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December 17, 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. RR10-13-000
Compliance Filing of the North American Electric Reliability Corporation
In Response to October 21, 2010 Order on 2011 Business Plans and Budgets**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits the “Compliance Filing of the North American Electric Reliability Corporation in Response to October 21, 2010 Order on 2011 Business Plans and Budgets.”

NERC’s filing consists of: (1) this transmittal letter, (2) the narrative text of this filing, and (3) Attachments 1 and 2, all of which are submitted in a single pdf file.

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

Respectfully submitted,

/s/ Owen E. MacBride
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Attorney for North American Electric
Reliability Corporation

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I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”) respectfully submits this filing in compliance with the Commission’s October 21, 2010 Order in this docket.¹ The 2011 ERO Budget Order conditionally accepted the 2011 Business Plans and Budgets of NERC, the eight Regional Entities² and the Western Interconnection Regional Advisory Body. The 2011 ERO Budget Order also specified certain compliance items to be filed by NERC within 60 days (*i.e.*, by December 20, 2010). This compliance filing addresses the compliance items the Commission directed to be filed within 60 days of the date of the 2011 ERO Budget Order.

II. NOTICES AND COMMUNICATIONS

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

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¹ *North American Electric Reliability Corporation, Order Conditionally Accepting 2011 Business Plan and Budget of the North American Electric Reliability Corporation and Ordering Compliance Filings*, 133 FERC ¶ 61,062 (2010) (“2011 ERO Budget Order”).

² The eight Regional Entities are the Florida Reliability Coordinating Council, Midwest Reliability Organization, Northeast Power Coordinating Council, Inc., ReliabilityFirst Corporation (“ReliabilityFirst”), SERC Reliability Corporation, Southwest Power Pool Regional Entity, Texas Reliability Entity, and Western Electricity Coordinating Council (“WECC”).

III. RESPONSES TO COMPLIANCE ITEMS IN 2011 ERO BUDGET ORDER

2011 ERO Budget Order, PP 20-21:

20. During the first quarter of 2010, NERC initiated substantial restructuring to its organizational structure, splitting many defined statutory program areas²² into new departments.²³ NERC states that this was done to increase the organization's functional efficiency. In its filing, NERC briefly discusses the new departments and the manner in which they align with the statutory program areas.

²² The defined statutory program areas are: (1) Reliability Standards, (2) Compliance Monitoring and Enforcement and Organization Registration and Certification, (3) Reliability Assessment and Performance Analysis, (4) Training, Education, and Operator Certification, and (5) Situation Awareness and Infrastructure Security. NERC Application at 5.

²³ The new departments are: (1) Standards, (2) Operations and Engineering, (3) Compliance Operations, (4) Compliance Enforcement, (5) Critical Infrastructure Protection, (6) Reliability Assessment and Performance Analysis, (7) Legal and Governmental Relations, and (8) Finance, Human Resources, and Information Technology. NERC Application, Attachment 2 at Appendix 1.

21. NERC has previously provided organizational charts for each of its new departments in its budget filings. However, in its Application the full extent of the duties performed by each new department, as well as the manner in which they fit within the statutory program as assigned, remain unclear. The Commission directs NERC to describe the roles and duties of each new department, similar to how NERC currently outlines the duties of its statutory program areas. Additionally, the Commission directs NERC to map the duties of each department to the statutory program areas to ensure that the statutory functions are fully addressed after the reorganization is complete.

NERC Response:

As discussed on pages 12-13 of NERC's 2011 Business Plan and Budget (Attachment 2 of the Business Plan and Budget filing), during the first quarter of 2010, in furtherance of commitments NERC made during the preparation and presentation of its 2010 Business Plan and Budget, and 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 comprehensive review, 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 bulk power system reliability performance while maintaining a strong compliance enforcement capability. These organizational changes primarily involved the realignment of certain departments and cost centers under different senior leadership, while maintaining the integrity of the cost accounting and reporting of those departments consistent with the 2010 budget. All departmental activities will continue to support NERC's statutory responsibilities.

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program ("Compliance Program Area") was divided into two cost centers, (i) Compliance Operations and (ii) 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 placed under the newly created Operations and Engineering group. The Events Analysis and Investigation department was created to provide necessary expanded resource capabilities to support event analysis. However, for purposes of presentation in its 2011 Business Plan and Budget, NERC combined the Compliance Operations, Compliance Enforcement and Events Analysis and Investigations departments together for ease of comparison to the 2010 budget.

In the reorganization, the Situation Awareness and Infrastructure Security Program, the Training, Education and Operator Certification Program, and the Events Analysis department (which, as it existed in 2010, was part of the Reliability Assessment and Performance Analysis Program) were also placed under the Operations and Engineering Group, with each of these three departments continuing to be maintained as a separate department from an accounting perspective in order to facilitate financial reporting consistent with the format in the 2010 Business Plan and Budget. Additionally, the Events Analysis department was reorganized as the

System Analysis and Reliability Initiatives department. For purposes of presentation in the 2011 Business Plan and Budget, the System Analysis and Reliability Initiatives department was 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. CIP activities were previously included in the Situation Awareness and Infrastructure Security Program. For purposes of presentation in the 2011 Business Plan and Budget, CIP resources were reported as part of the Situation Awareness and Infrastructure Security Program, similar to the presentation in the 2010 Business Plan and Budget.

The reorganization did not affect the Reliability Standards department.

Within NERC’s general and administrative (“G&A”) functions, the Information Technology, Human Resources, and Finance and Accounting departments were combined under the leadership of the Senior Vice President and Chief Financial and Administrative Officer. The Legal and Regulatory department remained under the direction of the Senior Vice President and General Counsel. For purposes of presentation in the 2011 Business Plan and Budget, the resource requirements for Administrative (executive), Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting were presented separately, consistent with the presentation format in the 2010 Business Plan and Budget. The G&A functions continue to be separate from the direct statutory program functions.

The scopes and responsibilities of each of these departments were described in detail throughout the applicable sections of the 2011 Business Plan and Budget, consistent with (as described above) the format of prior years' business plan and budget documents.

In order to show how the departments (as listed in footnote 23 of the 2011 ERO Budget Order) in NERC's organization subsequent to the reorganization correspond to the five defined statutory program areas (as listed in footnote 22 of the 2011 ERO Budget Order), a color coded organizational chart that mapped each department into the relevant statutory program area was included as Appendix 1 in NERC's 2011 Business Plan and Budget. In the upper right-hand corner of the first page (which shows the NERC senior management organization) of Appendix 1, there are six boxes, each in a different color, labeled "Standards," "SA [Situation Awareness] & CIP," "RAPA [Reliability Assessment and Performance Analysis]," "Compliance," "Training," and "G&A." On the subsequent pages of Appendix 1, which contain the 2010-2011 organization charts for the Standards, Operations and Engineering, Compliance Operations, Compliance Enforcement, Critical Infrastructure Protection, Reliability Assessment and Performance Analysis, Legal and Governmental Relations, and Finance, Human Resources and Information Technology departments, each position on each chart is colored to correspond to the applicable statutory program area or to G&A.

