants and Contracts decrease by \$785,000 due to the hiring of staff to undertake tasks previously performed by contractors. WECC has also included \$150,000 in consulting costs for the audit of its RCOs by NERC.
- Office Costs increase by \$12,000 to more accurately reflect 2009 actual results.
- Professional Services decrease by \$137,000 due to a decrease in Non-affiliated Directors' Hearings compensation and Hearing legal services.
- Depreciation was not budgeted in 2010 and is budgeted in 2011.

**Indirect Expenses**

- Indirect expenses are allocated based on FTEs. The Compliance allocation increases due to the 8.5 net additional FTEs and an increase in total indirect costs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Depreciation was not budgeted in 2010 and is budgeted in 2011.
- Computer and Software capital expenditures increase by \$56,000 due to enhancements to WECC and Consortium software.

## Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Compliance and Organization Registration and Certification</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 12,985,975	\$ 12,985,975	\$ -	\$ 13,369,539	\$ 383,564
Penalty Sanctions				318,494	318,494
<b>Total WECC Funding</b>	<b>\$ 12,985,975</b>	<b>\$ 12,985,975</b>	<b>\$ -</b>	<b>\$ 13,688,033</b>	<b>\$ 702,058</b>
Membership Dues		-	-	-	-
Federal Grants		-	-	-	-
Services & Software		-	-	-	-
Workshops	400,000	400,000	-	254,000	(146,000)
Interest		-	-	-	-
Miscellaneous		-	-	-	-
<b>Total Funding</b>	<b>\$ 13,385,975</b>	<b>\$ 13,385,975</b>	<b>\$ -</b>	<b>\$ 13,942,033</b>	<b>\$ 556,058</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 5,060,109	\$ 5,060,109	\$ -	\$ 5,513,769	\$ 453,660
Payroll Taxes	438,047	438,047	-	493,088	55,041
Benefits	582,670	582,670	-	676,321	93,651
Retirement Costs	348,605	348,605	-	383,514	34,909
<b>Total Personnel Expenses</b>	<b>\$ 6,429,432</b>	<b>\$ 6,429,432</b>	<b>\$ -</b>	<b>\$ 7,066,692</b>	<b>\$ 637,260</b>
<b>Meeting Expenses</b>					
Meetings	\$ 425,000	\$ 425,000	\$ -	\$ 298,500	\$ (126,500)
Travel	762,350	762,350	-	879,135	116,785
Conference Calls	45,500	45,500	-	32,000	(13,500)
<b>Total Meeting Expenses</b>	<b>\$ 1,232,850</b>	<b>\$ 1,232,850</b>	<b>\$ -</b>	<b>\$ 1,209,635</b>	<b>\$ (23,215)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 1,467,500	\$ 2,767,500	\$ 1,300,000	\$ 682,500	\$ (785,000)
Office Rent	-	-	-	-	-
Office Costs	178,550	178,550	-	167,040	(11,510)
Professional Services	155,000	155,000	-	18,000	(137,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	143,000	143,000
<b>Total Operating Expenses</b>	<b>\$ 1,801,050</b>	<b>\$ 3,101,050</b>	<b>\$ 1,300,000</b>	<b>\$ 1,010,540</b>	<b>\$ (790,510)</b>
<b>Total Direct Expenses</b>	<b>\$ 9,463,332</b>	<b>\$ 10,763,332</b>	<b>\$ 1,300,000</b>	<b>\$ 9,286,867</b>	<b>\$ (176,465)</b>
<b>Indirect Expenses</b>	<b>\$ 3,641,750</b>	<b>\$ 3,641,750</b>	<b>\$ -</b>	<b>\$ 4,841,962</b>	<b>\$ 1,200,212</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 13,105,082</b>	<b>\$ 14,405,082</b>	<b>\$ 1,300,000</b>	<b>\$ 14,128,829</b>	<b>\$ 1,023,747</b>
<b>Change in Assets</b>	<b>\$ 280,893</b>	<b>\$ (1,019,107)</b>	<b>\$ (1,300,000)</b>	<b>\$ (186,795)</b>	<b>\$ (467,689)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(143,000)	(143,000)
Computer & Software CapEx	186,000	186,000	-	241,714	55,714
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (186,000)</b>	<b>\$ (186,000)</b>	<b>\$ -</b>	<b>\$ (98,714)</b>	<b>\$ 87,286</b>
Allocation of Fixed Assets	\$ (94,893)	\$ (94,893)	-	285,509	380,402
<b>Change in Fixed Assets</b>	<b>(280,893)</b>	<b>(280,893)</b>	<b>-</b>	<b>186,795</b>	<b>467,688</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 0</b>	<b>\$ (1,300,000)</b>	<b>\$ (1,300,000)</b>	<b>\$ (0)</b>	<b>\$ (0)</b>



## Hearings

### Background

WECC maintains that the Hearings budget should not be embedded in the Compliance Monitoring and Enforcement budget and that the expenditures on Hearings should be separately stated.

The WECC 2011 budget for Hearings is reflected in the following table. These expenditures are included in the Compliance Program *Statement of Activities*.

<b>Hearings</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	2.0	-	(2.0)
Direct Expenses	\$ 665,375	\$ 100,000	\$ (565,375)
Indirect Expenses	\$ 169,488	\$ -	\$ (169,488)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 834,863	\$ 100,000	\$ (734,863)

### Program Scope and Functional Description

The Hearing Officer will coordinate and conduct the evidentiary hearings in the majority of disputes and issue initial decisions when designated by the Hearing Panel. The Hearing Panel will be drawn from a pool of individuals on the Compliance Hearing Body (CHB). The CHB is comprised of volunteers from the WECC Board, WECC members, and consultants, who will be placed into two classes: Class A includes Non-affiliated Directors, personnel employed by WECC members not engaged in an *Electric Line of Business*, and independent consultants; Class B includes personnel employed by WECC members engaged an *Electric Line of Business*. The initial decisions, along with exceptions by the parties, will be submitted to a Hearing Panel for consideration and final decision on behalf of the WECC Region. In cases of particular complexity or significant regional interest, a Hearing Panel may conduct or participate in the evidentiary hearing. Legal Department staff will support the Hearing Officers and Hearing Panel. Legal Department staff supporting the Hearing Panel will be screened from compliance matters when a hearing is pending.

### 2011 Key Assumptions

- WECC will maintain current operations.
- NERC expectations in terms of hearing requirements are clearly defined.

### 2011 Goals and Key Deliverables

- Provide independent, fair, efficient, and cost effective support to the WECC Hearing Panel.
- Meet all timelines identified in the WECC Hearing Procedures.
- Maintain Hearing Department records.
- Manage the Hearing Office budget.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

The Hearing Office direct expenses decrease by \$565,000, mainly due to the removal of two FTEs to more accurately reflect 2009 workload levels. Additionally, court reporting costs were reduced to more accurately reflect 2009 actual results.

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessment and Performance Analysis</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	23.0	21.7	(1.3)
Direct Expenses	\$ 7,054,314	\$ 6,608,102	\$ (446,212)
Indirect Expenses	\$ 1,684,309	\$ 1,796,078	\$ 111,769
Inc(Dec) in Fixed Assets	\$ 75,388	\$ 586,093	\$ 510,705
Total Funding Requirement	\$ 8,814,011	\$ 8,990,273	\$ 176,262

### Program Scope and Functional Description

WECC conducts a variety of studies and assessments required for the reliable planning and operation of the BES in the Western Interconnection. These integrated planning efforts enhance WECC's overall ability to participate in, and respond to, the major planning and public policy issues emerging both in the Western Interconnection and nationally. In addition, WECC's activities in grants awarded as part of the 2009 American Recovery and Reinvestment Act (ARRA) will further enhance its role in this respect.

The ARRA directs the U.S. DOE to facilitate the development of interconnection-based transmission plans for the Eastern and Western Interconnections, and ERCOT. As part of this process, the U.S. DOE issued a competitive Funding Opportunity Announcement (FOA) on June 15, 2009 (DE-FOA-0000068). WECC responded to the FOA on August 14, 2009 and was informed on December 18, 2009 that it was selected for full-award negotiation for \$14.5 million under the FOA. The 2011 expenditure will be \$3.8 million. WECC concluded negotiations in May 2010. The funding provided by the ARRA allows WECC to significantly expand its existing transmission planning activities. This expanded effort, known as the Regional Transmission Expansion Planning (RTEP) project (see Appendix A), is managed by the Transmission Expansion Planning Policy Committee (TEPPC).

### Transmission Expansion Planning

WECC assists in meeting the need for regional transmission planning and analysis. WECC accomplishes this by providing impartial and reliable data, public process leadership, and analytic tools and services. With the execution of the transmission planning provisions of the ARRA underway, WECC's activities in this area will increase in 2011.

TEPPC — a WECC Board Committee — facilitates these activities, operates under a charter approved by the WECC Board, and has 17 members representing all classes of stakeholders with representation from all geographic subregions of WECC. TEPPC and its subgroups work closely and coordinate with Western Interconnection state, provincial, and federal government entities. The TEPPC Protocol governs the transmission planning process used by TEPPC.

The Annual TEPPC Study Program — the guiding document for TEPPC's analytical activities — is formed from stakeholder requests obtained during an annual open season. The 2010 Draft Study Plan is based on 68 study requests (a three-fold increase over 2009) that were clustered

and prioritized. The study requests reflect a significant need for an increase in the scope and depth of regional planning (e.g., demand-side impacts/resources, carbon reductions, high renewable penetration levels, 20-year planning horizon, capital costs for generation resources and transmission, and alternative transmission technologies). The 2011 plan includes an increased focus on transmission expansion requirements under a broader set of load and resource scenarios and the implementation of the RTEP project.

### **Power Supply Assessment (PSA)**

The WECC PSA is an annual study of the resource capacity margins on a WECC-wide basis. The study – which is based on reported demand, resource data, and transmission constraints – identifies subregions within WECC that have the potential for capacity shortages.

The WECC PSA presents the results of a set of resource capacity margin scenarios for the Western Interconnection over a ten-year forecast period and is based on a deterministic load-resource model. This model examines the effect of various design criteria relative to the load forecast requirements and demonstrates the physical ability of the Western Interconnection to supply all loads, regardless of contractual obligations.

### **Power Flow and System Stability Studies**

WECC staff, in concert with the System Review Work Group (SRWG) and with guidance from the Technical Studies Subcommittee (TSS), annually prepares a data base of power flow and stability base cases, reflecting various system configurations and operating conditions. These base cases serve as the foundation from which WECC members perform analyses on their respective systems.

The SRWG is proposing a one-time expenditure of \$700,000 in 2011 to purchase a Base Case Coordination System (BCCS) tool. The BCCS is a Web-accessible database system that WECC members and staff can use to submit and compile power flow and dynamics data as currently required under NERC Standards MOD-011 and MOD-013 (modeling data and analysis). The project was initiated by the SRWG under the direction of the PCC and the TSS as part of a long-term effort to improve the current base-case process. The BCCS will provide a tool that will allow automation of the current process. Similar tools have been deployed in other regions as system models become more and more complex.

The SRWG is also proposing a one-time expenditure of \$201,000 in 2011 to hire a consultant to continue the current base-case building process. The consultant will also populate the database and launch the program. The consultant will provide extensive testing and validation of the BCCS output before the tool is used to publish base cases.

The WECC technical staff, in concert with the SRWG and with guidance from the TSS, also develops an annual study report that provides an ongoing transmission reliability assessment of the Western Interconnection, both in a near-term state and for configurations planned through the following ten years. Identified performance deficiencies, as defined in NERC Standards and WECC System Performance Criteria, are reported and provided to the appropriate entity for mitigation.

---

**2011 Key Assumptions**

- NERC and FERC approval of the RTEP project.
- Impact of the ARRA on regional planning processes and studies.
- Renewable integration reliability impacts.
- Impact of potential carbon reduction legislation.
- Impact of composite load model on base-case development.
- Implementation of the BCCS database tool.

**2011 Goals and Key Deliverables**

WECC's integrated planning efforts will enhance its overall ability to participate in, and respond to, the major planning and public policy issues emerging both in the Western Interconnection and nationally, including its response to the ARRA.

**a) Implement Regional Policy Facilitation:**

- Ensure the regional interests of WECC members are represented in policy discussions related to electric system reliability.
- Provide decision support for energy policy at the regional and national level.

**b) Transmission Expansion Planning Policy Committee (TEPPC)**

- Obtain TEPPC and WECC Board approval of the 2010 Annual Report.
- Develop and execute the 2011 TEPPC Study Program for the Western Interconnection, including the incorporation of activities pursuant to the RTEP Project.
- Assure data and activities are coordinated with resource adequacy and technical study activities.

**c) Planning Coordination Committee (PCC)**

- Improve processing and managing the evolving filing obligations from NERC.
- Respond to the NERC Long-term Reliability Assessment and produce the WECC PSA.
- Continue to integrate the WECC Transmission Reliability Data with NERC Transmission Availability Data System (TADS) data for consistency and to avoid duplication.
- Continue base-case modeling development.
- Participate in NERC meetings and report development to reflect WECC views.
- Support the WECC Variable Generation Subcommittee (VGS) including model development, standards, TEPPC planning case, and development of a Study Case.
- Encourage improved data quality through educational workshops.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- Assessments are offset by the allocation of \$118,000 in penalty sanctions received by WECC prior to June 30, 2010.
- WECC will receive \$3.8 million in U.S. DOE grant funding for the RTEP. The funds directly offset increases in expenditure related to the RTEP project.
- Miscellaneous revenue decreases by \$50,000 due to the conclusion of a services contract with Lawrence Berkeley National Labs.

**Personnel Expenses**

- Personnel Expenses increase by \$91,000. Total FTEs decrease by a net of 1.3 in 2011. The net change in expense and FTE count is due to positions being realigned within WECC and a budgeted two percent merit increase for existing personnel.

**Meeting Expenses**

- Travel decreases by \$22,000 due to the availability of the new Salt Lake City meeting facilities.
- Conference Calls increase by \$16,000 to more closely reflect 2009 actual results and anticipated levels of 2011 participation.

**Operating Expenses**

- Consultants and Contracts decrease by \$254,000, mostly due to the elimination of the disturbance monitoring program as a result of the initiation of WISP and the movement of the Reliability Subcommittee budget to the Reliability Standards Program. This decrease is offset by the one-time consultant cost of \$201,000 to support implementation of the BCCS.
- Office Costs decrease by \$289,000 mostly due to the elimination of the disturbance monitoring program as a result the initiation of WISP.
- Depreciation was not budgeted in 2010 and is budgeted in 2011.

**Indirect Expenses**

- Indirect expenses are allocated based on FTEs. The Reliability Assessment and Performance Analysis Program allocation increases due to the increase in total indirect costs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Depreciation was not budgeted in 2010 and is budgeted in 2011.
- Computer and Software capital expenditures increase by \$689,000 mainly due to the addition of the BCCS.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 4,772,132	\$ 4,772,132	\$ -	\$ 5,040,590	\$ 268,458
Penalty Sanctions				118,142	118,142
<b>Total WECC Funding</b>	<b>\$ 4,772,132</b>	<b>\$ 4,772,132</b>	<b>\$ -</b>	<b>\$ 5,158,732</b>	<b>\$ 386,600</b>
Membership Dues		-	-	-	-
Federal Grants	3,991,879	3,991,879	-	3,831,541	(160,338)
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	50,000	50,000	-	-	(50,000)
<b>Total Funding</b>	<b>\$ 8,814,011</b>	<b>\$ 8,814,011</b>	<b>\$ -</b>	<b>\$ 8,990,273</b>	<b>\$ 176,262</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,907,620	\$ 1,907,620	\$ -	\$ 1,937,860	\$ 30,240
Payroll Taxes	170,159	170,159	-	184,976	14,817
Benefits	236,888	236,888	-	276,016	39,128
Retirement Costs	132,346	132,346	-	139,223	6,877
<b>Total Personnel Expenses</b>	<b>\$ 2,447,013</b>	<b>\$ 2,447,013</b>	<b>\$ -</b>	<b>\$ 2,538,075</b>	<b>\$ 91,062</b>
<b>Meeting Expenses</b>					
Meetings	\$ 416,850	\$ 416,850	\$ -	\$ 415,600	\$ (1,250)
Travel	149,500	149,500	-	127,500	(22,000)
Conference Calls	28,320	28,320	-	44,750	16,430
<b>Total Meeting Expenses</b>	<b>\$ 594,670</b>	<b>\$ 594,670</b>	<b>\$ -</b>	<b>\$ 587,850</b>	<b>\$ (6,820)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 3,568,631	\$ 3,568,631	\$ -	\$ 3,314,372	\$ (254,259)
Office Rent	-	-	-	-	-
Office Costs	444,000	444,000	-	154,805	(289,195)
Professional Services	-	-	-	5,000	5,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	8,000	8,000
<b>Total Operating Expenses</b>	<b>\$ 4,012,631</b>	<b>\$ 4,012,631</b>	<b>\$ -</b>	<b>\$ 3,482,177</b>	<b>\$ (530,454)</b>
<b>Total Direct Expenses</b>	<b>\$ 7,054,314</b>	<b>\$ 7,054,314</b>	<b>\$ -</b>	<b>\$ 6,608,102</b>	<b>\$ (446,212)</b>
<b>Indirect Expenses</b>	<b>\$ 1,684,309</b>	<b>\$ 1,684,309</b>	<b>\$ -</b>	<b>\$ 1,796,078</b>	<b>\$ 111,769</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 8,738,623</b>	<b>\$ 8,738,623</b>	<b>\$ -</b>	<b>\$ 8,404,180</b>	<b>\$ (334,443)</b>
<b>Change in Assets</b>	<b>\$ 75,388</b>	<b>\$ 75,388</b>	<b>\$ -</b>	<b>\$ 586,093</b>	<b>\$ 510,705</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(8,000)	(8,000)
Computer & Software CapEx	11,500	11,500	-	700,000	688,500
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	20,000	20,000	-	-	(20,000)
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (31,500)</b>	<b>\$ (31,500)</b>	<b>\$ -</b>	<b>\$ (692,000)</b>	<b>\$ (660,500)</b>
Allocation of Fixed Assets	\$ (43,888)	\$ (43,888)	-	105,907	149,795
<b>Change in Fixed Assets</b>	<b>(75,388)</b>	<b>(75,388)</b>	<b>-</b>	<b>(586,093)</b>	<b>(510,705)</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>

## Training, Education, and Operator Certification Program

<b>Training, Education and Operator Certification</b> (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	3.5	3.5	-
Direct Expenses	\$ 822,092	\$ 748,366	\$ (73,726)
Indirect Expenses	\$ 254,922	\$ 289,690	\$ 34,768
Inc(Dec) in Fixed Assets	\$ 88,643	\$ (17,082)	\$ (105,725)
Total Funding Requirement	\$ 1,165,657	\$ 1,020,974	\$ (144,683)

### Program Scope and Functional Description

WECC will continue to provide education and training for system operators, schedulers, and dispatchers. As in 2010, WECC will continue to emphasize training relating to the NERC Standards, the RRSs, and Regional Criteria as well expanded simulator training. Similar to 2010, WECC anticipates providing 25 to 30 training classes. All training sessions will be held in Salt Lake City in 2011. The training curriculum is developed with the assistance of the Operations Training Subcommittee (OTS) of the OC. The OTS and WECC staff also provide an annual training workshop for all WECC-Certified Training Instructors. In addition to the Operator Training Program, WECC staff and the OTS offer an Executive Overview Workshop that provides a broad overview of system operations for non-operational personnel. This workshop is offered three times each year.

### 2011 Key Assumptions

- No significant changes in operator certification continuing education unit requirements for 2011.
- Based on 2009 actual results, WECC anticipates reduced attendance at its non-mandatory training sessions.

### 2011 Goals and Key Deliverables

- Continue to provide high-quality continuing education for system operators, schedulers, and dispatchers.
- Continue to review and revise the curriculum as needed, and increase the emphasis on training relating to NERC Standards, RRSs, and Regional Criteria.
- Develop materials in support of a Continuing Education Program for all system operators requiring NERC certification.
- Coordinate annual regional restoration training with WECC Reliability Coordinators.
- Expand the use of the simulator in the WECC System Operator Training program that will give the operators better understanding of the fundamental theories of power system operation through practical training.
  - Enhanced training on situation awareness.
  - Provide training to solve system issues under normal and emergency conditions without jeopardizing the BES.



- Introduce new tools associated with contingency analysis.

## **Funding Sources and Requirements — Explanation of Increase (Decrease)**

### **Funding Sources (Other than ERO Assessments)**

- Assessments are offset by the allocation of \$19,000 in penalty sanctions received by WECC prior to June 30, 2010.
- Workshop revenue decreases by \$165,000 due to the reduction in the total number of sessions and a preliminary estimate of operators scheduled to attend training sessions.

### **Personnel Expenses**

- Salaries decrease \$10,000 due to WECC hiring training staff at rates lower than budgeted in 2010.
- Payroll Taxes, Benefits and Retirement Costs increase by \$18,000 from the 2010 budget to better reflect expected actual costs.

### **Meeting Expenses**

- Meetings decrease by \$115,000 due to the utilization of the new Salt Lake City office training center.
- Travel decreases by \$7,000 due to the utilization of the new Salt Lake City office training center.

### **Operating Expenses**

- Consultants and Contracts decrease by \$40,000 due to a reduction in the number of Power System Dynamics sessions and the commensurate decrease in costs associated with the utilization of a training consultant.
- Office Costs increase by \$81,000 due to the renewal of NERC Independent Learning Activity fees, the simulator license fee (which was reclassified from Computer and Software capital expenditures), and the alignment of expenses to more closely reflect actual 2009 expenditures.

### **Indirect Expenses**

- Indirect expenses are allocated based on FTEs. The Training and Education allocation increases due to the increase in total indirect costs.

### **Other Non-Operating Expenses**

- Not applicable

### **Fixed Asset Additions**

- Computer and Software capital expenditures decrease by \$82,000 due to the reclassification of the simulator license to Office Costs

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Training and Education</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 250,557	\$ 250,557	\$ -	\$ 252,269	\$ 1,712
Penalty Sanctions				19,055	19,055
<b>Total WECC Funding</b>	<b>\$ 250,557</b>	<b>\$ 250,557</b>	<b>\$ -</b>	<b>\$ 271,324</b>	<b>\$ 20,767</b>
Membership Dues		-	-	-	-
Federal Grants		-	-	-	-
Services & Software		-	-	-	-
Workshops	915,100	915,100	-	749,650	(165,450)
Interest		-	-	-	-
Miscellaneous		-	-	-	-
<b>Total Funding</b>	<b>\$ 1,165,657</b>	<b>\$ 1,165,657</b>	<b>\$ -</b>	<b>\$ 1,020,974</b>	<b>\$ (144,683)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 327,543	\$ 327,543	\$ -	\$ 317,298	\$ (10,245)
Payroll Taxes	23,284	23,284	-	28,557	5,273
Benefits	36,835	36,835	-	45,400	8,565
Retirement Costs	18,110	18,110	-	22,211	4,101
<b>Total Personnel Expenses</b>	<b>\$ 405,772</b>	<b>\$ 405,772</b>	<b>\$ -</b>	<b>\$ 413,466</b>	<b>\$ 7,694</b>
<b>Meeting Expenses</b>					
Meetings	\$ 278,000	\$ 278,000	\$ -	\$ 163,000	\$ (115,000)
Travel	24,000	24,000	-	17,000	(7,000)
Conference Calls	2,000	2,000	-	2,000	-
<b>Total Meeting Expenses</b>	<b>\$ 304,000</b>	<b>\$ 304,000</b>	<b>\$ -</b>	<b>\$ 182,000</b>	<b>\$ (122,000)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 98,000	\$ 98,000	\$ -	\$ 58,000	\$ (40,000)
Office Rent	-	-	-	-	-
Office Costs	14,320	14,320	-	94,900	80,580
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 112,320</b>	<b>\$ 112,320</b>	<b>\$ -</b>	<b>\$ 152,900</b>	<b>\$ 40,580</b>
<b>Total Direct Expenses</b>	<b>\$ 822,092</b>	<b>\$ 822,092</b>	<b>\$ -</b>	<b>\$ 748,366</b>	<b>\$ (73,726)</b>
<b>Indirect Expenses</b>	<b>\$ 254,922</b>	<b>\$ 254,922</b>	<b>\$ -</b>	<b>\$ 289,690</b>	<b>\$ 34,768</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 1,077,014</b>	<b>\$ 1,077,014</b>	<b>\$ -</b>	<b>\$ 1,038,056</b>	<b>\$ (38,958)</b>
<b>Change in Assets</b>	<b>\$ 88,643</b>	<b>\$ 88,643</b>	<b>\$ -</b>	<b>\$ (17,082)</b>	<b>\$ (105,725)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	82,000	82,000	-	-	(82,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (82,000)</b>	<b>\$ (82,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 82,000</b>
Allocation of Fixed Assets	\$ (6,643)	\$ (6,643)	-	17,082	\$ 23,725
<b>Change in Fixed Assets</b>	<b>(88,643)</b>	<b>(88,643)</b>	<b>-</b>	<b>17,082</b>	<b>105,725</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ -</b>

## Situation Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	62.6	70.8	8.2
Direct Expenses	\$ 27,599,340	\$ 31,214,978	\$ 3,615,638
Indirect Expenses	\$ 3,833,280	\$ 4,772,947	\$ 939,667
Inc(Dec) in Fixed Assets	\$ 3,549,694	\$ 6,676,286	\$ 3,126,592
Total Funding Requirement	\$ 34,982,314	\$ 42,664,211	\$ 7,681,897

### Program Scope and Functional Description

In 2006, the WECC Board approved the Reliability Coordination Strategic Initiative (RCSI), which was designed to make reliability coordination in the Western Interconnection more effective and efficient, and to fulfill all the requirements of the mandatory standards. WECC completed the RCSI and was certified by NERC to provide the reliability coordination function for the Western Interconnection prior to going live on January 1, 2009.

The WECC Reliability Coordinator's primary function is the reliable operation of the BES for the Western Interconnection in real-time and next-day study time frames. They also provide leadership, coordination, technical expertise, and assistance to the Balancing Authorities and other functional entities within WECC. These reliability functions are executed at the Reliability Coordination Offices (RCO) located in Vancouver, Washington and Loveland, Colorado. Each RCO serves as a "hot" backup for the other.

Situation awareness in the Western Interconnection will be further enhanced through the activities undertaken by WECC in response to the U.S. DOE's Smart Grid Investment Grant Funding Opportunity Announcement (see Appendix A). On April 1, 2010, WECC signed an agreement with the U.S. DOE to receive a \$53.9 million grant to implement its Western Interconnection Synchrophasor Program (WISP). The funding matched dollars already committed by nine WISP Partner Entities<sup>12</sup> in the WECC Region to extend and deploy synchrophasor technologies within their electrical systems. The total funding for WISP is \$107.8 million. WISP will expand WECC's current activities by, among other things, enhancing the situation awareness of WECC's RCOs. WISP will deliver significant reliability enhancement, economic growth, and job creation through vendor-partner involvement and by increased staffing requirements for WECC, WECC's partners throughout the Western Interconnection, and the nation's power industry. This interconnection-wide synchrophasor system will also enable smart grid functionality such as:

- Improved integrated system operations
- Enhanced knowledge-based real-time advanced warning systems

<sup>12</sup> Bonneville Power Administration, California Independent System Operator, Idaho Power, NV Energy, PacifiCorp, Pacific Gas & Electric, Southern California Edison, Salt River Project, and WECC.

- Enhanced energy loss reduction
- Efficient asset use
- Improved integration of renewable resources

Over the next three years, WECC will spend \$31.9 million of the U.S. DOE grant on WECC infrastructure, software, and a new wide-area telecommunications system for the Western Interconnection. The balance, (\$22 million) will go to Pacific Gas & Electric (PG&E) projects as a sub-recipient. WECC's 2011 budgeted costs associated with the WISP are \$24.1 million, which include:

- \$1 million for personnel expenses
- \$9 million for sub-recipient (PG&E)
- \$7.4 million for the procurement and engineering of application software
- \$5.8 million for consulting services
- \$573,000 for expansion of the two RCOs

### **2011 Key Assumptions**

- The nine WISP Partner Entities deliver individual project scopes in support of WISP.

### **2011 Goals and Key Deliverables**

- Enhance situation awareness and model validation in the Western Interconnection through the implementation of the WISP project.
- Continue management and delivery of WISP and meet U.S. DOE performance, job creation, and financial tracking and reporting requirements.

### **WECC Interchange Tool (WIT)**

WIT is a software system that facilitates and coordinates interchange between WECC BAs and permits increased monitoring of interchange transactions by Reliability Coordinators. WECC is registered with NERC as the Interchange Authority because it is the contract party with the software vendor providing WIT. The 2011 budget will increase by \$15,000 due to an increase in the number of BAs within WECC using WIT and the addition of an automated reporting application.

### **Web Security Analysis System (webSAS)**

The webSAS tool enhances situation awareness in the Western Interconnection by determining the effect of both on- and off-path schedules on the Qualified Path that is experiencing overloading due to Unscheduled Flow (USF). Currently, various entities in the Western Interconnection including WECC have individual licenses to the webSAS tool. The \$576,000 proposal for a single webSAS contract and license will ensure that a greater number of entities have access to the tool. Increased use of the tool will ensure consistent calculation of USF impacts and curtailment responsibilities, which will have a positive effect on the reliability of the interconnection.

### **2011 Key Assumptions**

- Cyclical upgrades of event monitoring equipment and one third of the IT system infrastructure will need to be refreshed.

- Warranties expire on IT equipment purchased in 2008 to fulfill the RCSI.
- Standards will be more rigidly defined increasing the number of standards that require compliance by Reliability Coordinators. This may include acquiring new technology, software or hardware, and training.
- Data sharing issues and requests will continue to change, adding more workload to the Reliability Coordination function.

### 2011 Goals and Key Deliverables

- Provide proactive response to conditions on the BES to assure the safe and reliable operation of the Western Interconnection.
- Work (through WECC's Reliability Coordination function) to expand the number of situation awareness displays available to NERC, FERC, and the WECC membership.
- Continue to work with the WECC membership and third parties to deliver West-wide System Model data via the data sharing policy.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Funding Sources (Other than ERO Assessments)

- Assessments are offset by the allocation of \$385,000 in penalty sanctions received by WECC prior to June 30, 2010.
- WECC will receive \$24.1 million in U.S DOE grant funding for WISP. The funds directly offset increases in expenditures related to the WISP project.

