

Owen E. MacBride
(312) 258-5680
Email: omacbride@schiffhardin.com

Tel.: 312.258.5500
Fax: 312.258.5700

www.schiffhardin.com

April 1, 2009

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. RR07-16-001
Compliance Filing in Response to October 17, 2007 Order and other Orders
2008 Actual Cost-to-Budget Comparisons for NERC and Regional Entities**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits a Compliance Filing to the Commission's October 17, 2007 Order in the above-referenced docket and to certain subsequent orders. This Compliance Filing provides (1) the annual actual cost-to-budget comparisons for NERC and the Regional Entities for the year 2008, and (2) certain additional compliance items concerning Southwest Power Pool Regional Entity.

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

Please note that in §VI of the narrative text, NERC is requesting Commission approval for a proposed change in the filing date of the annual NERC and Regional Entity actual cost-to-budget comparisons, for future years.

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

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	NOTICES AND COMMUNICATIONS	2
III.	COMPARISONS OF ACTUAL COSTS TO BUDGETS FOR THE YEAR ENDED DECEMBER 31, 2008	3
IV.	METRICS CONCERNING ADMINISTRATIVE COSTS IN 2008 NERC AND REGIONAL ENTITY BUDGETS AND ACTUAL COSTS	9
V.	ADDITIONAL COMPLIANCE ITEMS CONCERNING SPP REGIONAL ENTITY	14
VI.	NERC REQUEST TO CHANGE FILING DATE FOR ANNUAL ACTUAL COST-TO-BUDGET COMPARISONS	18
VII.	CONCLUSION	20

ATTACHMENTS:

Attachment 1: 2008 Actual Cost-to-Budget Comparison for North American Electric Reliability Corporation

Attachment 2: 2008 Actual Cost-to-Budget Comparison for Florida Reliability Coordinating Council

Attachment 3: 2008 Actual Cost-to-Budget Comparison for Midwest Reliability Organization

Attachment 4: 2008 Actual Cost-to-Budget Comparison for Northeast Power Coordinating Council, Inc.

Attachment 5: 2008 Actual Cost-to-Budget Comparison Reliability*First* Corporation

Attachment 6: 2008 Actual Cost-to-Budget Comparison for SERC Reliability Corporation

Attachment 7: 2008 Actual Cost-to-Budget Comparison for Southwest Power Pool Regional Entity and Additional Compliance Items for SPP Regional Entity

Attachment 8: 2008 Actual Cost-to-Budget Comparison for Texas Regional Entity, a Division of Electric Reliability Council of Texas

Attachment 9: 2008 Actual Cost-to-Budget Comparison for Western Electricity Coordinating Council

Attachment 10: Metrics Concerning Administrative Costs in 2008 NERC and Regional Entity Budgets and Actual Costs

I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”) respectfully submits this filing in compliance with the Commission’s order issued October 18, 2007 in this docket¹ and (as described below) in response to directives in three subsequent Orders of the Commission. The 2008 ERO Budget Order conditionally accepted the 2008 business plans and budgets of NERC, as the Electric Reliability Organization (“ERO”), and the eight Regional Entities.² The following information is provided in this filing:

A comparison of the actual funding received and costs incurred by NERC and each Regional Entity for statutory and (where applicable) non-statutory activities for the year ended December 31, 2008, to the budgets of NERC and each Regional Entity for that year, with explanations of significant actual cost-to-budget variances. (§III of this filing)

Metrics concerning NERC and Regional Entity administrative costs in their 2008 budgets and actual results.³ (§IV of this filing)

Certain information and explanations concerning SPP RE’s 2008 budget and actual costs, required by directives in two Commission Orders.⁴ (§V of this filing)

¹ *North American Electric Reliability Corporation, Order Conditionally Accepting 2008 Business Plan and Budget of the North American Electric Reliability Corporation and Ordering Compliance Filings*, 121 FERC ¶ 61,057 (2007) (“2008 ERO Budget Order”).

² The eight Regional Entities are the Florida Reliability Coordinating Council (“FRCC”), Midwest Reliability Organization (“MRO”), Northeast Power Coordinating Council, Inc. (“NPCC”), ReliabilityFirst Corporation (“ReliabilityFirst”), SERC Reliability Corporation (“SERC”), Southwest Power Pool, Inc. Regional Entity (“SPP RE”), Texas Regional Entity (“Texas RE”), a Division of Electric Reliability Council of Texas (“ERCOT”), and Western Electricity Coordinating Council (“WECC”).

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

⁴ The two Commission Orders are (i) *North American Reliability Corporation, Order on Compliance Filing*, 122 FERC ¶61,246 (2008) (“March 21, 2008 Order”), and (ii) *North American Electric Reliability Corporation, Order Conditionally Accepting 2009 Business Plan and Budget of the North American Electric Reliability Corporation and Ordering Compliance Filings*, 125 FERC ¶61,056 (2008) (“2009 ERO Budget Order”).

NERC is also requesting that the Commission approve a change in the filing dates and content of the annual actual cost-to-budget comparisons. Presently NERC is required (1) to file by April 1 an actual cost-to-budget comparison for the preceding year, which is based on unaudited financial statements of NERC and the Regional Entities,⁵ and (2) to then include in its annual Business Plan and Budget filing, in late August, any necessary revisions to the previously-filed comparisons due to changes in actual results in the audited financial reports for the preceding year.⁶ NERC is requesting that the Commission allow it to make a single annual actual cost-to-budget comparison filing, to be due on May 30 of the following year, which would be based on the audited financial reports of NERC and the Regional Entities (*see* §VI below).

II. NOTICES AND COMMUNICATIONS

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

Rick Sergel
President and Chief Executive Officer
David N. Cook*
Vice President and General Counsel
North American Electric Reliability
Corporation
116-390 Village Boulevard
Princeton, NJ 08540-5721
(609) 452-8060
(609) 452-9550 – facsimile
david.cook@nerc.net

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

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

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

⁵ 2008 ERO Budget Order at P 23.

⁶ June 19, 2008 Order at P 40.

III. COMPARISONS OF ACTUAL COSTS TO BUDGETS FOR THE YEAR ENDED DECEMBER 31, 2008

In the 2008 ERO Budget Order, the Commission stated at P 23:

In the future, we also expect to compare proposed budgets to actual expenditures. The Commission believes that there should not be a nine-month lag in the examination of the accounting and the proposed true-up for under- or over-collections in 2007. The Commission believes that it is valuable to receive actual ERO (and Regional Entity) prior-year costs well before NERC files its budget for the following year. This will provide the Commission and stakeholders with information that will help in analyzing the following year's budget in a timely manner. . . [T]he Commission will require NERC to provide the true-up for the ERO (and for the Regional Entities) on or before April 1 of each year in sufficient detail and with sufficient explanations for the Commission to determine, by program area, the reasons for deviations from the budget and the impacts of those deviations.

In the June 19, 2008 Order, which addressed NERC's April 1, 2008 compliance filing to the 2008 ERO Budget Order, the Commission provided additional direction concerning the presentation of the annual filings comparing NERC's and the Regional Entities' actual to budgeted expenditures:

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

38. Cash reserves are meant to handle expenses which exceed the amount budgeted, as well as unforeseen events that could occur at any time. However, in the future, the Commission expects NERC and the Regional Entities to justify the use of cash reserves as variances in the April true-up. Cash reserves should not become a means to fund expected projects outside of the budget approval process. The Commission expects that as NERC and the Regional Entities develop

experience in planning and functioning under their budgets the amounts and number of variance will decrease. In addition, the Commission expects that with experience, the explanations for the variances will improve.

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

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

The comparisons of 2008 actual-to-budget expenses for NERC and the Regional Entities are provided in **Attachments 1 through 9**, as follows:

- **Attachment 1:** NERC
- **Attachment 2:** FRCC
- **Attachment 3:** MRO
- **Attachment 4:** NPCC
- **Attachment 5:** Reliability*First*
- **Attachment 6:** SERC
- **Attachment 7:** SPP RE
- **Attachment 8:** Texas RE
- **Attachment 9:** WECC

These comparisons conform to the Commission's above-quoted directives:

- Each comparison contains a cover letter identifying overall actual-to-budget variances in Funding and total Expenses and in major Expense categories, and discussing reasons for major areas of actual cost-to-budget variances.

- Each comparison contains a summary table, prepared using a NERC-supplied template, showing the entity's 2008 Budget, 2008 Actual expenses, and the variance, for major line-item categories of Funding and Expenses.
- For those entities that engaged in both statutory and non-statutory activities in 2008, the comparisons include separate summary tables for statutory programs and non-statutory activities, prepared using the NERC-supplied template, showing the entity's 2008 Budget, 2008 Actual expenses, and the variance, for major line-item categories of Funding and Expenses.⁷
- The comparisons include individual tables, also prepared using a NERC-supplied template, showing 2008 Budget, 2008 Actual Expenses, and the variance, for major line-item categories of Funding and Expenses, for each of the statutory programs⁸ (direct costs) and the overhead functions⁹ (indirect costs). These tables also provide explanations for significant line-item actual cost-to-budget variances.¹⁰

The Attachments also address (generally in the cover letter) (i) whether any statutory funds were used in 2008 for non-statutory activities (in fact, neither NERC or any of the Regional Entities reports using statutory funds during 2008 for non-statutory activities); (ii) whether and how cash reserves were used to fund expenses in 2008¹¹; (iii) whether, and if so how, indirect costs

⁷ The summary table for non-statutory activities (for those entities that had non-statutory activities) is the last table in the Attachment. FRCC, MRO, NPCC, Texas RE and WECC had non-statutory activities in 2008 and each has provided summary tables for statutory and non-statutory activities. NERC, ReliabilityFirst, SERC and SPP RE did not have non-statutory activities in 2008 (although SPP RE's parent organization, of course, had non-statutory activities). SPP RE has provided a summary table for statutory activities only.

⁸ Reliability Standards, Compliance and Organization Registration and Certification, Reliability Readiness Evaluation and Improvement, Reliability Assessment and Performance Analysis, Training and Education, and Situational Awareness and Infrastructure Security.

⁹ Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Accounting and Finance.

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

¹¹ The summary comparison tables for total entity and (where applicable) statutory and non-statutory activities show "Net Change in Assets" for the 2008 Actual Funding and Expenses. A positive "Net Change in Assets" means the entity's total Actual Funding exceeded its total

incurred during 2008 were allocated to the direct statutory programs or functions; and (iv) whether, and if so how, costs were allocated between statutory programs and non-statutory activities in 2008.

As a result of the Commission's directives in the June 19, 2008 Order, and work among NERC and the Regional Entities since the actual cost-to-budget comparison for 2007 was filed, the comparisons provided in **Attachments 1 through 9** are presented in a consistent format that conforms to the Commission's directives.¹² The explanations of the actual cost-to-budget variances are specific and meaningful.¹³ Further, the consistent format will enable the Commission to make comparisons among the Regional Entities as to the amount of variances experienced in individual program areas and individual line items.

Because the cover letters identify and discuss major areas of actual cost-to-budget variance, and the individual tables for each direct statutory program and each indirect cost function contain specific explanations of significant variances on a line-item basis, a detailed, entity-by entity discussion of the actual cost-to-budget variances experienced for 2008 by NERC and the individual Regional Entities is not necessary here. However, the following list describes

Actual Expenses for the year 2008; therefore, it was not necessary for the entity to use its cash reserves balance at December 31, 2007 to fund 2008 expenses.

