

April 22, 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. RR09-9-000, RR08-6-004 and RR07-14-004  
Compliance Filing of the North American Electric Reliability Corporation  
In Response to October 15, 2009 Order on 2010 Business Plans and Budgets**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits the "Petition of the North American Electric Reliability Corporation for Approval of Amended 2010 Business Plan and Budget of the Western Electricity Coordinating Council and Amendment to Exhibit E to Delegation Agreement with the Western Electricity Coordinating Council."

NERC's filing consists of: (1) this transmittal letter, (2) the narrative text of this filing, and (3) Attachments 1, 2, 3 and 4, all of which are submitted in a single pdf file. The Table of Contents to the narrative filing lists the four Attachments.

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

Respectfully submitted,

/s/ Owen E. MacBride  
Owen E. MacBride

Attorney for North American Electric  
Reliability Corporation

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**UNITED STATES OF AMERICA  
Before the  
FEDERAL ENERGY REGULATORY COMMISSION**

**NORTH AMERICAN ELECTRIC ) Docket Nos. RR09-9-000,  
RELIABILITY CORPORATION ) RR08-6-004, RR07-14-004**

**PETITION OF THE  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
FOR APPROVAL OF AMENDED 2010 BUSINESS PLAN AND BUDGET  
OF THE WESTERN ELECTRICITY COORDINATING COUNCIL  
AND AMENDMENT TO EXHIBIT E TO DELEGATION AGREEMENT  
WITH THE WESTERN ELECTRICITY COORDINATING COUNCIL**

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April 22, 2010

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### ATTACHMENTS

**Attachment 1:** Amended Western Electricity Coordinating Council 2010 Business Plan and Budget – Clean version

**Attachment 2:** Amended Western Electricity Coordinating Council 2010 Business Plan and Budget – Redlined against original approved 2010 Business Plan and Budget

**Attachment 3:** Amended Exhibit E to the NERC-WECC Delegation Agreement – Clean version

**Attachment 4:** Amended Exhibit E to the NERC-WECC Delegation Agreement – Redlined version

## **I. INTRODUCTION**

The North American Electric Reliability Corporation (“NERC”), pursuant to 18 C.F.R. §39.4, requests Commission approval of an Amended 2010 Business Plan and Budget for the Western Electricity Coordinating Council (“WECC”), one of the eight Regional Entities with delegated authority from NERC. Additionally, pursuant to §215(e)(4) of the Federal Power Act and 18 C.F.R. §39.8, NERC requests Commission approval of an amendment to §1 of Exhibit E to the Delegation Agreement between NERC and WECC.

The primary purpose of the Amended WECC 2010 Business Plan and Budget (“Amended Budget”) is to incorporate revenues and expenses for three projects WECC is undertaking with grant funding awarded by the U.S. Department of Energy (“DOE”). The DOE grants will fund three WECC projects, beginning in 2010: (1) the Western Interconnection Synchrophasor Program (“WISP”), (2) the Regional Transmission Expansion Planning (“RTEP”) Project, and (3) the Variable Generation Subcommittee (“VGS”) Project. The Amended Budget does not provide for or require any increase in assessments from load-serving entities (“LSEs”) in the WECC Region.

The purpose of the amendment to §1 of Exhibit E to the NERC-WECC Delegation Agreement is to expressly recognize WISP and the WECC Interchange Tool as statutory activities under the Situation Awareness and Infrastructure Security Program.

**Attachment 1** to this filing is the Amended WECC 2010 Business Plan and Budget. **Attachment 2** is a redlined version of the Amended WECC 2010 Plan and Budget against the originally approved WECC 2010 Business Plan and Budget (“Approved Budget”).<sup>1</sup> **Attachment**

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<sup>1</sup> The Commission approved the original WECC 2010 Business Plan and Budget in an Order issued October 15, 2009. *Order Conditionally Accepting 2010 Business Plan and Budget of the*

3 is the proposed amended Exhibit E to the NERC-WECC Delegation Agreement. **Attachment 4** is a redlined version of the amended Exhibit E against the currently-effective Exhibit E to the NERC-WECC Delegation Agreement.<sup>2</sup>

The WECC Board of Directors approved the Amended WECC 2010 Business Plan and Budget and the amendment to Exhibit E of the NERC-WECC Delegation Agreement on March 26, 2010. The NERC Board of Trustees approved the Amended Budget and the amendment to Exhibit E of the NERC-WECC Delegation Agreement on April 16, 2010.

## **II. NOTICES AND COMMUNICATIONS**

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

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*North American Electric Reliability Corporation and Ordering Compliance Filings*, 129 FERC ¶ 61,040 (2009).

<sup>2</sup> The Commission originally approved the Delegation Agreement between NERC and WECC in an order issued April 19, 2007. *Order Accepting ERO Compliance Filing, Accepting ERO/Regional Entity Delegation Agreements, and Accepting Regional Entity 2007 Business Plans*, 119 FERC ¶ 61,060 (2007). The most recent amendment to the NERC-WECC Delegation Agreement, extending the length of its initial term, was approved by the Commission in a letter order issued January 14, 2010, in Docket No. RR10-2-000.

### **III. PROPOSED AMENDED WECC 2010 BUSINESS PLAN AND BUDGET**

The proposed Amended WECC 2010 Business Plan and Budget is \$59,220,285 for statutory activities, which is an increase of \$19,717,727 over the Approved Budget. This increase is related to the inclusion of three DOE grants that were not included in the Approved Budget. The Amended Budget does not increase assessments to LSEs; rather, it incorporates the DOE grant money into Funding and the costs of the projects to be funded by the grant money into Expenses and Fixed Asset Additions.<sup>3</sup>

The Amended Budget provides for an increase of 9.5 statutory full-time equivalent employees (“FTEs”) for WECC, from 172.5 FTEs in the Approved Budget to 182 FTEs. These FTEs will be added in the Reliability Assessment and Performance Assessment Program (7.2 FTEs) and the Situation Awareness and Infrastructure Security Program (2.3 FTEs). The increase in FTEs includes the hiring of a full-time grant accountant whose costs are charged directly to the grants within these programs.<sup>4</sup> Because (as with the NERC and all Regional Entity budgets) indirect expenses and certain fixed asset additions are allocated to the statutory programs based on the proportionate numbers of direct function FTEs in each program, the addition of FTEs to Reliability Assessment and Performance Analysis and to Situation Awareness and Infrastructure Security results in some reallocation of indirect costs among the

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<sup>3</sup> In the Amended Budget (**Attachment 1**), the Statement of Activities for each WECC statutory program and administrative (indirect) program, the overall Statement of Activities for statutory activities (Section B – Table 1), and the other tables in Sections B and C, show the original values in the Approved Budget, the adjustment to the original values in the Amended Budget, and the resulting values in the Amendment Budget.

<sup>4</sup> When the grant funding is exhausted (see discussion below for the award periods of the three grants), it is possible that WECC will conclude that the underlying activities should continue. In such event, WECC will justify the continued activities and related expenditures, which would need to be funded going forward by assessments to LSEs, in its business plan and budget submissions to NERC and the Commission for the ensuing years.

statutory programs. In addition, in the Amended Budget, WECC is also reallocating indirect costs between its statutory and non-statutory activities on the basis of proportionate numbers of FTEs, resulting in a net increase of \$214,395 in the amount of indirect costs allocated to the non-statutory budget and a corresponding decrease in the overall amount of indirect costs allocated to the statutory budget.

The following subsections A through C discuss the three DOE grants and the activities they will fund.

**A. Regional Transmission Expansion Planning (RTEP) Project**

On December 18, 2009, WECC was informed that it had been selected for award negotiations for a four-year grant of \$14.5 million from DOE based on WECC's response to DE-FOA-0000068, *Recovery Act – Resource Assessment and Interconnection-Level Transmission Analysis and Planning*.<sup>5</sup> This DOE grant program was established under the American Recovery and Reinvestment Act of 2009 (“ARRA”). The 2010 portion of this grant will be approximately \$4 million. WECC will use this grant funding for its Regional Transmission Expansion Planning Project. The RTEP Project will enhance existing transmission planning and related statutory activities in the Western Interconnection by producing interconnection-level transmission plans. These 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.

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<sup>5</sup> Negotiation of the grant contract has been completed, and it is scheduled to be approved by the WECC Board on April 30, 2010, and signed by the parties during the following week. NERC will make a supplemental filing in this docket to notify the Commission that the grant contract has been signed.

- 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 RTEP Project is budgeted under the WECC Reliability Assessment and Performance Analysis Program. The increased expenditures on this project for 2010, using the DOE grant funding, total \$3,991,879 and are budgeted as follows: (1) \$610,896 for the additional FTEs; (2) \$2,966,631 for consulting services for the RTEP Project; (3) as allowed by DOE for grant activities, \$370,350 for meetings, travel and outreach related to the Project; (4) \$24,000 for computers and other office supplies due to the increased FTEs; and (5) \$20,000 in fixed asset additions for a new server that is necessary to support program activities under the DOE grant.

In addition, \$75,000 of fixed asset additions budgeted in Reliability Assessment and Performance Analysis in the Approved Budget has been moved to the Situation Awareness and Infrastructure Security budget, as these additions are more appropriately associated with WISP.

The overall increase in the Reliability Assessment and Performance Analysis Program in the Amended Budget over the Approved Budget is \$4,247,603, including the net increase in allocated indirect expenses and fixed asset additions for this program.

**B. Western Interconnection Synchrophasor Program (WISP)**

On October 27, 2009, WECC was informed that it had been selected for full award negotiations for a three-year grant of \$53.9 million from DOE based on WECC's response to DE-FOA-0000058, *Smart Grid Investment Grant Program* ("SGIG"). The SGIG was also established under the ARRA. Negotiations for this award have been completed, and on April 1, 2010, WECC signed a contract with DOE for the full award of \$53.9 million. The 2010 portion of this grant will be \$15,811,845.



WECC will use this grant funding for the Western Interconnection Synchrophasor Program. WISP is closely aligned with the NERC North American SynchroPhasor Initiative (“NASPI”) to support implementation planning and demonstration of the NASPI net Phasor Measurement Unit registry, the Phasor Concentration System, and wide-area integration services. WECC will coordinate WISP with NERC’s NASPI software development, data archive, and wide-area visualization tools, strategies and activities. This coordinated approach will promote efficient use of resources by both WECC and NERC, and support the operational goal of NASPI to enhance reliability across North America. Grant funding will be used to improve grid-sensing patterns and recognition, situational awareness and advance warning of system voltage problems, which should reduce major outages, and integration of intermittent generation resources. Most of the actual work will be done by a sub-recipient, Pacific Gas & Electric (“PG&E”), and by other contractors and consultants.

WISP is budgeted under the WECC Situation Awareness and Infrastructure Security Program. The \$15,811,845 of additional expenditures in 2010 to be funded using the DOE grant money is budgeted as follows: (1) \$547,470 for 2.3 additional FTEs in the Situation Awareness and Infrastructure Security Program plus \$1,538 in additional Office Costs to support the additional FTEs;<sup>6</sup> (2) \$6 million to fund the work of the sub-recipient, PG&E; (3) \$1,220,145 for procurement and engineering of application software; (4) \$6,505,025 for consulting services for WISP; and (5) \$1,537,667 million for expansion of the WECC Reliability Coordination Offices to accommodate the additional responsibilities and functionalities under WISP.

In addition, in the Amended Budget, the budget for Situation Awareness and Infrastructure Security is also increased by (1) \$587,600 of Office Costs transferred from the

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<sup>6</sup> The increase of 2.3 FTEs for 2010 actually reflects the planned addition of six employees; however, most of them will not be hired until the latter part of 2010.

budget for Technical Committees and Members' Forums, (2) \$75,000 in fixed asset additions (Computer and Software Capital Expenditures) transferred from the budget for Technical Committees and Members' Forums, and (3) \$75,000 in fixed asset additions (also Computer and Software Capital Expenditures) transferred from the budget for the Reliability Assessment and Performance Analysis Program. The first transferred item is associated with the WECC Interchange Tool ("WIT"), which supports the WECC Reliability Coordination function and is more appropriately budgeted under Situation Awareness and Infrastructure Security (see discussion in §III.D below). The second and third items are associated with WISP and therefore should also be budgeted under Situation Awareness and Infrastructure Security.

The overall increase in the Amended Budget for Situation Awareness and Infrastructure Security is \$16,054,136, including the \$15,811,845 of additional expenses and capital additions to be funded by the DOE grant money, the transfers totaling \$737,600 from Reliability Assessment and Performance Analysis and Technical Committees and Members' Forums, and the net change (decrease) in allocated indirect expenses and fixed asset additions.

**C. Variable Generation Subcommittee (VGS) Project**

On July 24, 2009, WECC was informed that it had been selected for award negotiations for a two-year grant of \$244,800 from DOE based on WECC's response to DE-PS36-09GO99009, *20% Wind by 2030: Overcoming the Challenges*.<sup>7</sup> This DOE initiative is intended to identify ways to overcome challenges to integrating this level of wind generation into the overall supply mix. The 2010 portion of this grant to WECC will be \$122,400. WECC will use this DOE grant to fund a project to examine Balancing Authority Cooperation Concepts to

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<sup>7</sup> Negotiation of the grant contract has been completed, and it is scheduled to be approved by the WECC Board on April 30, 2010, and signed by the parties during the following week. NERC will make a supplemental filing in this docket to notify the Commission that the grant contract has been signed.

Reduce Variable Generation Integration Costs in the Western Interconnection. This project will examine the benefits of differing 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 WECC VGS Subcommittee and is budgeted under Technical Committees and Members' Forums. The \$122,400 of DOE grant money for 2010 will be spent on (1) Travel and Meetings – \$9,920, and (2) Consultants & Contracts – \$112,480.

**D. Reallocation of WECC Interchange Tool (WIT) Costs**

While the Amended Budget adds \$122,400 to the 2010 budget of Technical Committees and Members' Forums reflecting the costs for the VGS project to be funded by the DOE grant, it also reallocates \$587,600 of Office Costs for the WECC Interchange Tool, which were included in the Approved Budget, from Technical Committees and Members' Forums to Situational Awareness and Infrastructure Security.<sup>8</sup> The WIT costs are related to the WECC Reliability Coordination function in Situation Awareness and Infrastructure Security and therefore are more appropriately budgeted within that program. WIT is a software system that facilitates and coordinates interchange between Balancing Authorities in the WECC Region and permits increased monitoring of interchange transactions by Reliability Coordinators. WECC is registered with NERC as the Interchange Authority for the WECC Region because WECC is the contract party with the software vendor providing the WIT. The \$587,600 of Office Costs is the usage fees associated with this software contract.

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<sup>8</sup> The WIT costs were included in the budgets for Technical Committees and Members' Forums approved budgets for 2008 and 2009 and in the Approved Budget for 2010.

**E. Changes in Allocation of Indirect Costs and Impact on Working Capital Reserve**

As noted earlier, the addition of FTEs to two statutory programs results in a reallocation of indirect costs among the statutory program. In addition, there is a net reduction in the total allocable indirect expenses for the statutory programs, due to two factors. First, the allocation of indirect expenses to the non-statutory budget based on proportionate numbers of FTEs results in an increase of \$214,395 in indirect expenses in the non-statutory budget and a corresponding decrease in indirect expenses in the statutory budget.<sup>9</sup> Second, \$587,600 of expenses is transferred from the budget for Technical Committees and Members’ Forums (where the expenses are indirect costs that are allocated among the five statutory programs) to the Situation Awareness and Infrastructure Security budget, where they become direct statutory costs.<sup>10</sup> The overall decrease in indirect expenses for the five WECC statutory programs is \$801,996. The following table shows the net increase or (decrease) in indirect expenses allocated to each of the statutory programs, and to non-statutory activities, in the Amended Budget:

<b>Program</b>	<b>Increase (Decrease) In Allocated Indirect Expenses</b>
Reliability Standards	(\$35,727)
Compliance Monitoring and Enforcement	(\$595,453)
Training, Education and Operator Certification	(\$41,682)
Reliability Assessment and Performance Analysis	\$328,404
Situation Awareness and Infrastructure Security	(\$457,538)
<b>Statutory Total</b>	<b>(\$801,996)</b>
Non-Statutory	\$214,395*

\*Net of \$149,780 of indirect costs previously included in Direct Expenses in Approved Budget.

<sup>9</sup> In the Approved Budget, indirect costs were charged directly to the non-statutory budget, rather than being allocated based on proportionate numbers of FTEs, and were included in the non-statutory budget as direct costs.

<sup>10</sup> The Technical Committees and Members’ Forums budget is also being increased by \$122,400 for the activities under the VGS grant; however, these costs are not allocated to the five statutory programs because they are directly offset by the DOE grant funding.

As a result of the reallocation of \$214,395 of indirect costs from the statutory budget to the non-statutory budget, the WECC non-statutory budget increases from \$882,348 in the Approved Budget to \$1,096,743 in the Amended Budget. As in the Approved Budget, the only activity in WECC's non-statutory budget is the Western Renewable Energy Generation Information System.

The impact of the reallocation of indirect costs to non-statutory activities is a reduction of expenses (funding requirement) of \$214,395 in the statutory budget and a corresponding increase in expenses in the non-statutory budget. This net reduction in statutory expenses for statutory programs has been reflected as an increase in the 2010 provision for Working Capital Reserve, from \$1,000,000 in the Approved Budget to \$1,214,395 in the Amended Budget.<sup>11</sup> The \$214,395 amount is effectively a reduction in 2010 statutory program costs to be funded by assessments to LSEs, but this amount is too small to efficiently allocate among, and refund to, the LSEs in the WECC Region.

#### **IV. PROPOSED AMENDMENT TO EXHIBIT E TO DELEGATION AGREEMENT**

NERC also requests approval of an amendment to §1 of Exhibit E, Funding, to the NERC-WECC Delegation Agreement. Section 1 of Exhibit E lists the seven WECC activities that will be funded through the ERO funding mechanism. The proposed amendment revises item number 7 in that list as follows:

7. Situational Awareness and Infrastructure Security  
This category includes WECC's Reliability Coordinator Functions, Western Interconnection Synchrophasor Program, and WECC Interchange Tool

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<sup>11</sup> Compare the Section B-Table 5 from the Approved Budget and the Amended Budget as shown in **Attachment 2**.

As described earlier, the Western Interconnection Synchrophasor Program is designed to improve situational awareness, system-wide modeling, performance analysis, wide-area monitoring, and controls in the Western Region. WISP is closely aligned with the NERC NASPI, which NERC has budgeted and funded as a statutory activity under Situation Awareness and Infrastructure Security. WECC will coordinate the WISP with NERC's NASPI software development to minimize inconsistencies, maximize efficient use of resources, and support the enhancement of reliability across North America. As specified in the amendatory language, the WISP should be budgeted as a statutory function under the Situation Awareness and Infrastructure Security program.

The WECC Interconnection Tool supports WECC's Reliability Coordinator function, and facilitates interchange in the Western Interconnection and WECC's role as the Interchange Authority for the Region. As noted earlier, the WIT costs were included as costs for the Technical Committees and Members' Forums in WECC's approved budgets for 2008 and 2009 and in the Approved Budget for 2010. However, because the WIT supports the Reliability Coordinator function (which is budgeted under Situation Awareness and Infrastructure Security) specifically and supports Situation Awareness and Infrastructure Security generally, the WIT costs should be recognized as a statutory cost, and budgeted, under that program.

## **V. CONCLUSION**

For the reasons set forth in this petition, the North American Electric Reliability Corporation respectfully requests that the Commission issue an Order (1) approving the Amended 2010 Business Plan and Budget of the Western Electricity Coordinating Council, included in **Attachment 1**, and (2) approving the proposed amendment to §1 of Exhibit E to the Delegation Agreement between NERC and WECC, as shown in **Attachments 3 and 4**.

Respectfully submitted,

<p>Gerald W. Cauley President and Chief Executive Officer David N. Cook Vice President and General Counsel Michael Walker Chief Financial and Administrative Officer North American Electric Reliability Corporation 116-390 Village Boulevard Princeton, NJ 08540-5721 (609) 452-8060 (609) 452-9550 – facsimile <a href="mailto:david.cook@nerc.net">david.cook@nerc.net</a></p>	<p><u>/s/ Owen E. MacBride</u> Owen E. MacBride Debra Ann Palmer Schiff Hardin LLP 1666 K Street, N.W., Suite 300 Washington, DC 20036-4390 (202) 778-6400 (202) 778-6460 – facsimile <a href="mailto:omacbride@schiffhardin.com">omacbride@schiffhardin.com</a> <a href="mailto:dpalmer@schiffhardin.com">dpalmer@schiffhardin.com</a></p> <p>Rebecca J. Michael Assistant General Counsel North American Electric Reliability Corporation 1120 G Street, N.W., Suite 990 Washington, D.C. 20005-3801 (202) 393-3998 (202) 393-3955 – facsimile <a href="mailto:rebecca.michael@nerc.net">rebecca.michael@nerc.net</a></p>
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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 22<sup>nd</sup> day of April, 2010.

/s/ Owen E. MacBride

Owen E. MacBride

*Attorney for North American*

*Electric Reliability Corporation*



**ATTACHMENT 1**

**AMENDED WESTERN ELECTRICITY COORDINATING COUNCIL  
2010 BUSINESS PLAN AND BUDGET**

**CLEAN VERSION**



## **2010 Amended Business Plan and Budget**

**Western Electricity Coordinating Council**

**Original Approved by:  
WECC Board of Directors**

**Date:  
June 22, 2009**

**Amended Approved by:  
WECC Board of Directors**

**Date:  
March 26, 2010**

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## Introduction

<b>Total WECC Resources</b> (in whole dollars)				
	2010 Budget	U.S.	Canada	Mexico
Statutory FTEs <sup>1</sup>	182			
Non-statutory FTEs	5			
Total FTEs	187			
Statutory Expenses and Capital Expenditures	\$59,220,285			
Non-statutory Expenses	\$1,096,743			
Total Expenditures	\$60,317,028			
Statutory Funding <sup>2</sup>	\$60,434,681	\$54,771,336	\$5,162,566	\$500,779
Non-Statutory Funding	\$1,096,743	\$1,096,743	\$0	\$0
Total Funding	\$61,531,424	\$55,868,079	\$5,162,566	\$500,779
NEL	871,345,007	739,387,110	120,894,879	11,063,018
NEL %	100%	84.86%	13.87%	1.27%

### 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 [www.wecc.biz](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 250 members<sup>3</sup> divided into the following seven membership classes:<sup>4</sup>

1. Large Transmission Owners
2. Small Transmission Owners
3. Transmission Dependent Energy Service Providers
4. End Users
5. Representatives of State and Provincial Governments
6. Canadian Members
7. Members at Large

Membership in WECC is open to any person or entity that has an interest in the reliable operation of the Western Interconnection BES. Membership in WECC is not a requirement for participation in the WECC standards development process.<sup>5</sup>

<sup>1</sup> Full-time equivalent personnel.

<sup>2</sup> Includes \$19.9 million grant funding from the Department of Energy (DOE)

<sup>3</sup> As of April 30, 2009.

<sup>4</sup> For purposes of voting for Board representation, all Canadian members of WECC form "Class 6." For all other purposes, Canadian members participate in member classes 1 – 5 and 7 according to their characteristics. See Section 6.2.1 of the WECC Bylaws.

WECC is governed by an independent and balanced stakeholder board<sup>6</sup> consisting of 32 directors. Members in classes 1 through 5 are eligible to elect four directors in their class. In addition, the Canadian delegation elects four directors and the Mexican delegation elects one.<sup>7</sup> Seven directors with no member affiliation (Non-affiliated Directors) are elected by the WECC membership. Members of Class 7 do not elect representatives to the Board of Directors (Board), but do vote on Non-affiliated Directors.

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 Members' Forums section on page 40.

Input comes to the Board from the member organizations, from other interested parties, and through recommendations from the WECC Standing Committees.

Under the direction of the Board, the three Standing Committees of members — the Planning Coordination Committee (PCC), the Operating Committee (OC), and the Market Interface Committee (MIC) — provide technical work and policy recommendations to the WECC Board. All member organizations are eligible for representation on the three Standing Committees.

### **Delegated Authority and the Regional Entities**

As part of its responsibilities as the ERO, NERC delegates its authority — through delegation agreements — to Regional Entities (i.e., WECC) to perform certain functions. On December 19, 2008, FERC approved revised delegation agreements between NERC and the eight Regional Entities. These delegation agreements describe the authority for setting and enforcing standards along with other delegation-related services — such as situational awareness and reliability assessment<sup>8</sup> — that are delegated to the Regional Entities. Funding for the Regional Entities is approved separately with each Regional Entity submitting its own business plan and budget for consideration by NERC and FERC.

### **Statutory Functional Scope**

WECC has been approved by FERC as a Regional Entity, with authority — pursuant to the WECC / NERC Delegation Agreement — to create, monitor, and enforce standards for the reliability of the BES in the Western Interconnection. WECC's role as reliability coordinator was recognized by FERC through its acceptance of NERC's Compliance Registry.<sup>9</sup>

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<sup>5</sup> Non-WECC members may participate in standards drafting teams, and Participating Stakeholders may vote on Regional Reliability Standards. Participating Stakeholder voting is covered in Section 8.6 of the WECC Bylaws.

<sup>6</sup> As provided in Section 215 of the Federal Power Act (e)(4)(A)(iii).

<sup>7</sup> The Mexican delegation currently consists of one member.

<sup>8</sup> Regional Delegation Agreement, Exhibit E – Scope of activities funded through the ERO funding mechanism. The WECC activities funded through the ERO funding mechanism include: Reliability Standard Development; Compliance Enforcement; Organization Registration and Certification; Reliability Readiness Audit and Improvement; Reliability Assessment and Performance Analysis; Training and Education; and Situational Awareness and Infrastructure Security (including the WECC Reliability Coordinator Functions).

<sup>9</sup> NERC 119 FERC ¶ 61,059 (2007) Order on Rehearing.

## 2010 Key Assumptions

Between February 13 and March 27, 2009, NERC and the eight Regional Entities 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 2010 business plans and budgets of NERC and the Regional Entities by coordinating underlying business plan assumptions, goals, and metrics. The general assumptions developed that are reflected in the WECC business plan and budget are as follows:

- The international, industry-based self-regulatory organization (SRO) model continues to be used and no material changes to the SRO model impacting 2010 emerge from the ERO three-year assessment.
- The framework for delegation remains constant. The scope of delegated authorities and responsibilities remains relatively constant with incremental improvements, in accordance with recommendations developed in the ERO three-year assessment.
- NERC and the Regional Entities are not budgeted in 2010 for unknown material changes to scope and are unable to take on unfunded mandates, such as new initiatives stemming from the American Recovery and Reinvestment Act of 2009 (ARRA) on energy. Any mandated material changes to scope will impact cash reserves.
- The current economic downturn continues into 2010, resulting in cost pressures on NERC and the Regional Entities to do more with less as the industry experiences lower electricity demand. The industry may need to defer capital projects in some areas and may reduce Operations and Maintenance budgets, or hold them flat. Cost pressures result in less travel and strain stakeholder participation in NERC and Regional Entity activities.

## 2010 Goals and Key Deliverables

- Assure a reliable BES in the Western Interconnection.
- 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.
- Improve administrative activities including budgeting, document control, and human resources.



## Overview of Cost Impacts of the 2010 Amended Business Plan and Budget

WECC's proposed 2010 amended statutory budget is \$59 million, a \$19.7 million (49.7 percent) increase over the original 2010 statutory budget. This represents the addition of \$19.9 million in revenue from the U.S. Department of Energy (DOE) grants, less reallocation of indirect costs to non-statutory functions. The major drivers of this increase are:

- Increased personnel expenses resulting in the addition of 9.5 FTEs that will be funded by U.S. DOE grant revenue. Situational Awareness and Infrastructure Security has budgeted for the addition of approximately 2.5 FTEs in 2010. This number of FTEs will increase in 2011 after the grant project (the Western Interconnection Synchrophasor Program (WISP)) is fully implemented. Reliability Assessment and Performance Analysis has budgeted for the addition of approximately seven FTEs associated with its Regional Transmission Expansion Planning (RTEP) project. Total increases in personnel costs amount to approximately \$1.1 million. A full-time grant accountant has been hired by WECC and is charged to the grants within the respective functions.
- The inclusion of the U.S. DOE grants significantly increases consulting and contract expenses as much of the work related to the deliverables of the grants will be contracted out. Consulting and contracting amounts to nearly \$16.8 million of the total statutory budget increase of \$19.7 million.
- WECC will expand its Reliability Coordination Offices (RCO) as part of the U.S. DOE grants, resulting in a budgetary increase of approximately \$1.5 million to fixed assets.
- Additional cost increases include the cost of added meetings and travel in the amount of approximately \$380,000 (as allowed by the U.S. DOE for grant activities) and additional office costs in the amount of \$26,000. These costs will be directly charged to the U.S. DOE grants.

The DOE grant money will not result in any need for increased assessments.

The Amended Budget also includes the following reallocation of costs:

- In connection with FERC's recent audit, WECC has revised its methodology of allocating indirect costs to non-statutory activities. In the amended budget, indirect costs are allocated to Non-Statutory Programs based on the same FTE allocation method used to allocate costs to Statutory Programs. The net effect is a reduction in expenses of approximately \$214,000 in Statutory Programs with a corresponding increase of expenses in Non-Statutory Programs. This net reduction in expenses has been added to the Working Capital Reserve as shown on Table 5 on page 65.
- The costs associated with the WECC Interchange Tool (WIT) have been moved from Technical Committees and Members' Forums to the Situational Awareness and Infrastructure Security Program (see page 36). Although it was originally an initiative of one of the technical committees, WIT provides situational awareness to the Reliability Coordination function and is more appropriately captured within that program. This results in a decrease of \$588,000 in the Technical Committees and Members' Forums with a corresponding increase in the Situational Awareness and Infrastructure Security Program.

## U.S. Department of Energy (DOE) Grants

The WECC Board approved at its July 2009 meeting, WECC's responses to two U.S. DOE funding opportunity announcements (FOA): DE-FOA-0000058: *Smart Grid Investment Grant Program* (SGIG) and DE-FOA-0000068: *Recovery Act-Resource Assessment and Interconnection-Level Transmission Analysis and Planning*. These U.S. DOE grant programs were established under the American Recovery and Reinvestment Act (ARRA). WECC's responses were submitted to the U.S. DOE on August 6, 2009 and August 14, 2009 respectively. WECC also responded to DE-PS36-09GO99009: *20% Wind by 2030: Overcoming the Challenges* (Variable Generation Subcommittee (VGS) grant) on March 3, 2009. This VGS grant was not established under the ARRA.

In its SGIG application, WECC sought matching funding from the U.S. DOE of \$53.9 million, which is 50 percent of the total estimated three-year \$107.8 million program cost for WISP. The balance of the total estimated program cost (\$53.9 million) is in the form of financial commitments made by eight partner entities in the Western Interconnection. These financial commitments are based on the partner entities' own business plans and budgets and will not impact WECC's balance sheet or budget. WECC received confirmation of the selection of its application for full contract negotiations on October 27, 2009.

The WISP project is closely aligned with the North American SynchroPhasor Initiative (NASPI) Work Groups to support implementation planning and demonstration of the NASPI Net Phasor Measurement Unit (PMU) registry, Phasor Concentration System, and wide-area integration services. To minimize inconsistencies, WECC will coordinate its WISP project with NERC's NASPI software development, data archive, and wide-area visualization tools, strategies, and activities. This coordinated approach will promote the efficient use of resources by both WECC and NERC, and support the operational goal of NASPI to enhance reliability across North America.

WECC received U.S. DOE notification on December 18, 2009 confirming the selection of WECC's *Interconnection-Level Transmission Analysis and Planning – Topic A* response for full contract negotiations under DE-FOA-0000068. WECC anticipates that it will receive \$14.5 million over four years in funding under DE-FOA-0000068.

WECC received U.S. DOE notification on July 24, 2009 confirming the selection of WECC's response to *20% by 2030: Overcoming the Challenges* response for full contract negotiations. WECC anticipates that it will receive \$244,800 over two years in funding under DE-PS36-09GO99009.

The three projects are described in more detail in the statutory programs in which each project will be conducted, as follows:

- WISP – Situational Awareness and Infrastructure Security Program on page 35
- RTEP – Reliability Assessment and Performance Analysis Program on page 30
- VGS grant – Technical Committees and Members' Forums on page 41

## Changes in Accounting Methodology

In 2010, NERC and all the Regional Entities agreed to formatting changes for the *Statement of Activities* within each functional Program Area as follows:

- Indirect Expense and Fixed Asset allocations from the Administrative Services areas to the functional Program Areas are shown in the *Statements of Activities*, providing improved financial perspective. There was no change in the allocation methodology, which is still based on the number of FTEs in a functional Program Area. Increases in FTEs in the two Statutory Program Areas that have grant projects results in a reallocation of indirect costs to all Statutory and Non-Statutory Programs.
- All payroll-related expenses are assigned directly to employees' department budgets whereas in 2009, the majority of payroll-related expenses were allocated to the General and Administrative budget.
- WECC will employ separate accounting personnel for the U.S. DOE grant monies for the purpose of U.S. DOE reporting. This will enable WECC to provide segregation of U. S. DOE grants from other Statutory Program activities. Funds will be segregated using WECC's fund accounting software package and will be accounted for under separate program codes.

These changes directly affect the ERO Funding requirements of each functional Program Area and these variances are consistent throughout the budget.

## Procurement Policies

For all procurement, it is the policy of WECC to obtain supplies, equipment, and services at the lowest cost to WECC that is consistent with quality, service, and availability of the items at the time of purchase. In conforming to this policy, the capability, capacity, and performance reflected by a vendor's history may be considered and weighed in the decision process.

In preparation for these U.S. DOE grants, WECC has developed a set of preliminary policies that, together with its fund accounting system, are designed to ensure compliance with governmental accounting and procurement requirements. In addition, WECC will fully comply with government procurement requirements for all purchases, consulting contracts, sub-awards, and other contracts that are charged to the U.S. DOE grants. WECC will use an "effective competition" standard that implements a broad, inclusive market research/vendor identification process. WECC will include vendors in the Request For Proposal process that have the technical ability and proven success to meet WECC's requirements. WECC expects that in most cases, three or more viable firms or vendors would be identified and included in the competitive bid process.

## Section A — 2010 Business Plan

### Reliability Standards Program

<b>Reliability Standards Program Resources</b>			
(in whole dollars)			
	2010 Approved Budget	2010 Amended Budget	Increase(Decrease)
Total FTEs	3	3	0
Total Direct Expenses	\$514,728	\$514,728	\$0
Total Indirect Expenses <sup>10</sup>	\$254,232	\$218,505	(\$35,727)
Inc (Dec) in Fixed Assets	\$7,794	\$5,694	(\$2,100)
Total Expenses & Fixed Assets	\$776,754	\$738,927	(\$37,827)

#### 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 standards process was revised in 2006 and accepted by FERC as part of the original WECC / NERC Delegation Agreement. As part of that original Delegation Agreement, WECC responded to FERC's direction to modify WECC's standards development process and allow non-members to participate. The amended WECC / NERC Delegation Agreement was filed with FERC on October 30, 2007 and approved on March 21, 2008, subject to a requirement of further modification.

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 Business Practices and 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 fill-in-the-blank standards as needed.

<sup>10</sup> Funding for Indirect Expenses is calculated by allocating all administrative services funding to the operational Program Areas on a proportional FTE basis.

## 2010 Key Assumptions

### General Assumptions

- NERC will continue implementing its published three-year work plan for standards development, subject to incremental updates.
- The current economic downturn will continue into 2010 and adversely affect stakeholder travel budgets and resources for work in standards development. NERC and the regions will need to develop methods to encourage active involvement with less travel and face-to-face meetings.
- Regions will develop no more than one or two RRSs per region in 2010. Scheduling of RRS initiatives continues to depend on the determination of North American performance requirements.
- Regions will facilitate stakeholder reviews of the standards to identify opportunities to streamline the standards to be more focused on reliability performance. This will lead to the submittal of inputs to the NERC three-year work plan and possibly to standard authorization requests.
- In 2010, NERC and the Regional Entities will establish improved mechanisms to capture lessons from event analysis, compliance enforcement, and other activities (in the form of recommendations) to improve reliability standards to prevent future similar root causes of reliability events.
- NERC and Regional Entities will collaborate in the conduct of special workshops, in addition to the regular schedule of workshops, to focus on most-violated standards and improve the understanding of requirements by Registered Entities.
- NERC and the Regional Entities will continue to support coordinated and consistent responses to requests for formal interpretations of the reliability standards.

### WECC-Specific Assumptions/Uncertainties

- Integration of renewables may require new or modified reliability standards.
- Staff and regional drafting team volunteers will participate in, and provide geographic support for, 20-plus North American-balloted standards with comment opportunities on 50-plus standards.
- FERC may direct WECC to make modifications to some or all of the RRSs before FERC.
- 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.

### 2010 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.
- Have at least one WECC volunteer member actively participating 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 analysis to WECC members.
- Undertake regular outreach to keep stakeholders informed about standards development.

### **Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget**

The 2010 Reliability Standards Program amended budget has decreased by \$38,000. This decrease is attributed to the reallocation of indirect costs to Statutory Programs with increased FTEs and to Non-Statutory Programs.

## Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Reliability Standards</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 776,754	\$ (37,827)	\$ 738,927
Penalty Sanctions			
<b>Total ERO Funding</b>	<u>\$ 776,754</u>	<u>\$ (37,827)</u>	<u>\$ 738,927</u>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ 776,754</u>	<u>\$ (37,827)</u>	<u>\$ 738,927</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 385,467	\$ -	\$ 385,467
Payroll Taxes	34,692	-	34,692
Benefits	43,626	-	43,626
Retirement Costs	26,983	-	26,983
<b>Total Personnel Expenses</b>	<u>\$ 490,768</u>	<u>\$ -</u>	<u>\$ 490,768</u>
<b>Meeting Expenses</b>			
Meetings	\$ 4,000	\$ -	\$ 4,000
Travel	12,000	-	12,000
Conference Calls	5,760	-	5,760
<b>Total Meeting Expenses</b>	<u>\$ 21,760</u>	<u>\$ -</u>	<u>\$ 21,760</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ -	\$ -	\$ -
Office Rent	-	-	-
Office Costs	2,200	-	2,200
Professional Services	-	-	-
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 2,200</u>	<u>\$ -</u>	<u>\$ 2,200</u>
<b>Total Direct Expenses</b>	<u>\$ 514,728</u>	<u>\$ -</u>	<u>\$ 514,728</u>
<b>Indirect Expenses</b>	<u>\$ 254,232</u>	<u>\$ (35,727)</u>	<u>\$ 218,505</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 768,960</u>	<u>\$ (35,727)</u>	<u>\$ 733,233</u>
<b>Change in Assets</b>	<u>\$ 7,794</u>	<u>\$ (2,100)</u>	<u>\$ 5,694</u>
<b>Fixed Assets</b>			
Depreciation	-	\$ -	-
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ (7,794)	2,100	\$ (5,694)
<b>Change in Fixed Assets</b>	<u>(7,794)</u>	<u>2,100</u>	<u>(5,694)</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ (0)</u>

## **Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

### **Funding Sources**

- ERO assessments.
- In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except increases to reserves, which are accounted for in General and Administrative.

### **Personnel Expenses**

- Not applicable.

### **Meeting Expenses**

- Not applicable.

### **Operating Expenses**

- Not applicable.

### **Indirect Expenses**

- See “Changes in Accounting Methodology” on page 10.
- Reallocation of WIT costs to the Situational Awareness and Infrastructure Security Program, reallocation of indirect costs due to an FTE increase in two Statutory Program Areas, and allocation to Non-Statutory Programs have resulted in a net decrease of \$36,000 in this Program Area.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- See “Changes in Accounting Methodology” on page 10.
- Reallocation of Fixed Assets due to an FTE increase in two Statutory Program Areas has resulted in a decrease of \$2,000 in this Program Area.



## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources</b>			
(in whole dollars)			
	2010 Approved Budget	2010 Amended Budget	Increase(Decrease)
Total FTEs	50	50	0
Total Direct Expenses	\$9,463,332	\$9,463,332	\$0
Total Indirect Expenses	\$4,237,203	\$3,641,750	(\$595,453)
Inc(Dec) in Fixed Assets	\$315,895	\$280,893	(\$35,002)
Total Expenses & Fixed Assets	\$14,016,429	\$13,385,975	(\$630,454)

### 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 the North American Electric Reliability Corporation (NERC) and WECC. Portions of NERC's authority as the Electric Reliability Organization (ERO) have been delegated under Section 215 of the Federal Power Act, to WECC (the "WECC / NERC Delegation Agreement").<sup>11</sup>

The WECC Compliance function is overseen by the Vice President of Compliance who reports to WECC's Chief Executive Officer. The components and management structure of the Compliance Department include:

- **Managing Director of Compliance:** Reports to the Vice President and is responsible for Compliance Registration, Compliance Auditing, and Compliance Enforcement.
- **Manager of Compliance Program Administration:** Reports to the Vice President and oversees all compliance data analysis and reporting, audit logistics, and Compliance Program Coordinators.