#### Personnel Expenses

- Personnel Expenses increase by \$855,000 due to the addition of 8.2 FTEs. The RCOs are increasing FTEs by two for administrative support. The remaining increase of 6.2 FTEs relates to employees hired in late 2010 who are dedicated to WISP for all of 2011.

#### Meeting Expenses

- Travel increases by \$159,000 to more closely reflect 2009 actual results and anticipated levels of 2011 travel related to training and meetings.

#### Operating Expenses

- Consultants and Contracts increase by \$2.2 million due to increased activity associated with WISP.
- Office Rent increases by \$126,000 due to the expansion of the RCO space in Loveland and rent escalations for the RCO leases.
- Office Costs increase by \$1.8 million. Of this amount:
  - \$576,000 is due to the addition of webSAS
  - \$323,000 is due to the acquisition of WISP WAN services
  - \$450,000 is due to the renewal of RCO hardware warranties
  - \$470,000 is due to the expansion and maintenance of the RCO systems and equipment
- Professional Services increase by \$40,000 due to estimated outside legal counsel needs.

- Depreciation was not budgeted in 2010 and is budgeted in 2011.

**Indirect Expenses**

- Indirect expenses are allocated based on FTEs. The Situation Awareness and Infrastructure Security allocation increases due to an increase in FTEs and the increase in total indirect costs.

**Other Non-Operating Expenses**

- Not applicable

**Fixed Asset Additions**

- Depreciation was not budgeted in 2010 and is budgeted in 2011.
- Computer and Software capital expenditures increase by \$5.9 million due to WISP purchases for the expansion of the RCO systems and core WAN design and software expenditures.
- Leasehold Improvements decrease by \$965,000 due to the build-out of the RCO offices that occurred in 2010.

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 19,170,469	\$ 19,170,469	\$ -	\$ 18,166,072	\$ (1,004,397)
Penalty Sanctions			\$ -	385,459	385,459
<b>Total WECC Funding</b>	<b>\$ 19,170,469</b>	<b>\$ 19,170,469</b>	<b>\$ -</b>	<b>\$ 18,551,531</b>	<b>\$ (618,938)</b>
Membership Dues	-	-	-	-	-
Federal Grants	15,811,845	15,811,845	-	24,112,680	8,300,835
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 34,982,314</b>	<b>\$ 34,982,314</b>	<b>\$ -</b>	<b>\$ 42,664,211</b>	<b>\$ 7,681,897</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 7,390,968	\$ 7,390,968	\$ -	\$ 8,102,630	\$ 711,662
Payroll Taxes	668,926	668,926	-	709,600	40,674
Benefits	829,599	829,599	-	900,500	70,901
Retirement Costs	520,276	520,276	-	551,913	31,637
<b>Total Personnel Expenses</b>	<b>\$ 9,409,770</b>	<b>\$ 9,409,770</b>	<b>\$ -</b>	<b>\$ 10,264,643</b>	<b>\$ 854,873</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	216,000	216,000	-	375,000	159,000
Conference Calls	10,000	10,000	-	12,200	2,200
<b>Total Meeting Expenses</b>	<b>\$ 226,000</b>	<b>\$ 226,000</b>	<b>\$ -</b>	<b>\$ 387,200</b>	<b>\$ 161,200</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 12,623,025	\$ 12,623,025	\$ -	\$ 14,822,583	\$ 2,199,558
Office Rent	596,000	596,000	-	722,000	126,000
Office Costs	1,763,338	1,763,338	-	3,598,302	1,834,964
Professional Services	15,000	15,000	-	55,000	40,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	1,365,250	1,365,250
<b>Total Operating Expenses</b>	<b>\$ 14,997,363</b>	<b>\$ 14,997,363</b>	<b>\$ -</b>	<b>\$ 20,563,135</b>	<b>\$ 5,565,772</b>
<b>Total Direct Expenses</b>	<b>\$ 24,633,133</b>	<b>\$ 24,633,133</b>	<b>\$ -</b>	<b>\$ 31,214,978</b>	<b>\$ 6,581,845</b>
<b>Indirect Expenses</b>	<b>\$ 3,833,280</b>	<b>\$ 3,833,280</b>	<b>\$ -</b>	<b>\$ 4,772,947</b>	<b>\$ 939,667</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 2,966,207</b>	<b>\$ 2,966,207</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,966,207)</b>
<b>Total Expenses</b>	<b>\$ 31,432,620</b>	<b>\$ 31,432,620</b>	<b>\$ -</b>	<b>\$ 35,987,925</b>	<b>\$ 4,555,305</b>
<b>Change in Assets</b>	<b>\$ 3,549,694</b>	<b>\$ 3,549,694</b>	<b>\$ -</b>	<b>\$ 6,676,286</b>	<b>\$ 3,126,592</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(1,365,250)	(1,365,250)
Computer & Software CapEx	1,893,145	1,893,145	-	7,814,719	5,921,574
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	1,537,667	1,537,667	-	572,357	(965,310)
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (3,430,812)</b>	<b>\$ (3,430,812)</b>	<b>\$ -</b>	<b>\$ (7,021,826)</b>	<b>\$ (3,591,014)</b>
Allocation of Fixed Assets	\$ (118,882)	\$ (118,882)	-	345,540	464,422
<b>Change in Fixed Assets</b>	<b>(3,549,694)</b>	<b>(3,549,694)</b>	<b>-</b>	<b>(6,676,286)</b>	<b>(3,126,592)</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>

---

**Administrative Services**

<b>Administrative Services</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	39.7	48.9	9.2
Direct Expenses	\$ 10,130,342	\$ 12,963,378	\$ 2,833,036
Inc(Dec) in Fixed Assets	\$ 270,000	\$ (776,000)	\$ (1,046,000)
Working Capital Requirement	\$ 1,214,397	\$ -	\$ (1,214,397)

**Methodology for Allocation of Administrative Services Expenses to Programs**

Administrative Services expenses are allocated to statutory and non-statutory program areas based on FTEs.

**Program Scope and Functional Description**

WECC's Administrative Services consist of Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The budgets for these programs are addressed in the subsequent sections of the Business Plan and Budget.



## Technical Committees and Member Forums

<b>Technical Committees and Member Forums</b>			
(in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	7.0	7.5	0.5
Direct Expenses	\$ 2,264,861	\$ 2,655,839	\$ 390,978
Inc(Dec) in Fixed Assets	\$ 50,000	\$ 34,000	\$ (16,000)
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

WECC is governed by a 32-member Board of Directors, of which 25 directors represent member classes. The remaining seven directors are not affiliated with any WECC member or potential member. These Non-affiliated Directors are compensated for their time on the WECC Board and on Board Committees.

Nine WECC Board committees recommend policy on various reliability issues or handle governance, finance, and human resource matters. They are:

- *Operating Transfer Capability Policy Committee* – the OTCPC provides coordinated standards development and determination of System Operating Limits within the Western Interconnection.
- *Transmission Expansion Planning Policy Committee* – TEPPC oversees database management, provides policy and management of the planning process, and guides the analyses and modeling for the Western Interconnection’s transmission expansion planning. TEPPC expenses are accounted for in the Reliability Assessment and Performance Analysis Budget.
- *Governance and Nominating Committee* – the GNC nominates WECC Board candidates and recommends Bylaws and other governance changes.
- *Human Resources and Compensation Committee* – the HRCC oversees human resources and WECC employee compensation.
- *Reliability Policy Issues Committee* – the RPIC reviews policy-level reliability issues and develops appropriate recommendations for WECC Board consideration.
- *Reliability Management System Reliability Compliance Committee* – the RMSRCC ensures compliance with standards under the WECC Reliability Management System. The committee’s responsibilities for the United States have largely been superseded by the WECC CMEP. This committee may be dissolved during 2010.
- *Finance and Audit Committee* – the FAC reviews WECC’s budgets, makes recommendations to staff, and assists the Board in maintaining the integrity of WECC’s financial reporting.
- *Reliability Coordination Committee* – the RCC provides advice concerning Reliability Coordination operations, personnel, and budget to the WECC Board and to the WECC CEO.
- *WECC Compliance Committee* – the WCC acts on behalf of the WECC Board and provides oversight of the WECC Compliance function.

## Standing Committees

- The Joint Guidance Committee – the JGC ensures that the Standing Committees (described below) and associated subcommittees coordinate and communicate regarding electric system reliability and market issues. In addition, the JGC provides a forum for coordination between the three Standing Committees on convergent issues. One such issue is the integration of variable generation. As such, the VGS is a subcommittee of JGC that considers issues pertaining to the integration of variable generation and makes recommendations to the JGC on issues to pursue.
- *Operating Committee* – the OC advises and makes recommendations to the WECC Board on all WECC-related matters that apply to maintaining reliability through the operation and security of the interconnected BES in the Western Region. The OC has seven subcommittees and 15 work groups.
- *Planning Coordination Committee* – the PCC recommends criteria for determining the adequacy of power supply and for elements of system design that affect the reliability of the interconnected BES in the Western Region. The PCC collects data and studies the operation of the interconnected systems necessary to determine the reliability of the interconnected BES. The PCC evaluates proposed facility additions or modifications based on established reliability criteria. PCC expenses are accounted for in the Reliability Assessment and Performance Analysis Budget. The PCC has four subcommittees.
- *Market Interface Committee* – the MIC considers matters pertaining to the impact of reliability standards, practices, and procedures on the commercial electricity market in the Western Interconnection, and facilitates analyses of the impact of electricity market practices on electric system reliability. The MIC has two subcommittees.

## 2011 Key Assumptions

- Increased remote participation in OC meetings via Webinar and conference calls.

## 2011 Goals and Key Deliverables

- Assist the committees in meeting their charters and achieving their goals by providing studies, expert advice, and perspective on matters pertaining to the BES in the Western Interconnection. This will be achieved by providing subject matter experts in areas such as planning, system operations, Reliability Coordination, and market interface.
- Provide logistics support for meetings and required postings.

## U.S. DOE Grant

### ***DE-PS36-09GO99009 – 20% Wind by 2030: Overcoming the Challenges***

#### **Variable Generation Subcommittee (VGS)**

In May 2008, the U.S. DOE issued the “20% Wind Energy by 2030” report. The report found that in order to meet a 20 percent scenario, major challenges need to be overcome to reliably integrate that level of penetration. As such, the U.S. DOE issued an FOA (DE-PS36-09GO99009) for projects aimed at overcoming these challenges. On March 3, 2009, WECC submitted a response to this FOA with a project to examine Balancing Authority Cooperation Concepts to Reduce Variable Generation Integration Costs in the Western Interconnection. On May 3, 2010 (effective February 1, 2010) WECC signed an agreement with the U.S. DOE to receive a grant of \$245,000. This project will examine the benefits of different Balancing

Authority coordination scenarios including consolidation concepts and less-than-hourly scheduling intervals to aid in the reliable integration of variable generation. This work will be coordinated through the Variable Generation Subcommittee.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

Direct expenses increase \$391,000 in 2011 mainly due to the inclusion of \$450,000 within Consulting Costs for a cost-benefit analysis study of the Efficient Dispatch Toolkit (EDT) within WECC BES. The proposed EDT would support reliability by providing a centralized dispatch to mitigate the variability from the anticipated levels of Variable Generation. The cost-benefit analysis of the proposed EDT would quantify the financial benefits to WECC members from the EDT through a production cost model, and would quantify both capital and operating costs associated with the EDT. The inclusion of the cost-benefit analysis in the statutory budget has been discussed with FERC staff.

### **Funding Sources (Other than ERO Assessments)**

- WECC will receive \$122,000 in U.S. DOE funding for the VGS grant. The funds directly offset increases in expenditures related to the VGS project.

### **Personnel Expenses**

- Personnel Expenses increase by \$45,000 due to the addition of 0.5 FTE.

### **Meeting Expenses**

- Meetings decrease by \$12,000 due to the availability of the Salt Lake City meeting facilities.
- Travel decreases by \$115,000 due to Travel being budgeted within the appropriate functional areas.

### **Operating Expenses**

- Consultants and Contracts increase by \$438,000, mainly due to the inclusion of funds for the cost-benefit analysis on the EDT.
- Office Costs decrease by \$17,000 due to anticipated cost savings in printing and shipping.
- Professional Services increase by \$36,000 due to anticipated outside legal counsel services related to WECC's Bylaw-mandated five-year review of organizational structure and effectiveness.
- Depreciation was not budgeted in 2010 and is budgeted in 2011.

### **Indirect Expenses**

- Technical Committees and Member Forums expenses are allocated to statutory functional areas based on FTEs.

### **Other Non-Operating Expenses**

- Not Applicable.

### **Fixed Asset Additions**

- Depreciation was not budgeted in 2010 and is budgeted in 2011.

## Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Technical Committees and Member Forums</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	122,400	122,400	-	122,400	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 122,400</b>	<b>\$ 122,400</b>	<b>\$ -</b>	<b>\$ 122,400</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 738,970	\$ 738,970	\$ -	\$ 764,903	\$ 25,933
Payroll Taxes	66,507	66,507	-	68,612	2,105
Benefits	84,655	84,655	-	99,202	14,547
Retirement Costs	51,728	51,728	-	54,036	2,308
<b>Total Personnel Expenses</b>	<b>\$ 941,861</b>	<b>\$ 941,861</b>	<b>\$ -</b>	<b>\$ 986,753</b>	<b>\$ 44,892</b>
<b>Meeting Expenses</b>					
Meetings	\$ 380,220	\$ 380,220	\$ -	\$ 368,020	\$ (12,200)
Travel	255,900	255,900	-	141,000	(114,900)
Conference Calls	30,900	30,900	-	31,100	200
<b>Total Meeting Expenses</b>	<b>\$ 667,020</b>	<b>\$ 667,020</b>	<b>\$ -</b>	<b>\$ 540,120</b>	<b>\$ (126,900)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 152,480	\$ 152,480	\$ -	\$ 590,750	\$ 438,270
Office Rent	-	-	-	-	-
Office Costs	108,500	108,500	-	91,216	(17,284)
Professional Services	395,000	395,000	-	431,000	36,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	16,000	16,000
<b>Total Operating Expenses</b>	<b>\$ 655,980</b>	<b>\$ 655,980</b>	<b>\$ -</b>	<b>\$ 1,128,966</b>	<b>\$ 472,986</b>
<b>Total Direct Expenses</b>	<b>\$ 2,264,861</b>	<b>\$ 2,264,861</b>	<b>\$ -</b>	<b>\$ 2,655,839</b>	<b>\$ 390,978</b>
<b>Indirect Expenses</b>	<b>\$ (2,142,461)</b>	<b>\$ (2,142,461)</b>	<b>\$ -</b>	<b>\$ (2,533,439)</b>	<b>\$ (390,978)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 122,400</b>	<b>\$ 122,400</b>	<b>\$ -</b>	<b>\$ 122,400</b>	<b>\$ 0</b>
<b>Change in Assets</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(16,000)	(16,000)
Computer & Software CapEx	50,000	50,000	-	50,000	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (50,000)</b>	<b>\$ (50,000)</b>	<b>\$ -</b>	<b>\$ (34,000)</b>	<b>\$ 16,000</b>
Allocation of Fixed Assets	\$ 50,000	\$ 50,000	-	34,000	(16,000)
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>

## General and Administrative

<b>General and Administrative</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	15.0	16.7	1.7
Direct Expenses	\$ 4,504,411	\$ 6,273,771	\$ 1,769,360
Inc(Dec) in Fixed Assets	\$ -	\$ (817,000)	\$ (817,000)
Less: Other Funding Sources	\$ (11,000)	\$ (354,000)	\$ (343,000)

### Program Scope and Functional Description

The purpose of the General and Administrative Program Area is to provide executive leadership to WECC, and to provide communications and administrative support for WECC staff, committees, and members. Additionally, indirect costs (i.e., Office Rent) that benefit multiple Program Areas are accounted for in this area.

### 2011 Key Assumptions

- Interest income is budgeted conservatively due to economic uncertainty and the financial markets.
- WECC will occupy its new (larger) Salt Lake City location, which will result in an increase in Office Rent.
- WECC will be liable for Washington State taxes based on an apportionment of total revenues received by WECC.

### 2011 Goals and Key Deliverables

- Provide executive leadership and strategic guidance for the activities undertaken by WECC.
- Improve the quality and efficiency of support provided to staff and members.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

The General and Administrative budget increases by a net of \$1.4 million, primarily due to increased insurance, rent, excise tax, and personnel costs. In 2011, WECC is not collecting assessments to increase its working capital reserve.

### Funding Sources (Other than ERO Assessments)

- WECC anticipates its investments will earn approximately \$350,000 in 2011.

### Personnel Expenses

- Salaries increase by \$330,000 due to the addition of 1.7 FTEs and a budgeted two percent merit increase for existing personnel.

- Payroll Taxes and Retirement Costs increase by \$22,000 and \$13,000 respectively as a result of the increase in FTE and salary costs.
- Benefits decrease \$100,000 to more accurately reflect 2009 actual results and employee utilization of the benefit options.

### **Meeting Expenses**

- Meetings decrease by \$13,000, primarily due to the availability of the Salt Lake City meeting facilities.
- Travel decreases by \$191,000 to more closely reflect 2009 actual results and anticipated levels of 2011 travel.

### **Operating Expenses**

- Office Rent increases by \$446,000, primarily due to the new Salt Lake City location. The new Salt Lake City office is significantly larger than WECC's former office and will allow WECC to hold meetings on-site. The increase in rent will be partially offset by a decrease in meeting costs.
- Office Costs increase by \$138,000 due to the estimated tax liability associated with WECC's operations in Washington State, which does not recognize WECC's 501(c)6 tax exempt status.
- Professional Services increase by \$318,000, primarily due to the Errors and Omissions (E&O) insurance policy.
- Depreciation was not budgeted in 2010 and is now budgeted in 2011.

### **Indirect Expenses**

- General and Administrative expenses are allocated to statutory functional areas based on FTEs.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Depreciation was not budgeted in 2010 and is budgeted in 2011.

## General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>General and Administrative</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 1,214,397	\$ 1,214,397	\$ -	\$ -	\$ (1,214,397)
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ 1,214,397</b>	<b>\$ 1,214,397</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,214,397)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	350,000	350,000
Miscellaneous	11,000	11,000	-	4,000	(7,000)
<b>Total Funding</b>	<b>\$ 1,225,397</b>	<b>\$ 1,225,397</b>	<b>\$ -</b>	<b>\$ 354,000</b>	<b>\$ (871,397)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,701,761	\$ 1,701,761	\$ -	\$ 2,031,849	\$ 330,088
Payroll Taxes	118,058	118,058	-	140,522	22,464
Benefits	778,033	778,033	-	678,264	(99,769)
Retirement Costs	113,003	113,003	-	125,806	12,803
<b>Total Personnel Expenses</b>	<b>\$ 2,710,856</b>	<b>\$ 2,710,856</b>	<b>\$ -</b>	<b>\$ 2,976,441</b>	<b>\$ 265,585</b>
<b>Meeting Expenses</b>					
Meetings	\$ 15,000	\$ 15,000	\$ -	\$ 2,000	\$ (13,000)
Travel	313,100	313,100	-	122,000	(191,100)
Conference Calls	6,000	6,000	-	7,000	1,000
<b>Total Meeting Expenses</b>	<b>\$ 334,100</b>	<b>\$ 334,100</b>	<b>\$ -</b>	<b>\$ 131,000</b>	<b>\$ (203,100)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 32,000	\$ 32,000	\$ -	\$ 20,000	\$ (12,000)
Office Rent	985,000	985,000	-	1,431,000	446,000
Office Costs	269,675	419,675	150,000	407,930	138,255
Professional Services	172,780	172,780	-	490,400	317,620
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	817,000	817,000
<b>Total Operating Expenses</b>	<b>\$ 1,459,455</b>	<b>\$ 1,609,455</b>	<b>\$ 150,000</b>	<b>\$ 3,166,330</b>	<b>\$ 1,706,875</b>
<b>Total Direct Expenses</b>	<b>\$ 4,504,411</b>	<b>\$ 4,654,411</b>	<b>\$ 150,000</b>	<b>\$ 6,273,771</b>	<b>\$ 1,769,360</b>
<b>Indirect Expenses</b>	<b>\$ (4,493,411)</b>	<b>\$ (4,493,411)</b>	<b>\$ -</b>	<b>\$ (5,919,771)</b>	<b>\$ (1,426,360)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 11,000</b>	<b>\$ 161,000</b>	<b>\$ 150,000</b>	<b>\$ 354,000</b>	<b>\$ 343,000</b>
<b>Change in Assets</b>	<b>\$ 1,214,397</b>	<b>\$ 1,064,397</b>	<b>\$ (150,000)</b>	<b>\$ -</b>	<b>\$ (1,214,397)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(817,000)	(817,000)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 817,000</b>	<b>\$ 817,000</b>
Allocation of Fixed Assets	-	-	-	(817,000)	(817,000)
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 1,214,397</b>	<b>\$ 1,064,397</b>	<b>\$ (150,000)</b>	<b>\$ -</b>	<b>\$ (1,214,397)</b>



## Legal and Regulatory

<b>Legal and Regulatory</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	8.0	11.0	3.0
Direct Expenses	\$ 1,565,660	\$ 1,794,997	\$ 229,337
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

WECC's Legal Department provides coordinated legal services to the WECC Board, committees, and staff. In addition, the department provides consistent legal interpretations of relevant statutes, regulations, court opinions, and regulatory decisions. The Legal Department also develops specific subject matter expertise to further assist WECC with its legal needs. On occasion, major efforts may be outsourced to select law firms, but responsibility for all legal matters remains with the General Counsel and Legal Department.

WECC's international operations and broad scope of activities require significant legal support and review of activities. Arranging for legal support is complicated by the technical nature of this developing area of law and the high level of conflicts prohibiting the use of law firms with energy practices.

### 2011 Key Assumptions

- WECC will maintain the scope of its current operations. However, the operating environment may change in the event of unanticipated direction from FERC, NERC, or both.

### 2011 Goals and Key Deliverables

- Provide efficient, cost-effective legal support to the WECC Board, committees, and staff through a combination of in-house and outside resources.
- Update and advise the WECC Board and CEO on pending legal issues.
- Advise WECC departments on specified legal matters and general matters relating to WECC business.
- Provide legal support to the WECC Compliance Department and facilitate processing of possible and alleged violations.
- Represent WECC in legal and regulatory proceedings, including the NERC Audit of WECC as a Regional Entity.
- Review and advise WECC business units on draft agreements.
- Improve regulatory tracking for development of WECC regulatory policies.
- Centralize and maintain corporate records.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- Not applicable.

**Personnel Expenses**

- Personnel Expenses increase by \$361,000 due to the addition of three FTEs.

**Meeting Expenses**

- Not applicable.

**Operating Expenses**

- Professional Services decrease by \$125,000 due to the addition of in-house legal counsel.

**Indirect Expenses**

- Legal and Regulatory expenses are allocated to statutory functional areas based on FTEs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Not applicable.

## Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Legal and Regulatory</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 858,707	\$ 858,707	\$ -	\$ 1,141,000	\$ 282,293
Payroll Taxes	77,284	77,284	-	102,690	25,406
Benefits	100,640	100,640	-	134,437	33,797
Retirement Costs	60,109	60,109	-	79,870	19,761
<b>Total Personnel Expenses</b>	<u>\$ 1,096,740</u>	<u>\$ 1,096,740</u>	<u>\$ -</u>	<u>\$ 1,457,997</u>	<u>\$ 361,257</u>
<b>Meeting Expenses</b>					
Meetings	\$ 8,000	\$ 8,000	\$ -	\$ 12,000	\$ 4,000
Travel	86,000	86,000	-	87,000	1,000
Conference Calls	10,000	10,000	-	3,000	(7,000)
<b>Total Meeting Expenses</b>	<u>\$ 104,000</u>	<u>\$ 104,000</u>	<u>\$ -</u>	<u>\$ 102,000</u>	<u>\$ (2,000)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	89,920	89,920	-	85,000	(4,920)
Professional Services	275,000	275,000	-	150,000	(125,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 364,920</u>	<u>\$ 364,920</u>	<u>\$ -</u>	<u>\$ 235,000</u>	<u>\$ (129,920)</u>
<b>Total Direct Expenses</b>	<u>\$ 1,565,660</u>	<u>\$ 1,565,660</u>	<u>\$ -</u>	<u>\$ 1,794,997</u>	<u>\$ 229,337</u>
<b>Indirect Expenses</b>	<u>\$ (1,565,660)</u>	<u>\$ (1,565,660)</u>	<u>\$ -</u>	<u>\$ (1,794,997)</u>	<u>\$ (229,337)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	-	\$ -	-	-	-
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## Information Technology

<b>Information Technology</b> (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	3.7	5.7	2.0
Direct Expenses	\$ 946,232	\$ 1,187,179	\$ 240,947
Inc(Dec) in Fixed Assets	\$ 220,000	\$ 7,000	\$ (213,000)
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

WECC's Information Technology (IT) department provides systems support including: data, e-mail, telephone systems, and inter- and intra-Web site maintenance. In addition, IT includes small development projects and contracts with various service providers. It also includes a staff to administer the IT infrastructure at WECC. The IT department also provides resources and tools to enable the organization to meet the evolving requirements for NERC "Agreed Upon Procedures" (AUP) and CIP requirements.

### 2011 Key Assumptions

- Security needs and data management will increase in 2011 to support the continuing growth of the organization.
- NERC AUPs continue to evolve and require additional IT processes, procedures, and security to comply.

### 2011 Goals and Key Deliverables

- Deliver reliable and secure IT systems that support WECC's business needs.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Funding Sources (Other than ERO Assessments)

- Not applicable.

#### Personnel Expenses

- Personnel Expenses increase by \$284,000 due to the addition of two FTEs and a budgeted two percent merit increase.

#### Meeting Expenses

- Travel increases by \$10,000 due to maintenance of WECC's information systems at its three locations.

**Operating Expenses**

- Office Costs decrease by \$136,000 to more closely reflect 2009 actual results and anticipated 2011 expenditures.
- Depreciation was not budgeted in 2010 and is budgeted in 2011.

**Indirect Expenses**

- Information Technology expenses are allocated to statutory functional areas based on FTEs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Computer and Software capital expenses decrease by \$120,000 due to fewer server and software upgrades.

## Information Technology

Funding sources and related expenses for the Information Technology section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Information Technology</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 323,439	\$ 323,439	\$ -	\$ 536,401	\$ 212,962
Payroll Taxes	29,110	29,110	-	48,276	19,166
Benefits	36,242	36,242	-	73,304	37,062
Retirement Costs	22,641	22,641	-	37,548	14,907
<b>Total Personnel Expenses</b>	<u>\$ 411,432</u>	<u>\$ 411,432</u>	<u>\$ -</u>	<u>\$ 695,529</u>	<u>\$ 284,097</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	10,000	10,000
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 30,000	\$ 30,000	\$ -	\$ 20,000	\$ (10,000)
Office Rent	-	-	-	-	-
Office Costs	504,800	504,800	-	368,650	(136,150)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	93,000	93,000
<b>Total Operating Expenses</b>	<u>\$ 534,800</u>	<u>\$ 534,800</u>	<u>\$ -</u>	<u>\$ 481,650</u>	<u>\$ (53,150)</u>
<b>Total Direct Expenses</b>	<u>\$ 946,232</u>	<u>\$ 946,232</u>	<u>\$ -</u>	<u>\$ 1,187,179</u>	<u>\$ 240,947</u>
<b>Indirect Expenses</b>	<u>\$ (946,232)</u>	<u>\$ (946,232)</u>	<u>\$ -</u>	<u>\$ (1,187,179)</u>	<u>\$ (240,947)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(93,000)	(93,000)
Computer & Software CapEx	220,000	220,000	-	100,000	(120,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ (220,000)</u>	<u>\$ (220,000)</u>	<u>\$ -</u>	<u>\$ (7,000)</u>	<u>\$ 213,000</u>
Allocation of Fixed Assets	\$ 220,000	\$ 220,000	-	7,000	\$ (213,000)
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## Human Resources

<b>Human Resources</b> (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	3.0	4.0	1.0
Direct Expenses	\$ 473,820	\$ 636,934	\$ 163,114
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The department is responsible for the delivery of all Human Resource functions across the three WECC offices, including: recruitment, staffing, compensation, benefits, safety and health, employee relations, performance management, and employee training and development.

### 2011 Key Assumptions

- WECC's staffing level will continue to increase during 2011 with the addition of 26.1 FTEs.
- Competition for talent will increase due to an increasing percentage of the utility talent pool being eligible for retirement. Consequently, as the talent pool compresses, salary and benefit pressures increase.
- Retention and competitive compensation of key individuals will become critical.
- Succession planning and employee development are vital to ensure that WECC maintains a skilled, qualified workforce.

### 2011 Goals and Key Deliverables

- Provide effective Human Resource support to WECC management and employees by developing and implementing policies, procedures, and guidelines to ensure ongoing compliance with federal, state, and local employment laws.
- Develop and deliver employee and supervisory training.
- Attract, recruit, and hire an exceptional workforce to fill all vacancies. Focus on retention through performance management, developmental plans, and succession planning.
- Manage health and welfare benefits to deliver an attractive benefit package to employees while managing overall costs to the organization.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Funding Sources (Other than ERO Assessments)

- Not applicable.

**Personnel Expenses**

- Personnel Expenses increase by \$181,000 due to the addition of one FTE and a budgeted two percent merit increase.

**Meeting Expenses**

- Travel increases by \$12,000 due to increased visits to WECC locations.

**Operating Expenses**

- Office Costs decrease by \$37,000 to more closely reflect 2009 actual results and anticipated 2011 expenditures.
- Professional Services increase by \$8,000 due to anticipated outside legal counsel fees.

**Indirect Expenses**

- Human Resource expenses are allocated to statutory functional areas based on FTEs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Not applicable.