¹² Another factor contributing to greater consistency of presentation is that NERC and the Regional Entities achieved greater consistency of format, presentation and classification of costs in their 2008 Business Plans and Budgets filed with the Commission than was the case with the 2007 Business Plans and Budgets.

¹³ However, in some circumstances the explanations of variances are necessarily repetitive. For example, where a Regional Entity experienced higher than budgeted Salaries for a statutory program due to hiring more staff than budgeted, it is to be expected, absent other impacts, that the Regional Entity's expenses for Payroll Taxes and Employee Benefits will also exceed the budgeted amounts for that program. Similarly, where an entity renewed the health and medical portion of its Employee Benefits package at a lower cost than budgeted, this outcome applies to every program area and function with employees.

several recurring drivers of over- and under-budget variances experienced by NERC and the Regional Entities, as identified by NERC's review of the comparisons.

- A number of entities¹⁴ experienced under-budget variances in Salary Expense and related Personnel Expenses, in one or more program areas, due to filling budgeted positions later in the year than was assumed in the budget. This experience reflects, at least in part, the continuing high demand for qualified, experienced personnel in certain areas, particularly Compliance. NERC and the Regional Entities are competing with registered entities and others in the industry (such as consulting firms) for the finite supply of qualified technical personnel.
- Partially offsetting the impact of the first item, (i) some entities added unbudgeted personnel in certain programs (notably Compliance) during the year due to increased work loads, and (ii) some entities filled new or open positions at higher compensation levels than budgeted – reflecting, at least in part, the demand for qualified, experienced, technical personnel in certain program areas.
- The inability to fill open or new positions until later than expected (if at all), also tended to cause under-budget variances in Meetings and Travel expense, if the budgets included provision for the costs of meetings attended, and Travel expense incurred, by the personnel who would occupy these positions.
- Several entities experienced higher than budgeted expenses for Consultants and/or Contracts due to the need to use consultants or contractors to perform work intended to be performed by employees, due to the difficulty in filling positions, or due to unanticipated, increased work loads.
- Some entities also experienced over-budget variances in Consultants, Contracts, and/or Travel and Meeting Expense, due to the occurrence of system events that needed to be analyzed and the retention of consultants or contractors to assist in the event analyses.
- NERC and one Regional Entity experienced unbudgeted costs in Rent & Improvements due to the need to lease additional office space or build out existing office space to accommodate additional personnel who were hired during the year to meet increased work loads.
- Some entities were able to renew the health and medical component of their Employee Benefits programs at lower costs than budgeted. Another factor impacting actual Employee Benefits expense was decisions by new employees to stay on the health and medical and/or other benefits programs of their previous employers, or for other reasons to select less than the full benefits package offered by the entity.
- Due to the increased emphasis on some program areas (e.g., Compliance) and decreased emphasis on other programs during the year, some entities shifted staff between programs during the year. These shifts created under- or over-budget

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

variances in Personnel Expenses in the affected programs, but did not create variances for Statutory expenses in the aggregate.

- Most entities experienced higher than budgeted Travel and/or Meeting costs in 2008. Travel costs increased significantly during much of 2008 due to higher gasoline prices and fuel prices experienced by airlines. In response to these cost increases, increased emphasis was placed on conducting meetings by conference calls or Internet services such as WebEx. This emphasis resulted in higher than budgeted expenses for Conference Calls for some entities, but helped to mitigate the over-budget variances for Meetings and Travel.
- Many of the Regional Entities budgeted amounts for legal services (Professional Fees) and/or Consultants or Contracts (for contract hearing officers) in anticipation of having one or more hearings in 2008 on disputed compliance matters. These costs were budgeted in Compliance, General and Administrative or Legal and Regulatory. However, most of the Regional Entities did not have compliance-related hearings in 2008 requiring these costs to be expended.
- Some Regional Entities that were scheduled to move into new offices or other facilities during 2008 experienced over-budget variances in Rent & Improvements, Office Costs and/or Furniture & Equipment, due to various aspects of the relocation or new facilities costing more than projected. However, one Regional Entity experienced an under-budget variance in this area for 2008 due to completing its office relocation in 2007.
- In light of incurring higher than budgeted expenses in some areas, some entities deferred budgeted Furniture & Equipment or Computer purchases.

In addition, there were no significant assessment collection issues for 2008. Some entities experienced over-budget or under-budget variances in fee revenues for workshops or seminars due to either presenting more or fewer workshops than planned, or experiencing greater or lower attendance than planned. Neither NERC nor any Regional Entity requested supplemental funding pursuant to 18 C.F.R. §39.4(d) during 2008.¹⁵

¹⁵ WECC submitted, and NERC and the Commission approved, an amended 2008 budget providing for higher 2008 expenditures; however, WECC did not request approval for increased assessments in 2008, but rather funded the increased expenditures through a line of credit with a commercial lending institution, with the loan repayment and interest costs to be included in its 2009 and 2010 assessments. *See North American Electric Reliability Corporation, Order Approving Amendment to Western Electricity Coordinating Council Business Plan and Budget*, 123 FERC ¶ 61,0301 (2008).

IV. METRICS CONCERNING ADMINISTRATIVE COSTS IN 2008 NERC AND REGIONAL ENTITY BUDGETS AND ACTUAL COSTS

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

39. Our analysis of the Regional Entities' true-up statements indicates that many Regional Entities spent a significant percentage of their 2007 budgets on various administrative functions to support their statutory functions.¹³ The amounts spent on administrative functions vary widely among the Regional Entities. . . . We recognize that 2007 is the first year that these Regional Entities have prepared a budget for statutory functions and that there are some startup costs that will be unique to 2007. The Commission anticipates, however, that such effects will diminish as NERC and the Regional Entities gain experience preparing their budgets. To promote better transparency, the Commission directs NERC to develop additional metrics to identify, in a uniform manner, information detailing its total expenses for administrative functions as well as the expenses for administrative functions for each Regional Entity. For example, one of the matrices should be the percentage spent by the Regional Entity on administrative functions as a portion of its total approved budgeted funding similar to the information provided in the table attached to this order. These new metrics should be designed to enhance the Commission's ability to compare information provided by the Regional Entities on administrative costs and to understand the reasons for any significant differences in amounts budgeted by different Regional Entities for the same function. The Commission therefore directs NERC to develop these additional metrics for use in the true-up filings for NERC's 2008 and 2009 budgets and for use in NERC's subsequent business plans and budgets beginning with NERC's 2010 Business Plan and Budget.

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

The administrative functions cited in footnote 13 of the June 19, 2008 Order (Committees and Member Forums, General and Administration, Legal and Regulatory, Information Technology, Human Resources and Accounting and Finance) are the functions that NERC and the Regional Entities refer to as "indirect" or "overhead" costs in their business plans and budgets and reports

of actual expenses. It is appropriate to analyze these indirect costs in the aggregate (as the Commission did in P 39 and footnote 13), rather than by individual function, due to certain necessary inconsistencies among the Regional Entities in budgeting and recording these costs. For example, some of the Regional Entities budget and record all Salary expense for Legal and Regulatory, Human Resources and/or Accounting and Finance under General and Administrative, because they have only one or two employees in each of these functions and therefore reporting the budgeted and actual Salary expense for these individual functional categories could reveal salary information of individual employees.

In response to the directive in P 39 of the June 19, 2008 Order, NERC, working with the Regional Entities, has developed the metrics that are presented in **Attachment 10**. The following three sets of comparisons are presented for NERC and the Regional Entities for their 2008 Budgets and 2008 Actual costs¹⁶:

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

¹⁶ The 2008 Actual comparisons do not show all of the indicated percentages and ratios for FRCC (the indicated percentages and ratios are shown for FRCC's 2008 Budget). FRCC does not record its indirect expenses in a manner that enabled it to break out actual direct and indirect expenses in the manner needed for these calculations. FRCC's cover letter included in **Attachment 2** describes the methods used by FRCC to record General & Administrative costs and assign or allocate them to the statutory direct program areas.

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

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

Based on 2008 Actual expense data, statutory indirect expenses averaged 35.05% of total statutory expenses for NERC and the Regional Entities, and the average statutory direct expense per dollar of statutory indirect expense was \$1.85. The Actual average statutory indirect expense percentage was higher, and the Actual average statutory direct expense per dollar of indirect expense was lower, than the averages based on the NERC and Regional Entity Budgets (31.38% and \$2.19, respectively). However, this difference in the Actual versus Budget averages may be driven largely by the figures for WECC. WECC's values based on 2008 Actual expenses were 25.59% and \$2.91, respectively, versus 15.49% and \$5.46 based on its 2008 Budget. These differences between Actual expense and Budget for WECC are due to the fact that WECC recorded all actual statutory Salary Expense for General & Administrative staff in General & Administrative, whereas in its 2008 Budget WECC had allocated some statutory General & Administrative Salary Expense to the statutory direct program areas. Additionally, WECC recorded actual Payroll Taxes, Employee Benefits and Savings & Retirement costs for all statutory programs in General & Administrative, whereas in its 2008 Budget, WECC had allocated these costs to the statutory direct program areas.

NERC, MRO, NPCC, SERC and SPP RE were able to keep their 2008 Actual statutory indirect expense percentages approximately equal to, or lower than, the percentages of statutory indirect expenses to statutory total expenses in their respective 2008 Budgets.

A number of different factors could cause differences between an entity's Actual percentage of statutory indirect expenses to statutory total expenses and its Budgeted percentage of statutory indirect expenses to statutory total expenses. For example, several entities were unable to staff open or planned new technical positions in one or more statutory direct programs

until later in 2008 than assumed in their budgets. All other factors equal, this experience could cause the entity's Actual percentage of statutory indirect expenses to statutory total expenses for the year to be higher than its Budgeted percentage of statutory indirect expenses to statutory total expenses.

The percentage of statutory indirect expenses to total statutory expenses for SPP RE is notably higher than the overall average, and the ratio of statutory direct expense per dollar of statutory indirect expense for SPP RE is notably lower than the overall average, for both 2008 Actual expense and the 2008 Budget. Texas RE was the only other Regional Entity whose percentage of Actual statutory indirect expenses to statutory total expenses was more than approximately 33% greater than the average. (*ReliabilityFirst's* percentage of Actual statutory indirect expenses to statutory total expenses was 33.18% above the average.)

Statutory indirect FTE as a percent of total statutory FTE, and ratio of statutory direct FTE to statutory indirect FTE¹⁸

On average for NERC and the Regional Entities, 2008 Actual statutory indirect FTEs were 26.60% of total statutory FTEs, and on average NERC and the Regional Entities had 2.76 statutory direct FTE per statutory indirect FTE in 2008. The percentage of statutory indirect FTEs to statutory total FTEs was less than 33% for NERC and for each Regional Entity; and NERC and each Regional Entity had at least 2.10 statutory direct FTE per statutory indirect FTE. The values for these two statistics for NERC and for each Regional Entity other than SPP RE were all reasonably close to the averages. Further, neither NERC nor any of the Regional Entities had a significantly higher Actual percentage of statutory indirect FTEs to statutory total

¹⁸ In its 2008 Budget, NPCC included 3.8 contractors filling NPCC positions in its total FTE count of 25.2 (17.0 in direct programs and 8.2 in indirect functions). In order to be consistent with other Regional Entities, the NPCC Budget FTE count in **Attachment 10** has been restated to exclude contractors, resulting in a restated Budget FTE count of 21.4 (15.0 in direct programs and 6.4 in indirect functions). NPCC's 2008 Actual FTE count does not include contractors.