The requirements of the WECC CMEP are specified in the WECC / NERC Delegation Agreement. Subject to variations between WECC's CMEP and those of other regions, WECC seeks to implement its CMEP in a manner consistent with the programs of other regions. 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.

<sup>11</sup> *NERC et al.*, 119 FERC ¶ 61,060 (2007), order on compliance, 119 FERC ¶ 61,232 (2007) (accepting delegation agreements between NERC and the Regional Entities); *NERC et al.*, 122 FERC ¶ 61,245 (2008) (accepting revised delegation agreements between NERC and the Regional Entities).

- **Self-Certification** – Reviews (annually) Registered Entity certifications of compliance or non-compliance with standards.
- **Spot-Checking** – Verifies compliance with specific standards, primarily in connection with reviews of self-certification.
- **Compliance Violation Investigations** – Investigates violations usually the result of a system event or disturbance, but may result from other sources.
- **Self-Reporting** – Undertakes a monitoring process that is specifically designed to work in conjunction with a Registered Entity’s continuous monitoring efforts by its internal compliance programs.
- **Periodic Data Submittals** – Reviews monthly and quarterly reports that are submitted regarding compliance with certain standards.
- **Exception Reporting** – Requires reports on a small set of standards when violations occur.
- **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** – Facilitating the registration process by ensuring that there are no gaps in the registration of entities in the Western Interconnection and resolving registration disputes.
- **Mitigation Plans** – Reviewing mitigation plans filed by entities to correct violations.
- **Penalty Calculations** – Determining, as appropriate, proposed penalties for alleged violations.
- **Settlement Negotiations** – Conducting settlement negotiations with Registered Entities when requested.
- **Hearings and Appeals** – Participating in all hearings and appeals.
- **Certification of Balancing Authorities (BA) and Transmission Operators (TOP)**<sup>12</sup> – Conducting the certification process as required.

WECC is committed to protecting the region’s critical infrastructure and enforcing the CIP standards. This is carried out by the CIP Audits and Investigations Group, which reports to the Managing Director of Compliance.

An important part of WECC’s Compliance Program is stakeholder outreach and education. The Director of Stakeholder Relations and Outreach works closely with the Compliance staff and reports directly to the WECC CEO.

The Hearings budget is included in the Compliance budget and is reflected in the table on page 14. 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 have adopted legislation requiring mandatory standards and are in the process of adopting standards and implementing a regulatory framework for monitoring compliance.

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<sup>12</sup> WECC has transferred the certification of its Reliability Coordination function to NERC.

Agreements between WECC and the provinces are necessary to ensure interconnection reliability while recognizing provincial sovereignty. On September 23, 2008, WECC executed an agreement with the Alberta Electric System Operator (AESO) addressing membership and coordinated operations. The AESO will monitor compliance with adopted reliability standards for market participants.

WECC and the AESO began negotiations to address the monitoring of the AESO's compliance with Alberta's standards during the second quarter of 2009. WECC is also involved in negotiations with the British Columbia Utilities Commission to act as the commission's administrator of its monitoring program. WECC expects to have executed agreements for both provinces by the end of 2009.

Similarly, WECC expects to continue addressing reliability issues with Mexico's Comisión Federal de Electricidad in 2010.

### **Reliability Management System (RMS)**

In 1996, the Western Systems Coordinating Council (WSCC)<sup>13</sup> created the RMS, a contract-based compliance enforcement mechanism. The RMS grew to encompass 14 criteria. In the United States, five of the RMS criteria are now part of the NERC Reliability Standards and eight others have been adopted as WECC RRSs.<sup>14</sup> One RMS criterion, Interchange Schedule Tagging, is still enforced as part of the original RMS agreement. However, with the introduction of the WECC Interchange Tool all applicable entities are fully compliant in this respect. In Canada and Mexico, the RMS is still used to monitor all 14 RMS criteria. This may change in 2009 as Alberta and British Columbia move toward mandatory standards. In the United States, WECC is investigating the termination of the RMS agreement.

### **Technical Feasibility Exceptions (TFEs)**

Due to the uncertainty surrounding the number of requests and the hours required to process the exceptions, WECC has not included these additional costs in the 2010 Business Plan and Budget and will use working capital reserves to cover the expenses.

### **2010 Key Assumptions**

- The number of Registered Entities could increase as early as 2009, based on the application of CIP standards to generators below 100 kV. Other adjustments to the registry, such as those related to TOPs, will continue.
- Non-CIP audits will continue under the schedule to complete BA and TOP audits every three years, and other entities every six years.
- The number of CIP spot-checks and audits will increase substantially to complete CIP spot-checks of all "Table 1" entities by 2010 year end. Also, "Table 2" entities begin to become CIP auditable in the second half of 2010. Regional Entities will continue to be constrained in removing CIP information from the entity site through 2010, impacting the need to have face-to-face CIP spot-checks and audits.

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<sup>13</sup> The WSCC was one of the companies and regional transmission associations that merged to form WECC.

<sup>14</sup> The original eight WECC Regional Reliability Standards have been revised and now are incorporated in seven WECC RRSs.

- There is a risk of a policy or directive clarifying the expectations of the CIP-002 risk-based methodology that results in a substantially expanded number of standards to be monitored for CIP.
- The number of spot-checks and audits increases in 2010. Closure of each mitigation plan may require a spot-check review to confirm closure. As the numbers of Registered Entities and associated functions increase, more audits will be required.
- There is also moderate risk that the number of spot-checks may increase as follow up to completed events analyses.
- The number of non-CIP possible violations discovered continues at a pace comparable to 2009, due to continuing first-time audits of entities. The number of non-CIP-related violations is expected to be 1,400 to 1,500 for the year across North America, with the distribution across the regions in a similar proportion to previous years. Decreasing numbers of new violations may begin to be seen after 2010.
- The number of CIP possible violations undergoes a substantial upswing in 2010, as CIP spot-checks and audits continue to ramp up. CIP possible violations may add 400 to 800 additional possible violations to be processed in addition to the violations listed above for non-CIP violations.
- A large majority of possible violations will be handled through a settlement process. Process efficiencies and experience offset the increased complexity of compliance cases and the level of effort for a settlement remains approximately the same as in 2009.
- NERC will continue to provide required training for auditors and investigators. Programs are developed in NERC training and education, and implemented through NERC Compliance.
- The number of hearings conducted will remain low, averaging well below one per region.
- NERC will conduct two event-based inquiries per month (24 in 2010) and one Compliance Violation Investigation (CVI) per month (12 in 2010). Regional entities will collectively review 50-to-60 events of interest and 12-to-15 CVIs. All unplanned, multiple-facility trips will be considered candidates for these reviews. The number of reviews and CVIs will vary by region and each region will have a unique set of assumptions that collectively will approximate these gross estimates.
- NERC and the Regional Entities continue to pursue integration of compliance information systems with the near-term priority being a seamless interface for the management of compliance information: from reporting of discovery to filing of Notice of Penalty, or settlement and closure. The cost impact of achieving this development and integration is between \$1 million and \$2 million collectively across NERC and the regions for 2010.

## 2010 Goals and Key Deliverables

Continue to ensure all compliance activities are conducted in a fair, impartial, and professional manner.<sup>15</sup>

- Stay current with processing all alleged new violations.
- Clear backlog that has been prioritized based on the severity of impact on the BES by the end of 2010.
- Conduct 20 on-site audits.
- Conduct 76 off-site audits.
- Conduct 15 or more spot-checks.
- Conduct approximately 26 CIP audits.
- Achieve CMEP process timelines.
- Recruit and retain quality employees.
- Undertake comprehensive cross-functional training.
- Share best practices among regions and NERC ([www.regionalentities.org](http://www.regionalentities.org)).

## Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget

The 2010 Compliance Enforcement Department amended budget has decreased \$630,000. This decrease is attributed to the reallocation of indirect costs to Statutory Programs with increased FTEs and to Non-Statutory Programs.

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<sup>15</sup> Numbers shown for compliance activities are estimated. These numbers could increase if the number of Registered Entities and functions increase. Audit and spot-check results also could cause some of these figures to increase.

## 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 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Compliance and Organization Registration and Certification</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 13,616,429	\$ (630,454)	\$ 12,985,975
Penalty Sanctions			
<b>Total ERO Funding</b>	<b>\$ 13,616,429</b>	<b>\$ (630,454)</b>	<b>\$ 12,985,975</b>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	400,000	-	400,000
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<b>\$ 14,016,429</b>	<b>\$ (630,454)</b>	<b>\$ 13,385,975</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 5,060,109	\$ -	\$ 5,060,109
Payroll Taxes	438,047	-	438,047
Benefits	582,670	-	582,670
Retirement Costs	348,605	-	348,605
<b>Total Personnel Expenses</b>	<b>\$ 6,429,432</b>	<b>\$ -</b>	<b>\$ 6,429,432</b>
<b>Meeting Expenses</b>			
Meetings	\$ 425,000	\$ -	\$ 425,000
Travel	762,350	-	762,350
Conference Calls	45,500	-	45,500
<b>Total Meeting Expenses</b>	<b>\$ 1,232,850</b>	<b>\$ -</b>	<b>\$ 1,232,850</b>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 1,467,500	\$ -	\$ 1,467,500
Office Rent	-	-	-
Office Costs	178,550	-	178,550
Professional Services	155,000	-	155,000
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,801,050</b>	<b>\$ -</b>	<b>\$ 1,801,050</b>
<b>Total Direct Expenses</b>	<b>\$ 9,463,332</b>	<b>\$ -</b>	<b>\$ 9,463,332</b>
<b>Indirect Expenses</b>	<b>\$ 4,237,203</b>	<b>\$ (595,453)</b>	<b>\$ 3,641,750</b>
<b>Other Non-Operating Expenses</b>		<b>\$ -</b>	
<b>Total Expenses</b>	<b>\$ 13,700,535</b>	<b>\$ (595,453)</b>	<b>\$ 13,105,082</b>
<b>Change in Assets</b>	<b>\$ 315,894</b>	<b>\$ (35,001)</b>	<b>\$ 280,893</b>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	186,000	-	186,000
Furniture & Fixtures CapEx		-	
Equipment CapEx		-	
Leasehold Improvements		-	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (186,000)</b>	<b>\$ -</b>	<b>\$ (186,000)</b>
Allocation of Fixed Assets	\$ (129,895)	35,002	(94,893)
<b>Change in Fixed Assets</b>	<b>(315,895)</b>	<b>35,002</b>	<b>(280,893)</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (0)</b>	<b>\$ 0</b>	<b>\$ 0</b>

## **Explanations of Variances – Amended 2010 Budget versus Approved 2010 Budget**

### **Funding Sources**

- ERO assessments.
- Workshop funding.
- In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except increases to reserves, which are accounted for in General and Administrative.

### **Personnel Expenses**

- Not applicable.

### **Meeting and Travel Expenses**

- Not applicable.

### **Operating Expenses**

- Not applicable.

### **Indirect Expenses**

- See “Changes in Accounting Methodology” on page 10.
- Reallocation of WIT costs to the Situational Awareness and Infrastructure Security Program, the reallocation of indirect costs due to an FTE increase in two Statutory Program Areas, and allocation to Non-Statutory Programs have resulted in a decrease of \$595,000 in this Program Area.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- See “Changes in Accounting Methodology” on page 10.
- Reallocation of Fixed Assets due to an FTE increase in two Statutory Program Areas has resulted in a decrease of \$35,000 in this Program Area.

## Training, Education, and Operator Certification Program

<b>Training, Education, and Operator Certification Program Resources</b>			
(in whole dollars)			
	2010 Approved Budget	2010 Amended Budget	Increase(Decrease)
Total FTEs	3.5	3.5	0
Total Direct Expenses	\$822,092	\$822,092	\$0
Total Indirect Expenses	\$296,604	\$254,922	(\$41,682)
Inc(Dec) in Fixed Assets	\$91,093	\$88,643	(\$2,450)
Total Expenses & Fixed Assets	\$1,209,789	\$1,165,658	(\$44,131)

### Program Scope and Functional Description

WECC provides continuing education and training for system operators, schedulers, and dispatchers. In 2010, WECC will increase the emphasis on training relating to the NERC Standards, the RRSs, and Regional Criteria.

Similar to 2009, WECC will provide 35-to-40 training classes in Salt Lake City and other off-site venues in 2010. The curriculum is developed with the assistance of the Operations Training Subcommittee (OTS) of the OC. The OTS and WECC staffs also provide an annual training workshop for all WECC-Certified Training Instructors. In addition to the Operator Training Program, WECC staff and the OTS offer an Executive Overview Workshop that provides a broad overview of system operations for non-operational personnel. This workshop is offered three times each year.

### 2010 Key Assumptions

- No significant changes in operator certification continuing education unit requirements for 2010.
- Optional training (e.g., system overview training) may be negatively impacted by the economic downturn as members cut their budgets.

### 2010 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.



**Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget**

The 2010 Training, Education, and Operator Certification Program amended budget has decreased \$44,000. This decrease is attributed to the reallocation of indirect costs to Statutory Programs with increased FTEs and to Non-Statutory Programs.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Training and Education</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 294,689	\$ (44,132)	\$ 250,557
Penalty Sanctions			
<b>Total ERO Funding</b>	<u>\$ 294,689</u>	<u>\$ (44,132)</u>	<u>\$ 250,557</u>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	915,100	-	915,100
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ 1,209,789</u>	<u>\$ (44,132)</u>	<u>\$ 1,165,657</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 327,543	\$ -	\$ 327,543
Payroll Taxes	23,284	-	23,284
Benefits	36,835	-	36,835
Retirement Costs	18,110	-	18,110
<b>Total Personnel Expenses</b>	<u>\$ 405,772</u>	<u>\$ -</u>	<u>\$ 405,772</u>
<b>Meeting Expenses</b>			
Meetings	\$ 278,000	\$ -	\$ 278,000
Travel	24,000	-	24,000
Conference Calls	2,000	-	2,000
<b>Total Meeting Expenses</b>	<u>\$ 304,000</u>	<u>\$ -</u>	<u>\$ 304,000</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 98,000	\$ -	\$ 98,000
Office Rent	-	-	-
Office Costs	14,320	-	14,320
Professional Services	-	-	-
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 112,320</u>	<u>\$ -</u>	<u>\$ 112,320</u>
<b>Total Direct Expenses</b>	<u>\$ 822,092</u>	<u>\$ -</u>	<u>\$ 822,092</u>
<b>Indirect Expenses</b>	<u>\$ 296,604</u>	<u>\$ (41,682)</u>	<u>\$ 254,922</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 1,118,696</u>	<u>\$ (41,682)</u>	<u>\$ 1,077,014</u>
<b>Change in Assets</b>	<u>\$ 91,093</u>	<u>\$ (2,450)</u>	<u>\$ 88,643</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	82,000	-	82,000
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ (82,000)</u>	<u>\$ -</u>	<u>\$ (82,000)</u>
Allocation of Fixed Assets	\$ (9,093)	\$ 2,450	\$ (6,643)
<b>Change in Fixed Assets</b>	<u>(91,093)</u>	<u>2,450</u>	<u>(88,643)</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ 0</u>

## **Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

### **Funding Sources**

- ERO assessments.
- In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except increases to reserves, which are accounted for in General and Administrative.

### **Personnel Expenses**

- Not applicable.

### **Meeting Expenses**

- Not applicable.

### **Indirect Expenses**

- See “Changes in Accounting Methodology” on page 10.
- Reallocation of WIT costs to the Situational Awareness and Infrastructure Security Program, the reallocation of indirect costs due to an FTE increase in two Statutory Program Areas, and allocation to Non-Statutory Programs have resulted in a decrease of \$42,000 in this Program Area.

### **Operating Expenses**

- Not applicable.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- See “Changes in Accounting Methodology” on page 10.
- Reallocation of Fixed Assets due to an FTE increase in two Statutory Program Areas has resulted in a decrease of \$2,000 in this Program Area.

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessment and Performance Analysis Program Resources</b>			
(in whole dollars)			
	2010 Approved Budget	2010 Amended Budget	Increase(Decrease)
Total FTEs	16	23.2	7.2
Total Direct Expenses	\$3,082,437	\$7,054,314	\$3,971,877
Total Indirect Expenses	\$1,355,905	\$1,684,309	\$328,404
Inc(Dec) in Fixed Assets	\$128,066	\$75,388	(\$52,678)
Total Expenses & Fixed Assets	\$4,566,408	\$8,814,011	\$4,247,603

### 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. Importantly, three of the five strategic objectives detailed in WECC's Five-Year Strategic Plan<sup>16</sup> relate to enhanced data, technical analysis, planning, and policy facilitation roles for WECC. These objectives will be a major focus for the WECC Reliability Assessment and Performance Analysis (RAPA) function in 2010. The integrated planning efforts will 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, including WECC's response to provisions in the ARRA.

### 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.

The Transmission Expansion Planning Policy Committee (TEPPC) — a WECC Board Committee — facilitates these activities, operates under a charter approved by the WECC Board, and has 17 members representing all classes of stakeholders with representation from all geographic subregions of WECC. TEPPC and its subgroups work closely and coordinate with Western Interconnection state, provincial, and federal government entities.

The Annual TEPPC Study Plan is formed from stakeholder requests obtained during an annual open season. The 2009 Draft Study Plan is based on 23 study requests 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., 20-year planning horizon, capital costs for generation resources and transmission, potential extra high voltage overlay alternatives, high renewable penetration levels, and carbon limits). The 2009 plan will include an increased focus on transmission expansion requirements and alternatives. In addition, provisions in the ARRA (described below) have increased the level of activity surrounding the development of interconnection-wide transmission plans.

<sup>16</sup> Western Electricity Coordinating Council Five-Year Strategic Plan: March 7, 2008, Page 2.

## **Loads and Resources**

In 2010, WECC will continue to improve its loads and resources data gathering and analysis. The WECC staff, assisting the Loads and Resources Subcommittee (LRS), will continue to provide an analysis of resource adequacy in the Western Interconnection. Improvements have been made each year to both the energy and capacity assessments. These include scenario inputs – such as extreme weather– as well as improved modeling and data quality. This work is performed by WECC staff under the direction of the Planning Coordination Committee (PCC) and the LRS.

## **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 electricity supply 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, with guidance from the Technical Studies Subcommittee (TSS), annually prepares a data bank 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 WECC technical staff, with guidance from the TSS, also develops an annual report that provides an ongoing transmission reliability assessment of the Western Interconnection: both in its existing state and for configurations planned through the following ten years. Identified performance deficiencies, as defined in the NERC Standards and WECC Regional Reliability Criteria, are reported and provided to the appropriate entity for mitigation.

## **2010 Key Assumptions**

### **General Assumptions**

- NERC will continue to incrementally improve the definitions and metrics used in reliability assessments.
- NERC and the Regional Entities are at risk of being requested to gather data or perform analysis in support of federal initiatives related to the ARRA, climate change, or renewable energy initiatives. NERC and the regions are not funded for such initiatives and any unfunded mandates may impact cash reserves.
- There will be a startup planning effort in 2010 to begin the demand response data collection initiative and probabilistic risk assessment data in 2011.
- Some regions continue to experience a shift of work effort from stakeholders to staff in developing reliability assessments.
- NERC will develop an analysis of Transmission Availability Database Systems data in 2010; some regions may develop regional analysis.

## **WECC-Specific Assumptions/Uncertainties**

- Impact of the ARRA on regional planning process and studies.
- Renewable integration reliability impacts.
- Impact of potential carbon reduction legislation.

## **2010 Goals and Key Deliverables**

The planning objectives described in the WECC Five-Year Strategic Plan are a major focus for the WECC Reliability Assessment and Performance function. These integrated planning efforts will 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; 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 Board approval of the 2009 Annual Report.
- Develop and execute the expanded 2010 TEPPC Transmission Plan(s) for the Western Interconnection, pursuant to expected U.S. DOE funding under the ARRA.
- Ensure 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:
  - Ensure base-case data is reconciled with TEPPC information
  - Ensure Resource Adequacy data is reconciled with TEPPC information
  - Coordinate the NERC Long-term Reliability Assessment and Power Supply Assessment data and narratives
  - Evaluate the West-wide System Model and Study Review Workgroup proposals
- Evaluate the consolidation of resource adequacy analysis products.

### **d) Joint Guidance Committee (JGC) and Variable Generation Subcommittee (VGS)**

- Provide a central point for the collection and dissemination of information on renewable integration activities in the Western Interconnection.
- Coordinate renewable energy-related activities across all aspects of WECC.

## U.S. DOE Grant

### **DE-FOA-0000068: *Recovery Act-Resource Assessment and Interconnection-Level Transmission Analysis and Planning – Topic A***

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 under the FOA.

WECC responded to this FOA with a proposed project 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, which includes \$1.6 million of existing TEPPC budget per year over four years as a cost share, for a total of \$6.4 million 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 (SPG), \$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 RTEP. 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.

WECC's 2010 amended budgeted costs related to this U.S. DOE grant are \$4 million, of which:

- \$611,000 is for seven additional FTEs to work on this program
- \$3 million is for consulting services for this program
- \$370,000 (as allowed by the U.S. DOE for grant activities) is for meetings, travel, and outreach related to this program
- \$24,000 is for computers and other supplies due to the increase of FTEs

Indirect costs increase by \$328,000 and Fixed Asset allocation increases by \$2,000 due to the increase in FTEs in this Program Area.

Fixed Assets have been reduced by a net \$53,000 in the RAPA budget, as follows:

- \$75,000 has been moved to the Situational Awareness and Infrastructure Security Program as it is more appropriately budgeted with that function, which now includes the WISP project.
- \$20,000 has been added to RAPA for additional computer and software needs.

**Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget**

Total costs for WECC's RAPA function increase by approximately \$4 million in the amended 2010 budget. Of these costs, \$276,000 results from the reallocation of indirect costs and Fixed Assets to this Program Area. The remainder of increased costs, approximately \$4 million, is funded by the U.S. DOE grant.



## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Reliability Assessment and Performance Analysis</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 4,516,408	\$ 255,724	\$ 4,772,132
Penalty Sanctions			\$ -
<b>Total ERO Funding</b>	<b>\$ 4,516,408</b>	<b>\$ 255,724</b>	<b>\$ 4,772,132</b>
Membership Dues		-	
Federal Grants		3,991,879	3,991,879
Services & Software		-	
Workshops		-	
Interest		-	
Miscellaneous	50,000	-	50,000
<b>Total Funding</b>	<b>\$ 4,566,408</b>	<b>\$ 4,247,603</b>	<b>\$ 8,814,011</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 1,437,722	\$ 469,898	\$ 1,907,620
Payroll Taxes	123,686	46,473	170,159
Benefits	178,508	58,379	236,888
Retirement Costs	96,200	36,146	132,346
<b>Total Personnel Expenses</b>	<b>\$ 1,836,117</b>	<b>\$ 610,896</b>	<b>\$ 2,447,013</b>
<b>Meeting Expenses</b>			
Meetings	\$ 92,000	\$ 324,850	\$ 416,850
Travel	104,000	45,500	149,500
Conference Calls	28,320	-	28,320
<b>Total Meeting Expenses</b>	<b>\$ 224,320</b>	<b>\$ 370,350</b>	<b>\$ 594,670</b>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 602,000	\$ 2,966,631	\$ 3,568,631
Office Rent		-	
Office Costs	420,000	24,000	444,000
Professional Services		-	
Miscellaneous		-	
Depreciation		-	
<b>Total Operating Expenses</b>	<b>\$ 1,022,000</b>	<b>\$ 2,990,631</b>	<b>\$ 4,012,631</b>
<b>Total Direct Expenses</b>	<b>\$ 3,082,437</b>	<b>\$ 3,971,877</b>	<b>\$ 7,054,314</b>
<b>Indirect Expenses</b>	<b>\$ 1,355,905</b>	<b>\$ 328,404</b>	<b>\$ 1,684,309</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 4,438,342</b>	<b>\$ 4,300,281</b>	<b>\$ 8,738,623</b>
<b>Change in Assets</b>	<b>\$ 128,066</b>	<b>\$ (52,678)</b>	<b>\$ 75,388</b>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	
Computer & Software CapEx	86,500	(75,000)	11,500
Furniture & Fixtures CapEx	-	-	
Equipment CapEx	-	20,000	20,000
Leasehold Improvements	-	-	
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (86,500)</b>	<b>\$ 55,000</b>	<b>\$ (31,500)</b>
Allocation of Fixed Assets	\$ (41,566)	\$ (2,322)	\$ (43,888)
<b>Change in Fixed Assets</b>	<b>(128,066)</b>	<b>52,678</b>	<b>(75,388)</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 0</b>	<b>\$ (0)</b>	<b>\$ -</b>

## **Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

### **Funding Sources**

- ERO assessments - \$4.7 million.
- U.S. DOE grant - \$4 million.
- Miscellaneous - \$50,000.
- In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except increases to reserves, which are accounted for in General and Administrative.

### **Personnel Expenses**

- Salaries, Payroll Taxes, Benefits and Retirement Costs increase by \$611,000 in the amended 2010 budget due to the addition of seven FTEs.

### **Meeting Expenses**

- Total Meeting and Travel Expenses for 2010 increase by \$370,000 (as allowed by the U.S. DOE for grant activities) due to the increased activities in performance of the deliverables associated with the U.S. DOE grant.

### **Operating Expenses**

- Consultants and Contracts increase \$3 million in the amended 2010 budget due to the following:
  - Sub-recipients of the grant, which include Arizona State University and other Subregional Planning Groups, have been budgeted to receive \$1 million in 2010.
  - WECC will use consulting services to perform a significant portion of the deliverables on the grant. In 2010, \$1.4 million is budgeted for consultants.
  - As part of this grant, WECC will establish several groups and committees that will include non-WECC representatives. A total of \$566,000 is budgeted to be spent on participant reimbursements and travel in 2010.
- Office Costs are estimated to increase \$24,000 due to the additional computers and supplies needed by the additional FTEs.

### **Indirect Expenses**

- See “Changes in Accounting Methodology” on page 10.
- Reallocation of WIT costs to the Situational Awareness and Infrastructure Security Program and the reallocation of indirect costs due to an increase of FTEs in this Program Area have resulted in an increase of \$328,000.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- See “Changes in Accounting Methodology” on page 10.
- \$75,000 has been moved to the Situational Awareness and Infrastructure Security Program as it is more appropriately budgeted with that function, which now includes the WISP project.
- \$20,000 has been budgeted for a new server that is necessary to support the program activities under the U.S. DOE grant.

## Situational Awareness and Infrastructure Security Program

<b>Situational Awareness and Infrastructure Security Program Resources</b>			
(in whole dollars)			
	2010 Approved Budget	2010 Amended Budget	Increase(Decrease)
Total FTEs	60.3	62.6	2.3
Total Direct Expenses	\$13,957,707	\$27,599,340	\$13,641,633
Total Indirect Expenses	\$4,290,818	\$3,833,280	(\$457,538)
Inc(Dec) in Fixed Assets	\$679,653	\$3,549,694	\$2,870,041
Total Expenses & Fixed Assets	\$18,928,178	\$34,982,314	\$16,054,136

### Program Scope and Functional Description

In 2006, the WECC Board approved the RCSI, which was designed to make reliability coordination in the Western Interconnection more effective and efficient. The initiative included consolidation of the Reliability Coordination Offices (RCO) from three to two, increasing real-time Reliability Coordinator staffing, developing a comprehensive model of the Western Interconnection (the West-wide System Model (WSM)), and increasing the independence of the Reliability Coordinators. The two new RCOs, located in Vancouver, Washington and Loveland Colorado, serve as “hot” backup for each other. WECC was certified by NERC to provide the reliability coordination function for the Western Interconnection prior to going live on January 1, 2009.

The WSM provides a common view of the entire Western Interconnection to WECC’s Reliability Coordinators. Going forward, the WSM is the platform on which advanced applications and common tools will be built. Through the use of these tools, real-time contingency analysis and other studies can be performed. The WSM was completed prior to November 1, 2008 and underwent validation by the WECC Reliability Coordinators during parallel operations, prior to the opening of the new WECC RCOs.

### 2010 Key Assumptions

#### General Assumptions

- NERC and each region will independently evaluate its needs for a situational awareness tool to supplement or mirror the FERC tool, and will each fund its own work. The FERC situational awareness tool will continue to be developed in 2010 to meet NERC, Regional Entity, and stakeholder needs. Reliability coordinators will bear the cost of providing systems and information to meet FERC requirements.
- The synchro-phasor project will not impact Regional Entity budgets in 2010. Any change to this will result in a budget variance.

## **WECC-Specific Assumptions**

- WECC will pay off the remaining loan and interest balance associated with the acceleration of the RCSI.
- Standards will be more rigidly defined increasing the number of standards that require compliance by Reliability Coordinators.
- The regulatory landscape will continue to change, adding more requirements to be monitored by the Reliability Coordination function.

## **2010 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 its number of situational awareness displays available to NERC, FERC, and the WECC membership through the expansion of the Situation Awareness for FERC, NERC, and the Regions (SAFNR) project.

## **U.S. DOE Grant**

### ***DE-FOA-000058: Smart Grid Investment Grant Program (SGIG)***

WECC responded 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. WISP will expand WECC's current Section 215 activities by, among other things, enhancing the situational awareness of WECC's RCOs. 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
- 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) situational 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 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.

WECC's 2010 budgeted costs for WISP are \$15.8 million of which:

- \$547,000 is for additional personnel in the Situation Awareness and Infrastructure Security program
- \$6 million is for a sub-recipient (PG&E)
- \$1.2 million is for the procurement and engineering of application software
- \$6.5 million is for consulting services for the program
- \$1.5 million is for expansion of the WECC RCOs to accommodate the additional responsibilities and functionality under WISP.

### **Reallocation of WECC Interchange Tool (WIT) Costs**

WIT is a software system that facilitates and coordinates interchange between WECC Balancing Authorities 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 costs associated with WIT have been moved from Technical Committees and Members' Forums (where it has appeared in the past three years' approved Business Plans and Budgets) to the Situational Awareness and Infrastructure Security Program. Although WIT was originally an initiative of one of the technical committees, it provides situational awareness to the Reliability Coordination function and is more appropriately captured within this Program.

### **Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget**

Total costs for WECC's Situational Awareness and Infrastructure Security Program increase by \$16 million in the amended 2010 budget. Reallocation of WIT costs to this program from Technical Committees and Members' Forums and the reallocation of indirect costs to Non-Statutory Programs results in an increased funding requirement of \$242,000 from ERO assessments. This increase is directly offset by decreases in other Statutory Programs. The remaining \$15.8 million is associated with grant project costs.

## Situational Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situational Awareness and Infrastructure Security section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Situation Awareness and Infrastructure Security</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 18,928,178	\$ 242,291	\$ 19,170,469
Penalty Sanctions			\$ -
<b>Total ERO Funding</b>	<u>\$ 18,928,178</u>	<u>\$ 242,291</u>	<u>\$ 19,170,469</u>
Membership Dues	-	-	-
Federal Grants	-	15,811,845	15,811,845
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ 18,928,178</u>	<u>\$ 16,054,136</u>	<u>\$ 34,982,314</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 6,969,837	\$ 421,131	\$ 7,390,968
Payroll Taxes	627,285	41,641	668,926
Benefits	777,289	52,310	829,599
Retirement Costs	487,889	32,387	520,276
<b>Total Personnel Expenses</b>	<u>\$ 8,862,300</u>	<u>\$ 547,470</u>	<u>\$ 9,409,770</u>
<b>Meeting Expenses</b>			
Meetings	\$ -	\$ -	\$ -
Travel	216,000	-	216,000
Conference Calls	10,000	-	10,000
<b>Total Meeting Expenses</b>	<u>\$ 226,000</u>	<u>\$ -</u>	<u>\$ 226,000</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 118,000	\$ 12,505,025	\$ 12,623,025
Office Rent	596,000	-	596,000
Office Costs	1,174,200	589,138	1,763,338
Professional Services	15,000	-	15,000
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 1,903,200</u>	<u>\$ 13,094,163</u>	<u>\$ 14,997,363</u>
<b>Total Direct Expenses</b>	<u>\$ 10,991,500</u>	<u>\$ 13,641,633</u>	<u>\$ 24,633,133</u>
<b>Indirect Expenses</b>	<u>\$ 4,290,818</u>	<u>\$ (457,538)</u>	<u>\$ 3,833,280</u>
<b>Other Non-Operating Expenses</b>	<u>\$ 2,966,207</u>	<u>\$ -</u>	<u>\$ 2,966,207</u>
<b>Total Expenses</b>	<u>\$ 18,248,525</u>	<u>\$ 13,184,095</u>	<u>\$ 31,432,620</u>
<b>Change in Assets</b>	<u>\$ 679,653</u>	<u>\$ 2,870,041</u>	<u>\$ 3,549,694</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	523,000	1,370,145	1,893,145
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	1,537,667	1,537,667
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ (523,000)</u>	<u>\$ (2,907,812)</u>	<u>\$ (3,430,812)</u>
Allocation of Fixed Assets	\$ (156,653)	\$ 37,771	\$ (118,882)
<b>Change in Fixed Assets</b>	<u>(679,653)</u>	<u>(2,870,041)</u>	<u>(3,549,694)</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

### **Funding Sources**

- ERO assessments - \$19.2 million.
- U.S. DOE grant - \$15.8 million.
- In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except increases to reserves, which are accounted for in General and Administrative.

### **Personnel Expenses**

- Salaries, Payroll Taxes, Benefits, and Retirement Costs increase by \$547,000 in the amended 2010 budget due to the addition of 2.3 FTEs. These FTEs represent the addition of approximately six individuals, but most of them will not be hired until later in 2010.

### **Meeting Expenses**

- Not applicable.

### **Operating Expenses**

- Consultants and Contracts increase \$12.5 million in the amended 2010 budget due to the following:
  - \$6 million of the grant funding is for a sub-recipient (PG&E).
  - WECC will use Bridge Energy Group for a significant portion of the deliverables on the grant. In 2010, WECC is budgeting \$5.3 million for these services.
  - WECC will use additional independent consultants for various other phases of the grant deliverables at an expected cost of approximately \$1.2 million.
- Office Supply costs increase by \$589,000 for supplies resulting from a \$1,000 increase in FTEs and an increase of \$588,000 resulting from the reallocation of WIT costs to the Situational Awareness and Infrastructure Security program from Technical Committees and Members' Forums.

### **Indirect Expenses**

- See "Changes in Accounting Methodology" on page 10.
- Reallocation of indirect costs results in a decrease of \$458,000. This represents the net effect of the reallocation of WIT costs to the Situational Awareness and Infrastructure Security program from Technical Committees and Members' Forums, a reallocation of indirect costs to Non-Statutory Programs, and an increased allocation of indirect costs to this Program Area associated with the increased number of FTEs.

### **Other Non-Operating Expenses**

- Not applicable.

### Fixed Asset Additions

- See “Changes in Accounting Methodology” on page 10.
- Montana Tech University will build and deploy an oscillation detection engine for use in WISP. WECC is budgeting \$329,000 in 2010 for this item.
- \$891,000 to build and deploy a situational awareness platform and offline power systems analysis software for system-wide performance analysis and model validation.
- An increase of \$150,000 in Computer and Software Capital Expenditures is the result of moving \$75,000 in previously-approved costs from Reliability Assessment and Performance Analysis and \$75,000 from Technical Committees and Members’ Forums to the Situational Awareness and Infrastructure Security Program. These costs are associated with the WISP project and are more appropriately budgeted within this Program Area.
- The WECC RCOs in Loveland, Colorado and Vancouver, Washington will require expansions as part of the WISP project. Therefore, \$1.5 million has been budgeted for this purpose.



## Administrative Services

<b>Administrative Services</b>			
(in whole dollars)			
	2010 Approved Budget	2010 Amended Budget	Increase(Decrease)
Total FTEs	39.7	39.7	0
Total Direct Expenses	\$10,445,763	\$10,130,342	\$315,420

### Program Scope and Functional Description

WECC's Administrative Services consist of Technical Committees and Members' 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 Members' Forums

#### Program Scope and Functional Description

WECC is governed by a 32-member Board, 25 of which represent member classes. The remaining seven directors are not affiliated with any WECC member or potential member. These Non-affiliated Directors are compensated for their time on the Board and on Board Committees.

Nine 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 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 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. It is anticipated that this committee will be dissolved during 2010.
- *Finance and Audit Committee* – the FAC develops and recommends budgets, 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 was formed in April 2009. Its role is to provide the WECC Board with oversight of the WECC Compliance function under the delegation agreement from NERC provide a forum for communication between the compliance function and the WECC Board.

### **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.

- *Operating Committee* – the OC advises and makes recommendations to the Board on all WECC-related matters that apply to maintaining reliability through the operation and security of the interconnected BES in the Western Region. The OC has seven subcommittees and 18 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 analysis of the impact of electricity market practices on electric system reliability. The MIC has two subcommittees.

### **2010 Key Assumptions**

- Economic downturn may impact in-person attendance and increase remote participation via Webinar and Conference Calls.

### **2010 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.
- Continue to 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 a 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. 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.

WECC anticipates it will receive \$244,800 in funding over two years in response to its application under DE-PS36-09GO99009.

**Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget**

Direct Expenses and Fixed Assets decreased by a net of \$540,000. An increase of \$122,000 results from the addition of the VGS grant. A decrease of \$663,000 results from a budget reallocation of WIT costs (\$588,000) and WISP costs (\$75,000) to the Situational Awareness and Infrastructure Security Program. These previously-approved costs are related to situational awareness in the Reliability Coordination function and are more appropriately captured within that program.

## Technical Committees and Members' Forums

Funding sources and related expenses for the Technical Committees and Members' Forums section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Technical Committees and Members' Forums</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ -	\$ -	\$ -
Penalty Sanctions			
<b>Total ERO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-
Federal Grants	-	122,400	122,400
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ 122,400</u>	<u>\$ 122,400</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 738,970	\$ -	\$ 738,970
Payroll Taxes	66,507	-	66,507
Benefits	84,655	-	84,655
Retirement Costs	51,728	-	51,728
<b>Total Personnel Expenses</b>	<u>\$ 941,861</u>	<u>\$ -</u>	<u>\$ 941,861</u>
<b>Meeting Expenses</b>			
Meetings	\$ 372,700	\$ 7,520	\$ 380,220
Travel	253,500	2,400	255,900
Conference Calls	30,900	-	30,900
<b>Total Meeting Expenses</b>	<u>\$ 657,100</u>	<u>\$ 9,920</u>	<u>\$ 667,020</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 40,000	112,480	\$ 152,480
Office Rent	-	-	-
Office Costs	696,100	(587,600)	108,500
Professional Services	395,000	-	395,000
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 1,131,100</u>	<u>\$ (475,120)</u>	<u>\$ 655,980</u>
<b>Total Direct Expenses</b>	<u>\$ 2,730,061</u>	<u>\$ (465,200)</u>	<u>\$ 2,264,861</u>
<b>Indirect Expenses</b>	<u>\$ (2,730,061)</u>	<u>\$ 587,600</u>	<u>\$ (2,142,461)</u>
<b>Other Non-Operating Expenses</b>		<u>\$ -</u>	
<b>Total Expenses</b>	<u>\$ 0</u>	<u>\$ 122,400</u>	<u>\$ 122,400</u>
<b>Change in Assets</b>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	125,000	(75,000)	50,000
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ (125,000)</u>	<u>\$ 75,000</u>	<u>\$ (50,000)</u>
Allocation of Fixed Assets	\$ 125,000	\$ (75,000)	\$ 50,000
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>

## **Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

### **Funding Sources**

- U.S. DOE grant - \$122,000
- In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except for increases to reserves that are accounted for in General and Administrative.

### **Personnel Expenses**

- Not applicable.

### **Meeting Expenses**

- Travel and meeting expenses increase \$10,000 (as allowed by the U.S. DOE for grant activities) due to the addition of project review meetings related to the U.S. DOE grant.

### **Operating Expenses**

- Operating expenses increase \$112,000, which will be used to hire a consultant for production cost modeling and other activities for the VGS project.
- Office costs decrease by \$588,000 due to the reallocation of WIT costs to the Situational Awareness and Infrastructure Security program.

### **Indirect Expenses**

- See “Changes in Accounting Methodology” on page 10.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- See “Changes in Accounting Methodology” on page 10.
- Fixed Assets in the amount of \$75,000 have been moved to the Situational Awareness and Infrastructure Security Program. These costs are associated with the WISP project and are more appropriately budgeted in that Program Area.

## General and Administrative

### 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 that benefit multiple Program Areas (i.e., office rent) are accounted for in this area.

### 2010 Key Assumptions

- Interest and investment income is not budgeted in 2010, due to the uncertainty and volatility of the financial markets.
- Increased staffing levels will require additional office space.
- Salary increases and pools for market adjustments and promotions are lower in 2010 due to the state of the economic environment.
- Benefits and other salary-related expenses should be accounted for in an employee's home department.

### 2010 Goals and Key Deliverables

- Provide executive leadership and strategic guidance for the activities undertaken by WECC.
- Increase the professionalism of WECC work products.
- Improve the quality and efficiency of support provided to staff and members.