## Human Resources

Funding sources and related expenses for the Human Resources section of the 2011 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Human Resources					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 295,883	\$ 295,883	\$ -	\$ 430,303	\$ 134,420
Payroll Taxes	26,629	26,629	-	36,027	9,398
Benefits	36,866	36,866	-	61,623	24,757
Retirement Costs	20,712	20,712	-	33,021	12,309
<b>Total Personnel Expenses</b>	<u>\$ 380,090</u>	<u>\$ 380,090</u>	<u>\$ -</u>	<u>\$ 560,974</u>	<u>\$ 180,884</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	8,000	8,000	-	20,000	12,000
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 12,000</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 10,000	\$ 10,000	\$ -	\$ 9,000	\$ (1,000)
Office Rent	-	-	-	-	-
Office Costs	75,730	75,730	-	38,960	(36,770)
Professional Services	-	-	-	8,000	8,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 85,730</u>	<u>\$ 85,730</u>	<u>\$ -</u>	<u>\$ 55,960</u>	<u>\$ (29,770)</u>
<b>Total Direct Expenses</b>	<u>\$ 473,820</u>	<u>\$ 473,820</u>	<u>\$ -</u>	<u>\$ 636,934</u>	<u>\$ 163,114</u>
<b>Indirect Expenses</b>	<u>\$ (473,820)</u>	<u>\$ (473,820)</u>	<u>\$ -</u>	<u>\$ (636,934)</u>	<u>\$ (163,114)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## Finance and Accounting

<b>Accounting and Finance</b> (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	3.0	4.0	1.0
Direct Expenses	\$ 375,359	\$ 414,658	\$ 39,299
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Finance and Accounting function provides accounting, accounts payable, billing, accounts receivable, budgeting, fixed asset management, and payroll support to WECC. This function also produces all financial reports and acts as a liaison with WECC's external financial statement auditors.

### 2011 Key Assumptions

- WECC's continued growth will increase the demands placed on the accounting function.

### 2011 Goals and Key Deliverables

- Draft and implement financial policies.
- Improve financial reporting to WECC management and external stakeholders.
- Identify and implement efficiencies in financial processes.
- Ensure WECC has strong internal controls designed to protect the organization's assets and ensure accurate financial reporting.
- Develop a budget to address the risks created by the uncertain operating environment.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Funding Sources (Other than ERO Assessments)

- Not applicable.

#### Personnel Expenses

- Salary expenses decrease by a net \$9,000 as a result of the addition of one FTE and WECC hiring staff at salaries lower than budgeted in 2010.
- Benefits increase \$12,000 as a result of the additional FTE and added training costs.

#### Meeting Expenses

- Travel increases by \$7,000 due a greater number of visits to WECC's offices to provide training and other support services.

**Operating Expenses**

- Office Costs increase by \$12,000 due to fees related to WECC's payroll processing service.
- Professional Services increase by \$17,000 due to additional audit and tax services.

**Indirect Expenses**

- Finance and Accounting expenses are allocated to statutory functional areas based on FTEs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Not applicable.

**U.S. DOE Grants**

The 2011 RTEP and WISP budgets include \$117,000 for a grant accountant. The expenses for the grant accountant are charged directly to the programs funded by the U.S. DOE grants and to the direct costs of the Statutory Programs, not to the Finance and Accounting department. Therefore, this position and the related expenses are included in the budget and FTE count within the Reliability Assessment and Performance Analysis and the Situation Awareness and Infrastructure Security budgets.

## Finance and Accounting

Funding sources and related expenses for the Finance and Accounting section of the 2011 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>Finance and Accounting</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 263,735	\$ 263,735	\$ -	\$ 254,812	\$ (8,923)
Payroll Taxes	23,736	23,736	-	22,933	(803)
Benefits	33,406	33,406	-	45,657	12,251
Retirement Costs	18,461	18,461	-	17,836	(625)
<b>Total Personnel Expenses</b>	<b>\$ 339,339</b>	<b>\$ 339,339</b>	<b>\$ -</b>	<b>\$ 341,238</b>	<b>\$ 1,899</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	2,500	2,500	-	9,000	6,500
Conference Calls	-	-	-	120	120
<b>Total Meeting Expenses</b>	<b>\$ 2,500</b>	<b>\$ 2,500</b>	<b>\$ -</b>	<b>\$ 9,120</b>	<b>\$ 6,620</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 2,000	\$ 2,000
Office Rent	-	-	-	-	-
Office Costs	7,020	7,020	-	19,300	12,280
Professional Services	26,500	26,500	-	43,000	16,500
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 33,520</b>	<b>\$ 33,520</b>	<b>\$ -</b>	<b>\$ 64,300</b>	<b>\$ 30,780</b>
<b>Total Direct Expenses</b>	<b>\$ 375,359</b>	<b>\$ 375,359</b>	<b>\$ -</b>	<b>\$ 414,658</b>	<b>\$ 39,299</b>
<b>Indirect Expenses</b>	<b>\$ (375,359)</b>	<b>\$ (375,359)</b>	<b>\$ -</b>	<b>\$ (414,658)</b>	<b>\$ (39,299)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	-	\$ -	-	-	-
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>

This page intentionally left blank.

---

## Section B – Supplemental Financial Information 2011 Business Plan and Budget

---

This page intentionally left blank.

## Section B — Supplemental Financial Information

### Reserve Balance

**Table B-1**

Working Capital Reserve Analysis 2010-2011	
STATUTORY	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2009</b>	1,083,100
Plus: 2010 WECC Funding (from LSEs or designees)	39,132,457
Plus: 2010 Other funding sources	21,302,224
Less: 2010 Projected expenses & capital expenditures	(60,670,283)
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<b>847,498</b>
<b>Desired Working Capital Reserve, December 31, 2011</b>	<sup>2</sup> 847,498
Less: Projected Working Capital Reserve, December 31, 2010	(847,498)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>0</b>
2011 Expenses and Capital Expenditures	68,205,450
Less: Penalty Sanctions <sup>1</sup>	(865,650)
Less: Other Funding Sources	(29,424,271)
Adjustment to achieve desired Working Capital Reserve	-
<b>2011 WECC Assessment</b>	<b>37,915,529</b>

<sup>1</sup> Represents collections between July 1, 2009 and June 30, 2010. See page 62 for full disclosure.

<sup>2</sup> On June 18, 2010, the WECC Board of Directors approved this reserve level as an appropriate amount based on projected 2011 expenses and WECC's practice of collecting full assessments at the beginning of the year, which reduces WECC's cash flow risk.



---

**Breakdown by Statement of Activity Sections**

The following detailed schedules are in support of the Statutory Statement of Activities and Capital Expenditures on page 8. All significant variances have been disclosed by program area in the preceding pages.

**Penalty Sanctions**

Penalty monies received prior to June 30, 2010 will be used to offset assessments in the 2011 Budget, as documented in the NERC Policy – *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*. Penalty monies received from July 1, 2010 through June 30, 2011 will be used to offset assessments in the 2012 Budget.

Disclosure of all penalties received prior to June 30, 2010 is outlined below, including the amount, and the date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments:

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

Penalty sanctions are allocated based on the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

## Penalty Sanctions

Table B-2

Penalty Sanctions Received on or Prior to June 30, 2010	
Date Received	Amount Received
9/29/2009	\$ 100,000
11/9/2009	3,000
12/28/2009	2,000
12/28/2009	3,000
12/28/2009	3,000
1/7/2010	25,000
2/11/2010	65,000
2/23/2010	6,000
3/4/2010	30,000
3/11/2010	50,000
3/19/2010	10,000
3/19/2010	4,000
3/29/2010	15,000
4/2/2010	15,000
4/2/2010	40,250
4/26/2010	30,000
4/12/2010	20,000
4/12/2010	20,000
4/21/2010	24,500
4/12/2010	2,000
4/7/2010	3,000
4/26/2010	8,000
4/12/2010	3,000
4/12/2010	11,500
4/21/2010	52,000
4/30/2010	7,000
4/21/2010	7,000
4/26/2010	15,000
5/7/2010	28,000
4/30/2010	5,000
5/26/2010	30,000
5/17/2010	10,000
6/1/2010	44,000
5/28/2010	14,000
4/21/2010	7,000
4/26/2010	15,000
4/26/2010	8,000
6/7/2010	2,500
6/7/2010	8,000
6/14/2010	85,000
6/14/2010	9,900
6/28/2010	25,000
<b>Total Penalties Received</b>	<b>\$ 865,650</b>

## Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding WECC Assessments & Penalty Sanctions)	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget
<b>Reliability Standards</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Workshops	\$ 400,000	\$ 400,000	\$ 254,000	\$ (146,000)
<b>Total</b>	<b>\$ 400,000</b>	<b>\$ 400,000</b>	<b>\$ 254,000</b>	<b>\$ (146,000)</b>
<b>Reliability Assessment and Performance Analysis</b>				
Miscellaneous	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Federal Grants	3,991,879	3,991,879	3,831,541	(160,338)
<b>Total</b>	<b>\$ 4,041,879</b>	<b>\$ 4,041,879</b>	<b>\$ 3,831,541</b>	<b>\$ (210,338)</b>
<b>Training and Education</b>				
Workshops	\$ 915,100	\$ 915,100	\$ 749,650	\$ (165,450)
<b>Total</b>	<b>\$ 915,100</b>	<b>\$ 915,100</b>	<b>\$ 749,650</b>	<b>\$ (165,450)</b>
<b>Situation Awareness and Infrastructure Security</b>				
Federal Grants	\$ 15,811,845	\$ 15,811,845	\$ 24,112,680	\$ 8,300,835
<b>Total</b>	<b>\$ 15,811,845</b>	<b>\$ 15,811,845</b>	<b>\$ 24,112,680</b>	<b>\$ 8,300,835</b>
<b>Technical Committees and Member Forums</b>				
Total	\$ 122,400	\$ 122,400	\$ 122,400	\$ -
<b>Total</b>	<b>\$ 122,400</b>	<b>\$ 122,400</b>	<b>\$ 122,400</b>	<b>\$ -</b>
<b>General and Administrative</b>				
Miscellaneous	\$ 11,000	\$ 11,000	\$ 4,000	\$ (7,000)
Interest	-	-	350,000	350,000
<b>Total</b>	<b>\$ 11,000</b>	<b>\$ 11,000</b>	<b>\$ 354,000</b>	<b>\$ 343,000</b>
<b>Total Outside Funding</b>	<b>\$ 21,302,224</b>	<b>\$ 21,302,224</b>	<b>\$ 29,424,271</b>	<b>\$ 8,122,047</b>

## Explanation of Significant Variances – 2011 Budget versus 2010 Budget

## Compliance Monitoring, Enforcement and Organization Registration

- A decrease of \$146,000 in workshop revenue is anticipated in 2011 due to the elimination of fees for attending WECC Portal training workshops.

## Reliability Assessment and Performance Analysis

- Miscellaneous revenue decreases by \$50,000 due to the conclusion of a services contract with Lawrence Berkeley National Labs.
- Revenues from the RTEP grant are expected to decrease by \$160,000 as a result of decreased associated costs.

**Training and Education**

- Workshop revenue decreases by \$165,000 due to the reduction in the total number of sessions and a preliminary estimate of operators scheduled to attend training sessions.

**Situation Awareness and Infrastructure Security**

- WECC will receive \$24.1 million in U.S DOE grant funding for WISP, which represents an increase of \$8.3 million from 2010. The funds directly offset increases in expenditures related to the WISP project.

**General and Administrative**

- WECC anticipates its investments will earn approximately \$350,000 in 2011.

## Personnel Expenses

Table B-4

Personnel Expenses	Budget 2010	Projection 2010	Budget 2011	Variance		
				2011 Budget v 2010 Budget	Variance %	
<b>Salaries</b>						
Salaries	\$ 19,166,203	\$ 19,166,203	\$ 21,383,416	\$ 2,217,213	11.6%	
Employment Agency Fees	-	-	105,000	105,000		
Temporary Office Services	88,000	88,000	66,500	(21,500)	-24.4%	
<b>Total Salaries</b>	<b>\$ 19,254,203</b>	<b>\$ 19,254,203</b>	<b>\$ 21,554,916</b>	<b>\$ 2,300,713</b>	<b>11.9%</b>	
<b>Total Payroll Taxes</b>	<b>\$ 1,676,433</b>	<b>\$ 1,676,433</b>	<b>\$ 1,882,449</b>	<b>\$ 206,016</b>	<b>12.3%</b>	
<b>Benefits</b>						
Workers Compensation	\$ 12,494	\$ 12,494	\$ 30,000	\$ 17,506	140.1%	
Medical Insurance	2,064,323	2,064,323	2,406,026	341,703	16.6%	
Life-LTD-STD Insurance	259,221	259,221	199,424	(59,797)	-23.1%	
Education	400,954	400,954	338,100	(62,854)	-15.7%	
Relocation	62,470	62,470	60,000	(2,470)	-4.0%	
Other	-	-	16,000	16,000		
<b>Total Benefits</b>	<b>\$ 2,799,462</b>	<b>\$ 2,799,462</b>	<b>\$ 3,049,550</b>	<b>\$ 250,088</b>	<b>8.9%</b>	
<b>Retirement</b>						
Discretionary 401k Contribution	\$ 1,332,975	\$ 1,332,975	\$ 1,481,665	\$ 148,690	11.2%	
Savings Plan	-	-	-	-		
<b>Total Retirement</b>	<b>\$ 1,332,975</b>	<b>\$ 1,332,975</b>	<b>\$ 1,481,665</b>	<b>\$ 148,690</b>	<b>11.2%</b>	
<b>Total Personnel Costs</b>	<b>\$ 25,063,073</b>	<b>\$ 25,063,073</b>	<b>\$ 27,968,580</b>	<b>\$ 2,905,507</b>	<b>11.6%</b>	

## Explanation of Significant Variances – 2011 Budget versus 2010 Budget

## Salaries

- Salaries increase by \$2.3 million primarily due to the addition of 26.1 FTEs as discussed in the previous sections. Additionally, merit increases are budgeted at two percent and there are some market adjustments budgeted in 2011.
- Employment Agency Fees increase by \$105,000 due to anticipated executive search needs.
- Temporary Office Services decrease by \$22,000 due to anticipated levels of employee turnover.

## Payroll Taxes

- Payroll Taxes increase due to the addition of 26.1 FTEs in 2011.

## Benefits

- Workers' Compensation increases \$18,000 due to the addition of 26.1 FTEs in 2011.
- Insurance benefits increase a net of \$282,000 due to the addition of 26.1 FTEs in 2011.
- Education decreases by \$63,000 to more closely reflect 2009 actual results and anticipated 2011 expenditures.
- Relocation decreases by \$2,000 to more closely reflect anticipated 2011 expenditures.
- Other Benefits increase by \$16,000 to more closely reflect 2009 actual results.

## Retirement

The 401k contributions increase by \$149,000 due to the addition of 26.1 FTEs in 2011.

## Consultants and Contracts

**Table B-5**

Consultants	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ -	\$ -	\$ 2,400	\$ 2,400	
Compliance and Organization Registration and Certification	300,000	300,000	100,000	(200,000)	-67%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	2,571,168	2,571,168	2,195,076	(376,092)	-15%
Training and Education	98,000	98,000	58,000	(40,000)	-41%
Situation Awareness and Infrastructure Security	6,623,025	6,623,025	5,822,583	(800,442)	-12%
Committee and Member Forums	152,480	152,480	590,750	438,270	287%
General and Administrative	32,000	32,000	20,000	(12,000)	-38%
Legal and Regulatory	-	-	-	-	
Information Technology	30,000	30,000	20,000	(10,000)	-33%
Human Resources	10,000	10,000	9,000	(1,000)	-10%
Accounting and Finance	-	-	2,000	2,000	
<b>Consultants Total</b>	<b>\$ 9,816,673</b>	<b>\$ 9,816,673</b>	<b>\$ 8,819,809</b>	<b>\$ (96,864)</b>	<b>-10%</b>
<b>Contracts</b>					
Contracts	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Contracts</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	1,167,500	2,467,500	582,500	(585,000)	-50%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	997,463	997,463	1,119,296	121,833	12%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	6,000,000	6,000,000	9,000,000	3,000,000	50%
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
<b>Contracts Total</b>	<b>\$ 8,164,963</b>	<b>\$ 9,464,963</b>	<b>\$ 10,701,796</b>	<b>\$ 2,536,833</b>	<b>31%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 17,981,636</b>	<b>\$ 19,281,636</b>	<b>\$ 19,521,605</b>	<b>\$ 1,539,969</b>	<b>9%</b>

## Explanation of Significant Variances – 2011 Budget versus 2010 Budget

### Consultants

- Compliance and Organization Registration and Certification Consultants decrease by \$200,000 due to the hiring of staff to undertake tasks previously performed by consultants.
- Reliability Assessment and Performance Analysis Consultants decrease by \$376,000, primarily due to RTEP transitioning from the project planning and ramp-up stages to the implementation stage.
- Training and Education Consultants decrease by \$40,000 due to a reduction in the number of Power System Dynamics sessions and the commensurate decrease in costs associated with the utilization of a training consultant.
- Situation Awareness Consultants decrease by \$800,000, primarily due to WISP transitioning from project planning to the implementation stage.

- Committee and Member Forums Consultants increase by \$438,000 due to the addition of the cost-benefit analysis study related to the EDT as described on page 40.
- General and Administrative Consultants decrease by \$12,000 due to a reduction in estimated needs in 2011.
- Information Technology Consultants decrease \$10,000 to more closely reflect 2009 actual results and anticipated 2011 expenditures.

### Contracts

- Compliance and Organization Registration and Certification contracts decrease by \$585,000 due to the hiring of staff to undertake tasks previously performed by contractors.
- Reliability Assessment and Situation Awareness contracts are part of the RTEP and WISP grants, and represent sub-recipient contracts.

### Office Rent

**Table B-6**

Office Rent	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Office Rent	\$ 1,519,000	\$ 1,519,000	\$ 1,846,000	327,000	21.53%
Utilities	42,000	42,000	24,000	(18,000)	-42.86%
Maintenance	-	-	263,000	263,000	
Security	20,000	20,000	20,000	-	0.00%
<b>Total Office Rent</b>	<b>\$ 1,581,000</b>	<b>\$ 1,581,000</b>	<b>\$ 2,153,000</b>	<b>\$ 572,000</b>	<b>36.18%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- Office Rent increases \$327,000, primarily due to the new larger Salt Lake City office. This increase is partially offset by a reduction of meeting expenses due to the added meeting facility available in the new Salt Lake City office.
- Maintenance increases \$263,000 due to physical testing and upkeep of equipment in the RCO, which is required to demonstrate compliance with reliability standards and the adequacy of contingency plans.

## Office Costs

Table B-7

Office Costs	Budget		Projection		Variance	
	2010	2010	2011	2011	2011 Budget v 2010 Budget	Variance %
Telephone	\$ 278,790	\$ 278,790	\$ 271,476	\$ 271,476	\$ (7,314)	-2.62%
Internet	395,210	395,210	898,131	898,131	502,921	127.25%
Office Supplies	132,000	132,000	172,831	172,831	40,831	30.93%
Computer Supplies and Maintenance	1,936,038	1,936,038	3,094,710	3,094,710	1,158,672	59.85%
Publications & Subscriptions	29,500	29,500	14,600	14,600	(14,900)	-50.51%
Dues and Fees	123,400	123,400	130,900	130,900	7,500	6.08%
Postage	8,800	8,800	9,200	9,200	400	4.55%
Express Shipping	78,440	78,440	78,645	78,645	205	0.26%
Copying	105,300	105,300	151,900	151,900	46,600	44.25%
Equipment Repair/Service Contracts	334,200	334,200	-	-	(334,200)	-100.00%
Bank Charges	31,200	31,200	55,200	55,200	24,000	76.92%
Taxes	5,175	155,175	155,000	155,000	(175)	-0.11%
<b>Total Office Costs</b>	<b>\$ 3,458,053</b>	<b>\$ 3,608,053</b>	<b>\$ 5,032,593</b>	<b>\$ 5,032,593</b>	<b>\$ 1,424,540</b>	<b>39.48%</b>

## Explanation of Significant Variances – 2011 Budget versus 2010 Budget

- Telephone expenses decrease by \$7,000 to more closely reflect 2009 actual results and anticipated 2011 expenditures.
- Internet expenses increase by \$503,000 due to increased band-width needs related to the RCOs.
- Office Supplies increase by \$41,000 to more closely reflect 2009 actual results and anticipated 2011 expenditures based on staffing levels.
- Computer Supplies and Maintenance increase by \$1.2 million. Of that, \$550,000 is due to hardware warranty refreshes and software/hardware upgrades in the RCOs and \$576,000 is due to the new webSAS license.
- Publications and Subscriptions decrease by \$15,000 to more closely reflect 2009 actual results and anticipated 2011 expenditures.
- Copying increases by \$47,000 primarily due to new equipment leases.
- Equipment Repair/Service Contracts decrease by \$334,000 due to the elimination of this category in WECC's chart of accounts and the reclassification of costs to more appropriate expense categories, such as building and office maintenance. Additionally, the budget more closely reflects 2009 actual results and anticipated 2011 expenditures. Equipment service contracts are accounted for in Office Supplies and Copying.



**Professional Services****Table B-8**

Professional Services	Budget 2010	Projection 2010	Budget 2011	Variance	
				2011 Budget v 2010 Budget	Variance %
Independent Trustee Fees	\$ 492,000	\$ 492,000	\$ 375,000	\$ (117,000)	-23.78%
Outside Legal	388,000	388,000	309,500	(78,500)	-20.23%
Accounting & Auditing Fees	28,684	28,684	42,500	13,816	48.17%
Insurance Commercial	130,596	130,596	475,400	344,804	264.02%
<b>Total Services</b>	<b>\$ 1,039,280</b>	<b>\$ 1,039,280</b>	<b>\$ 1,202,400</b>	<b>\$ 163,120</b>	<b>15.70%</b>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget****Independent Trustee Fees**

- WECC is reducing the 2011 Independent Trustee Fees by \$117,000 to more closely reflect 2009 actual results and anticipated 2011 expenditures.

**Outside Legal**

- Outside Legal decreases by \$79,000 due to the hiring of additional in-house counsel.

**Insurance Commercial**

- Insurance Commercial increases due to the inclusion of the E&O insurance policy.

## Other Non-Operating

Table B-9

Other Non-Operating Expenses	Budget 2010	Projection 2010	Budget 2011	Variance	
				2011 Budget v 2010 Budget	Variance %
Interest Expense	\$ 40,000	\$ 40,000	\$ -	\$ (40,000)	-100.00%
Line of Credit Payment	2,929,207	2,929,207	-	(2,929,207)	-100.00%
Office Relocation	-	-	-	-	
<b>Total Non-Operating Expenses</b>	<b>\$ 2,969,207</b>	<b>\$ 2,969,207</b>	<b>\$ -</b>	<b>\$ (2,969,207)</b>	<b>-100.00%</b>

**Explanation of Significant Variances – 2011 Budget versus 2010 Budget**

- Interest Expense is eliminated in 2011 due to the line of credit being completely paid off.
- Line of Credit Payment is eliminated in 2011 due to the debt being completely paid off.

This page intentionally left blank.

---

## Section C – Non-Statutory Activities 2011 Business Plan and Budget

---

This page intentionally left blank.

---

**Section C — 2010 Non-Statutory Business Plan and Budget**

<b>Non-Statutory Activities</b> (in whole dollars)			
	<b>2010 Budget</b>	<b>2011 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	5.0	5.0	-
Direct Expenses	732,568	1,164,227	431,659
Indirect Expenses	384,125	413,843	29,718
Inc(Dec) in Fixed Assets	-	-	-
Total Funding Requirement	1,116,693	1,578,070	461,377

### Non-Statutory Functional Scope

The Western Renewable Energy Generation Information System (WREGIS) is an independent, renewable energy database for the Western Interconnection. WREGIS creates renewable energy certificates (REC) for verifiable renewable generation from units that are registered in the database.

WREGIS was developed through a collaborative process between the Western Governors' Association, the Western Regional Air Partnership, and the California Energy Commission (CEC). This development was further guided by stakeholder input from more than 400 participants over a period of more than three years. WREGIS is governed by a seven-member committee, consisting of representatives from various stakeholder groups. WECC is the administrative home of WREGIS.

WREGIS costs fall outside Section 215 of the Federal Power Act. Participants fund WREGIS through registration and transaction fees. "Backstop" funding is provided by the CEC pursuant to a contract between the CEC and WECC.

WREGIS consists of two parts: the information system software and the administrative operations housed at WECC. The WREGIS staff oversees the software contractor and performs all of the administrative tasks required to operate the program including: registering account holders and generation units; training WREGIS users; and managing the budgeting, billing, and financial reporting.

WREGIS operates on a fiscal year beginning October 1. WREGIS' budget has been converted to a calendar year for the purposes of WECC's 2011 Business Plan and Budget.

### Major 2011 Assumptions and Cost Impacts

The CEC is a financial backstop for WREGIS to the extent that other funding sources are insufficient. This support ends in 2012, by which time it is expected that WREGIS will be fully self-funded.

## 2011 Primary Goals and Objectives

The goals for WREGIS for 2011 are to:

- Implement the WREGIS program as required by the contract between the CEC and WECC.
- Register program participants, whether mandatory or voluntary.
- Work on refining the WREGIS software to ensure optimum performance in terms of both efficiency and ease of use for account holders.
- Keep abreast of possible opportunities to increase WREGIS' functionality.

## Funding Sources and Requirements — Explanation of Increase (Decrease)

### Funding Sources (Other than ERO Assessments)

- WREGIS account holders pay an initial registration fee and annual renewal fees. Amounts vary by the size and category of the account holder.
- Volumetric-based fees are assessed when RECs are traded, retired, reserved, or transferred.
- The CEC funds WREGIS to the extent that other funding sources are insufficient. This support ends in 2012, by which time it is expected that WREGIS will be fully self-funded.
- Under most circumstances nominal fees are charged for users who attend training.

### Personnel Expenses

- Five employees are needed to manage the current WREGIS program and are budgeted at a total cost of \$505,000 including Salaries, Payroll Taxes, Benefits, and Retirement costs.

### Meeting Expenses

- WREGIS is governed by a Board-level committee that meets monthly. The WREGIS Committee has also formed three sub-committees that meet at least quarterly. WREGIS is a stakeholder-driven organization and, as such, the Stakeholder Advisory Committee also meets monthly. In order to control costs, the majority of these meetings are held via teleconferencing. In order to allow for the necessary meetings, a cost of \$71,000 has been budgeted to cover the cost of the telephone and web-conferencing services, staff and committee travel, and account holder user trainings.

### Operating Expenses

- In order to keep the number of FTEs low, WREGIS employs professional outside labor for such services as accounting software, web hosting, and legal services. In addition, there are numerous office-related expenses necessary to run the business. For 2011, \$588,000 has been budgeted for these costs.

### **Indirect Expenses**

- Indirect expenses are allocated based on FTEs. The WREGIS allocation increases due to an increase in total indirect costs.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Not applicable.



## 2010 Budget and Projection and 2011 Budget Comparisons

<b>Statement of Activities and Capital Expenditures</b>					
<b>2010 Budget &amp; Projection, and 2011 Budget</b>					
<b>NON-STATUTORY</b>					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues/Non-statutory					
Assessments	1,087,943	1,087,943	-	1,565,590	2,653,533
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	8,800	8,800	-	12,480	21,280
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ 1,096,743</u>	<u>\$ 1,096,743</u>	<u>\$ -</u>	<u>\$ 1,578,070</u>	<u>\$ 2,674,813</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 350,047	\$ 350,047	\$ -	\$ 355,846	\$ 5,799
Payroll Taxes	31,504	31,504	-	32,026	522
Benefits	50,882	50,882	-	92,146	41,264
Retirement Costs	24,503	24,503	-	24,909	406
<b>Total Personnel Expenses</b>	<u>\$ 456,936</u>	<u>\$ 456,936</u>	<u>\$ -</u>	<u>\$ 504,927</u>	<u>\$ 47,991</u>
<b>Meeting Expenses</b>					
Meetings	\$ 19,943	\$ 19,943	\$ -	\$ 20,780	\$ 837
Travel	34,872	34,872	-	50,000	15,128
Conference Calls	500	500	-	500	-
<b>Total Meeting Expenses</b>	<u>\$ 55,315</u>	<u>\$ 55,315</u>	<u>\$ -</u>	<u>\$ 71,280</u>	<u>\$ 15,965</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 87,041	\$ 87,041	\$ -	\$ 113,300	\$ 26,259
Office Rent	-	-	-	-	-
Office Costs	70,259	70,259	-	418,320	348,061
Professional Services	63,017	63,017	-	56,400	(6,617)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 220,317</u>	<u>\$ 220,317</u>	<u>\$ -</u>	<u>\$ 588,020</u>	<u>\$ 367,703</u>
<b>Total Direct Expenses</b>	<u>\$ 732,568</u>	<u>\$ 732,568</u>	<u>\$ -</u>	<u>\$ 1,164,227</u>	<u>\$ 431,659</u>
<b>Indirect Expenses</b>	<u>\$ 364,175</u>	<u>\$ 364,175</u>	<u>\$ -</u>	<u>\$ 413,843</u>	<u>\$ 49,668</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 1,096,743</u>	<u>\$ 1,096,743</u>	<u>\$ -</u>	<u>\$ 1,578,070</u>	<u>\$ 481,327</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,156,140</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,156,140</u>

## Personnel Analysis

FTEs are defined as full-time employees only. Fractional FTEs reflect part-time employees or employees who worked in fewer than all four quarters of the year.

Total FTEs by Program Area	Budget 2010	Projection 2010	Direct FTEs 2011 Budget	Shared FTEs <sup>1</sup> 2011 Budget	Total FTEs 2011 Budget	Change from 2010 Budget
<b>NON-STATUTORY</b>						
<b>Operational Programs</b>						
<b>Total FTEs Operational Programs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Administrative Programs</b>						
WREGIS	5.0	5.0	5.0	0.0	5.0	0.0
<b>Total FTEs Administrative Programs</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>5.0</b>	<b>0.0</b>
<b>Total FTEs</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>5.0</b>	<b>0.0</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

---



---

**Reserve Analysis — 2010–2011**

<b>Working Capital Reserve Analysis 2010-2011</b>	
<b>NON-STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2009</b>	6,114,082
Plus: 2010 WECC Funding (from LSEs or designees)	0
Plus: 2010 Other funding sources	1,096,743
Less: 2010 Projected expenses & capital expenditures	<b>(1,096,743)</b>
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<u><u><b>6,114,082</b></u></u>
 <b>Desired Working Capital Reserve, December 31, 2011</b>	 1 6,114,082
Less: Projected Working Capital Reserve, December 31, 2010	<b>(6,114,082)</b>
<b>Additional funding required to achieve desired Working Capital Reserve</b>	<u><u><b>0</b></u></u>
 2011 Funding for Expenses and Capital Expenditures	 1,578,070
Less: Other Funding Sources	<b>(1,578,070)</b>
Adjustment to achieve desired Working Capital Reserve	-
<b>2011 Funding (reserve adjustment)</b>	<u><u><b>0</b></u></u>

<sup>1</sup> On June 18, 2010, the WECC Board of Directors approved this reserve level as an appropriate amount based on projected 2011 expenses and overall financial position of the corporation.