FTEs than the percentages reflected in their 2008 Budgets (and for some Regional Entities, the Actual percentage was lower than the percentage reflected in the 2008 Budget).

The percentage of statutory indirect FTEs to total statutory FTEs was only 13.39% for SPP RE, and SPE RE had 6.47 statutory direct FTE per total statutory FTE. However, these figures for SPP RE do not reflect SPP RE's extensive use of shared staff employees or its method of calculating and charging overhead costs to the Regional Entity functions. SPP RE does not have a full complement of its "own" statutory indirect/overhead employees, but rather is allocated indirect costs from SPP, Inc. (as described in **Attachment 7**) Texas RE also had a relatively lower (below the average) Actual percentage of statutory indirect FTE to statutory total FTE, and a relatively higher ratio of statutory direct FTE to statutory indirect FTE. Similar to SPP RE, Texas RE does not have a full complement of its "own" statutory indirect/overhead employees, but rather purchases a significant portion of its overhead services from ERCOT pursuant to a Memorandum of Understanding that is included in Exhibit E to the NERC-Texas RE Delegation Agreement.

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

The bottom row of tables on Attachment 10 shows the 2008 Actual and Budget (i) total statutory expenses per total FTE (total statutory expenses divided by total number of statutory FTE), (ii) statutory direct expenses per direct FTE, (iii) statutory indirect expenses per indirect FTE, and (iv) statutory indirect expenses per total FTE (statutory indirect expenses divided by total number of FTE), for NERC and each Regional Entity. For NERC and each Regional Entity, the Actual statutory indirect expense per indirect FTE was higher than the Actual statutory direct expense per direct FTE. This is not surprising, however, since the employees in

the indirect functions are, in general, managerial and professional employees who would command higher salaries than the technical and support personnel in the direct program areas.

NPCC had the highest 2008 Actual statutory direct expenses per direct FTE among the Regional Entities. In addition to the fact that NPCC's headquarters are in a higher labor cost area (New York City), NPCC reports that during 2008 it was able to hire a number of very experienced technical personnel at higher salaries than projected, but with greater experience and expertise than NPCC had originally targeted.

As with other metrics, the much higher statutory indirect expenses per indirect FTE figure for SPP RE reflects its method of calculating and charging overhead costs to the Regional Entity functions, and the fact that SPP RE does not have its own full complement of indirect employees (*i.e.*, SPP RE has a low denominator for this metric).

V. ADDITIONAL COMPLIANCE ITEMS CONCERNING SPP REGIONAL ENTITY

In the March 21, 2008 Order and the 2009 ERO Budget Order, the Commission directed that certain additional items of information concerning SPP RE's actual and budgeted costs were to be provided in this filing. The relevant paragraphs are quoted below.

From the March 21, 2008 Order, PP 14-15:

14. Similarly, the Commission will approve SPP's use of the \$110 per hour rate for shared employees, subject to NERC submitting SPP's detailed analysis of its actual costs in its April 2009 true-up filing. However, we direct SPP to provide a detailed accounting of actual employee costs when it files the true-up to the 2008 budget in April 2009 to ensure that neither the SPP Regional Entity nor the SPP RTO is paying more than their actual costs. The true-up should include specific information regarding the actual hours shared employees work on SPP Regional Entity business and their actual per hour rate. Each shared employee is expected to record, on a daily basis, hours worked on Regional Entity business. If the actual cost for shared employees differs from the \$110 figure, the cost must be trued-up. In addition, SPP must provide detailed definitions of each indirect cost allocation function, which clearly set forth what the function is and how it supports the Regional Entity. In future annual business plan and budget filings,

SPP must include the above information for each indirect cost allocation for shared services. [footnote omitted]

15. The Commission notes that SPP has not included the total cost of the direct funding category for each of the statutory functions in its corrected 2008 Business Plan and Budget as directed by the *2008 Budget Order*.¹⁸ NERC is directed to submit a revised SPP 2008 Business Plan and Budget which includes the *total* cost for direct funding for each of the statutory functions in addition to the already existing dollar breakdown for the direct funding expense lines when it files its true-up in April, 2009.¹⁹

¹⁸ 2008 Budget Order at Attachment B.

¹⁹ For example, the table in the Business Plan for the Reliability Readiness Program would be revised as shown below.

Reliability Readiness Evaluation and Improvement Program Resources

	2007 Budget	2007 Projection	2008 Budget
Total FTEs	0.3 FTE	0.2 FTE	0.5FTE
Total Direct Funding	\$56,598	\$51,672	Salary \$61,126 Travel <u>\$15,000</u> Total \$76,126
Total Indirect Funding		\$7,984	\$103,419
Total Funding	\$56,598	\$59,656	\$179,545

From the 2009 ERO Budget Order, P 57:

57. As previously determined in the 2008 Compliance Order, the Commission approved SPP Regional Entity's use of the \$110 per hour rate for shared employees, subject to NERC submitting SPP Regional Entity's detailed analysis of its actual costs in its April 2009 true-up filing. In addition, the Commission directed that in future annual business plan and budget filings, SPP Regional Entity must include specific information regarding the proposed hours shared employees will work on SPP Regional Entity business and its actual per hour rate for each indirect cost allocation for shared services. SPP Regional Entity, however, has not provided the above required information in the 2009 Business Plan and Budget regarding its proposed \$101 per hour rate for shared employees. Therefore, SPP Regional Entity's hourly rate is conditionally accepted subject to NERC and SPP Regional Entity providing the required information in the compliance filing. In addition, NERC and SPP Regional Entity are directed to file as part of the next April true-up filing the detailed accounting of actual employee costs along with specific information regarding the actual hours shared employees work on SPP Regional Entity business, their actual per hour rate, and documentation demonstrating that a Regional Entity employee approved the assignment of work before it began and authorized the work before it was paid.

In addition, in its December 15, 2008 compliance filing in response to the 2009 ERO Budget Order¹⁹, at pages 44-45, NERC and SPP RE made the following commitment concerning information to be provided in this filing:

SPP RE's 2009 Budget for statutory Indirect Costs is \$1,162,919, which is an increase of \$494,991 over the stated 2008 Budget for statutory Indirect Costs of \$667,928. However, SPP RE has determined that the indirect/overhead cost allocation represented in the "Other Non-Operating Expenses" component of total statutory Indirect Costs in the 2008 Budget was incorrectly calculated, and should have been \$310,200 rather than \$103,419 as originally presented (*i.e.*, \$206,781 higher).⁴⁹ Therefore, the 2008 Budget amount for total statutory Indirect Costs should have been \$874,709 (not \$667,928), and with that correction, the increase in statutory Indirect Costs in the SPP RE 2009 Budget is \$288,210, or 32.9%.

⁴⁹ The cause and impacts of this incorrect calculation will be detailed in NERC's April 1, 2009 filing reconciling differences between the 2008 Budgets and 2008 actual costs of NERC and the Regional Entities.

SPP RE has provided information in response to each of the above-quoted items in its cover letter and related attachments provided for this filing in **Attachment 7**. NERC reviewed drafts of SPP RE's responses and worked with SPP RE in preparing the responses, and believes SPP RE has responded appropriately to each of the above items.

With respect to P 14 of the March 21, 2008 Order, SPP RE has recalculated, based on SPP, Inc.'s actual overhead costs for 2008, the indirect/overhead cost per hour applied to statutory direct function hours recorded by SPP RE and SPP shared staff employees, and has determined the actual indirect/overhead costs to be charged to SPP RE for 2008 based on the recalculated hourly charge and the total number of hours recorded by SPP RE and SPP shared staff employees to SPP RE statutory direct functions in 2008. The hourly indirect/overhead cost rate used by SPP RE in preparing its 2008 budget was \$110, whereas the hourly

¹⁹ *Compliance Filing of the North American Electric Reliability Corporation in Response to October 16, 2008 Order on 2009 Business Plans and Budgets*, Docket Nos. RR08-6 and RR07-14, filed December 15, 2008.

indirect/overhead cost rate based on 2008 actual indirect/overhead costs is \$105. SPP RE has provided the calculation of the \$105 hourly rate (*see* Exhibit C in **Attachment 7**) and the number of hours charged by each SPP RE shared staff employee to each SPP RE statutory direct program in 2008²⁰ (*see* Exhibit A in **Attachment 7**). SPP RE has also provided definitions for each indirect/overhead cost function that is allocated. In its actual cost-to-budget comparisons in **Attachment 7**, SPP RE has used the recalculated actual hourly rate of \$105 and the actual direct function statutory hours to determine the actual indirect/overhead costs allocated to each SPP RE statutory program in 2008.

With respect to P 57 of the 2009 ERO Budget Order, NERC notes that (as stated by SPP RE in **Attachment 7** hereto), in accordance with commitments made by SPP RE in response to recommendations in the Commission's recently-completed audit of SPP²¹, the hours charged by SPP RE and SPP shared staff employees to SPP RE direct statutory functions are now being reviewed and authorized by the SPP RE General Manager, before SPP, Inc. is reimbursed, using SPP RE statutory funds, for the costs of these employees' work on behalf of SPP RE. This process will ensure that the hours charged to SPP RE direct statutory functions and the associated work is determined by an SPP RE executive to be appropriate and authorized before SPP RE statutory funds are used to reimburse SPP, Inc.

With respect to the explanation of the error in SPP RE's original calculation of indirect/overhead costs in its 2008 Budget, SPP RE has used the original, incorrect budget figure of \$103,419 in its actual cost-to-budget comparison presented in **Attachment 7** (*see* the Total

²⁰ This information is also responsive to the directive in P 57 of the 2009 ERO Budget Order.

²¹ *See Southwest Power Pool, Inc., Order Approving Audit Report, Determining Issue of Separation of Functions, and Directing Compliance and Other Corrective Actions*, 126 FERC ¶61,045 (2009), and Attachment A thereto.

Indirect Expenses line in the General and Administrative table). This enables the actual recorded costs for 2008 to be compared to the budgeted amount originally presented to the Commission in the 2008 Business Plan and Budget filing. However, as a result, the indicated over-budget variance in this line item of \$180,265 is due in large part to the calculation error in the original budget. Had this line item been correctly calculated (\$310,200) in the original budget (*i.e.*, had the indirect/overhead cost allocation in the original budget correctly reflected the additional budgeted General & Administrative employee), there would have been an under-budget variance for 2008 in this line item of \$26,516.