### Funding Requirements — Explanation of Increase (Decrease)

For the 2010 budget cycle, NERC and the Regional Entities have modified how assessments will be allocated across Program Areas. Assessments will only be allocated across the statutory Program Areas and the only assessment to be included in General and Administrative is a \$1.2 million increase in reserves. The total expenses of General and Administrative, as well as all Administrative Services areas, are allocated to the Statutory Programs based on FTEs.

## General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>General and Administrative</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 1,000,000	\$ 214,395	\$ 1,214,395
Penalty Sanctions			
<b>Total ERO Funding</b>	<b>\$ 1,000,000</b>	<b>\$ 214,395</b>	<b>\$ 1,214,395</b>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	11,000	-	11,000
<b>Total Funding</b>	<b>\$ 1,011,000</b>	<b>\$ 214,395</b>	<b>\$ 1,225,395</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 1,701,761	\$ -	\$ 1,701,761
Payroll Taxes	118,058	-	118,058
Benefits	778,033	-	778,033
Retirement Costs	113,003	-	113,003
<b>Total Personnel Expenses</b>	<b>\$ 2,710,856</b>	<b>\$ -</b>	<b>\$ 2,710,856</b>
<b>Meeting Expenses</b>			
Meetings	\$ 15,000	\$ -	\$ 15,000
Travel	313,100	-	313,100
Conference Calls	6,000	-	6,000
<b>Total Meeting Expenses</b>	<b>\$ 334,100</b>	<b>\$ -</b>	<b>\$ 334,100</b>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 32,000	\$ -	\$ 32,000
Office Rent	985,000	-	985,000
Office Costs	269,675	-	269,675
Professional Services	95,000	77,780	172,780
Miscellaneous	(72,000)	72,000	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,309,675</b>	<b>\$ 149,780</b>	<b>\$ 1,459,455</b>
<b>Total Direct Expenses</b>	<b>\$ 4,354,631</b>	<b>\$ 149,780</b>	<b>\$ 4,504,411</b>
<b>Indirect Expenses</b>	<b>\$ (4,343,631)</b>	<b>\$ (149,780)</b>	<b>\$ (4,493,411)</b>
<b>Other Non-Operating Expenses</b>		<b>\$ -</b>	
<b>Total Expenses</b>	<b>\$ 11,000</b>	<b>\$ -</b>	<b>\$ 11,000</b>
<b>Change in Assets</b>	<b>\$ 1,000,000</b>	<b>\$ 214,395</b>	<b>\$ 1,214,395</b>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 1,000,000</b>	<b>\$ 214,395</b>	<b>\$ 1,214,395</b>

## **Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

### **Funding Sources**

- NERC and the Regional Entities agreed that in 2010, assessments should not be allocated to the Indirect Program Areas with one exception; increases to reserves. In 2010, WECC's approved budget reflected a \$1 million increase in reserves. This budgeted reserve amount has increased by \$214,000. The increase is a result of allocation of indirect costs to Non-Statutory Programs; the previously-approved statutory funding for these costs therefore increases the reserve amount. The \$214,000 amount was deemed to be too small to be efficiently refunded to the load-serving entities in the WECC region, which have already paid their full approved 2010 statutory assessment amounts.

### **Personnel Expenses**

- Not applicable.

### **Meeting Expenses**

- Not applicable.

### **Operating Expenses**

- WECC's approved 2010 budget had directly allocated audit fees, legal fees, and other administrative costs to its Non-Statutory Programs. The amended budget has reversed these allocations and replaced them with an indirect cost allocation based on numbers of FTEs. See "Changes in Accounting Methodology" on page 10.

### **Indirect Expenses**

- Not applicable.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Not applicable.



## Legal and Regulatory

### 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.

### 2010 Key Assumptions

- WECC will maintain current operations.
- Greater level of review from FERC and stakeholders.
- Changes to WECC's operating environment, such as unanticipated direction from FERC, NERC, or both (e.g., recent change in timing of CIP spot-checks).
- Impacts of the U.S. DOE master plan on Western Interconnection.
- NERC expectations in terms of the level reporting are clearly defined.

### 2010 Goals and Key Deliverables

- Provide efficient, cost effective legal support to the Board of Directors, committees, and staff through a combination of in-house and outside resources.
- Update and advise the Board and CEO on pending legal issues.
- Advise WECC departments on specific legal matters and general matters relating to WECC business.
- Provide legal support to the WECC Compliance Department and facilitate processing of potential 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.
- Manage the legal budget.

### Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget

No change.

## Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Legal and Regulatory</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ -	\$ -	\$ -
Penalty Sanctions			
<b>Total ERO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 858,707	\$ -	\$ 858,707
Payroll Taxes	77,284	-	77,284
Benefits	100,640	-	100,640
Retirement Costs	60,109	-	60,109
<b>Total Personnel Expenses</b>	<u>\$ 1,096,740</u>	<u>\$ -</u>	<u>\$ 1,096,740</u>
<b>Meeting Expenses</b>			
Meetings	\$ 8,000	\$ -	\$ 8,000
Travel	86,000	-	86,000
Conference Calls	10,000	-	10,000
<b>Total Meeting Expenses</b>	<u>\$ 104,000</u>	<u>\$ -</u>	<u>\$ 104,000</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ -	\$ -	\$ -
Office Rent	-	-	-
Office Costs	89,920	-	89,920
Professional Services	275,000	-	275,000
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 364,920</u>	<u>\$ -</u>	<u>\$ 364,920</u>
<b>Total Direct Expenses</b>	<u>\$ 1,565,660</u>	<u>\$ -</u>	<u>\$ 1,565,660</u>
<b>Indirect Expenses</b>	<u>\$ (1,565,660)</u>	<u>\$ -</u>	<u>\$ (1,565,660)</u>
<b>Other Non-Operating Expenses</b>		\$ -	
<b>Total Expenses</b>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Change in Assets</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx			
Furniture & Fixtures CapEx			
Equipment CapEx			
Leasehold Improvements			
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>

## **Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

### **Funding Sources**

- Not applicable.

### **Personnel Expenses**

- Not applicable.

### **Meeting Expenses**

- Not applicable.

### **Operating Expenses**

- Not applicable.

### **Indirect Expenses**

- Not applicable.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Not applicable.

## Information Technology

### 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 small staff to administer the IT infrastructure at WECC.

Two IT Network Engineers provide desk-side services and network administration to an increasing population of WECC employees, based in offices in three geographic locations. In addition, one Application Developer Engineer provides Web service support and application development.

### 2010 Key Assumptions

- Slowing growth of WECC staff and associated increase in IT support.
- Inclusion of IT processes, procedures, and security to comply with NERC "Agreed Upon Procedures."
- No increase in scale or scope that will require increase in IT headcount.

### 2010 Goals and Key Deliverables

- Deliver reliable and secure IT systems that support WECC's business needs.
- Establish a system development life-cycle process.
- Establish a requirements-based solution system that improves delivery of small development projects.

### Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget

No Change

## Information Technology

Funding sources and related expenses for the Information Technology section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Information Technology</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ -	\$ -	\$ -
Penalty Sanctions			
<b>Total ERO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 323,439	\$ -	\$ 323,439
Payroll Taxes	29,110	-	29,110
Benefits	36,242	-	36,242
Retirement Costs	22,641	-	22,641
<b>Total Personnel Expenses</b>	<u>\$ 411,432</u>	<u>\$ -</u>	<u>\$ 411,432</u>
<b>Meeting Expenses</b>			
Meetings	\$ -	\$ -	\$ -
Travel	-	-	-
Conference Calls	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 30,000	\$ -	\$ 30,000
Office Rent	-	-	-
Office Costs	504,800	-	504,800
Professional Services	-	-	-
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 534,800</u>	<u>\$ -</u>	<u>\$ 534,800</u>
<b>Total Direct Expenses</b>	<u>\$ 946,232</u>	<u>\$ -</u>	<u>\$ 946,232</u>
<b>Indirect Expenses</b>	<u>\$ (946,232)</u>	<u>\$ -</u>	<u>\$ (946,232)</u>
<b>Other Non-Operating Expenses</b>		\$ -	
<b>Total Expenses</b>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Change in Assets</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	220,000	-	220,000
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ (220,000)</u>	<u>\$ -</u>	<u>\$ (220,000)</u>
Allocation of Fixed Assets	\$ 220,000	\$ -	\$ 220,000
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>

## **Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

### **Funding Sources**

- Not applicable.

### **Personnel Expenses**

Not applicable.

### **Meeting Expenses**

- Not applicable.

### **Operating Expenses**

- Not applicable.

### **Indirect Expenses**

- Not applicable.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Not applicable.

## Human Resources

### Program Scope and Functional Description

The Human Resources (HR) department is comprised of three employees: a Director, a Generalist, and a Coordinator. The department is responsible for the delivery of all HR functions across the three WECC offices, including: recruitment, staffing, compensation, benefits, safety and health, employee relations, performance management, and employee training and development.

### 2010 Key Assumptions

- The pace of growth in headcount will continue during 2010 (add 33.5<sup>17</sup> additional employees in addition to replacing normal attrition), resulting in 177.5 employees by the end of 2010.
- Although many incumbent subject matter experts are nearing retirement age, the ongoing economic slump and associated decrease in 401 (k) and other investment values will encourage them to remain in the workforce longer.
- Intense competition for talent will continue (among the regions and utilities) resulting in upward pressure on salary and benefits expense. Retention of key staff will be a competing issue with managing the overall salary expense.
- Succession planning and employee development will become critical to ensuring that a skilled, qualified workforce remains.

### 2010 Goals and Key Deliverables

- Provide effective HR 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.
- 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.
- Commission a salary survey for non-executive positions to ensure compensation is managed within approved philosophy.

### Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget

No change

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<sup>17</sup> Includes non-statutory FTEs employed by the Western Renewable Energy Information System.

## Human Resources

Funding sources and related expenses for the Human Resources section of the 2010 business plan are shown in the table below.

Statement of Activities			
2010 Approved Budget & 2010 Amended Budget			
Human Resources			
Funding	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>ERO Funding</b>			
ERO Assessments	\$ -	\$ -	\$ -
Penalty Sanctions			
<b>Total ERO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 295,883	\$ -	\$ 295,883
Payroll Taxes	26,629	-	26,629
Benefits	36,866	-	36,866
Retirement Costs	20,712	-	20,712
<b>Total Personnel Expenses</b>	<u>\$ 380,090</u>	<u>\$ -</u>	<u>\$ 380,090</u>
<b>Meeting Expenses</b>			
Meetings	\$ -	\$ -	\$ -
Travel	8,000	-	8,000
Conference Calls	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 8,000</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 10,000	\$ -	\$ 10,000
Office Rent	-	-	-
Office Costs	75,730	-	75,730
Professional Services	-	-	-
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 85,730</u>	<u>\$ -</u>	<u>\$ 85,730</u>
<b>Total Direct Expenses</b>	<u>\$ 473,820</u>	<u>\$ -</u>	<u>\$ 473,820</u>
<b>Indirect Expenses</b>	<u>\$ (473,820)</u>	<u>\$ -</u>	<u>\$ (473,820)</u>
<b>Other Non-Operating Expenses</b>		<u>\$ -</u>	
<b>Total Expenses</b>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Change in Assets</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx		-	
Furniture & Fixtures CapEx		-	
Equipment CapEx		-	
Leasehold Improvements		-	
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>



## **Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

### **Funding Sources**

- Not applicable.

### **Personnel Expenses**

- Not applicable.

### **Meeting Expenses**

- Not applicable.

### **Operating Expenses**

- Not applicable.

### **Indirect Expenses**

- Not applicable.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Not applicable.

## Finance and Accounting

### Program Scope and Functional Description

The Finance and Accounting function provides accounting, accounts payable, billing, accounts receivable, and budgeting support to WECC. This function also produces all financial reports and acts as a liaison with WECC's external financial statement auditors.

### 2010 Key Assumptions

- WECC will develop a budget to address the risks created by the uncertain operating environment.
- Improved accounting systems will increase staff efficiency.

### 2010 Goals and Key Deliverables

- Draft and implement financial policies.
- Improve financial reporting.
- Ensure employees are cross-trained to allow for backup for all financial duties.
- Increase the level of understanding by WECC Directors and staff of the WECC budgeting process and the actual costs of their departments.

### U.S. DOE Grants

The 2010 RTEP and WISP budgets include \$117,000 for the addition of 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 increases and FTE increases shown in the Reliability Assessment and Performance Analysis and the Situational Awareness and Infrastructure Security budgets.

### Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget

No change.

## Finance and Accounting

Funding sources and related expenses for the Finance and Accounting section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Finance and Accounting</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ -	\$ -	\$ -
Penalty Sanctions			
<b>Total ERO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 263,735	\$ -	\$ 263,735
Payroll Taxes	23,736	-	23,736
Benefits	33,406	-	33,406
Retirement Costs	18,461	-	18,461
<b>Total Personnel Expenses</b>	<u>\$ 339,339</u>	<u>\$ -</u>	<u>\$ 339,339</u>
<b>Meeting Expenses</b>			
Meetings	\$ -	\$ -	\$ -
Travel	2,500	-	2,500
Conference Calls	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 2,500</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ -	\$ -	\$ -
Office Rent	-	-	-
Office Costs	7,020	-	7,020
Professional Services	26,500	-	26,500
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 33,520</u>	<u>\$ -</u>	<u>\$ 33,520</u>
<b>Total Direct Expenses</b>	<u>\$ 375,359</u>	<u>\$ -</u>	<u>\$ 375,359</u>
<b>Indirect Expenses</b>	<u>\$ (375,359)</u>	<u>\$ -</u>	<u>\$ (375,359)</u>
<b>Other Non-Operating Expenses</b>		<u>\$ -</u>	
<b>Total Expenses</b>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Change in Assets</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx			
Furniture & Fixtures CapEx			
Equipment CapEx			
Leasehold Improvements			
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>

## **Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

### **Funding Sources**

- Not applicable.

### **Personnel Expenses**

- Not applicable.

### **Meeting Expenses**

- Not applicable.

### **Operating Expenses**

- Not applicable.

### **Indirect Expenses**

- Not applicable.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Not applicable.

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## Section B — 2010 Budget

2010 Approved Budget and 2010 Amended Budget Comparison  
Table 1

Statement of Activities			
2010 Approved Budget & 2010 Amended Budget			
STATUTORY			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 39,132,457	\$ -	\$ 39,132,457
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<b>\$ 39,132,457</b>	<b>\$ -</b>	<b>\$ 39,132,457</b>
Membership Dues	-	-	-
Federal Grants	-	19,926,124	19,926,124
Services & Software	-	-	-
Workshops	1,315,100	-	1,315,100
Interest	-	-	-
Miscellaneous	61,000	-	61,000
<b>Total Funding</b>	<b>\$ 40,508,557</b>	<b>\$ 19,926,124</b>	<b>\$ 60,434,681</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 18,363,174	\$ 891,029	\$ 19,254,203
Payroll Taxes	1,588,319	88,114	1,676,433
Benefits	2,688,771	110,690	2,799,461
Retirement Costs	1,264,442	68,533	1,332,975
<b>Total Personnel Expenses</b>	<b>\$ 23,904,706</b>	<b>\$ 1,158,366</b>	<b>\$ 25,063,072</b>
<b>Meeting Expenses</b>			
Meetings	\$ 1,194,700	\$ 332,370	\$ 1,527,070
Travel	1,781,450	47,900	1,829,350
Conference Calls	138,480	-	138,480
<b>Total Meeting Expenses</b>	<b>\$ 3,114,630</b>	<b>\$ 380,270</b>	<b>\$ 3,494,900</b>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 2,397,500	\$ 15,584,136	\$ 17,981,636
Office Rent	1,581,000	-	1,581,000
Office Costs	3,432,515	25,538	3,458,053
Professional Services	961,500	77,780	1,039,280
Miscellaneous	(72,000)	72,000	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 8,300,515</b>	<b>\$ 15,759,454</b>	<b>\$ 24,059,969</b>
<b>Total Direct Expenses</b>	<b>\$ 35,319,851</b>	<b>\$ 17,298,090</b>	<b>\$ 52,617,941</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ (364,175)</b>	<b>\$ (364,175)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 2,966,207</b>	<b>\$ -</b>	<b>\$ 2,966,207</b>
<b>Total Expenses</b>	<b>\$ 38,286,058</b>	<b>\$ 16,933,915</b>	<b>\$ 55,219,973</b>
<b>Change in Assets</b>	<b>\$ 2,222,500</b>	<b>\$ 2,992,209</b>	<b>\$ 5,214,708</b>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	1,222,500	1,220,145	2,442,645
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	20,000	20,000
Leasehold Improvements	-	1,537,667	1,537,667
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (1,222,500)</b>	<b>\$ (2,777,812)</b>	<b>\$ (4,000,312)</b>
Allocation of Fixed Assets	\$ 0	\$ (0)	\$ -
<b>Change in Fixed Assets</b>	<b>(1,222,500)</b>	<b>(2,777,812)</b>	<b>(4,000,312)</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 1,000,000</b>	<b>\$ 214,397</b>	<b>\$ 1,214,395</b>

## Personnel Analysis

FTEs are defined as full-time employees only. Fractional FTEs reflect part-time employees or partial allocation of headcount.

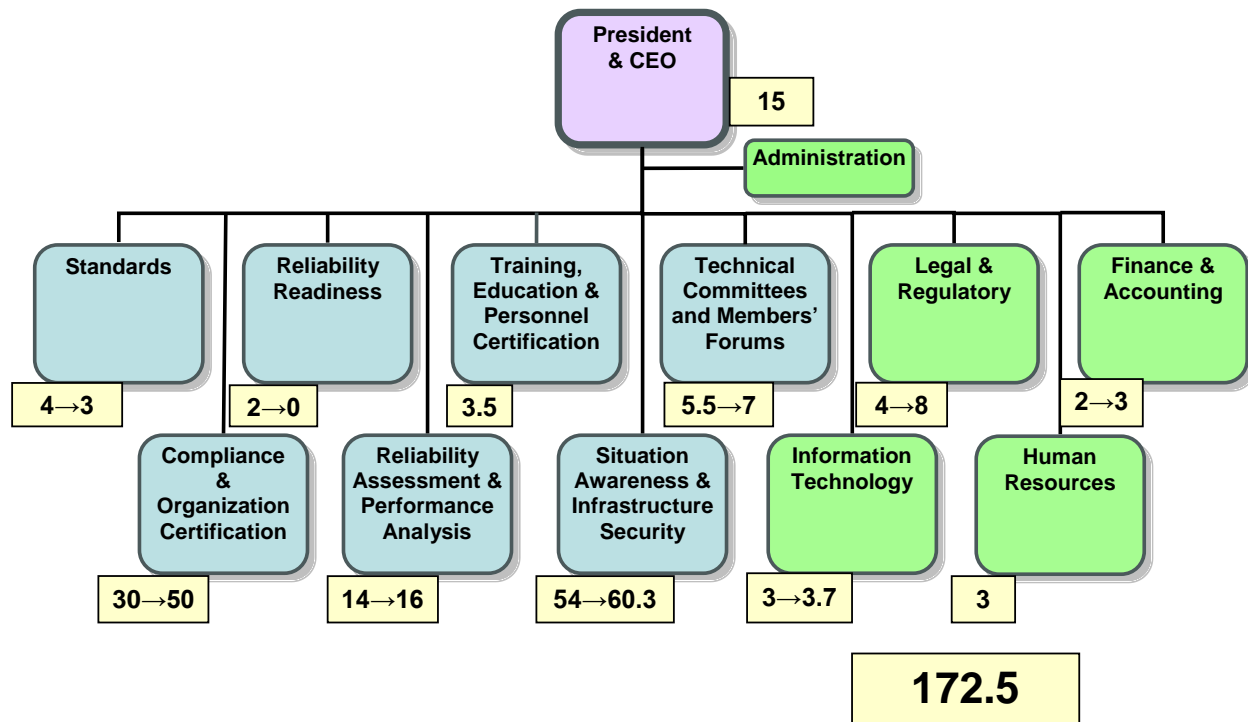
**Table 2**

Total FTEs by Program Area	Direct FTEs	Shared FTEs <sup>1</sup>	Total FTEs	Direct FTEs	Shared FTEs <sup>1</sup>	Total FTEs	Change from
	Approved 2010 Budget	Approved 2010 Budget	Approved 2010 Budget	Amended 2010 Budget	Amended 2010 Budget	Amended 2010 Budget	Approved 2010 Budget
<b>STATUTORY</b>							
<b>Operational Programs</b>							
Reliability Standards	3.0	0.0	3.0	3.0	0.0	3.0	0.0
Compliance and Organization Registration and Certification	50.0	0.0	50.0	50.0	0.0	50.0	0.0
Reliability Readiness Evaluation and Improvement	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Training and Education	3.5	0.0	3.5	3.5	0.0	3.5	0.0
Reliability Assessment and Performance Analysis	16.0	0.0	16.0	23.2	0.0	23.2	7.2
Situational Awareness and Infrastructure Security	60.3	0.0	60.3	62.6	0.0	62.6	2.3
<b>Total FTEs Operational Programs</b>	<b>132.8</b>	<b>0.0</b>	<b>132.8</b>	<b>142.3</b>	<b>0.0</b>	<b>142.3</b>	<b>9.5</b>
<b>Administrative Programs</b>							
Member Forums	7.0	0.0	7.0	7.0	0.0	7.0	0.0
General & Administrative	15.0	0.0	15.0	15.0	0.0	15.0	0.0
Information Technology	3.7	0.0	3.7	3.7	0.0	3.7	0.0
Legal and Regulatory	8.0	0.0	8.0	8.0	0.0	8.0	0.0
Human Resources	3.0	0.0	3.0	3.0	0.0	3.0	0.0
Accounting	3.0	0.0	3.0	3.0	0.0	3.0	0.0
<b>Total FTEs Administrative Programs</b>	<b>39.7</b>	<b>0.0</b>	<b>39.7</b>	<b>39.7</b>	<b>0.0</b>	<b>39.7</b>	<b>0.0</b>
<b>Total FTEs</b>	<b>172.5</b>	<b>0.0</b>	<b>172.5</b>	<b>182.0</b>	<b>0.0</b>	<b>182.0</b>	<b>9.5</b>

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

2010 Approved Organizational Chart

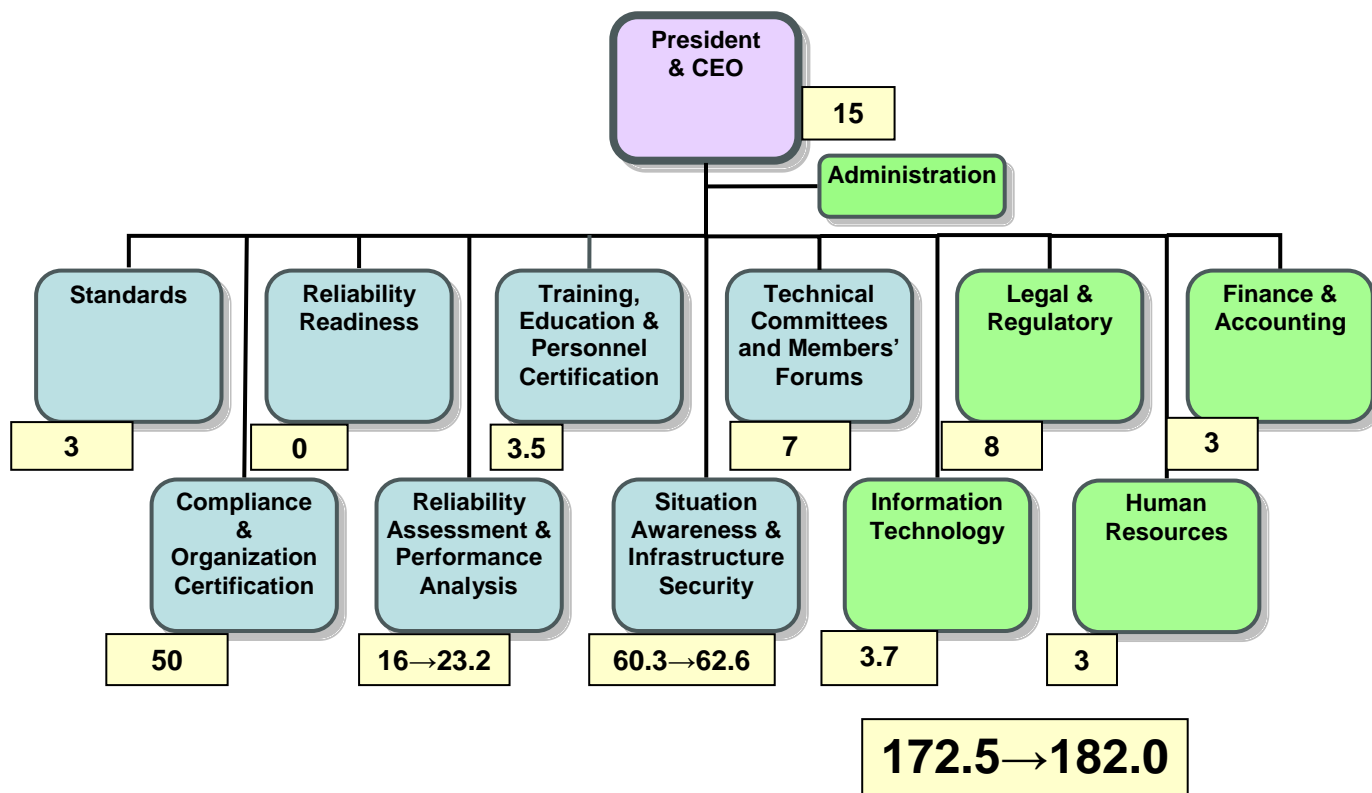
Table 3





2010 Amended Organizational Chart

Table 4



## Reserve Balance

The Working Capital Reserve Analysis increased \$4.25 million in 2009 due to actual expenditures being under budget. Variances to the 2009 budget were explained in the *Statement of Activities (Unaudited) December 31, 2009, Variance Explanations* — filed with NERC on January 20, 2010.

**Table 5**

<b>Working Capital Reserve Analysis 2009-2010</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2008</b>	124,036
Less: Penalty sanctions to be used to offset 2010 assessments <sup>2</sup>	0
Plus: 2009 ERO Funding (from LSEs or designees)	37,088,486
Plus: 2009 Other funding sources	1,221,003
Less: 2009 Projected expenses & capital expenditures	<b>(34,058,291)</b>
<b>Projected Working Capital Reserve (Deficit), December 31, 2009</b>	<b>4,375,234</b>
<b>Desired Working Capital Reserve, December 31, 2010</b>	<sup>1</sup> 5,589,629
Less: Projected Working Capital Reserve, December 31, 2009	<b>(4,375,234)</b>
<b>Increase (Decrease) in Assessments to Achieve Desired Working Capital Reserve</b>	<b>1,214,395</b>
2010 Funding requirement for expenses and fixed asset additions	59,220,285
Less: Penalty Sanctions <sup>2</sup>	0
Less: Other Funding Sources	<b>(21,302,224)</b>
Adjustment to achieve desired Working Capital Reserve	1,214,395
<b>2010 Assessment</b>	<b>39,132,456</b>

<sup>1</sup> The WECC Board of Directors approved this reserve level at the June 22, 2009 meeting. WECC is building reserves to a level suggested by its auditing firm; 3 months of expenses.

<sup>2</sup> Represents collections prior to June 30, 2009.

## WECC Assessment Analysis

## Assessments by Country

Table 6

Data Year	Balancing Authority	Total NEL	U.S. NEL	Canada NEL	Mexico NEL	% of RE Total	US Total	Canada Total	Mexico Total
2008	Alberta Electric System Operator	58,002,386		58,002,386		6.657%	0.000%	6.657%	0.000%
2008	Arizona Public Service Co.	33,000,358	33,000,358			3.787%	3.787%	0.000%	0.000%
2008	Avista Corp	12,593,228	12,593,228			1.445%	1.445%	0.000%	0.000%
2008	Bonneville Power Admin.	56,696,816	56,696,816			6.507%	6.507%	0.000%	0.000%
2008	British Columbia Transmission Corp.	62,892,493		62,892,493		7.218%	0.000%	7.218%	0.000%
2008	California ISO	239,781,969	239,781,969			27.519%	27.519%	0.000%	0.000%
2008	Comision Federal de Electricidad	11,063,018			11,063,018	1.270%	0.000%	0.000%	1.270%
2008	Duke - Arlington Valley	0	0			0.000%	0.000%	0.000%	0.000%
2008	El Paso Electric Company	7,669,160	7,669,160			0.880%	0.880%	0.000%	0.000%
2008	Gila River Maricopa Arizona	0	0			0.000%	0.000%	0.000%	0.000%
2008	Glacier Wind	0	0			0.000%	0.000%	0.000%	0.000%
2008	Harquahala Generator Maricopa Arizona	0	0			0.000%	0.000%	0.000%	0.000%
2008	Idaho Power Company	17,632,524	17,632,524			2.024%	2.024%	0.000%	0.000%
2008	Imperial Irrigation District	3,733,717	3,733,717			0.429%	0.429%	0.000%	0.000%
2008	LA Dept. of Water & Power	30,667,619	30,667,619			3.520%	3.520%	0.000%	0.000%
2008	NaturEner USA	0	0			0.000%	0.000%	0.000%	0.000%
2008	Nevada Power Company	25,164,524	25,164,524			2.888%	2.888%	0.000%	0.000%
2008	NorthWestern Energy	10,735,514	10,735,514			1.232%	1.232%	0.000%	0.000%
2008	PacifiCorp (PACE)	46,893,380	46,893,380			5.382%	5.382%	0.000%	0.000%
2008	PacifiCorp (PACW)	22,205,447	22,205,447			2.548%	2.548%	0.000%	0.000%
2008	Portland General Electric	21,760,766	21,760,766			2.497%	2.497%	0.000%	0.000%
2008	Public Service Co. of Colorado	42,143,602	42,143,602			4.837%	4.837%	0.000%	0.000%
2008	Public Service Co. of New Mexico	14,495,146	14,495,146			1.664%	1.664%	0.000%	0.000%
2008	PUD No. 1 of Chelan County	3,289,733	3,289,733			0.378%	0.378%	0.000%	0.000%
2008	PUD No. 1 of Douglas County	1,440,108	1,440,108			0.165%	0.165%	0.000%	0.000%
2008	PUD No. 2 of Grant County	3,670,729	3,670,729			0.421%	0.421%	0.000%	0.000%
2008	Puget Sound Energy	23,593,146	23,593,146			2.708%	2.708%	0.000%	0.000%
2008	Sacramento Municipal Utility District	17,973,764	17,973,764			2.063%	2.063%	0.000%	0.000%
2008	Salt River Project	31,906,203	31,906,203			3.662%	3.662%	0.000%	0.000%
2008	Seattle City Light	10,362,794	10,362,794			1.189%	1.189%	0.000%	0.000%
2008	Sierra Pacific Power Company	11,811,444	11,811,444			1.356%	1.356%	0.000%	0.000%
2008	Tacoma Power	5,293,256	5,293,256			0.607%	0.607%	0.000%	0.000%
2008	Tucson Electric Power Company	13,506,010	13,506,010			1.550%	1.550%	0.000%	0.000%
2008	Turlock Irrigation District	2,398,934	2,398,934			0.275%	0.275%	0.000%	0.000%
2008	Western Area Power Admin.-WACM	21,751,902	21,751,902			2.496%	2.496%	0.000%	0.000%
2008	Western Area Power Admin.-WALC	6,592,316	6,592,316			0.757%	0.757%	0.000%	0.000%
2008	Western Area Power Admin.-WAUM	623,001	623,001			0.071%	0.071%	0.000%	0.000%
<b>TOTAL</b>		<b>871,345,007</b>	<b>739,387,110</b>	<b>120,894,879</b>	<b>11,063,018</b>	<b>100.00%</b>	<b>84.86%</b>	<b>13.88%</b>	<b>1.27%</b>

WECC Assessments<sup>1</sup> \$ 39,132,458 \$ 33,469,113 \$ 5,162,566 \$ 500,779

<sup>1</sup> Calculation is consistent with NERC's allocation of certain Compliance and Enforcement costs per the 2009 budget filing (Docket No. RR08-6-000, filed August 22, 2008) and the WECC Board approved Allocation Methodology for Certain WECC Compliance Program Area Costs Assessed to Non-U.S. Entities. The assessment adjustment of \$289,238 represents WECC costs that are duplicative of Alberta Compliance and Enforcement Programs. See Appendix 1 for the calculation of the assessment credit issued to AESO. This amount was allocated to the remainder of the Balancing Authorities' assessments based on NEL.

**Breakdown by Statement of Activity Sections**

The following detailed schedules are in support of Table 1, page 61, of the 2010 WECC Business Plan and Budget. All significant variances have been disclosed, by Program Area, in the preceding pages.

**Penalty Sanctions**

Penalty monies received prior to June 30, 2009 are to be used to offset assessments in the 2010 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, 2009 through June 30, 2010 will be used to offset assessments in the 2011 Budget.

Full disclosure of all penalties received prior to June 30, 2009 is detailed below, including the company, 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 & Enforcement and Organization Registration & Certification
- Reliability Assessments and Performance Analysis
- Training, Education, and Operator Certification
- Situational Awareness and Infrastructure Security

Penalty sanctions are allocated based upon the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

**Table B-1**

Penalty Sanctions Received Prior to June 30, 2009	Date Receive	Amount Received
---	--------------	-----------------

**Name of Entity**

**Total Penalties Received**

\$	-
----	---

## Supplemental Funding

Table B-2

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Approved Budget 2010	Amended 2010 Budget	Variance Approved 2010 Budget v Amended 2010 Budget
<b>Compliance and Organization Registration and Certification</b>			
Workshops - Non-training	\$ 400,000	\$ 400,000	-
	-	-	-
<b>Total</b>	<b>\$ 400,000</b>	<b>\$ 400,000</b>	<b>-</b>
<b>Training and Education</b>			
Workshops - Training	\$ 102,500	\$ 102,500	-
Workshops - Non-Training	-	-	-
Operator Training	812,600	812,600	-
<b>Total</b>	<b>\$ 915,100</b>	<b>\$ 915,100</b>	<b>-</b>
<b>Reliability Assessment &amp; Performance Analysis</b>			
Contract Services - Desert Southwest	\$ -	\$ -	-
Grant - Department of Energy	-	3,991,879	3,991,879
Grant - Lawrence Berkeley National Laboratory	50,000	50,000	-
<b>Total</b>	<b>\$ 50,000</b>	<b>\$ 4,041,879</b>	<b>3,991,879</b>
<b>Situation Awareness and Infrastructure Security</b>			
Grant - Department of Energy	\$ -	\$ 15,811,845	15,811,845
<b>Total</b>	<b>\$ -</b>	<b>\$ 15,811,845</b>	<b>15,811,845</b>
<b>Technical Committees and Members' Forums</b>			
Grant - Department of Energy	\$ -	\$ 122,400	122,400
<b>Total</b>	<b>\$ -</b>	<b>\$ 122,400</b>	<b>122,400</b>
<b>General and Administrative</b>			
Interest Income	\$ -	\$ -	-
Miscellaneous	11,000	11,000	-
<b>Total</b>	<b>\$ 11,000</b>	<b>\$ 11,000</b>	<b>-</b>
<b>Total Outside Funding</b>	<b>\$ 1,376,100</b>	<b>\$ 21,302,224</b>	<b>\$ 19,926,124</b>

## **Explanation of Significant Variances – Approved 2010 Budget versus Amended 2010 Budget**

### **Reliability Assessment and Performance Analysis**

- In 2010, WECC has budgeted for the receipt of a U. S. DOE grant for its RTEP project.

### **Situational Analysis and Infrastructure Security**

- In 2010, WECC has budgeted for the receipt of a U. S. DOE grant for its WISP project.

### **Technical Committees and Members' Forums**

- In 2010, WECC has budgeted for the receipt of a U. S. DOE grant for the VGS project.

## Personnel Expenses

**Table B-3**

Personnel Expenses	Approved Budget 2010	Amended 2010 Budget	Variance Approved 2010 Budget v Amended 2010 Budget	Variance %
<b>Salaries</b>				
Salary	\$ 18,275,174	\$ 19,166,203	\$ 891,029	4.88%
Employment Agency Fees	-	-	-	
Temporary Office Services	88,000	88,000	-	0.00%
<b>Total Salaries</b>	<b>\$ 18,363,174</b>	<b>\$ 19,254,203</b>	<b>\$ 891,029</b>	<b>4.85%</b>
<b>Total Payroll Taxes</b>	<b>\$ 1,588,319</b>	<b>\$ 1,676,433</b>	<b>\$ 88,114</b>	<b>5.55%</b>
<b>Benefits</b>				
Workers Compensation	\$ 12,000	\$ 12,494	\$ 494	4.12%
Medical Insurance	1,982,700	2,064,323	81,623	4.12%
Life-LTD-LTC Insurance	248,971	259,221	10,250	4.12%
Education	385,100	400,954	15,854	4.12%
Relocation	60,000	62,470	2,470	4.12%
<b>Total Benefits</b>	<b>\$ 2,688,771</b>	<b>\$ 2,799,461</b>	<b>\$ 110,690</b>	<b>4.12%</b>
<b>Retirement</b>				
Discretionary 401k Contribution Savings Plan	\$ 1,264,442	\$ 1,332,975	\$ 68,533	5.42%
<b>Total Retirement</b>	<b>\$ 1,264,442</b>	<b>\$ 1,332,975</b>	<b>\$ 68,533</b>	<b>5.42%</b>
<b>Total Personnel Costs</b>	<b>\$ 23,904,706</b>	<b>\$ 25,063,072</b>	<b>\$ 1,158,366</b>	<b>4.85%</b>
FTEs	172.5	182	9.5	5.51%
<b>Cost per FTE</b>				
Salaries	\$ 106,453	\$ 105,792	\$ (661)	-0.62%
Payroll Taxes	9,208	9,211	4	0.04%
Benefits	15,587	15,382	(205)	-1.32%
Retirement	7,330	7,324	(6)	-0.08%
<b>Total Cost per FTE</b>	<b>\$ 138,578</b>	<b>\$ 137,709</b>	<b>\$ (869)</b>	<b>-0.63%</b>

### Explanation of Significant Variances – Approved 2010 Budget versus Amended 2009 Budget

#### Salaries

- Salaries increase \$891,000 mainly due to the addition of 9.5 FTEs for projects funded by the U.S. DOE grants, as discussed in previous sections.

#### Payroll Taxes

- Payroll Taxes increase as a result of the 9.5 additional FTEs in the amended 2010 budget.

**Benefits**

- Benefits increased as a result of the 9.5 additional FTEs in the amended 2010 budget.

**Retirement**

- Savings plan contributions increase as a result of the 9.5 additional FTEs in the amended 2010 budget.



## Consultants and Contracts

Table B-4

Consultants	Approved Budget 2010	Amended 2010 Budget	Variance Approved 2010 Budget v Amended 2010 Budget	Variance %
<b>Consultants</b>				
Reliability Standards	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	300,000	300,000	-	0.0%
Reliability Readiness Evaluation and Improvement	-	-	-	0.0%
Reliability Assessment and Performance Analysis	602,000	2,571,168	1,969,168	327.1%
Training and Education	98,000	98,000	-	0.0%
Situational Awareness and Infrastructure Security	118,000	6,623,025	6,505,025	5512.7%
Committee and Member Forums	40,000	152,480	112,480	281.2%
General and Administrative	32,000	32,000	-	0.0%
Legal and Regulatory	-	-	-	0.0%
Information Technology	30,000	30,000	-	0.0%
Human Resources	10,000	10,000	-	0.0%
Accounting and Finance	-	-	-	
<b>Consultants Total</b>	<b>\$ 1,230,000</b>	<b>\$ 9,816,673</b>	<b>\$ 8,586,673</b>	<b>698.1%</b>
<b>Contracts</b>				
Reliability Standards	\$ -	-	-	
Compliance and Organization Registration and Certification	1,167,500	1,167,500	-	0.0%
Reliability Readiness Evaluation and Improvement	-	-	-	0.0%
Reliability Assessment and Performance Analysis	-	997,463	997,463	100.0%
Training and Education	-	-	-	0.0%
Situational Awareness and Infrastructure Security	-	6,000,000	6,000,000	100.0%
Committee and Member Forums	-	-	-	0.0%
General and Administrative	-	-	-	0.0%
Legal and Regulatory	-	-	-	0.0%
Information Technology	-	-	-	0.0%
Human Resources	-	-	-	0.0%
Accounting and Finance	-	-	-	0.0%
<b>Contracts Total</b>	<b>\$ 1,167,500</b>	<b>\$ 8,164,963</b>	<b>\$ 6,997,463</b>	<b>599.4%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 2,397,500</b>	<b>\$ 17,981,636</b>	<b>\$ 12,997,463</b>	<b>650.0%</b>

### Explanation of Significant Variances – Approved 2010 Budget versus Amended 2010 Budget

The 2010 Amended budget includes additions to Consultants and Contracts for projects funded by the U.S. DOE grants.

- Reliability Assessment consultants, Situational Awareness consultants, and Members' Forums consultant budgets increased \$2 million, \$6.5 million, and \$112,000 respectively. This is due to the additional consulting required to accomplish the deliverables of the U.S. DOE grants.
- Contracts budgets for Reliability Assessment and Situational Awareness have increased \$977,000 and \$6 million respectively. These budget increases are for the sub-recipient components of the projects funded by the U.S. DOE grants.