---

Section D – Additional Consolidated Financial  
Statements  
2011 Business Plan and Budget

---

This page intentionally left blank.



## Statement of Financial Position

### Statement of Financial Position 2009 Audited, 2010 Projection, and 2011 Budget

#### STATUTORY and NON-STATUTORY

(in thousands)

	(Per Audit) 31-Dec-09	Projected 31-Dec-10	Budget 31-Dec-11
<b>ASSETS</b>			
Cash and cash equivalents	\$ 34,868	\$ 33,082	\$ 33,082
Restricted cash and cash equivalents	2,500	-	
Investments	2,418	2,500	2,500
Accounts receivable, net of allowance of \$38	668	675	675
Prepaid expenses and other assets	110	110	110
Property and equipment	6,839	10,839	17,876
Total Assets	<b>\$ 47,403</b>	<b>\$ 47,206</b>	<b>\$ 54,243</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Line of credit	\$ 2,926	\$ -	\$ -
Accounts payable	4,485	4,500	4,500
Accrued payroll and related liabilities	1,535	1,500	1,500
Deverred revenue	24,420	25,000	25,000
Other liabilities	231	250	250
Total Liabilities	<b>\$ 33,597</b>	<b>\$ 31,250</b>	<b>\$ 31,250</b>
Unrestricted net assets	13,806	15,956	22,993
Total Liabilities and Net Assets	<b>\$ 47,403</b>	<b>\$ 47,206</b>	<b>\$ 54,243</b>

## Appendix A: U.S. DOE Grants

### **DE-OE-0000423: *Recovery Act-Resource Assessment and Interconnection-Level Transmission Analysis and Planning – Topic A*** **Regional Transmission Expansion Planning (RTEP) Project**

WECC submitted its response to the U.S. DOE on August 14, 2009 and was informed on December 18, 2009 that WECC had been selected for full-award negotiations for \$14.5 million.

WECC responded with a revised proposal to enhance existing transmission planning and related statutory activities in the Western Interconnection under Section 215 of the Federal Power Act. The Regional Transmission Expansion Planning (RTEP) project – which encompasses all activities funded under this U.S. DOE grant – will produce interconnection-level transmission plans for the Western Interconnection.

The RTEP project is a natural expansion of the depth, breadth, and coordination of existing regional and sub-regional planning processes. The plans will accomplish the following:

- Evaluate the long-term regional transmission capacity needs under a comprehensive set of load, resource, and policy scenarios.
- Incorporate the results of a comprehensive examination of reliability impacts, technology costs, and emissions conducted during the project.
- Provide guidance for decision-makers at all levels (project developers, siting authorities, utility regulators, and others).
- Facilitate and accelerate the development of needed transmission infrastructure.

The program's total budgeted four-year cost is \$20.9 million. This includes a total of \$6.4 million (\$1.6 million of existing TEPPC budget per year over four years) as a cost share, and \$14.5 million to be received from the U.S. DOE.

Of the U.S. DOE portion, \$8.7 million will be spent directly by WECC with the remainder flowing through WECC to sub-awardees that will perform related activities (\$1.4 million to Subregional Planning Groups, \$2 million to non-governmental organizations, and \$2.3 million to universities). Sub-awardees are being treated as contractors for budget purposes and are seeking reimbursement for the cost of participating in the RTEP project.

As the primary recipient of the U.S. DOE grant, WECC maintains responsibility for compliance with all the terms of the grant award. Consequently, WECC is developing a procedure to confirm that all expenses are allowable before reimbursing the sub-awardees.



The proposed and U.S. DOE-approved budget for federal funds to be received by WECC is shown below:

	Budget Period 1 (2010)	Budget Period 2 (2011)	Budget Period 3 (2012)	Budget Period 4 (2013)	Total
Federal Grant Funding	\$ 3,991,879	\$ 3,831,541	\$ 3,811,136	\$ 2,865,444	\$ 14,500,000
Expenditures					
Personnel	610,896	677,819	677,819	677,819	2,644,353
Meeting Expenses	370,350	370,350	370,350	370,350	1,481,400
Consultants & Contractors	1,467,468	1,162,376	957,676	955,125	4,542,645
Flow Through to Sub Awardees	1,499,163	1,620,996	1,781,291	862,150	5,763,600
Other Operating Expenses	24,000		24,000		48,000
Fixed Assets	20,000				20,000
Total Expenditures	\$ 3,991,879	\$ 3,831,541	\$ 3,811,136	\$ 2,865,444	\$ 14,500,000
<b>Funding Less Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**DE-OE-0000364: Smart Grid Investment Grant Program (SGIG)  
Western Interconnection Synchronphasor Program (WISP)**

WECC submitted its response to the U.S. DOE on August 6, 2009 and was informed on October 27, 2009 that it had been selected for full-award negotiations. On April 1, 2010 WECC signed an agreement with the U.S. DOE to receive a grant of \$53.9 million. WISP will expand WECC’s current Section 215 activities by, among other things, enhancing the situation awareness of the Western Interconnection. This interconnection-wide synchronphasor system will also enable smart grid functionality such as:

- Improved integrated system operations
- Enhanced knowledge-based real-time advanced warning systems
- Reduced energy losses
- Increased efficiency of asset use
- Improved market efficiency
- Increased reliability and efficient integration of intermittent renewable resources

The program’s total budgeted three-year cost is \$107.8 million, which includes a matching funding grant from the U.S. DOE for 50 percent of the total cost (\$53.9 million). Of that amount, \$31.9 million will be spent on WECC projects and \$22 million will go to Pacific Gas & Electric (PG&E) as a sub-recipient.

PG&E will use this funding to improve: 1) grid-sensing pattern recognition and trending, 2) situation awareness and advance warning of system voltage problems that should reduce major outages, and 3) the integration of intermittent generation resources. Synchronized measurement technology and applications are also an important element and enabler of Wide-Area Monitoring, Protection, and Control. Implementation of this technology is consistent with U.S. DOE and FERC initiatives to improve grid reliability. The benefits are to the entire interconnected system (including the California Independent System Operator), the communities served by PG&E, and grid infrastructure as a whole.

The proposed and U.S. DOE-approved budget for federal funds to be received by WECC is shown below:

	Budget Period 1 (2010)	Budget Period 2 (2011)	Budget Period 3 (2012)	Total
Federal Grant Funding	\$ 15,811,845	\$ 24,112,680	\$ 13,975,475	\$ 53,900,000
Expenditures				
Personnel	547,470	1,078,019	1,202,836	2,828,325
Consultants & Contractors	6,505,025	5,772,583	5,199,750	17,477,358
Flow Through to Sub Awardees	6,000,000	9,000,000	7,000,000	22,000,000
Other Operating Expenses	1,138	325,002	60,660	386,800
Fixed Assets	2,758,212	7,937,076	512,229	11,207,517
Total Expenditures	\$ 15,811,845	\$ 24,112,680	\$ 13,975,475	\$ 53,900,000
<b>Funding Less Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

***DE-PS36-09GO99009 – 20% Wind by 2030: Overcoming the Challenges***  
**Variable Generation Subcommittee (VGS)**

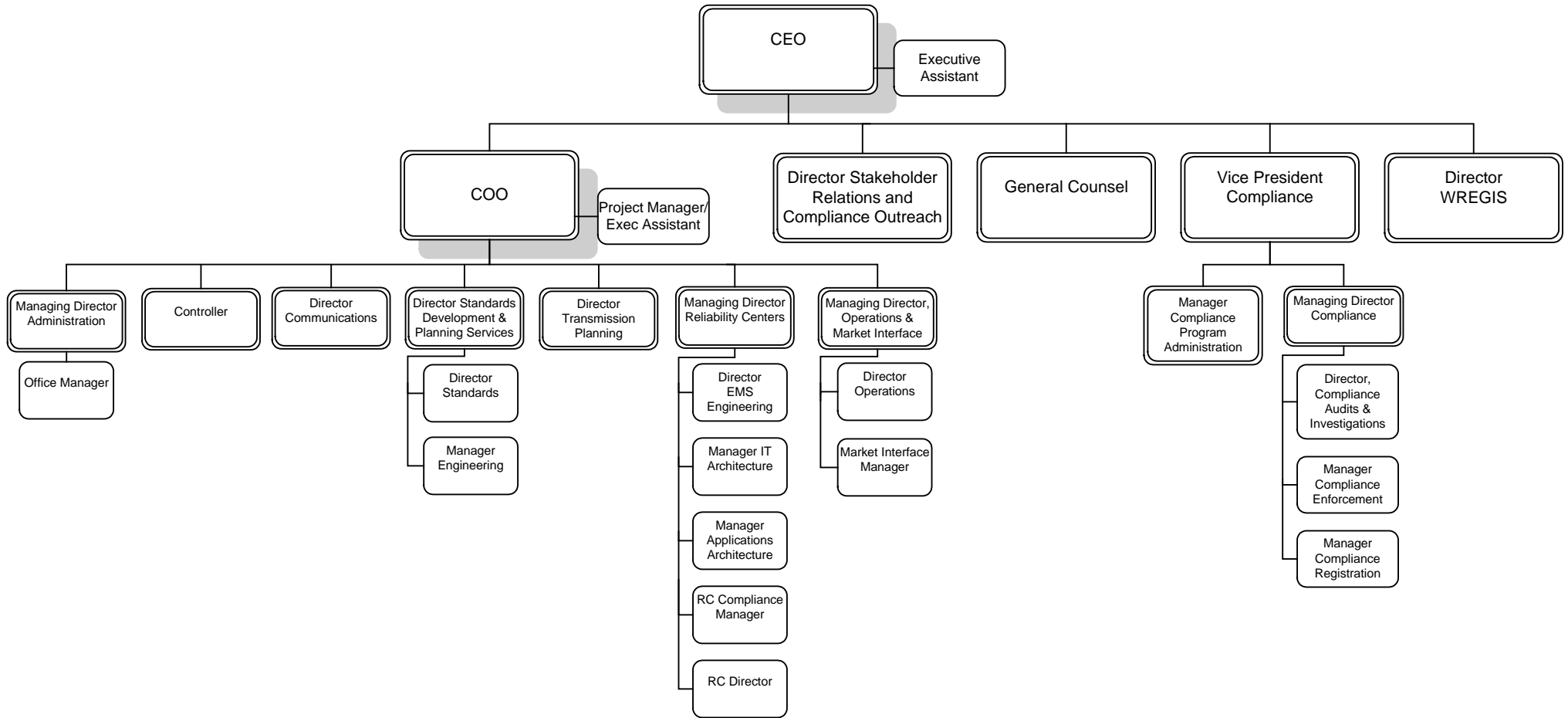
In May 2008, the U.S. DOE issued the “20% Wind Energy by 2030” report. The report found that in order to meet a 20 percent scenario, major challenges need to be overcome to reliably integrate that level of penetration. As such, the U.S. DOE issued an FOA (DE-PS36-09GO99009) for projects aimed at overcoming these challenges. On March 3, 2009, WECC submitted a response to this FOA with a project to examine Balancing Authority Cooperation Concepts to Reduce Variable Generation Integration Costs in the Western Interconnection. On May 3, 2010, WECC signed an agreement with the U.S. DOE to receive a grant of \$245,000 with an effective date of February 1, 2010. This project will examine the benefits of different Balancing Authority coordination scenarios including consolidation concepts and less-than-hourly scheduling intervals to aid in the reliable integration of variable generation. This work will be coordinated through the Variable Generation Subcommittee.

The proposed and U.S. DOE-approved budget for federal funds to be received by WECC is shown below:

	Budget Period 1 (2010)	Budget Period 2 (2011)	Total
Federal Grant Funding	\$ 122,400	\$ 122,400	\$ 244,800
Expenditures			
Personnel	12,480	12,480	24,960
Meeting Expenses	9,920	9,920	19,840
Consultants & Contractors	100,000	100,000	200,000
Total Expenditures	\$ 122,400	\$ 122,400	\$ 244,800
<b>Funding Less Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

This page intentionally left blank.

Appendix B: WECC Organizational Chart



This page intentionally left blank.

## Appendix C: Adjustment to the AESO 2011 Assessment

WECC CMEP Direct Costs	\$ 9,286,867	
Adjustment Based on 21.5 of 58.5 FTEs	\$ 3,413,122	
AESO NEL Share	6.660%	
AESO Direct Cost Credit		<u>\$ 227,318</u>
WECC CMEP Indirect Costs	\$ 4,841,962	
Adjustment Based on 21.5 of 58.5 FTEs	\$ 1,779,524	
AESO NEL Share	6.660%	
AESO Indirect Cost Credit		<u>\$ 118,518</u>
Total AESO Credit		<u><u>\$ 345,836</u></u>

The above calculation is consistent with NERC’s allocation of certain Compliance and Enforcement costs and the WECC Board Approved Allocation Methodology for Certain WECC Compliance Program Area Costs Assessed to Non-U.S. Entities. The assessment adjustment of \$345,836 represents WECC costs that are duplicative of Alberta Compliance and Enforcement Programs. This amount is allocated to the remainder of the Balancing Authorities assessments based on NEL.

### Assumptions:

1. WECC costs are pursuant to WECC 2011 Business Plan and Budget.
2. NEL share is pursuant to WECC 2011 Business Plan and Budget
3. 22 of 58.5 FTEs perform Audit and Investigations. Approximately 3 weeks per year is spent on AESO, estimated at .5 FTE. Therefore, the adjustment to the CMEP costs will be based on 21.5 of 58.5 FTEs.

**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 11**

**WESTERN INTERCONNECTION  
REGIONAL ADVISORY BODY**

**PROPOSED 2011 BUSINESS PLAN AND BUDGET**

**2011 Business Plan and Budget**

**Western Interconnection Regional Advisory Body**

**Approved by:  
The Western Interconnection Regional Advisory Body**

**DATE  
June 3, 2010**



# Table of Contents

<b>Introduction</b> .....	<b>3</b>
<b>Section A — 2011 Business Plan</b> .....	<b>11</b>
Western Interconnection Regional Advisory Body .....	
<b>Section B — Supplemental Financial Information</b> .....	<b>16</b>
Reserve Balance.....	16
Breakdown by Statement of Activity Sections .....	17
<b>Section C — 2010 Non-Statutory Business Plan and Budget</b> .....	<b>21</b>
Not applicable to WIRAB.....	
<b>Section D</b> .....	<b>23</b>
2011 Consolidated Statement of Activities by Program, Statutory and Non-Statutory .....	23

## Introduction

<b>WIRAB TOTAL RESOURCES</b> (in whole dollars)				
	<b>2011 Budget</b>	<b>U.S.</b>	<b>Canada</b>	<b>Mexico</b>
Statutory FTEs	2.5			
Non-statutory FTEs	0			
<b>Total FTEs</b>	2.5			
Statutory Expenses	\$ 616,470			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 616,470			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ -			
Statutory Working Capital Requirement*	\$ (294,607)			
Non-Statutory Working Capital Requirement**	\$ -			
<b>Total Working Capital Requirement</b>	\$ (294,607)			
Total Statutory Funding Requirement	\$ 321,863			
Total Non-Statutory Funding Requirement				
<b>Total Funding Requirement</b>	\$ 321,863			
<b>Statutory ERO Funding Assessments</b>	\$ 319,363			
<b>Non-Statutory Membership Fees</b>	0			
NEL	847,828,789	720,047,487	117,038,716	10,742,586
NEL%	100%	84.9%	13.8%	1.3%

\*Refer to Table B-1 on page 16 in Section B.

## Organizational Overview

In April 2006, ten Western Governors petitioned to create the Western Interconnection Regional Advisory Body under Section 215(j) of the Federal Power Act. The Governors indicated their interest in inviting all U.S. states, Canadian provinces and Mexico, which have territory in the Western Interconnection, to join WIRAB.

Pursuant to the order of the Federal Energy Regulatory Commission (FERC) in Docket No. RR06-2-000 issued on July 20, 2006 (the "Order")<sup>1</sup>, the FERC:

- Granted the Western Governors' petition to establish the Western Interconnection Regional Advisory Body (WIRAB) under Section 215(j) of the Federal Power Act;
- Granted the request that WIRAB receive funding for reasonable costs of its Section 215(j) activities; and
- Directed WIRAB to develop a budget and related information and submit it to the ERO for review by the ERO and submission through the ERO budget approval process.

<sup>1</sup> Order on Petition to Establish a Regional Advisory Body for the Western Interconnection, 116 FERC ¶61,061, Docket No. RR06-2-000, July 20, 2006.

The Order states that funding for Regional Advisory Bodies should be part of the overall funding process for the Electric Reliability Organization (ERO). The Commission instructed WIRAB to develop a budget in a form similar to that specified for regional entities as set forth in Order 672.<sup>2</sup> The July 20 Order specified that the WIRAB should annually develop and submit to the ERO its budget for 215(j) activities and an organization chart that the ERO will then review and submit to the Commission. The WIRAB submission also needs to identify the portion of its costs for 215(j) activities that will be funded from Canada and Mexico, and the basis for this allocation.

## Membership and Governance

All of the states with territory in the Western Interconnection (AZ, CA, CO, ID, MT, NE, NV, NM, OR, SD, TX, UT, WA, WY), the provinces of Alberta and British Columbia, and Mexico are members of WIRAB. Below is the list of members appointed by the Governor or Premier:

Alberta	Ian McKay, Department of Energy
Arizona	Vacant, Governor's Office
British Columbia	Shelley Murphy, Ministry of Energy, Mines and Petroleum Resources
California	Bill Chamberlain, California Energy Commission
Colorado	Morey Wolfson, Governor's Energy Office
Idaho	Marsha Smith, Public Utilities Commission
Mexico	Marcos Valenzuela, CFE
Montana	Tom Kaiserski, Department of Commerce
Nebraska	Tim Texel, Nebraska Power Review Board
Nevada	Rebecca Wagner, Public Utilities Commission
New Mexico	Jon Goldstein, Energy, Minerals and Natural Resources Department
Oregon	John Savage, Public Utility Commission
South Dakota	Dustin Johnson, Public Utilities Commission
Texas	Donna Nelson, Public Utility Commission
Utah	Dianne Nielson, Governor's Office
Washington	Tony Usibelli, Department of Community, Trade and Economic Development
Wyoming	Vacant, Governor's Office

The Governors created WIRAB as a standing advisory committee to the Western Interstate Nuclear Board, which was formed pursuant to the Western Interstate Nuclear Compact, P.L. 91-461. Members of the WIRAB are appointees of the Governors and Premiers or their alternates. WIRAB has the same status under the compact as the Western Interstate Energy

<sup>2</sup> Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Reliability Standards, Order 672, Docket RM05-30-000, Feb. 3, 2006, P. 228. "Each Regional Entity must submit its complete business plan, entire budget and organizational chart to the ERO for it to submit to the Commission. The complete business plan and the entire budget will provide the Commission with necessary information about any non-statutory activities, the source of their funding, and whether the pursuit of such activities presents a conflict of interest for the Regional Entity. For a Cross-Border Regional Entity, this information will also inform the Commission as to what portion of the budget is expended upon activities within the United States."

---

Board (WIEB), which is the energy affiliate of the Western Governors' Association. WIRAB operates under the bylaws of WINB as revised on April 4, 2006. (See organizational chart on page 14.)

## Statutory Functional Scope

FERC approved the petition of the Western Governors to create WIRAB as a regional advisory body under Section 215(j) of the Federal Power Act.

## 2011 Key Assumptions

- WIRAB continues to operate with the participation of all U.S. States and Canadian Provinces in the Western Interconnection, and Mexico.
- WIRAB continues to meet by conference call roughly monthly and is scheduled to hold two in-person meetings in 2011. WIRAB representatives will meet with FERC at its offices once in 2011.
- The current delegated model continues.
- There is no significant expansion of FERC, NERC or WECC responsibilities as a result of legislation pending in the U.S. Congress.
- Fiscal constraints in State and Provincial agency budgets make the reimbursement of travel costs associated with WIRAB activities more important.

## 2011 Goals and Key Deliverables

- Advice to FERC, NERC and WECC on whether standards, budgets and fees, compliance, assessments, strategic direction and other activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest. WIRAB's work in 2011 will build on its work over the past year where WIRAB offered: [advice to FERC](#) on the application of proposed penalty guidelines to violations of Section 215 standards, [advice to WECC](#) on the funding under Section 215 of a study of an Energy Imbalance Service; and [advice to NERC](#) on its three-year assessment.
- Roughly monthly conference calls or in-person meetings of WIRAB which include opportunities for public comment. Over the past year, WIRAB has met seven times, five times by conference call ([June 29, 2009](#), [August 17, 2009](#), [December 3, 2009](#), [March 5, 2010](#), June 3, 2010), and in person twice ([November 5, 2009](#), [April 21, 2009](#)). The WIRAB conference call meetings included reports by senior WECC staff on topics of interest to WIRAB. The in-person meetings included FERC Chairman Wellinghoff, senior FERC staff, the NERC CEO and senior WECC and NERC staff. In addition, WIRAB annually sends a contingent to FERC offices to meet with Commissioners and senior staff on issues of mutual interest.

- Webinars or workshops to expand the understanding of States and Provinces on reliability issues. For example, in the past year, WIRAB held webinars on [NERC's proposed reliability metrics](#) and [WECC's Power Supply Assessment](#). The primary audience of the webinars is WIRAB members, however, because of the broad interest in the webinar topics, other Western state and provincial personnel are invited to participate.
- Monitoring of reliability issues important to the Western Interconnection including, but not limited to: application of the definition of an "adequate level of reliability" to standards development; promising approaches to evaluating the cost-effectiveness of reliability standards, including the development of "results-based" standards; new regional standards; operation of the standards interpretation process; alternatives to the current micromanagement approach to compliance; trends in violations; compliance concerns raised by Registered Entities; transmission and integration of variable generation; FERC and NERC audits of WECC; WECC's Section 4.9 review; and opportunities for states, particularly PUCs, to assist in improving the cyber security preparedness of western entities. Information gleaned from monitoring issues is used by WIRAB staff to prepare briefing memos for WIRAB members prior to all WIRAB conference calls and meetings. The monitoring effort involves participation in all meetings of the WECC Board of Directors, including a report on WIRAB concerns, attendance at selected meetings of the NERC Board of Trustees and Members' Representatives Committee, and attendance at selected WECC committee and work group meetings.
- WIRAB's meetings, webinars and monitoring better inform Western states, Western provinces and Mexico on grid reliability issues. Based on this informational foundation, WIRAB can offer concise and relevant advice to FERC, NERC and WECC that reflects the public interest of Western states, Western provinces and Mexico. WIRAB's work also promote international comity with Western Canadian Provinces and Mexico on reliability issues which is necessary for the effective implementation of reliability standards in the Western Interconnection.

## 2011 Overview of Cost Impacts

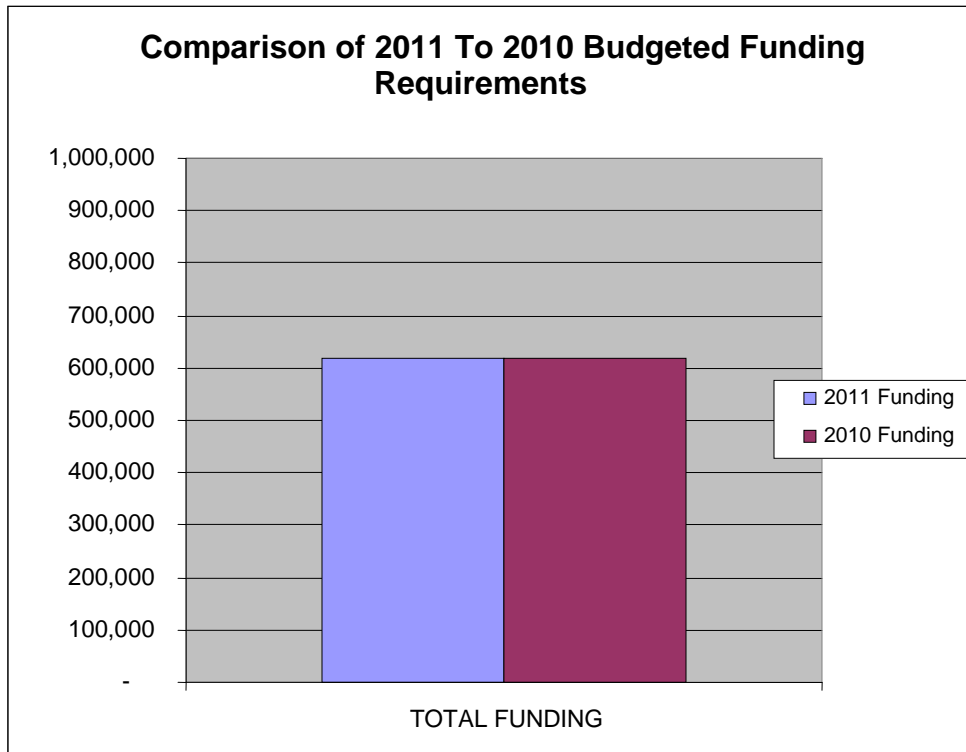
WIRAB's proposed 2011 budget is \$616,470, slightly lower than the 2010 budget.

Staff costs are the same in the 2011 budget as the 2010 budget. Staff costs plus indirect costs in 2010 are estimated to be \$154,710 lower than budgeted because of delays in hiring qualified technical staff in 2010. Total projected FTEs in 2011 are 2.5. The budget includes \$75,000 for contracting for technical expertise on issues related to standards and compliance. This expertise will help WIRAB prepare technically-sound advice under Section 215. Meeting costs will decrease slightly from \$12,000 in the 2010 budget to \$10,000 while WIRAB continues to hold two in-person meetings per year. Travel costs will decrease from \$50,000 to \$25,000

per year reflecting increased coordination with other meetings. A working capital reserve of \$100,000 will be maintained.

Program	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Western Interconnection Regional Advisory Body	616,810	426,000	616,470	(340)	-0.1%

This graphical representation does not include an allocation of working capital requirements among the Program Areas



## WIRAB FTE's

Total FTE's by Program Area	Budget 2010	Projection 2010	Direct FTEs 2011 Budget	Shared FTEs <sup>1</sup> 2011 Budget	Total FTEs 2011 Budget	Change from 2010 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
WIRAB	2.75	1.70	2.50		2.50	-0.25
<b>Total FTEs Operational Programs</b>	<b>2.75</b>	<b>1.70</b>	<b>2.50</b>	<b>0.00</b>	<b>2.50</b>	<b>-0.3</b>
<b>Administrative Programs</b>						
WIRAB (included in indirect expenses)					0.0	0.0
<b>Total FTEs Administrative Programs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total FTEs</b>	<b>2.75</b>	<b>1.70</b>	<b>2.50</b>	<b>0.00</b>	<b>2.50</b>	<b>-0.25</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

2010 Budget and Projection and 2011 Budget Comparisons

Statement of Activities and Capital Expenditures 2010 Budget & Projection, and 2011 Budget					
STATUTORY					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 438,381	\$ 438,381	-	\$ 319,363	\$ (119,018)
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 438,381</b>	<b>\$ 438,381</b>	<b>\$ -</b>	<b>\$ 319,363</b>	<b>\$ (119,018)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	3,567	2,600	(967)	2,500	\$ (1,067)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 441,948</b>	<b>\$ 440,981</b>	<b>\$ (967)</b>	<b>\$ 321,863</b>	<b>\$ (120,085)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 235,500	\$ 150,000	(85,500)	\$ 235,500	\$ -
Payroll Taxes (included in indirect exp	-	-	-	-	-
Benefits (Included in indirect expense)	-	-	-	-	-
Retirement Costs (included in indirect	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ 235,500</b>	<b>\$ 150,000</b>	<b>\$ (85,500)</b>	<b>\$ 235,500</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ 12,000	\$ 8,000	(4,000)	\$ 10,000	\$ (2,000)
Travel	50,000	20,000	(30,000)	25,000	\$ (25,000)
Conference Calls	3,500	2,000	(1,500)	2,500	\$ (1,000)
<b>Total Meeting Expenses</b>	<b>\$ 65,500</b>	<b>\$ 30,000</b>	<b>\$ (35,500)</b>	<b>\$ 37,500</b>	<b>\$ (28,000)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 75,000	\$ 75,000	-	\$ 75,000	\$ -
Office Rent (included in indirect)	-	-	0	-	-
Office Costs (Included in indirect	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	600	-	(600)	-	\$ (600)
Depreciation (Included in indirect)	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 75,600</b>	<b>\$ 75,000</b>	<b>\$ (600)</b>	<b>\$ 75,000</b>	<b>\$ (600)</b>
<b>Total Direct Expenses</b>	<b>\$ 376,600</b>	<b>\$ 255,000</b>	<b>\$ (121,600)</b>	<b>\$ 348,000</b>	<b>\$ (28,600)</b>
<b>Indirect Expenses</b>	<b>\$ 240,210</b>	<b>\$ 171,000</b>	<b>(69,210)</b>	<b>\$ 268,470</b>	<b>\$ 28,260</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 616,810</b>	<b>\$ 426,000</b>	<b>\$ (190,810)</b>	<b>\$ 616,470</b>	<b>\$ (340)</b>
<b>Change in Assets</b>	<b>\$ (174,862)</b>	<b>\$ 14,981</b>	<b>\$ 189,843</b>	<b>\$ (294,607)</b>	<b>\$ (119,745)</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	-	-	-	-	-
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ (174,862)</b>	<b>\$ 14,981</b>	<b>\$ 189,843</b>	<b>\$ (294,607)</b>	<b>\$ (119,745)</b>



---

## Section A – Statutory Programs 2011 Business Plan and Budget

---



## Section A — 2011 Business Plan

### Western Interconnection Regional Advisory Body

Western Interconnection Regional Advisory Body (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
Total FTEs	2.75	2.5	-0.25
Direct Expenses	376,600	348,000	(28,600)
Indirect Expenses	240,210	268,470	28,260
Inc(Dec) in Assets	(174,862)	(294,607)	(119,745)
Total Funding Requirement	441,948	321,863	(120,085)

### Program Scope and Functional Description

The western governors created WIRAB to provide advice to FERC, NERC and WECC on whether standards, budgets and fees, compliance, assessments, strategic direction and other activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest.

WIRAB meetings are open to all. There are generally monthly meetings via web conferencing and, in 2011, there will be two in-person meetings. These meetings are expected to be held in April and October.

### 2011 Key Assumptions

- WIRAB continues to operate with the participation of all U.S. States and Canadian Provinces in the Western Interconnection, and Mexico.
- WIRAB continues to meet by conference call roughly monthly and is scheduled to hold two in-person meetings in 2011. WIRAB representatives will meet with FERC at its offices once in 2011.
- The current delegated model continues.
- There is no significant expansion of FERC, NERC or WECC responsibilities as a result of legislation pending in the U.S. Congress.
- Fiscal constraints in State and Provincial agency budgets make the reimbursement of travel costs associated with WIRAB activities more important.