VI. NERC REQUEST TO CHANGE FILING DATE FOR ANNUAL ACTUAL COST-TO-BUDGET COMPARISONS

NERC requests the Commission's approval for a change in the filing dates and content of the annual actual cost-to-budget comparisons. Presently, NERC is required to file, by April 1, actual cost-to-budget comparisons for NERC and the Regional Entities for the preceding year.²² However, under §8(i) of the delegation agreements between NERC and the Regional Entities, the Regional Entities are required to provide their audited financial statements for the year to NERC within 150 days following the end of the year (*i.e.*, by May 30 of the following year (May 29 in a Leap Year)). As a result, the annual actual cost-to-budget comparisons currently filed on April 1 are based on unaudited financial statements of NERC and the Regional Entities for the preceding year. Because of this, the Commission has also directed NERC to include in its annual Business Plan and Budget filing for the following year (which is due to be filed by on or about August

²² 2008 ERO Budget Order at P 23.

24²³), any corrections or revisions to the actual cost-to-budget comparisons necessary due to adjustments in the audited financial reports from the unaudited financials.²⁴

NERC is requesting the Commission's approval to change the April 1 filing date for the annual actual cost-to-budget comparisons, to May 30. The actual cost-to-budget comparisons filed on May 30 would be based on the audited financial reports for NERC and the Regional Entities for the preceding year. Copies of NERC's and each Regional Entity's audited financial reports would be included in the May 30 filing. With this change, there would be no need to include, in the late August Business Plan and Budget filings, corrections and revisions to the actual cost-to-budget comparisons resulting from adjustments in the audited financial reports.

There are several advantages to the proposed change:

- The Commission would receive an actual cost-to-budget comparison on May 30 that would be final, *i.e.*, not subject to change based on adjustments to any of the entities' unaudited financial results in the audited financial reports.
- The May 30 filing would also include the audited financial statements of NERC and each Regional Entity including the reports of their independent auditors.
- The revised process would be more efficient for, and save resources of, NERC and the Regional Entities, because the preparation of the actual cost-to-budget comparisons to be filed with the Commission would be more consistent with the completion of their annual independent financial statement audits, Board approvals of their annual financial results and receipt of the reports of their independent auditors.
- The revised process would also be more efficient for and save resources of NERC and the Regional Entities because they would not need to address this topic further in the annual Business Plan and Budget filing due in August, but rather could focus their attention for the August filing on preparation of their business plans and budgets and supporting information and materials.
- Fifth, the annual Business Plan and Budget filing would no longer need to include revisions to the previously-filed actual cost-to-budget comparisons and accompanying explanations of the changes. This would reduce the size and subject matter coverage of the Business Plan and Budget filing, which is already very substantial.

²³ 18 C.F.R. §39.4(b) (ERO and Regional Entity business plans and budgets are to be filed with the Commission 130 days in advance of the beginning of the ERO's fiscal year).

²⁴ June 21, 2008 Order at P 40.

Moreover, the May 30 filing date would still be consistent with the Commission's objective in establishing the requirement to file the annual actual cost-to-budget comparisons, that "it is valuable to receive actual ERO (and Regional Entity) prior year costs well before NERC files its budget for the following year."²⁵

Accordingly, NERC seeks Commission approval for the revised filing date and content for the annual actual cost-to-budget comparisons as proposed herein.

VII. CONCLUSION

The North American Electric Reliability Corporation respectfully requests that the Commission accept this filing and Attachments as compliance with (i) PP 23 and 66 of the 2008 ERO Budget Order and PP 37-38 of the June 19, 2008 Order, (ii) P 39 of the June 19, 2008 Order, and (iii) PP 14-15 of the March 21, 2008 Order and P 57 of the 2009 ERO Budget Order. NERC also requests the Commission approve the proposed change in the filing date, to May 30, for the annual actual cost-to-budget comparisons for the preceding year, as described in §VI.

²⁵ 2008 ERO Budget Order at P 23.

Respectfully submitted,

/s/ David N. Cook

Rick Sergel
President and Chief Executive Officer
David N. Cook
Vice President and General Counsel
North American Electric Reliability
Corporation
116-390 Village Boulevard
Princeton, NJ 08540-5721
(609) 452-8060
(609) 452-9550 – facsimile
david.cook@nerc.net

/s/ Owen E. MacBride

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

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

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 1st day of April, 2009.

/s/ Owen E. MacBride
Owen E. MacBride

*Attorney for North American Electric
Reliability Corporation*

ATTACHMENT 1

2008 ACTUAL COST-TO-BUDGET COMPARISON

FOR

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

BUDGET TO ACTUAL VARIANCE ANALYSIS AT DECEMBER 31, 2008

FUNDING (Actual exceeded budget by \$917.7k)

- **Assessments** (Actual \$29k under budget) –Assessments not billed in 2008 due to errors in reported NEL
- **Membership Fees** (Actual \$644k over budget) – Additional fees collected from members of the Transmission Owners and Operators Forum (Forum) to fully support the Forum’s 2008 budget. The Agreement with the Forum was finalized after the 2008 Budget submission and the additional fees were not planned.
- **Testing** (Actual \$160.7k over budget)
 - System operator testing fees under budget by (\$49.4k)
 - Certificate renewal fees exceeded budget by \$274.8k
 - Certification fees paid by providers of services for continuing education hours under budget by (\$64.6k)
- **Services and Software** (Actual \$75.2k over budget)
 - GADS Services exceeded budget by \$87.8k due to an unbudgeted increase in fees charged
 - TSIN Fees under budget (\$11.6k)
- **Workshop Fees** (Actual \$138.4k over budget) – Workshop fees were not budgeted as a separate line item, but were netted against workshop expense. For consistency with the regions, actual revenue is recorded as part of ‘Total Funding’.
- **Interest** (Actual \$71.6k under budget) – Assessments were collected in a timely manner, however bank balances were lower than originally anticipated.

EXPENSES (Actual over budget by \$1,233.6k)

- **Personnel Expenses** (Actual \$417k under budget)
 - Salaries, Payroll Taxes and Employee Benefits are under spent by (\$762.5k). (\$552.2k) of the under-spend was in the Readiness Program. Some of this is attributed to the eventual elimination of the Program, but it

- was also the result of the use of Consultants instead of hiring full-time employees. In Compliance, actual hire dates occurred later in the year than planned resulting in an under-spend of (\$327.6k). These savings were offset by the addition of unbudgeted staff in Situational Awareness and General and Administrative.
- Savings and Retirement were over budget by \$345.5k. This is primarily due to a modification in the 401(k) plan which accelerates entry dates for certain employees. In addition, as noted under Situational Awareness and Member Forums, an error in the budget excluded some eligible employees from the calculation.
 - **Meeting Expenses** (Actual \$862.1k over budget) – This over-spend is offset by Workshop Fees of \$138.4k as noted above, for a net variance of \$723.7k. Meeting and travel expenses exceeded budget throughout the year as was anticipated, based upon the results of 2007, when actual exceeded budget by \$541k. Due to the timing of the 2008 budget submission, the increased level of spend in 2007 was not incorporated in the 2008 budget.
 - **Operating Expenses** (Actual \$788.5k over budget)
 - **Rent and Improvements** (Actual \$52.9k over budget) – This over-spend is due to additional space leased for the Compliance Department after the 2008 budget was finalized and submitted.
 - **Contracts** - (Actual \$331k over budget)
 - Reliability Assessment and Performance Analysis (RAPA) is under budget by (\$29.5k). (\$115.0k) under-spend for analysis software budgeted here but charged to Computer Purchase & Maintenance; \$4k over-spend for GADS programming; \$13.6k over-spend on assessment studies; \$91k over-spend on TADS, partially offset by lower Personnel Expense, as a contractor was hired in place of an FTE; (\$23.1k) credit received for '07 charges
 - Situational Awareness and Infrastructure Security (SAIS) is over budget by \$294.1k. \$233k over-spend on Frame Relay due to increased costs and budget error; \$81k over-spend on IDC contract
 - Training and Education is over budget by \$66k. Over-spend with a contractor on database development.
 - **Consultants** - (Actual \$147.4k over budget)
 - Planned consulting activities in Reliability Standards, Training and Education, Technical Committees and Member Forums and IT were late in starting, resulting in under-spend against budget of (\$331.7k). This was offset by:
 - \$106.3k over-spend for Events Analysis,
 - \$209.2k over-spend in Reliability Readiness for consultants used in place of FTE's,

- \$75.9k over-spend in SAIS for the North American Synchro Phasor Initiative, and
- \$91.6k over-spend in Legal for a consultant hired as a Canadian affairs representative in place of an FTE.
- **Office Costs** - \$301.2k Over budget
 - Computer supplies and maintenance over spent by \$222.3k, offset by (\$270.1k) under-spend in capitalized computer hardware and equipment
 - Sales and Use Tax over spent by \$26k as a result of an audit that identified certain costs that are subject to Use Tax for which none had been paid.
 - Office supplies over spent by \$27.9k
- **Professional Services** (Actual \$5.2k under budget)
 - BOT Fees and the BOT Search Fee resulted in over-spend of \$92.4k
 - Actual spend in Finance and Accounting was (\$103.4k) under budget. Budgeted \$50k to begin work on the 3-Year Assessment. \$12k in spend was charged to Legal, to track along with the 2009 budget for this project. Also, planned spend of \$50k for internal audit delayed until 2009.
- **Computer Purchases and Maintenance** (\$270.1k under budget) – As noted above under Office Costs, the under-spend for capitalized additions recorded here offsets the over-spend for computer supplies and maintenance that did not meet the required threshold for capitalization.
- **Furniture and Equipment** (\$210.2k over budget) - New network and conference bridge equipment which was not budgeted.

NERC does not have non-statutory activities. Therefore, no statutory funding was used for non-statutory expenses.

NERC did not allocate any indirect costs to the statutory program areas.

North American Electric Reliability Corporation
Statement of Activities
(Audited)
From 1/1/2008 through 12/31/2008

(In Whole Dollars)

	2008 YTD Actual	2008 YTD Budget	2008 YTD Actual Variance from Budget
Funding			
Assessments ¹	25,664,737	25,694,033	(29,296)
Membership Fees	818,995	175,000	643,995
Testing	1,123,747	963,000	160,747
Services & Software	330,179	255,000	75,179
Workshop Fees	138,350	-	138,350
Interest	128,404	200,000	(71,596)
Misc.	357	-	357
Total Funding	28,204,770	27,287,033	917,737
Expenses			
Personnel Expenses			
Salaries	12,716,050	13,187,575	(471,524)
Payroll Taxes	756,462	773,556	(17,094)
Employee Benefits	1,418,732	1,692,608	(273,877)
Savings & Retirement	1,606,677	1,261,195	345,483
Total Personnel Expenses	16,497,921	16,914,933	(417,013)
Meeting Expenses			
Meetings	1,012,373	720,500	291,873
Travel	1,871,075	1,372,700	498,375
Conference Calls	184,850	113,000	71,850
Total Meeting Expenses	3,068,298	2,206,200	862,098
Operating Expenses			
Rent & Improvements	732,903	680,000	52,903
Contracts	2,957,874	2,626,860	331,014
Consultants	1,427,413	1,280,000	147,413
Office Costs	1,046,179	745,000	301,179
Professional Services	1,414,812	1,420,000	(5,188)
Computer Purchase & Maint.	329,877	600,000	(270,123)
Furniture & Equipment	265,273	55,000	210,273
Miscellaneous	13,543	4,000	9,543
Allowance for Bad Debt	11,518	-	11,518
Total Operating Expenses	8,199,393	7,410,860	788,533
Other Non-Operating Expenses	-	-	-
Total Expenses	27,765,611	26,531,993	1,233,618
Net Change in Assets	439,159	755,040	(315,881)

¹Included in the 2008 YTD Budget for Assessments is \$755,037 to increase the cash reserves, as shown in Table 5, page 43 of NERC's 2008 Business Plan and Budget.