**Table B-5**

<b>Office Rent</b>	<b>Approved Budget 2010</b>	<b>Amended 2010 Budget</b>	<b>Variance Approved 2010 Budget v Amended 2010 Budget</b>	<b>Variance %</b>
Office Rent	\$ 1,519,000	\$ 1,519,000	\$ -	
Utilities	42,000	42,000	-	
Maintenance	-	-	-	
Security	20,000	20,000	-	
<b>Total Office Rent</b>	<b>\$ 1,581,000</b>	<b>\$ 1,581,000</b>	<b>\$ -</b>	

**Explanation of Significant Variances – Proposed 2010 Budget versus Amended 2010 Budget**

- No change.

Table B-6

Office Costs	Approved Budget 2010	Amended 2010 Budget	Variance Approved 2010 Budget v Amended 2010 Budget	Variance %
Telephone	\$ 278,790	\$ 278,790	\$ -	0.0%
Internet	395,210	395,210	\$ -	0.0%
Office Supplies	132,000	132,000	\$ -	0.0%
Computer Supplies and Maintenance	1,910,200	1,935,738	\$ 25,538	1.3%
Publications & Subscriptions	29,800	29,800	\$ -	0.0%
Dues & Fees	114,600	114,600	\$ -	0.0%
Postage	8,800	8,800	\$ -	0.0%
Express Shipping	78,440	78,440	\$ -	0.0%
Copying	105,300	105,300	\$ -	0.0%
Reports	8,800	8,800	\$ -	0.0%
Equipment Repair/Service Contracts	334,200	334,200	\$ -	0.0%
Bank Charges	31,200	31,200	\$ -	0.0%
Taxes	5,175	5,175	\$ -	0.0%
<b>Total Office Costs</b>	<b>\$ 3,432,515</b>	<b>\$ 3,458,053</b>	<b>\$ 25,538</b>	<b>0.7%</b>

### Explanation of Significant Variances – Approved 2010 Budget versus Amended 2010 Budget

- Computer Supplies and Maintenance increased \$26,000 due to the additional computer equipment and supply requirements for the additional 9.5 FTEs associated with the U.S DOE grants.

Table B-7

Professional Services	Approved Budget 2010	Amended 2010 Budget	Variance Approved 2010 Budget v Amended 2010 Budget	Variance %
Independent Trustee Fees	\$ 492,000	492,000	\$ -	0%
Outside Legal	388,000	388,000	\$ -	0%
Accounting & Auditing Fees	26,500	28,684	\$ 2,184	8%
Other Legal Fees	-	-	\$ -	
Insurance Commercial	55,000	130,596	\$ 75,596	137%
<b>Total Professional Services</b>	<b>\$ 961,500</b>	<b>\$ 1,039,280</b>	<b>\$ 77,780</b>	<b>8%</b>

### Explanation of Significant Variances – Approved 2010 Budget versus Amended 2010 Budget

#### Accounting & Audit Fees

- WECC previously was directly allocating audit fees to Non-Statutory Programs. In the amended budget, WECC has reversed these direct allocations and applied an indirect allocation consistent with the allocation to other Program Areas. The reversal of directly-allocated expenses has resulted in an increase of \$2,000.

#### Insurance Commercial

- As described above, WECC has reversed direct allocations of expenses to Non-Statutory Programs areas. This reversal results in an increase of \$76,000 of Commercial Insurance.

**Table B-8**

Other Non-Operating Expenses	Approved Budget 2010	Amended 2010 Budget	Variance Approved 2010 Budget v Amended 2010 Budget	Variance %
Interest Expense	\$ 40,000	\$ 40,000	\$ -	
Loan Payment	2,926,207	2,926,207	-	
<b>Total Non-Operating Expenses</b>	<b>\$ 2,966,207</b>	<b>\$ 2,966,207</b>	<b>\$ -</b>	

**Explanation of Significant Variances – Approved 2010 Budget versus Amended 2010 Budget**

- No change.

## Section C — 2010 WECC Non-Statutory Business Plan and Budget

<b>Western Renewable Energy Generation Information System (WREGIS)</b>			
(in whole dollars)			
	2010 Approved Budget	2010 Amended Budget	Increase(Decrease)
Total FTEs	5	5	0
Total Direct Expenses	\$882,348	\$732,568	(\$149,780)
Total Indirect Expenses	\$0	\$364,175	\$364,175
Total Expenses	\$882,348	\$1,096,743	\$214,395

### Program Scope and Functional Description

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 of each year. WREGIS' budget has been converted to a calendar year for the purposes of WECC's 2010 Business Plan and Budget.

### Major 2010 Assumptions and Cost Impacts

#### 2010 Key Assumptions

- The CEC is a financial backstop for WREGIS to the extent that other funding sources are insufficient. This support ends in 2011, by which time it is expected that WREGIS will be fully self-funded.

## **2010 Primary Goals and Objectives**

The goals for WREGIS for 2010 are to:

- Implement the WREGIS program as required by the contract between the CEC and WECC.
- Continue to register program participants, whether mandatory or voluntary.
- Work 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.

## **Explanation of Variances – 2010 Amended Budget versus Approved 2010 Budget**

The WREGIS amended 2010 budget is \$1.1 million, a \$214,000 (24.3 percent) increase over the approved 2010 budget. The major drivers of this increase are:

- Previously, indirect expenses were directly allocated to the WREGIS budget and totaled \$150,000. These expenses were reversed and replaced with an indirect expense allocation, based on FTEs, in the amount of \$364,000. This allocation of indirect expenses is consistent with the “Changes in Accounting Methodology” for indirect expenses as described on page 10.

## **Funding Sources**

- WREGIS Account Holders pay an initial registration fee and annual renewal fees. Amounts vary by size and category of the Account Holder.
- Volumetric-based fees are 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 2011, by which time it is expected that WREGIS will be fully self-funded.

## 2009 Budget and Projection and 2010 Budget Comparisons

Table 1

<b>Statement of Activities</b>			
<b>2010 Revised Budget</b>			
<b>NON-STATUTORY</b>			
	Original 2010 Budget	Revisions to 2010 Budget	Revised 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments		\$ -	\$ -
Penalty Sanctions			\$ -
<b>Total ERO Funding</b>		<b>\$ -</b>	<b>\$ -</b>
Membership Dues/Non-statutory Assessments	1,036,572	51,371	1,087,943
Testing Fees		-	-
Services & Software		-	-
Workshops	8,800	-	8,800
Interest		-	-
Miscellaneous		-	-
<b>Total Funding</b>	<b>\$ 1,045,372</b>	<b>\$ 51,371</b>	<b>\$ 1,096,743</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 350,047	\$ -	\$ 350,047
Payroll Taxes	31,504	-	31,504
Benefits	50,882	-	50,882
Retirement Costs	24,503	-	24,503
<b>Total Personnel Expenses</b>	<b>\$ 456,936</b>	<b>\$ -</b>	<b>\$ 456,936</b>
<b>Meeting Expenses</b>			
Meetings	\$ 19,943	\$ -	\$ 19,943
Travel	34,872	-	34,872
Conference Calls	500	-	500
<b>Total Meeting Expenses</b>	<b>\$ 55,315</b>	<b>\$ -</b>	<b>\$ 55,315</b>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 87,041	\$ -	\$ 87,041
Office Rent	-	-	-
Office Costs	70,259	-	70,259
Professional Services	140,797	(77,780)	63,017
Miscellaneous	72,000	(72,000)	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 370,097</b>	<b>\$ (149,780)</b>	<b>\$ 220,317</b>
<b>Total Direct Expenses</b>	<b>\$ 882,348</b>	<b>\$ (149,780)</b>	<b>\$ 732,568</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ 364,175</b>	<b>\$ 364,175</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 882,348</b>	<b>\$ 214,395</b>	<b>\$ 1,096,743</b>
<b>Change in Assets</b>	<b>\$ 163,024</b>	<b>\$ (163,024)</b>	<b>\$ -</b>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Inc)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -		
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 163,024</b>	<b>\$ (163,024)</b>	<b>\$ -</b>



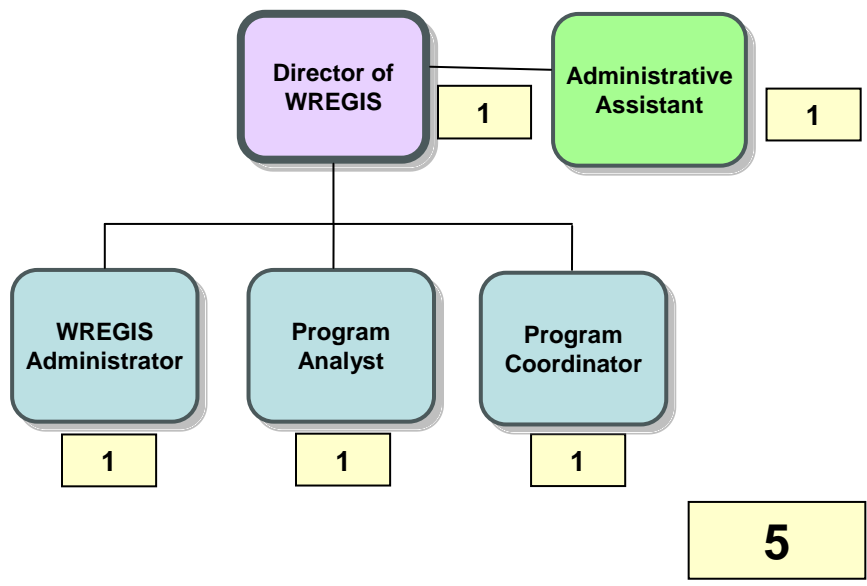
## Personnel Analysis

FTEs are defined as full-time employees only. Fractional FTEs reflect part-time employees or partial allocation of headcount.

**Table 2**

Total FTE's by Program Area	Approved 2010 Budget	Amended 2010 Budget	Change from Approved 2010 Budget
<b>Non-Statutory</b>			
<b>Operational Programs</b>			
<b>Total FTEs Operational Programs</b>	0.0	0.0	0.0
<b>Administrative Programs</b>			
WREGIS	5.0	5.0	0.0
<b>Total FTEs Administrative Programs</b>			
<b>Total FTEs</b>	5.0	5.0	0.0

## 2010 WREGIS Organizational Chart



## Reserve Analysis — 2009–2010

Table 5

<b>Working Capital Reserve Analysis 2009-2010</b>	
<b>Non-Statutory</b>	
Beginning Working Capital Reserve (Deficit), December 31, 2008	5,090,288
2009 Funding (from members)	
2009 Other funding sources	764,848
<b>Projected Working Capital Reserve (Deficit), December 31, 2009</b>	<b>5,855,136</b>
<b>Cash Needed 2009</b>	
2009 expenses	525,012
2009 Fixed asset additions	0
<b>Total Cash Needed 2009</b>	<b>525,012</b>
<b>Projected Working Capital Reserve Balance, December 31, 2009</b>	<b>5,330,124</b>
Desired Working Capital Reserve Balance, December 31, 2010	5,330,124
Less: Projected Working Capital Reserve Balance December 31, 2009	5,330,124
<b>Additional Funding Needed to Increase Working Capital Reserve Balance</b>	<b>0</b>
2010 Funding requirement for expenses and fixed asset additions	1,096,743
Adjustment to increase working capital reserve balance	0
2010 Budgeted excess of funding over expenditures	0
<b>2010 Funding and Reserve Adjustment</b>	<b>1,096,743</b>

Section D — Additional Financial Data

Section D — 2010 Amended Consolidated Statement of Activities by Program, Statutory, and Non-Statutory

Statement of Activities 2010 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement												Non-Statutory Total
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	
<b>Funding</b>																
<b>ERO Funding</b>																
ERO Assessments	39,132,457	39,132,457	-	39,132,457	738,927	12,985,975	4,772,132	250,557	19,170,469	-	1,214,395	-	-	-	-	
Penalty Sanctions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total ERO Funding</b>	<b>39,132,457</b>	<b>39,132,457</b>	<b>-</b>	<b>39,132,457</b>	<b>738,927</b>	<b>12,985,975</b>	<b>4,772,132</b>	<b>250,557</b>	<b>19,170,469</b>	<b>-</b>	<b>1,214,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Membership Dues	1,087,943	-	1,087,943	-	-	-	-	-	-	-	-	-	-	-	1,087,943	
Federal Grants	19,926,124	19,926,124	-	19,926,124	-	-	3,991,879	-	15,811,845	122,400	-	-	-	-	-	
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Workshops	1,323,900	1,315,100	8,800	1,315,100	-	400,000	-	915,100	-	-	-	-	-	-	8,800	
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Miscellaneous	61,000	61,000	-	61,000	-	-	50,000	-	-	-	-	11,000	-	-	-	
<b>Total Funding</b>	<b>61,531,424</b>	<b>60,434,681</b>	<b>1,096,743</b>	<b>60,434,681</b>	<b>738,927</b>	<b>13,385,975</b>	<b>8,814,011</b>	<b>1,165,657</b>	<b>34,982,314</b>	<b>122,400</b>	<b>1,225,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,096,743</b>	
<b>Expenses</b>																
<b>Personnel Expenses</b>																
Salaries	19,604,250	19,254,203	350,047	19,254,203	385,467	5,060,109	1,907,620	327,543	7,390,968	738,970	1,701,761	858,707	323,439	295,883	263,735	350,047
Payroll Taxes	1,707,937	1,676,433	31,504	1,676,433	34,692	438,047	170,159	23,284	668,926	66,507	118,058	77,284	29,110	26,629	23,736	31,504
Benefits	2,850,343	2,799,461	50,882	2,799,461	43,626	582,670	236,888	36,835	829,599	84,655	778,033	100,640	36,242	36,866	33,406	50,882
Retirement Costs	1,357,478	1,332,975	24,503	1,332,975	26,983	348,605	132,346	18,110	520,276	51,728	113,003	60,109	22,641	20,712	18,461	24,503
<b>Total Personnel Expenses</b>	<b>25,520,008</b>	<b>25,063,072</b>	<b>456,936</b>	<b>25,063,072</b>	<b>490,768</b>	<b>6,429,432</b>	<b>2,447,013</b>	<b>405,772</b>	<b>9,409,770</b>	<b>941,861</b>	<b>2,710,856</b>	<b>1,096,740</b>	<b>411,432</b>	<b>380,090</b>	<b>339,339</b>	<b>456,936</b>
<b>Meeting Expenses</b>																
Meetings	1,547,013	1,527,070	19,943	1,527,070	4,000	425,000	416,850	278,000	-	380,220	15,000	8,000	-	-	-	19,943
Travel	1,864,222	1,829,350	34,872	1,829,350	12,000	762,350	149,500	24,000	216,000	255,900	313,100	86,000	-	8,000	2,500	34,872
Conference Calls	138,980	138,480	500	138,480	5,760	45,500	28,320	2,000	10,000	30,900	6,000	10,000	-	-	-	500
<b>Total Meeting Expenses</b>	<b>3,550,215</b>	<b>3,494,900</b>	<b>55,315</b>	<b>3,494,900</b>	<b>21,760</b>	<b>1,232,850</b>	<b>594,670</b>	<b>304,000</b>	<b>226,000</b>	<b>667,020</b>	<b>334,100</b>	<b>104,000</b>	<b>-</b>	<b>8,000</b>	<b>2,500</b>	<b>55,315</b>
<b>Operating Expenses</b>																
Consultants & Contracts	18,068,677	17,981,636	87,041	17,981,636	-	1,467,500	3,568,631	98,000	12,623,025	152,480	32,000	-	30,000	10,000	-	87,041
Office Rent	1,581,000	1,581,000	-	1,581,000	-	-	-	-	596,000	-	985,000	-	-	-	-	-
Office Costs	3,528,312	3,458,053	70,259	3,458,053	2,200	178,550	444,000	14,320	1,763,338	108,500	269,675	89,920	504,800	75,730	7,020	70,259
Professional Services	1,102,297	1,039,280	63,017	1,039,280	-	155,000	-	-	15,000	395,000	172,780	275,000	-	-	26,500	63,017
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>24,280,286</b>	<b>24,059,969</b>	<b>220,317</b>	<b>24,059,969</b>	<b>2,200</b>	<b>1,801,050</b>	<b>4,012,631</b>	<b>112,320</b>	<b>14,997,363</b>	<b>655,980</b>	<b>1,459,455</b>	<b>364,920</b>	<b>534,800</b>	<b>85,730</b>	<b>33,520</b>	<b>220,317</b>
<b>Total Direct Expenses</b>	<b>53,350,509</b>	<b>52,617,941</b>	<b>732,568</b>	<b>52,617,941</b>	<b>514,728</b>	<b>9,463,332</b>	<b>7,054,314</b>	<b>822,092</b>	<b>24,633,133</b>	<b>2,264,861</b>	<b>4,504,411</b>	<b>1,565,660</b>	<b>946,232</b>	<b>473,820</b>	<b>375,359</b>	<b>732,568</b>
<b>Indirect Expenses</b>	<b>0</b>	<b>(364,175)</b>	<b>364,175</b>	<b>(364,175)</b>	<b>218,505</b>	<b>3,641,750</b>	<b>1,684,309</b>	<b>254,922</b>	<b>3,833,280</b>	<b>(2,142,461)</b>	<b>(4,493,411)</b>	<b>(1,565,660)</b>	<b>(946,232)</b>	<b>(473,820)</b>	<b>(375,359)</b>	<b>364,175</b>
<b>Other Non-Operating Expenses</b>	<b>2,966,207</b>	<b>2,966,207</b>	<b>-</b>	<b>2,966,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,966,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses</b>	<b>56,316,716</b>	<b>55,219,973</b>	<b>1,096,743</b>	<b>55,584,148</b>	<b>733,233</b>	<b>13,105,082</b>	<b>8,738,623</b>	<b>1,077,015</b>	<b>31,432,620</b>	<b>122,400</b>	<b>11,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,096,743</b>
<b>Change in Assets</b>	<b>5,214,708</b>	<b>5,214,708</b>	<b>0</b>	<b>4,850,533</b>	<b>5,694</b>	<b>280,894</b>	<b>75,388</b>	<b>88,643</b>	<b>3,549,694</b>	<b>-</b>	<b>1,214,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Fixed Assets</b>																
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer & Software CapEx	2,442,645	2,442,645	-	2,442,645	-	186,000	11,500	82,000	1,893,145	50,000	-	-	220,000	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	20,000	20,000	-	20,000	-	-	20,000	-	-	-	-	-	-	-	-	-
Leasehold Improvements	1,537,667	1,537,667	-	1,537,667	-	-	-	-	1,537,667	-	-	-	-	-	-	-
<b>Change in Fixed Assets</b>	<b>(4,000,312)</b>	<b>(4,000,312)</b>	<b>-</b>	<b>(4,000,312)</b>	<b>-</b>	<b>(186,000)</b>	<b>(31,500)</b>	<b>(82,000)</b>	<b>(3,430,812)</b>	<b>(50,000)</b>	<b>-</b>	<b>-</b>	<b>(220,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets					(5,694)	(94,893)	(43,888)	(6,643)	(118,882)	50,000	-	-	220,000	-	-	-
<b>Change in Fixed Assets</b>					<b>(5,694)</b>	<b>(280,893)</b>	<b>(75,388)</b>	<b>(88,643)</b>	<b>(3,549,694)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>1,214,396</b>	<b>1,214,395</b>	<b>0</b>	<b>1,214,395</b>	<b>1</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>-</b>	<b>1,214,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>FTEs</b>	<b>187.0</b>	<b>182.0</b>	<b>5</b>	<b>182.0</b>	<b>3.0</b>	<b>50.0</b>	<b>23.1</b>	<b>3.5</b>	<b>62.6</b>	<b>7.0</b>	<b>15.0</b>	<b>8.0</b>	<b>3.7</b>	<b>3.0</b>	<b>3.0</b>	<b>5.0</b>

## Statement of Financial Position

### Approved 2010 Budget and Amended 2010 Budget Comparisons

Statement of Financial Position			
2009 Unaudited, Approved 2010 Budget and Amended 2010 Budget			
STATUTORY and NON-STATUTORY			
	Unaudited 31-Dec-09	Approved Budget 31-Dec-10	Amended Budget 31-Dec-10
ASSETS			
Cash and investments	39,785,738	7,200,000	7,200,000
Trade Accounts receivable, net of allowance for uncollectible accounts	668,664	250,000	250,000
Other Receivables	-	-	-
Prepaid expenses and other current assets	110,111	514,324	514,324
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment, net of accumulated depreciation	6,838,616	8,500,000	8,500,000
Total Assets	<b>47,403,129</b>	<b>16,464,324</b>	<b>16,464,324</b>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	5,880,016	1,815,650	1,815,650
Deferred income	24,419,997	9,934,350	9,934,350
Regional assessments collected in advance	-	-	-
Deferred Rent	231,122	60,000	1,254,134
Line of Credit	2,926,207	-	-
Total Liabilities	<b>33,457,342</b>	<b>11,810,000</b>	<b>13,004,134</b>
Net Assets - unrestricted	13,945,787	4,654,324	3,460,190
Total Liabilities and Net Assets	<b>47,403,129</b>	<b>16,464,324</b>	<b>16,464,324</b>

**ATTACHMENT 2**

**AMENDED WESTERN ELECTRICITY COORDINATING COUNCIL  
2010 BUSINESS PLAN AND BUDGET**

**REDLINED AGAINST  
ORIGINAL APPROVED 2010 BUSINESS PLAN AND BUDGET**



2010 Amended Business Plan and Budget

Western Electricity Coordinating Council

Original Approved by:  
WECC Board of Directors

Date:  
June 22, 2009

Deleted: . . .

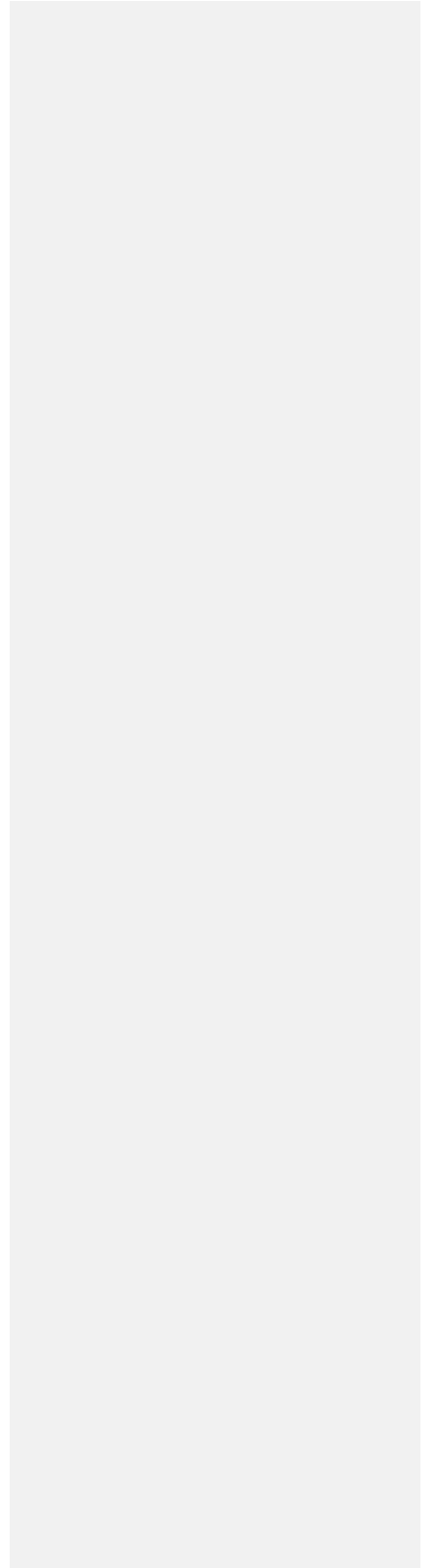
Amended Approved by:  
WECC Board of Directors

Date:  
March 26, 2010





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Introduction

Introduction

Total WECC Resources (in whole dollars)				
	2010 Budget	U.S.	Canada	Mexico
Statutory FTEs <sup>1</sup>	182			
Non-statutory FTEs	5			
Total FTEs	187			
Statutory Expenses and Capital Expenditures	\$59,220,285			
Non-statutory Expenses	\$1,096,743			
Total Expenditures	\$60,317,028			
Statutory Funding <sup>2</sup>	\$60,434,681	\$54,771,336	\$5,162,566	\$500,779
Non-Statutory Funding	\$1,096,743	\$1,096,743	\$0	\$0
Total Funding	\$61,531,424	\$55,868,079	\$5,162,566	\$500,779
NEL	871,345,007	739,387,110	120,894,879	11,063,018
NEL %	100%	84.86%	13.87%	1.27%

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 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 250 members<sup>3</sup> divided into the following seven membership classes:<sup>4</sup>

1. Large Transmission Owners
2. Small Transmission Owners
3. Transmission Dependent Energy Service Providers
4. End Users
5. Representatives of State and Provincial Governments
6. Canadian Members
7. Members at Large

Membership in WECC is open to any person or entity that has an interest in the reliable operation of the Western Interconnection BES. Membership in WECC is not a requirement for participation in the WECC standards development process.<sup>5</sup>

<sup>1</sup> Full-time equivalent personnel.

<sup>2</sup> Includes \$19.9 million grant funding from the Department of Energy (DOE)

<sup>3</sup> As of April 30, 2009.

<sup>4</sup> For purposes of voting for Board representation, all Canadian members of WECC form "Class 6." For all other purposes, Canadian members participate in member classes 1 – 5 and 7 according to their characteristics. See Section 6.2.1 of the WECC Bylaws.

2010 Amended WECC Business Plan and Budget Approved by WECC Board of Directors, Call: March 26, 2010

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## Introduction

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WECC is governed by an independent and balanced stakeholder board<sup>6</sup> consisting of 32 directors. Members in classes 1 through 5 are eligible to elect four directors in their class. In addition, the Canadian delegation elects four directors and the Mexican delegation elects one.<sup>7</sup> Seven directors with no member affiliation (Non-affiliated Directors) are elected by the WECC membership. Members of Class 7 do not elect representatives to the Board of Directors (Board), but do vote on Non-affiliated Directors.

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 Members' Forums section on page 42.

Input comes to the Board from the member organizations, from other interested parties, and through recommendations from the WECC Standing Committees.

Under the direction of the Board, the three Standing Committees of members — the Planning Coordination Committee (PCC), the Operating Committee (OC), and the Market Interface Committee (MIC) — provide technical work and policy recommendations to the WECC Board. All member organizations are eligible for representation on the three Standing Committees.

### Delegated Authority and the Regional Entities

As part of its responsibilities as the ERO, NERC delegates its authority — through delegation agreements — to Regional Entities (i.e., WECC) to perform certain functions. On December 19, 2008, FERC approved revised delegation agreements between NERC and the eight Regional Entities. These delegation agreements describe the authority for setting and enforcing standards along with other delegation-related services — such as situational awareness and reliability assessment<sup>8</sup> — that are delegated to the Regional Entities. Funding for the Regional Entities is approved separately with each Regional Entity submitting its own business plan and budget for consideration by NERC and FERC.

### Statutory Functional Scope

WECC has been approved by FERC as a Regional Entity, with authority — pursuant to the WECC / NERC Delegation Agreement — to create, monitor, and enforce standards for the reliability of the BES in the Western Interconnection. WECC's role as reliability coordinator was recognized by FERC through its acceptance of NERC's Compliance Registry.<sup>9</sup>

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<sup>5</sup> Non-WECC members may participate in standards drafting teams, and Participating Stakeholders may vote on Regional Reliability Standards. Participating Stakeholder voting is covered in Section 8.6 of the WECC Bylaws.

<sup>6</sup> As provided in Section 215 of the Federal Power Act (e)(4)(A)(iii).

<sup>7</sup> The Mexican delegation currently consists of one member.

<sup>8</sup> Regional Delegation Agreement, Exhibit E – Scope of activities funded through the ERO funding mechanism. The WECC activities funded through the ERO funding mechanism include: Reliability Standard Development; Compliance Enforcement; Organization Registration and Certification; Reliability Readiness Audit and Improvement; Reliability Assessment and Performance Analysis; Training and Education; and Situational Awareness and Infrastructure Security (including the WECC Reliability Coordinator Functions).

<sup>9</sup> NERC 119 FERC ¶ 61,059 (2007) Order on Rehearing.

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## Introduction

### 2010 Key Assumptions

Between February 13 and March 27, 2009, NERC and the eight Regional Entities 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 2010 business plans and budgets of NERC and the Regional Entities by coordinating underlying business plan assumptions, goals, and metrics. The general assumptions developed that are reflected in the WECC business plan and budget are as follows:

- The international, industry-based self-regulatory organization (SRO) model continues to be used and no material changes to the SRO model impacting 2010 emerge from the ERO three-year assessment.
- The framework for delegation remains constant. The scope of delegated authorities and responsibilities remains relatively constant with incremental improvements, in accordance with recommendations developed in the ERO three-year assessment.
- NERC and the Regional Entities are not budgeted in 2010 for unknown material changes to scope and are unable to take on unfunded mandates, such as new initiatives stemming from the American Recovery and Reinvestment Act of 2009 (ARRA) on energy. Any mandated material changes to scope will impact cash reserves.
- The current economic downturn continues into 2010, resulting in cost pressures on NERC and the Regional Entities to do more with less as the industry experiences lower electricity demand. The industry may need to defer capital projects in some areas and may reduce Operations and Maintenance budgets, or hold them flat. Cost pressures result in less travel and strain stakeholder participation in NERC and Regional Entity activities.

### 2010 Goals and Key Deliverables

- Assure a reliable BES in the Western Interconnection.
- 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.
- Improve administrative activities including budgeting, document control, and human resources.

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Introduction

**Overview of Cost Impacts of the 2010 Amended Business Plan and Budget**

WECC's proposed 2010 amended statutory budget is \$59 million, a \$19.7 million (49.7 percent) increase over the original 2010 statutory budget. This represents the addition of \$19.9 million in revenue from the U.S. Department of Energy (DOE) grants, less reallocation of indirect costs to non-statutory functions. The major drivers of this increase are:

- Increased personnel expenses resulting in the addition of 9.5 FTEs that will be funded by U.S. DOE grant revenue. Situational Awareness and Infrastructure Security has budgeted for the addition of approximately 2.5 FTEs in 2010. This number of FTEs will increase in 2011 after the grant project (the Western Interconnection Synchrophasor Program (WISP)) is fully implemented. Reliability Assessment and Performance Analysis has budgeted for the addition of approximately seven FTEs associated with its Regional Transmission Expansion Planning (RTEP) project. Total increases in personnel costs amount to approximately \$1.1 million. A full-time grant accountant has been hired by WECC and is charged to the grants within the respective functions.
- The inclusion of the U.S. DOE grants significantly increases consulting and contract expenses as much of the work related to the deliverables of the grants will be contracted out. Consulting and contracting amounts to nearly \$16.8 million of the total statutory budget increase of \$19.7 million.
- WECC will expand its Reliability Coordination Offices (RCO) as part of the U.S. DOE grants, resulting in a budgetary increase of approximately \$1.5 million to fixed assets.
- Additional cost increases include the cost of added meetings and travel in the amount of approximately \$380,000 (as allowed by the U.S. DOE for grant activities) and additional office costs in the amount of \$26,000. These costs will be directly charged to the U.S. DOE grants.

The DOE grant money will not result in any need for increased assessments.

The Amended Budget also includes the following reallocation of costs:

- In connection with FERC's recent audit, WECC has revised its methodology of allocating indirect costs to non-statutory activities. In the amended budget, indirect costs are allocated to Non-Statutory Programs based on the same FTE allocation method used to allocate costs to Statutory Programs. The net effect is a reduction in expenses of approximately \$214,000 in Statutory Programs with a corresponding increase of expenses in Non-Statutory Programs. This net reduction in expenses has been added to the Working Capital Reserve as shown on Table 5 on page 67.
- The costs associated with the WECC Interchange Tool (WIT) have been moved from Technical Committees and Members' Forums to the Situational Awareness and Infrastructure Security Program (see page 38). Although it was originally an initiative of one of the technical committees, WIT provides situational awareness to the Reliability Coordination function and is more appropriately captured within that program. This results in a decrease of \$588,000 in the Technical Committees and Members' Forums with a corresponding increase in the Situational Awareness and Infrastructure Security Program.

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Introduction

**U.S. Department of Energy (DOE) Grants**

The WECC Board approved at its July 2009 meeting, WECC’s responses to two U.S. DOE funding opportunity announcements (FOA): DE-FOA-0000058: *Smart Grid Investment Grant Program (SGIG)* and DE-FOA-0000068: *Recovery Act-Resource Assessment and Interconnection-Level Transmission Analysis and Planning*. These U.S. DOE grant programs were established under the American Recovery and Reinvestment Act (ARRA). WECC’s responses were submitted to the U.S. DOE on August 6, 2009 and August 14, 2009 respectively. WECC also responded to DE-PS36-09GO99009: *20% Wind by 2030: Overcoming the Challenges (Variable Generation Subcommittee (VGS) grant)* on March 3, 2009. This VGS grant was not established under the ARRA.

In its SGIG application, WECC sought matching funding from the U.S. DOE of \$53.9 million, which is 50 percent of the total estimated three-year \$107.8 million program cost for WISP. The balance of the total estimated program cost (\$53.9 million) is in the form of financial commitments made by eight partner entities in the Western Interconnection. These financial commitments are based on the partner entities’ own business plans and budgets and will not impact WECC’s balance sheet or budget. WECC received confirmation of the selection of its application for full contract negotiations on October 27, 2009.

The WISP project is closely aligned with the North American SynchroPhasor Initiative (NASPI) Work Groups to support implementation planning and demonstration of the NASPInet Phasor Measurement Unit (PMU) registry, Phasor Concentration System, and wide-area integration services. To minimize inconsistencies, WECC will coordinate its WISP project with NERC’s NASPI software development, data archive, and wide-area visualization tools, strategies, and activities. This coordinated approach will promote the efficient use of resources by both WECC and NERC, and support the operational goal of NASPI to enhance reliability across North America.

WECC received U.S. DOE notification on December 18, 2009 confirming the selection of WECC’s *Interconnection-Level Transmission Analysis and Planning – Topic A* response for full contract negotiations under DE-FOA-0000068. WECC anticipates that it will receive \$14.5 million over four years in funding under DE-FOA-0000068.

WECC received U.S. DOE notification on July 24, 2009 confirming the selection of WECC’s response to *20% by 2030: Overcoming the Challenges* response for full contract negotiations. WECC anticipates that it will receive \$244,800 over two years in funding under DE-PS36-09GO99009.

The three projects are described in more detail in the statutory programs in which each project will be conducted, as follows:

- WISP – Situational Awareness and Infrastructure Security Program on page 37
- RTEP – Reliability Assessment and Performance Analysis Program on page 31
- VGS grant – Technical Committees and Members’ Forums on page 43

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<#>The 2010 budget increase is offset by:¶  
<#>Insurance decrease of \$540,000 due to the proposed termination of the Reliability Coordination function’s liability policy.¶  
<#>Communications costs in the Situational Awareness budget are \$1.3 million lower due to improved procurement procedures, which resulted in more favorable pricing than anticipated. ¶

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Introduction

**Changes in Accounting Methodology**

In 2010, NERC and all the Regional Entities agreed to formatting changes for the *Statement of Activities* within each functional Program Area as follows:

- Indirect Expense and Fixed Asset allocations from the Administrative Services areas to the functional Program Areas are shown in the *Statements of Activities*, providing improved financial perspective. There was no change in the allocation methodology, which is still based on the number of FTEs in a functional Program Area. Increases in FTEs in the two Statutory Program Areas that have grant projects results in a reallocation of indirect costs to all Statutory and Non-Statutory Programs.
- All payroll-related expenses are assigned directly to employees' department budgets whereas in 2009, the majority of payroll-related expenses were allocated to the General and Administrative budget.
- WECC will employ separate accounting personnel for the U.S. DOE grant monies for the purpose of U.S. DOE reporting. This will enable WECC to provide segregation of U. S. DOE grants from other Statutory Program activities. Funds will be segregated using WECC's fund accounting software package and will be accounted for under separate program codes.

These changes directly affect the ERO Funding requirements of each functional Program Area and these variances are consistent throughout the budget.

**Procurement Policies**

For all procurement, it is the policy of WECC to obtain supplies, equipment, and services at the lowest cost to WECC that is consistent with quality, service, and availability of the items at the time of purchase. In conforming to this policy, the capability, capacity, and performance reflected by a vendor's history may be considered and weighed in the decision process.

In preparation for these U.S. DOE grants, WECC has developed a set of preliminary policies that, together with its fund accounting system, are designed to ensure compliance with governmental accounting and procurement requirements. In addition, WECC will fully comply with government procurement requirements for all purchases, consulting contracts, sub-awards, and other contracts that are charged to the U.S. DOE grants. WECC will use an "effective competition" standard that implements a broad, inclusive market research/vendor identification process. WECC will include vendors in the Request For Proposal process that have the technical ability and proven success to meet WECC's requirements. WECC expects that in most cases, three or more viable firms or vendors would be identified and included in the competitive bid process.

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**Section A — 2010 Business Plan**

**Reliability Standards Program**

<b>Reliability Standards Program Resources</b> (in whole dollars)			
	2010 <u>Approved</u> Budget	2010 <u>Amended</u> Budget	Increase(Decrease)
Total FTEs	<u>3</u>	3	<u>0</u>
Total Direct Expenses	<u>\$514,728</u>	\$514,728	<u>\$0</u>
Total Indirect Expenses <sup>10</sup>	<u>\$254,232</u>	<u>\$218,505</u>	<u>(\$35,727)</u>
Inc (Dec) in Fixed Assets	<u>\$7,794</u>	<u>\$5,694</u>	<u>(\$2,100)</u>
Total Expenses & Fixed Assets	<u>\$776,754</u>	<u>\$738,927</u>	<u>(\$37,827)</u>

**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 standards process was revised in 2006 and accepted by FERC as part of the original WECC / NERC Delegation Agreement. As part of that original Delegation Agreement, WECC responded to FERC's direction to modify WECC's standards development process and allow non-members to participate. The amended WECC / NERC Delegation Agreement was filed with FERC on October 30, 2007 and approved on March 21, 2008, subject to a requirement of further modification.

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 Business Practices and 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 fill-in-the-blank standards as needed.

<sup>10</sup> Funding for Indirect Expenses is calculated by allocating all administrative services funding to the operational Program Areas on a proportional FTE basis.

2010 Amended WECC Business Plan and Budget  
Approved by WECC Board of Directors, Call: March 26, 2010

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## 2010 Key Assumptions

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### General Assumptions

- NERC will continue implementing its published three-year work plan for standards development, subject to incremental updates.
- The current economic downturn will continue into 2010 and adversely affect stakeholder travel budgets and resources for work in standards development. NERC and the regions will need to develop methods to encourage active involvement with less travel and face-to-face meetings.
- Regions will develop no more than one or two RRSs per region in 2010. Scheduling of RRS initiatives continues to depend on the determination of North American performance requirements.
- Regions will facilitate stakeholder reviews of the standards to identify opportunities to streamline the standards to be more focused on reliability performance. This will lead to the submittal of inputs to the NERC three-year work plan and possibly to standard authorization requests.
- In 2010, NERC and the Regional Entities will establish improved mechanisms to capture lessons from event analysis, compliance enforcement, and other activities (in the form of recommendations) to improve reliability standards to prevent future similar root causes of reliability events.
- NERC and Regional Entities will collaborate in the conduct of special workshops, in addition to the regular schedule of workshops, to focus on most-violated standards and improve the understanding of requirements by Registered Entities.
- NERC and the Regional Entities will continue to support coordinated and consistent responses to requests for formal interpretations of the reliability standards.

### WECC-Specific Assumptions/Uncertainties

- Integration of renewables may require new or modified reliability standards.
- Staff and regional drafting team volunteers will participate in, and provide geographic support for, 20-plus North American-balloted standards with comment opportunities on 50-plus standards.
- FERC may direct WECC to make modifications to some or all of the RRSs before FERC.
- 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.

### 2010 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.
- Have at least one WECC volunteer member actively participating 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.

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Section A — 2010 Business Plan

- 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 analysis to WECC members.
- Undertake regular outreach to keep stakeholders informed about standards development.

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**Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget**

The 2010 Reliability Standards Program amended budget has decreased by \$38,000. This decrease is attributed to the reallocation of indirect costs to Statutory Programs with increased FTEs and to Non-Statutory Programs.

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¶ WECC has RRSs before FERC for approval. In their consideration of these RRSs, FERC may direct WECC to make modifications to some or all of them. WECC budgeted for a limited number of RRS standard drafting team meetings to meet potential FERC directives in this area. Depending on the timelines included in any FERC directives regarding these RRSs, WECC may be able to spread the drafting efforts over two or more years. WECC does not currently anticipate the same level of RRS development as undertaken during the development of the original or replacement Tier 1 RRSs. ¶

¶ A significant proportion of the work required to develop standards is performed by voluntary member participation through the WECC Standing Committee structure

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¶ In 2010, ERO Funding requirements increase because of the Indirect Expense allocation as discussed in "Changes in Accounting Methodology" on page 8.