### 2011 Goals and Key Deliverables

- Advice to FERC, NERC and WECC on whether standards, budgets and fees, compliance, assessments, strategic direction and other activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest.

WIRAB's work in 2011 will build on its work over the past year where WIRAB offered: [advice to FERC](#) on the application of proposed penalty guidelines to violations of Section 215 standards, [advice to WECC](#) on the funding under Section 215 of a study of an Energy Imbalance Service; and [advice to NERC](#) on its three-year assessment.

- Roughly monthly conference calls or in-person meetings of WIRAB which include opportunities for public comment. Over the past year, WIRAB has met seven times, five times by conference call ([June 29, 2009](#), [August 17, 2009](#), [December 3, 2009](#), [March 5, 2010](#), June 3, 2010), and in person twice ([November 5, 2009](#), [April 21, 2009](#)). The WIRAB conference call meetings included reports by senior WECC staff on topics of interest to WIRAB. The in-person meetings included FERC Chairman Wellinghoff, senior FERC staff, the NERC CEO and senior WECC and NERC staff. In addition, WIRAB annually sends a contingent to FERC offices to meet with Commissioners and senior staff on issues of mutual interest.
- Webinars or workshops to expand the understanding of States and Provinces on reliability issues. For example, in the past year, WIRAB held webinars on [NERC's proposed reliability metrics](#) and [WECC's Power Supply Assessment](#). The primary audience of the webinars is WIRAB members, however, because of the broad interest in the webinar topics, other Western state and provincial personnel are invited to participate.
- Monitoring of reliability issues important to the Western Interconnection including, but not limited to: application of the definition of an "adequate level of reliability" to standards development; promising approaches to evaluating the cost-effectiveness of reliability standards, including the development of "results-based" standards; new regional standards; operation of the standards interpretation process; alternatives to the current micromanagement approach to compliance; trends in violations; compliance concerns raised by Registered Entities; transmission and integration of variable generation; FERC and NERC audits of WECC; WECC's Section 4.9 review; and opportunities for states, particularly PUCs, to assist in improving the cyber security preparedness of western entities. Information gleaned from monitoring issues is used by WIRAB staff to prepare briefing memos for WIRAB members prior to all WIRAB conference calls and meetings. The monitoring effort involves participation in all meetings of the WECC Board of Directors, including a report on WIRAB concerns, attendance at selected meetings of the NERC Board of Trustees and Members' Representatives Committee, and attendance at selected WECC committee and work group meetings.
- WIRAB's meetings, webinars and monitoring better inform Western states, Western provinces and Mexico on grid reliability issues. Based on this informational foundation, WIRAB can offer concise and relevant advice to FERC, NERC and WECC that reflects the public interest of Western states, Western provinces and Mexico. WIRAB's work also promote international comity with Western Canadian Provinces and Mexico on reliability issues which is necessary for the effective implementation of reliability standards in the Western Interconnection.

---

---

## Funding Sources and Requirements — Explanation of Increase (Decrease)

### Funding Sources (Other than ERO Assessments)

- Interest income will be \$1,067 lower due to continued low interest rates and a reduction in the base amount.

### Personnel Expenses

- Total expenses for salaries are estimated to remain the same. The number of FTE's will be slightly reduced. Payroll taxes, Benefits, and Retirement Costs are included in Indirect Costs and are detailed in Table B-4 on Page 18.

### Meeting Expenses

- Travel decreases \$25,000 reflecting the increased coordination with other meetings. There will continue to be two WIRAB meetings per year and some travel to WECC, NERC and FERC meetings.
- Meeting expenses decrease \$2,000. While there will still be two meetings per year, the meetings will be somewhat shorter in length.
- Conference calls decreases \$1,000 in part due to new phone system which will allow most calls to be arranged in-house.

### Operating Expenses

- No change. The budget includes \$75,000 for contracting for technical expertise on issues related to standards and compliance. This expertise will help WIRAB prepare technically-sound advice under Section 215.

### Indirect Expenses

- Increase \$28,260 due to higher administrative costs (support personnel, rent, and other office expenses) and increased cost for benefits such as medical insurance.

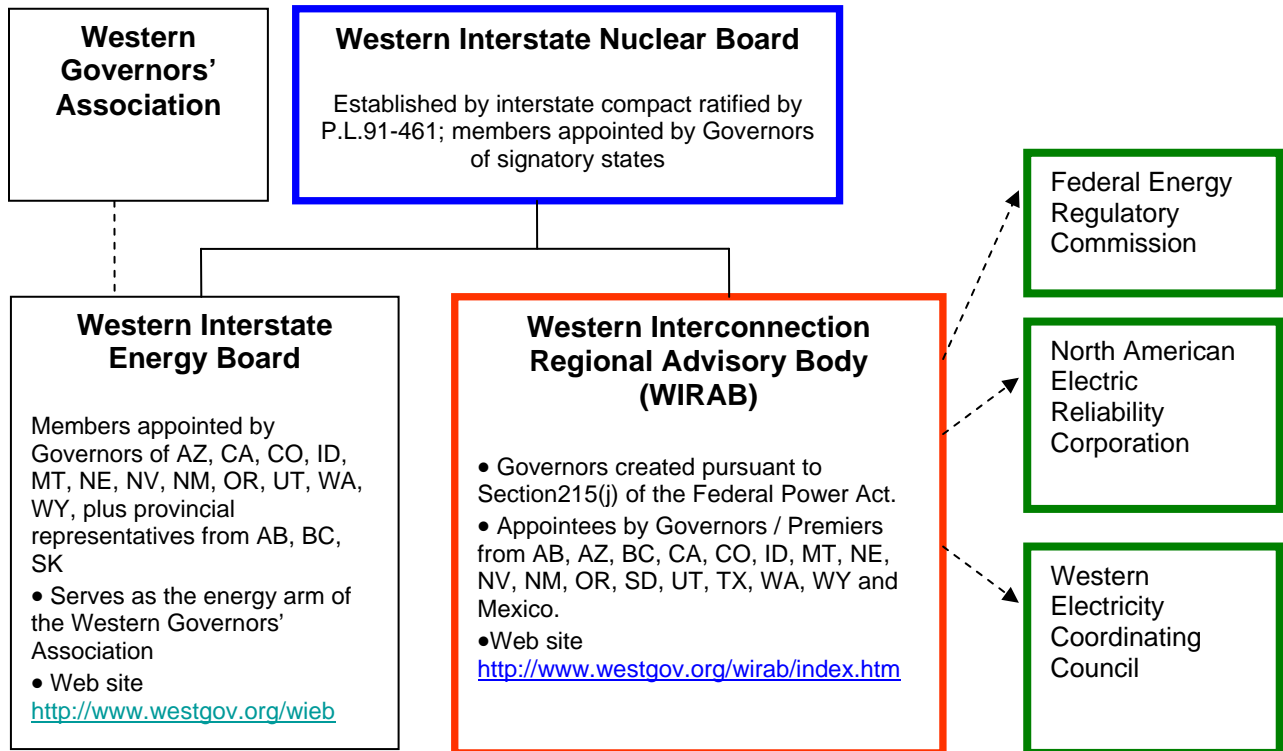
### Other Non-Operating Expenses

- None

### Fixed Asset Additions

- None

## 2011 Organizational Chart



---

## Section B – Supplemental Financial Information 2011 Business Plan and Budget

---



## Section B — Supplemental Financial Information

### Reserve Balance

#### Table B-1

<b>Working Capital Reserve Analysis 2010-2011</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2009</b>	379,626
Less: Penalty sanctions to be used as offset to 2011 assessments <sup>1</sup>	0
Plus: 2010 ERO Funding (from LSEs or designees)	438,381
Plus: 2010 Other funding sources	2,600
Less: '2010 Projected expenses & capital expenditures	(426,000)
<b>Projected Working Capital Reserve (Deficit), December 31, 2010</b>	<b><u>394,607</u></b>
<b>Desired Working Capital Reserve, December 31, 2011</b>	<sup>2</sup> 100,000
Less: Projected Working Capital Reserve, December 31, 2009	(394,607)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b><u>(294,607)</u></b>
2011 Assessment for Expenses and Capital Expenditures	616,470
Less: Penalty Sanctions <sup>1</sup>	
Less: Other Funding Sources	(2,500)
Adjustment to achieve desired Working Capital Reserve	(294,607)
<b>2011 Assessment</b>	<b><u>319,363</u></b>

<sup>1</sup> Penalty sanctions are not applicable to WIRAB

<sup>2</sup> On June 29, 2009, WIRAB members approved a desired working capital reserve of \$100,000  
The reserve consists of the following components:  
\$100,000 for contingencies

### Explanation of Changes in Reserve Policy from Prior Years

None

**Breakdown by Statement of Activity Sections**

The following detailed schedules are in support of Table 1, page \_\_, of the 2011 WIRAB Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

**Penalty Sanctions**

Not applicable to WIRAB



## Personnel Expenses

**Table B-4**

Personnel Expenses	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
<b>Salaries</b>					
Salary	\$ 235,500	\$ 150,000	\$ 235,500	\$ -	0.0%
Employment Agency Fees				-	
Temporary Office Services				-	
<b>Total Salaries</b>	<b>\$ 235,500</b>	<b>\$ 150,000</b>	<b>\$ 235,500</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Total Payroll Taxes</b>				<b>\$ -</b>	
<b>Benefits (included in indirect expenses)</b>					
Workers Compensation				\$ -	
Medical Insurance				-	
Life-LTD-LTC Insurance				-	
Education				-	
Relocation				-	
<b>Total Benefits</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Retirement (included in indirect expenses)</b>					
Discretionary 401k Cont.				\$ -	
Savings Plan				-	
<b>Total Retirement</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Personnel Costs</b>	<b>\$ 235,500</b>	<b>\$ 150,000</b>	<b>\$ 235,500</b>	<b>\$ -</b>	<b>0.0%</b>
<b>FTEs</b>	2.75	1.7	2.5	(0.25)	-9.1%
<b>Cost per FTE</b>					
Salaries	\$ 85,636	\$ 88,235	\$ 94,200	8,564	10.0%
Payroll Taxes	6,894	6,971	7,442	548	7.9%
Benefits	8,200	9,076	9,984	1,784	21.8%
Retirement	6,423	6,618	7,065	642	10.0%
<b>Total Cost per FTE</b>	<b>\$ 107,153</b>	<b>\$ 110,900</b>	<b>\$ 118,690</b>	<b>\$ 11,537</b>	<b>10.8%</b>

### Explanation of Significant Variances – 2011 Budget versus 2010 Budget

While the salary amount remains the same, the FTEs will be reduced by .25. This will result in a cost per FTE increase of about 10 percent. Part of this increase is due to a reordering of staff that is working on WIRAB issues and part is due to a salary increase. Since payroll taxes and retirement are based on salaries, these costs will increase. In addition, medical insurance costs are increasing.

### **Consultants and Contracts**

See Table on page 13.

WIRAB is budgeting \$75,000 for consultants and contracts in 2011, the same amount as in 2010.

---

## Section C – Non-Statutory Activities 2011 Business Plan and Budget

---



## **Section C — 2010 Non-Statutory Business Plan and Budget**

None

---

Section D – Additional Consolidated Financial  
Statements  
2011 Business Plan and Budget

---



## Section D

### 2011 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

#### Statement of Financial Position

#### WIRAB Statement of Financial Position Statutory

	As of December 31, 2009 (per July 2008- June 2009 audit)	As of December 31, 2010, projected	As of December 31, 2011, as budgeted
<b>ASSETS</b>			
Cash and Investments	379,626	395,574	100,000
Total Assets	379,626	395,574 *	100,000

\* See chart B-1 on page 16

## Section D — Additional Financial Statements

### WIRAB True-up

The following chart shows WIRAB actual expenses for 2009 compared to the budget amount. FERC had requested this information from the regional entities, but did not request it from WIRAB. We are providing it to provide a more complete overview of the WIRAB budget.

(In Whole Dollars)	2009 YTD Actual	2009 YTD Budget	2009 YTD Variance	Comments
<b>Funding</b>				
<b>ERO Funding</b>				
WIRAB Assessments	378272	378272	0	
Penalty Sanctions			0	
Total ERO Funding	378272	378272	0	
Membership Fees & Non-Stat Assessments	0	0	0	
Testing Fees	0	0	0	
Services & Software	0	0	0	
Workshops	0	0	0	
Interest	2127	2976	-849	Bank interest rates were lower than anticipated
Miscellaneous	0	0	0	
Total Funding	380399	381248	-849	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	127544	235500	-107956	Did not hire electrical engineer as expected.
Payroll Taxes	0	0	0	
Employee Benefits	0	0	0	
Savings & Retirement	0	0	0	
Total Personnel Expenses	127544	235500	-107956	
<b>Meeting Expenses</b>				
Meetings	13693	9500	4193	Meeting costs increased, larger turnout at meetings than last year, increased use of webinars
Travel	45514	35000	10514	Travel by state members increased and costs per trip increase.
Total Meeting Expenses	59207	44500	14707	
<b>Operating Expenses</b>				
Consultants & Contracts	0	75000	-75000	Did not hire consultants as had been anticipated
Office Rent (Included in indirect costs)	0	0	0	
Office Costs (Included in indirect costs)	0	0	0	
Professional Services	0	0	0	
Miscellaneous (Included in indirect costs)	0	600	-600	No miscellaneous costs to report
Indirect Expenses	144625	240210	-95585	Indirect costs are based on labor csts
Depreciation	0	0	0	
Total Operating Expenses	144625	315810	-171185	
Total Direct Expenses	331376	595810	-264434	
Other Non-Operating Expenses	0	0	0	
Change in Assets	49023	-214562	263585	
<b>Fixed Assets</b>				
Depreciation	0	0	0	
Computer & Software CapEx	0	0	0	
Furniture & Fixtures CapEx	0	0	0	
Equipment CapEx	0	0	0	
Leasehold Improvements	0	0	0	
TOTAL CHANGE IN ASSETS	49023	-214562	263585	

**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 12**

**DISCUSSION OF COMMENTS RECEIVED**

**DURING DEVELOPMENT OF NERC'S**

**2011 BUSINESS PLAN AND BUDGET**



## ATTACHMENT 12

### DISCUSSION OF COMMENTS RECEIVED DURING DEVELOPMENT OF NERC'S 2011 BUSINESS PLAN AND BUDGET

NERC received written comments on the first draft of its 2011 Business Plan and Budget from the Bonneville Power Administration (“BPA”) and the Ontario Independent Electricity System Operator (“IESO”). (In contrast, in the preparation of the 2010 Business Plan and Budget, comments were received from a total of 14 entities, some of which submitted two sets of comments.)

BPA indicated it believed the Business Plan was sound, including its incorporation of strategic and forward looking actions. BPA expressed concern over the amount of the overall budget increase and requested that NERC look for ways to reduce its Situation Awareness and Infrastructure Security budget through better coordination and use of information and methods of Reliability Coordinators and Transmission Owners and Operators. BPA was supportive of NERC’s approach to address standards interpretations.

The IESO commended NERC on the detail and format of its Business Plan and Budget. It provided suggestions and observations regarding the presentation of total funding requirements net of penalty sanctions, recovery of Technical Feasibility Exception costs, reconciliations and explanations of proposed staffing increases, and additional support for the Situation Awareness and Infrastructure Security budget, as well as comments regarding certain costs that should be excluded from allocation to Canadian entities under NERC’s Expanded Policy on Allocation of Certain Compliance and Enforcement Costs.

Several verbal comments were also received during the public presentations of the various drafts of NERC’s 2011 Business Plan and Budget (*i.e.*, at meetings of the NERC Finance and Audit Committee and Board of Trustees where the Business Plan and Budget was discussed). These comments were supportive of the process employed by NERC and the Regional Entities in preparing and presenting their respective 2011 Business Plans and Budgets, acknowledged the need for additional resource support and funding, and were supportive of NERC’s efforts to develop and improve long term budget forecasting.

In response to several verbal comments expressing concern over the level of the proposed budget increase in comparison to utilities’ recent budget increases and in light of current economic conditions, NERC management reiterated its ongoing commitment to cost control and efficiency initiatives, while also pointing out that the drivers behind NERC’s resource demands and associated funding requirements, together with its still-developing programs as the ERO, are not readily comparable to those of a mature and established operating entity such as a public utility.

NERC is also committed to working closely with Commission staff, Regional Entity management and industry in the design and implementation of the Situation Awareness- FERC, NERC and Regions (SAFNR) project, the budget for which is included in the Situation Awareness and Infrastructure Security program area. NERC management is also engaged in an ongoing review of the structure, and NERC's funding, of various reliability tools, and is working with the Grid Protection Alliance to identify ways to leverage NERC's funding and resource commitments for the North American Synchro-Phasor Initiative (NASPI).

Additional clarifying details in support of NERC's proposed budget were also provided in the second and third (final) drafts of NERC's 2011 Business Plan and Budget and accompanying materials which were posted on NERC's website on May 28, July 23 and July 28, 2010.

The proposed calculations of Compliance Monitoring and Enforcement Program costs credits contained in **Attachment 13** have been agreed to by the applicable Canadian entities, including the IESO, thus resolving any concerns by these entities with respect to the proposed 2011 credits.

**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 13**

**CALCULATION OF ADJUSTMENTS  
TO THE IESO 2011 NERC ASSESSMENT,  
THE QUEBEC 2011 NERC ASSESSMENT,  
THE AESO 2011 NERC ASSESSMENT  
AND THE NBSO 2011 NERC ASSESSMENT**

**2011 IESO Adjustment**  
**Credit for NERC Compliance Costs**

	2011	2010	Change	
<b>2011 NERC Compliance Costs</b>				
Direct Costs	10,824,099	9,359,703		
Indirect Costs	6,258,830	5,186,621		
Other Non-Operating Expenses	312,500			
Fixed Asset Expenditures	62,472	171,188		
Less: Costs recovered from RE's for CEA	(150,000)	(404,781)		
<b>Total Costs, including Fixed Assets</b>	<b>17,307,901</b>	<b>14,312,731</b>	<b>2,995,170</b>	<b>20.93%</b>
<b>Total Staff</b>	47.08	45.75		
Less: FTEs budgeted for NERC to serve as the CEA for registered Regional Entities	(0.45)	(2.25)		
<b>Net Total Staff</b>	<b>46.63</b>	<b>43.50</b>	<b>3.13</b>	
% Credit (38.63 of 46.63 FTEs)	82.84%	70.11%	<b>12.73%</b>	
\$ Credit (38.63 of 46.63 FTEs)	\$ 14,338,499	\$ 10,035,363		
Credit for 706b & TFEs	200,000			
Credit for SAFNR	750,000			
	<b>\$ 15,288,499</b>	<b>\$ 10,035,363</b>	<b>\$ 5,253,136</b>	<b>52.35%</b>
IESO NEL Share (2009)	3.271%	3.287%		
<b>IESO Credit - NERC Costs, including Fixed Assets</b>	<b>\$ 500,079</b>	<b>\$ 329,862</b>	<b>\$ 170,216</b>	<b>51.60%</b>

**2011 Quebec Adjustment**  
**Credit for NERC Compliance Costs**

	<b>Total NERC Compliance Budget Quebec NEL Allocation</b>	<b>Quarterly</b>
<b>2011 NERC Compliance Costs</b>		
Direct Costs	10,824,099	
Indirect Costs	6,258,830	
Other Non-Operating Expenses	312,500	
Fixed Asset Expenditures	62,472	
<b>Total Costs, including Fixed Assets</b>	<b>17,457,901</b>	
Less: Costs to be recovered from Regional Entities where NERC serves as the CEA	(150,000)	
<b>Net total to be allocated</b>	<b>17,307,901</b>	
Quebec NEL Share (2009)	4.259%	
<b>Quebec Proportional Share of Compliance Costs, including Fixed Assets</b>	<b>\$ 737,089</b>	
Total Staff	47.08	
Less: FTEs budgeted for NERC to serve as the CEA for registered Regional Entities	(0.45)	
<b>Net Total Staff</b>	<b>46.63</b>	
% Credit (23.315 of 46.63 FTEs)	50.00%	
\$ Credit (23.315 of 46.63 FTEs)	\$ 8,653,951	
<b>Quebec Credit (Proportional share of all costs x % Credit)</b>	<b>\$ 368,544</b>	
<b>Proportional Share of NERC Compliance Costs paid by Régie de l'énergie</b>	<b>\$ 368,544</b>	<b>\$ 92,136</b>
<b>Proportional Share of NPCC CORC Program paid by Régie de l'énergie (Refer to Column H-2, page 81, NPCC Business Plan and Budget)</b>	<b>\$ 1,176,085</b>	<b>\$ 294,021</b>
<b>2011 Billing to Régie de l'énergie for Compliance Program Costs-NERC and NPCC</b>	<b>\$ 1,544,629</b>	<b>\$ 386,157</b>
<b>Additional Credits for 2011</b>		
Credit for 706b & TFEs	\$ 200,000	
Credit for SAFNR	750,000	
	<b>\$ 950,000</b>	
Quebec NEL Share (2009)	4.259%	
<b>Quebec credit for additional costs not allocated</b>	<b>\$ 40,457</b>	

**2011 AESO Adjustment  
Credit for NERC Compliance Costs**

	<b>Total NERC Compliance Budget AESO NEL Allocation</b>
<b>2011 NERC Compliance Costs</b>	
Direct Costs	\$ 10,824,099
Indirect Costs	6,258,830
Other Non-Operating Expenses	312,500
Fixed Asset Expenditures	62,472
<b>Total Costs, including Fixed Assets</b>	<b>\$ 17,457,901</b>
Less: Costs to be recovered from Regional Entities where NERC serves as the CEA	(150,000)
<b>Net total to be allocated</b>	<b>\$ 17,307,901</b>
AESO NEL Share (2009)	1.289%
<b>AESO Proportional Share of Compliance Costs, including Fixed Assets</b>	<b>\$ 223,028</b>
Total Staff	47.08
Less: FTEs budgeted for NERC to serve as the CEA for registered Regional Entities	(0.45)
<b>Net Total Staff</b>	<b>46.63</b>
% Credit (23.315 of 46.63 FTEs)	50.00%
\$ Credit (23.315 of 46.63 FTEs)	\$ 8,653,951
<b>AESO credit for compliance costs</b>	<b>\$ 111,514</b>
<b>Additional Credits for 2011</b>	
Credit for 706b & TFEs	\$ 200,000
Credit for SAFNR	750,000
	<b>\$ 950,000</b>
AESO NEL Share (2009)	1.289%
<b>AESO credit for additional costs not allocated</b>	<b>\$ 12,242</b>
<b>Total AESO 2011 Credit</b>	<b>\$ 123,755</b>

**2011 New Brunswick Adjustment  
Credit for NERC Compliance Costs**

**2011 NERC Compliance Costs**

Direct Costs	10,824,099
Indirect Costs	6,258,830
Other Non-Operating Expenses	312,500
Fixed Asset Expenditures	62,472
Less: Costs recovered from RE's for CEA	(150,000)
<b>Total Costs, including Fixed Assets</b>	<b><u>17,307,901</u></b>

**Total Staff** 47.08

Less: FTEs budgeted for NERC to serve as the CEA for registered Regional Entities (0.45)

**Net Total Staff** **46.63**

% Credit (38.63 of 46.63 FTEs) 82.84%

\$ Credit (38.63 of 46.63 FTEs) \$ 14,338,499

Credit for 706b & TFEs 200,000

Credit for SAFNR 750,000

**\$ 15,288,499**

New Brunswick NEL Share (2009) 0.323%

**New Brunswick Credit - NERC Costs, including Fixed Assets** **\$ 49,378**

**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 14**

**STATUS REPORT ON THE ACHIEVEMENT  
OF NERC'S 2010 GOALS**



## ATTACHMENT 14

### Status Report on the Achievement of NERC's 2010 Goals

In its Business Plan and Budget filings for several previous years, NERC has included a status report on its year-to-date achievement of its goals and objectives that were stated in the Business Plan and Budget for the then-current year. (For example, in its *2010 Budget Filing*, NERC included, as Attachment 14, a status report on its achievement of the goals and objectives for 2009 that had been stated in its 2009 Business Plan and Budget.) NERC's 2010 Business Plan and Budget included detailed goals and objectives for 2010, by program area. In the first quarter of 2010, after an in-depth review and discussion of existing goals and priorities among the senior management team, a revised and consolidated set of ten over-riding goals were established for 2010, together with associated 2010 performance objectives and measures, against which progress would be tracked throughout the year. In order to ensure proper alignment of the performance of management and staff with these goals and objectives, weightings were also assigned to the various statutory programs and general and administrative areas to reflect their relative accountability and contributions towards the achievement of each goal and objective. The NERC Board of Trustees has endorsed these goals, objectives and measures.

Rather than being just individual, program specific goals, the ten goals are applicable to NERC's overall operations and activities, and most of them impact more than one (in some cases all) of NERC's statutory and administrative program areas. These goals, as well as the associated 2010 performance objectives and measures, were developed in conjunction with the initial development work on NERC's 2011 Business Plan and Budget, build on and integrate program area goals and reflect recent challenges and priorities. Additionally, among other considerations, the goals and performance objectives take into account the recommendations and actions developed in NERC's Three-Year ERO Performance Assessment in 2009.

The ten goals are as follows:

- Develop an industry program to systematically address risks to the reliability of the bulk power system.
- Improve consistency, transparency, and efficiency of compliance processes.
- Facilitate effective startup of Critical Infrastructure Protection program.
- Develop performance-based standards and improve timeliness of standards process.
- Improve delivery of results from physical and cyber security initiatives.
- Be a technology leader.

- Improve government and stakeholder relations.
- Improve regional entity delegation framework.
- Enhance opportunities for long-term recruitment and retention of quality staff.
- Provide effective cost controls and stewardship of ERO funding.

Because these ten goals, and the associated 2010 performance objectives and measures, are now being used by management to track the performance of the organization in 2010, this Attachment provides a status report on NERC's progress in achieving the ten goals, rather than the program-by-program goals and objectives contained in the 2010 Business Plan and Budget.<sup>1</sup>

Attached is a copy of a presentation on the goals made by the NERC President and CEO to the NERC Corporate Governance and Human Resources Committee (CGHRC) on July 28, 2010 and which has also been posted on NERC's website. This presentation describes NERC's progress as of July 2010 in achieving the ten goals. A table is also included which has been posted on NERC's website and sets forth the performance objectives for each goal.

---

<sup>1</sup> The ten goals, associated 2010 performance objectives, and measures are also used as an integral part of NERC's annual employee performance management program..