One of the purposes of the color-coded organizational chart in Appendix 1 was to demonstrate that all of the functional operations that existed and supported the direct statutory program requirements prior to the reorganization continue to exist after the reorganization. The functional operations were merely re-grouped as part of NERC's ongoing efforts to improve the efficiency and effectiveness of its organizational design. The organizational chart in Appendix 1 was also intended to assist in demonstrating that for purposes of comparing the proposed 2011

budget to the approved 2010 budget, costs were being aggregated in a consistent fashion. Unfortunately, the discussion of the reorganization on pages 12-13 of the 2011 Business Plan and Budget failed to cross reference to the organizational charts in Appendix 1, which may have resulted in some confusion to readers.

NERC expects to continue to refine its organizational structure to improve the efficiency and effectiveness of operations, in all events consistent with its statutory obligations.

2011 ERO Budget Order, P 29:

RFC. In its 2011 overview of cost impacts, RFC states that its targeted staffing level for 2011 is 68 FTEs, which is a net increase of 10 FTEs compared to its 2010 staffing levels.³⁶ Again, in Table B-4: Personnel Expenses, RFC discloses a net increase of 10 FTEs. However, in its explanation of significant variances, RFC states that its net staffing is increasing by 11 FTEs.³⁷ The Commission assumes that this is an error, and that RFC expects to hire 10 FTEs. Consistent with previous orders, we direct NERC and RFC to clarify its expected staffing levels for fiscal year 2011 in the compliance filing.³⁸

³⁶ *Id.*, Attachment 6 at 9.

³⁷ *Id.* at 73.

³⁸ See 2008 Budget Order, 125 FERC ¶ 61,056 at Appendix B; 2010 Budget Order, 129 FERC ¶ 61,040 at P 43-46.

NERC-ReliabilityFirst Response:

ReliabilityFirst's net increase in staffing in its 2011 Business Plan and Budget over its 2010 Business Plan and Budget (and its 2010 Projection) is 10 FTEs. ReliabilityFirst has budgeted hiring 11 new FTEs, as stated on page 9 of its 2011 Business Plan and Budget (*i.e.* seven new FTEs to support the Compliance Monitoring and Enforcement Program, three new FTEs to support the Training and Education department, and one new FTE to support the Human Resources department); however, because one current FTE is retiring and will not be replaced (as also stated on page 9), the net increase in ReliabilityFirst's budgeted staffing for 2011 is 10

FTEs.³ Therefore, the text on page 9 of the ReliabilityFirst 2011 Business Plan and Budget is correct, and Table B-4 on page 73 (showing a net change of 10 FTEs, from 59 FTEs to 68 FTEs) is also correct. The “Explanation of Significant Variances” on page 73 refers in several places to “addition of the 11 new FTEs” and “addition of the 11 new hires” because it is only referring to the 11 new FTEs who are budgeted to be hired, and does not refer to the one retiring FTE who will not be replaced.

In summary, ReliabilityFirst’s budgeted increase in staffing in 2011 over its 2010 Business Plan and Budget is 10 FTEs, comprised of 11 budgeted new FTE hires minus one retiring FTE who will not be replaced.

2011 ERO Budget Order, P 30:

WECC. The table summarizing WECC’s General and Administrative budget appears to be truncated.³⁹ The Commission directs WECC and NERC to resubmit this table in its compliance filing.

³⁹ *Id.*, Attachment 10 at 43.

NERC-WECC Response:

The table summarizing WECC’s General and Administrative budget, at page 43 of Attachment 10 of the 2011 Business Plan and Budget filing, was in fact truncated. **Attachment 1** to this compliance filing is a copy of WECC’s 2011 Business Plan and Budget with the table on page 43 corrected.

³ The relevant text from page 9 of the ReliabilityFirst 2011 Business Plan and Budget is: “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.”

2011 ERO Budget Order, P 37:

[T]he Commission notes that Attachment 17 to NERC's Application lacks a summary of all current outstanding violations, summarized by state and region, similar to what was filed in NERC's 2010 business plan and budget.⁴² The Commission directs NERC to include this table in its compliance filing.

⁴² NERC Petition, Docket No. RR09-9-000, at Attachment 19, Table 4 (filed August 24, 2009).

NERC Response:

NERC no longer compiles data on alleged violations in the various processing stages in the same format as presented in Table 4 of Attachment 19 of the 2010 Business Plan and Budget filing (which contained data as of June 30, 2009). However, in order to provide current data in a presentation comparable to Table 4 of Attachment 19 but using the format in which NERC currently compiles and reports this data, NERC has prepared the two tables in **Attachment 2** to this compliance filing. One of the tables in **Attachment 2** contains statistics as of June 30, 2010 (the same end date as in Attachment 17 to the 2011 Business Plan and Budget filing), while the other table contains statistics as of November 30, 2010 (the most recently completed month as of the date of this compliance filing).

NERC's current reporting format for its "Pending Violations Summary by Process Steps" uses the columns (*i.e.*, process stages) "Assessment and Validation," "Confirmation," "Settlement," "NERC Enforcement Actions," "Awaiting Closing Actions," "Completed and Closed," and "Sub-Total" shown on the tables in **Attachment 2** (*i.e.*, going from left to right, the first seven columns of numbers in the tables). The column labeled "Sub-Total" in these tables has been re-labeled, for purposes of this presentation, from "Total" in NERC's regular monthly reports. These column headings correspond to column headings (process stages) in Table 4 of Attachment 19 of the 2010 Business Plan and Budget filing with the exception that Table 4

contained a column (process stage) labeled “Pending Regulatory Filing,” whereas in the current reporting format this process stage has been disaggregated into “NERC Enforcement Actions” and “Awaiting Closing Actions.” During the process stage “NERC Enforcement Actions,” NERC is reviewing the Notice of Confirmed Violation or Settlement Agreement and is seeking NERC Board of Trustees Compliance Committee (“BOTCC”) approval; while in the process stage “Awaiting Closing Actions,” the violation is confirmed/settled and a Notice of Penalty has been filed with FERC. The NERC BOTCC, which reviews and approves (or rejects) the proposed disposition of alleged violations, directed that the data on the “Pending Regulatory Filing” process step be disaggregated into “NERC Enforcement Actions” and “Awaiting Closing Actions” in order to provide more granular information as to the status of alleged violations in this phase of the disposition process.

Finally, to provide a data presentation comparable to Table 4 in Attachment 19 to the 2010 Business Plan and Budget filing, two columns have been added to NERC’s current reporting format for purposes of the tables in **Attachment 2**. The added columns are the two far right-hand columns in these tables captioned “Dismissals” and “Total.” The data in these columns corresponds to the data in the columns captioned “Dismissed” and “Total” on Table 4 of Attachment 19 of the 2010 Business Plan and Budget filing.

IV. CONCLUSION

The North American Electric Reliability Corporation respectfully requests that the Commission accept this filing and Attachments as compliance with PP 20-21, 29, 30, and 37 of the 2011 ERO Budget Order.

Respectfully submitted,

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CERTIFICATE OF SERVICE

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

Dated at Chicago, Illinois this 17th day of December, 2010.