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Section A — 2010 Business Plan

**Reliability Standards Program**

Funding sources and related expenses for the Reliability Standards section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Reliability Standards</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 776,754	\$ (37,827)	\$ 738,927
Penalty Sanctions			
<b>Total ERO Funding</b>	<u>\$ 776,754</u>	<u>\$ (37,827)</u>	<u>\$ 738,927</u>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ 776,754</u>	<u>\$ (37,827)</u>	<u>\$ 738,927</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 385,467	\$ -	\$ 385,467
Payroll Taxes	34,692	-	34,692
Benefits	43,626	-	43,626
Retirement Costs	26,983	-	26,983
<b>Total Personnel Expenses</b>	<u>\$ 490,768</u>	<u>\$ -</u>	<u>\$ 490,768</u>
<b>Meeting Expenses</b>			
Meetings	\$ 4,000	\$ -	\$ 4,000
Travel	12,000	-	12,000
Conference Calls	5,760	-	5,760
<b>Total Meeting Expenses</b>	<u>\$ 21,760</u>	<u>\$ -</u>	<u>\$ 21,760</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ -	\$ -	\$ -
Office Rent	-	-	-
Office Costs	2,200	-	2,200
Professional Services	-	-	-
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 2,200</u>	<u>\$ -</u>	<u>\$ 2,200</u>
<b>Total Direct Expenses</b>	<u>\$ 514,728</u>	<u>\$ -</u>	<u>\$ 514,728</u>
<b>Indirect Expenses</b>	<u>\$ 254,232</u>	<u>\$ (35,727)</u>	<u>\$ 218,505</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 768,960</u>	<u>\$ (35,727)</u>	<u>\$ 733,233</u>
<b>Change in Assets</b>	<u>\$ 7,794</u>	<u>\$ (2,100)</u>	<u>\$ 5,694</u>
<b>Fixed Assets</b>			
Depreciation	-	\$ -	-
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ (7,794)	2,100	\$ (5,694)
<b>Change in Fixed Assets</b>	<u>(7,794)</u>	<u>2,100</u>	<u>(5,694)</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ (0)</u>

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2009

<b>Funding</b>
<b>ERO Funding</b>
ERO Assessments
Penalty Sanctions
<b>Total ERO Funding</b>
Membership Dues
Testing Fees
Services & Software
Workshops
Interest
Miscellaneous
<b>Total Funding</b>
<b>Expenses</b>
<b>Personnel Expenses</b>
Salaries
Payroll Taxes
Benefits
Retirement Costs
<b>Total Personnel Expenses</b>
<b>Meeting Expenses</b>
Meetings
Travel
Conference Calls
<b>Total Meeting Expenses</b>
<b>Operating Expenses</b>
Consultants & Contracts
Office Rent
Office Costs
Professional Services
Miscellaneous
Depreciation
<b>Total Operating Expenses</b>
<b>Total Direct Expenses</b>
<b>Indirect Expenses</b>
<b>Other Non-Operating Expenses</b>
<b>Total Expenses</b>
<b>Change in Assets</b>
<b>Fixed Assets</b>
Depreciation
Computer & Software CapEx
Furniture & Fixtures CapEx
Equipment CapEx
Leasehold Improvements
<b>(Incr)Dec in Fixed Assets</b>
Allocation of Fixed Assets
<b>Change in Fixed Assets</b>

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**Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

**Funding Sources**

- ERO assessments.
- In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except increases to reserves, which are accounted for in General and Administrative.

**Personnel Expenses**

- Not applicable.

**Meeting Expenses**

- Not applicable.

**Operating Expenses**

- Not applicable.

**Indirect Expenses**

- See “Changes in Accounting Methodology” on page 11.
- Reallocation of WIT costs to the Situational Awareness and Infrastructure Security Program, reallocation of indirect costs due to an FTE increase in two Statutory Program Areas, and allocation to Non-Statutory Programs have resulted in a net decrease of \$36,000 in this Program Area.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- See “Changes in Accounting Methodology” on page 11.
- Reallocation of Fixed Assets due to an FTE increase in two Statutory Program Areas has resulted in a decrease of \$2,000 in this Program Area.

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Other Non-Operating Expenses¶  
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**Compliance Monitoring and Enforcement and Organization Registration and Certification Program**

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<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources</b>			
(in whole dollars)			
	<u>2010 Approved</u> Budget	2010 <u>Amended</u> Budget	Increase(Decrease)
Total FTEs	<u>50</u>	50	<u>0</u>
Total Direct Expenses	<u>\$9,463,332</u>	\$9,463,332	<u>\$0</u>
Total Indirect Expenses	<u>\$4,237,203</u>	<u>\$3,641,750</u>	<u>(\$595,453)</u>
Inc(Dec) in Fixed Assets	<u>\$315,895</u>	<u>\$280,893</u>	<u>(\$35,002)</u>
Total Expenses & Fixed Assets	<u>\$14,016,429</u>	<u>\$13,385,975</u>	<u>(\$630,454)</u>

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**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 the North American Electric Reliability Corporation (NERC) and WECC. Portions of NERC’s authority as the Electric Reliability Organization (ERO) have been delegated under Section 215 of the Federal Power Act, to WECC (the “WECC / NERC Delegation Agreement”).<sup>11</sup>

The WECC Compliance function is overseen by the Vice President of Compliance who reports to WECC’s Chief Executive Officer. The components and management structure of the Compliance Department include:

- Managing Director of Compliance: Reports to the Vice President and is responsible for Compliance Registration, Compliance Auditing, and Compliance Enforcement.
- Manager of Compliance Program Administration: Reports to the Vice President and oversees all compliance data analysis and reporting, audit logistics, and Compliance Program Coordinators.

The requirements of the WECC CMEP are specified in the WECC / NERC Delegation Agreement. Subject to variations between WECC’s CMEP and those of other regions, WECC seeks to implement its CMEP in a manner consistent with the programs of other regions. 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.

<sup>11</sup> NERC et al., 119 FERC ¶ 61,060 (2007), order on compliance, 119 FERC ¶ 61,232 (2007) (accepting delegation agreements between NERC and the Regional Entities); NERC et al., 122 FERC ¶ 61,245 (2008) (accepting revised delegation agreements between NERC and the Regional Entities).

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- **Self-Certification** – Reviews (annually) Registered Entity certifications of compliance or non-compliance with standards.
- **Spot-Checking** – Verifies compliance with specific standards, primarily in connection with reviews of self-certification.
- **Compliance Violation Investigations** – Investigates violations usually the result of a system event or disturbance, but may result from other sources.
- **Self-Reporting** – Undertakes a monitoring process that is specifically designed to work in conjunction with a Registered Entity’s continuous monitoring efforts by its internal compliance programs.
- **Periodic Data Submittals** – Reviews monthly and quarterly reports that are submitted regarding compliance with certain standards.
- **Exception Reporting** – Requires reports on a small set of standards when violations occur.
- **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** – Facilitating the registration process by ensuring that there are no gaps in the registration of entities in the Western Interconnection and resolving registration disputes.
- **Mitigation Plans** – Reviewing mitigation plans filed by entities to correct violations.
- **Penalty Calculations** – Determining, as appropriate, proposed penalties for alleged violations.
- **Settlement Negotiations** – Conducting settlement negotiations with Registered Entities when requested.
- **Hearings and Appeals** – Participating in all hearings and appeals.
- **Certification of Balancing Authorities (BA) and Transmission Operators (TOP)**<sup>12</sup> – Conducting the certification process as required.

WECC is committed to protecting the region’s critical infrastructure and enforcing the CIP standards. This is carried out by the CIP Audits and Investigations Group, which reports to the Managing Director of Compliance.

An important part of WECC’s Compliance Program is stakeholder outreach and education. The Director of Stakeholder Relations and Outreach works closely with the Compliance staff and reports directly to the WECC CEO.

The Hearings budget is included in the Compliance budget and is reflected in the table on page 14. 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 have adopted legislation requiring mandatory standards and are in the process of adopting standards and implementing a regulatory framework for monitoring compliance.

<sup>12</sup> WECC has transferred the certification of its Reliability Coordination function to NERC.

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## Section A — 2010 Business Plan

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Agreements between WECC and the provinces are necessary to ensure interconnection reliability while recognizing provincial sovereignty. On September 23, 2008, WECC executed an agreement with the Alberta Electric System Operator (AESO) addressing membership and coordinated operations. The AESO will monitor compliance with adopted reliability standards for market participants.

WECC and the AESO began negotiations to address the monitoring of the AESO's compliance with Alberta's standards during the second quarter of 2009. WECC is also involved in negotiations with the British Columbia Utilities Commission to act as the commission's administrator of its monitoring program. WECC expects to have executed agreements for both provinces by the end of 2009.

Similarly, WECC expects to continue addressing reliability issues with Mexico's Comisión Federal de Electricidad in 2010.

### Reliability Management System (RMS)

In 1996, the Western Systems Coordinating Council (WSCC)<sup>13</sup> created the RMS, a contract-based compliance enforcement mechanism. The RMS grew to encompass 14 criteria. In the United States, five of the RMS criteria are now part of the NERC Reliability Standards and eight others have been adopted as WECC RRSs.<sup>14</sup> One RMS criterion, Interchange Schedule Tagging, is still enforced as part of the original RMS agreement. However, with the introduction of the WECC Interchange Tool all applicable entities are fully compliant in this respect. In Canada and Mexico, the RMS is still used to monitor all 14 RMS criteria. This may change in 2009 as Alberta and British Columbia move toward mandatory standards. In the United States, WECC is investigating the termination of the RMS agreement.

### Technical Feasibility Exceptions (TFEs)

Due to the uncertainty surrounding the number of requests and the hours required to process the exceptions, WECC has not included these additional costs in the 2010 Business Plan and Budget and will use working capital reserves to cover the expenses.

### 2010 Key Assumptions

- The number of Registered Entities could increase as early as 2009, based on the application of CIP standards to generators below 100 kV. Other adjustments to the registry, such as those related to TOPs, will continue.
- Non-CIP audits will continue under the schedule to complete BA and TOP audits every three years, and other entities every six years.
- The number of CIP spot-checks and audits will increase substantially to complete CIP spot-checks of all "Table 1" entities by 2010 year end. Also, "Table 2" entities begin to become CIP auditable in the second half of 2010. Regional Entities will continue to be constrained in removing CIP information from the entity site through 2010, impacting the need to have face-to-face CIP spot-checks and audits.

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<sup>13</sup> The WSCC was one of the companies and regional transmission associations that merged to form WECC.

<sup>14</sup> The original eight WECC Regional Reliability Standards have been revised and now are incorporated in seven WECC RRSs.

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## Section A — 2010 Business Plan

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- There is a risk of a policy or directive clarifying the expectations of the CIP-002 risk-based methodology that results in a substantially expanded number of standards to be monitored for CIP.
- The number of spot-checks and audits increases in 2010. Closure of each mitigation plan may require a spot-check review to confirm closure. As the numbers of Registered Entities and associated functions increase, more audits will be required.
- There is also moderate risk that the number of spot-checks may increase as follow up to completed events analyses.
- The number of non-CIP possible violations discovered continues at a pace comparable to 2009, due to continuing first-time audits of entities. The number of non-CIP-related violations is expected to be 1,400 to 1,500 for the year across North America, with the distribution across the regions in a similar proportion to previous years. Decreasing numbers of new violations may begin to be seen after 2010.
- The number of CIP possible violations undergoes a substantial upswing in 2010, as CIP spot-checks and audits continue to ramp up. CIP possible violations may add 400 to 800 additional possible violations to be processed in addition to the violations listed above for non-CIP violations.
- A large majority of possible violations will be handled through a settlement process. Process efficiencies and experience offset the increased complexity of compliance cases and the level of effort for a settlement remains approximately the same as in 2009.
- NERC will continue to provide required training for auditors and investigators. Programs are developed in NERC training and education, and implemented through NERC Compliance.
- The number of hearings conducted will remain low, averaging well below one per region.
- NERC will conduct two event-based inquiries per month (24 in 2010) and one Compliance Violation Investigation (CVI) per month (12 in 2010). Regional entities will collectively review 50-to-60 events of interest and 12-to-15 CVIs. All unplanned, multiple-facility trips will be considered candidates for these reviews. The number of reviews and CVIs will vary by region and each region will have a unique set of assumptions that collectively will approximate these gross estimates.
- NERC and the Regional Entities continue to pursue integration of compliance information systems with the near-term priority being a seamless interface for the management of compliance information: from reporting of discovery to filing of Notice of Penalty, or settlement and closure. The cost impact of achieving this development and integration is between \$1 million and \$2 million collectively across NERC and the regions for 2010.

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## 2010 Goals and Key Deliverables

Continue to ensure all compliance activities are conducted in a fair, impartial, and professional manner.<sup>15</sup>

- Stay current with processing all alleged new violations.
- Clear backlog that has been prioritized based on the severity of impact on the BES by the end of 2010.
- Conduct 20 on-site audits.
- Conduct 76 off-site audits.
- Conduct 15 or more spot-checks.
- Conduct approximately 26 CIP audits.
- Achieve CMEP process timelines.
- Recruit and retain quality employees.
- Undertake comprehensive cross-functional training.
- Share best practices among regions and NERC ([www.regionalentities.org](http://www.regionalentities.org)).

## Funding Requirements — Explanation of Increase (Decrease) over the 2010

### Approved Budget

The 2010 Compliance Enforcement Department amended budget has decreased \$630,000. This decrease is attributed to the reallocation of indirect costs to Statutory Programs with increased FTEs and to Non-Statutory Programs.

<sup>15</sup> Numbers shown for compliance activities are estimated. These numbers could increase if the number of Registered Entities and functions increase. Audit and spot-check results also could cause some of these figures to increase.

2010 Amended WECC Business Plan and Budget  
Approved by WECC Board of Directors, Call: March 26, 2010

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**Deleted:** The WECC Compliance Enforcement Department's Direct Expenses and Fixed Assets in 2010 are \$9.65 million, an increase of \$3.48 million from 2009. Program expenses for 2010 are driven by additional staffing and the associated costs of registering entities and conducting audits, spot-checks, investigations, reviews of self-certifications, and other CMEP activities. The scope of both the on-site and off-site audits has expanded from 2009 to 2010. The expansion in scope is mainly due to an increase in the number of standards that are included in the actively monitored program. In 2007, about 50 of the FERC-approved standards were included. This number increased to 83 standards in 2009, and may increase again in 2010.¶

¶ It is apparent that the registration process in the Western Interconnection will continue to require additional staff resources. While WECC works with entities to further their understanding of how registration applies to their facilities, WECC continues to receive requests from entities to register, add, or remove functions to or from their registrations, or to unregister. As a result, the registration process is very dynamic. In addition, WECC believes that there may be an increase in the number of Registered Entities and functions (particularly TOPs) because some larger BAs are indicating that they do not wish to continue to assume compliance roles for other, smaller entities.¶

¶ In addition, WECC continues to receive requests from entities for clarification of their registration requirements. At issue is the "lack of material impact" on the BES. These are complicated issues that require detailed analysis from an engineering perspective to determine the merit of the underlying dispute. The problem is compounded because both "material impact" and the term "bulk electric system

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¶ WECC (along with NERC) has participated in negotiations with several generation owners (GO) and generation operators (GOP) that have been registered, and with TOs/TOPs. This initiative was aimed at helping those entities determine and understand how the requirements (under their TO and TOP registrations) apply to the transmission facilities associated with their generating plants. This consumed a great deal of time and resources from registration and other compliance staff, and it is anticipated that registration staff will continue to engage in outreach activities to keep entities informed of registration requirements.¶

¶ Enforcement activities continue to become more efficient as WECC gains a better understanding of

**Deleted:** 17 In addition to managing the auditing process, the Compliance Department must keep current with self-certification, spot-checks, CVIs, and mitigation plans. This continues to present a challenge, given current resources. Furthermore, CIP spot-checks will dramatically increase during 2010. This will cause a significant increase in workload and an associated increase in costs, as noted earlier in "2010 Key Assumptions." Startin

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Section A — 2010 Business Plan

**Compliance Enforcement and Organization Registration and Certification Program**

Funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Compliance and Organization Registration and Certification</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 13,616,429	\$ (630,454)	\$ 12,985,975
Penalty Sanctions			
<b>Total ERO Funding</b>	<b>\$ 13,616,429</b>	<b>\$ (630,454)</b>	<b>\$ 12,985,975</b>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	400,000	-	400,000
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<b>\$ 14,016,429</b>	<b>\$ (630,454)</b>	<b>\$ 13,385,975</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 5,060,109	\$ -	\$ 5,060,109
Payroll Taxes	438,047	-	438,047
Benefits	582,670	-	582,670
Retirement Costs	348,605	-	348,605
<b>Total Personnel Expenses</b>	<b>\$ 6,429,432</b>	<b>\$ -</b>	<b>\$ 6,429,432</b>
<b>Meeting Expenses</b>			
Meetings	\$ 425,000	\$ -	\$ 425,000
Travel	762,350	-	762,350
Conference Calls	45,500	-	45,500
<b>Total Meeting Expenses</b>	<b>\$ 1,232,850</b>	<b>\$ -</b>	<b>\$ 1,232,850</b>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 1,467,500	\$ -	\$ 1,467,500
Office Rent	-	-	-
Office Costs	178,550	-	178,550
Professional Services	155,000	-	155,000
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,801,050</b>	<b>\$ -</b>	<b>\$ 1,801,050</b>
<b>Total Direct Expenses</b>	<b>\$ 9,463,332</b>	<b>\$ -</b>	<b>\$ 9,463,332</b>
<b>Indirect Expenses</b>	<b>\$ 4,237,203</b>	<b>\$ (595,453)</b>	<b>\$ 3,641,750</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 13,700,535</b>	<b>\$ (595,453)</b>	<b>\$ 13,105,082</b>
<b>Change in Assets</b>	<b>\$ 315,894</b>	<b>\$ (35,001)</b>	<b>\$ 280,893</b>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	186,000	-	186,000
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (186,000)</b>	<b>\$ -</b>	<b>\$ (186,000)</b>
Allocation of Fixed Assets	\$ (129,895)	35,002	(94,893)
<b>Change in Fixed Assets</b>	<b>(315,895)</b>	<b>35,002</b>	<b>(280,893)</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (0)</b>	<b>\$ 0</b>	<b>\$ 0</b>

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<b>Funding</b>	
<b>ERO Funding</b>	
ERO Assessments	
Penalty Sanctions	
<b>Total ERO Funding</b>	
Membership Dues	
Testing Fees	
Services & Software	
Workshops	
Interest	
Miscellaneous	
<b>Total Funding</b>	
<b>Expenses</b>	
<b>Personnel Expenses</b>	
Salaries	
Payroll Taxes	
Benefits	
Retirement Costs	
<b>Total Personnel Expenses</b>	
<b>Meeting Expenses</b>	
Meetings	
Travel	
Conference Calls	
<b>Total Meeting Expenses</b>	
<b>Operating Expenses</b>	
Consultants & Contracts	
Office Rent	
Office Costs	
Professional Services	
Miscellaneous	
Depreciation	
<b>Total Operating Expenses</b>	
<b>Total Direct Expenses</b>	
<b>Indirect Expenses</b>	
<b>Other Non-Operating Expenses</b>	
<b>Total Expenses</b>	
<b>Change in Assets</b>	
<b>Fixed Assets</b>	
Depreciation	
Computer & Software CapEx	
Furniture & Fixtures CapEx	
Equipment CapEx	
Leasehold Improvements	
<b>(Incr)Dec in Fixed Assets</b>	
Allocation of Fixed Assets	
<b>Change in Fixed Assets</b>	
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**Explanations of Variances – Amended 2010 Budget versus Approved 2010 Budget**

**Funding Sources**

- ERO assessments.
- Workshop funding.
- In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except increases to reserves, which are accounted for in General and Administrative.

**Personnel Expenses**

- Not applicable.

**Meeting and Travel Expenses**

- Not applicable.

**Operating Expenses**

- Not applicable.

**Indirect Expenses**

- See “Changes in Accounting Methodology” on page 11.
- Reallocation of WIT costs to the Situational Awareness and Infrastructure Security Program, the reallocation of indirect costs due to an FTE increase in two Statutory Program Areas, and allocation to Non-Statutory Programs have resulted in a decrease of \$595,000 in this Program Area.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- See “Changes in Accounting Methodology” on page 11.
- Reallocation of Fixed Assets due to an FTE increase in two Statutory Program Areas has resulted in a decrease of \$35,000 in this Program Area.

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In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except increases to reserves, which are accounted for in General and Administrative.¶

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¶ Personnel Expenses¶

<#>Payroll Taxes, Benefits and Retirement Costs for the entire company were budgeted in General and Administrative in 2009, but are appropriately reflected in each Program Area in 2010, which is the reason for the \$1.29 million increase in these three categories of Personnel Expenses. ¶ <#>Salaries increase by \$1.79 million, primarily due to the addition of 20 FTEs and merit increases that are budgeted at three percent. ¶

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Section A — 2010 Business Plan

**Training, Education, and Operator Certification Program**

<b>Training, Education, and Operator Certification Program Resources</b>			
<i>(in whole dollars)</i>			
	<u>2010 Approved Budget</u>	<u>2010 Amended Budget</u>	<u>Increase(Decrease)</u>
Total FTEs	3.5	3.5	0
<u>Total Direct Expenses</u>	<u>\$822,092</u>	<u>\$822,092</u>	<u>\$0</u>
<u>Total Indirect Expenses</u>	<u>\$296,604</u>	<u>\$254,922</u>	<u>(\$41,682)</u>
<u>Inc(Dec) in Fixed Assets</u>	<u>\$91,093</u>	<u>\$88,643</u>	<u>(\$2,450)</u>
<u>Total Expenses &amp; Fixed Assets</u>	<u>\$1,209,789</u>	<u>\$1,165,658</u>	<u>(\$44,131)</u>

**Program Scope and Functional Description**

WECC provides continuing education and training for system operators, schedulers, and dispatchers. In 2010, WECC will increase the emphasis on training relating to the NERC Standards, the RRSs, and Regional Criteria.

Similar to 2009, WECC will provide 35-to-40 training classes in Salt Lake City and other off-site venues in 2010. The curriculum is developed with the assistance of the Operations Training Subcommittee (OTS) of the OC. The OTS and WECC staffs also provide an annual training workshop for all WECC-Certified Training Instructors. In addition to the Operator Training Program, WECC staff and the OTS offer an Executive Overview Workshop that provides a broad overview of system operations for non-operational personnel. This workshop is offered three times each year.

**2010 Key Assumptions**

- No significant changes in operator certification continuing education unit requirements for 2010.
- Optional training (e.g., system overview training) may be negatively impacted by the economic downturn as members cut their budgets.

**2010 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.

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Reliability Readiness Evaluation and Improvement Program¶

¶ Reliability Readiness Evaluation and Improvement Program Resources¶ (in whole dollars)¶ - 2009 Budget - 2010 Budget - Increase(Decrease) ...

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¶ Training, Education, and Operator Certification Program Resources¶ (in whole dollars)¶ - 2009 Budget - 2010 Budget - Increase(Decrease) ...

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**Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget**

The 2010 Training, Education, and Operator Certification Program amended budget has decreased \$44,000. This decrease is attributed to the reallocation of indirect costs to Statutory Programs with increased FTEs and to Non-Statutory Programs.

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¶  
In 2010, ERO Funding requirements increase because of the Indirect Expense allocation as discussed in “Changes in Accounting Methodology” on page 8. ¶  
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Section A — 2010 Business Plan

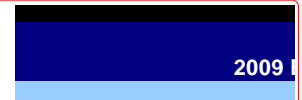
**Training, Education, and Operator Certification Program**

Funding sources and related expenses for the Training, Education, and Operator Certification section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Training and Education</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 294,689	\$ (44,132)	\$ 250,557
Penalty Sanctions			
<b>Total ERO Funding</b>	<u>\$ 294,689</u>	<u>\$ (44,132)</u>	<u>\$ 250,557</u>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	915,100	-	915,100
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ 1,209,789</u>	<u>\$ (44,132)</u>	<u>\$ 1,165,657</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 327,543	\$ -	\$ 327,543
Payroll Taxes	23,284	-	23,284
Benefits	36,835	-	36,835
Retirement Costs	18,110	-	18,110
<b>Total Personnel Expenses</b>	<u>\$ 405,772</u>	<u>\$ -</u>	<u>\$ 405,772</u>
<b>Meeting Expenses</b>			
Meetings	\$ 278,000	\$ -	\$ 278,000
Travel	24,000	-	24,000
Conference Calls	2,000	-	2,000
<b>Total Meeting Expenses</b>	<u>\$ 304,000</u>	<u>\$ -</u>	<u>\$ 304,000</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 98,000	\$ -	\$ 98,000
Office Rent	-	-	-
Office Costs	14,320	-	14,320
Professional Services	-	-	-
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 112,320</u>	<u>\$ -</u>	<u>\$ 112,320</u>
<b>Total Direct Expenses</b>	<u>\$ 822,092</u>	<u>\$ -</u>	<u>\$ 822,092</u>
<b>Indirect Expenses</b>	<u>\$ 296,604</u>	<u>\$ (41,682)</u>	<u>\$ 254,922</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 1,118,696</u>	<u>\$ (41,682)</u>	<u>\$ 1,077,014</u>
<b>Change in Assets</b>	<u>\$ 91,093</u>	<u>\$ (2,450)</u>	<u>\$ 88,643</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	82,000	-	82,000
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ (82,000)</u>	<u>\$ -</u>	<u>\$ (82,000)</u>
Allocation of Fixed Assets	\$ (9,093)	\$ 2,450	\$ (6,643)
<b>Change in Fixed Assets</b>	<u>(91,093)</u>	<u>2,450</u>	<u>(88,643)</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ 0</u>

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<b>Funding</b>	
<b>ERO Funding</b>	ERO Assessments
	Penalty Sanctions
<b>Total ERO Funding</b>	
	Membership Dues
	Testing Fees
	Services & Software
	Workshops
	Interest
	Miscellaneous
<b>Total Funding</b>	
<b>Expenses</b>	
<b>Personnel Expenses</b>	Salaries
	Payroll Taxes
	Benefits
	Retirement Costs
<b>Total Personnel Expenses</b>	
<b>Meeting Expenses</b>	Meetings
	Travel
	Conference Calls
<b>Total Meeting Expenses</b>	
<b>Operating Expenses</b>	Consultants & Contracts
	Office Rent
	Office Costs
	Professional Services
	Miscellaneous
	Depreciation
<b>Total Operating Expenses</b>	
<b>Total Direct Expenses</b>	
<b>Indirect Expenses</b>	
<b>Other Non-Operating Expenses</b>	
<b>Total Expenses</b>	
<b>Change in Assets</b>	
<b>Fixed Assets</b>	Depreciation
	Computer & Software CapEx
	Furniture & Fixtures CapEx
	Equipment CapEx
	Leasehold Improvements
<b>(Incr)Dec in Fixed Assets</b>	
	Allocation of Fixed Assets
<b>Change in Fixed Assets</b>	
<b>TOTAL CHANGE IN ASSETS</b>	

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**Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

**Funding Sources**

- ERO assessments.
- In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except increases to reserves, which are accounted for in General and Administrative.

**Personnel Expenses**

- Not applicable.

**Meeting Expenses**

- Not applicable.

**Indirect Expenses**

- See “Changes in Accounting Methodology” on page 11.
- Reallocation of WIT costs to the Situational Awareness and Infrastructure Security Program, the reallocation of indirect costs due to an FTE increase in two Statutory Program Areas, and allocation to Non-Statutory Programs have resulted in a decrease of \$42,000 in this Program Area.

**Operating Expenses**

- Not applicable.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- See “Changes in Accounting Methodology” on page 11.
- Reallocation of Fixed Assets due to an FTE increase in two Statutory Program Areas has resulted in a decrease of \$2,000 in this Program Area.

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Personnel Expenses¶

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<#>In 2009, there was no line item for Payroll Taxes (it was included in the Benefits line item). 2010 Payroll Taxes are itemized appropriately.¶  
<#>In 2009, the Benefits line item included Payroll Taxes, Benefits, and Retirement Costs and was calculated as a percentage of Salaries, which resulted in an inflated amount in the line item. In 2010, Benefits were appropriately budgeted as a fixed cost per FTE.¶

In 2009, there was no line item for Retirement (it was included in the Benefits line item). 2010 Retirement Costs are itemized appropriately and the 401(k) contribution was capped per WECC's employer match policy

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<#>The 2010 travel budget decreases by \$22,000 to more closely reflect 2008 actual expenses and anticipated levels of 2010 travel.¶

Operating

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Other Non-Operating Expenses¶  
Not applicable.¶

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**Reliability Assessment and Performance Analysis Program**

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<b>Reliability Assessment and Performance Analysis Program Resources</b>			
(in whole dollars)			
	2010 <u>Approved</u> Budget	2010 <u>Amended</u> Budget	Increase(Decrease)
Total FTEs	<u>16</u>	<u>23.2</u>	<u>7.2</u>
Total Direct Expenses	<u>\$3,082,437</u>	<u>\$7,054,314</u>	<u>\$3,971,877</u>
Total Indirect Expenses	<u>\$1,355,905</u>	<u>\$1,684,309</u>	<u>\$328,404</u>
Inc(Dec) in Fixed Assets	<u>\$128,066</u>	<u>\$75,388</u>	<u>(\$52,678)</u>
Total Expenses & Fixed Assets	<u>\$4,566,408</u>	<u>\$8,814,011</u>	<u>\$4,247,603</u>

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**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. Importantly, three of the five strategic objectives detailed in WECC’s Five-Year Strategic Plan<sup>18</sup> relate to enhanced data, technical analysis, planning, and policy facilitation roles for WECC. These objectives will be a major focus for the WECC Reliability Assessment and Performance Analysis (RAPA) function in 2010. The integrated planning efforts will 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, including WECC’s response to provisions in the ARRA.

**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.

The Transmission Expansion Planning Policy Committee (TEPPC) — a WECC Board Committee — facilitates these activities, operates under a charter approved by the WECC Board, and has 17 members representing all classes of stakeholders with representation from all geographic subregions of WECC. TEPPC and its subgroups work closely and coordinate with Western Interconnection state, provincial, and federal government entities.

The Annual TEPPC Study Plan is formed from stakeholder requests obtained during an annual open season. The 2009 Draft Study Plan is based on 23 study requests 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., 20-year planning horizon, capital costs for generation resources and transmission, potential extra high voltage overlay alternatives, high renewable penetration levels, and carbon limits). The 2009 plan will include an increased focus on transmission expansion requirements and alternatives. In addition, provisions in the ARRA (described below) have increased the level of activity surrounding the development of interconnection-wide transmission plans.

<sup>18</sup> Western Electricity Coordinating Council Five-Year Strategic Plan: March 7, 2008, Page 2.

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## Loads and Resources

In 2010, WECC will continue to improve its loads and resources data gathering and analysis. The WECC staff, assisting the Loads and Resources Subcommittee (LRS), will continue to provide an analysis of resource adequacy in the Western Interconnection. Improvements have been made each year to both the energy and capacity assessments. These include scenario inputs – such as extreme weather– as well as improved modeling and data quality. This work is performed by WECC staff under the direction of the Planning Coordination Committee (PCC) and the LRS.

## 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 electricity supply 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, with guidance from the Technical Studies Subcommittee (TSS), annually prepares a data bank 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 WECC technical staff, with guidance from the TSS, also develops an annual report that provides an ongoing transmission reliability assessment of the Western Interconnection: both in its existing state and for configurations planned through the following ten years. Identified performance deficiencies, as defined in the NERC Standards and WECC Regional Reliability Criteria, are reported and provided to the appropriate entity for mitigation.

## 2010 Key Assumptions

### General Assumptions

- NERC will continue to incrementally improve the definitions and metrics used in reliability assessments.
- NERC and the Regional Entities are at risk of being requested to gather data or perform analysis in support of federal initiatives related to the ARRA, climate change, or renewable energy initiatives. NERC and the regions are not funded for such initiatives and any unfunded mandates may impact cash reserves.
- There will be a startup planning effort in 2010 to begin the demand response data collection initiative and probabilistic risk assessment data in 2011.
- Some regions continue to experience a shift of work effort from stakeholders to staff in developing reliability assessments.
- NERC will develop an analysis of Transmission Availability Database Systems data in 2010; some regions may develop regional analysis.

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### WECC-Specific Assumptions/Uncertainties

- Impact of the ARRA on regional planning process and studies.
- Renewable integration reliability impacts.
- Impact of potential carbon reduction legislation.

### 2010 Goals and Key Deliverables

The planning objectives described in the WECC Five-Year Strategic Plan are a major focus for the WECC Reliability Assessment and Performance function. These integrated planning efforts will 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; 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 Board approval of the 2009 Annual Report.
- Develop and execute the expanded 2010 TEPPC Transmission Plan(s) for the Western Interconnection, pursuant to expected U.S. DOE funding under the ARRA.
- Ensure 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:
  - Ensure base-case data is reconciled with TEPPC information
  - Ensure Resource Adequacy data is reconciled with TEPPC information
  - Coordinate the NERC Long-term Reliability Assessment and Power Supply Assessment data and narratives
  - Evaluate the West-wide System Model and Study Review Workgroup proposals
- Evaluate the consolidation of resource adequacy analysis products.

#### d) Joint Guidance Committee (JGC) and Variable Generation Subcommittee (VGS)

- Provide a central point for the collection and dissemination of information on renewable integration activities in the Western Interconnection.
- Coordinate renewable energy-related activities across all aspects of WECC.

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Section A — 2010 Business Plan

**U.S. DOE Grant**

**DE-FOA-0000068: Recovery Act-Resource Assessment and Interconnection-Level Transmission Analysis and Planning – Topic A**

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 under the FOA.

WECC responded to this FOA with a proposed project 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, which includes \$1.6 million of existing TEPPC budget per year over four years as a cost share, for a total of \$6.4 million 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 (SPG), \$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 RTEP. 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.

WECC’s 2010 amended budgeted costs related to this U.S. DOE grant are \$4 million, of which:

- \$611,000 is for seven additional FTEs to work on this program
- \$3 million is for consulting services for this program
- \$370,000 (as allowed by the U.S. DOE for grant activities) is for meetings, travel, and outreach related to this program
- \$24,000 is for computers and other supplies due to the increase of FTEs

Indirect costs increase by \$328, 000 and Fixed Asset allocation increases by \$2,000 due to the increase in FTEs in this Program Area.

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The ARRA directs

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Section A — 2010 Business Plan

Fixed Assets have been reduced by a net \$53,000 in the RAPA budget, as follows:

- \$75,000 has been moved to the Situational Awareness and Infrastructure Security Program as it is more appropriately budgeted with that function, which now includes the WISP project.
- \$20,000 has been added to RAPA for additional computer and software needs.

**Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget**

Total costs for WECC's RAPA function increase by approximately \$4 million in the amended 2010 budget. Of these costs, \$276,000 results from the reallocation of indirect costs and Fixed Assets to this Program Area. The remainder of increased costs, approximately \$4 million, is funded by the U.S. DOE grant.

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WECC anticipates that any incremental activity associated with the increased interconnection-wide planning efforts described in the ARRA will be funded by a DOE grant to WECC/TEPPC. Consequently, this expansion in scope does not change the 2010 Reliability Assessment and Performance Analysis budget.¶

¶  
In 2010, ERO Funding requirements increase because of the Indirect Expense allocation as discussed in "Changes in Accounting Methodology" on page 8.

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Section A — 2010 Business Plan

**Reliability Assessment and Performance Analysis Program**

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Reliability Assessment and Performance Analysis</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 4,516,408	\$ 255,724	\$ 4,772,132
Penalty Sanctions			\$ -
<b>Total ERO Funding</b>	<u>\$ 4,516,408</u>	<u>\$ 255,724</u>	<u>\$ 4,772,132</u>
Membership Dues			
Federal Grants		3,991,879	3,991,879
Services & Software			
Workshops			
Interest			
Miscellaneous	50,000		50,000
<b>Total Funding</b>	<u>\$ 4,566,408</u>	<u>\$ 4,247,603</u>	<u>\$ 8,814,011</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 1,437,722	\$ 469,898	\$ 1,907,620
Payroll Taxes	123,686	46,473	170,159
Benefits	178,508	58,379	236,888
Retirement Costs	96,200	36,146	132,346
<b>Total Personnel Expenses</b>	<u>\$ 1,836,117</u>	<u>\$ 610,896</u>	<u>\$ 2,447,013</u>
<b>Meeting Expenses</b>			
Meetings	\$ 92,000	\$ 324,850	\$ 416,850
Travel	104,000	45,500	149,500
Conference Calls	28,320		28,320
<b>Total Meeting Expenses</b>	<u>\$ 224,320</u>	<u>\$ 370,350</u>	<u>\$ 594,670</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 602,000	\$ 2,966,631	\$ 3,568,631
Office Rent			
Office Costs	420,000	24,000	444,000
Professional Services			
Miscellaneous			
Depreciation			
<b>Total Operating Expenses</b>	<u>\$ 1,022,000</u>	<u>\$ 2,990,631</u>	<u>\$ 4,012,631</u>
<b>Total Direct Expenses</b>	<u>\$ 3,082,437</u>	<u>\$ 3,971,877</u>	<u>\$ 7,054,314</u>
<b>Indirect Expenses</b>	<u>\$ 1,355,905</u>	<u>\$ 328,404</u>	<u>\$ 1,684,309</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 4,438,342</u>	<u>\$ 4,300,281</u>	<u>\$ 8,738,623</u>
<b>Change in Assets</b>	<u>\$ 128,066</u>	<u>\$ (52,678)</u>	<u>\$ 75,388</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	
Computer & Software CapEx	86,500	(75,000)	11,500
Furniture & Fixtures CapEx			
Equipment CapEx		20,000	20,000
Leasehold Improvements			
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ (86,500)</u>	<u>\$ 55,000</u>	<u>\$ (31,500)</u>
Allocation of Fixed Assets	\$ (41,566)	\$ (2,322)	\$ (43,888)
<b>Change in Fixed Assets</b>	<u>(128,066)</u>	<u>52,678</u>	<u>(75,388)</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ -</u>

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<b>Funding</b>	
<b>ERO Funding</b>	ERO Assessments
	Penalty Sanctions
<b>Total ERO Funding</b>	
	Membership Dues
	Testing Fees
	Services & Software
	Workshops
	Interest
	Miscellaneous
<b>Total Funding</b>	
<b>Expenses</b>	
<b>Personnel Expenses</b>	Salaries
	Payroll Taxes
	Benefits
	Retirement Costs
<b>Total Personnel Expenses</b>	
<b>Meeting Expenses</b>	Meetings
	Travel
	Conference Calls
<b>Total Meeting Expenses</b>	
<b>Operating Expenses</b>	Consultants & Contracts
	Office Rent
	Office Costs
	Professional Services
	Miscellaneous
	Depreciation
<b>Total Operating Expenses</b>	
<b>Total Direct Expenses</b>	
<b>Indirect Expenses</b>	
<b>Other Non-Operating Expenses</b>	
<b>Total Expenses</b>	
<b>Change in Assets</b>	
<b>Fixed Assets</b>	Depreciation
	Computer & Software CapEx
	Furniture & Fixtures CapEx
	Equipment CapEx
	Leasehold Improvements
<b>(Incr)Dec in Fixed Assets</b>	
	Allocation of Fixed Assets
<b>Change in Fixed Assets</b>	
<b>TOTAL CHANGE IN ASSETS</b>	

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**Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

**Funding Sources**

- ERO assessments - \$4.7 million.
- U.S. DOE grant - \$4 million.
- Miscellaneous - \$50,000.
- In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except increases to reserves, which are accounted for in General and Administrative.

**Personnel Expenses**

- Salaries, Payroll Taxes, Benefits and Retirement Costs increase by \$611,000 in the amended 2010 budget due to the addition of seven FTEs.

**Meeting Expenses**

- Total Meeting and Travel Expenses for 2010 increase by \$370,000 (as allowed by the U.S. DOE for grant activities) due to the increased activities in performance of the deliverables associated with the U.S. DOE grant.

**Operating Expenses**

- Consultants and Contracts increase \$3 million in the amended 2010 budget due to the following:
  - Sub-recipients of the grant, which include Arizona State University and other Subregional Planning Groups, have been budgeted to receive \$1 million in 2010.
  - WECC will use consulting services to perform a significant portion of the deliverables on the grant. In 2010, \$1.4 million is budgeted for consultants.
  - As part of this grant, WECC will establish several groups and committees that will include non-WECC representatives. A total of \$566,000 is budgeted to be spent on participant reimbursements and travel in 2010.
- Office Costs are estimated to increase \$24,000 due to the additional computers and supplies needed by the additional FTEs.

**Indirect Expenses**

- See “Changes in Accounting Methodology” on page 11.
- Reallocation of WIT costs to the Situational Awareness and Infrastructure Security Program and the reallocation of indirect costs due to an increase of FTEs in this Program Area have resulted in an increase of \$328,000.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- See “Changes in Accounting Methodology” on page 11.
- \$75,000 has been moved to the Situational Awareness and Infrastructure Security Program as it is more appropriately budgeted with that function, which now includes the WISP project.