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

Agenda Item 6  
CGHRC Conference Call  
July 28, 2010

## NERC Midyear Performance Report *through June 30, 2010*

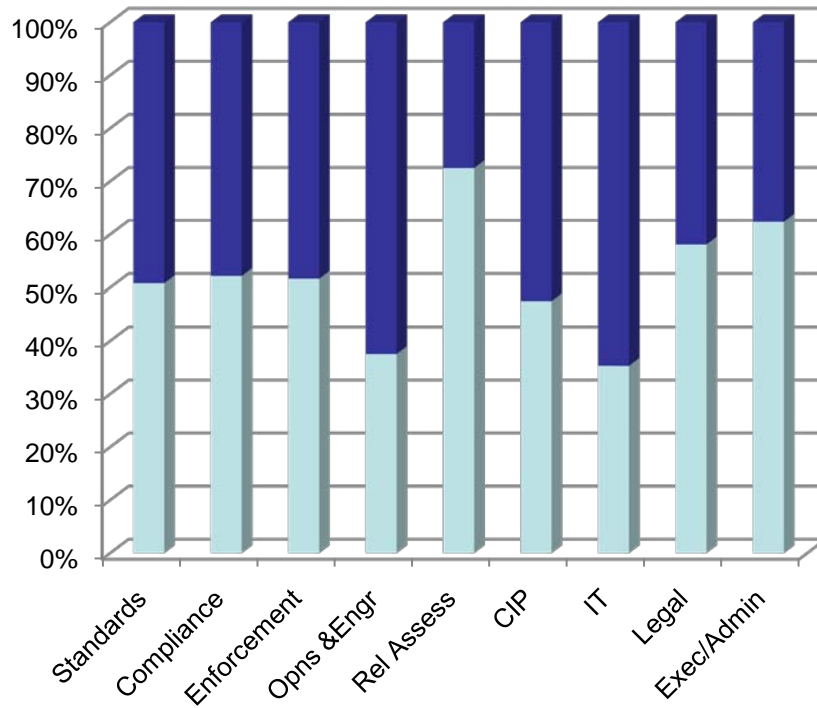
Gerry Cauley  
President and CEO

to ensure  
the reliability of the  
bulk power system

- Established 2010 corporate performance measures based on
  - 2010 business plan
  - Three-year assessment
  - Incoming CEO vision
- Progress reviewed periodically with management team
  - Goals and objectives shared with work teams
- Results tied to performance compensation at corporate and department levels
  - Individual performance is third component

- Assess and reduce reliability risk (learning industry)
- Improve compliance process consistency, transparency, efficiency
- Advance abilities to achieve CIP compliance
- Deliver results-based standards and improve timeliness
- Be a technology leader
- Improve government and stakeholder relations
- Improve regional entity delegation framework
- Enhance long-term recruitment and retention
- Maintain effective cost controls and efficiencies

# Department Performance

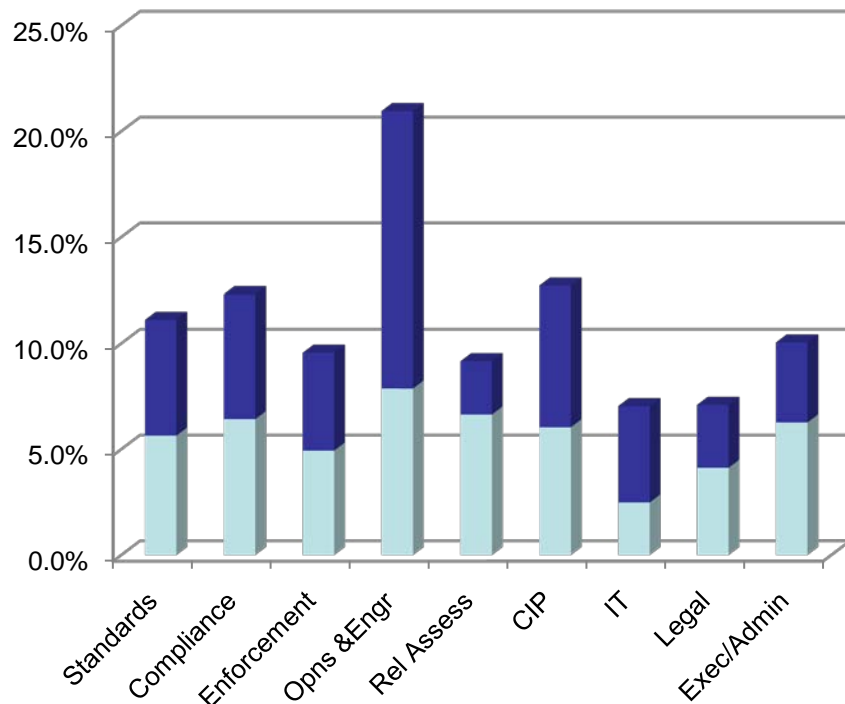


← 50.4% Corporate Performance

■ Incomplete  
■ Complete

- Leading departments
  - Reliability assessment
  - Executive/admin/govt. affairs
  - Legal
- On track departments
  - Standards
  - Compliance
  - Enforcement
- Lagging departments
  - IT
  - Operations/engineering
  - CIP

# Leading and Lagging Results



## Lagging results

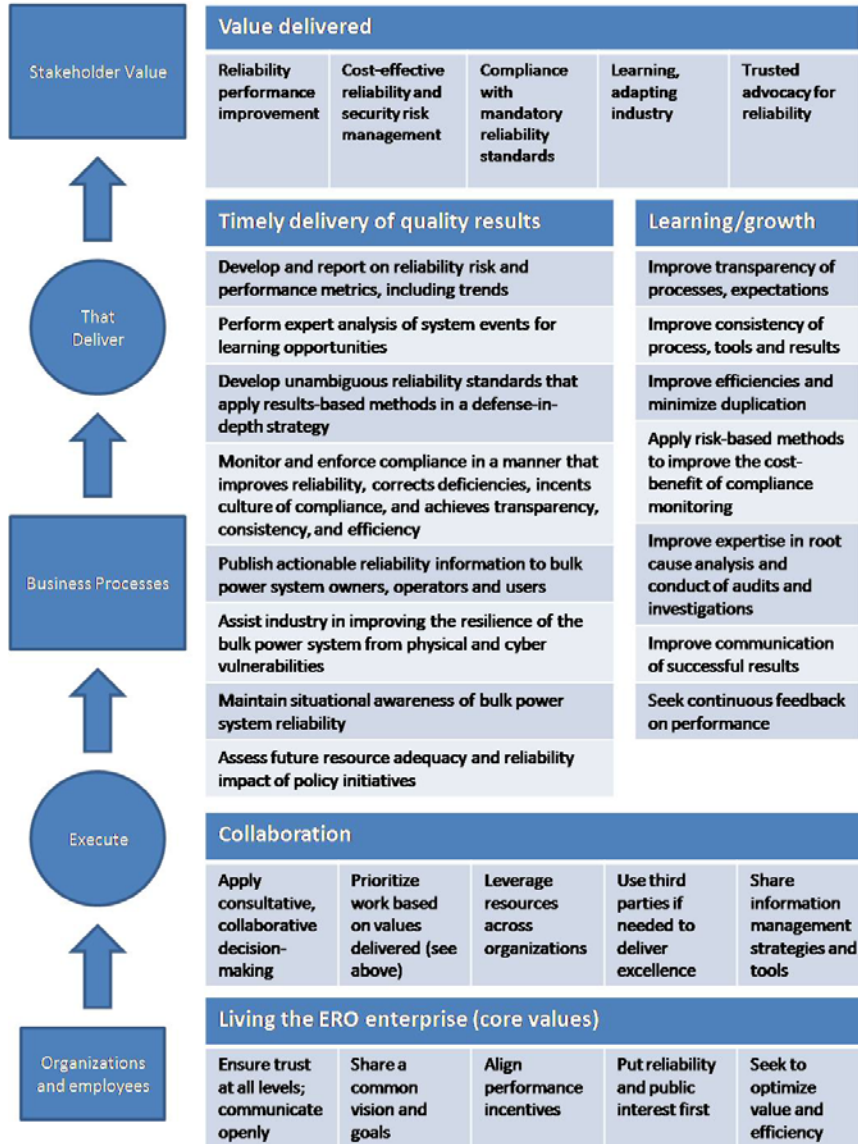
- Procedures for event analysis
- Frequency response initiative
- Preparation for CIP audits
- TFEs
- CIP standards revision
- Results-based standards
- Synchro-phasor
- SAFNR (situation awareness tool)

■ Incomplete  
■ Complete

## Leading results

- Risk analysis curves
- Reliability assessments reports
- Standards process improvements
- CIP alerts/bulletins
- HILF report and initiative planning
- Government and stakeholder relations
- Regional entity delegation agreements
- Relocation planning
- Financial controls and efficiencies

# Looking Forward



- Continue to manage 2010 resources and priorities to optimize yearend results
- Evaluate improvements to performance measurement
  - Balanced score card based on value delivered
  - Joint project with regions, tied to RDA metrics



## 2010 NERC Performance Goals and Objectives

	2010 Goals		2010 Performance Objectives
1	<b>Develop an industry program to systematically address risks to the reliability of the bulk power system.</b>	a	Implement procedures for the triage, investigation, root cause analysis, and the transparent reporting of system events for the purpose of improving reliability performance and tracking recommendations (lessons learned); team with regional entities and engage registered entities in rigorous self-evaluation of system events and risk mitigation.
		b	In consultation with stakeholders adopt a family of reliability risk curves based on transmission, generation, and load outage severity-frequency data to measure and communicate bulk power system and equipment performance.
		c	Continue improving quality and consistency of reliability assessments, expand policy impact assessments to include climate change, renewables, demand response, and other emerging policy initiatives.
		d	Assess the extent and impact of the decline in frequency responsiveness of the Eastern Interconnection and develop an action plan to address the issue.
2	<b>Improve consistency, transparency, and efficiency of compliance processes.</b>	a	Working jointly with regional entities, increase the transparency of compliance processes and expectations; increase the consistency of compliance program results among regions by deploying shared procedures, training and tools; improve risk-based approaches for auditing and spot checks to optimize resource utilization for reliability benefit; promote a culture of compliance excellence through education, transparency, information, and incentives.
		b	Achieve on-time processing of alleged violations, settlements, and mitigation plans by adopting streamlined forms and procedures for minor violations and improved coordination with regional entities.
3	<b>Facilitate effective startup of CIP compliance program.</b>	a	Establish a program with regional entities for the efficient monitoring of compliance with CIP standards by registered entities that come under the jurisdiction of the standards in accordance with the implementation plan.
		b	Implement a program jointly with the regional entities to manage and report technical feasibility exceptions and prepare requirements and plans for the conduct of nuclear plant cyber security audits under the MOU with the Nuclear Regulatory Commission.

	2010 Goals		2010 Performance Objectives
4	<b>Develop performance-based standards and improve timeliness of standards process.</b>	a	Expedite the highest priority reliability standards: complete a revised CIP-002 to establish clear criteria for determining critical assets and associated CIP-003 to 009; one performance-based standard by August 2010; complete version 4 of remaining CIP standards by year end; and place five additional standards on an accelerated schedule for completion in 2011.
		b	Streamline the standards development procedure and increase accountability within the stakeholder process for quality and timeliness of standards development.
5	<b>Improve delivery of results from physical and cyber security initiatives.</b>	a	Develop a policy framing NERC's scope and objectives in enhancing the physical and cyber protection of the bulk power system; provide policy inputs regarding the potential reliability impacts of smart grid initiatives; build awareness of HILF risks.
		b	Work with government agencies in the U.S. and Canada to transform classified information regarding threats to the bulk power system into declassified information for industry action.
6	<b>Be a technology leader.</b>	a	Advance the North American Synchro-Phasor Initiative.
		b	Develop an ERO information management plan.
		c	Develop a plan and design for next generation SAFNR; increase the capabilities and integration of situational awareness activities in the regions with those of NERC.
7	<b>Improve government and stakeholder relations.</b>	a	Establish a new government affairs and external communications team; improve NERC's image and stature by developing constructive relationships with Congress, FERC, DOE, states and federal and provincial authorities in Canada and by issuing high quality public communications.
		b	Review and update technical committee structure to align with ERO functions and optimize use of industry expert resources.
8	<b>Improve regional entity delegation framework.</b>	a	File revisions to regional entity delegation agreements and associated changes to the rules of procedure.
		b	Develop an ERO enterprise operation built on collaborative decision-making with regional entities.

	<b>2010 Goals</b>		<b>2010 Performance Objectives</b>
<b>9</b>	<b>Enhance opportunities for long-term recruitment and retention of quality staff.</b>	a	Complete a study recommending office locations and telecommuting policies to achieve goals of recruiting high quality executives and associates to work in a strong team environment and to increase accessibility of NERC to stakeholders.
<b>10</b>	<b>Provide effective cost controls and stewardship of ERO funding.</b>	a	Meet 2010 budget while reducing costs for travel, meetings, contractors, and consultants below budgeted amounts.

**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 15**

**METRICS COMPARING**

**REGIONAL ENTITY OPERATIONS**

**BASED ON THE 2011 BUDGETS**

## ATTACHMENT 15

### METRICS COMPARING REGIONAL ENTITY OPERATIONS BASED ON THE 2011 BUDGETS

#### Introduction

This Attachment provides metrics on the Regional Entities' operations based on their 2011 Business Plans and Budgets, and analysis of the metrics. The metrics focus primarily on the Regional Entities' Compliance Monitoring and Enforcement Programs. The Attachment contains (1) a table providing metrics values for each Regional Entity (page 3); (2) a series of bar charts comparing the Regional Entities' Compliance Program budgeted costs per registered entity and per registered function, and each Regional Entity's projected costs for 2011 for "small," "medium" and "large" on-site and off-site audits <sup>1</sup> (pages 4 through 9); (3) trend line plots of the Regional Entities' Compliance Program budgets against numbers of registered entities and numbers of registered functions in each Region (page 12); (4) bar charts comparing the Regional Entities' numbers of registered entities per Compliance Program FTEs and numbers of registered functions per Compliance Program FTE in their 2010 and 2011 Business Plans and Budgets (pages 10 and 11); and (5) discussion and analysis of the metrics (pages 12 through 17). The discussion and analysis focuses on variations in the Regional Entity metrics and possible reasons for the variations.

Consistent with the 2010 Business Plan and Budget Filing, this Attachment focuses on providing quantitative data and information for the Regional Entities. The table on page 3 shows the following quantitative data for each Regional Entity based on its 2011 Business Plan and Budget:

- Numbers of registered entities
- Numbers of registered functions
- Total NEL (Gwh)
- NEL (Gwh) per registered entity
- Total ERO funding
- ERO [statutory] funding<sup>2</sup> per registered entity
- ERO funding per registered function
- Total statutory budget<sup>3</sup>

---

<sup>1</sup> As originally presented in NERC's *December 15, 2008 Budget Compliance Filing* to the 2009 *Budget Order*, a "small" compliance audit involves 25 or fewer reliability standard requirements to be audited; a "medium" audit involves 26 to 75 requirements to be audited; and a "large" audit involves more than 75 requirements to be audited. An on-site audit takes place at the registered entity's site, while an off-site audit takes place at another location, typically the Regional Entity's offices.

<sup>2</sup> ERO funding is defined as the sum of assessments and penalty sanctions.

<sup>3</sup> Total budget is defined as the sum of total expenses and the total increase in fixed assets.

- Total statutory budget per registered entity
- Total statutory budget per registered function
- Total Statutory FTEs<sup>4</sup>
- Registered entity per statutory FTE
- Registered functions per statutory FTE
- Total Compliance Program budget
- Compliance Program budget per registered entity
- Compliance Program budget per registered function
- Total Compliance FTEs
- Registered entities per Compliance Program FTE
- Registered functions per Compliance Program FTE
- Projected numbers of small, medium and large on-site non-CIP/693 compliance audits in 2011
- Estimated costs for small, medium and large on-site non-CIP/693 compliance audits in 2011
- Projected numbers of small, medium and large off-site non-CIP/693 compliance audits in 2011
- Estimated costs for small, medium and large off-site non-CIP/693 compliance audits in 2011
- Projected numbers of small and medium on-site audits of CIP/706B standards in 2011<sup>5</sup>
- Estimated costs for small and medium on-site audits of CIP/706B standards in 2011
- Projected numbers of small and medium off-site audits of CIP/706B standards in 2011
- Estimated costs of small and medium off-site audits of CIP/706B standards in 2011
- Average numbers of contractors used in small, medium and large on-site compliance audits in 2011
- Average numbers of contractors used in small, medium and large off-site compliance audits in 2011

---

<sup>4</sup> Each FTE (Full time equivalent employee) is assumed to work 2,080 hours per year

<sup>5</sup> There are fewer than 75 requirements in the nine Critical Infrastructure Protection (CIP) standards; therefore, there are no “large” audits of compliance with the CIP standards.

**2011 Metrics for Budget Submissions**

Budget Metrics	FRCC	MRO <sup>6</sup>	NPCC <sup>6</sup>	RFirst	SERC	SPP	TRE	WECC <sup>7</sup>
Number of registered entities	74	124	293	369	240	126	221	459
Number of registered functions	250	454	584	708	665	396	411	1,217
Total NEL (GWh)	226,803	264,752	652,049	889,208	990,094	203,023	308,278	847,828
NEL (GWh) per registered entity	3,065	2,135	2,225	2,410	4,125	1,611	1,395	1,847
Total ERO Funding <sup>1</sup>	\$ 5,017,060	\$ 8,397,502	\$ 12,961,110	\$ 13,682,744	\$ 11,590,508	\$ 9,282,485	\$ 9,247,823	\$ 20,229,648
ERO Funding per registered entity	\$ 67,798	\$ 67,722	\$ 44,236	\$ 37,081	\$ 48,294	\$ 73,671	\$ 41,845	\$ 44,073
ERO Funding per registered function	\$ 20,068	\$ 18,497	\$ 22,194	\$ 19,326	\$ 17,429	\$ 23,441	\$ 22,501	\$ 16,623
Total Statutory Budget <sup>2</sup>	\$ 5,588,610	\$ 8,130,824	\$ 12,716,809	\$ 15,219,649	\$ 11,776,640	\$ 9,797,236	\$ 9,363,964	\$ 21,587,298
Total Statutory Budget per registered entity	\$ 75,522	\$ 65,571	\$ 43,402	\$ 41,246	\$ 49,069	\$ 77,756	\$ 42,371	\$ 47,031
Total Statutory Budget per registered function	\$ 22,354	\$ 17,909	\$ 21,775	\$ 21,497	\$ 17,709	\$ 24,740	\$ 22,783	\$ 17,738
Total Statutory FTE <sup>3</sup>	26.45	34.50	31.42	66.50	53.50	29.67	49.00	130.40
Registered entity per Statutory FTE	2.80	3.59	9.33	5.55	4.49	4.25	4.51	3.52
Registered function per Statutory FTE	9.45	13.16	18.59	10.65	12.43	13.35	8.39	9.33
Total Compliance Budget <sup>4</sup>	\$ 3,947,216	\$ 5,118,968	\$ 7,378,977	\$ 11,376,594	\$ 7,890,536	\$ 7,108,226	\$ 7,142,058	\$ 13,942,033
Compliance budget per registered entity	\$ 53,341	\$ 41,282	\$ 25,184	\$ 30,831	\$ 32,877	\$ 56,414	\$ 32,317	\$ 30,375
Compliance budget per registered function	\$ 15,789	\$ 11,275	\$ 12,635	\$ 16,069	\$ 11,865	\$ 17,950	\$ 17,377	\$ 11,456
Total Compliance FTE <sup>3</sup>	16.59	17.47	14.00	43.75	30.00	17.92	29.12	58.50
Registered entity per Compliance FTE	4.46	7.10	20.93	8.43	8.00	7.03	7.59	7.85
Registered function per Compliance FTE	15.07	25.99	41.71	16.18	22.17	22.10	14.11	20.80
Number of Small (non-CIP/693) Audits Onsite <sup>5</sup>	5	0	0	0	0	0	0	0
Estimated Cost per Small (non-CIP/693) Audit Onsite <sup>5</sup>	\$ 7,633	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Medium (non-CIP/693) Audits Onsite <sup>5</sup>	3	7	0	0	23	0	16	0
Estimated Cost per Medium (non-CIP/693) Audit Onsite <sup>5</sup>	\$ 7,633	\$ 24,616	\$ -	\$ -	\$ 15,413	\$ -	\$ 37,233	\$ -
Number of Large (non-CIP/693) Audits Onsite <sup>5</sup>	4	8	10	12	8	6	6	24
Estimated Cost per Large (non-CIP/693) Audit Onsite <sup>5</sup>	\$ 38,165	\$ 44,503	\$ 60,580	\$ 47,150	\$ 26,536	\$ 50,406	\$ 46,541	\$ 39,119
Number of Small (non-CIP/693) Audits Offsite <sup>5</sup>	0	4	7	18	9	13	5	4
Estimated Cost per Small (non-CIP/693) Audit Offsite <sup>5</sup>	\$ -	\$ 7,941	\$ 6,440	\$ 14,040	\$ 9,028	\$ 10,739	\$ 14,285	\$ 7,169
Number of Medium (non-CIP/693) Audits Offsite <sup>5</sup>	0	0	12	42	0	3	25	10
Estimated Cost per Medium (non-CIP/693) Audit Offsite <sup>5</sup>	\$ -	\$ -	\$ 12,480	\$ 16,790	\$ -	\$ 27,387	\$ 28,570	\$ 18,131
Number of Large (non-CIP/693) Audits Offsite <sup>5</sup>	0	0	25	0	0	0	0	56
Estimated Cost per Large (non-CIP/693) Audit Offsite <sup>5</sup>	\$ -	\$ -	\$ 18,760	\$ -	\$ -	\$ -	\$ -	\$ 32,508
Number of Small (CIP/706B) Audits Onsite <sup>5</sup>	5	4	0	0	21	0	0	0
Estimated Cost per Small (CIP/706B) Audit Onsite <sup>5</sup>	\$ 3,177	\$ 11,241	\$ -	\$ -	\$ 8,100	\$ -	\$ -	\$ -
Number of Medium (CIP/706B) Audits Onsite <sup>5</sup>	5	8	12	14	6	6	14	20
Estimated Cost per Medium (CIP/706B) Audit Onsite <sup>5</sup>	\$ 35,744	\$ 59,516	\$ 37,380	\$ 34,400	\$ 29,638	\$ 63,301	\$ 57,806	\$ 53,948
Number of Small (CIP/706B) Audits Offsite <sup>5</sup>	0	0	0	26	0	16	6	0
Estimated Cost per Small (CIP/706B) Audit Offsite <sup>5</sup>	\$ -	\$ -	\$ -	\$ 14,040	\$ -	\$ 2,529	\$ 34,756	\$ -
Number of Medium (CIP/706B) Audits Offsite <sup>5</sup>	0	0	0	0	0	0	0	0
Estimated Cost per Medium (CIP/706B) Audit Offsite <sup>5</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Avg. Number of Contractors Per Small Audits Onsite	0	0	2	0	0	1	0	0
Avg. Number of Contractors Per Medium Audits Onsite	0	0	4	0	0	2	0	0
Avg. Number of Contractors Per Large Audits Onsite	0	0	6	1	0	2	0	0
Avg. Number of Contractors Per Small Audits Offsite	0	0	1	0	0	1	0	0
Avg. Number of Contractors Per Medium Audits Offsite	0	0	1	0	0	2	0	0
Avg. Number of Contractors Per Large Audits Offsite	0	0	1	0	0	2	0	0

<sup>1</sup> ERO Funding is a sum of assessments and penalty sanctions

<sup>2</sup> Total Budget is a sum of total expenses and the total increase in fixed assets

<sup>3</sup> Each FTE that works 2,080 hours per year is counted as one FTE. An FTE working less than the 2,080 hours per year is counted as a fractional FTE.

<sup>4</sup> Total Compliance Budget is a sum of Direct Expenses, Indirect Expenses and Capital Expenditures

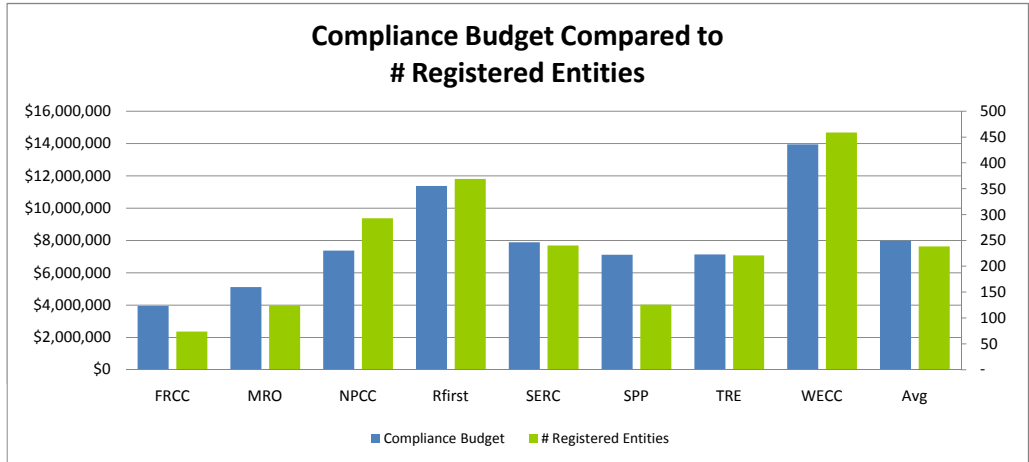
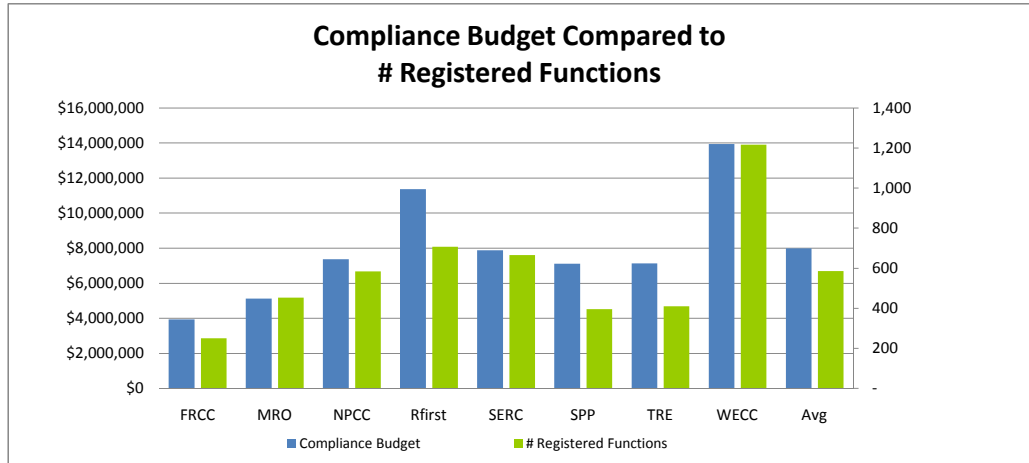
<sup>5</sup> Size of audits are defined by number of requirements:

Small	25 or less
Medium	26 to 75
Large	More than 75

<sup>6</sup> Due to the specifics of the compliance program included in the individual provincial MOUs for cross-border regional entities, some of these metrics are not directly comparable.

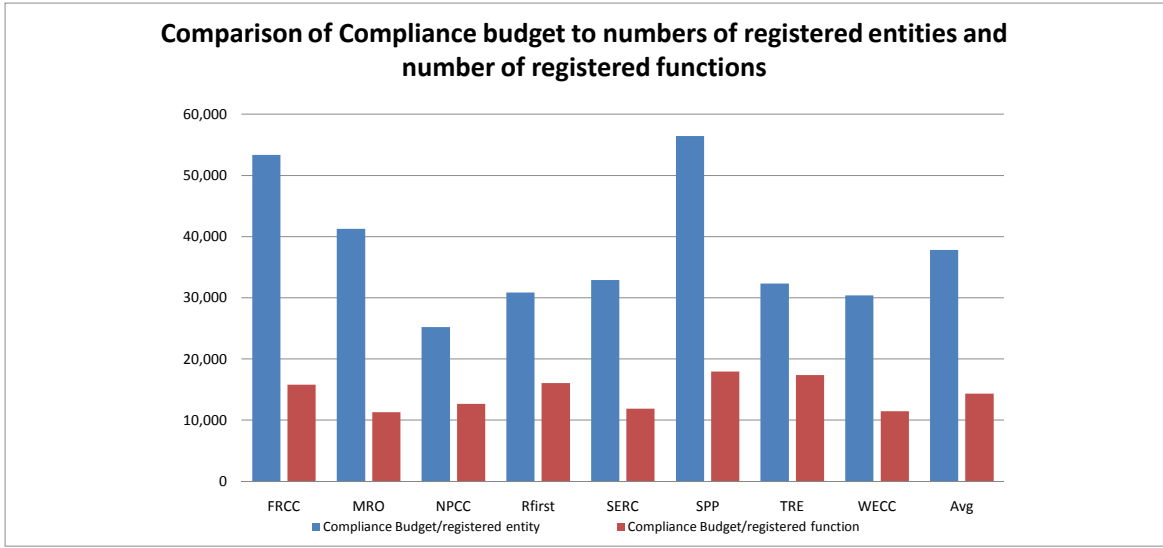
<sup>7</sup> For WECC, the cost of the Reliability Coordinator function of \$18,551,531 has been deducted from the ERO assessments and Total Budget for comparison with the other Regions where no such function exists in Statutory Programs. 62.3 direct FTEs in the Reliability Coordinator function have been excluded from the calculations of registered entity per Statutory FTE and registered function per Statutory FTE. Also, the costs offset by grant funding totalling \$28,066,621 have been excluded from the Total Budget and 15.2 FTEs have been excluded from the calculations of registered entity per Statutory FTE and registered function per Statutory FTE.