/s/ Owen E. MacBride
Owen E. MacBride

*Attorney for North American Electric
Reliability Corporation*

DOCKET NO. RR10-13-000

**COMPLIANCE FILING OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
IN RESPONSE TO OCTOBER 21, 2009 ORDER
ON 2011 BUSINESS PLANS AND BUDGETS**

ATTACHMENT 1

**CORRECTED 2011 BUSINESS PLAN AND BUDGET
OF WESTERN ELECTRICITY COORDINATING COUNCIL**



2011 Business Plan and Budget

Western Electricity Coordinating Council

**Approved by:
WECC Board of Directors**

**Date:
June 18, 2010**

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2011 Budget	U.S.	Canada	Mexico
Statutory FTEs*	207.9			
Non-statutory FTEs	5.0			
Total FTEs	212.9			
Statutory Expenses	\$ 61,168,910			
Non-Statutory Expenses	\$ 1,578,070			
Total Expenses	\$ 62,746,980			
Statutory Inc(Dec) in Fixed Assets	\$ 7,036,540			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 7,036,540			
Statutory Working Capital Requirement**	847,498			
Non-Statutory Working Capital Requirement***	6,114,082			
Total Working Capital Requirement	6,961,580			
Total Statutory Funding Requirement	\$ 68,205,450			
Total Non-Statutory Funding Requirement	\$ 1,578,070			
Total Funding Requirement	\$ 69,783,520			
Statutory Funding Assessments	\$ 37,915,529	\$ 32,515,725	\$ 4,914,693	\$ 485,111
Non-Statutory Fees	\$ 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 members¹ divided into the following seven membership classes:²

1. Large Transmission Owners
2. Small Transmission Owners
3. Transmission Dependent Energy Service Providers
4. End Users

¹ As of July 7, 2010.

² For purposes of voting for Board representation, all Canadian members of WECC form "Class 6." For all other purposes, Canadian members participate in member classes 1 – 5 and 7 according to their characteristics. See Section 6.2.1 of the WECC Bylaws.

5. Representatives of State and Provincial Governments
6. Canadian Members
7. Members at Large

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.³

WECC is governed by an independent and balanced stakeholder board⁴ 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.⁵

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

³ 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.

⁴ As provided for in Section 215 of the Federal Power Act, 16 U.S.C. 824o(e)(4)(A)(iii) (2006).

⁵ 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.⁶ 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 budget⁷. 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

⁶ See [2011 – 2013 Business Plans and Budgets: Shared Assumption \(NERC and the Regional Entities\)](#).

⁷ "2010 statutory budget" refers to the statutory budget included in the WECC Amended Business Plan and Budget approved by FERC on July 23, 2010

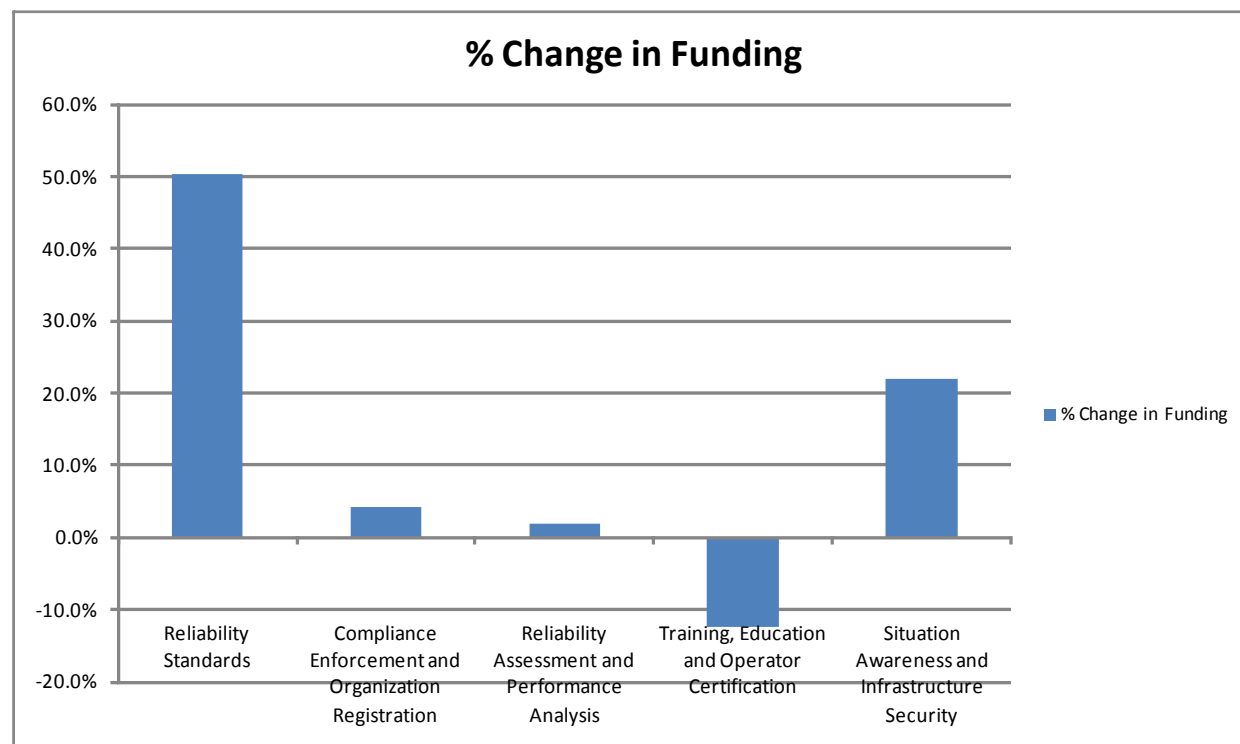
as a result of WECC moving into its new office facilities in Salt Lake City. The remaining increase in Office Costs is mostly attributable to increased maintenance costs, Wide-area Network (WAN) expenses, and warranty renewals for the RCOs.

- 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
STATUTORY						
Operational Programs						
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
Total FTEs Operational Programs	142.1	142.1	159.0	0.0	159.0	16.9
Administrative Programs						
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
Total FTEs Administrative Programs	39.7	39.7	48.9	0.0	48.9	9.2
Total FTEs	181.8	181.8	207.9	0.0	207.9	26.1