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Salaries increase

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<#>Office Costs increase by \$168,000 in 2010 due to the reclassification of computer license (...)

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Section A — 2010 Business Plan

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- \$20,000 has been budgeted for a new server that is necessary to support the program activities under the U.S. DOE grant.

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**Situational Awareness and Infrastructure Security Program**

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<b>Situational Awareness and Infrastructure Security Program Resources</b>			
<i>(in whole dollars)</i>			
	<u>2010 Approved Budget</u>	<u>2010 Amended Budget</u>	<u>Increase(Decrease)</u>
<u>Total FTEs</u>	<u>60.3</u>	<u>62.6</u>	<u>2.3</u>
<u>Total Direct Expenses</u>	<u>\$13,957,707</u>	<u>\$27,599,340</u>	<u>\$13,641,633</u>
<u>Total Indirect Expenses</u>	<u>\$4,290,818</u>	<u>\$3,833,280</u>	<u>(\$457,538)</u>
<u>Inc(Dec) in Fixed Assets</u>	<u>\$679,653</u>	<u>\$3,549,694</u>	<u>\$2,870,041</u>
<u>Total Expenses &amp; Fixed Assets</u>	<u>\$18,928,178</u>	<u>\$34,982,314</u>	<u>\$16,054,136</u>

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(in whole dollars)¶  
- 2009 Budget - 2010 Budget - Increase(Decrease)...

**Program Scope and Functional Description**

In 2006, the WECC Board approved the RCSI, which was designed to make reliability coordination in the Western Interconnection more effective and efficient. The initiative included consolidation of the Reliability Coordination Offices (RCO) from three to two, increasing real-time Reliability Coordinator staffing, developing a comprehensive model of the Western Interconnection (the West-wide System Model (WSM)), and increasing the independence of the Reliability Coordinators. The two new RCOs, located in Vancouver, Washington and Loveland Colorado, serve as “hot” backup for each other. WECC was certified by NERC to provide the reliability coordination function for the Western Interconnection prior to going live on January 1, 2009.

The WSM provides a common view of the entire Western Interconnection to WECC’s Reliability Coordinators. Going forward, the WSM is the platform on which advanced applications and common tools will be built. Through the use of these tools, real-time contingency analysis and other studies can be performed. The WSM was completed prior to November 1, 2008 and underwent validation by the WECC Reliability Coordinators during parallel operations, prior to the opening of the new WECC RCOs.

**2010 Key Assumptions**

**General Assumptions**

- NERC and each region will independently evaluate its needs for a situational awareness tool to supplement or mirror the FERC tool, and will each fund its own work. The FERC situational awareness tool will continue to be developed in 2010 to meet NERC, Regional Entity, and stakeholder needs. Reliability coordinators will bear the cost of providing systems and information to meet FERC requirements.
- The synchro-phasor project will not impact Regional Entity budgets in 2010. Any change to this will result in a budget variance.

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## WECC-Specific Assumptions

- WECC will pay off the remaining loan and interest balance associated with the acceleration of the RCSI.
- Standards will be more rigidly defined increasing the number of standards that require compliance by Reliability Coordinators.
- The regulatory landscape will continue to change, adding more requirements to be monitored by the Reliability Coordination function.

## 2010 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 its number of situational awareness displays available to NERC, FERC, and the WECC membership through the expansion of the Situation Awareness for FERC, NERC, and the Regions (SAFNR) project.

## U.S. DOE Grant

### DE-FOA-000058: Smart Grid Investment Grant Program (SGIG)

WECC responded 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. WISP will expand WECC's current Section 215 activities by, among other things, enhancing the situational awareness of WECC's RCOs. 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
- 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) situational 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 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.

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Section A — 2010 Business Plan

WECC's 2010 budgeted costs for WISP are \$15.8 million of which:

- \$547,000 is for additional personnel in the Situation Awareness and Infrastructure Security program
- \$6 million is for a sub-recipient (PG&E)
- \$1.2 million is for the procurement and engineering of application software
- \$6.5 million is for consulting services for the program
- \$1.5 million is for expansion of the WECC RCOs to accommodate the additional responsibilities and functionality under WISP.

**Reallocation of WECC Interchange Tool (WIT) Costs**

WIT is a software system that facilitates and coordinates interchange between WECC Balancing Authorities 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 costs associated with WIT have been moved from Technical Committees and Members' Forums (where it has appeared in the past three years' approved Business Plans and Budgets) to the Situational Awareness and Infrastructure Security Program. Although WIT was originally an initiative of one of the technical committees, it provides situational awareness to the Reliability Coordination function and is more appropriately captured within this Program.

**Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget**

Total costs for WECC's Situational Awareness and Infrastructure Security Program increase by \$16 million in the amended 2010 budget. Reallocation of WIT costs to this program from Technical Committees and Members' Forums and the reallocation of indirect costs to Non-Statutory Programs results in an increased funding requirement of \$242,000 from ERO assessments. This increase is directly offset by decreases in other Statutory Programs. The remaining \$15.8 million is associated with grant project costs.

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¶ A major factor in the reduction of office costs in 2010 (\$1.3 million) is a result of improved procurement procedures relating to data communications.¶

¶ In 2010, ERO Funding requirements increase because of the Indirect Expense allocation as discussed in "Changes in Accounting Methodology" on page 8.¶

¶ **The following table shows the total resources budgeted for CIP included in Situational Awareness and Infrastructure Security.¶ Critical Infrastructure Protection Resources¶ (Included in Total Situational Awareness and Infrastructure Security)¶**  
(in whole dollars)¶

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Section A — 2010 Business Plan

**Situational Awareness and Infrastructure Security Program**

Funding sources and related expenses for the Situational Awareness and Infrastructure Security section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Situation Awareness and Infrastructure Security</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 18,928,178	\$ 242,291	\$ 19,170,469
Penalty Sanctions			\$ -
<b>Total ERO Funding</b>	<u>\$ 18,928,178</u>	<u>\$ 242,291</u>	<u>\$ 19,170,469</u>
Membership Dues	-	-	-
Federal Grants	-	15,811,845	15,811,845
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ 18,928,178</u>	<u>\$ 16,054,136</u>	<u>\$ 34,982,314</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 6,969,837	\$ 421,131	\$ 7,390,968
Payroll Taxes	627,285	41,641	668,926
Benefits	777,289	52,310	829,599
Retirement Costs	487,889	32,387	520,276
<b>Total Personnel Expenses</b>	<u>\$ 8,862,300</u>	<u>\$ 547,470</u>	<u>\$ 9,409,770</u>
<b>Meeting Expenses</b>			
Meetings	-	-	-
Travel	216,000	-	216,000
Conference Calls	10,000	-	10,000
<b>Total Meeting Expenses</b>	<u>\$ 226,000</u>	<u>\$ -</u>	<u>\$ 226,000</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 118,000	\$ 12,505,025	\$ 12,623,025
Office Rent	596,000	-	596,000
Office Costs	1,174,200	589,138	1,763,338
Professional Services	15,000	-	15,000
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 1,903,200</u>	<u>\$ 13,094,163</u>	<u>\$ 14,997,363</u>
<b>Total Direct Expenses</b>	<u>\$ 10,991,500</u>	<u>\$ 13,641,633</u>	<u>\$ 24,633,133</u>
<b>Indirect Expenses</b>	<u>\$ 4,290,818</u>	<u>\$ (457,538)</u>	<u>\$ 3,833,280</u>
<b>Other Non-Operating Expenses</b>	<u>\$ 2,966,207</u>	<u>\$ -</u>	<u>\$ 2,966,207</u>
<b>Total Expenses</b>	<u>\$ 18,248,525</u>	<u>\$ 13,184,095</u>	<u>\$ 31,432,620</u>
<b>Change in Assets</b>	<u>\$ 679,653</u>	<u>\$ 2,870,041</u>	<u>\$ 3,549,694</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	523,000	1,370,145	1,893,145
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	1,537,667	1,537,667
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ (523,000)</u>	<u>\$ (2,907,812)</u>	<u>\$ (3,430,812)</u>
Allocation of Fixed Assets	\$ (156,653)	\$ 37,771	\$ (118,882)
<b>Change in Fixed Assets</b>	<u>(679,653)</u>	<u>(2,870,041)</u>	<u>(3,549,694)</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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<b>Funding</b>
<b>ERO Funding</b>
ERO Assessments
Penalty Sanctions
<b>Total ERO Funding</b>
Membership Dues
Testing Fees
Services & Software
Workshops
Interest
Miscellaneous
<b>Total Funding</b>
<b>Expenses</b>
<b>Personnel Expenses</b>
Salaries
Payroll Taxes
Benefits
Retirement Costs
<b>Total Personnel Expenses</b>
<b>Meeting Expenses</b>
Meetings
Travel
Conference Calls
<b>Total Meeting Expenses</b>
<b>Operating Expenses</b>
Consultants & Contracts
Office Rent
Office Costs
Professional Services
Miscellaneous
Depreciation
<b>Total Operating Expenses</b>
<b>Total Direct Expenses</b>
<b>Indirect Expenses</b>
<b>Other Non-Operating Expenses</b>
<b>Total Expenses</b>
<b>Change in Assets</b>
<b>Fixed Assets</b>
Depreciation
Computer & Software CapEx
Furniture & Fixtures CapEx
Equipment CapEx
Leasehold Improvements
<b>(Incr)Dec in Fixed Assets</b>
Allocation of Fixed Assets
<b>Change in Fixed Assets</b>
<b>TOTAL CHANGE IN ASSETS</b>

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**Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

**Funding Sources**

- ERO assessments - \$19.2 million.
- U.S. DOE grant - \$15.8 million.
- In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except increases to reserves, which are accounted for in General and Administrative.

**Personnel Expenses**

- Salaries, Payroll Taxes, Benefits, and Retirement Costs increase by \$547,000 in the amended 2010 budget due to the addition of 2.3 FTEs. These FTEs represent the addition of approximately six individuals, but most of them will not be hired until later in 2010.

**Meeting Expenses**

- Not applicable.

**Operating Expenses**

- Consultants and Contracts increase \$12.5 million in the amended 2010 budget due to the following:
  - o \$6 million of the grant funding is for a sub-recipient (PG&E).
  - o WECC will use Bridge Energy Group for a significant portion of the deliverables on the grant. In 2010, WECC is budgeting \$5.3 million for these services.
  - o WECC will use additional independent consultants for various other phases of the grant deliverables at an expected cost of approximately \$1.2 million.
- Office Supply costs increase by \$589,000 for supplies resulting from a \$1,000 increase in FTEs and an increase of \$588,000 resulting from the reallocation of WIT costs to the Situational Awareness and Infrastructure Security program from Technical Committees and Members' Forums.

**Indirect Expenses**

- See "Changes in Accounting Methodology" on page 11.
- Reallocation of indirect costs results in a decrease of \$458,000. This represents the net effect of the reallocation of WIT costs to the Situational Awareness and Infrastructure Security program from Technical Committees and Members' Forums, a reallocation of indirect costs to Non-Statutory Programs, and an increased allocation of indirect costs to this Program Area associated with the increased number of FTEs.

**Other Non-Operating Expenses**

- Not applicable.

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 Salary costs

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 Office Rent increases by \$116,000, of which \$42,000 relates to utilities and security which were not budgeted for at the appropriate level in 2009. The remaining \$74,000 increase is related to rent escalation clauses. When the 2009 budget was prepared, the lease agreements had not been signed, so the office rent incorporated in the

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 Office Costs decrease by \$1.27 million mainly

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¶ Indirect Expenses¶

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**Fixed Asset Additions**

- See “Changes in Accounting Methodology” on page 11.
- Montana Tech University will build and deploy an oscillation detection engine for use in WISP. WECC is budgeting \$329,000 in 2010 for this item.
- \$891,000 to build and deploy a situational awareness platform and offline power systems analysis software for system-wide performance analysis and model validation.
- An increase of \$150,000 in Computer and Software Capital Expenditures is the result of moving \$75,000 in previously-approved costs from Reliability Assessment and Performance Analysis and \$75,000 from Technical Committees and Members’ Forums to the Situational Awareness and Infrastructure Security Program. These costs are associated with the WISP project and are more appropriately budgeted within this Program Area.
- The WECC RCOs in Loveland, Colorado and Vancouver, Washington will require expansions as part of the WISP project. Therefore, \$1.5 million has been budgeted for this purpose.

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**Administrative Services**

<b>Administrative Services</b> (in whole dollars)			
	2010 Approved Budget	2010 Amended Budget	Increase(Decrease)
Total FTEs	39.7	39.7	0
Total Direct Expenses	\$10,445,763	\$10,130,342	\$315,420

**Program Scope and Functional Description**

WECC’s Administrative Services consist of Technical Committees and Members’ 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 Members’ Forums**

**Program Scope and Functional Description**

WECC is governed by a 32-member Board, 25 of which represent member classes. The remaining seven directors are not affiliated with any WECC member or potential member. These Non-affiliated Directors are compensated for their time on the Board and on Board Committees.

Nine 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 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 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. It is anticipated that this committee will be dissolved during 2010.
- *Finance and Audit Committee* – the FAC develops and recommends budgets, and assists the Board in maintaining the integrity of WECC’s financial reporting.

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## Section A — 2010 Business Plan

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- *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 was formed in April 2009. Its role is to provide the WECC Board with oversight of the WECC Compliance function under the delegation agreement from NERC provide a forum for communication between the compliance function and the WECC Board.

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### 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.

- *Operating Committee* – the OC advises and makes recommendations to the Board on all WECC-related matters that apply to maintaining reliability through the operation and security of the interconnected BES in the Western Region. The OC has seven subcommittees and 18 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 analysis of the impact of electricity market practices on electric system reliability. The MIC has two subcommittees.

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### 2010 Key Assumptions

- Economic downturn may impact in-person attendance and increase remote participation via Webinar and Conference Calls.

### 2010 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.
- Continue to provide logistics support for meetings and required postings.

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### 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 a 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

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Section A — 2010 Business Plan

Reduce Variable Generation Integration Costs in the Western Interconnection. 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.

WECC anticipates it will receive \$244,800 in funding over two years in response to its application under DE-PS36-09GO99009.

**Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget**

Direct Expenses and Fixed Assets decreased by a net of \$540,000. An increase of \$122,000 results from the addition of the VGS grant. A decrease of \$663,000 results from a budget reallocation of WIT costs (\$588,000) and WISP costs (\$75,000) to the Situational Awareness and Infrastructure Security Program. These previously-approved costs are related to situational awareness in the Reliability Coordination function and are more appropriately captured within that program.

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Two FTEs transferring into Technical Committees because of the termination of the Readiness Evaluation

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One FTE moving from Technical Committees into

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<#>The addition of 0.5 FTE, recruited to support the Market Interface Committee due to increased activities in the Market Issues Subcommittee and Seams Issues Subcommittee, and the North American Energy Standards Board. ¶  
In anticipation of the economic downturn impacting in-person attendance, the budget reflects an increase in expenses related to remote attendance such as Webinars and conference calls, particularly at the subcommittee level. ¶  
In 2010, ERO Funding requirements decrease because of the Indirect Expenses allocation as discussed in "Changes in Accounting Methodology" on page 8

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Section A — 2010 Business Plan

**Technical Committees and Members' Forums**

Funding sources and related expenses for the Technical Committees and Members' Forums section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Technical Committees and Members' Forums</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-
Federal Grants	-	122,400	122,400
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ 122,400</b>	<b>\$ 122,400</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 738,970	\$ -	\$ 738,970
Payroll Taxes	66,507	-	66,507
Benefits	84,655	-	84,655
Retirement Costs	51,728	-	51,728
<b>Total Personnel Expenses</b>	<b>\$ 941,861</b>	<b>\$ -</b>	<b>\$ 941,861</b>
<b>Meeting Expenses</b>			
Meetings	\$ 372,700	\$ 7,520	\$ 380,220
Travel	253,500	2,400	255,900
Conference Calls	30,900	-	30,900
<b>Total Meeting Expenses</b>	<b>\$ 657,100</b>	<b>\$ 9,920</b>	<b>\$ 667,020</b>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 40,000	112,480	\$ 152,480
Office Rent	-	-	-
Office Costs	696,100	(587,600)	108,500
Professional Services	395,000	-	395,000
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,131,100</b>	<b>\$ (475,120)</b>	<b>\$ 655,980</b>
<b>Total Direct Expenses</b>	<b>\$ 2,730,061</b>	<b>\$ (465,200)</b>	<b>\$ 2,264,861</b>
<b>Indirect Expenses</b>	<b>\$ (2,730,061)</b>	<b>\$ 587,600</b>	<b>\$ (2,142,461)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 0</b>	<b>\$ 122,400</b>	<b>\$ 122,400</b>
<b>Change in Assets</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	125,000	(75,000)	50,000
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (125,000)</b>	<b>\$ 75,000</b>	<b>\$ (50,000)</b>
Allocation of Fixed Assets	\$ 125,000	\$ (75,000)	\$ 50,000
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ (0)</b>

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<b>Funding</b>
<b>ERO Funding</b>
ERO Assessments
Penalty Sanctions
<b>Total ERO Funding</b>
Membership Dues
Testing Fees
Services & Software
Workshops
Interest
Miscellaneous
<b>Total Funding</b>
<b>Expenses</b>
<b>Personnel Expenses</b>
Salaries
Payroll Taxes
Benefits
Retirement Costs
<b>Total Personnel Expenses</b>
<b>Meeting Expenses</b>
Meetings
Travel
Conference Calls
<b>Total Meeting Expenses</b>
<b>Operating Expenses</b>
Consultants & Contracts
Office Rent
Office Costs
Professional Services
Miscellaneous
Depreciation
<b>Total Operating Expenses</b>
<b>Total Direct Expenses</b>
<b>Indirect Expenses</b>
<b>Other Non-Operating Expenses</b>
<b>Total Expenses</b>
<b>Change in Assets</b>
<b>Fixed Assets</b>
Depreciation
Computer & Software CapEx
Furniture & Fixtures CapEx
Equipment CapEx
Leasehold Improvements
<b>(Incr)Dec in Fixed Assets</b>
Allocation of Fixed Assets
<b>Change in Fixed Assets</b>
<b>TOTAL CHANGE IN ASSETS</b>

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**Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

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**Funding Sources**

- U.S. DOE grant - \$122,000
- In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except for increases to reserves that are accounted for in General and Administrative.

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**Personnel Expenses**

- Not applicable.

Deleted: <#>Salaries increase by \$132,000 due to a net increase of 1.5 FTEs and average salary merit increases of three percent.¶ Payroll Taxes, Benefits, and Retirement Costs were budgeted in General and Administrative in 2009, but are appropriately reflected in each Program Area in 2010 which is the reason for the \$183,000 increase in these three categories of Personnel Expenses

**Meeting Expenses**

- Travel and meeting expenses increase \$10,000 (as allowed by the U.S. DOE for grant activities) due to the addition of project review meetings related to the U.S. DOE grant.

Deleted: <#>Meeting costs decrease by \$33,000 in 2010 as WECC committees anticipate using more Webinars, conference calls and holding fewer in-person meetings. ¶

**Operating Expenses**

- Operating expenses increase \$112,000, which will be used to hire a consultant for production cost modeling and other activities for the VGS project.
- Office costs decrease by \$588,000 due to the reallocation of WIT costs to the Situational Awareness and Infrastructure Security program.

Deleted: <#>Consultants and Contracts decrease by \$734,000 due to reclassifications for more meaningful presentation. Software license fees were classified as Contracts in 2009, but are more appropriately classified as Office Costs in 2010, which represents an approximate \$565,000 difference in each category. Additionally, \$150,000 of software was classified as Contracts in 2009, but in 2010, software purchases of \$125,000 are more appropriately classified as Fixed Assets. Consulting decreases by \$20,000 because WECC will utilize staff as opposed to outside contractors for various projects in an effort to reduce costs. ¶

**Indirect Expenses**

- See "Changes in Accounting Methodology" on page 11.

¶ Indirect Expenses¶

**Other Non-Operating Expenses**

- Not applicable.

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**Fixed Asset Additions**

- See "Changes in Accounting Methodology" on page 11.
- Fixed Assets in the amount of \$75,000 have been moved to the Situational Awareness and Infrastructure Security Program. These costs are associated with the WISP project and are more appropriately budgeted in that Program Area.

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Moved up [10]: ¶ Other Non-Operating Expenses¶ Not applicable.¶

¶ Fixed Asset Additions

Deleted: In 2009, \$150,000 of software was classified as Contracts, but in 2010, software purchases of \$125,000 are more appropriately classified as Fixed Assets

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**General and Administrative**

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**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 that benefit multiple Program Areas (i.e., office rent) are accounted for in this area.

**2010 Key Assumptions**

- Interest and investment income is not budgeted in 2010, due to the uncertainty and volatility of the financial markets.
- Increased staffing levels will require additional office space.
- Salary increases and pools for market adjustments and promotions are lower in 2010 due to the state of the economic environment.
- Benefits and other salary-related expenses should be accounted for in an employee’s home department.

**2010 Goals and Key Deliverables**

- Provide executive leadership and strategic guidance for the activities undertaken by WECC.
- Increase the professionalism of WECC work products.
- Improve the quality and efficiency of support provided to staff and members.

**Funding Requirements — Explanation of Increase (Decrease)**

For the 2010 budget cycle, NERC and the Regional Entities have modified how assessments will be allocated across Program Areas. Assessments will only be allocated across the statutory Program Areas and the only assessment to be included in General and Administrative is a \$1.2 million increase in reserves. The total expenses of General and Administrative, as well as all Administrative Services areas, are allocated to the Statutory Programs based on FTEs.

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 WECC changed its method of accounting for salary-related expenses in 2010 to increase consistency with other Regional Entities. In 2010, all expenses related to an FTE’s salary are accounted for in the FTE’s Program Area, whereas in 2009, most salary-related expenses were accounted for in General and Administrative. ¶  
 ¶  
 Increased staffing levels as described in each functional area require additional office space over and above the square footage currently being leased, in addition to general office costs. In 2010, all Office Rent, with the exception of the RCOs, is included in General and Administrative to increase consistency with other regions. In 2009, some Office Rent was budgeted to Compliance. ¶  
 - - ¶  
 In 2010, ERO Funding requirements decrease because of the Indirect Expenses allocation as discussed in “Changes in Accounting Methodology” on page 8.

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Section A — 2010 Business Plan

**General and Administrative**

Funding sources and related expenses for the General and Administrative section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>General and Administrative</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 1,000,000	\$ 214,395	\$ 1,214,395
Penalty Sanctions			
<b>Total ERO Funding</b>	<b>\$ 1,000,000</b>	<b>\$ 214,395</b>	<b>\$ 1,214,395</b>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	11,000	-	11,000
<b>Total Funding</b>	<b>\$ 1,011,000</b>	<b>\$ 214,395</b>	<b>\$ 1,225,395</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 1,701,761	\$ -	\$ 1,701,761
Payroll Taxes	118,058	-	118,058
Benefits	778,033	-	778,033
Retirement Costs	113,003	-	113,003
<b>Total Personnel Expenses</b>	<b>\$ 2,710,856</b>	<b>\$ -</b>	<b>\$ 2,710,856</b>
<b>Meeting Expenses</b>			
Meetings	\$ 15,000	\$ -	\$ 15,000
Travel	313,100	-	313,100
Conference Calls	6,000	-	6,000
<b>Total Meeting Expenses</b>	<b>\$ 334,100</b>	<b>\$ -</b>	<b>\$ 334,100</b>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 32,000	\$ -	\$ 32,000
Office Rent	985,000	-	985,000
Office Costs	269,675	-	269,675
Professional Services	95,000	77,780	172,780
Miscellaneous	(72,000)	72,000	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,309,675</b>	<b>\$ 149,780</b>	<b>\$ 1,459,455</b>
<b>Total Direct Expenses</b>	<b>\$ 4,354,631</b>	<b>\$ 149,780</b>	<b>\$ 4,504,411</b>
<b>Indirect Expenses</b>	<b>\$ (4,343,631)</b>	<b>\$ (149,780)</b>	<b>\$ (4,493,411)</b>
<b>Other Non-Operating Expenses</b>		<b>\$ -</b>	
<b>Total Expenses</b>	<b>\$ 11,000</b>	<b>\$ -</b>	<b>\$ 11,000</b>
<b>Change in Assets</b>	<b>\$ 1,000,000</b>	<b>\$ 214,395</b>	<b>\$ 1,214,395</b>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 1,000,000</b>	<b>\$ 214,395</b>	<b>\$ 1,214,395</b>

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**Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

**Funding Sources**

- NERC and the Regional Entities agreed that in 2010, assessments should not be allocated to the Indirect Program Areas with one exception; increases to reserves. In 2010, WECC's approved budget reflected a \$1 million increase in reserves. This budgeted reserve amount has increased by \$214,000. The increase is a result of allocation of indirect costs to Non-Statutory Programs; the previously-approved statutory funding for these costs therefore increases the reserve amount. The \$214,000 amount was deemed to be too small to be efficiently refunded to the load-serving entities in the WECC region, which have already paid their full approved 2010 statutory assessment amounts.

**Personnel Expenses**

- Not applicable.

**Meeting Expenses**

- Not applicable.

**Operating Expenses**

- WECC's approved 2010 budget had directly allocated audit fees, legal fees, and other administrative costs to its Non-Statutory Programs. The amended budget has reversed these allocations and replaced them with an indirect cost allocation based on numbers of FTEs. See "Changes in Accounting Methodology" on page 11.

**Indirect Expenses**

- Not applicable.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Not applicable.

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Deleted: In 2010, WECC's budget reflects a \$1 million increase in reserves that is presented in General and Administrative

Deleted: WECC is not budgeting for interest income in 2010 due to the instability and volatility of the financial markets.

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Deleted: <#>Salary expenses decrease by \$478,000, mainly due to the reduction of WECC's salary pool which is used for bonuses, market adjustments, and other salary adjustments. The pool for all of WECC is budgeted in General and Administrative.¶ Payroll Taxes, Benefits, and Retirement Costs for the entire company were budgeted in General and Administrative in 2009, but are appropriately reflected in each Program Area in 2010, which is the reason for the \$3.93 million decrease in these three categories of Personnel Expenses.

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Deleted: The year-on-year variances for Meeting and Travel Expenses are not material.

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Deleted: budget for Office Rent in 2010 increases by \$625,000 due to a need for additional office space in its Vancouver, WA and Salt Lake City, UT offices. With the addition of staff in 2009 and 2010 and anticipated future FTE increases, WECC is currently searching for larger office space to move into at the end of the current lease terms. Price per square footage varies tremendously in the two cities where WECC currently leases space. Therefore, an estimated increase of approximately fifty-five percent was used for budgeting purposes. Also, \$138,000 of Office Rent was budgeted for the Compliance Department in 2009, but in 2010, all rent except for the RCOs is budgeted in General and Administrative to improve consistency with other regions.

Deleted: In 2010, Miscellaneous Expenses represent the allocation of Salaries and Office Costs to the non-statutory Program Area. In 2009, this allocation was included in Benefits. In 2010, WECC is presenting this ...

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## Legal and Regulatory

### 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.

### 2010 Key Assumptions

- WECC will maintain current operations.
- Greater level of review from FERC and stakeholders.
- Changes to WECC’s operating environment, such as unanticipated direction from FERC, NERC, or both (e.g., recent change in timing of CIP spot-checks).
- Impacts of the U.S. DOE master plan on Western Interconnection.
- NERC expectations in terms of the level reporting are clearly defined.

### 2010 Goals and Key Deliverables

- Provide efficient, cost effective legal support to the Board of Directors, committees, and staff through a combination of in-house and outside resources.
- Update and advise the Board and CEO on pending legal issues.
- Advise WECC departments on specific legal matters and general matters relating to WECC business.
- Provide legal support to the WECC Compliance Department and facilitate processing of potential 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.
- Manage the legal budget.

### Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget

No change.

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In 2010, Direct Expenses in Legal and Regulatory increase by \$713,000. WECC requires this increase to add an Executive Assistant, an Associate General Counsel, a Senior Legal Counsel, and a Legal Assistant. The Executive Assistant would support

Deleted: General Counsel and Corporate Secretary, and maintain the corporate records and coordinate support for the GNC and its Regulatory Subcommittee. The Associate General Counsel would oversee legal support for the WECC Compliance Department.

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WECC is currently monitoring nearly 470 Registered Entities under the CMEP regulatory structure, which requires significant legal support for drafting, review, and negotiations. Senior Legal Counsel would provide experienced assistance in WECC legal matters. WECC’s scope of activities and international issues requires senior-level support for complex legal matters. Current workload levels are expected to increase to coordinate the various legal and regulatory requirements of WECC. A Legal Assistant will aid in the organization of the Legal Department to avoid errors, and will speed processing on confidential matters.¶

¶  
Using in-house counsel provides three key benefits to WECC. First; in-house attorneys develop a working understanding of WECC issues and business needs. Second; in-house attorneys can fulfill a corporate compliance role, raising any serious issues to the CEO and the WECC Board for action. Third; in-house attorneys provide the best value for services. WECC will have two full-time attorneys and support staff who will gain specific experience of WECC matters and will act as gatekeepers to ensure corporate compliance for the equivalent of 1,284 hours of outside counsel support.¶

¶  
In 2010, ERO Funding requirements decrease because of the Indirect Expenses allocation as discussed in “Changes in Accounting Methodology” on page 8.

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Section A — 2010 Business Plan

**Legal and Regulatory**

Funding sources and related expenses for the Legal and Regulatory section of the 2010 business plan are shown in the table below.

Statement of Activities			
2010 Approved Budget & 2010 Amended Budget			
Legal and Regulatory			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ -	\$ -	\$ -
Penalty Sanctions			
<b>Total ERO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 858,707	\$ -	\$ 858,707
Payroll Taxes	77,284	-	77,284
Benefits	100,640	-	100,640
Retirement Costs	60,109	-	60,109
<b>Total Personnel Expenses</b>	<u>\$ 1,096,740</u>	<u>\$ -</u>	<u>\$ 1,096,740</u>
<b>Meeting Expenses</b>			
Meetings	\$ 8,000	\$ -	\$ 8,000
Travel	86,000	-	86,000
Conference Calls	10,000	-	10,000
<b>Total Meeting Expenses</b>	<u>\$ 104,000</u>	<u>\$ -</u>	<u>\$ 104,000</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ -	\$ -	\$ -
Office Rent	-	-	-
Office Costs	89,920	-	89,920
Professional Services	275,000	-	275,000
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 364,920</u>	<u>\$ -</u>	<u>\$ 364,920</u>
<b>Total Direct Expenses</b>	<u>\$ 1,565,660</u>	<u>\$ -</u>	<u>\$ 1,565,660</u>
<b>Indirect Expenses</b>	<u>\$ (1,565,660)</u>	<u>\$ -</u>	<u>\$ (1,565,660)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Change in Assets</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>

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**Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

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**Funding Sources**

- Not applicable.

**Deleted:** In 2010, NERC and the Regional Entities agreed that assessments should not be allocated to the Indirect Program Areas. All indirect costs are allocated to the Statutory Programs and all assessments are allocated to Statutory Program Areas except for increases to reserves which are accounted for in General and Administrative

**Personnel Expenses**

- Not applicable.

**Deleted:** Salary expense increases by \$276,000 as a result of four additional FTEs. Payroll Taxes, Benefits, Retirement Costs for the entire company were budgeted in General and Administrative in 2009, but are appropriately reflected in each Program Area in 2010, which is the reason for the \$238,000 increase in these three categories of Personnel Expenses

**Meeting Expenses**

- Not applicable.

**Operating Expenses**

- Not applicable.

**Deleted:** Travel increases \$86,000 in 2010, mainly because no travel was budgeted in 2009 and there are eight FTEs incurring travel costs in 2010

**Indirect Expenses**

- Not applicable.

**Deleted:** Office Costs increase \$90,000 in 2010, primarily because Office Costs were not budgeted in 2009. Office Costs such as internet expense, software license fees, equipment rental, telephones, and computer supplies were all budgeted in General and Administrative in 2009, but in 2010 have been budgeted in Legal and Regulatory to improve consistency with other Regional Entities and to more appropriately reflect the costs of this Administrative Services area

**Other Non-Operating Expenses**

- Not applicable.

**Deleted:** See “Changes in Accounting Methodology” on page 8.

**Fixed Asset Additions**

- Not applicable.

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**Information Technology**

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**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 small staff to administer the IT infrastructure at WECC.

Two IT Network Engineers provide desk-side services and network administration to an increasing population of WECC employees, based in offices in three geographic locations. In addition, one Application Developer Engineer provides Web service support and application development.

**2010 Key Assumptions**

- Slowing growth of WECC staff and associated increase in IT support.
- Inclusion of IT processes, procedures, and security to comply with NERC “Agreed Upon Procedures.”
- No increase in scale or scope that will require increase in IT headcount.

**2010 Goals and Key Deliverables**

- Deliver reliable and secure IT systems that support WECC’s business needs.
- Establish a system development life-cycle process.
- Establish a requirements-based solution system that improves delivery of small development projects.

**Funding Requirements — Explanation of Increase (Decrease) over the 2010  
Approved Budget  
No Change**

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In 2010, ERO Funding requirements decrease because of the Indirect Expenses allocation as discussed in “Changes in Accounting Methodology” on page 8.¶

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Section A — 2010 Business Plan

**Information Technology**

Funding sources and related expenses for the Information Technology section of the 2010 business plan are shown in the table below.

Statement of Activities			
2010 Approved Budget & 2010 Amended Budget			
Information Technology			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ -	\$ -	\$ -
Penalty Sanctions			
<b>Total ERO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 323,439	\$ -	\$ 323,439
Payroll Taxes	29,110	-	29,110
Benefits	36,242	-	36,242
Retirement Costs	22,641	-	22,641
<b>Total Personnel Expenses</b>	<u>\$ 411,432</u>	<u>\$ -</u>	<u>\$ 411,432</u>
<b>Meeting Expenses</b>			
Meetings	\$ -	\$ -	\$ -
Travel	-	-	-
Conference Calls	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 30,000	\$ -	\$ 30,000
Office Rent	-	-	-
Office Costs	504,800	-	504,800
Professional Services	-	-	-
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 534,800</u>	<u>\$ -</u>	<u>\$ 534,800</u>
<b>Total Direct Expenses</b>	<u>\$ 946,232</u>	<u>\$ -</u>	<u>\$ 946,232</u>
<b>Indirect Expenses</b>	<u>\$ (946,232)</u>	<u>\$ -</u>	<u>\$ (946,232)</u>
<b>Other Non-Operating Expenses</b>			
<b>Total Expenses</b>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Change in Assets</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	220,000	-	220,000
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ (220,000)</u>	<u>\$ -</u>	<u>\$ (220,000)</u>
Allocation of Fixed Assets	\$ 220,000	\$ -	\$ 220,000
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>

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**Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

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**Funding Sources**

- Not applicable.

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¶

**Personnel Expenses**

- Not applicable.

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¶

**Meeting Expenses**

- Not applicable.

Deleted: <#>Salaries increase \$115,000 in 2010 partly due to the allocation of 0.7 FTEs from Situational Awareness; these employees are shared employees. ¶  
<#>Payroll Taxes, Benefits, and Retirement Costs for the entire company were budgeted in General and Administrative in 2009, but are appropriately reflected in each Program Area in 2010, which is the reason for the \$88,000 increase in these three categories of Personnel Expenses.¶

**Operating Expenses**

- Not applicable.

**Indirect Expenses**

- Not applicable.

Deleted: <#>Consultants and Contracts decrease in 2010 by \$295,000 due to reclassifications for more meaningful presentation. Software costs were classified as Contracts in 2009, but are more appropriately classified in 2010 as Fixed Assets. ¶  
Office Costs such as internet expense, software license fees, equipment rental, telephones, and computer supplies were all budgeted in General and Administrative in 2009, but in 2010 have been budgeted in Information Technology to improve consistency with other Regional Entities and to more appropriately reflect the costs of this Administrative Services area

**Other Non-Operating Expenses**

- Not applicable.

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**Fixed Asset Additions**

- Not applicable.

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<#>In 2010, WECC is budgeting for fewer capital expenditures because most of the computer systems for the corporate offices have already been purchased. ¶  
¶

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## Human Resources

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### Program Scope and Functional Description

The Human Resources (HR) department is comprised of three employees: a Director, a Generalist, and a Coordinator. The department is responsible for the delivery of all HR functions across the three WECC offices, including: recruitment, staffing, compensation, benefits, safety and health, employee relations, performance management, and employee training and development.

### 2010 Key Assumptions

- The pace of growth in headcount will continue during 2010 (add 33.5<sup>20</sup> additional employees in addition to replacing normal attrition), resulting in 177.5 employees by the end of 2010.
- Although many incumbent subject matter experts are nearing retirement age, the ongoing economic slump and associated decrease in 401 (k) and other investment values will encourage them to remain in the workforce longer.
- Intense competition for talent will continue (among the regions and utilities) resulting in upward pressure on salary and benefits expense. Retention of key staff will be a competing issue with managing the overall salary expense.
- Succession planning and employee development will become critical to ensuring that a skilled, qualified workforce remains.

### 2010 Goals and Key Deliverables

- Provide effective HR 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.
- 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.
- Commission a salary survey for non-executive positions to ensure compensation is managed within approved philosophy.

### Funding Requirements — Explanation of Increase (Decrease) over the 2010

#### Approved Budget

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¶ In 2010, ERO Funding requirements decrease because of the Indirect Expenses allocation as discussed in "Changes in Accounting Methodology" on page 8.¶

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<sup>20</sup> Includes non-statutory FTEs employed by the Western Renewable Energy Information System.

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Section A — 2010 Business Plan

**Human Resources**

Funding sources and related expenses for the Human Resources section of the 2010 business plan are shown in the table below.

<b>Statement of Activities</b>			
<b>2010 Approved Budget &amp; 2010 Amended Budget</b>			
<b>Human Resources</b>			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ -	\$ -	\$ -
Penalty Sanctions			
<b>Total ERO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 295,883	\$ -	\$ 295,883
Payroll Taxes	26,629	-	26,629
Benefits	36,866	-	36,866
Retirement Costs	20,712	-	20,712
<b>Total Personnel Expenses</b>	<u>\$ 380,090</u>	<u>\$ -</u>	<u>\$ 380,090</u>
<b>Meeting Expenses</b>			
Meetings	\$ -	\$ -	\$ -
Travel	8,000	-	8,000
Conference Calls	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 8,000</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 10,000	\$ -	\$ 10,000
Office Rent	-	-	-
Office Costs	75,730	-	75,730
Professional Services	-	-	-
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 85,730</u>	<u>\$ -</u>	<u>\$ 85,730</u>
<b>Total Direct Expenses</b>	<u>\$ 473,820</u>	<u>\$ -</u>	<u>\$ 473,820</u>
<b>Indirect Expenses</b>	<u>\$ (473,820)</u>	<u>\$ -</u>	<u>\$ (473,820)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Change in Assets</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>

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<b>Funding</b>
<b>ERO Funding</b>
ERO Assessments
Penalty Sanctions
<b>Total ERO Funding</b>
Membership Dues
Testing Fees
Services & Software
Workshops
Interest
Miscellaneous
<b>Total Funding</b>
<b>Expenses</b>
<b>Personnel Expenses</b>
Salaries
Payroll Taxes
Benefits
Retirement Costs
<b>Total Personnel Expenses</b>
<b>Meeting Expenses</b>
Meetings
Travel
Conference Calls
<b>Total Meeting Expenses</b>
<b>Operating Expenses</b>
Consultants & Contracts
Office Rent
Office Costs
Professional Services
Miscellaneous
Depreciation
<b>Total Operating Expenses</b>
<b>Total Direct Expenses</b>
<b>Indirect Expenses</b>
<b>Other Non-Operating Expenses</b>
<b>Total Expenses</b>
<b>Change in Assets</b>
<b>Fixed Assets</b>
Depreciation
Computer & Software CapEx
Furniture & Fixtures CapEx
Equipment CapEx
Leasehold Improvements
<b>(Incr)Dec in Fixed Assets</b>
Allocation of Fixed Assets
<b>Change in Fixed Assets</b>
<b>TOTAL CHANGE IN ASSETS</b>

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**Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

**Funding Sources**

- Not applicable.

**Personnel Expenses**

- Not applicable.

**Meeting Expenses**

- Not applicable.

**Operating Expenses**

- Not applicable.

**Indirect Expenses**

- Not applicable.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Not applicable.

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Deleted: <#>Salaries increase \$31,000 in 2010 due to merit increases and market adjustments.¶ Payroll Taxes, Benefits, and Retirement Costs for the entire company were budgeted in General and Administrative in 2009, but are appropriately reflected in each Program Area in 2010, which is the reason for the \$84,000 increase in these three categories of Personnel Expenses

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## Finance and Accounting

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### Program Scope and Functional Description

The Finance and Accounting function provides accounting, accounts payable, billing, accounts receivable, and budgeting support to WECC. This function also produces all financial reports and acts as a liaison with WECC's external financial statement auditors.

### 2010 Key Assumptions

- WECC will develop a budget to address the risks created by the uncertain operating environment.
- Improved accounting systems will increase staff efficiency.