North American Electric Reliability Corp
2008 Statement of Activities
01/01/2008 - 12/31/2008
Reliability Standards

(In Whole Dollars)

	2008 Actual	2008 Budget	2008 Variance	Comments
Funding				
Assessments	3,118,592	3,118,592	(0)	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees	71,275		71,275	100.00% Workshop fees were not budgeted as funding, but rather as an offset against Meetings.
Interest			-	
Misc.			-	
Total Funding	3,189,867	3,118,592	71,275	
Expenses				
Personnel Expenses				
Salaries	1,694,452	2,129,315	(434,863)	-20.42% 2 FTE's transferred to G&A and 2 positions were open at the end of the year. This was offset by the addition of 1 unbudgeted FTE.
Payroll Taxes	104,404	121,612	(17,208)	-14.15% Direct correlation to having 3 fewer FTEs than planned.
Employee Benefits	158,575	257,778	(99,203)	-38.48% In addition to fewer FTEs, medical benefits renewal under budget; one declined coverage In spite of having 3 fewer FTEs, the change in the vesting date increased costs of Discretionary 401k Contribution
Savings & Retirement	200,465	144,687	55,778	38.55%
Total Personnel Expenses	2,157,896	2,653,392	(495,496)	
Meeting Expenses				
Meetings	187,521	160,000	27,521	17.20% Expenditures for meetings and travel exceeded budget in most program areas. NERC is focusing
Travel	299,840	205,200	94,640	46.12% much attention to this area in 2009 in order to reduce costs.
Conference Calls	-		-	
Total Meeting Expenses	487,361	365,200	122,161	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	36,370	100,000	(63,630)	-63.63% The budget assumption was to use a consultant as a drafting team coordinator but a full time employee was hired instead.
Office Costs	17,964	-	17,964	100.00% Cell phone and wireless broadband internet connection cards, budgeted in G&A
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Allowance for Bad Debt			-	
Total Operating Expenses	54,334	100,000	(45,666)	
Other Non-Operating Expenses				
Total Expenses	2,699,590	3,118,592	(419,002)	
Net Change in Assets	490,277	-	490,277	

North American Electric Reliability Corp
2008 Statement of Activities
01/01/2008 - 12/31/2008
Compliance

(In Whole Dollars)

	2008 Actual	2008 Budget	2008 Variance	Comments
Funding				
Assessments	4,669,493	4,669,493	(0)	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Misc.			-	
Total Funding	4,669,493	4,669,493	(0)	
Expenses				
Personnel Expenses				
				Two 2009 positions filled in 2008 through transfers from the Readiness Program. One unbudgeted position added in the year, and one budgeted position was open. The delayed timing of the added FTE's resulted in under spend for the year.
Salaries	2,900,867	3,090,959	(190,092)	-6.15%
Payroll Taxes	186,058	202,423	(16,365)	-8.08% Under spend resulting from delayed timing of added FTE's
Employee Benefits	282,299	403,403	(121,104)	-30.02% In addition to the delay in adding FTE's, medical benefits renewal under budget
Savings & Retirement	322,931	233,809	89,122	38.12% Increase in Discretionary 401k Contribution per change in vesting date
Total Personnel Expenses	3,692,155	3,930,593	(238,439)	
Meeting Expenses				
				Expenditures for meetings and travel exceeded budget in most program areas. NERC is focusing much attention to this area in 2009 in order to reduce costs.
Meetings	105,735	30,000	75,735	252.45%
Travel	634,302	378,900	255,402	67.41% Travel also impacted by additional trips required for compliance violation investigations.
Conference Calls			-	
Total Meeting Expenses	740,037	408,900	331,137	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
				The budget was for hardware and software requirements of the Compliance database. Actual spend for software was \$195.6k. Hardware expenditures of \$54.2k were booked under Computer Purchase & Maintenance, noted below. Other spending which was not budgeted includes \$64.7k for CVI subject matter experts and \$65.9k for assistance with RE audits.
Consultants	326,220	330,000	(3,780)	-1.15%
Office Costs	57,586		57,586	100.00% Cell phone and wireless broadband internet connection cards, budgeted in G&A
Professional Services	45,511		45,511	100.00% Hearing costs not budgeted
Computer Purchase & Maint.	54,281		54,281	100.00% Hardware for new Database. Budgeted in Consultants.
Furniture & Equipment			-	
Miscellaneous	252		252	100.00%
Allowance for Bad Debt			-	
Total Operating Expenses	483,851	330,000	153,851	
Other Non-Operating Expenses				
Total Expenses	4,916,042	4,669,493	246,549	
Net Change in Assets	(246,550)	(0)	(246,549)	

North American Electric Reliability Corp
2008 Statement of Activities
01/01/08 - 12/31/08
Reliability Readiness Evaluation and Improvement

(In Whole Dollars)

	2008 Actual	2008 Budget	2008 Variance	Comments
Funding				
Assessments	1,858,061	1,858,061	(0)	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Misc.			-	
Total Funding	<u>1,858,061</u>	<u>1,858,061</u>	<u>(0)</u>	
Expenses				
Personnel Expenses				
Salaries	896,557	1,340,884	(444,327)	During the 2009 budget process, the NERC Board of Trustees approved the ultimate discontinuation of this Program. As a result, activities were scaled back during the second half of 2008. 5 FTE's transferred to other Program areas and 2 FTE's resigned. The reduction in FTE's impacted Salaries, Payroll Taxes and Employee Benefits. This under spend is offset by the spend in Consultants totalling \$205k.
Payroll Taxes	62,968	88,799	(25,831)	
Employee Benefits	91,868	173,945	(82,077)	
Savings & Retirement	105,422	96,933	8,490	The change in the vesting date for the Discretionary 401k Contribution had some impact, but while the cost of salaries, payroll taxes and benefits for transferred employees was booked to other Program areas, the Discretionary 401k contribution costs were recorded here.
Total Personnel Expenses	<u>1,156,815</u>	<u>1,700,561</u>	<u>(543,745)</u>	
Meeting Expenses				
Meetings	1,667		1,667	100.00%
Travel	135,106	157,500	(22,394)	-14.22% Under spend due to the phase out of the program.
Conference Calls			-	
Total Meeting Expenses	<u>136,773</u>	<u>157,500</u>	<u>(20,727)</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	205,441		205,441	Consultants used in place of FTE's
Office Costs	9,265		9,265	Cell phone and wireless broadband internet connection cards, budgeted in G&A
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Allowance for Bad Debt			-	
Total Operating Expenses	<u>214,706</u>	<u>-</u>	<u>214,706</u>	
Other Non-Operating Expenses				
Total Expenses	<u>1,508,294</u>	<u>1,858,061</u>	<u>(349,767)</u>	
Net Change in Assets	<u>349,767</u>	<u>0</u>	<u>349,767</u>	

North American Electric Reliability Corp
2008 Statement of Activities
01/01/08 - 12/31/08
Reliability Assessment and Performance Analysis

(In Whole Dollars)

	<u>2008 Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>Comments</u>
Funding				
Assessments	2,731,436	2,731,436	(0)	0.00%
Membership Fees			-	
Testing			-	
Services & Software	237,817	150,000	87,817	58.54% Increase in GADS Services due to an unbudgeted increase in fees charged
Workshop Fees	55,025		55,025	100.00% Workshop fees were not budgeted as funding, but rather as an offset against Meetings.
Interest			-	
Misc.			-	
Total Funding	<u>3,024,277</u>	<u>2,881,436</u>	<u>142,841</u>	
Expenses				
Personnel Expenses				
Salaries	1,549,888	1,597,025	(47,137)	-2.95% 3.5 open positions offset by \$37k payments to part-time GADS; 1.0 open positions was for a TADS coordinator, which was filled with a contractor
Payroll Taxes	82,813	87,313	(4,500)	-5.15% Correlates to open positions
Employee Benefits	131,667	212,587	(80,919)	-38.06% Medical benefits renewal under budget
Savings & Retirement	190,611	203,611	(13,000)	-6.38% The change in vesting rules for the Discretionary 401k plan did not impact this Program since there were no FTE's who were not vested at the beginning of the year. The under spend is the result of unfilled positions at the end of the year.
Total Personnel Expenses	<u>1,954,980</u>	<u>2,100,536</u>	<u>(145,556)</u>	
Meeting Expenses				
Meetings	345,686	92,500	253,186	273.71% Meetings includes OC/PC meeting expenses that were budgeted in Member Forums, where the under spend was (\$127.7k). Expenditures for meetings and travel exceeded budget in most program areas. NERC is focusing much attention to this area in 2009 in order to reduce costs.
Travel	313,253	203,400	109,853	54.01%
Conference Calls			-	
Total Meeting Expenses	<u>658,939</u>	<u>295,900</u>	<u>363,039</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts	380,516	410,000	(29,484)	-7.19% (\$115k) underspend for analysis software budgeted here but charged to Computer Purchase & Maint. The actual spend against the budget of \$115k was \$49k; \$4k overspend for GADS programming; \$23.6k unbudgeted spend on assessment studies; \$91k overspend on TADS, partially offset by Personnel Expense; (\$23.1k) credit received for '07 charges
Consultants	185,021	75,000	110,021	146.69% Overspend for consultants needed for events analysis
Office Costs	29,001		29,001	100.00% Cell phone and wireless broadband internet connection cards, budgeted in G&A
Professional Services			-	
Computer Purchase & Maint.	49,075		49,075	100.00% PSEC Software License budgeted in Contracts
Furniture & Equipment			-	
Miscellaneous			-	
Allowance for Bad Debt			-	
Total Operating Expenses	<u>643,613</u>	<u>485,000</u>	<u>158,613</u>	
Other Non-Operating Expenses				
Total Expenses	<u>3,257,532</u>	<u>2,881,436</u>	<u>376,096</u>	
Net Change in Assets	<u>(233,255)</u>	<u>0</u>	<u>(233,255)</u>	

North American Electric Reliability Corp
2008 Statement of Activities
01/01/08 - 12/31/08
Training and Education

(In Whole Dollars)