	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Compliance Budget	3,947,216	5,118,968	7,378,977	11,376,594	7,890,536	7,108,226	7,142,058	13,942,033	7,988,076
# Registered Entities	74	124	293	369	240	126	221	459	238
# Registered Functions	250	454	584	708	665	396	411	1,217	586

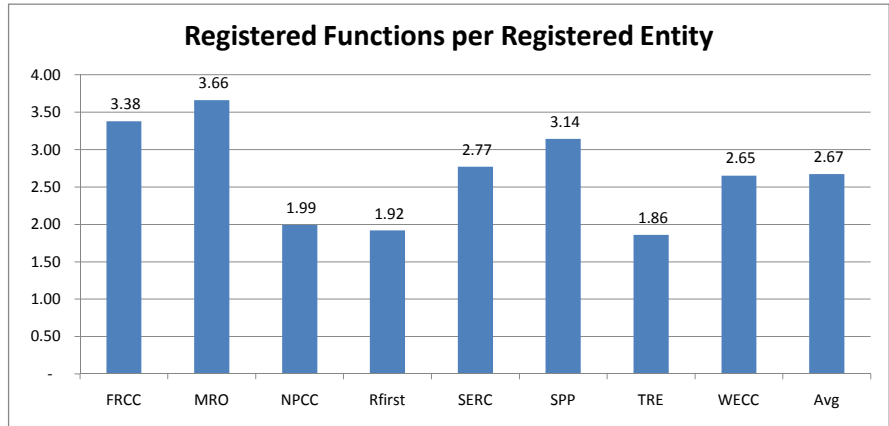




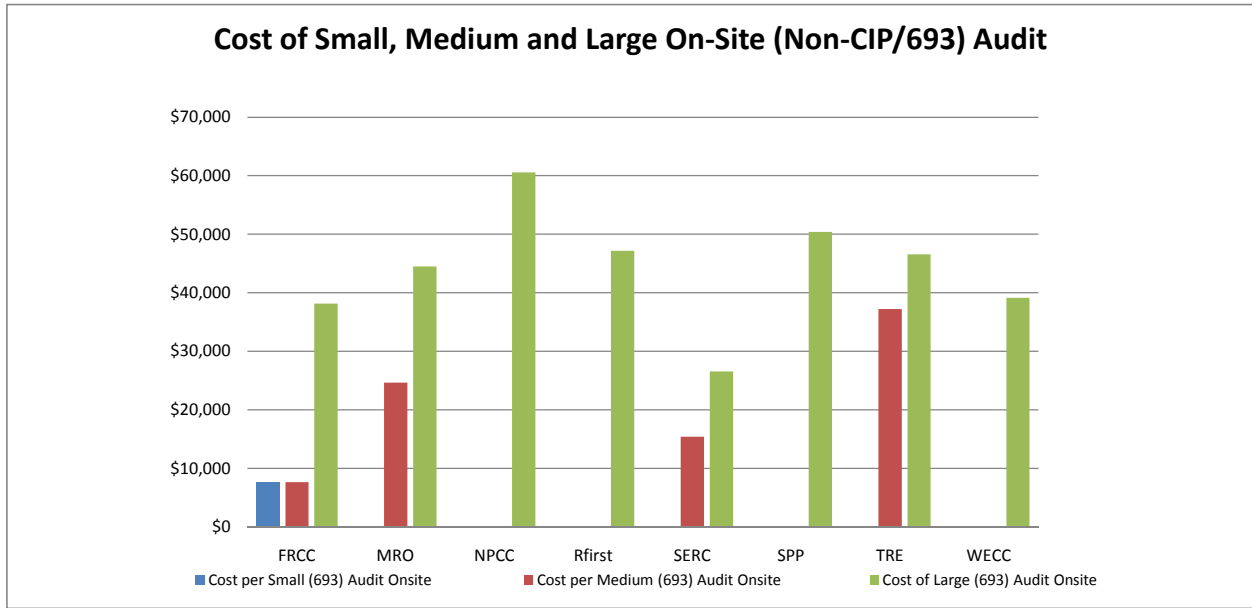
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Compliance Budget/registered entity	53,341	41,282	25,184	30,831	32,877	56,414	32,317	30,375	37,828
Compliance Budget/registered function	15,789	11,275	12,635	16,069	11,865	17,950	17,377	11,456	14,302



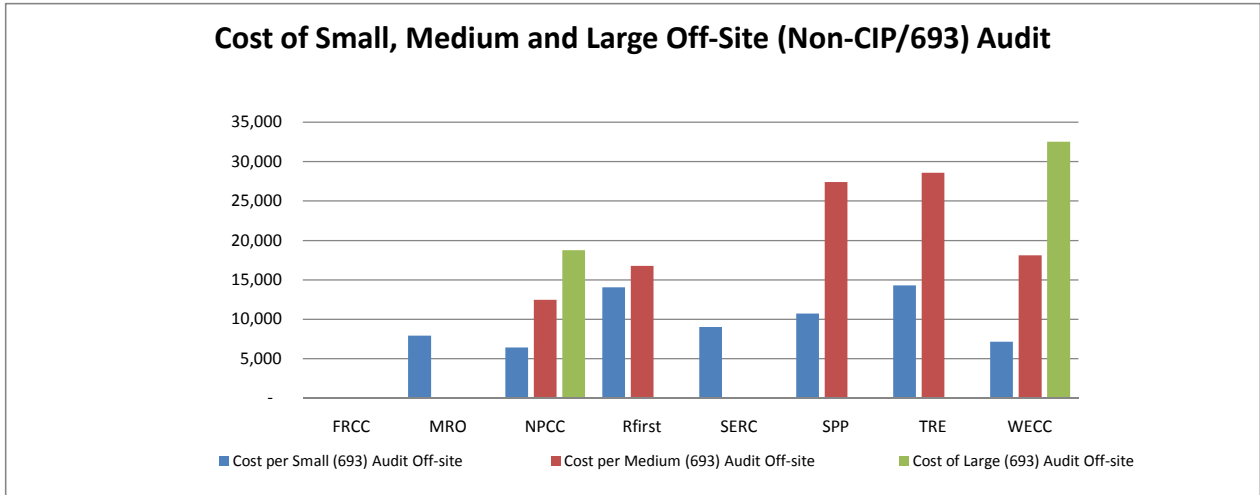
	<b>FRCC</b>	<b>MRO</b>	<b>NPCC</b>	<b>Rfirst</b>	<b>SERC</b>	<b>SPP</b>	<b>TRE</b>	<b>WECC</b>	<b>Avg</b>
Registered Functions per Registered Entity	3.38	3.66	1.99	1.92	2.77	3.14	1.86	2.65	2.67
# Registered Entities per Compliance FTE	4.46	7.10	20.93	8.43	8.00	7.03	7.59	7.85	8.92
# Registered Functions per Compliance FTE	15.07	25.99	41.71	16.18	22.17	22.10	14.11	20.80	22.27



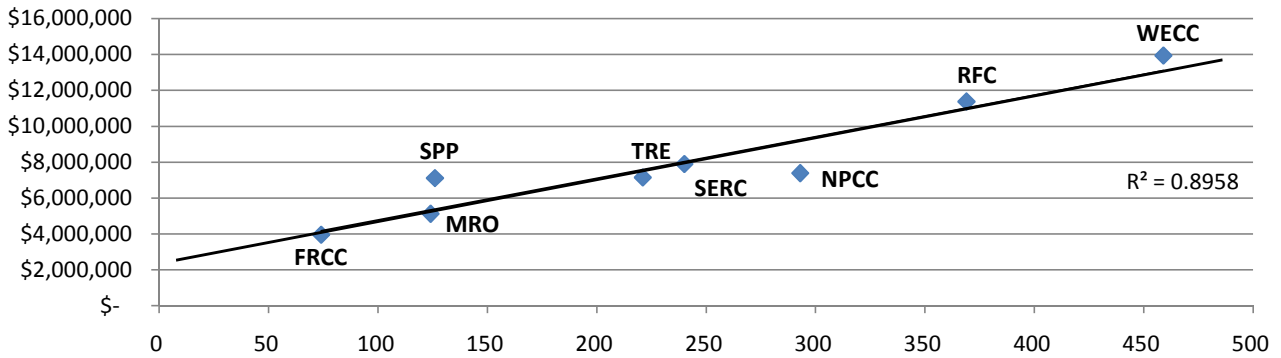
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC
Cost per Small (693) Audit Onsite	7,633	-	-	-	-	-	-	-
Cost per Medium (693) Audit Onsite	7,633	24,616	-	-	15,413	-	37,233	-
Cost of Large (693) Audit Onsite	38,165	44,503	60,580	47,150	26,536	50,406	46,541	39,119



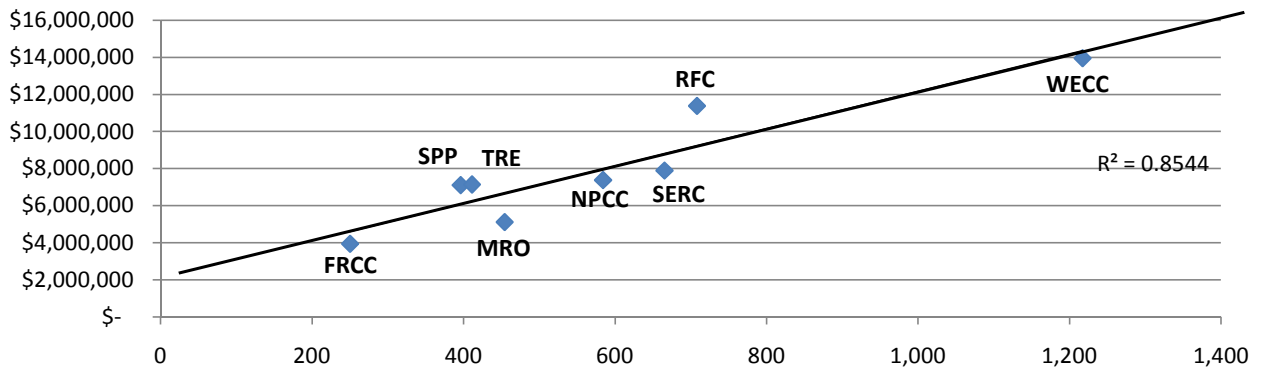
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC
Cost per Small (693) Audit Off-site	-	7,941	6,440	14,040	9,028	10,739	14,285	7,169
Cost per Medium (693) Audit Off-site	-	-	12,480	16,790	-	27,387	28,570	18,131
Cost of Large (693) Audit Off-site	-	-	18,760	-	-	-	-	32,508



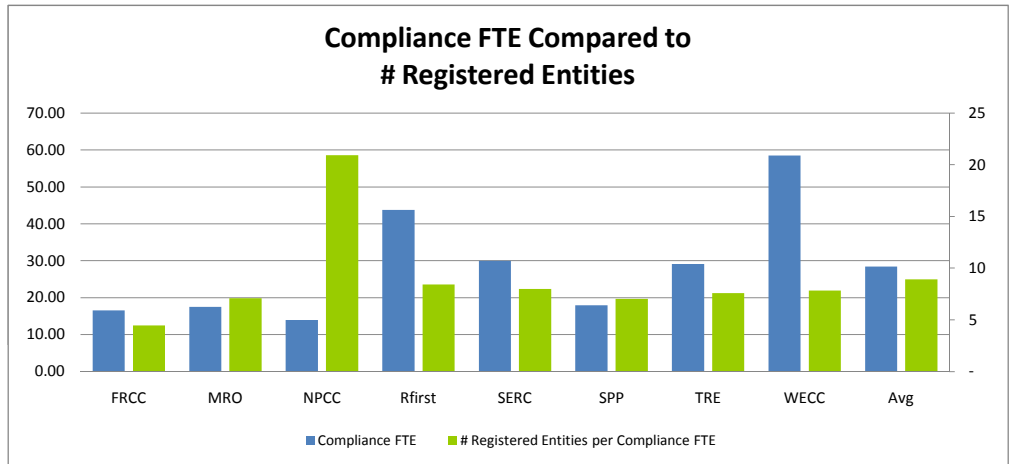
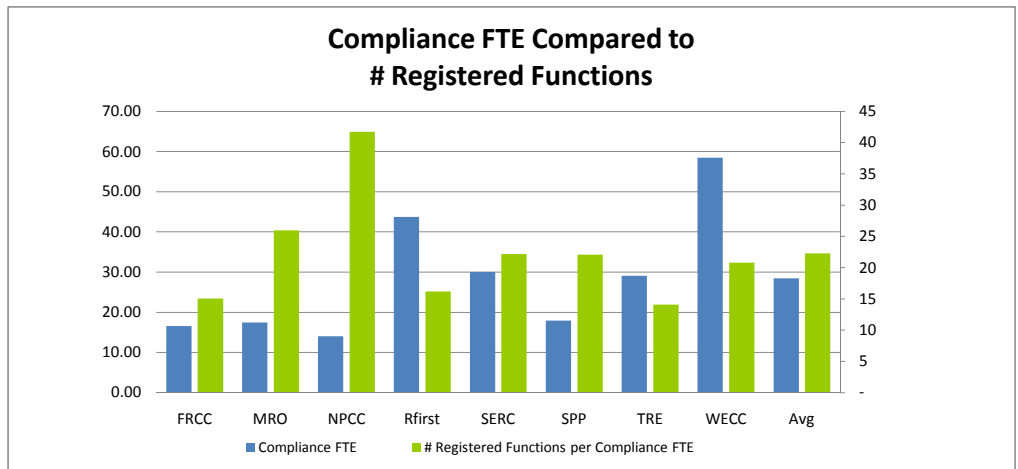
**Regional Entity Compliance Program Budget as Function of Number of Registered Entities**



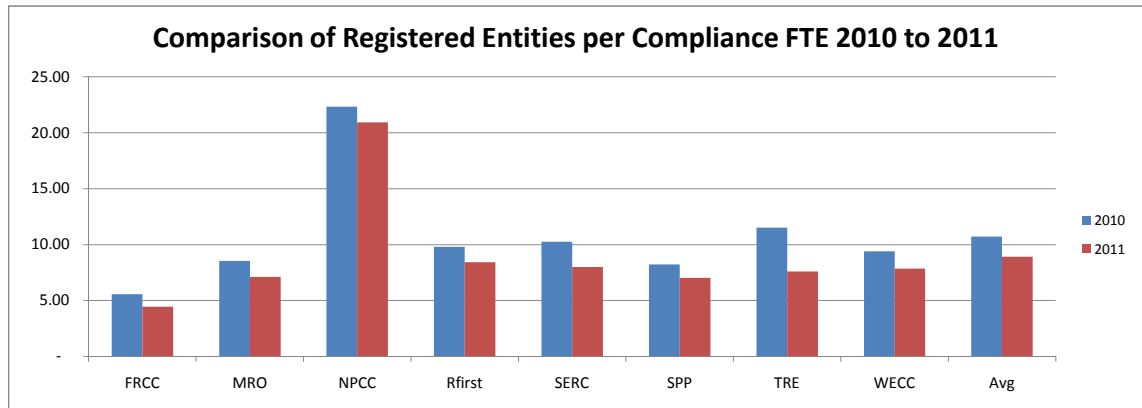
**Regional Entity Compliance Program Budget as Function of Number of Registered Functions**



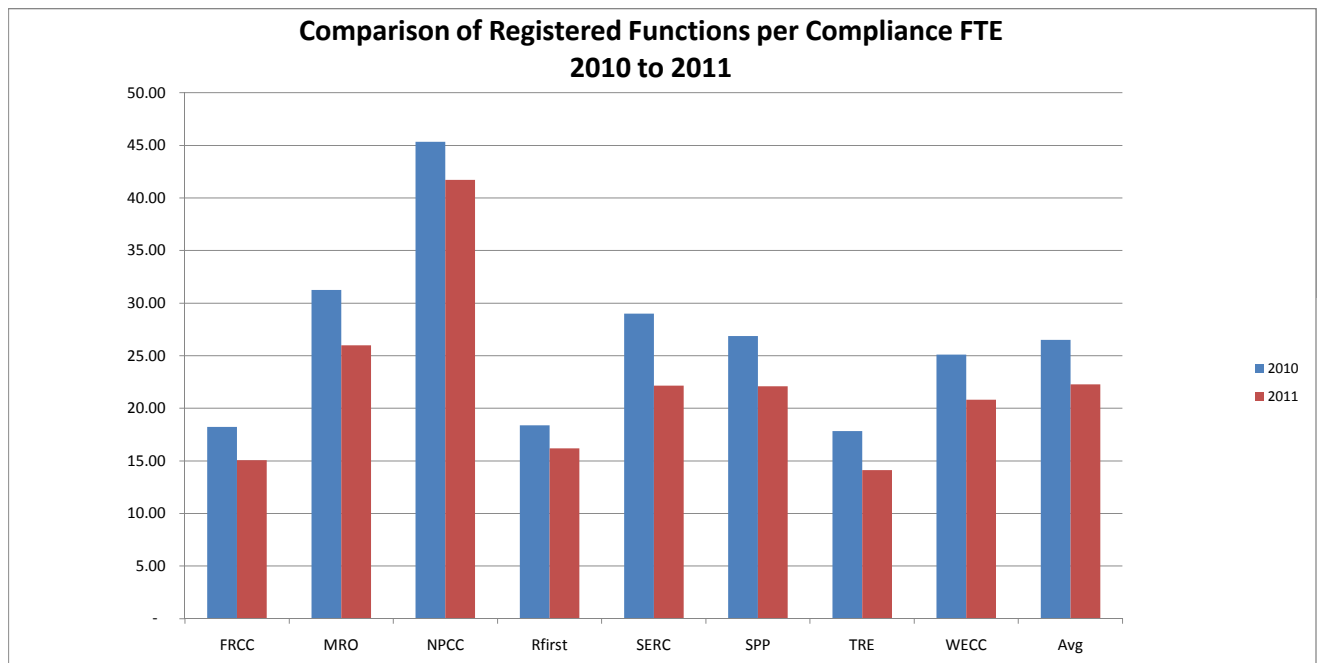
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Compliance FTE	16.59	17.47	14.00	43.75	30.00	17.92	29.12	58.50	28.42
# Registered Entities per Compliance FTE	4.46	7.10	20.93	8.43	8.00	7.03	7.59	7.85	8.92
# Registered Functions per Compliance FTE	15.07	25.99	41.71	16.18	22.17	22.10	14.11	20.80	22.27



	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
2010	5.57	8.53	22.33	9.81	10.27	8.21	11.53	9.40	10.71
2011	4.46	7.10	20.93	8.43	8.00	7.03	7.59	7.85	8.92



	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
2010	18.22	31.25	45.33	18.38	29.00	26.86	17.82	25.12	26.50
2011	15.07	25.99	41.71	16.18	22.17	22.10	14.11	20.80	22.27



## Discussion and Analysis

The development, collection, analysis and comparison of Regional Entity Compliance Program metrics data continues to be a complicated and time-consuming process, requiring careful consideration of many complex factors. During the development of the 2011 Business Plans and Budgets, NERC and the Regional Entities reviewed the metrics provided with the 2010 Business Plans and Budgets and agreed to add to the existing metrics, estimates for the costs of CIP audits, since data is now available based on an additional period of time in which the Regional Entities have been conducting audits of compliance with CIP Standards CIP-002 through CIP-009.

In analyzing the Regional Entity metrics, NERC has in a number of instances looked at the average value among the Regional Entities for the metric, as well as the range of the individual values around the average. This data has been considered as part of the effort to understand and explain the differences among the Regional Entities, and not because NERC believes the deviation from an average, standing alone, is a measure of an individual Regional Entity's efficiency or effectiveness.

The Regional Entity metrics continue to show that the Regional Entities with the larger numbers of registered entities and registered functions have the larger Compliance Program budgets. There are variations among the Regional Entities with respect to Compliance Program budget per registered entity and Compliance Program budget per registered function, but the range of values is not large. The average of the Regional Entity values for Compliance Program budget per registered function, which is the more granular metric,<sup>6</sup> is \$14,302; the highest value (SPP RE - \$17,950) is 126% of the average while the lowest value (MRO - \$11,275) is 79% of the average.<sup>7</sup>

The Regional Entities with the two highest values for Compliance Program budget per registered function, SPP RE and Texas RE, have the second and third lowest numbers of registered functions among the Regional Entities. (SPP RE and Texas RE also have the third and fourth lowest number of registered entities in their Regions.) Similarly, three of the Regional Entities with lower values for Compliance Program budget per registered function – WECC, SERC and NPCC – also have three of the four highest numbers of registered functions among the Regional Entities. These data indicate that there are economies of scale in Compliance Program operations and costs. However, there are exceptions to this observation: ReliabilityFirst has the second highest numbers of registered entities and registered functions among the Regional Entities, but has the third highest Compliance Program budget per registered function. (However, ReliabilityFirst has the second lowest number of registered functions per registered entity; therefore ReliabilityFirst does not have the opportunity to monitor compliance

---

<sup>6</sup> There is a variation among the Regional Entities in terms of registered functions per registered entity, ranging from a high value of 3.66 registered functions per registered entity for MRO to a low value of 1.86 registered functions per registered entity for Texas RE.

<sup>7</sup> The data on numbers of registered entities and registered functions in each Region are as of May 2010.



for as many reliability functions for each registered entity as do other Regional Entities, which may be a possible factor in explaining the observed data.) MRO, on the other hand, has the second lowest number of registered entities and fourth lowest number of registered functions in its Region, but has the lowest value for Compliance Program budget per registered function.

SPP RE's Compliance Program budget per registered entity is very similar to FRCC's. FRCC has the lowest number of registered entities and SPP RE has the third lowest number of registered entities. SPP RE's Compliance Program budget per registered function is very similar to Texas RE's. SPP RE has the second lowest number of registered functions and Texas RE has the third lowest number of registered functions. While SPP RE has relatively higher values for Compliance Program budget per registered entity and per registered function, a more in depth review of the SPP RE compliance data reveals that it likewise has relatively higher values for the number of violations. SPP RE has the third highest number of violations per registered entity and the second highest number of violations per registered function.

The charts on page 9 above provide a somewhat different view of the relationships between the Regional Entities' Compliance Budgets and their numbers of registered entities and registered functions. Each Regional Entity's Compliance Budget has been plotted against its number of registered entities and against its number of registered functions. On each of these charts, a linear trend line has been drawn based on the data points and the coefficient of determination (commonly referred to as "R-squared" or "R<sup>2</sup>") of the data points is indicated. On the chart plotting Compliance Budget against number of registered entities, the data points for FRCC, MRO, SERC, Texas RE, ReliabilityFirst and WECC are on, or very close to, the trend line, while the points for SPP RE and NPCC are somewhat farther from the trend line, although not by a large distance. On the chart plotting Compliance Program budget against number of registered functions, the points for the Regional Entities are generally farther from the trend line than on the first chart, although again not by large distances. This is an interesting outcome because in the similar plots provided in Attachment 15 to the *2010 Budget Filing*, it appeared that number of registered functions may be a more closely correlated driver of a Regional Entity's total Compliance Program budget than is its number of registered entities. However, as shown on the two charts presented in this Attachment based on the 2011 Budgets, the R-squared values for the two plots are fairly close, 0.8958 and 0.8544, and indicate a fairly high correlation between both number of registered entities and total Compliance Program budget, and number of registered functions and total Compliance Program budget. Further, although NERC did not calculate and report R-squared values for the comparable plots in Attachment 15 of the *2010 Budget Filing*, a visual inspection of the two sets of plots based on the 2010 and 2011 budgets indicates a higher degree of correlation in the 2011 Budget data. Additionally, the fact that the y-intercept for each trend line is significantly greater than zero is a further indication that a simple comparison of the individual Regional Entity values to an average is not a strong indicator of relative efficiency and effectiveness.

There is greater consistency among the Regional Entities with respect to numbers of registered entities per Compliance Program FTE and numbers of registered functions per Compliance Program FTE based on their 2011 Budgets. The average among the eight Regional Entities for numbers of registered entities per Compliance Program FTE is 8.92; the lowest value (FRCC – 4.46) is 50% of the average and the highest value (NPCC – 20.93) is 235% of the

average. The average for numbers of registered functions per Compliance Program FTE is 22.27; the lowest value (Texas RE – 14.11) is 63% of the average and the highest value (NPCC – 41.71) is 187% of the average. FRCC's lower value for the number of registered entities per Compliance Program FTE is consistent with having the second highest Compliance Program Budget per registered entity. FRCC also has the second lowest value for the number of registered functions per Compliance Program FTE. While Texas RE has the lowest value for the number of registered functions per Compliance Program FTE, Texas RE's Compliance Program Budget per registered function trends consistently with the other Regions as shown in the chart on page 9. NPCC continues to make significant use of contractors and consultants to provide subject matter expertise in its Compliance Program, particularly in the performance of compliance audits, which probably contributes significantly to NPCC's higher values for registered entities per Compliance Program FTE and registered functions per Compliance Program FTE. With NPCC's extensive use of contractor and consultant resources taken into account, its higher values for these two metrics are more readily understood.

The bar chart on page 11 compares the Regional Entities' values for registered entity per Compliance Program FTE and registered function per Compliance Program FTE based on their 2011 Budgets, to the values for these metrics based on their 2010 Budgets. (The 2010 Budget data was provided in Attachment 15 to the *2010 Budget Filing*). This comparison shows that in its 2011 Business Plan and Budget, every Regional Entity has lowered its ratio of registered entities per Compliance Program FTE and ratio of registered entities per Compliance Program FTE from its 2010 Business Plan and Budget. In other words, all of the Regional Entities are continuing to apply increasing amounts of resources to the Compliance Monitoring and Enforcement Programs relative to the numbers of registered entities and registered functions for which compliance must be monitored and enforced.

The forgoing discussion continues to illustrate that the metrics should only be used as top level indicators of areas of potential concern that should be subjected to further review and analysis. Ultimately, the sufficiency of a Regional Entity's Compliance Program staffing can only be determined through a careful review of the Regional Entity's operations and performance outcomes.

With respect to the Regional Entities' estimated costs for 2011 to perform each category of compliance audit, the estimated costs to perform a compliance audit include the costs to prepare for the audit (including review of the registered entity's completed pre-audit questionnaire and Reliability Standards Audit Worksheets (RSAWs) and other registered entity-provided documents and information, and any pre-audit meetings), to perform the audit (whether on-site or off-site), and to report the results of the audit.<sup>8</sup> Costs incurred in issuing and processing notices of alleged violations and proposed penalties resulting from the compliance audit are not included in the estimated cost to perform the audit. The costs per audit for each category of audit, shown in the table and the bar charts, are based on the Regional Entities' estimates of the man-hours required to complete the preparation, performance and reporting

---

<sup>8</sup> Estimated costs of a particular size or type of audit are not provided if no audits are planned.

functions for each category of compliance audit in 2011<sup>9</sup>. The costs include the direct Salary Expense and related Personnel Expense (Payroll Taxes, Benefits and Retirement Costs) for the man-hours of the Regional Entity personnel involved in preparation, performance and reporting for the audit and/or the costs for consultant/contractor resources used by the Regional Entity to perform the audit, but do not include any allocation of Regional Entity indirect costs. The costs also include Travel Expense for personnel in connection with on-site audits at the registered entity's location.

NERC and the Regional Entities note the following factors, among others, that can contribute to the differences in estimated costs per audit among the Regional Entities for the various audit size and site categories, as reported in the table and shown in the bar charts:

- Some Regional Entities are making greater use of consultants or contractors on their audit teams, which may entail a higher cost per hour than the use of Regional Entity employees.<sup>10</sup> Conversely, industry volunteers assist in the performance of audits in SERC which lowers the cost per hour.
- The Regional Entity's footprint may affect the extent to which travel costs must be incurred in the performance of on-site compliance audits within the Region. For example, FRCC has a comparatively small geographic footprint and its headquarters office is fairly centrally located within the Region. *ReliabilityFirst*, Texas RE and NPCC (U.S. portion) also have relatively smaller geographic footprints. Thus, for instance, Texas RE reports that most registered entities in its Region are located within driving range of the Texas RE offices in Austin, Texas, and therefore can be reached by Compliance personnel via auto travel rather than airline travel. While SPP RE also has a relatively small geographic footprint, the location of the office is not centralized and air travel is required in most cases, which increases the time and costs associated with completion of the audit. In contrast, WECC and SERC have much larger geographic footprints; as a result, more significant travel costs (including, in many cases, air travel costs) must be incurred for on-site audits by these Regional Entities.

---

<sup>9</sup> The Table on page 3 includes the estimated costs to perform small, medium and large on-site and off-site non-CIP/693 audits and the estimated costs to perform small and medium on-site and off-site CIP/706B audits. Since sufficient data to undertake a comparative analysis of the estimated cost of CIP/706B audits is not yet available, bar charts comparing the results per Region have not been provided and no conclusions regarding differences in the estimates have been made.

<sup>10</sup> The cost for contractors or consultants can vary significantly based on the individual or firm used, *e.g.*, from "sole proprietor" independent contractors to personnel from large consulting firms. Further, although the cost to use a contractor or consultant on an individual audit assignment may be more costly than using a Regional Entity employee, the annual cost to the Regional Entity of retaining a contractor or consultant for a specific targeted assignment such as participating in certain compliance audits may be less than the cost of maintaining a FTE employee on staff for the year.

- With some registered entities still undergoing their initial compliance audits relating to mandatory reliability standards in 2011, there continues to be a great variation in the degree of registered entity preparation for audits (*e.g.*, in organization and accessibility of documents).<sup>11</sup> The degree of registered entity preparation for an audit can impact the amount of time the audit team must spend performing the audit, and, therefore, the Regional Entity's costs. This experience can, in turn, influence the Regional Entity's estimates of the time (man-hours) and other resources required to conduct and complete a compliance audit. This factor should, of course, have diminishing impact as time passes and registered entities begin to undergo the second rounds of compliance audits. Although a consistent definition of "large" audits has been used, *i.e.*, an audit encompassing more than 75 reliability standards requirements, some Regional Entities may project a greater number of requirements to be audited in a typical "large" compliance audit than other Regional Entities. A Regional Entity that projects a larger number of requirements to be audited in a "large" audit would, all other things equal, estimate a greater amount of resources to conduct its "large" audit (*e.g.*, more auditors, more days at the registered entity's site and/or more man-hours to review the registered entity's documentation and to prepare the audit report).
- Some Regional Entities may simply be planning more steps, or budgeting higher man-hours, for the preparation, completion and/or reporting phases of their compliance audits. In particular, there may be variations in the levels of activity and man-hours budgeted by the Regional Entities for review of registered entity responses to pre-audit questionnaires and RSAWs, and other registered entity documents and information, prior to the on-site phase of a compliance audit.

In addition to these factors, differences in estimated costs per audit among Regional Entities may reflect general differences in the market compensation levels in the different areas of the U.S. in which the various Regional Entities operate, thereby impacting their respective overall Personnel Expenses.

Despite the above-described potential sources of variations among the Regional Entities' estimates of the costs to conduct the various types of compliance audits in 2011, the Regional Entities have reported generally to NERC that, due to their greater base of experience in conducting compliance audits and consequent greater understanding of the activities and resources required, they have greater confidence in their estimates of audit costs provided in this Attachment than they had in their estimates of audit costs that were provided in the *December 15, 2008 Budget Compliance Filing* or in Attachment 15 to the *2010 Budget Filing*. NERC also

---

<sup>11</sup> Pursuant to §403.11.1 of the NERC Rules of Procedure, Reliability Coordinators, Balancing Authorities and Transmission Operators are to be audited once every three years. Therefore, all Reliability Coordinators, Balancing Authorities and Transmission Operators should have undergone their initial on-site compliance audits of these functions by the end of 2010. It is the objective of NERC and the Regional Entities to conduct compliance audits of all other registered entities at least once every six years. Therefore, some registered entities that are not Reliability Coordinators, Balancing Authorities or Transmission Operators may still be undergoing their initial compliance audits in 2011 or later.

views the 2011 Budget estimates with greater confidence in light of the continuing improvement of and increased consistency in budgeting procedures and cost categorization used by the Regional Entities in preparing their annual Business Plans and Budgets.

In conclusion, NERC reiterates that the development, collection, analysis and comparison of metrics on the Regional Entities' costs, operations and performance is an ongoing process. NERC and the Regional Entities will continue to work collaboratively to refine the metrics and improve their analysis of the reported metrics values and the factors that may cause variations in values among the Regional Entities; and will continue to report the results of these analyses in future annual Business Plan and Budget filings.

**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 16**

**METRICS ON NERC AND REGIONAL ENTITY**

**ADMINISTRATIVE (INDIRECT) COSTS**

**BASED ON THE 2011 BUDGETS**

## ATTACHMENT 16

### Analysis of NERC and Regional Entity Budgeted Indirect (Administrative Services) Costs 2011 Budgets versus 2010 Budgets

In the preparation of the NERC and Regional Entity 2011 Business Plans and Budgets, indirect expenses have been defined as those expenses which cannot be directly attributed to one of the five statutory program functions<sup>1</sup>.

The metrics presented in the tables on the last page of this Attachment are the same metrics presented in Attachment 16 to the 2010 Business Plan and Budget Filing. These tables provide several metrics comparing indirect costs and FTEs in relation to total statutory costs and FTEs<sup>2</sup> and direct statutory costs and FTEs, for NERC and each of the Regional Entities, in their 2011 Business Plans and Budgets and 2010 Business Plans and Budgets.

Overall the tables show a slight reduction in the average indirect costs as a percent of total statutory costs and in relation to direct statutory costs, in the 2011 budgets as compared to the 2010 budgets. NERC believes this result is reflective of consistent application of the definition of indirect costs, as described above, in the preparation of the 2011 and 2010 budgets. This result also appears to demonstrate that NERC and the Regional Entities are beginning to achieve an operational balance between the level of indirect costs needed to support the direct statutory programs.

Following is discussion of the individual metrics presented in the tables.

#### **Percent of Statutory Indirect Budget to Total Statutory Budget**

For NERC and the Regional Entities, the average percent of Statutory Indirect Budget to Total Statutory Budget (top row of tables) in the 2011 budgets is 28.1%, versus 30.4% in the 2010 budgets. For 2011, NERC and four of the eight Regional Entities show percentages close to the average. FRCC and NPCC have percentages that are considerably lower than the average, which are reflective of methodologies they used to identify and allocate staff time and Office Costs to the appropriate program. WECC has a considerably lower percentage than the average due to the significant increases in its statutory direct budget associated with federal grant activity in its amended 2010 budget and its 2011 budget versus more modest increases in its indirect budget. SPP RE continues to have a higher percentage than the average due to the allocation of indirect costs (support services charges) from SPP, Inc., which are driven by increases in SPP, Inc.'s operating budget and the increase in the number of FTEs at SPP RE.

---

<sup>1</sup> NERC and Regional Entity provisions for Working Capital Reserve are not included in the budget data used to calculate these metrics. Also, NERC has excluded \$750,000 of Other Non-Operating Expenses to provide for office relocation costs from "Total Statutory Budget" and "Total Statutory Direct Budget" since these costs are non-recurring.