### 2010 Goals and Key Deliverables

- Draft and implement financial policies.
- Improve financial reporting.
- Ensure employees are cross-trained to allow for backup for all financial duties.
- Increase the level of understanding by WECC Directors and staff of the WECC budgeting process and the actual costs of their departments.

### U.S. DOE Grants

The 2010 RTEP and WISP budgets include \$117,000 for the addition of 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 increases and FTE increases shown in the Reliability Assessment and Performance Analysis and the Situational Awareness and Infrastructure Security budgets.

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Direct Expenses increase by \$220,000 in 2010, mainly due to the move of one FTE from General and Administrative to Finance and Accounting. This position is focused solely on Finance and Accounting and belongs in this Program Area. <sup>¶</sup>  
In 2009, the only costs budgeted in this area were Salaries. In 2010, WECC is appropriately budgeting for salary-related expenses and other expenses specifically related to Finance and Accounting in this Program Area. <sup>¶</sup>  
In 2010, ERO Funding requirements decrease because of the Indirect Expenses allocation as discussed in "Changes in Accounting Methodology" on page 8

### Funding Requirements — Explanation of Increase (Decrease) over the 2010 Approved Budget

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Section A — 2010 Business Plan

**Finance and Accounting**

Funding sources and related expenses for the Finance and Accounting section of the 2010 business plan are shown in the table below.

Statement of Activities 2010 Approved Budget & 2010 Amended Budget Finance and Accounting			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-
Federal Grants	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 263,735	\$ -	\$ 263,735
Payroll Taxes	23,736	-	23,736
Benefits	33,406	-	33,406
Retirement Costs	18,461	-	18,461
<b>Total Personnel Expenses</b>	<b>\$ 339,339</b>	<b>\$ -</b>	<b>\$ 339,339</b>
<b>Meeting Expenses</b>			
Meetings	\$ -	\$ -	\$ -
Travel	2,500	-	2,500
Conference Calls	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 2,500</b>	<b>\$ -</b>	<b>\$ 2,500</b>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ -	\$ -	\$ -
Office Rent	-	-	-
Office Costs	7,020	-	7,020
Professional Services	26,500	-	26,500
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 33,520</b>	<b>\$ -</b>	<b>\$ 33,520</b>
<b>Total Direct Expenses</b>	<b>\$ 375,359</b>	<b>\$ -</b>	<b>\$ 375,359</b>
<b>Indirect Expenses</b>	<b>\$ (375,359)</b>	<b>\$ -</b>	<b>\$ (375,359)</b>
<b>Other Non-Operating Expenses</b>			
<b>Total Expenses</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Change in Assets</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ 0</b>

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2009 Budget	
<b>Funding</b>	
<b>ERO Funding</b>	
ERO Assessments	-
Penalty Sanctions	-
<b>Total ERO Funding</b>	-
Membership Dues	-
Testing Fees	-
Services & Software	-
Workshops	-
Interest	-
Miscellaneous	-
<b>Total Funding</b>	-
<b>Expenses</b>	
<b>Personnel Expenses</b>	
Salaries	-
Payroll Taxes	-
Benefits	-
Retirement Costs	-
<b>Total Personnel Expenses</b>	-
<b>Meeting Expenses</b>	
Meetings	-
Travel	-
Conference Calls	-
<b>Total Meeting Expenses</b>	-
<b>Operating Expenses</b>	
Consultants & Contracts	-
Office Rent	-
Office Costs	-
Professional Services	-
Miscellaneous	-
Depreciation	-
<b>Total Operating Expenses</b>	-
<b>Total Direct Expenses</b>	-
<b>Indirect Expenses</b>	-
<b>Other Non-Operating Expenses</b>	-
<b>Total Expenses</b>	-
<b>Change in Assets</b>	-
<b>Fixed Assets</b>	
Depreciation	-
Computer & Software CapEx	-
Furniture & Fixtures CapEx	-
Equipment CapEx	-
Leasehold Improvements	-
<b>(Incr)Dec in Fixed Assets</b>	-
Allocation of Fixed Assets	-
<b>Change in Fixed Assets</b>	-
<b>TOTAL CHANGE IN ASSETS</b>	-

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**Explanations of Variances – Proposed 2010 Amended Budget versus Approved 2010 Budget**

**Funding Sources**

- Not applicable.

**Personnel Expenses**

- Not applicable.

**Meeting Expenses**

- Not applicable.

**Operating Expenses**

- Not applicable.

**Indirect Expenses**

- Not applicable.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Not applicable.

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Deleted: <#>Salaries increase by \$109,000 in 2010 as a consequence of one FTE moving from General and Administrative (where it was budgeted in 2009) to Finance and Accounting, merit increases, and market adjustments.¶ Payroll Taxes, Benefits, and Retirement Costs for the entire company were budgeted in General and Administrative in 2009, but are appropriately reflected in each Program Area in 2010, which is the reason for the \$76,000 increase in these three categories of Personnel Expenses

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Section A — 2010 Business Plan

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**Section B — 2010 Budget**

**2010 Approved Budget and 2010 Amended Budget Comparison**

**Table 1**

Statement of Activities 2010 Approved Budget & 2010 Amended Budget			
STATUTORY			
	Original 2010 Budget	2010 Adjustment to the Approved Budget	Amended 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 39,132,457	\$ -	\$ 39,132,457
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<b>\$ 39,132,457</b>	<b>\$ -</b>	<b>\$ 39,132,457</b>
Membership Dues	-	-	-
Federal Grants	-	19,926,124	19,926,124
Services & Software	-	-	-
Workshops	1,315,100	-	1,315,100
Interest	-	-	-
Miscellaneous	61,000	-	61,000
<b>Total Funding</b>	<b>\$ 40,508,557</b>	<b>\$ 19,926,124</b>	<b>\$ 60,434,681</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 18,363,174	\$ 891,029	\$ 19,254,203
Payroll Taxes	1,588,319	88,114	1,676,433
Benefits	2,688,771	110,690	2,799,461
Retirement Costs	1,264,442	68,533	1,332,975
<b>Total Personnel Expenses</b>	<b>\$ 23,904,706</b>	<b>\$ 1,158,366</b>	<b>\$ 25,063,072</b>
<b>Meeting Expenses</b>			
Meetings	\$ 1,194,700	\$ 332,370	\$ 1,527,070
Travel	1,781,450	47,900	1,829,350
Conference Calls	138,480	-	138,480
<b>Total Meeting Expenses</b>	<b>\$ 3,114,630</b>	<b>\$ 380,270</b>	<b>\$ 3,494,900</b>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 2,397,500	\$ 15,584,136	\$ 17,981,636
Office Rent	1,581,000	-	1,581,000
Office Costs	3,432,515	25,538	3,458,053
Professional Services	961,500	77,780	1,039,280
Miscellaneous	(72,000)	72,000	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 8,300,515</b>	<b>\$ 15,759,454</b>	<b>\$ 24,059,969</b>
<b>Total Direct Expenses</b>	<b>\$ 35,319,851</b>	<b>\$ 17,298,090</b>	<b>\$ 52,617,941</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ (364,175)</b>	<b>\$ (364,175)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 2,966,207</b>	<b>\$ -</b>	<b>\$ 2,966,207</b>
<b>Total Expenses</b>	<b>\$ 38,286,058</b>	<b>\$ 16,933,915</b>	<b>\$ 55,219,973</b>
<b>Change in Assets</b>	<b>\$ 2,222,500</b>	<b>\$ 2,992,209</b>	<b>\$ 5,214,708</b>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	1,222,500	1,220,145	2,442,645
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	20,000	20,000
Leasehold Improvements	-	1,537,667	1,537,667
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ (1,222,500)</b>	<b>\$ (2,777,812)</b>	<b>\$ (4,000,312)</b>
Allocation of Fixed Assets	\$ 0	\$ (0)	\$ -
<b>Change in Fixed Assets</b>	<b>(1,222,500)</b>	<b>(2,777,812)</b>	<b>(4,000,312)</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 1,000,000</b>	<b>\$ 214,397</b>	<b>\$ 1,214,395</b>

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Section B — 2010 WECC Budget

**Personnel Analysis**

FTEs are defined as full-time employees only. Fractional FTEs reflect part-time employees or partial allocation of headcount.

**Table 2**

Total FTEs by Program Area	Direct FTEs Approved 2010 Budget	Shared FTEs <sup>1</sup> Approved 2010 Budget	Total FTEs Approved 2010 Budget	Direct FTEs Amended 2010 Budget	Shared FTEs <sup>1</sup> Amended 2010 Budget	Total FTEs Amended 2010 Budget	Change from Approved 2010 Budget
<b>STATUTORY</b>							
<b>Operational Programs</b>							
Reliability Standards	3.0	0.0	3.0	3.0	0.0	3.0	0.0
Compliance and Organization Registration and Certification	50.0	0.0	50.0	50.0	0.0	50.0	0.0
Reliability Readiness Evaluation and Improvement	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Training and Education	3.5	0.0	3.5	3.5	0.0	3.5	0.0
Reliability Assessment and Performance Analysis	16.0	0.0	16.0	23.2	0.0	23.2	7.2
Situational Awareness and Infrastructure Security	60.3	0.0	60.3	62.6	0.0	62.6	2.3
<b>Total FTEs Operational Programs</b>	<b>132.8</b>	<b>0.0</b>	<b>132.8</b>	<b>142.3</b>	<b>0.0</b>	<b>142.3</b>	<b>9.5</b>
<b>Administrative Programs</b>							
Member Forums	7.0	0.0	7.0	7.0	0.0	7.0	0.0
General & Administrative	15.0	0.0	15.0	15.0	0.0	15.0	0.0
Information Technology	3.7	0.0	3.7	3.7	0.0	3.7	0.0
Legal and Regulatory	8.0	0.0	8.0	8.0	0.0	8.0	0.0
Human Resources	3.0	0.0	3.0	3.0	0.0	3.0	0.0
Accounting	3.0	0.0	3.0	3.0	0.0	3.0	0.0
<b>Total FTEs Administrative Programs</b>	<b>39.7</b>	<b>0.0</b>	<b>39.7</b>	<b>39.7</b>	<b>0.0</b>	<b>39.7</b>	<b>0.0</b>
<b>Total FTEs</b>	<b>172.5</b>	<b>0.0</b>	<b>172.5</b>	<b>182.0</b>	<b>0.0</b>	<b>182.0</b>	<b>9.5</b>

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

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Total FTEs by Program Area
<b>Operational Programs</b>
Reliability Standards
Compliance and Organization Registration and Certification
Reliability Readiness Evaluation and Improvement
Training and Education
Reliability Assessment and Performance Analysis
Situational Awareness and Infrastructure Security
<b>Total FTEs Operational Programs</b>
<b>Administrative Programs</b>
Member Forums
General & Administrative
Information Technology
Legal and Regulatory
Human Resources
Accounting
<b>Total FTEs Administrative Programs</b>
<b>Total FTEs</b>

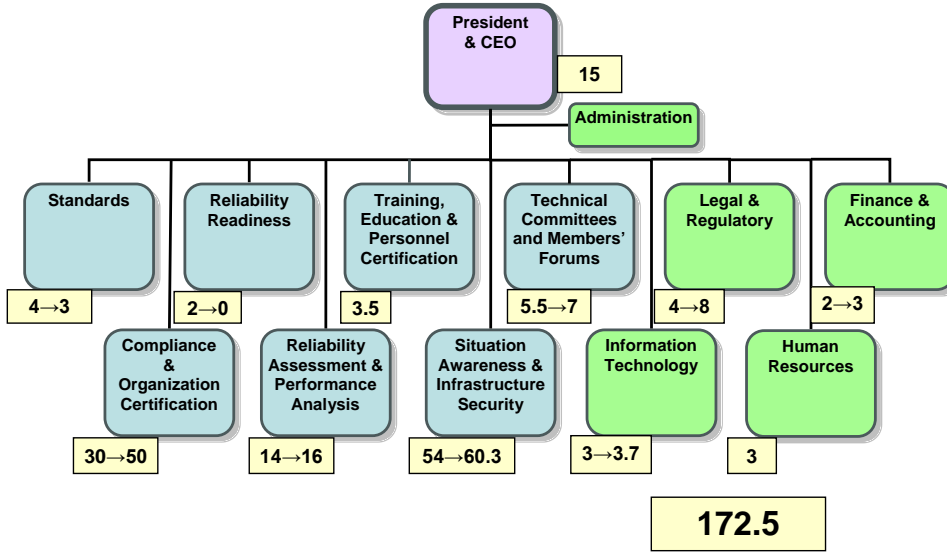
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**2010 Approved Organizational Chart**

**Table 3**



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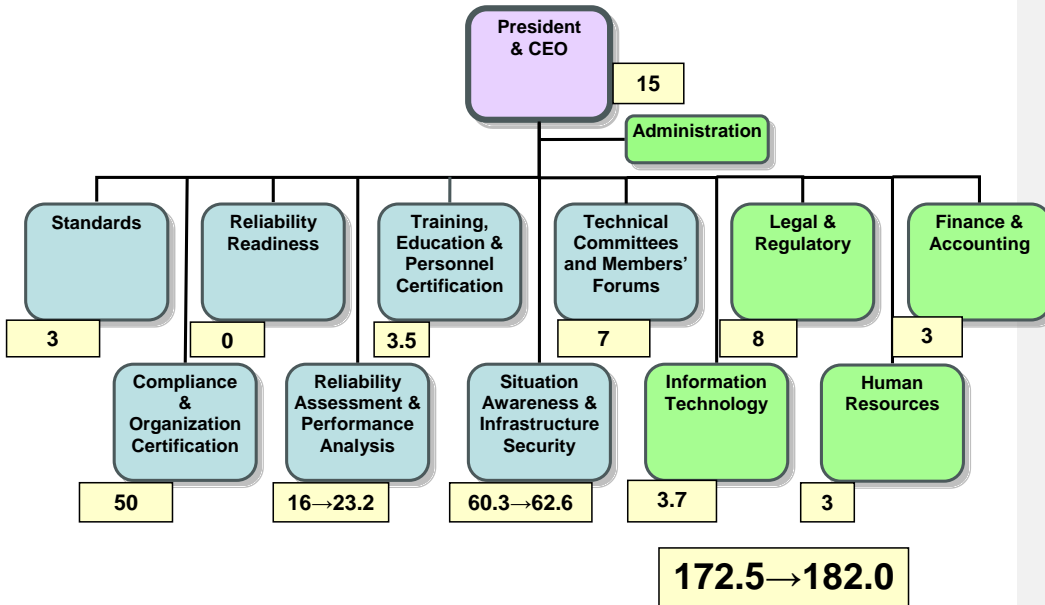
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2010 Amended Organizational Chart

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Table 4



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**Reserve Balance**

The Working Capital Reserve Analysis increased \$4.25 million in 2009 due to actual expenditures being under budget. Variances to the 2009 budget were explained in the *Statement of Activities (Unaudited) December 31, 2009, Variance Explanations* — filed with NERC on January 20, 2010.

**Table 5**

Working Capital Reserve Analysis 2009-2010	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2008	124,036
Less: Penalty sanctions to be used to offset 2010 assessments <sup>2</sup>	0
Plus: 2009 ERO Funding (from LSEs or designees)	37,088,486
Plus: 2009 Other funding sources	1,221,003
Less: 2009 Projected expenses & capital expenditures	(34,058,291)
<b>Projected Working Capital Reserve (Deficit), December 31, 2009</b>	<b>4,375,234</b>
Desired Working Capital Reserve, December 31, 2010 <sup>1</sup>	5,589,629
Less: Projected Working Capital Reserve, December 31, 2009	(4,375,234)
<b>Increase (Decrease) in Assessments to Achieve Desired Working Capital Reserve</b>	<b>1,214,395</b>
2010 Funding requirement for expenses and fixed asset additions	59,220,285
Less: Penalty Sanctions <sup>2</sup>	0
Less: Other Funding Sources	(21,302,224)
Adjustment to achieve desired Working Capital Reserve	1,214,395
<b>2010 Assessment</b>	<b>39,132,456</b>

<sup>1</sup> The WECC Board of Directors approved this reserve level at the June 22, 2009 meeting. WECC is building reserves to a level suggested by its auditing firm; 3 months of expenses.

<sup>2</sup> Represents collections prior to June 30, 2009.

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Working Capital Reserve Analysis 2009-2010	
STATUTORY	
Beginning Working Capital Reserve (Deficit), D	124,036
Less	0
Plus: 2009 ERO Funding (from LSEs or designees)	37,088,486
Plus: 2009 Other funding sources	1,221,003
Less: 2009 Projected expenses & capital expenditures	(34,058,291)
<b>Projected Working Capital I</b>	<b>4,375,234</b>
Desired Working Capital Reserve, December 3'	5,589,629
Less	(4,375,234)
<b>Increase (Decrease) in Assessments</b>	<b>1,214,395</b>
2010 Funding requirement for expenses and fixed asset additions	59,220,285
Less: Penalty Sanctions <sup>2</sup>	0
Less: Other Funding Sources	(21,302,224)
Adjustment to achieve desired Working Capital Reserve	1,214,395
<b>2010 Assessment</b>	<b>39,132,456</b>

<sup>1</sup> The WECC Board of Directors approved this reserve reserves to a level suggested by its auditing firm; 3

<sup>2</sup> Represents collections prior to June 30, 2009.

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Section B — 2010 WECC Budget

WECC Assessment Analysis

Assessments by Country

Table 6

Data Year	Balancing Authority	Total NEL	U.S. NEL	Canada NEL	Mexico NEL	% of RE Total	US Total	Canada Total	Mexico Total
2008	Alberta Electric System Operator	58,002,386		58,002,386		6.657%	0.000%	6.657%	0.000%
2008	Arizona Public Service Co.	33,000,358	33,000,358			3.787%	3.787%	0.000%	0.000%
2008	Avista Corp	12,593,228	12,593,228			1.445%	1.445%	0.000%	0.000%
2008	Bonneville Power Admin.	56,696,816	56,696,816			6.507%	6.507%	0.000%	0.000%
2008	British Columbia Transmission Corp.	62,892,493		62,892,493		7.218%	0.000%	7.218%	0.000%
2008	California ISO	239,781,969	239,781,969			27.519%	27.519%	0.000%	0.000%
2008	Comision Federal de Electricidad	11,063,018			11,063,018	1.270%	0.000%	0.000%	1.270%
2008	Duke - Arlington Valley	0	0			0.000%	0.000%	0.000%	0.000%
2008	El Paso Electric Company	7,669,160	7,669,160			0.880%	0.880%	0.000%	0.000%
2008	Gila River Maricopa Arizona	0	0			0.000%	0.000%	0.000%	0.000%
2008	Glacier Wind	0	0			0.000%	0.000%	0.000%	0.000%
2008	Harquahala Generator Maricopa Arizona	0	0			0.000%	0.000%	0.000%	0.000%
2008	Idaho Power Company	17,632,524	17,632,524			2.024%	2.024%	0.000%	0.000%
2008	Imperial Irrigation District	3,733,717	3,733,717			0.429%	0.429%	0.000%	0.000%
2008	LA Dept. of Water & Power	30,667,619	30,667,619			3.520%	3.520%	0.000%	0.000%
2008	NaturEner USA	0	0			0.000%	0.000%	0.000%	0.000%
2008	Nevada Power Company	25,164,524	25,164,524			2.888%	2.888%	0.000%	0.000%
2008	NorthWestern Energy	10,735,514	10,735,514			1.232%	1.232%	0.000%	0.000%
2008	PacifiCorp (PACE)	46,893,380	46,893,380			5.382%	5.382%	0.000%	0.000%
2008	PacifiCorp (PACW)	22,205,447	22,205,447			2.548%	2.548%	0.000%	0.000%
2008	Portland General Electric	21,760,766	21,760,766			2.497%	2.497%	0.000%	0.000%
2008	Public Service Co. of Colorado	42,143,602	42,143,602			4.837%	4.837%	0.000%	0.000%
2008	Public Service Co. of New Mexico	14,495,146	14,495,146			1.664%	1.664%	0.000%	0.000%
2008	PUD No. 1 of Chelan County	3,289,733	3,289,733			0.378%	0.378%	0.000%	0.000%
2008	PUD No. 1 of Douglas County	1,440,108	1,440,108			0.165%	0.165%	0.000%	0.000%
2008	PUD No. 2 of Grant County	3,670,729	3,670,729			0.421%	0.421%	0.000%	0.000%
2008	Puget Sound Energy	23,593,146	23,593,146			2.708%	2.708%	0.000%	0.000%
2008	Sacramento Municipal Utility District	17,973,764	17,973,764			2.063%	2.063%	0.000%	0.000%
2008	Salt River Project	31,906,203	31,906,203			3.662%	3.662%	0.000%	0.000%
2008	Seattle City Light	10,362,794	10,362,794			1.189%	1.189%	0.000%	0.000%
2008	Sierra Pacific Power Company	11,811,444	11,811,444			1.356%	1.356%	0.000%	0.000%
2008	Tacoma Power	5,293,256	5,293,256			0.607%	0.607%	0.000%	0.000%
2008	Tucson Electric Power Company	13,506,010	13,506,010			1.550%	1.550%	0.000%	0.000%
2008	Turlock Irrigation District	2,398,934	2,398,934			0.275%	0.275%	0.000%	0.000%
2008	Western Area Power Admin.-WACM	21,751,902	21,751,902			2.496%	2.496%	0.000%	0.000%
2008	Western Area Power Admin.-WALC	6,592,316	6,592,316			0.757%	0.757%	0.000%	0.000%
2008	Western Area Power Admin.-WAUM	623,001	623,001			0.071%	0.071%	0.000%	0.000%
<b>TOTAL</b>		<b>871,345,007</b>	<b>739,387,110</b>	<b>120,894,879</b>	<b>11,063,018</b>	<b>100.00%</b>	<b>84.86%</b>	<b>13.88%</b>	<b>1.27%</b>

WECC Assessments<sup>1</sup> \$ 39,132,458 \$ 33,469,113 \$ 5,162,566 \$ 500,779

<sup>1</sup> Calculation is consistent with NERC's allocation of certain Compliance and Enforcement costs per the 2009 budget filing (Docket No. RR08-6-000, filed August 22, 2008) and the WECC Board approved Allocation Methodology for Certain WECC Compliance Program Area Costs Assessed to Non-U.S. Entities. The assessment adjustment of \$289,238 represents WECC costs that are duplicative of Alberta Compliance and Enforcement Programs. See Appendix 1 for the calculation of the assessment credit issued to AESO. This amount was allocated to the remainder of the Balancing Authorities' assessments based on NEL.

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Data Year	Balancing Authority
2008	Alberta Electric System Operator
2008	Arizona Public Service Co.
2008	Avista Corp
2008	Bonneville Power Admin.
2008	British Columbia Transmission Corp.
2008	California ISO
2008	Comision Federal de Electricidad
2008	Duke - Arlington Valley
2008	El Paso Electric Company
2008	Gila River Maricopa Arizona
2008	Glacier Wind
2008	Harquahala Generator Maricopa Arizona
2008	Idaho Power Company
2008	Imperial Irrigation District
2008	LA Dept. of Water & Power
2008	NaturEner USA
2008	Nevada Power Company
2008	NorthWestern Energy
2008	PacifiCorp (PACE)
2008	PacifiCorp (PACW)
2008	Portland General Electric
2008	Public Service Co. of Colorado
2008	Public Service Co. of New Mexico
2008	PUD No. 1 of Chelan County
2008	PUD No. 1 of Douglas County
2008	PUD No. 2 of Grant County
2008	Puget Sound Energy
2008	Sacramento Municipal Utility District
2008	Salt River Project
2008	Seattle City Light
2008	Sierra Pacific Power Company
2008	Tacoma Power
2008	Tucson Electric Power Company
2008	Turlock Irrigation District
2008	Western Area Power Admin.-WACM
2008	Western Area Power Admin.-WALC
2008	Western Area Power Admin.-WAUM
<b>TOTAL</b>	

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<sup>1</sup> Consistent with NERC's Policy on Allocation o Allocation Methodology for Certain WECC Com Allocation adjustment of \$289,238 identified as 1

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**Breakdown by Statement of Activity Sections**

The following detailed schedules are in support of Table 1, page 61, of the 2010 WECC Business Plan and Budget. All significant variances have been disclosed, by Program Area, in the preceding pages.

**Penalty Sanctions**

Penalty monies received prior to June 30, 2009 are to be used to offset assessments in the 2010 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, 2009 through June 30, 2010 will be used to offset assessments in the 2011 Budget.

Full disclosure of all penalties received prior to June 30, 2009 is detailed below, including the company, 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 & Enforcement and Organization Registration & Certification
- Reliability Assessments and Performance Analysis
- Training, Education, and Operator Certification
- Situational Awareness and Infrastructure Security

Penalty sanctions are allocated based upon the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

**Table B-1**

Penalty Sanctions Received Prior to June 30, 2009	Date Receive	Amount Received
Name of Entity		
<b>Total Penalties Received</b>		\$ -

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**Penalty Sanctions Received P**

Name of Entity

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**Supplemental Funding**

**Table B-2**

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Approved Budget 2010	Amended 2010 Budget	Variance Approved 2010 Budget v Amended 2010 Budget
<b>Compliance and Organization Registration and Certification</b>			
Workshops - Non-training	\$ 400,000	\$ 400,000	-
	-	-	-
<b>Total</b>	<b>\$ 400,000</b>	<b>\$ 400,000</b>	<b>-</b>
<b>Training and Education</b>			
Workshops - Training	\$ 102,500	\$ 102,500	-
Workshops - Non-Training	-	-	-
Operator Training	812,600	812,600	-
<b>Total</b>	<b>\$ 915,100</b>	<b>\$ 915,100</b>	<b>-</b>
<b>Reliability Assessment &amp; Performance Analysis</b>			
Contract Services - Desert Southwest	\$ -	\$ -	-
Grant - Department of Energy	-	3,991,879	3,991,879
Grant - Lawrence Berkeley National Laboratory	50,000	50,000	-
<b>Total</b>	<b>\$ 50,000</b>	<b>\$ 4,041,879</b>	<b>3,991,879</b>
<b>Situation Awareness and Infrastructure Security</b>			
Grant - Department of Energy	\$ -	\$ 15,811,845	15,811,845
<b>Total</b>	<b>\$ -</b>	<b>\$ 15,811,845</b>	<b>15,811,845</b>
<b>Technical Committees and Members' Forums</b>			
Grant - Department of Energy	\$ -	\$ 122,400	122,400
<b>Total</b>	<b>\$ -</b>	<b>\$ 122,400</b>	<b>122,400</b>
<b>General and Administrative</b>			
Interest Income	\$ -	\$ -	-
Miscellaneous	11,000	11,000	-
<b>Total</b>	<b>\$ 11,000</b>	<b>\$ 11,000</b>	<b>-</b>
<b>Total Outside Funding</b>	<b>\$ 1,376,100</b>	<b>\$ 21,302,224</b>	<b>\$ 19,926,124</b>

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<b>Compliance and Organization Registration and Certification</b> Workshops - Non-training
<b>Total</b>
<b>Training and Education</b> Workshops - Training Workshops - Non-Training Operator Training
<b>Total</b>
<b>Reliability Assessment &amp; Performance Analysis</b> Contract Services - Desert Southwest Grant - Lawrence Berkeley National Laboratory
<b>Total</b>
<b>General and Administrative</b> Interest Income Miscellaneous
<b>Total</b>
<b>Total Outside Funding</b>

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**Explanation of Significant Variances – Approved 2010 Budget versus Amended 2010 Budget**

**Reliability Assessment and Performance Analysis**

- In 2010, WECC has budgeted for the receipt of a U. S. DOE grant for its RTEP project.

**Situational Analysis and Infrastructure Security**

- In 2010, WECC has budgeted for the receipt of a U. S. DOE grant for its WISP project.

**Technical Committees and Members' Forums**

- In 2010, WECC has budgeted for the receipt of a U. S. DOE grant for the VGS project,

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<#>Historically, WECC did not charge a registration fee for the Compliance User Group workshops or the CIP User Group workshops and therefore, did not budget for the revenue. Due to the increased participation and costs of these workshops, WECC began charging a nominal fee for all Compliance workshop attendance in 2008. WECC has budgeted for the income from attendance fees in 2010.¶

**¶ Training and Education¶**

<#>The \$32,500 increase in workshop-training revenue is directly attributable to the increased number of classes being offered.¶

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**Deleted:** DOE/Lawrence Berkeley National Laboratory funding that it is expecting to receive

**Deleted:** transmission expansion planning studies

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**General and Administrative¶**  
Interest income is not budgeted for 2010 due to the uncertainty and volatility of the financial markets and our low current rate of return.

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**Personnel Expenses**

**Table B-3**

Personnel Expenses	Approved Budget 2010	Amended 2010 Budget	Variance Approved 2010 Budget v Amended 2010 Budget	Variance %
<b>Salaries</b>				
Salary	\$ 18,275,174	\$ 19,166,203	\$ 891,029	4.88%
Employment Agency Fees	-	-	-	-
Temporary Office Services	88,000	88,000	-	0.00%
<b>Total Salaries</b>	<b>\$ 18,363,174</b>	<b>\$ 19,254,203</b>	<b>\$ 891,029</b>	<b>4.85%</b>
<b>Total Payroll Taxes</b>	<b>\$ 1,588,319</b>	<b>\$ 1,676,433</b>	<b>\$ 88,114</b>	<b>5.55%</b>
<b>Benefits</b>				
Workers Compensation	\$ 12,000	\$ 12,494	\$ 494	4.12%
Medical Insurance	1,982,700	2,064,323	81,623	4.12%
Life-LTD-LTC Insurance	248,971	259,221	10,250	4.12%
Education	385,100	400,954	15,854	4.12%
Relocation	60,000	62,470	2,470	4.12%
<b>Total Benefits</b>	<b>\$ 2,688,771</b>	<b>\$ 2,799,461</b>	<b>\$ 110,690</b>	<b>4.12%</b>
<b>Retirement</b>				
Discretionary 401k Contribution Savings Plan	\$ 1,264,442	\$ 1,332,975	\$ 68,533	5.42%
<b>Total Retirement</b>	<b>\$ 1,264,442</b>	<b>\$ 1,332,975</b>	<b>\$ 68,533</b>	<b>5.42%</b>
<b>Total Personnel Costs</b>	<b>\$ 23,904,706</b>	<b>\$ 25,063,072</b>	<b>\$ 1,158,366</b>	<b>4.85%</b>
<b>FTEs</b>	<b>172.5</b>	<b>182</b>	<b>9.5</b>	<b>5.51%</b>
<b>Cost per FTE</b>				
Salaries	\$ 106,453	\$ 105,792	(\$ 661)	-0.62%
Payroll Taxes	9,208	9,211	4	0.04%
Benefits	15,587	15,382	(\$ 205)	-1.32%
Retirement	7,330	7,324	(\$ 6)	-0.08%
<b>Total Cost per FTE</b>	<b>\$ 138,578</b>	<b>\$ 137,709</b>	<b>(\$ 869)</b>	<b>-0.63%</b>

**Explanation of Significant Variances – Approved 2010 Budget versus Amended 2009 Budget**

**Salaries**

- Salaries increase \$891,000 mainly due to the addition of 9.5 FTEs for projects funded by the U.S. DOE grants, as discussed in previous sections.

**Payroll Taxes**

- Payroll Taxes increase as a result of the 9.5 additional FTEs in the amended 2010 budget.

2010 Amended WECC Business Plan and Budget  
 Approved by WECC Board of Directors, Call: March 26, 2010

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Personnel Expenses	Bud 2009
<b>Salaries</b>	
Salary	\$ 15,400,000
Employment Agency Fees	-
Temporary Office Services	-
<b>Total Salaries</b>	<b>\$ 15,400,000</b>
<b>Total Payroll Taxes</b>	<b>\$ 1,588,319</b>
<b>Benefits</b>	
Workers Compensation	\$ 12,000
Medical Insurance	2,064,323
Life-LTD-LTC Insurance	259,221
Education	400,954
Relocation	62,470
<b>Total Benefits</b>	<b>\$ 3,198,968</b>
<b>Retirement</b>	
Discretionary 401k Contribution Savings Plan	\$ 1,332,975
<b>Total Retirement</b>	<b>\$ 1,332,975</b>
<b>Total Personnel Costs</b>	<b>\$ 21,482,262</b>
<b>FTEs</b>	<b>172.5</b>
<b>Cost per FTE</b>	
Salaries	\$ 89,100
Payroll Taxes	518
Benefits	18,792
Retirement	7,765
<b>Total Cost per FTE</b>	<b>\$ 116,175</b>

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Section B — 2010 WECC Budget

**Benefits**

- Benefits increased as a result of the 9.5 additional FTEs in the amended 2010 budget.

**Retirement**

- Savings plan contributions increase as a result of the 9.5 additional FTEs in the amended 2010 budget.

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Deleted: some employee classifications that affected WECC's rates.¶  
Although the FTE count increases by 32

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<#>Education increases by \$71,000 mainly due to an increase in FTEs. Additionally, WECC has an increased number of specialized staff who are subject to continuing education requirements for professional licenses.¶  
Due to the economic environment, WECC decreased its Relocation

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**Consultants and Contracts**

**Table B-4**

Consultants	Approved Budget 2010	Amended 2010 Budget	Variance Approved 2010 Budget v Amended 2010 Budget	Variance %
<b>Consultants</b>				
Reliability Standards	\$ -	\$ -	\$ -	0.0%
Compliance and Organization Registration and Certification	300,000	300,000	-	0.0%
Reliability Readiness Evaluation and Improvement	-	-	-	0.0%
Reliability Assessment and Performance Analysis	602,000	2,571,168	1,969,168	327.1%
Training and Education	98,000	98,000	-	0.0%
Situational Awareness and Infrastructure Security	118,000	6,623,025	6,505,025	5512.7%
Committee and Member Forums	40,000	152,480	112,480	281.2%
General and Administrative	32,000	32,000	-	0.0%
Legal and Regulatory	-	-	-	0.0%
Information Technology	30,000	30,000	-	0.0%
Human Resources	10,000	10,000	-	0.0%
Accounting and Finance	-	-	-	0.0%
<b>Consultants Total</b>	<b>\$ 1,230,000</b>	<b>\$ 9,816,673</b>	<b>\$ 8,586,673</b>	<b>698.1%</b>
<b>Contracts</b>				
Reliability Standards	\$ -	-	-	0.0%
Compliance and Organization Registration and Certification	1,167,500	1,167,500	-	0.0%
Reliability Readiness Evaluation and Improvement	-	-	-	0.0%
Reliability Assessment and Performance Analysis	-	997,463	997,463	100.0%
Training and Education	-	-	-	0.0%
Situational Awareness and Infrastructure Security	-	6,000,000	6,000,000	100.0%
Committee and Member Forums	-	-	-	0.0%
General and Administrative	-	-	-	0.0%
Legal and Regulatory	-	-	-	0.0%
Information Technology	-	-	-	0.0%
Human Resources	-	-	-	0.0%
Accounting and Finance	-	-	-	0.0%
<b>Contracts Total</b>	<b>\$ 1,167,500</b>	<b>\$ 8,164,963</b>	<b>\$ 6,997,463</b>	<b>599.4%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 2,397,500</b>	<b>\$ 17,981,636</b>	<b>\$ 12,997,463</b>	<b>650.0%</b>

**Explanation of Significant Variances – Approved 2010 Budget versus Amended 2010 Budget**

The 2010 Amended budget includes additions to Consultants and Contracts for projects funded by the U.S. DOE grants.

- Reliability Assessment consultants, Situational Awareness consultants, and Members' Forums consultant budgets increased \$2 million, \$6.5 million, and \$112,000 respectively. This is due to the additional consulting required to accomplish the deliverables of the U.S. DOE grants.
- Contracts budgets for Reliability Assessment and Situational Awareness have increased \$977,000 and \$6 million respectively. These budget increases are for the sub-recipient components of the projects funded by the U.S. DOE grants.

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Consultants
<b>Consultants</b>
Reliability Standards
Compliance and Organization Registration and Certification
Reliability Readiness Evaluation and Improvement
Reliability Assessment and Performance Analysis
Training and Education
Situational Awareness and Infrastructure Security
Committee and Member Forums
General and Administrative
Legal and Regulatory
Information Technology
Human Resources
Accounting and Finance
<b>Consultants Total</b>

Contracts
<b>Contracts</b>
Reliability Standards
Compliance and Organization Registration and Certification
Reliability Readiness Evaluation and Improvement
Reliability Assessment and Performance Analysis
Training and Education
Situational Awareness and Infrastructure Security
Committee and Member Forums
General and Administrative
Legal and Regulatory
Information Technology
Human Resources
Accounting and Finance
<b>Contracts Total</b>

**Total Consulting and Contracts**

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<#>Reliability Standards Consultants cost is eliminated in 2010 due to the addition of 0.5 F...

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<#>Compliance Contracts increase \$1.14 million due to a reclassification of independent

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Deleted: Contracts decrease \$639,000 due to the reclassification of software to Fixed Assets.

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Table B-5

Office Rent	Approved Budget 2010	Amended 2010 Budget	Variance Approved 2010 Budget v Amended 2010 Budget	Variance %
Office Rent	\$ 1,519,000	\$ 1,519,000	\$ -	-
Utilities	42,000	42,000	-	-
Maintenance	-	-	-	-
Security	20,000	20,000	-	-
<b>Total Office Rent</b>	<b>\$ 1,581,000</b>	<b>\$ 1,581,000</b>	<b>\$ -</b>	

**Explanation of Significant Variances – Proposed 2010 Budget versus Amended 2010 Budget**

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 <#>Information Technology Contracts decrease \$300,000 due to the reclassification of software to Fixed Assets.¶

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**Office Rent**

Office Rent  
 Utilities  
 Maintenance  
 Security

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Deleted: <#>WECC's budget for Office Rent in 2010 increases by \$625,000 due to a need for additional office space in its Vancouver, WA and Salt Lake City, UT offices. With the addition of staff in 2009 and 2010 and anticipated future FTE increases, WECC is currently searching for larger office space to move into at the end of the current lease terms. Price per square footage varies tremendously in the two cities where WECC currently leases space. Therefore, an estimated increase of approximately fifty-five percent was used for budgeting purposes. ¶  
 <#>In 2009, \$20,000 of Utilities for the RCOs was included in the Office Rent budget. 2009 was the first full year the RCOs were in their new leased space and the amounts budgeted were estimated because the leases had not yet been signed. In 2010, Utilities are broken out separately and the budget increases based on the availability of actual bills.¶  
 <#>Security was budgeted at \$2,400 in 2009, and was included in Office Costs. In 2010, the amount is reclassified in Office Rent for consistency with other regions. The budget increased based on the availability of actual bills.¶

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Section B — 2010 WECC Budget

Table B-6

Office Costs	Approved Budget 2010	Amended 2010 Budget	Variance Approved 2010 Budget v Amended 2010 Budget	Variance %
Telephone	\$ 278,790	\$ 278,790	\$ -	0.0%
Internet	395,210	395,210	\$ -	0.0%
Office Supplies	132,000	132,000	\$ -	0.0%
Computer Supplies and Maintenance	1,910,200	1,935,738	\$ 25,538	1.3%
Publications & Subscriptions	29,800	29,800	\$ -	0.0%
Dues & Fees	114,600	114,600	\$ -	0.0%
Postage	8,800	8,800	\$ -	0.0%
Express Shipping	78,440	78,440	\$ -	0.0%
Copying	105,300	105,300	\$ -	0.0%
Reports	8,800	8,800	\$ -	0.0%
Equipment Repair/Service Contracts	334,200	334,200	\$ -	0.0%
Bank Charges	31,200	31,200	\$ -	0.0%
Taxes	5,175	5,175	\$ -	0.0%
<b>Total Office Costs</b>	<b>\$ 3,432,515</b>	<b>\$ 3,458,053</b>	<b>\$ 25,538</b>	<b>0.7%</b>

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Office Costs
Telephone
Internet
Office Supplies
Computer Supplies and Maintenance
Publications & Subscriptions
Dues & Fees
Postage
Express Shipping
Copying
Reports
Equipment Repair/Service Contracts
Bank Charges
Taxes
<b>Total Office Costs</b>

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Explanation of Significant Variances – Approved 2010 Budget versus Amended 2010 Budget

Computer Supplies and Maintenance increased \$26,000 due to the additional computer equipment and supply requirements for the additional 9.5 FTEs associated with the U.S DOE grants.