	2008 Actual	2008 Budget	2008 Variance	Comments
Funding				
Assessments	437,295	437,295	(0)	0.00%
Membership Fees			-	
Testing	1,123,747	963,000	160,747	16.69% Certificate renewal fees over budget by \$274.8k, offset by system operator test fees and fees paid by providers of services for continuing education hours under budget by a combined \$114k
Services & Software			-	
Workshop Fees			-	
Interest			-	
Misc.			-	
Total Funding	1,561,042	1,400,295	160,747	
Expenses				
Personnel Expenses				
Salaries	630,667	714,461	(83,794)	-11.73% 1 manager resigned and 0.5 FTE transferred to another department
Payroll Taxes	42,606	43,554	(948)	-2.18%
Employee Benefits	54,416	78,916	(24,501)	-31.05% In addition to reduced FTE's, medical benefits renewal less than anticipated
Savings & Retirement	103,509	89,564	13,945	15.57% The budget for company 'match' contributions to the 401k plan was under estimated based upon the actual participation in the plan. The change in vesting date for the Discretionary 401k Plan had minimal impact on this over spend.
Total Personnel Expenses	831,198	926,495	(95,297)	
Meeting Expenses				
Meetings	49,920	54,000	(4,080)	-7.56%
Travel	41,003	55,800	(14,797)	-26.52% The resignation of 1 employee reduced spend within the year.
Conference Calls			-	
Total Meeting Expenses	90,923	109,800	(18,877)	
Operating Expenses				
Rent & Improvements			-	
Contracts	330,442	264,000	66,442	25.17% Overspend with contractor on database development
Consultants	50,980	100,000	(49,020)	-49.02% Job task analysis planned for the standards team and compliance auditor position was not performed due to the resignation of the employee responsible for managing the project.
Office Costs	45,087		45,087	100.00% \$34k for merchant credit card fees budgeted in G&A, but directly related to Testing Fees collected; \$5k for cell phone and wireless broadband internet connection cards, budgeted in G&A; \$5k for unbudgeted subscriptions
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous	102		102	100.00%
Allowance for Bad Debt				
Total Operating Expenses	426,610	364,000	62,610	
Other Non-Operating Expenses				
Total Expenses	1,348,731	1,400,295	(51,564)	
Net Change in Assets	212,311	0	212,311	

North American Electric Reliability Corp
2008 Statement of Activities
01/01/08 - 12/31/08
Situational Awareness and Infrastructure Security

(In Whole Dollars)

	2008 Actual	2008 Budget	2008 Variance	Comments
Funding				
Assessments	3,139,461	3,139,461	(0)	0.00%
Membership Fees			-	
Testing			-	
Services & Software	92,362	105,000	(12,638)	-12.04% Primarily due to TSIN Fees under budget by (\$11.6k)
Workshop Fees	12,750		12,750	100.00% Workshop fees were not budgeted as funding, but rather as an offset against Meetings.
Interest			-	
Misc.			-	
Total Funding	3,244,573	3,244,461	112	
Expenses				
Personnel Expenses				
Salaries	892,937	693,952	198,985	28.67% 1 transferred in from another department, offset by 1 budgeted position which was not filled. One 2009 FTE hired in 2008
Payroll Taxes	57,612	40,029	17,582	43.92% Result of unbudgeted FTE's added to the department
Employee Benefits	98,785	45,866	52,919	115.38% \$44.4k relocation not budgeted and all benefits higher due to added FTE's
Savings & Retirement	100,159	79,654	20,505	25.74% Budget error in the calculation of the Discretionary 401k Contribution, which excluded one eligible FTE and the 1 FTE transfer increased costs for both the company match of 401k deferrals and the Discretionary Contribution.
Total Personnel Expenses	1,149,492	859,501	289,992	
Meeting Expenses				
Meetings	203,402	102,000	101,402	99.41% Expenditures for meetings and travel exceeded budget in most program areas. NERC is
Travel	142,195	80,100	62,095	77.52% focusing much attention to this area in 2009 in order to reduce costs.
Conference Calls			-	
Total Meeting Expenses	345,597	182,100	163,497	
Operating Expenses				
Rent & Improvements			-	
Contracts	2,246,916	1,952,860	294,056	15.06% \$233.0k overspend on Frame Relay due to increased costs and budget error; \$81.0k overspend on IDC contract
Consultants	325,891	250,000	75,891	30.36% Overspend on North American Synchro Phasor Initiative
Office Costs	35,165		35,165	100.00% Cell phone and wireless broadband internet connection cards, budgeted in G&A
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Allowance for Bad Debt			-	
Total Operating Expenses	2,607,972	2,202,860	405,112	
Other Non-Operating Expenses				
Total Expenses	4,103,062	3,244,461	858,601	
Net Change in Assets	(858,489)	0	(858,490)	

North American Electric Reliability Corp
2008 Statement of Activities
01/01/08 - 12/31/08
Committees and Member Forums

(In Whole Dollars)

	2008 Actual	2008 Budget	2008 Variance	Comments
Funding				
				The budget for this function was developed prior to the execution of an Agreement between NERC and the Transmission Owners and Operator's Forum (Forum) in December, 2007. Per that Agreement, Forum employees are considered to be NERC employees. Based upon the Agreement, all expenses related to Forum operations will be funded through fees charged to members of the Forum. As a result of the new funding basis for this function, collected assessments budgeted for this Program have been recorded in G&A.
Assessments		713,288	(713,288)	-100.00%
Membership Fees	818,995	175,000	643,995	368.00%
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Misc.			-	
Total Funding	818,995	888,288	(69,293)	
Expenses				
Personnel Expenses				
				1 FTE on staff as of January 1, transferred to another Program area not related to the Forum. During the year, the Forum added 2 FTE's, but the timing of the additional hires resulted in under spend of the budget. The under spend in salaries did not translate into under spend in payroll taxes due to limits on taxable salary amounts being met.
Salaries	386,553	435,171	(48,618)	-11.17%
Payroll Taxes	18,872	19,582	(710)	-3.63%
Employee Benefits	51,799	46,731	5,068	10.84%
				Premium cost life insurance policy was under estimated, offset by medical benefits renewal under budget.
Savings & Retirement	46,079	39,403	6,676	16.94%
Total Personnel Expenses	503,305	540,888	(37,583)	Budget error in the calculation of the Discretionary 401k Contribution, which excluded one eligible FTE
Meeting Expenses				
				Budget included OC and PC meetings supported by the 1.0 FTE transferred to another department. Actual costs for OC/PC meetings charged to RAPA. The actual costs recorded here are for Forum meetings only.
Meetings	13,316	140,000	(126,684)	-90.49%
Travel	20,976	32,400	(11,424)	-35.26%
Conference Calls			-	Budget included the cost of travel to OC/PC meetings. Actual travel costs recorded here are for Forum staff only.
Total Meeting Expenses	34,292	172,400	(138,108)	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants		175,000	(175,000)	-100.00%
Office Costs	10,613		10,613	100.00%
Professional Services			-	Budget for projected charge to the Forum for NERC overhead support. Actual charged to Miscellaneous. Office costs directly related to Forum operations.
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous	197,396		197,396	100.00%
Allowance for Bad Debt			-	Charge to the Forum for NERC overhead support as per Agreement. This amount is offset by a credit in G&A.
Total Operating Expenses	208,009	175,000	33,009	
Other Non-Operating Expenses				
Total Expenses	745,605	888,288	(142,683)	
Net Change in Assets	73,390	0	73,390	

North American Electric Reliability Corp
2008 Statement of Activities
01/01/08 - 12/31/08
General and Administrative

(In Whole Dollars)

	2008 Actual	2008 Budget	2008 Variance	Comments
Funding				
				Actual and Budget include \$755k to increase the cash reserves as shown in Table 5 on page 43 of the 2008 NERC Business Plan and Budget. Actual also includes \$713.3k budgeted in Member Forums, but recorded in G&A due to the new funding arrangement with the Transmission Owners and Operators Forum, offset by (\$29.3k) 2008 assessments not billed or
Assessments	4,445,851	3,761,857	683,994	18.18% uncollectable.
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees	(700)		(700)	Refunds from 2007 which could not be traced to a particular Program.
Interest	128,404	200,000	(71,596)	-35.80% Assessments were collected in a timely manner, however bank balances were lower than originally anticipated.
Misc.	357		357	
Total Funding	<u>4,573,913</u>	<u>3,961,857</u>	<u>612,056</u>	
Expenses				
Personnel Expenses				
Salaries	1,366,657	705,081	661,576	93.83% 3 transfers in from other departments
Payroll Taxes	54,303	24,348	29,955	123.03% Relates to the increase in salaries
Employee Benefits	288,097	50,380	237,717	471.85% \$194.9k to accrue retiree medical liability; \$42.8k officers' life policy premiums not budgeted.
Savings & Retirement	217,954	90,110	127,844	141.87% Increase in Discretionary 401k Contribution per change in vesting date
Total Personnel Expenses	<u>1,927,010</u>	<u>869,919</u>	<u>1,057,091</u>	
Meeting Expenses				
Meetings	104,642	139,000	(34,358)	Reversal of overstated accruals for outstanding 2007 meeting expenses reduced 2008 Actual by \$109k. The true over spend for 2008 activities is \$75k.
Travel	195,727	155,900	39,827	25.55% This over spend is related to the addition of 3 staff from other departments. A significant increase in online meetings and conference calls needed to conduct the business of the ERU was not planned. NERC expects to continue using webinars and conference calls in place of face to face meetings in an effort to hold costs
Conference Calls	184,850	113,000	71,850	63.58% down.
Total Meeting Expenses	<u>485,218</u>	<u>407,900</u>	<u>77,318</u>	
Operating Expenses				
Rent & Improvements	732,903	680,000	52,903	7.78% Additional space leased for Compliance staff after budget submission
Contracts			-	
Consultants			-	
Office Costs	490,909	470,000	20,909	4.45% As the result of a Sales and Use Tax audit, certain costs were identified as being subject to use tax for which none had previously been paid. For 2008, this resulted in an overspend of \$25.8k, and it will also result in overspend throughout 2009 as well, since the audit was completed after submission of the budget. Additionally, as noted within the Information Technology function, actual costs for general office internet costs were recorded in G&A, while the budget was in IT. This caused an over spend of \$61.5k in G&A. However, this over spend was offset by an under spend of (\$67.6k) for Telephone expense, so there was no impact to the total variance in Office Costs in the G&A function.
Professional Services	826,817	720,000	106,817	14.84% \$25k inc in BOT Fees; \$67k for BOT Search Fee; higher ADP fees for new services
Computer Purchase & Maint.			-	
Furniture & Equipment	-	55,000	(55,000)	-100.00% Additional furniture was not purchased in 2008, and actual spend for new equipment was recorded in Information Technology.
Miscellaneous	(184,206)	4,000	(188,206)	-4705.15% Overhead allocation to the Forum (see Member Forums) per Agreement
Allowance for Bad Debt	11,518		11,518	100.00% This item is not budgeted as it is assumed that all revenue items are collectible.
Total Operating Expenses	<u>1,877,941</u>	<u>1,929,000</u>	<u>(51,059)</u>	
Other Non-Operating Expenses				
Total Expenses	<u>4,290,170</u>	<u>3,206,819</u>	<u>1,083,351</u>	
Net Change in Assets	<u>283,743</u>	<u>755,038</u>	<u>(471,295)</u>	

North American Electric Reliability Corp
2008 Statement of Activities
01/01/08 - 12/31/08
Legal and Regulatory

(In Whole Dollars)