* 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)
Funding					
WECC Funding					
WECC Assessments	\$ 39,132,457	\$ 39,132,457	\$ -	37,915,529	\$ (1,216,928)
Penalty Sanctions	\$ -	\$ -	\$ -	865,650	865,650
Total WECC Funding	\$ 39,132,457	\$ 39,132,457	\$ -	\$ 38,781,179	\$ (351,278)
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)
Total Funding	\$ 60,434,681	\$ 60,434,681	\$ -	\$ 68,205,450	\$ 7,770,769
Expenses					
Personnel Expenses					
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
Total Personnel Expenses	\$ 25,063,076	\$ 25,063,071	\$ -	\$ 27,968,580	\$ 2,905,509
Meeting Expenses					
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
Total Meeting Expenses	\$ 3,494,900	\$ 3,494,900	\$ -	\$ 3,262,325	\$ (232,575)
Operating Expenses					
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
Total Operating Expenses	\$ 24,059,969	\$ 25,509,969	\$ 1,450,000	\$ 30,351,848	\$ 6,291,879
Total Direct Expenses	\$ 52,617,945	\$ 54,067,940	\$ 1,450,000	\$ 61,582,753	\$ 8,964,813
Indirect Expenses	\$ (364,177)	\$ (364,177)	\$ -	\$ (413,843)	\$ (49,666)
Other Non-Operating Expenses	\$ 2,966,207	\$ 2,966,207	\$ -	\$ -	\$ (2,966,207)
Total Expenses	\$ 55,219,976	\$ 56,669,971	\$ 1,450,000	\$ 61,168,910	\$ 5,948,940
Change in Assets	\$ 5,214,705	\$ 3,764,710	\$ (1,450,000)	\$ 7,036,540	\$ 1,821,830
Fixed Assets					
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)
(Incr)Dec in Fixed Assets	\$ (4,000,312)	\$ (4,000,312)	\$ -	\$ (7,036,540)	\$ (3,036,228)
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ (0)
Change in Fixed Assets	(4,000,312)	(4,000,312)	-	(7,036,540)	(3,036,228)
TOTAL CHANGE IN NET ASSETS	\$ 1,214,393	\$ (235,602)	\$ (1,450,000)	\$ -	\$ (1,214,398)

Section A – Statutory Programs 2011 Business Plan and Budget

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Section A — 2011 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
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.

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	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 738,927	\$ 738,927	\$ -	\$ 1,087,059	\$ 348,132
Penalty Sanctions				24,500	24,500
Total WECC Funding	<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	-	-	-	-	-
Total Funding	<u>\$ 738,927</u>	<u>\$ 738,927</u>	<u>\$ -</u>	<u>\$ 1,111,558</u>	<u>\$ 372,631</u>
Expenses					
Personnel Expenses					
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
Total Personnel Expenses	<u>\$ 490,768</u>	<u>\$ 490,768</u>	<u>\$ -</u>	<u>\$ 666,772</u>	<u>\$ 176,004</u>
Meeting Expenses					
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
Total Meeting Expenses	<u>\$ 21,760</u>	<u>\$ 21,760</u>	<u>\$ -</u>	<u>\$ 83,400</u>	<u>\$ 61,640</u>
Operating Expenses					
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	-	-	-	-	-
Total Operating Expenses	<u>\$ 2,200</u>	<u>\$ 2,200</u>	<u>\$ -</u>	<u>\$ 10,890</u>	<u>\$ 8,690</u>
Total Direct Expenses	<u>\$ 514,728</u>	<u>\$ 514,728</u>	<u>\$ -</u>	<u>\$ 761,062</u>	<u>\$ 246,334</u>
Indirect Expenses	<u>\$ 218,505</u>	<u>\$ 218,505</u>	<u>\$ -</u>	<u>\$ 372,459</u>	<u>\$ 153,954</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 733,233</u>	<u>\$ 733,233</u>	<u>\$ -</u>	<u>\$ 1,133,521</u>	<u>\$ 400,288</u>
Change in Assets	<u>\$ 5,694</u>	<u>\$ 5,694</u>	<u>\$ -</u>	<u>\$ (21,962)</u>	<u>\$ (27,656)</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	0
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
(Incr)Dec in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ (5,694)	\$ (5,694)	-	21,962	\$ 27,656
Change in Fixed Assets	<u>(5,694)</u>	<u>(5,694)</u>	<u>-</u>	<u>21,962</u>	<u>27,656</u>
TOTAL CHANGE IN NET ASSETS	<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 693⁸ and the CIP standards under FERC Order 706.⁹ 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.

⁸ Mandatory Reliability Standards for the Bulk-Power System, Order No. 693, 72 FR 16,416 (Apr. 4, 2007), FERC Stats. & Regs. ¶ 31,242 (2007).

⁹ 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)¹⁰ created the RMS, a contract-based compliance enforcement mechanism. The RMS grew to encompass 14 criteria. In the

¹⁰ 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).¹¹ 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.

¹¹ 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.

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Compliance and Organization Registration and Certification					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 12,985,975	\$ 12,985,975	\$ -	\$ 13,369,539	\$ 383,564
Penalty Sanctions				318,494	318,494
Total WECC Funding	\$ 12,985,975	\$ 12,985,975	\$ -	\$ 13,688,033	\$ 702,058
Membership Dues		-	-	-	-
Federal Grants		-	-	-	-
Services & Software		-	-	-	-
Workshops	400,000	400,000	-	254,000	(146,000)
Interest		-	-	-	-
Miscellaneous		-	-	-	-
Total Funding	\$ 13,385,975	\$ 13,385,975	\$ -	\$ 13,942,033	\$ 556,058
Expenses					
Personnel Expenses					
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
Total Personnel Expenses	\$ 6,429,432	\$ 6,429,432	\$ -	\$ 7,066,692	\$ 637,260
Meeting Expenses					
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)
Total Meeting Expenses	\$ 1,232,850	\$ 1,232,850	\$ -	\$ 1,209,635	\$ (23,215)
Operating Expenses					
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
Total Operating Expenses	\$ 1,801,050	\$ 3,101,050	\$ 1,300,000	\$ 1,010,540	\$ (790,510)
Total Direct Expenses	\$ 9,463,332	\$ 10,763,332	\$ 1,300,000	\$ 9,286,867	\$ (176,465)
Indirect Expenses	\$ 3,641,750	\$ 3,641,750	\$ -	\$ 4,841,962	\$ 1,200,212
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 13,105,082	\$ 14,405,082	\$ 1,300,000	\$ 14,128,829	\$ 1,023,747
Change in Assets	\$ 280,893	\$ (1,019,107)	\$ (1,300,000)	\$ (186,795)	\$ (467,689)
Fixed Assets					
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
(Incr)Dec in Fixed Assets	\$ (186,000)	\$ (186,000)	\$ -	\$ (98,714)	\$ 87,286
Allocation of Fixed Assets	\$ (94,893)	\$ (94,893)	-	285,509	380,402
Change in Fixed Assets	(280,893)	(280,893)	-	186,795	467,688
TOTAL CHANGE IN NET ASSETS	\$ 0	\$ (1,300,000)	\$ (1,300,000)	\$ (0)	\$ (0)

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*.

Hearings			
(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

Reliability Assessment and Performance Analysis			
(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.

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Reliability Assessment and Performance Analysis					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 4,772,132	\$ 4,772,132	\$ -	\$ 5,040,590	\$ 268,458
Penalty Sanctions				118,142	118,142
Total WECC Funding	\$ 4,772,132	\$ 4,772,132	\$ -	\$ 5,158,732	\$ 386,600
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)
Total Funding	\$ 8,814,011	\$ 8,814,011	\$ -	\$ 8,990,273	\$ 176,262
Expenses					
Personnel Expenses					
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
Total Personnel Expenses	\$ 2,447,013	\$ 2,447,013	\$ -	\$ 2,538,075	\$ 91,062
Meeting Expenses					
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
Total Meeting Expenses	\$ 594,670	\$ 594,670	\$ -	\$ 587,850	\$ (6,820)
Operating Expenses					
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
Total Operating Expenses	\$ 4,012,631	\$ 4,012,631	\$ -	\$ 3,482,177	\$ (530,454)
Total Direct Expenses	\$ 7,054,314	\$ 7,054,314	\$ -	\$ 6,608,102	\$ (446,212)
Indirect Expenses	\$ 1,684,309	\$ 1,684,309	\$ -	\$ 1,796,078	\$ 111,769
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 8,738,623	\$ 8,738,623	\$ -	\$ 8,404,180	\$ (334,443)
Change in Assets	\$ 75,388	\$ 75,388	\$ -	\$ 586,093	\$ 510,705
Fixed Assets					
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	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (31,500)	\$ (31,500)	\$ -	\$ (692,000)	\$ (660,500)
Allocation of Fixed Assets	\$ (43,888)	\$ (43,888)	-	105,907	\$ 149,795
Change in Fixed Assets	(75,388)	(75,388)	-	(586,093)	(510,705)
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ (0)

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (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.