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Deleted: <#>Telephone expense increases \$133,000 in 2010. Of this amount, \$49,000 is an increase in cellular phone costs related to increased headcount. The remaining \$84,000 increase is partly related to the anticipated increase in landline telephone charges due to increased headcount and also due to enhancement of existing teleconferencing services.¶  
<#>Internet expense decreases \$1.21 million. This is mostly due to a decrease of \$1.35 million in Situational Awareness due to improved procurement procedures, which resulted in more favorable data communications pricing than anticipated. There is a slight increase in other Program Areas due to broadband cards for laptop wireless access for travelers.¶  
<#>Office Supplies decrease \$71,000 due to the reclassification of Security, Maintenance, and Membership fees to more appropriate categories in 2010.¶  
<#>Computer Supplies and Maintenance increase \$889,000. Of this amount, \$574,000 is due to the reclassification of Computer License and Service to a more appropriate category in 2010 from Software in 2009. \$130,000 is related to license fees on new software in Legal, Accounting, and Human Resources and also to license fees on office products related to increased headcount. The remaining increase is mainly associated with additional computer supplies, related to increased headcount, that fall below WECC's capitalization threshold.¶

Table B-7

Professional Services	Approved Budget 2010	Amended 2010 Budget	Variance Approved 2010 Budget v Amended 2010 Budget	Variance %
Independent Trustee Fees	\$ 492,000	492,000	\$ -	0%
Outside Legal	388,000	388,000	\$ -	0%
Accounting & Auditing Fees	26,500	28,684	\$ 2,184	8%
Other Legal Fees	-	-	\$ -	
Insurance Commercial	55,000	130,596	\$ 75,596	137%
<b>Total Professional Services</b>	<b>\$ 961,500</b>	<b>\$ 1,039,280</b>	<b>\$ 77,780</b>	<b>8%</b>

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Professional Services
Independent Trustee Fees
Outside Legal
Accounting & Auditing Fees
Other Legal Fees
Insurance Commercial
<b>Total Professional Services</b>

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**Explanation of Significant Variances – Approved 2010 Budget versus Amended 2010 Budget**

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**Accounting & Audit Fees**

- WECC previously was directly allocating audit fees to Non-Statutory Programs. In the amended budget, WECC has reversed these direct allocations and applied an indirect allocation consistent with the allocation to other Program Areas. The reversal of directly-allocated expenses has resulted in an increase of \$2,000.

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**Insurance Commercial**

As described above, WECC has reversed direct allocations of expenses to Non-Statutory Statutory Programs areas. This reversal results in an increase of \$76,000 of Commercial Insurance.

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 ¶  
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Section B — 2010 WECC Budget

Table B-8

Other Non-Operating Expenses	Approved Budget 2010	Amended 2010 Budget	Variance Approved 2010 Budget v Amended 2010 Budget	Variance %
Interest Expense	\$ 40,000	\$ 40,000	\$ -	
Loan Payment	2,926,207	2,926,207	-	
<b>Total Non-Operating Expenses</b>	<b>\$ 2,966,207</b>	<b>\$ 2,966,207</b>	<b>\$ -</b>	

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Other Non-Operating Expenses
Interest Expense
Loan Payment
<b>Total Non-Operating Expenses</b>

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Explanation of Significant Variances – Approved 2010 Budget versus Amended 2010 Budget

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<#>Interest Expense decreases due to a lower floating rate on WECC's current line of credit which reflects the state of the current economic environment. ¶

WECC's line of credit is scheduled to be paid in full by March 1, 2010. Therefore, only two months of Interest Expense is budgeted in 2010

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**Section C — 2010 WECC Non-Statutory Business Plan and Budget**

Western Renewable Energy Generation Information System (WREGIS) (in whole dollars)			
	2010 Approved Budget	2010 Amended Budget	Increase(Decrease)
Total FTEs	5	5	0
Total Direct Expenses	\$882,348	\$732,568	(\$149,780)
Total Indirect Expenses	\$0	\$364,175	\$364,175
Total Expenses	\$882,348	\$1,096,743	\$214,395

**Program Scope and Functional Description**

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 of each year. WREGIS’ budget has been converted to a calendar year for the purposes of WECC’s 2010 Business Plan and Budget.

**Major 2010 Assumptions and Cost Impacts**

**2010 Key Assumptions**

- The CEC is a financial backstop for WREGIS to the extent that other funding sources are insufficient. This support ends in 2011, by which time it is expected that WREGIS will be fully self-funded.

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### 2010 Primary Goals and Objectives

The goals for WREGIS for 2010 are to:

- Implement the WREGIS program as required by the contract between the CEC and WECC.
- Continue to register program participants, whether mandatory or voluntary.
- Work 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.

### Explanation of Variances – 2010 Amended Budget versus Approved 2010 Budget

The WREGIS amended 2010 budget is \$1.1 million, a \$214,000 (24.3 percent) increase over the approved 2010 budget. The major drivers of this increase are:

- Previously, indirect expenses were directly allocated to the WREGIS budget and totaled \$150,000. These expenses were reversed and replaced with an indirect expense allocation, based on FTEs, in the amount of \$364,000. This allocation of indirect expenses is consistent with the “Changes in Accounting Methodology” for indirect expenses as described on page 11.

### Funding Sources

- WREGIS Account Holders pay an initial registration fee and annual renewal fees. Amounts vary by size and category of the Account Holder.
- Volumetric-based fees are 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 2011, by which time it is expected that WREGIS will be fully self-funded.

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WREGIS' proposed

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<#>Meeting Expenses increase by \$27,115 in 2010 to cover the cost of the telephone and web-conferencing services, staff and committee travel, and Account Holder user trainings. ¶  
<#>The 2010 Operating Expenses include \$370,097 for WECC executive and administrative support, overhead allocations, professional services, computer systems, program development, office expenses, and business insurance.¶  
<#>WREGIS uses contractors to supply legal, website, accounting software and auditing assistance. The 2010 budget includes approximately \$130,000 for these services.¶

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2009 Budget and Projection and 2010 Budget Comparisons

Table 1

Statement of Activities			
2010 Revised Budget			
NON-STATUTORY			
	Original 2010 Budget	Revisions to 2010 Budget	Revised 2010 Budget
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments		\$ -	\$ -
Penalty Sanctions			\$ -
<b>Total ERO Funding</b>		<u>\$ -</u>	<u>\$ -</u>
Membership Dues/Non-statutory Assessments	1,036,572	51,371	1,087,943
Testing Fees			-
Services & Software			-
Workshops	8,800		8,800
Interest			-
Miscellaneous			-
<b>Total Funding</b>	<u>\$ 1,045,372</u>	<u>\$ 51,371</u>	<u>\$ 1,096,743</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 350,047	\$ -	\$ 350,047
Payroll Taxes	31,504	-	31,504
Benefits	50,882	-	50,882
Retirement Costs	24,503	-	24,503
<b>Total Personnel Expenses</b>	<u>\$ 456,936</u>	<u>\$ -</u>	<u>\$ 456,936</u>
<b>Meeting Expenses</b>			
Meetings	\$ 19,943	\$ -	\$ 19,943
Travel	34,872	-	34,872
Conference Calls	500	-	500
<b>Total Meeting Expenses</b>	<u>\$ 55,315</u>	<u>\$ -</u>	<u>\$ 55,315</u>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 87,041	\$ -	\$ 87,041
Office Rent	-	-	-
Office Costs	70,259	-	70,259
Professional Services	140,797	(77,780)	63,017
Miscellaneous	72,000	(72,000)	-
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 370,097</u>	<u>\$ (149,780)</u>	<u>\$ 220,317</u>
<b>Total Direct Expenses</b>	<u>\$ 882,348</u>	<u>\$ (149,780)</u>	<u>\$ 732,568</u>
<b>Indirect Expenses</b>	<u>\$ -</u>	<u>\$ 364,175</u>	<u>\$ 364,175</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 882,348</u>	<u>\$ 214,395</u>	<u>\$ 1,096,743</u>
<b>Change in Assets</b>	<u>\$ 163,024</u>	<u>\$ (163,024)</u>	<u>\$ -</u>
<b>Fixed Assets</b>			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>(Inc)Dec in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -		
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 163,024</u>	<u>\$ (163,024)</u>	<u>\$ -</u>

2009 B	
<b>Funding</b>	
<b>ERO Funding</b>	
ERO Assessments	
Penalty Sanctions	
<b>Total ERO Funding</b>	
Membership Dues/Non-statutory Assessments	
Testing Fees	
Services & Software	
Workshops	
Interest	
Miscellaneous	
<b>Total Funding</b>	
<b>Expenses</b>	
<b>Personnel Expenses</b>	
Salaries	
Payroll Taxes	
Benefits	
Retirement Costs	
<b>Total Personnel Expenses</b>	
<b>Meeting Expenses</b>	
Meetings	
Travel	
Conference Calls	
<b>Total Meeting Expenses</b>	
<b>Operating Expenses</b>	
Consultants & Contracts	
Office Rent	
Office Costs	
Professional Services	
Miscellaneous	
Depreciation	
<b>Total Operating Expenses</b>	
<b>Total Direct Expenses</b>	
<b>Indirect Expenses</b>	
<b>Other Non-Operating Expenses</b>	
<b>Total Expenses</b>	
<b>Change in Assets</b>	
<b>Fixed Assets</b>	
Depreciation	
Computer & Software CapEx	
Furniture & Fixtures CapEx	
Equipment CapEx	
Leasehold Improvements	
<b>(Inc)Dec in Fixed Assets</b>	
Allocation of Fixed Assets	
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**Personnel Analysis**

FTEs are defined as full-time employees only. Fractional FTEs reflect part-time employees or partial allocation of headcount.

**Table 2**

Total FTE's by Program Area	Approved 2010 Budget	Amended 2010 Budget	Change from Approved 2010 Budget
<b>Non-Statutory</b>			
<b>Operational Programs</b>			
<b>Total FTEs Operational Programs</b>	0.0	0.0	0.0
<b>Administrative Programs</b>			
WREGIS	5.0	5.0	0.0
<b>Total FTEs Administrative Programs</b>	5.0	5.0	0.0
<b>Total FTEs</b>	5.0	5.0	0.0

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**Total FTE's by Program Area**

**Operational Programs**

Reliability Standards  
 Compliance and Organization Registration and  
 Reliability Readiness Evaluation and Improvem  
 Training and Education  
 Reliability Assessment and Performance Anal  
 Situational Awareness and Infrastructure Sect

**Total FTEs Operational Programs**

**Administrative Programs**

Member Forums  
 General & Administrative  
 Information Technology  
 Legal and Regulatory  
 Human Resources  
 Accounting  
 WREGIS

**Total FTEs Administrative Programs**

**Total FTEs**

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**2009 WREGIS Organizational Chart**

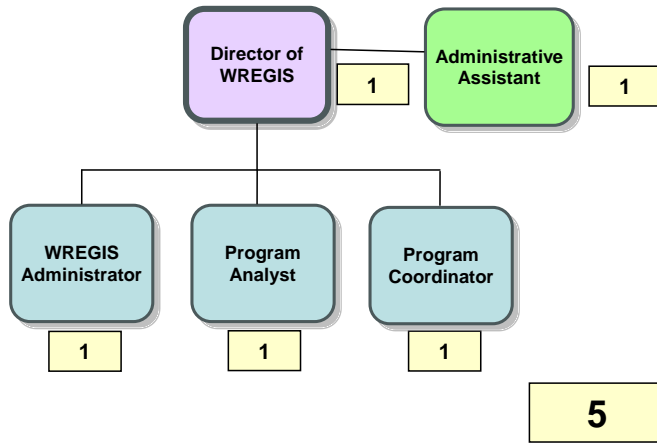
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**2010 WREGIS Organizational Chart**



**Reserve Analysis — 2009–2010**

**Table 5**

Working Capital Reserve Analysis 2009-2010	
Non-Statutory	
Beginning Working Capital Reserve (Deficit), December 31, 2008	5,090,288
2009 Funding (from members)	
2009 Other funding sources	764,848
Projected Working Capital Reserve (Deficit), December 31, 2009	5,855,136
Cash Needed 2009	
2009 expenses	525,012
2009 Fixed asset additions	0
Total Cash Needed 2009	525,012
Projected Working Capital Reserve Balance, December 31, 2009	5,330,124
Desired Working Capital Reserve Balance, December 31, 2010	5,330,124
Less: Projected Working Capital Reserve Balance December 31, 2009	5,330,124
Additional Funding Needed to Increase Working Capital Reserve Balance	0
2010 Funding requirement for expenses and fixed asset additions	1,096,743
Adjustment to increase working capital reserve balance	0
2010 Budgeted excess of funding over expenditures	0
2010 Funding and Reserve Adjustment	1,096,743

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Working	
Non-Statutory	
Beginning Working Capital Reserve (Deficit)	5,090,288
2009 Funding (from members)	
2009 Other funding sources	764,848
Projected Working Capital Reserve (Deficit), December 31, 2009	5,855,136
Cash Needed 2009	
2009 expenses	525,012
2009 Fixed asset additions	0
Total Cash Needed 2009	525,012
Projected Working Capital Reserve Balance, December 31, 2009	5,330,124
Desired Working Capital Reserve Balance, December 31, 2010	5,330,124
Less: Projected Working Capital Reserve Balance December 31, 2009	5,330,124
Additional Funding Needed to Increase Working Capital Reserve Balance	0
2010 Funding requirement for expenses and fixed asset additions	1,096,743
Adjustment to increase working capital reserve balance	0
2010 Budgeted excess of funding over expenditures	0
2010 Funding and Reserve Adjustment	1,096,743

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Section D — Additional Financial Data

Section D — 2010 Amended Consolidated Statement of Activities by Program, Statutory, and Non-Statutory

Statement of Activities 2010 Budget	Functions in Delegation Agreement													Non-Statutory Functions Non-Statutory Total		
	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 600)	Training and Education (Section 800)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology		Human Resources	Accounting and Finance
<b>Funding</b>																
<b>ERO Funding</b>																
ERO Assessments	39,132,457	39,132,457	-	39,132,457	738,927	12,985,975	4,772,132	250,557	19,170,469	-	1,214,395	-	-	-	-	-
Penalty Sanctions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>39,132,457</b>	<b>39,132,457</b>	<b>-</b>	<b>39,132,457</b>	<b>738,927</b>	<b>12,985,975</b>	<b>4,772,132</b>	<b>250,557</b>	<b>19,170,469</b>	<b>-</b>	<b>1,214,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Membership Dues	1,087,943	-	1,087,943	-	-	-	-	-	-	-	-	-	-	-	-	1,087,943
Federal Grants	19,926,124	19,926,124	-	19,926,124	-	-	3,991,879	-	15,811,845	122,400	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	1,323,900	1,315,100	8,800	1,315,100	-	400,000	-	915,100	-	-	-	-	-	-	-	8,800
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	61,000	61,000	-	61,000	-	-	50,000	-	-	11,000	-	-	-	-	-	-
<b>Total Funding</b>	<b>61,531,424</b>	<b>60,434,681</b>	<b>1,096,743</b>	<b>60,434,681</b>	<b>738,927</b>	<b>13,385,975</b>	<b>8,814,011</b>	<b>1,165,657</b>	<b>34,982,314</b>	<b>122,400</b>	<b>1,225,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,096,743</b>
<b>Expenses</b>																
<b>Personnel Expenses</b>																
Salaries	19,604,250	19,254,203	350,047	19,254,203	385,467	5,060,109	1,907,620	327,543	7,390,968	738,970	1,701,761	858,707	323,439	295,883	263,735	350,047
Payroll Taxes	1,707,937	1,676,433	31,504	1,676,433	34,692	438,047	170,159	23,284	668,926	66,507	118,058	77,284	29,110	26,629	23,736	31,504
Benefits	2,850,343	2,799,461	50,882	2,799,461	43,626	582,670	236,888	36,835	829,599	84,655	778,033	100,640	36,242	36,866	33,406	50,882
Retirement Costs	1,357,478	1,332,975	24,503	1,332,975	26,983	348,605	132,346	18,110	520,276	51,728	113,003	60,109	22,641	20,712	18,461	24,503
<b>Total Personnel Expenses</b>	<b>25,520,008</b>	<b>25,063,072</b>	<b>456,936</b>	<b>25,063,072</b>	<b>490,768</b>	<b>6,429,432</b>	<b>2,447,013</b>	<b>405,772</b>	<b>9,409,770</b>	<b>941,861</b>	<b>2,710,856</b>	<b>1,096,740</b>	<b>411,432</b>	<b>380,090</b>	<b>339,339</b>	<b>456,936</b>
<b>Meeting Expenses</b>																
Meetings	1,547,013	1,527,070	19,943	1,527,070	4,000	425,000	416,850	278,000	-	380,220	15,000	8,000	-	-	-	19,943
Travel	1,864,222	1,829,350	34,872	1,829,350	12,000	762,350	149,500	24,000	216,000	255,900	313,100	86,000	-	8,000	2,500	34,872
Conference Calls	138,980	138,480	500	138,480	5,760	45,500	28,320	2,000	10,000	30,900	6,000	10,000	-	-	500	-
<b>Total Meeting Expenses</b>	<b>3,550,215</b>	<b>3,494,900</b>	<b>55,315</b>	<b>3,494,900</b>	<b>21,760</b>	<b>1,232,850</b>	<b>594,670</b>	<b>304,000</b>	<b>226,000</b>	<b>667,020</b>	<b>334,100</b>	<b>104,000</b>	<b>-</b>	<b>8,000</b>	<b>2,500</b>	<b>55,315</b>
<b>Operating Expenses</b>																
Consultants & Contracts	18,068,677	17,981,636	87,041	17,981,636	-	1,467,500	3,568,631	98,000	12,623,025	152,480	32,000	-	30,000	10,000	-	87,041
Office Rent	1,581,000	1,581,000	-	1,581,000	-	-	-	-	596,000	-	985,000	-	-	-	-	-
Office Costs	3,528,312	3,458,053	70,259	3,458,053	2,200	178,550	444,000	14,320	1,763,338	108,500	269,675	89,920	504,800	75,730	7,020	70,259
Professional Services	1,102,297	1,039,280	63,017	1,039,280	-	155,000	-	-	15,000	395,000	172,780	275,000	-	-	26,500	63,017
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>24,280,286</b>	<b>24,059,969</b>	<b>220,317</b>	<b>24,059,969</b>	<b>2,200</b>	<b>1,801,050</b>	<b>4,012,631</b>	<b>112,320</b>	<b>14,997,363</b>	<b>655,980</b>	<b>1,459,455</b>	<b>364,920</b>	<b>534,800</b>	<b>85,730</b>	<b>33,520</b>	<b>220,317</b>
<b>Total Direct Expenses</b>	<b>53,350,509</b>	<b>52,617,941</b>	<b>732,568</b>	<b>52,617,941</b>	<b>514,728</b>	<b>9,463,332</b>	<b>7,054,314</b>	<b>822,092</b>	<b>24,633,133</b>	<b>2,264,861</b>	<b>4,504,411</b>	<b>1,565,660</b>	<b>946,232</b>	<b>473,820</b>	<b>375,359</b>	<b>732,568</b>
<b>Indirect Expenses</b>	0	(364,175)	364,175	(364,175)	218,505	3,641,750	1,684,309	254,922	3,833,280	(2,142,461)	(4,493,411)	(1,565,660)	(946,232)	(473,820)	(375,359)	364,175
<b>Other Non-Operating Expenses</b>	<b>2,966,207</b>	<b>2,966,207</b>	<b>-</b>	<b>2,966,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,966,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses</b>	<b>56,316,716</b>	<b>55,219,973</b>	<b>1,096,743</b>	<b>55,584,148</b>	<b>733,233</b>	<b>13,105,082</b>	<b>8,738,623</b>	<b>1,077,015</b>	<b>31,432,620</b>	<b>122,400</b>	<b>11,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,096,743</b>
<b>Change in Assets</b>	<b>5,214,708</b>	<b>5,214,708</b>	<b>0</b>	<b>4,850,533</b>	<b>5,694</b>	<b>280,894</b>	<b>75,388</b>	<b>88,643</b>	<b>3,549,694</b>	<b>-</b>	<b>1,214,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Fixed Assets</b>																
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer & Software CapEx	2,442,645	2,442,645	-	2,442,645	-	186,000	11,500	82,000	1,893,145	50,000	-	-	220,000	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	20,000	20,000	-	20,000	-	-	20,000	-	-	-	-	-	-	-	-	-
Leasehold Improvements	1,537,667	1,537,667	-	1,537,667	-	-	-	-	1,537,667	-	-	-	-	-	-	-
<b>Change in Fixed Assets</b>	<b>(4,000,312)</b>	<b>(4,000,312)</b>	<b>-</b>	<b>(4,000,312)</b>	<b>-</b>	<b>(186,000)</b>	<b>(31,500)</b>	<b>(82,000)</b>	<b>(3,430,812)</b>	<b>(50,000)</b>	<b>-</b>	<b>-</b>	<b>(220,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	-	-	-	-	(5,694)	(94,893)	(43,888)	(6,643)	(118,882)	50,000	-	-	220,000	-	-	-
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,694)</b>	<b>(280,893)</b>	<b>(75,388)</b>	<b>(88,643)</b>	<b>(3,549,694)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>1,214,396</b>	<b>1,214,395</b>	<b>0</b>	<b>1,214,395</b>	<b>1</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>1,214,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>FTEs</b>	<b>187.0</b>	<b>182.0</b>	<b>5</b>	<b>182.0</b>	<b>3.0</b>	<b>50.0</b>	<b>23.1</b>	<b>3.5</b>	<b>62.6</b>	<b>7.0</b>	<b>15.0</b>	<b>8.0</b>	<b>3.7</b>	<b>3.0</b>	<b>3.0</b>	<b>5.0</b>

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Statement of Activities 2010 Budget	Total	Statutory To
<b>Funding</b>		
<b>ERO Funding</b>		
ERO Assessments	39,132,458	39,132,458
Penalty Sanctions	-	-
<b>Total ERO Funding</b>	<b>39,132,458</b>	<b>39,132,458</b>
Membership Dues	1,036,572	-
Testing Fees	-	-
Services & Software	-	-
Workshops	1,323,900	1,315,100
Interest	-	-
Miscellaneous	61,000	61,000
<b>Total Funding</b>	<b>41,553,930</b>	<b>40,508,558</b>
<b>Expenses</b>		
<b>Personnel Expenses</b>		
Salaries	18,713,221	18,363,170
Payroll Taxes	1,619,823	1,588,310
Benefits	2,739,653	2,688,770
Retirement Costs	1,288,945	1,264,440
<b>Total Personnel Expenses</b>	<b>24,361,642</b>	<b>23,904,790</b>
<b>Meeting Expenses</b>		
Meetings	1,214,643	1,194,700
Travel	1,816,322	1,781,410
Conference Calls	138,980	138,480
<b>Total Meeting Expenses</b>	<b>3,169,945</b>	<b>3,114,630</b>
<b>Operating Expenses</b>		
Consultants & Contracts	2,484,541	2,397,500
Office Rent	1,581,000	1,581,000
Office Costs	3,502,774	3,432,510
Professional Services	1,102,297	961,500
Miscellaneous	-	(72,000)
Depreciation	-	-
<b>Total Operating Expenses</b>	<b>8,670,612</b>	<b>8,300,510</b>
<b>Total Direct Expenses</b>	<b>36,202,199</b>	<b>35,319,830</b>
<b>Indirect Expenses</b>	(0)	(0)
<b>Other Non-Operating Expenses</b>	<b>2,966,207</b>	<b>2,966,207</b>
<b>Total Expenses</b>	<b>39,168,406</b>	<b>38,286,057</b>
<b>Change in Assets</b>	<b>2,385,524</b>	<b>2,222,507</b>
<b>Fixed Assets</b>		
Depreciation	-	-
Computer & Software CapEx	1,222,500	1,222,500
Furniture & Fixtures CapEx	-	-
Equipment CapEx	-	-
Leasehold Improvements	-	-
<b>Change in Fixed Assets</b>	<b>(1,222,500)</b>	<b>(1,222,500)</b>
Allocation of Fixed Assets	-	-
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>1,163,024</b>	<b>1,000,007</b>
FTEs	177.5	175.0
Indirect Costs Allocation	-	-
Allocation of Fixed Assets	-	-
Penalty Sanctions Allocation	-	-

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Statement of Financial Position

Approved 2010 Budget and Amended 2010 Budget Comparisons

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Statement of Financial Position			
2009 Unaudited, Approved 2010 Budget and Amended 2010 Budget			
STATUTORY and NON-STATUTORY			
	Unaudited 31-Dec-09	Approved Budget 31-Dec-10	Amended Budget 31-Dec-10
<b>ASSETS</b>			
Cash and investments	39,785,738	7,200,000	7,200,000
Trade Accounts receivable, net of allowance for uncollectible accounts	668,664	250,000	250,000
Other Receivables	-	-	-
Prepaid expenses and other current assets	110,111	514,324	514,324
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment, net of accumulated depreciation	6,838,616	8,500,000	8,500,000
<b>Total Assets</b>	<b>47,403,129</b>	<b>16,464,324</b>	<b>16,464,324</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	5,880,016	1,815,650	1,815,650
Deferred income	24,419,997	9,934,350	9,934,350
Regional assessments collected in advance	-	-	-
Deferred Rent	231,122	60,000	1,254,134
Line of Credit	2,926,207	-	-
<b>Total Liabilities</b>	<b>33,457,342</b>	<b>11,810,000</b>	<b>13,004,134</b>
Net Assets - unrestricted	13,945,787	4,654,324	3,460,190
<b>Total Liabilities and Net Assets</b>	<b>47,403,129</b>	<b>16,464,324</b>	<b>16,464,324</b>

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Cash and investments	
Trade Accounts receivable, net of allowance for uncollectible accounts	
Other Receivables	
Prepaid expenses and other current assets	
Security deposit	
Cash value of insurance policies	
Property and equipment, net of accumulated depreciation	
<b>Total Assets</b>	
<b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	
Deferred income	
Regional assessments collected in advance	
Deferred Rent	
Line of Credit	
<b>Total Liabilities</b>	
Net Assets - unrestricted	
<b>Total Liabilities and Net Assets</b>	

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**ATTACHMENT 3**

**AMENDED EXHIBIT E TO THE  
NERC-WECC DELEGATION AGREEMENT**

**CLEAN VERSION**

# **EXHIBIT E**

## **1. Scope of activities funded through the ERO funding mechanism**

The WECC activities that will be funded through the ERO funding mechanism are as follows:

1. Reliability Standard Development
2. Compliance Enforcement  
This category will encompass WECC's Compliance Enforcement Program, including activities under the WECC Reliability Management System
3. Organization Registration and Certification
4. Reliability Readiness Evaluation and Improvement
5. Reliability Assessment and Performance Analysis  
This category includes WECC's Transmission Expansion Planning Program, and Loads and Resources Area, including necessary data gathering activities
6. Training and Education  
This category includes WECC's Training Program
7. Situational Awareness and Infrastructure Security  
This category includes WECC's Reliability Coordinator Functions, Western Interconnection Synchrophasor Program, and WECC Interchange Tool

WECC shall submit its annual budget for carrying out its Delegated Authority functions and related activities as well as all other WECC activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The WECC budget submission shall include supporting materials, including WECC's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures, and how any WIRAB approved funding affects the allocation and collection of costs to WECC end users in the United States. NERC shall develop, in consultation with WECC, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC fiscal year budget with the actual results at the NERC and Regional Entity level. WECC shall follow NERC's prescribed system of accounts, except to the extent NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure. WECC's funding system shall include reasonable reserve funding for unforeseen and extraordinary

expenses and other contingencies, consistent with generally accepted accounting principles. NERC shall review and approve WECC's budget for meeting its responsibilities under the Delegation Agreement.

## **2. Allocation of Costs**

WECC will equitably allocate its reasonable fees and other charges for activities undertaken pursuant to the Delegation Agreement among all Load-Serving Entities (LSEs) or Balancing Authorities according to the following cost allocation rules:

1. All fees and other charges pursuant to the Delegation Agreement shall be allocated among LSEs or Balancing Authorities within the Western Interconnection on the basis of Net Energy for Load (NEL) unless a different method(s) of allocating and calculating such dues, fees and charges has been submitted to and approved by NERC and the Commission in accordance with Section 8(b) of the delegation agreement.
2. WECC will develop a list of LSEs or Balancing Authorities responsible for paying charges pursuant to the Delegation Agreement.
3. Entities on the list of LSEs or Balancing Authorities will be responsible for collection and/or payment of charges through the mechanism described in either Option 1 or 2 below. Each Balancing Authority will inform WECC by June 1<sup>st</sup> of each year of its choice of Option 1 or 2, and will give WECC at least 90 days notice of its intention to change from one option to the other.
  - a. OPTION 1 -- The Balancing Authority will provide WECC a list of all LSEs located within its area, including each LSE's name, contact information, and Net Energy for Load. This information will be updated annually and provided to WECC no later than June 1<sup>st</sup> of each year. WECC will use this list to bill each LSE for all costs on an annual basis.
  - b. OPTION 2 -- The Balancing Authority will provide WECC a list of all LSEs located within its area no later than June 1<sup>st</sup> of each year. WECC will bill the Balancing Authority for all costs on an annual basis. The Balancing Authority will be responsible for equitably allocating WECC costs among the LSEs in its area (if applicable) on the basis of Net Energy for Load, collecting the funds, and ensuring that WECC receives full payment on an annual basis.
4. WECC will submit annually to NERC an updated list of all LSEs located within the Western Interconnection.



### 3. **Collection of Funding**

(a) WECC will render invoices and collect funds from LSEs or Balancing Authorities within the Western Interconnection according to the following billing and collection rules:

1. WECC will send an annual invoice in a prompt and timely manner after receipt from NERC of the information needed to issue invoices, but no later than November 15<sup>th</sup> each year to each LSE or Balancing Authority (depending on the Balancing Authority's choice of Option 1 or 2 above).
2. The invoice will identify the total payment due, and will show the allocation of funds between the following three areas:
  - Electric Reliability Organization statutory costs
  - Regional Reliability Organization statutory costs
  - Western Interconnection Regional Advisory Body (WIRAB) costs
3. Payment of all invoiced amounts will be due on or before January 2nd of each year.
4. WECC will transfer collected funds to the ERO in a timely manner as follows. Once a week, until all funds are collected, WECC will electronically transfer to the ERO, in immediately available funds, all payments received from LSEs or Balancing Authorities for payment of annual invoices. In order to ensure clear communication regarding the allocation of funds, WECC will send an email to the Chief Financial Officer at the ERO outlining the breakdown of funds collected (including a listing of entities from which payments were collected and the amounts collected from each entity) on the same day that WECC electronically transfers payment to the ERO.
5. WECC will exercise commercially reasonable efforts to collect invoices that are not paid on the due date(s) as follows. If WECC does not receive payment in full from an LSE or Balancing Authority by January 2nd, WECC will send the LSE or Balancing Authority a duplicate invoice together with a demand for payment within 30 days of the total due under the invoice, including statutory, and if applicable, non-statutory costs. If the LSE or Balancing Authority fails to remit payment within the additional 30 day period, the account will be turned over to the ERO for collection. WECC agrees that it shall not in any way use its position as billing and collection agent for NERC to attempt to influence NERC's policies or decisions on matters relating to adoption of reliability standards (including regional standards and differences), administration of the compliance monitoring and enforcement program and other compliance and enforcement matters, determination and imposition of penalties and sanctions, budgeting matters including review and approval of WECC's budgets and business plans, or any other NERC decisions, including by issuing invoices, engaging in collection activities or transferring funds collected to NERC in an untimely manner or other than in accordance with this Agreement. To the extent WECC uses another entity as collection

agent, it will incorporate these safeguards in the arrangements with the collection agent.

(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC will fund WECC's costs identified in Section 1 of this Exhibit E in four equal quarterly installments.

#### **4. Application of Penalties**

As part of WECC's Compliance Enforcement Program, WECC may levy monetary sanctions against an organization in the Western Interconnection. Payment of a monetary sanction is due to WECC within 30 days of the date upon which the sanction takes effect under the rules governing WECC Compliance Enforcement Program. If payment is not received on or before the applicable due date, WECC will send a demand for payment and take appropriate steps to ensure collection.

WECC will segregate any payment received from monetary sanctions in a separate accounting group and the monies will be used to offset the next year's statutory function costs. All penalty monies received by WECC, other than penalty monies received from an operational function or division or affiliated entity of WECC shall be applied as a general offset to the entity's budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Any penalty monies received from an operational function or division or affiliated entity of WECC shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

#### **5. Non-Statutory Activities**

WECC will identify in its annual Business Plan and Budget filing any non-statutory activity, and how WECC will maintain accounts for funding and expenses associated with all non-statutory activities that are separate from the funding and expenses associated with statutory activities. Currently, the only non-statutory activity relates to the Western Renewable Generation Information System ("WREGIS"), a system to identify and track renewable energy credits. WECC maintains separate funding mechanisms and accounts for the funding and expenses of WREGIS, and the program is currently funded through the California Energy Commission. In particular, under the *WECC Time & Expense Guidelines, Accounting for Income, Time and Expenses to Appropriate Activity Codes* (filed with NERC as part of its April 1, 2008 filing concerning the 2007 budget true-up), WECC assigns WREGIS revenues and expenses to a separate accounting code, and incorporates the separate code on invoices, and expense reports, and for payroll. Although funds associated with statutory and non-statutory net assets are pooled, the above guidelines assure proper allocation between statutory and non-statutory accounts. WECC agrees that no costs of non-statutory activities are to be included in the calculation of WECC's dues, fees, and other charges for its activities pursuant to this Agreement. Instead, as provided in

Bylaws section 12.3, any fees to fund non-statutory activities are voluntary and not a condition for membership.

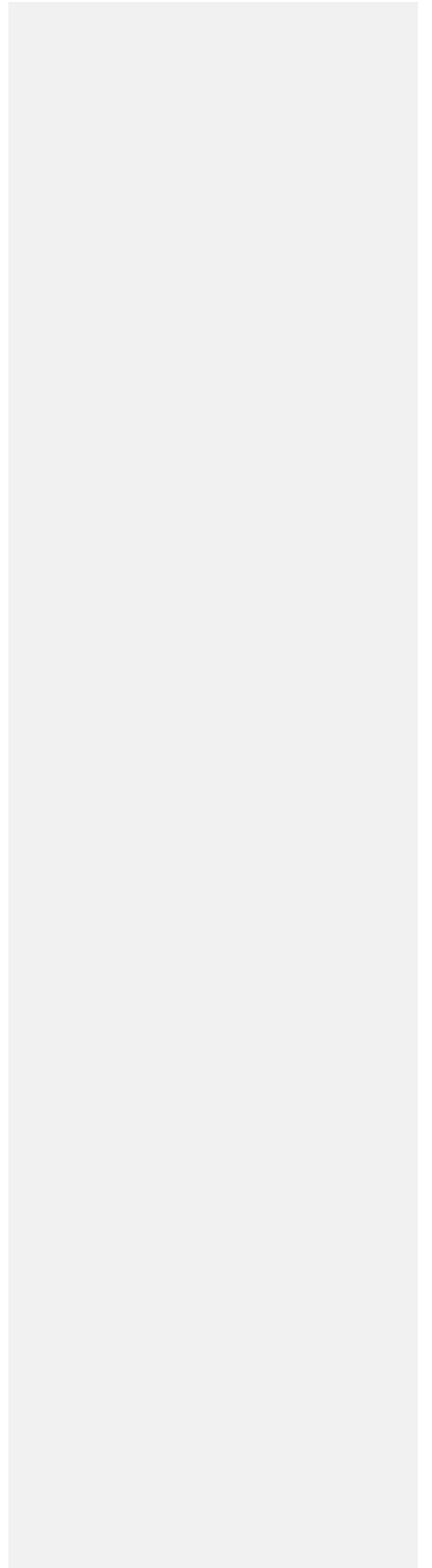
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**ATTACHMENT 4**

**AMENDED EXHIBIT E TO THE  
NERC-WECC DELEGATION AGREEMENT**

**REDLINED VERSION**

# **EXHIBIT E**



**1. Scope of activities funded through the ERO funding mechanism**

The WECC activities that will be funded through the ERO funding mechanism are as follows:

1. Reliability Standard Development
2. Compliance Enforcement  
This category will encompass WECC’s Compliance Enforcement Program, including activities under the WECC Reliability Management System
3. Organization Registration and Certification
4. Reliability Readiness Evaluation and Improvement
5. Reliability Assessment and Performance Analysis  
This category includes WECC’s Transmission Expansion Planning Program, and Loads and Resources Area, including necessary data gathering activities
6. Training and Education  
This category includes WECC’s Training Program
7. Situational Awareness and Infrastructure Security  
This category includes WECC’s Reliability Coordinator Functions, [Western Interconnection Synchrophasor Program, and WECC Interchange Tool](#)

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WECC shall submit its annual budget for carrying out its Delegated Authority functions and related activities as well as all other WECC activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The WECC budget submission shall include supporting materials, including WECC’s complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures, and how any WIRAB approved funding affects the allocation and collection of costs to WECC end users in the United States. NERC shall develop, in consultation with WECC, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission’s Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC fiscal year budget with the actual results at the NERC and Regional Entity level. WECC shall follow NERC’s prescribed system of accounts, except to the extent NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure. WECC’s funding system shall include reasonable reserve funding for unforeseen and extraordinary

expenses and other contingencies, consistent with generally accepted accounting principles. NERC shall review and approve WECC's budget for meeting its responsibilities under the Delegation Agreement.

## **2. Allocation of Costs**

WECC will equitably allocate its reasonable fees and other charges for activities undertaken pursuant to the Delegation Agreement among all Load-Serving Entities (LSEs) or Balancing Authorities according to the following cost allocation rules:

1. All fees and other charges pursuant to the Delegation Agreement shall be allocated among LSEs or Balancing Authorities within the Western Interconnection on the basis of Net Energy for Load (NEL) unless a different method(s) of allocating and calculating such dues, fees and charges has been submitted to and approved by NERC and the Commission in accordance with Section 8(b) of the delegation agreement.
2. WECC will develop a list of LSEs or Balancing Authorities responsible for paying charges pursuant to the Delegation Agreement.
3. Entities on the list of LSEs or Balancing Authorities will be responsible for collection and/or payment of charges through the mechanism described in either Option 1 or 2 below. Each Balancing Authority will inform WECC by June 1<sup>st</sup> of each year of its choice of Option 1 or 2, and will give WECC at least 90 days notice of its intention to change from one option to the other.
  - a. **OPTION 1** -- The Balancing Authority will provide WECC a list of all LSEs located within its area, including each LSE's name, contact information, and Net Energy for Load. This information will be updated annually and provided to WECC no later than June 1<sup>st</sup> of each year. WECC will use this list to bill each LSE for all costs on an annual basis.
  - b. **OPTION 2** -- The Balancing Authority will provide WECC a list of all LSEs located within its area no later than June 1<sup>st</sup> of each year. WECC will bill the Balancing Authority for all costs on an annual basis. The Balancing Authority will be responsible for equitably allocating WECC costs among the LSEs in its area (if applicable) on the basis of Net Energy for Load, collecting the funds, and ensuring that WECC receives full payment on an annual basis.
4. WECC will submit annually to NERC an updated list of all LSEs located within the Western Interconnection.

### 3. Collection of Funding

(a) WECC will render invoices and collect funds from LSEs or Balancing Authorities within the Western Interconnection according to the following billing and collection rules:

1. WECC will send an annual invoice in a prompt and timely manner after receipt from NERC of the information needed to issue invoices, but no later than November 15<sup>th</sup> each year to each LSE or Balancing Authority (depending on the Balancing Authority's choice of Option 1 or 2 above).
2. The invoice will identify the total payment due, and will show the allocation of funds between the following three areas:
  - Electric Reliability Organization statutory costs
  - Regional Reliability Organization statutory costs
  - Western Interconnection Regional Advisory Body (WIRAB) costs
3. Payment of all invoiced amounts will be due on or before January 2nd of each year.
4. WECC will transfer collected funds to the ERO in a timely manner as follows. Once a week, until all funds are collected, WECC will electronically transfer to the ERO, in immediately available funds, all payments received from LSEs or Balancing Authorities for payment of annual invoices. In order to ensure clear communication regarding the allocation of funds, WECC will send an email to the Chief Financial Officer at the ERO outlining the breakdown of funds collected (including a listing of entities from which payments were collected and the amounts collected from each entity) on the same day that WECC electronically transfers payment to the ERO.
5. WECC will exercise commercially reasonable efforts to collect invoices that are not paid on the due date(s) as follows. If WECC does not receive payment in full from an LSE or Balancing Authority by January 2nd, WECC will send the LSE or Balancing Authority a duplicate invoice together with a demand for payment within 30 days of the total due under the invoice, including statutory, and if applicable, non-statutory costs. If the LSE or Balancing Authority fails to remit payment within the additional 30 day period, the account will be turned over to the ERO for collection. WECC agrees that it shall not in any way use its position as billing and collection agent for NERC to attempt to influence NERC's policies or decisions on matters relating to adoption of reliability standards (including regional standards and differences), administration of the compliance monitoring and enforcement program and other compliance and enforcement matters, determination and imposition of penalties and sanctions, budgeting matters including review and approval of WECC's budgets and business plans, or any other NERC decisions, including by issuing invoices, engaging in collection activities or transferring funds collected to NERC in an untimely manner or other than in accordance with this Agreement. To the extent WECC uses another entity as collection



agent, it will incorporate these safeguards in the arrangements with the collection agent.

(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC will fund WECC's costs identified in Section 1 of this Exhibit E in four equal quarterly installments.

#### **4. Application of Penalties**

As part of WECC's Compliance Enforcement Program, WECC may levy monetary sanctions against an organization in the Western Interconnection. Payment of a monetary sanction is due to WECC within 30 days of the date upon which the sanction takes effect under the rules governing WECC Compliance Enforcement Program. If payment is not received on or before the applicable due date, WECC will send a demand for payment and take appropriate steps to ensure collection.

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