	<u>2008 Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>Comments</u>
Funding				
Assessments	1,601,283	1,601,283	(0)	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Misc.			-	
Total Funding	<u>1,601,283</u>	<u>1,601,283</u>	<u>(0)</u>	
Expenses				
Personnel Expenses				
				Hired consultant as Canadian Affairs Representative budgeted as FTE; transferred (1)
Salaries	658,902	848,599	(189,697)	-22.35% to G&A
Payroll Taxes	26,676	39,344	(12,668)	-32.20% Related to the decrease in salaries
Employee Benefits	54,655	84,142	(29,487)	-35.04% Medical benefits renewal under budget and related to decrease in salaries.
Savings & Retirement	111,730	74,898	36,832	49.18% Increase in Discretionary 401k Contribution per change in vesting date
Total Personnel Expenses	<u>851,964</u>	<u>1,046,983</u>	<u>(195,019)</u>	
Meeting Expenses				
Meetings	59	3,000	(2,941)	-98.02%
Travel	44,065	51,300	(7,235)	-14.10%
Conference Calls			-	
Total Meeting Expenses	<u>44,124</u>	<u>54,300</u>	<u>(10,176)</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	91,553	-	91,553	100.00% Canadian Affairs Representative budgeted as FTE
Office Costs	5,298	-	5,298	100.00% Cell phone and wireless broadband internet connection cards, budgeted in G&A
Professional Services	426,863	500,000	(73,137)	-14.63% Fees charged to Program Areas as identified but all budgeted in Legal
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Allowance for Bad Debt			-	
Total Operating Expenses	<u>523,715</u>	<u>500,000</u>	<u>23,715</u>	
Other Non-Operating Expenses				
Total Expenses	<u>1,419,803</u>	<u>1,601,283</u>	<u>(181,480)</u>	
Net Change in Assets	<u>181,480</u>	<u>0</u>	<u>181,480</u>	

North American Electric Reliability Corp
2008 Statement of
Activities
01/01/08 - 12/31/08
Information Technology

(In Whole Dollars)

	<u>2008 Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>Comments</u>
Funding				
Assessments	2,303,735	2,303,735	(0)	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees				
Interest			-	
Misc.			-	
Total Funding	<u>2,303,735</u>	<u>2,303,735</u>	<u>(0)</u>	
Expenses				
Personnel Expenses				
Salaries	883,717	843,695	40,022	4.74% Promotional increase and bonuses higher than planned
Payroll Taxes	59,731	57,439	2,292	3.99%
Employee Benefits	103,768	131,470	(27,701)	-21.07% Medical benefits renewal less than budget.
Savings & Retirement	115,729	115,531	198	0.17%
Total Personnel Expenses	<u>1,162,945</u>	<u>1,148,135</u>	<u>14,810</u>	
Meeting Expenses				
Meetings			-	
Travel	18,287	30,600	(12,313)	-40.24% Reduction in face to face meetings due to the use of WebEx
Conference Calls			-	
Total Meeting Expenses	<u>18,287</u>	<u>30,600</u>	<u>(12,313)</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	205,937	250,000	(44,063)	-17.63% Postponed internal security audit to coincide with Regional Audits
				(\$130k) Internet expense for general office moved to GA; \$187k over spend for computer supplies and maintenance. The over spend for computer supplies is offset by the (\$373.5k)
Office Costs	332,332	275,000	57,332	20.85% under spend for capitalized computer and equipment purchases noted below.
Professional Services			-	
				This under budget variance for capitalized Computer Purchases and Maintenance offsets the over spend in computer supplies as noted above.
Computer Purchase & Maint.	226,522	600,000	(373,478)	-62.25%
				Furniture and Fixtures budgeted in G&A for \$55k. The total over spend of \$210k was for
Furniture & Equipment	265,273		265,273	100.00% new conference bridge equipment and new network equipment which was not budgeted.
Miscellaneous				
Allowance for Bad Debt				
Total Operating Expenses	<u>1,030,064</u>	<u>1,125,000</u>	<u>(94,936)</u>	
Other Non-Operating Expenses				
Total Expenses	<u>2,211,296</u>	<u>2,303,735</u>	<u>(92,439)</u>	
Net Change in Assets	<u>92,439</u>	<u>0</u>	<u>92,439</u>	

North American Electric Reliability Corp
2008 Statement of Activities
01/01/08 - 12/31/08
Human Resources

(In Whole Dollars)

	2008 Actual	2008 Budget	2008 Variance	Comments
Funding				
Assessments	473,958	473,958	(0)	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees				
Interest			-	
Misc.			-	
Total Funding	473,958	473,958	(0)	
Expenses				
Personnel Expenses				
Salaries	325,780	289,910	35,870	12.37% 1 unplanned addition offset by temporary office services not utilized as planned
Payroll Taxes	23,130	18,125	5,005	27.61% Related to additional (1) unbudgeted position
Employee Benefits	36,509	124,437	(87,927)	-70.66% (\$84k) underspend for education reimbursements, offset by additional \$38.6k charged to Programs
Savings & Retirement	41,342	32,486	8,856	27.26% Related to additional (1) unbudgeted position
Total Personnel Expenses	426,761	464,958	(38,196)	
Meeting Expenses				
Meetings	191		191	
Travel	6,394	9,000	(2,606)	As overall NERC travel costs exceeded budget, steps were taken to save expenses wherever possible. In HR, travel to some meetings was curtailed.
Conference Calls			-	
Total Meeting Expenses	6,585	9,000	(2,415)	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	-		-	
Office Costs	7,532		7,532	100.00% Cell phone and wireless broadband internet connection cards, budgeted in G&A
Professional Services	19,238		19,238	100.00% Fees for outside counsel to review employee contracts that were not planned in the budget.
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous				
Allowance for Bad Debt				
Total Operating Expenses	26,770	-	26,770	
Other Non-Operating Expenses				
Total Expenses	460,116	473,958	(13,842)	
Net Change in Assets	13,842	0	13,842	

North American Electric Reliability Corp
2008 Statement of Activities
01/01/08 - 12/31/08
Accounting and Finance

(In Whole Dollars)

	<u>2008 Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>Comments</u>
Funding				
Assessments	885,574	885,574	(0)	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees				
Interest			-	
Misc.			-	
Total Funding	<u>885,574</u>	<u>885,574</u>	<u>(0)</u>	
Expenses				
Personnel Expenses				
Salaries	529,073	498,523	30,550	6.13% Two CFO's on staff during transition
Payroll Taxes	37,290	30,988	6,302	20.34% Directly the result of having (2) CFO's on staff
Employee Benefits	66,292	82,954	(16,662)	-20.09% Medical benefits renewal less than anticipated
Savings & Retirement	50,746	60,509	(9,763)	-16.13% The budget assumed full participation in the Discretionary 401k Contribution for the year, but as a result of turnover, all employees were not eligible for the entire year.
Total Personnel Expenses	<u>683,401</u>	<u>672,974</u>	<u>10,428</u>	
Meeting Expenses				
Meetings	234		234	100.00% Expenditures for meetings and travel exceeded budget in most program areas. NERC is focusing much attention to this area in 2009 in order to reduce costs.
Travel	19,928	12,600	7,328	58.16%
Conference Calls			-	
Total Meeting Expenses	<u>20,163</u>	<u>12,600</u>	<u>7,563</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants			-	
Office Costs	5,425		5,425	100.00% Cell phone and wireless broadband internet connection cards, budgeted in G&A
Professional Services	96,382	200,000	(103,618)	-51.81% \$50k budgeted for SAS70 audit and \$50K budgeted for IA function not used
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous				
Allowance for Bad Debt				
Total Operating Expenses	<u>101,807</u>	<u>200,000</u>	<u>(98,193)</u>	
Other Non-Operating Expenses				
Total Expenses	<u>805,371</u>	<u>885,574</u>	<u>(80,203)</u>	
Net Change in Assets	<u>80,203</u>	<u>0</u>	<u>80,203</u>	

ATTACHMENT 2

2008 ACTUAL COST-TO-BUDGET COMPARISON

FOR

FLORIDA RELIABILITY COORDINATING COUNCIL



FLORIDA RELIABILITY COORDINATING COUNCIL, INC.
1408 N. WESTSHORE BLVD., SUITE 1002
TAMPA, FLORIDA 33607-4512
PHONE 813.289.5644 • FAX 813.289.5646
WWW.FRCC.COM

True Up 2008 2008 Budget Variance Explanations Based on Audited Financials

Statutory Funding

Total Actual Over Budget \$120k:

* Interest - Not Budgeted:	\$27,000
* Work Shops - Neither income nor expense is budgeted due to this being a "pass-through self-funding" item.	\$72,000
Miscellaneous – Meeting Meals hosted and paid for by NERC	\$ 1,000
Services, Software & Telephone – Pass Through not Budgeted	\$20,000

Statutory Expenses

Total Under Budget (\$793k)

Statutory Personnel Expenses

Total Actual Under Budget (\$680k):

Reliability Standards Development – The Manager was not hired during the first 2 Quarters (the position has been filled effective August 1, 2008) and 2 standards were withdrawn from development activities awaiting NERC Standards to determine if there is a regional need.

Under budget (\$179,000)

Compliance Enforcement – 1 Auditor not hired for 3-1/2 months, 1 Engineer not hired for 5 months, 1 Administrator for 6 months and 1 Auditor not hired during the first 11 months

Under budget (\$358,000)

Reliability Readiness – Only one readiness evaluation audit was conducted in the first six months of the year – shorthanded in other areas and it has been decided by NERC to discontinue this program so no dollars were spent on the function during 3rd Quarter and in the 4th Quarter it was decided that we needed to wrap up this function and to participate on Evaluations of Entities that have never had an evaluation before but were identified by NERC as needing one.

Under budget (\$24,000)

Reliability Assessment – The manager spent more time in Member Services than projected in the budget due to the 3 year assessment posting was completed, and the preparation time required for the announced FERC Audit of the Regional Entity occurred

Under budget (\$2,000)

Training & Education – The manager could not spend time here due to having to spend time on the FRCC Florida Event Analysis Team

Under budget (\$39,000)

Situational Awareness – budgeted FTMS labor as statutory when in reality it belongs to Member Services and is being charged as such.

Under budget (\$78,000)

Statutory Meeting Expenses

Total Actual Under Budget (\$27k):

Reliability Standards Development – The Manager position has been filled effective August 1, 2008 and is now travelling. This is a new position to FRCC and travel was underestimated.

Over Budget \$10,000

Compliance Enforcement – Because the mitigation plans were behind, it was decided that the FRCC Compliance department needed to not participated in as many “out of the region” audits as budgeted.

Under budget (\$50,000)

Reliability Readiness – Only one readiness evaluation audit was conducted in the first six months of the year – shorthanded in other areas and it has been decided to discontinue this program so no dollars were spent on the function during 3rd Quarter and in the 4th Quarter it was decided that we needed to wrap up this function and to participate on Evaluations of Entities that have never had an evaluation before but were identified by NERC as needing one.