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)
Funding					
WECC Funding					
WECC Assessments	\$ 250,557	\$ 250,557	\$ -	\$ 252,269	\$ 1,712
Penalty Sanctions				19,055	19,055
Total WECC Funding	<u>\$ 250,557</u>	<u>\$ 250,557</u>	<u>\$ -</u>	<u>\$ 271,324</u>	<u>\$ 20,767</u>
Membership Dues		-	-	-	-
Federal Grants		-	-	-	-
Services & Software		-	-	-	-
Workshops	915,100	915,100	-	749,650	(165,450)
Interest		-	-	-	-
Miscellaneous		-	-	-	-
Total Funding	<u>\$ 1,165,657</u>	<u>\$ 1,165,657</u>	<u>\$ -</u>	<u>\$ 1,020,974</u>	<u>\$ (144,683)</u>
Expenses					
Personnel Expenses					
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
Total Personnel Expenses	<u>\$ 405,772</u>	<u>\$ 405,772</u>	<u>\$ -</u>	<u>\$ 413,466</u>	<u>\$ 7,694</u>
Meeting Expenses					
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	-
Total Meeting Expenses	<u>\$ 304,000</u>	<u>\$ 304,000</u>	<u>\$ -</u>	<u>\$ 182,000</u>	<u>\$ (122,000)</u>
Operating Expenses					
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	-	-	-	-	-
Total Operating Expenses	<u>\$ 112,320</u>	<u>\$ 112,320</u>	<u>\$ -</u>	<u>\$ 152,900</u>	<u>\$ 40,580</u>
Total Direct Expenses	<u>\$ 822,092</u>	<u>\$ 822,092</u>	<u>\$ -</u>	<u>\$ 748,366</u>	<u>\$ (73,726)</u>
Indirect Expenses	<u>\$ 254,922</u>	<u>\$ 254,922</u>	<u>\$ -</u>	<u>\$ 289,690</u>	<u>\$ 34,768</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 1,077,014</u>	<u>\$ 1,077,014</u>	<u>\$ -</u>	<u>\$ 1,038,056</u>	<u>\$ (38,958)</u>
Change in Assets	<u>\$ 88,643</u>	<u>\$ 88,643</u>	<u>\$ -</u>	<u>\$ (17,082)</u>	<u>\$ (105,725)</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	82,000	82,000	-	-	(82,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	<u>\$ (82,000)</u>	<u>\$ (82,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,000</u>
Allocation of Fixed Assets	\$ (6,643)	\$ (6,643)	-	17,082	\$ 23,725
Change in Fixed Assets	<u>(88,643)</u>	<u>(88,643)</u>	<u>-</u>	<u>17,082</u>	<u>105,725</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security			
(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 Entities¹² 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

¹² 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.

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
Situation Awareness and Infrastructure Security					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 19,170,469	\$ 19,170,469	\$ -	\$ 18,166,072	\$ (1,004,397)
Penalty Sanctions			\$ -	385,459	385,459
Total WECC Funding	<u>\$ 19,170,469</u>	<u>\$ 19,170,469</u>	<u>\$ -</u>	<u>\$ 18,551,531</u>	<u>\$ (618,938)</u>
Membership Dues	-	-	-	-	-
Federal Grants	15,811,845	15,811,845	-	24,112,680	8,300,835
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ 34,982,314</u>	<u>\$ 34,982,314</u>	<u>\$ -</u>	<u>\$ 42,664,211</u>	<u>\$ 7,681,897</u>
Expenses					
Personnel Expenses					
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
Total Personnel Expenses	<u>\$ 9,409,770</u>	<u>\$ 9,409,770</u>	<u>\$ -</u>	<u>\$ 10,264,643</u>	<u>\$ 854,873</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	216,000	216,000	-	375,000	159,000
Conference Calls	10,000	10,000	-	12,200	2,200
Total Meeting Expenses	<u>\$ 226,000</u>	<u>\$ 226,000</u>	<u>\$ -</u>	<u>\$ 387,200</u>	<u>\$ 161,200</u>
Operating Expenses					
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
Total Operating Expenses	<u>\$ 14,997,363</u>	<u>\$ 14,997,363</u>	<u>\$ -</u>	<u>\$ 20,563,135</u>	<u>\$ 5,565,772</u>
Total Direct Expenses	<u>\$ 24,633,133</u>	<u>\$ 24,633,133</u>	<u>\$ -</u>	<u>\$ 31,214,978</u>	<u>\$ 6,581,845</u>
Indirect Expenses	<u>\$ 3,833,280</u>	<u>\$ 3,833,280</u>	<u>\$ -</u>	<u>\$ 4,772,947</u>	<u>\$ 939,667</u>
Other Non-Operating Expenses	<u>\$ 2,966,207</u>	<u>\$ 2,966,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,966,207)</u>
Total Expenses	<u>\$ 31,432,620</u>	<u>\$ 31,432,620</u>	<u>\$ -</u>	<u>\$ 35,987,925</u>	<u>\$ 4,555,305</u>
Change in Assets	<u>\$ 3,549,694</u>	<u>\$ 3,549,694</u>	<u>\$ -</u>	<u>\$ 6,676,286</u>	<u>\$ 3,126,592</u>
Fixed Assets					
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)
(Incr)Dec in Fixed Assets	<u>\$ (3,430,812)</u>	<u>\$ (3,430,812)</u>	<u>\$ -</u>	<u>\$ (7,021,826)</u>	<u>\$ (3,591,014)</u>
Allocation of Fixed Assets	\$ (118,882)	\$ (118,882)	-	345,540	464,422
Change in Fixed Assets	<u>(3,549,694)</u>	<u>(3,549,694)</u>	<u>-</u>	<u>(6,676,286)</u>	<u>(3,126,592)</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>

Administrative Services

Administrative Services (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
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

Technical Committees and Member Forums (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.