<sup>2</sup> FTE = Full-time equivalent employee

For NERC and five of the Regional Entities, the percent of Statutory Indirect Budget to Total Statutory Budget decreased in the 2011 budget versus the 2010 budget. SERC and WECC show modest increases in this metric, (1.2 percentage points and 0.9 percentage points respectively), and SPP RE shows an increase of 2.4 percentage points. SPP RE's increase is the result of an increase in Regional Entity direct staff and an increase in the Indirect Expense rate for administrative services provided by SPP, Inc., which increased in the 2011 Budget to \$69 per hour (based on 2009 audited actual results) from \$64 per hour in the 2010 Budget. Although the 2011 SPP, Inc. Indirect Expense rate increased compared to 2010, the rate continues to be considerably lower than prior years.

### **Budgeted Indirect FTEs as a Percent of Budgeted Total FTEs**

In the NERC and the Regional Entity 2011 Business Plans and Budgets, on average the budgeted statutory indirect FTEs are 20.7% of total statutory FTEs, compared to an average of 21.8% for the 2010 budgets (second row of tables). On average, there are 4.08 statutory direct FTEs per statutory indirect FTE in the 2011 budgets, compared to 3.72 statutory direct FTEs per statutory indirect FTEs in the 2010 budgets, for an average increase of 0.36 FTE budgeted as statutory direct per statutory indirect FTE. As indicated above, this modest change suggests that NERC and the Regional Entities are trending toward an operational balance between statutory direct to indirect FTEs. Only NPCC, SERC and WECC have higher percentages of indirect statutory FTEs to total statutory FTEs reflected in their 2011 budgets than in their 2010 budgets, and for NPCC and SERC, the increases in their percentages are very small (only 0.2 percentage points for each Regional Entity). SPP RE continues to have a very low percentage of indirect statutory FTEs to total statutory FTEs, which reflects the fact that SPP RE has a very small staff of indirect FTEs and obtains many of its administrative services from SPP, Inc.

### **Statutory Indirect Budget per Total FTE**

The Statutory Indirect Budget per Total FTEs has been reduced from an average of \$85,832 in the 2010 NERC and Regional Entity budgets to \$76,854 in the 2011 budgets, for a reduction of \$8,979, or 10.5%. Texas RE Statutory Indirect Budget per Total FTEs has been reduced significantly, from \$106,772 in 2010 to \$59,052, for a reduction of 44.7%. This reduction is due in large part to the fact that Texas RE's Amended 2010 Budget included significant start-up and other one-time costs being incurred to implement Texas RE's separation from ERCOT; many of these start-up and other one-time costs are not recurring in 2011. SPP RE's Statutory Indirect Budget per Total FTEs increased from \$157,751 in 2010 to \$163,482 in 2011, an increase of 3.6% as a result of an increase in staff and an increase in the Indirect Expense allocation rate applied per FTE for support services supplied by SPP, Inc. The average rate in the 2010 Budget was \$64 per hour and in the 2011 Budget the rate is \$69 per hour.



**Analysis of Administrative (Indirect) Costs  
2011 Budget versus 2010 Budget**

2010 BUDGET					
	Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory	Ratio of Statutory Direct to Indirect Budget
NERC	\$ 40,088,365	\$ 27,191,769	\$ 12,896,596	32.2%	2.11
FRCC	5,421,187	4,641,724	779,463	14.4%	5.96
MRO	7,366,117	4,756,140	2,609,977	35.4%	1.82
NPCC	11,354,085	9,108,602	2,245,483	19.8%	4.06
RFC	14,184,713	10,046,753	4,137,960	29.2%	2.43
SERC	10,701,683	7,193,475	3,508,208	32.8%	2.05
SPP	8,138,783	4,305,423	3,833,360	47.1%	1.12
Texas RE <sup>1</sup>	9,216,393	4,998,898	4,217,495	45.8%	1.19
WECC <sup>2</sup>	59,086,884	49,050,716	10,036,168	17.0%	4.89
AVERAGE				30.4%	2.85

2011 BUDGET					
	Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory	Ratio of Statutory Direct to Indirect Budget
NERC <sup>1</sup>	\$ 47,976,465	\$ 32,861,754	\$ 15,114,711	31.5%	2.17
FRCC	5,588,610	4,917,748	670,862	12.0%	7.33
MRO	8,130,824	5,425,207	2,705,617	33.3%	2.01
NPCC	12,716,809	10,317,057	2,399,752	18.9%	4.30
RFC	15,219,649	11,462,088	3,757,561	24.7%	3.05
SERC	11,776,640	7,772,543	4,004,097	34.0%	1.94
SPP	9,797,236	4,946,725	4,850,511	49.5%	1.02
Texas RE	9,363,964	6,470,401	2,893,563	30.9%	2.24
WECC	68,205,450	56,018,072	12,187,378	17.9%	4.60
AVERAGE				28.1%	3.18

<sup>1</sup>Total Statutory Budget and Total Statutory Direct Budget excludes \$750,000 in Other Non-Operating expense related to the one-time relocation of the NERC office.

2010 BUDGETED 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	27.2%	2.68
FRCC	22.67	18.62	4.05	17.9%	4.60
MRO	29.00	22.60	6.40	22.1%	3.53
NPCC	27.41	21.00	6.41	23.4%	3.28
RFC	58.00	47.50	10.50	18.1%	4.52
SERC	45.50	33.90	11.60	25.5%	2.92
SPP	24.30	20.30	4.00	16.5%	5.08
Texas RE <sup>1</sup>	39.50	30.24	9.26	23.4%	3.27
WECC <sup>2</sup>	182.00	142.30	39.70	21.8%	3.58
AVERAGE				21.8%	3.72

2011 BUDGETED FTEs					
	Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs
NERC	150.75	113.00	37.75	25.0%	2.99
FRCC	26.45	22.63	3.82	14.4%	5.92
MRO	34.50	27.35	7.15	20.7%	3.83
NPCC	31.42	24.00	7.42	23.6%	3.23
RFC	68.00	55.95	12.05	17.7%	4.64
SERC	53.50	39.75	13.75	25.7%	2.89
SPP	29.67	25.67	4.00	13.5%	6.42
Texas RE	49.00	38.14	10.86	22.2%	3.51
WECC	207.90	159.00	48.90	23.5%	3.25
AVERAGE				20.7%	4.08

2010 BUDGET per FTE				
	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Budget per Total FTE
NERC	\$ 304,854	\$ 283,987	\$ 360,744	\$ 98,073
FRCC	239,135	249,287	192,460	34,383
MRO	254,004	210,449	407,809	89,999
NPCC	414,231	433,743	350,309	81,922
RFC	244,564	211,511	394,091	71,344
SERC	235,202	212,197	302,432	77,103
SPP	334,929	212,090	958,340	157,751
Texas RE <sup>2</sup>	233,326	165,307	455,453	106,772
WECC <sup>3</sup>	324,653	344,699	252,800	55,144
AVERAGE				\$ 85,832

2011 BUDGET per FTE				
	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Budget per Total FTE
NERC	\$ 318,252	\$ 290,812	\$ 400,390	\$ 100,263
FRCC	211,290	217,311	175,618	25,363
MRO	235,676	198,362	378,408	78,424
NPCC	404,736	429,877	323,417	76,377
RFC	223,818	204,863	311,831	55,258
SERC	220,124	195,536	291,207	74,843
SPP	330,207	192,705	1,212,628	163,482
Texas RE	191,101	169,649	266,442	59,052
WECC	328,069	352,315	249,231	58,621
AVERAGE				\$ 76,854

<sup>2</sup>Based upon Texas RE's amended 2010 Business Plan and Budget

<sup>3</sup>Based upon WECC's amended 2010 Business Plan and Budget

**DOCKET NO. RR10-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2011 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 17**

**STATUS REPORT**

**ON PROGRESS IN PROCESSING**

**VIOLATIONS OF RELIABILITY STANDARDS**

# 2011 Business Plan and Budget Supplemental Violations Processing Report

In NERC's 2010 Business Plan and Budget, NERC included, in Attachment 19, a report on processing outstanding unprocessed violations.<sup>1</sup> This Attachment is submitted as an update to that report. Unless otherwise stated, all data in this Attachment is as of, or for the period ended, June 30, 2010.

NERC is acutely aware and concerned about the current number of reliability standard violations to be processed, and is working closely with the Regional Entities' staffs to address that caseload with targeted initiatives and streamlining current processes.

## **Current Caseload**

Figure 1 below provides an overview of the "active violations" in the ERO caseload. Active violations are those violations that have not been dismissed or closed.<sup>2</sup> The "NERC Work" line in Figure 1 reflects the portion of the active violations for which NERC has yet to issue a notice of penalty (NOP). Figure 1 also compares the number of active violations that have been fully mitigated against those violations that are awaiting either the submittal of a mitigation plan or verification of completion of a pending mitigation plan.

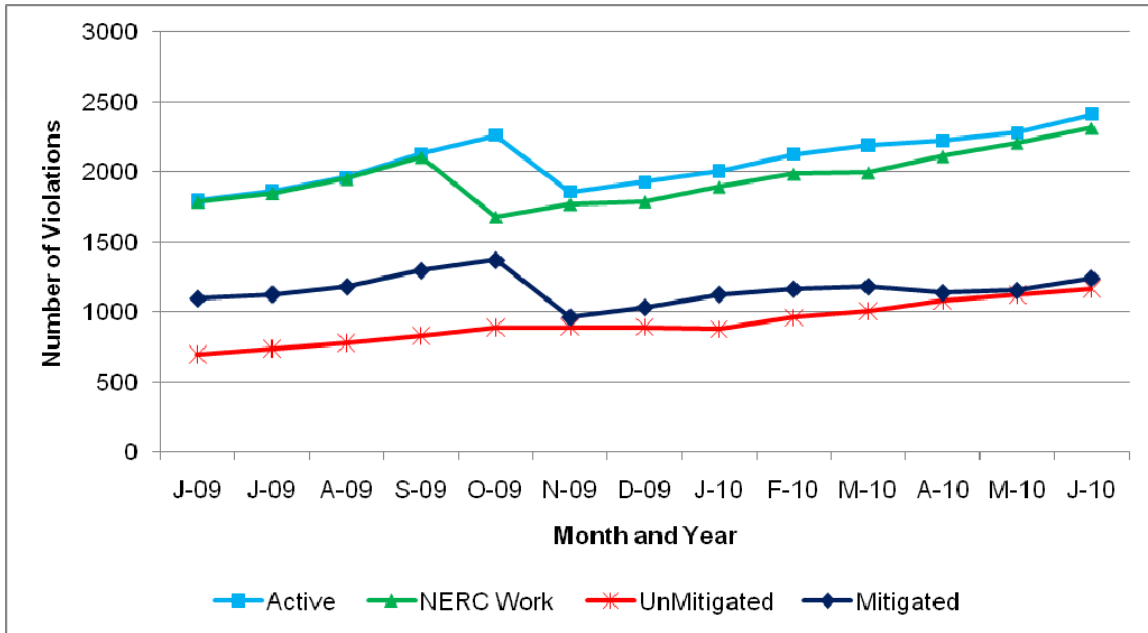
As reflected in Figure 1, while the submission of the Omnibus filing in October 2009 went a long way toward reducing the caseload (dispositioning 564 of the 2,263 active violations at the time), an influx of new violations has brought the caseload back to 2413 active violations. As discussed in further detail below, the main component of these new violations relates to violations of Reliability Standards CIP-002 through CIP-009, which warrant closer attention and possibly innovative methods for resolution.

---

<sup>1</sup> For purposes of this Attachment, the term "violation" references an individual instance of non-compliance with a Reliability Standard requirement, regardless of its procedural posture and whether it was a possible, alleged or confirmed violation.

<sup>2</sup> *Closed Violations have all the following characteristics:* Violation NOP approved by FERC, Verified Completion of Mitigation Plan, and Payment of any associated Penalties.

**Figure 1: Violation Processing Overview (as of June 30, 2010)<sup>3</sup>**



Despite the steady rise in the number of active violations since November 2009, NERC has experienced steady progress in disposing of older cases. Tables 1-3 below provide an update to the analysis provided in Attachment 19 of the 2010 Business Plan and Budget filing in tracking the 2,350 active violations that were included in NERC’s violations database as of December 31, 2008 through various stages of the enforcement process. As reflected in Table 3, more than half of those active violations have been closed or dismissed since December 31, 2008.<sup>4</sup>

<sup>3</sup> In figure 1, the sum of the mitigated and unmitigated violations equals the number of active violations. The “NERC Work” line reflects the portion of the active violations that are in process at NERC up to and including approval by the NERC Board of Trustees Compliance Committee.

<sup>4</sup> The enforcement process states listed in Tables 1 through 3 have been modified slightly since last year. For purposes of Tables 1 through 3 of this report, the following process state definitions apply :

**Assessment and Validation** = NERC is awaiting receipt of Notice of Alleged Violation Proposed Penalty or Sanction from the Region.

**Confirmation** = NERC has received a Notice of Alleged Violation Proposed Penalty or Sanction and is awaiting registered entity response; or the registered entity has accepted or contested the violation.

**Settlement** = Settlement negotiations are in progress.

**Completed and Closed** = Payment of Penalties, Fulfillment of Sanctions, Completion of Mitigation Plan, Exhaustion of Administrative and Judicial Remedies, and Fulfillment of Settlement terms have all been met and violation is closed.

**NERC Enforcement Actions** = NERC reviewing the Notice of Confirmed Violation or Settlement Agreement.

**TABLE 1**

FERC Enforceable Alleged Violations Summarized by Enforcement Process State								
As of December 31, 2008								
Region	Assessment and Validation	Confirmation	Settlement	NERC Enforcement Actions	Awaiting Closing Actions	Completed and Closed	Dismissed	Total
FRCC	64	23	13	16	0	0	0	116
MRO	9	3	3	33	0	7	14	69
NPCC	7	0	26	5	0	12	8	58
RFC	32	4	46	14	0	1	11	108
SERC	73	1	40	33	6	70	24	247
SPP	9	42	1	4	0	5	1	62
TRE	20	0	13	22	0	10	2	67
WECC	629	316	94	106	0	0	478	1623
<b>TOTAL</b>	<b>843</b>	<b>389</b>	<b>236</b>	<b>233</b>	<b>6</b>	<b>105</b>	<b>538</b>	<b>2350</b>

**TABLE 2**

FERC Enforceable Alleged Violations Summarized by Enforcement Process State								
As of June 30, 2010 (for the Same Violations as in Table 1)								
Region	Assessment and Validation	Confirmation	Settlement	NERC Enforcement Actions	Awaiting Closing Actions	Completed and Closed	Dismissed	Total
FRCC	0	0	22	0	11	57	26	116
MRO	0	0	0	3	0	45	21	69
NPCC	0	0	9	0	3	37	9	58
RFC	0	0	0	4	14	71	19	108
SERC	16	0	0	16	19	156	40	247
SPP	0	0	4	32	4	19	3	62
TRE	0	0	11	8	4	25	19	67
WECC	15	2	54	136	56	544	816	1623
<b>TOTAL</b>	<b>31</b>	<b>2</b>	<b>100</b>	<b>199</b>	<b>111</b>	<b>954</b>	<b>953</b>	<b>2350</b>

**Awaiting Closing Actions** = Violation is Confirmed/Settled and a Notice of Penalty has been issued by NERC to Registered Entity and submitted to FERC.

**Dismissed** = Violation was dismissed by Region and validated by NERC.

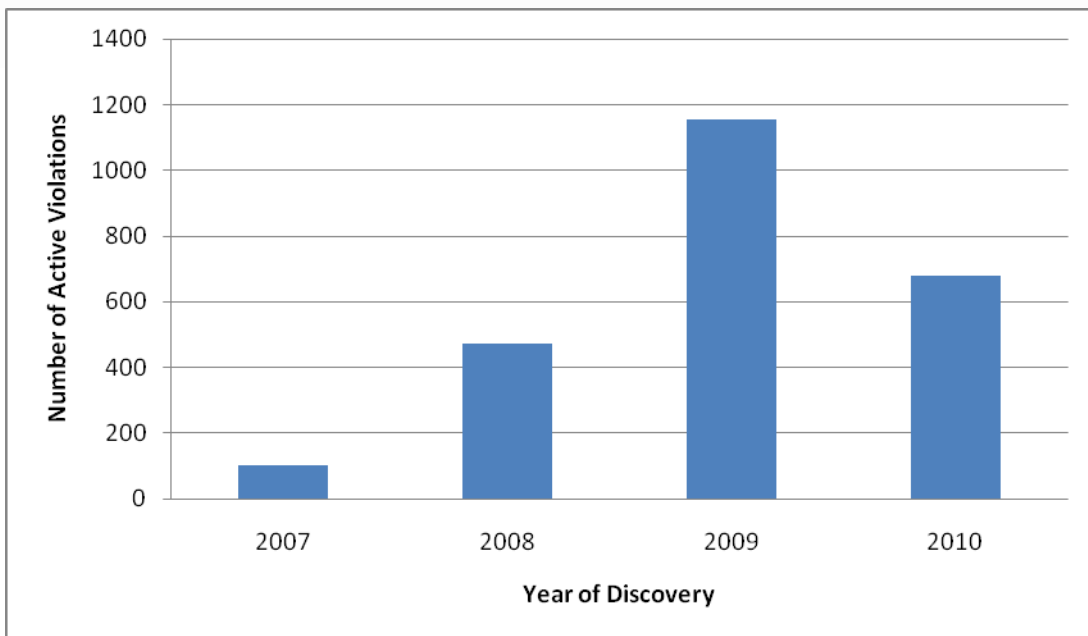
**TABLE 3**

FERC Enforceable Alleged Violations Summarized by Enforcement Process State								
Changes from December 31, 2008 to June 30, 2010 (for the Same Violations as in Table 1)								
Region	Assessment and Validation	Confirmation	Settlement	NERC Enforcement Actions	Awaiting Closing Actions	Completed and Closed	Dismissed	Total
FRCC	-64	-23	9	-16	11	57	26	0
MRO	-9	-3	-3	-30	0	38	7	0
NPCC	-7	0	-17	-5	3	25	1	0
RFC	-32	-4	-46	-10	14	70	8	0
SERC	-57	-1	-40	-17	13	86	16	0
SPP	-9	-42	3	28	4	14	2	0
TRE	-20	0	-2	-14	4	15	17	0
WECC	-614	-314	-40	30	56	544	338	0
<b>TOTAL</b>	<b>-812</b>	<b>-387</b>	<b>-136</b>	<b>-34</b>	<b>105</b>	<b>849</b>	<b>415</b>	<b>0</b>

Thus, in the 18 months from December 31, 2008 to June 30, 2010, NERC and the Regional Entities closed or dismissed 1,264 of the 2,350 violations (54%) that were tracked in Attachment 19 of the 2010 Business Plan and Budget.

Finally, NERC and the Regional Entities have made steady progress to dispose of older cases in the caseload. As reflected in Figure 2 below, only 4% of the currently active violations were discovered in 2007 (102 of 2,413) and less than 20% (474 of 2,413) were discovered in 2008. Thus, over 75% of the current caseload is comprised of violations that were discovered in the last 18 months.

**Figure 2: Current Active Violations by Year of Discovery  
 (2010 Data through June 30)**



**Caseload Management Activities**

To address and reduce the increasing caseload, NERC has undertaken a number of activities to facilitate more efficient violations processing, both to expedite disposition of pending violations and to ensure that enforcement resources are appropriately allocated based on the reliability risks of each violation.

First, in October 2009, NERC filed an “Omnibus” filing with the Commission that disposed of most of the older, lower-risk violations that were pending at the time which had been assessed a zero or low dollar penalty. In all cases, the Mitigation Plans associated with the violations contained in the Omnibus NOP were completed, certified by the Registered Entity as completed and verified by the Regional Entity as having been completed. This filing disposed of nearly a quarter of the then-existing caseload. In May 2010, the NERC Board of Trustees Compliance Committee (BOTCC) authorized the filing of a second, smaller “Omnibus II” filing consisting of approximately 60 lower-risk violations. In all cases, the Mitigation Plans associated with the violations contained in the Omnibus II NOP have been completed, certified by the Registered Entity as completed and verified by the Regional Entity as having been completed. This filing will be made in the near future and will dispose of the remaining lower-risk violations that were discovered before mid-2008 during the early start up of the ERO.

Second, NERC and the Regional Entities have undertaken a concerted effort in 2010 to streamline enforcement activities. By 2011, this streamlining should be fully implemented. This streamlining activity is being accomplished primarily by adopting (i) a “Disposition Document”

template which standardizes the record requirements for all enforcement cases, and (ii) three categories of NOPs (full, abbreviated, and deficiency) to ensure that the paperwork and process requirements for each violation bears a reasonable relationship to the seriousness of the risk it posed to bulk power system reliability. These two innovations are expected to increase documentation efficiency (by minimizing rework in developing the record of a case) and process efficiency (by scaling processing requirements with the seriousness of each violation). NERC enforcement staff began to implement these process innovations in May 2010 and, as of August 1, 2010, 36% of the violations submitted to the Commission in an NOP in 2010 have been in the new format. Also, as of August 1, 2010, six of the eight Regional Entities have commenced submitting to NERC, for processing, notices of confirmed violations and settlement agreements in the new formats.

This joint effort to streamline enforcement processes is an example of the implementation of the ERO Enterprise vision, which is intended to provide greater transparency, which in turn has and is facilitating more consistent and clearer policy determinations, reduction of re-work, and more efficient allocation of resources at all levels. Other examples of how the ERO Enterprise vision is being implemented include:

- Increased numbers of regular, coordinated meetings of NERC and Regional Entity staff at all levels;
- Development and deployment of a common violation reporting, analysis and tracking platform under the Compliance Reporting Analysis and Tracking System (CRATS) at NERC and the Compliance Information Tracking System (CITS) at the Regional Entities;
- Publication of guidance on compliance and enforcement issues through compliance analysis papers, Compliance Application Notices (CANs), lessons learned and other publications;<sup>5</sup>
- NERC compliance staff participation in Regional Entity Workshops and Seminars; and
- NERC and Regional Entity compliance staff engagement with the industry trade associations and forums to provide updates and discuss issues and concerns.

Some of the activities described above are helping to reduce the caseload by enabling more efficient and expeditious processing of violations that are discovered. Other actions, by enhancing registered entity understanding of and compliance with reliability standards, will ultimately reduce the size of caseload by promoting increased compliance and thus reducing the number of new violations discovered.

### **Violation Processing**

While the activities outlined above remain works in progress, NERC enforcement staff has realized greater efficiencies in the past few months in their day-to-day violation processing

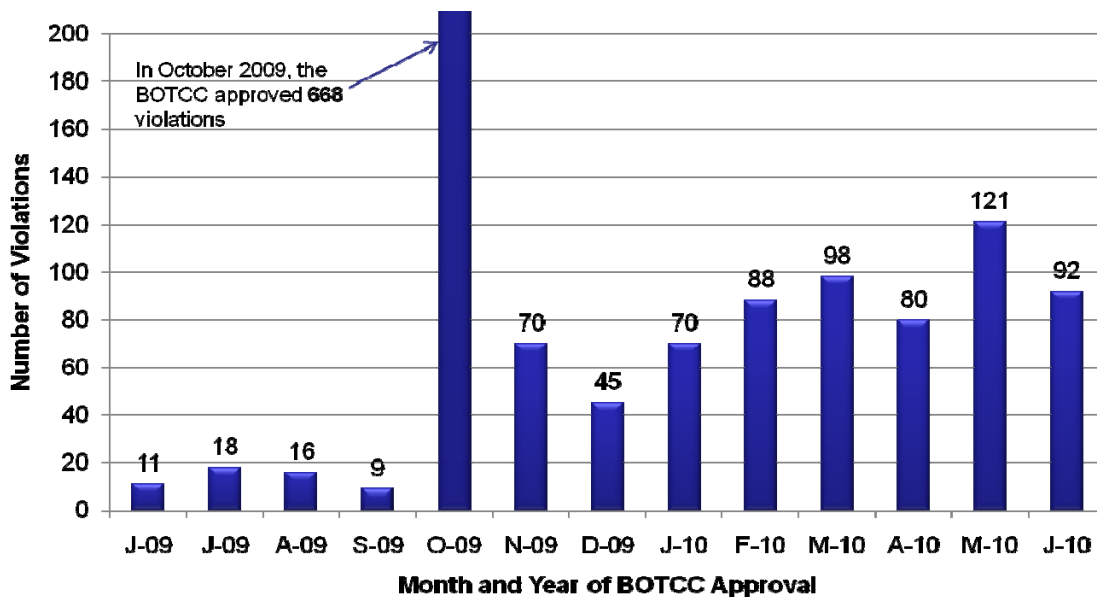
---

<sup>5</sup> While the publication of these guidance documents should facilitate better compliance and more efficient violation processing in the long term, there is typically an initial increase in self-reported violations immediately following the publication of each such document.



activities. As reflected in Figure 3 below, the number of violations that the NERC BOTCC has authorized for submission to the Commission in an NOP filing has dramatically increased.

**Figure 3: Confirmed Violations and Settlements Approved by the NERC BOTCC for Submission to FERC, by Month**



As Figure 3 shows, following submission of the Omnibus filing in October 2009, NERC has been able to significantly increase the number of violations processed to approval for submission to the Commission each month.

With one staffing vacancy still to be filled in 2010, the NERC violations processing team has been able to increase processing to just under 100 violations per month approved for submission to the Commission. With the proposed addition of 3 new FTEs for 2011 and fuller implementation of enforcement process streamlining initiatives, NERC anticipates increasing processing efficiency further to the point of being able to work down the caseload.

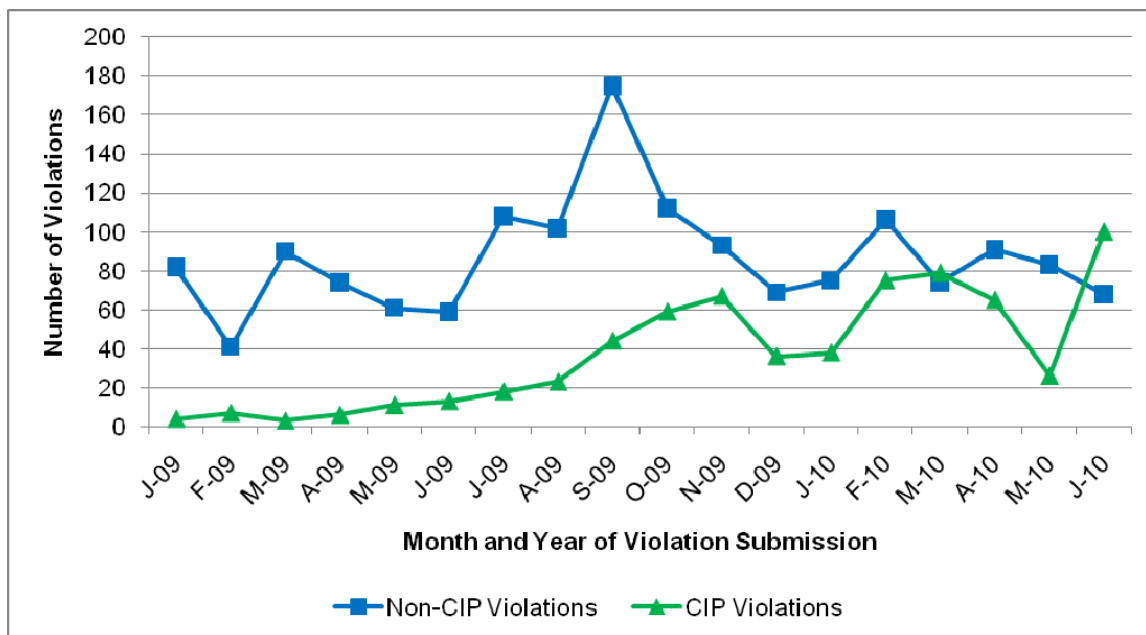
**Violations of CIP-002 through CIP-009**

While NERC has taken steps to more expeditiously and efficiently process violations of all Reliability Standards, special consideration should be given to the impact of the increasing numbers of violations of Reliability Standards CIP-002 through CIP-009.<sup>6</sup> As the first comprehensive set of new Reliability Standards to have been approved by the Commission, and thereby become mandatory and enforceable, since the original Version 0 standards were approved in 2007, these Critical Infrastructure Protection standards have presented particular

<sup>6</sup> This discussion of the impact of the CIP standards does not include CIP-001, Sabotage Reporting, which was one of the Version 0 standards.

challenges in identifying, mitigating, and processing violations. (Whereas the Version 0 standards were developed from NERC’s pre-ERO operating guides and practices with which the industry was generally familiar, the CIP Standards comprise an entirely new subject matter to the industry.) Further, under the Implementation Plan that was adopted for applicability of these CIP Standards, many registered entities were, or are, first required to be “Compliant” and/or “Auditably Compliant” with the CIP Standards in 2009 and 2010. As a result, a significant number of violations of these CIP Standards have begun to be discovered, such that they are now a significant part of the caseload and continue to grow. While Figure 1 above shows a steady rise in active violations overall since the Omnibus filing in October 2009, that rise is largely attributable to CIP Standards violations, which as of June 30, 2010 account for roughly one third of all active violations. As reflected in Figure 4 below, CIP Standards violations have become an increasingly large portion of new violations that are discovered each month, and in June 2010, newly-discovered CIP Standards violations outnumbered the new non-CIP Standards violations.

**Figure 4: CIP and Non-CIP Violations Discovered, by Month**



NERC has begun to explore innovative ways to address what may ultimately represent a fairly large bow wave of CIP Standards violations as registered entities are first required to be “Compliant” and “Auditably Compliant” with these standards. Just as a large volume of violations of the Version 0 standards were identified in the period following mandatory effectiveness, a large volume of CIP standards violations are now being identified as registered entities are required to be able to demonstrate compliance with these standards. Thus, for the same reasons that justified the Omnibus filings, a similarly novel approach may be needed to address the increasing number of CIP Standards violations. In the remainder of 2010, NERC and Regional Entity staffs will work with Commission staff and the industry to explore options for more expeditiously processing CIP Standards violations.

Based on the history of implementing security programs in the IT industry over the past decade, questions about applicability and enforcement of CIP standards are to be expected for some time. Each violation of the CIP Standards represents an opportunity through mitigation to improve the security of cyber assets in the bulk power system. More than half of these violations either have approved mitigation plans being implemented, or have already been mitigated. Moreover, a number of initiatives are underway to aid the industry in understanding how to comply with the CIP standards and clarify how to establish compliance. In the long run, these initiatives should help slow the number of new CIP Standards violations that are discovered.