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)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	122,400	122,400	-	122,400	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 122,400	\$ 122,400	\$ -	\$ 122,400	\$ -
Expenses					
Personnel Expenses					
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
Total Personnel Expenses	\$ 941,861	\$ 941,861	\$ -	\$ 986,753	\$ 44,892
Meeting Expenses					
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
Total Meeting Expenses	\$ 667,020	\$ 667,020	\$ -	\$ 540,120	\$ (126,900)
Operating Expenses					
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
Total Operating Expenses	\$ 655,980	\$ 655,980	\$ -	\$ 1,128,966	\$ 472,986
Total Direct Expenses	\$ 2,264,861	\$ 2,264,861	\$ -	\$ 2,655,839	\$ 390,978
Indirect Expenses	\$ (2,142,461)	\$ (2,142,461)	\$ -	\$ (2,533,439)	\$ (390,978)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 122,400	\$ 122,400	\$ -	\$ 122,400	\$ 0
Change in Assets	\$ 0	\$ 0	\$ -	\$ -	\$ (0)
Fixed Assets					
Depreciation	-	-	-	(16,000)	(16,000)
Computer & Software CapEx	50,000	50,000	-	50,000	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (50,000)	\$ (50,000)	\$ -	\$ (34,000)	\$ 16,000
Allocation of Fixed Assets	\$ 50,000	\$ 50,000	-	34,000	(16,000)
Change in Fixed Assets	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ 0	\$ 0	\$ -	\$ -	\$ (0)

General and Administrative

General and Administrative (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
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)
Total Allocation to Statutory Programs as Indirect Expenses	\$ (4,493,411)	\$ (5,919,771)	\$ (1,426,360)
Working Capital Requirement	\$ 1,214,397	\$ -	\$ (1,214,397)

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.

Statement of Activities and Capital Expenditures					
2010 Budget & Projection, and 2011 Budget					
General and Administrative					
	2010 Budget	2010 Projection	Variance 2010 Projection v 2010 Budget Over(Under)	2011 Budget	Variance 2011 Budget v 2010 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 1,214,397	\$ 1,214,397	\$ -	\$ -	\$ (1,214,397)
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ 1,214,397	\$ 1,214,397	\$ -	\$ -	\$ (1,214,397)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	350,000	350,000
Miscellaneous	11,000	11,000	-	4,000	(7,000)
Total Funding	\$ 1,225,397	\$ 1,225,397	\$ -	\$ 354,000	\$ (871,397)
Expenses					
Personnel Expenses					
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
Total Personnel Expenses	\$ 2,710,856	\$ 2,710,856	\$ -	\$ 2,976,441	\$ 265,585
Meeting Expenses					
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
Total Meeting Expenses	\$ 334,100	\$ 334,100	\$ -	\$ 131,000	\$ (203,100)
Operating Expenses					
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
Total Operating Expenses	\$ 1,459,455	\$ 1,609,455	\$ 150,000	\$ 3,166,330	\$ 1,706,875
Total Direct Expenses	\$ 4,504,411	\$ 4,654,411	\$ 150,000	\$ 6,273,771	\$ 1,769,360
Indirect Expenses	\$ (4,493,411)	\$ (4,493,411)	\$ -	\$ (5,919,771)	\$ (1,426,360)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 11,000	\$ 161,000	\$ 150,000	\$ 354,000	\$ 343,000
Change in Assets	\$ 1,214,397	\$ 1,064,397	\$ (150,000)	\$ -	\$ (1,214,397)
Fixed Assets					
Depreciation	-	-	-	(817,000)	(817,000)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ 817,000	\$ 817,000
Allocation of Fixed Assets	-	-	-	(817,000)	(817,000)
Change in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN NET ASSETS	\$ 1,214,397	\$ 1,064,397	\$ (150,000)	\$ -	\$ (1,214,397)

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
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.

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)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
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
Total Personnel Expenses	<u>\$ 1,096,740</u>	<u>\$ 1,096,740</u>	<u>\$ -</u>	<u>\$ 1,457,997</u>	<u>\$ 361,257</u>
Meeting Expenses					
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)
Total Meeting Expenses	<u>\$ 104,000</u>	<u>\$ 104,000</u>	<u>\$ -</u>	<u>\$ 102,000</u>	<u>\$ (2,000)</u>
Operating Expenses					
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	-	-	-	-	-
Total Operating Expenses	<u>\$ 364,920</u>	<u>\$ 364,920</u>	<u>\$ -</u>	<u>\$ 235,000</u>	<u>\$ (129,920)</u>
Total Direct Expenses	<u>\$ 1,565,660</u>	<u>\$ 1,565,660</u>	<u>\$ -</u>	<u>\$ 1,794,997</u>	<u>\$ 229,337</u>
Indirect Expenses	<u>\$ (1,565,660)</u>	<u>\$ (1,565,660)</u>	<u>\$ -</u>	<u>\$ (1,794,997)</u>	<u>\$ (229,337)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	-	\$ -	-	-	-
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN NET ASSETS	<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	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.

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)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
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
Total Personnel Expenses	\$ 411,432	\$ 411,432	\$ -	\$ 695,529	\$ 284,097
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	10,000	10,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Operating Expenses					
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
Total Operating Expenses	\$ 534,800	\$ 534,800	\$ -	\$ 481,650	\$ (53,150)
Total Direct Expenses	\$ 946,232	\$ 946,232	\$ -	\$ 1,187,179	\$ 240,947
Indirect Expenses	\$ (946,232)	\$ (946,232)	\$ -	\$ (1,187,179)	\$ (240,947)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	(93,000)	(93,000)
Computer & Software CapEx	220,000	220,000	-	100,000	(120,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ (220,000)	\$ (220,000)	\$ -	\$ (7,000)	\$ 213,000
Allocation of Fixed Assets	\$ 220,000	\$ 220,000	-	7,000	\$ (213,000)
Change in Fixed Assets	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -

Human Resources

Human Resources (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)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
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
Total Personnel Expenses	\$ 380,090	\$ 380,090	\$ -	\$ 560,974	\$ 180,884
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	8,000	8,000	-	20,000	12,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 8,000	\$ 8,000	\$ -	\$ 20,000	\$ 12,000
Operating Expenses					
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	-	-	-	-	-
Total Operating Expenses	\$ 85,730	\$ 85,730	\$ -	\$ 55,960	\$ (29,770)
Total Direct Expenses	\$ 473,820	\$ 473,820	\$ -	\$ 636,934	\$ 163,114
Indirect Expenses	\$ (473,820)	\$ (473,820)	\$ -	\$ (636,934)	\$ (163,114)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
Change in Fixed Assets	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -

Finance and Accounting

Accounting and Finance (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.

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)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
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)
Total Personnel Expenses	\$ 339,339	\$ 339,339	\$ -	\$ 341,238	\$ 1,899
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	2,500	2,500	-	9,000	6,500
Conference Calls	-	-	-	120	120
Total Meeting Expenses	\$ 2,500	\$ 2,500	\$ -	\$ 9,120	\$ 6,620
Operating Expenses					
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	-	-	-	-	-
Total Operating Expenses	\$ 33,520	\$ 33,520	\$ -	\$ 64,300	\$ 30,780
Total Direct Expenses	\$ 375,359	\$ 375,359	\$ -	\$ 414,658	\$ 39,299
Indirect Expenses	\$ (375,359)	\$ (375,359)	\$ -	\$ (414,658)	\$ (39,299)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ (0)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ 0
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	-	\$ -	-	-	-
Change in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ 0

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Section B – Supplemental Financial Information 2011 Business Plan and Budget

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Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2010-2011	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2009	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)
Projected Working Capital Reserve (Deficit), December 31, 2010	847,498
Desired Working Capital Reserve, December 31, 2011	² 847,498
Less: Projected Working Capital Reserve, December 31, 2010	(847,498)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	0
2011 Expenses and Capital Expenditures	68,205,450
Less: Penalty Sanctions ¹	(865,650)
Less: Other Funding Sources	(29,424,271)
Adjustment to achieve desired Working Capital Reserve	-
2011 WECC Assessment	37,915,529

¹ Represents collections between July 1, 2009 and June 30, 2010. See page 62 for full disclosure.

² 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
Total Penalties Received	\$ 865,650

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
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Workshops	\$ 400,000	\$ 400,000	\$ 254,000	\$ (146,000)
Total	\$ 400,000	\$ 400,000	\$ 254,000	\$ (146,000)
Reliability Assessment and Performance Analysis				
Miscellaneous	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Federal Grants	3,991,879	3,991,879	3,831,541	(160,338)
Total	\$ 4,041,879	\$ 4,041,879	\$ 3,831,541	\$ (210,338)
Training and Education				
Workshops	\$ 915,100	\$ 915,100	\$ 749,650	\$ (165,450)
Total	\$ 915,100	\$ 915,100	\$ 749,650	\$ (165,450)
Situation Awareness and Infrastructure Security				
Federal Grants	\$ 15,811,845	\$ 15,811,845	\$ 24,112,680	\$ 8,300,835
Total	\$ 15,811,845	\$ 15,811,845	\$ 24,112,680	\$ 8,300,835
Technical Committees and Member Forums				
Total	\$ 122,400	\$ 122,400	\$ 122,400	\$ -
Total	\$ 122,400	\$ 122,400	\$ 122,400	\$ -
General and Administrative				
Miscellaneous	\$ 11,000	\$ 11,000	\$ 4,000	\$ (7,000)
Interest	-	-	350,000	350,000
Total	\$ 11,000	\$ 11,000	\$ 354,000	\$ 343,000
Total Outside Funding	\$ 21,302,224	\$ 21,302,224	\$ 29,424,271	\$ 8,122,047

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 %
Salaries					
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%
Total Salaries	\$ 19,254,203	\$ 19,254,203	\$ 21,554,916	\$ 2,300,713	11.9%
Total Payroll Taxes	\$ 1,676,433	\$ 1,676,433	\$ 1,882,449	\$ 206,016	12.3%
Benefits					
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	
Total Benefits	\$ 2,799,462	\$ 2,799,462	\$ 3,049,550	\$ 250,088	8.9%
Retirement					
Discretionary 401k Contribution	\$ 1,332,975	\$ 1,332,975	\$ 1,481,665	\$ 148,690	11.2%
Savings Plan	-	-	-	-	
Total Retirement	\$ 1,332,975	\$ 1,332,975	\$ 1,481,665	\$ 148,690	11.2%
Total Personnel Costs	\$ 25,063,073	\$ 25,063,073	\$ 27,968,580	\$ 2,905,507	11.6%

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 %
Consultants					
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	
Consultants Total	\$ 9,816,673	\$ 9,816,673	\$ 8,819,809	\$ (96,864)	-10%
Contracts					
Contracts	Budget 2010	Projection 2010	Budget 2011	Variance 2011 Budget v 2010 Budget	Variance %
Contracts					
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	-	-	-	-	
Contracts Total	\$ 8,164,963	\$ 9,464,963	\$ 10,701,796	\$ 2,536,833	31%
Total Consulting and Contracts	\$ 17,981,636	\$ 19,281,636	\$ 19,521,605	\$ 1,539,969	9%

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%
Total Office Rent	\$ 1,581,000	\$ 1,581,000	\$ 2,153,000	\$ 572,000	36.18%

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%
Total Office Costs	\$ 3,458,053	\$ 3,608,053	\$ 5,032,593	\$ 5,032,593	\$ 1,424,540	39.48%

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%
Total Services	\$ 1,039,280	\$ 1,039,280	\$ 1,202,400	\$ 163,120	15.70%

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	-	-	-	-	
Total Non-Operating Expenses	\$ 2,969,207	\$ 2,969,207	\$ -	\$ (2,969,207)	-100.00%

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.

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Section C – Non-Statutory Activities 2011 Business Plan and Budget

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Section C — 2010 Non-Statutory Business Plan and Budget

Non-Statutory Activities (in whole dollars)			
	2010 Budget	2011 Budget	Increase (Decrease)
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

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)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	<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	-	-	-	-	-
Total Funding	<u>\$ 1,096,743</u>	<u>\$ 1,096,743</u>	<u>\$ -</u>	<u>\$ 1,578,070</u>	<u>\$ 2,674,813</u>
Expenses					
Personnel Expenses					
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
Total Personnel Expenses	<u>\$ 456,936</u>	<u>\$ 456,936</u>	<u>\$ -</u>	<u>\$ 504,927</u>	<u>\$ 47,991</u>
Meeting Expenses					
Meetings	\$ 19,943	\$ 19,943	\$ -	\$ 20,780	\$ 837
Travel	34,872	34,872	-	50,000	15,128
Conference Calls	500	500	-	500	-
Total Meeting Expenses	<u>\$ 55,315</u>	<u>\$ 55,315</u>	<u>\$ -</u>	<u>\$ 71,280</u>	<u>\$ 15,965</u>
Operating Expenses					
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	-	-	-	-	-
Total Operating Expenses	<u>\$ 220,317</u>	<u>\$ 220,317</u>	<u>\$ -</u>	<u>\$ 588,020</u>	<u>\$ 367,703</u>
Total Direct Expenses	<u>\$ 732,568</u>	<u>\$ 732,568</u>	<u>\$ -</u>	<u>\$ 1,164,227</u>	<u>\$ 431,659</u>
Indirect Expenses	<u>\$ 364,175</u>	<u>\$ 364,175</u>	<u>\$ -</u>	<u>\$ 413,843</u>	<u>\$ 49,668</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 1,096,743</u>	<u>\$ 1,096,743</u>	<u>\$ -</u>	<u>\$ 1,578,070</u>	<u>\$ 481,327</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,156,140</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN NET ASSETS	<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 ¹ 2011 Budget	Total FTEs 2011 Budget	Change from 2010 Budget
NON-STATUTORY						
Operational Programs						
Total FTEs Operational Programs	0.0	0.0	0.0	0.0	0.0	0.0
Administrative Programs						
WREGIS	5.0	5.0	5.0	0.0	5.0	0.0
Total FTEs Administrative Programs	5.0	5.0	5.0	0.0	5.0	0.0
Total FTEs	5.0	5.0	5.0	0.0	5.0	0.0

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

Reserve Analysis — 2010–2011

Working Capital Reserve Analysis 2010-2011	
NON-STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2009	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	(1,096,743)
Projected Working Capital Reserve (Deficit), December 31, 2010	<u><u>6,114,082</u></u>
 Desired Working Capital Reserve, December 31, 2011	 1 6,114,082
Less: Projected Working Capital Reserve, December 31, 2010	(6,114,082)
Additional funding required to achieve desired Working Capital Reserve	<u><u>0</u></u>
 2011 Funding for Expenses and Capital Expenditures	 1,578,070
Less: Other Funding Sources	(1,578,070)
Adjustment to achieve desired Working Capital Reserve	-
2011 Funding (reserve adjustment)	<u><u>0</u></u>

¹ 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

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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
ASSETS			
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	\$ 47,403	\$ 47,206	\$ 54,243
LIABILITIES AND NET ASSETS			
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	\$ 33,597	\$ 31,250	\$ 31,250
Unrestricted net assets	13,806	15,956	22,993
Total Liabilities and Net Assets	\$ 47,403	\$ 47,206	\$ 54,243

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
Funding Less Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

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
Funding Less Expenditures	\$ -	\$ -	\$ -	\$ -

DE-PS36-09GO99009 – 20% Wind by 2030: Overcoming the Challenges
Variable Generation Subcommittee (VGS)

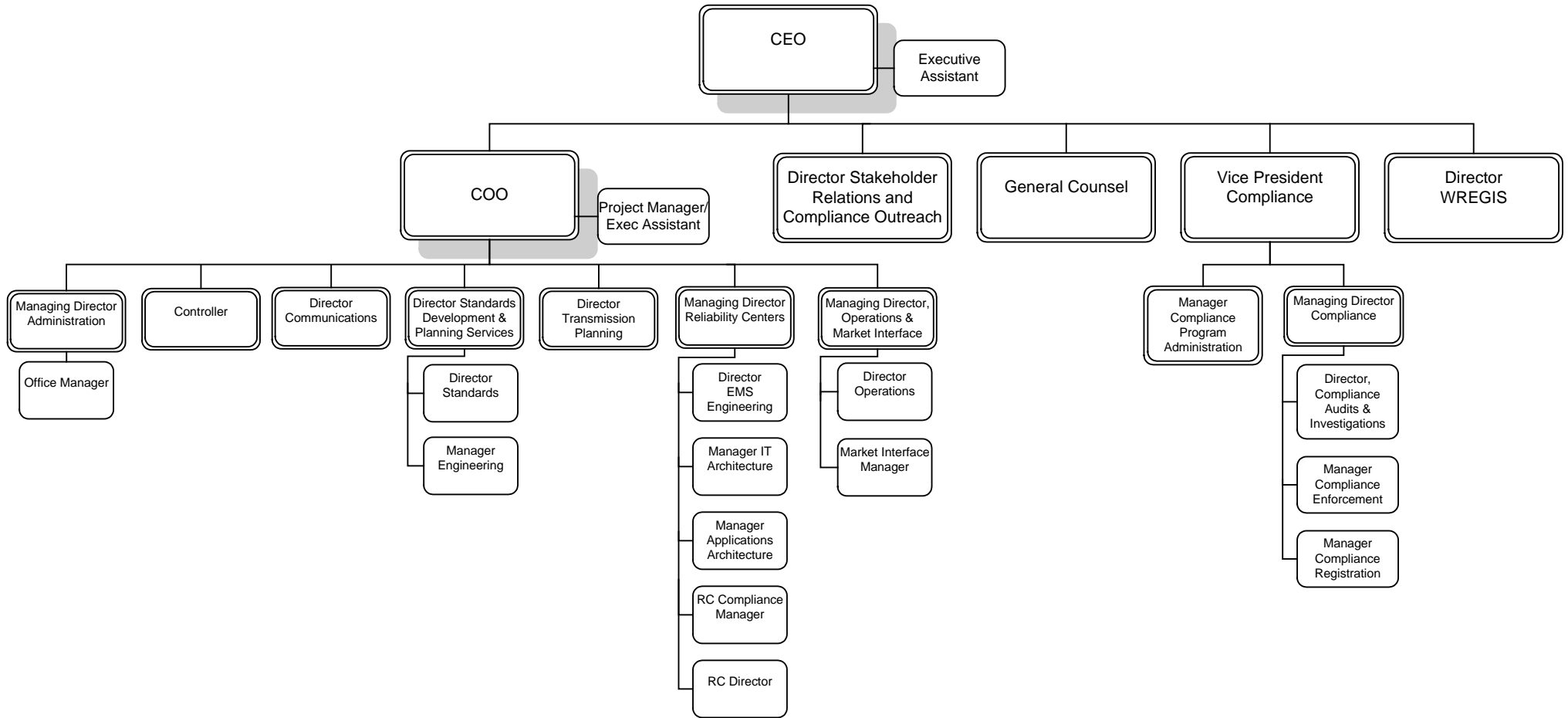
In May 2008, the U.S. DOE issued the “20% Wind Energy by 2030” report. The report found that in order to meet a 20 percent scenario, major challenges need to be overcome to reliably integrate that level of penetration. As such, the U.S. DOE issued an FOA (DE-PS36-09GO99009) for projects aimed at overcoming 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
Funding Less Expenditures	\$ -	\$ -	\$ -

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Appendix B: WECC Organizational Chart



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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. RR10-13-000

**COMPLIANCE FILING OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
IN RESPONSE TO OCTOBER 21, 2009 ORDER
ON 2011 BUSINESS PLANS AND BUDGETS**

ATTACHMENT 2

**PENDING VIOLATIONS SUMMARY BY PROCESS STEPS
FERC ENFORCEABLE ALLEGED VIOLATIONS
SUMMARIZED BY STATE (INCLUDING DISMISSALS)
AS OF JUNE 30, 2010 AND NOVEMBER 30, 2010**

FERC Enforceable Alleged Violations Summarized by State (Including Dismissals)

As of June 30, 2010

	Assessment and Validation	Confirmation	Settlement	NERC Enforcement Actions	Awaiting Closing Actions	Completed and Closed		Dismissals	
Region							Sub-Total		Total
FRCC	82	0	178	3	11	57	331	51	382
MRO	23	1	19	8	10	48	109	39	148
NPCC	26	3	51	14	4	37	135	18	153
RFC	196	0	42	46	30	73	387	25	412
SERC	222	0	58	59	0	163	502	69	571
SPP	107	3	135	34	3	18	300	16	316
TRE	22	1	17	11	3	25	79	20	99
WECC	237	19	315	318	36	604	1529	915	2444
NERC	49	0	0	17	0	0	66	11	77
TOTAL	964	27	815	510	97	1025	3438	1164	4602

FERC Enforceable Alleged Violations Summarized by State (including Dismissals)

As of November 30, 2010

	Assessment and Validation	Confirmation	Settlement	NERC Enforcement Actions	Awaiting Closing Actions	Completed and Closed		Dismissals	
Region							Sub-Total		Total
FRCC	29	0	195	1	39	60	324	92	416
MRO	65	0	10	21	17	53	166	54	220
NPCC	28	13	50	4	18	55	168	25	193
RFC	337	0	70	100	36	99	642	49	691
SERC	275	2	113	0	51	190	631	79	710
SPP	145	4	201	10	31	32	423	22	445
TRE	19	6	29	7	12	28	101	21	122
WECC	298	96	306	254	85	748	1787	954	2741
NERC	56	0	0	0	0	17	73	24	97
TOTAL	1252	121	974	397	289	1282	4315	1320	5635