Under budget (\$50,000)

Training & Education – The SOS Training was not budget for – neither the income nor the expense

Over budget \$54,000

Reliability Assessment – Travel Expenses associated with the FRCC Florida Event Analysis Team

Over budget \$7,000

All other programs -

Over budget \$2,000

Statutory Operating Expenses & Fixed Asset Purchases

Total Actual Under Budget (\$87k):

Reliability Standards – the position of Manager of reliability standards was not filled until August 1 and 2 standards were withdrawn from the development activities

Under budget (\$29,000)

Compliance Enforcement – there were no hearings, filings or appeals for the region, however it was budgeted

Under budget (\$95,000)

Reliability Assessment – consultant contracts are less than budgeted by (\$95,000); however the legal fees association with the completion of the 3 year assessment posting, and the preparation for the announced FERC Audit of the Regional Entity were not budgeted which amounted to over budget of \$47,000

Under budget (\$48,000)

All other programs -

Under budget (\$15,000)

Furniture & Equipment –

Over budget \$100,000

The Furniture necessary for the Manager of Reliability Standards was determined to be unnecessary to purchase for (\$6,000) under budget. Compliance Software was budgeted for 2007 but \$60,000 was carried over and paid in 2008 and enhancements to this software costing \$40,000 (year to date) were not budgeted but are necessary. Furniture and Office Build Out for the Compliance Enforcement Area of \$9,000 were not budgeted. Software enhancements to the Reliability Assessment Software Modules were not budgeted of \$12,000 while equipment and furniture were budgeted but determined to be unnecessary to purchase for (\$15,000).

Non Statutory (Member Services) Funding:

Total Actual Over Budget \$154k:

Pass through billings to members for Frame Relay was not budgeted in the income nor the expense. \$181,000

A member withdrew after budget was completed (\$27,000)

Non Statutory Expenses

Total Over Budget \$127k

Non Statutory Personnel Expenses

Total Actual Over Budget \$212k:

Planning – Staff has been spending more time in the Member Services area rather than the Statutory Programs.

Over budget \$66,000

Operations – budgeted FTMS labor as Statutory when in reality it belongs to Member Services and is being charged as such.

Over budget \$78,000

Staff has been spending more time in the Member Services area rather than the Statutory Programs.

Over budget \$68,000

Non Statutory Operating Expenses & Fixed Asset Purchases

Total Actual Under Budget (\$85k):

Planning –Contract Consultants was budgeted for more than actual has been
Under budget (\$88,000)

Operations – Pass through billings to members for Frame Relay was not budgeted in the
income nor the expense.
Over budget \$181,000

Telecommunications Upgrades not budgeted
Over budget \$56,000

Furniture & Equipment – Under budget (\$234,000)

Planning – Software (Enhancements to the ATC Software) and Equipment that
was budgeted has not been purchased yet for (\$42,000)

Operations - Software (FTMS, State-wide Overview and IDC Granularity
Development) and Equipment that was budgeted has not been purchased yet for
(\$192,000)

2008 Net Change in Funding: Surplus \$940k
Statutory –Surplus of \$913k
Member Services Non Statutory – Surplus \$27k

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

The FRCC uses standard cost accounting procedures to allocate general expenses (that cannot be directly assigned) to a specific function. The system used consists of directly expensing as much as possible directly to the function (whether that function is Statutory or Member Services) that incurred the expense. This is accomplished by routing to the responsible departmental head all invoices pertaining to their job responsibility. The departmental head assigns the functional category and returns the invoice to accounting who assigns the General Ledger Account Number (as specified in the FRCC Accounting Policy Manual – Coding of Invoices for Goods and Services). If the expense cannot be directly charged to a particular function (example rent, payroll taxes, benefits, general office supplies, etc.), the expense is charged to holding accounts by chart of accounts line item to be allocated by line item at the end of the month using the monthly time accounting summarization of FTE by function. So there are two ways expenses are charged to a particular function, either by direct expense or by allocation from the results of the monthly time accounting summarization of FTE by function.

The monthly time accounting summarization of FTE by function is calculated using the time sheets that each employee is required to turn in to HR bi-weekly.

Each employee allocates eight (8) hours per day to the functions they worked on that day. Their time sheet is reviewed by their departmental head and initialed bi-weekly.

Employees are categorized into 2 groups: Technical Employees – those employees who work directly on functions and have little or no administrative duties (examples would be the Compliance staff and the Engineers) and Non-Technical Staff – those employees who perform support functions that are 80% or greater nonspecific definable by function (examples would be the Accounting staff, the President, the receptionist, etc.). The time from the time sheets are entered into a macro (by employee and function worked on) for the corresponding month being accounted for. The portions of the non-technical support staff that are designated as General are then allocated based upon what the technical personnel (and the direct functional portion of their time) spent their time on. The theory is that the general administrative support staff hours are being spent on the same functions that the technical staff spends their time on because they supported that staff. The FTE's by function are then calculated and used to allocate the items in the holding accounts that could not be directly expensed to a specific function.

There are no shared costs.

Cash Reserves Statement

No Cash Reserves were used by the FRCC in 2008.

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

No Statutory Funds were used to pay for Member Services Functions in 2008.

General & Administrative Costs as a Percentage of Total Budgeted Funding

The FRCC uses standard cost accounting procedures to allocate general expenses (that cannot be directly assigned) to a specific function. Thus all functions reported herein contain direct and indirect costs including administrative expenses. Thus there are no General & Administrative Costs.

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.
Total Corporation

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
ERO Funding	3,989,952	3,989,946	6
Membership Fees & Non-Stat Assessments	2,579,987	2,607,773	(27,787)
Testing	72,250	-	72,250
Services & Software	201,598	-	201,598
Interest	26,321	-	26,321
Misc.	1,000	-	1,000
Total Funding	<u>6,871,108</u>	<u>6,597,719</u>	<u>273,389</u>
Expenses			
Personnel Expenses			
Salaries	2,571,094	2,768,601	(197,507)
Payroll Taxes	159,444	193,801	(34,357)
Employee Benefits	282,002	491,540	(209,538)
Savings & Retirement	341,030	367,268	(26,238)
Total Personnel Expenses	<u>3,353,570</u>	<u>3,821,210</u>	<u>(467,640)</u>
Meeting Expenses			
Meetings	99,121	67,609	31,512
Travel	128,576	201,916	(73,340)
Conference Calls	34,779	21,232	13,547
Total Meeting Expenses	<u>262,476</u>	<u>290,757</u>	<u>(28,281)</u>
Operating Expenses			
Rent & Improvements	328,787	367,350	(38,563)
Contracts & Consultants	1,092,691	1,261,653	(168,962)
Office Costs	467,887	322,966	144,921
Professional Services	230,796	128,680	102,116
Computer Purchase & Maint.	8,738	85,110	(76,372)
Furniture & Equipment	185,983	319,993	(134,011)
Total Operating Expenses	<u>2,314,881</u>	<u>2,485,752</u>	<u>(170,871)</u>
Total Expenses	<u>5,930,926</u>	<u>6,597,719</u>	<u>(666,793)</u>
Net Change in Assets	<u>940,182</u>	<u>0</u>	<u>940,182</u>

Please note: No Non Statutory Functions were funded with Statutory Assessments or funds.
Additionally, no Statutory Functions were funded with Non Statutory Assessments or funds.
The FRCC has adopted the record retention Policy as defined by NERC.

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.
Total Statutory Summary

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
ERO Funding	3,989,952	3,989,946	6
Membership Fees & Non-Stat Assessments	-	-	-
Training & Education Fees	72,250	-	72,250
Services & Software	20,160	-	20,160
Interest	26,321	-	26,321
Misc.	1,000	-	1,000
Total Funding	<u>4,109,683</u>	<u>3,989,946</u>	<u>119,737</u>
Expenses			
Personnel Expenses			
Salaries	1,713,174	2,100,858	(387,684)
Payroll Taxes	101,263	147,059	(45,796)
Employee Benefits	188,925	372,271	(183,346)
Savings & Retirement	216,588	279,464	(62,876)
Total Personnel Expenses	<u>2,219,950</u>	<u>2,899,652</u>	<u>(679,702)</u>
Meeting Expenses			
Meetings	89,711	55,324	34,387
Travel	109,264	173,416	(64,152)
Conference Calls	18,229	15,294	2,935
Total Meeting Expenses	<u>217,205</u>	<u>244,034</u>	<u>(26,829)</u>
Operating Expenses			
Rent & Improvements	225,760	224,745	1,015
Contracts & Consultants	121,108	215,434	(94,326)
Office Costs	72,874	142,368	(69,494)
Professional Services	163,500	107,329	56,171
Computer Purchase & Maint.	5,119	85,110	(79,991)
Furniture & Equipment	171,055	71,274	99,781
Total Operating Expenses	<u>759,416</u>	<u>846,260</u>	<u>(86,844)</u>
Total Expenses	<u>3,196,571</u>	<u>3,989,946</u>	<u>(793,375)</u>
Net Change in Assets	<u>913,113</u>	<u>-</u>	<u>913,113</u>

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.
Reliability Standards Development (RSD) (0300)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments</u>
Funding				
ERO Funding	480,612	480,614	(2)	
Membership Fees & Non-Stat Assessments			-	
Training & Education Fees			-	
Services & Software			-	
Interest	2,898		2,898	None Budgeted
Misc.			-	
Total Funding	<u>483,510</u>	<u>480,614</u>	<u>2,896</u>	
Expenses				
Personnel Expenses				
Salaries	168,852	286,908	(118,056)	RSD Manager not hired until August 1 - was Budgeted for full year
Payroll Taxes	10,015	20,083	(10,068)	Direct Correlation to Salaries
Employee Benefits	17,087	50,840	(33,753)	Direct Correlation to Salaries and a reduction in Medical Policy Pricing
Savings & Retirement	21,421	38,166	(16,745)	Direct Correlation to Salaries
Total Personnel Expenses	<u>217,375</u>	<u>395,997</u>	<u>(178,622)</u>	
Meeting Expenses				
Meetings	566	1,797	(1,231)	
Travel	20,839	8,627	12,212	More Committee Meetings were attended than anticipated
Conference Calls	809	1,797	(988)	
Total Meeting Expenses	<u>22,213</u>	<u>12,221</u>	<u>9,992</u>	
Operating Expenses				
Rent & Improvements	14,945	26,411	(11,466)	RSD Manager not hired until August 1 - thus no one was there to spend the funds
Contracts & Consultants	1,062	10,036	(8,974)	RSD Manager not hired until August 1 - thus no one was there to spend the funds
Office Costs	5,044	15,270	(10,226)	RSD Manager not hired until August 1 - thus no one was there to spend the funds
Professional Services	13,586	2,301	11,285	FERC Audit Expenses not Anticipated
Computer Purchase & Maint.	558	10,001	(9,443)	RSD Manager not hired until August 1 - thus no one was there to spend the funds
Furniture & Equipment	2,295	8,375	(6,080)	Less Equipment was needed for the new RSD Manager
Total Operating Expenses	<u>37,491</u>	<u>72,394</u>	<u>(34,903)</u>	
Total Expenses	<u>277,079</u>	<u>480,612</u>	<u>(203,533)</u>	
Net Change in Assets	<u>206,431</u>	<u>2</u>	<u>206,429</u>	

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.
Compliance Enforcement (CME) (0400)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments</u>
Funding				
ERO Funding	2,003,580	2,003,574	6	
Membership Fees & Non-Stat Assessments			-	
Training & Education Fees			-	
Services & Software			-	
Interest	13,146		13,146	None Budgeted
Misc.			-	
Total Funding	<u>2,016,726</u>	<u>2,003,574</u>	<u>13,152</u>	
Expenses				
Personnel Expenses				
Salaries	821,363	1,049,077	(227,714)	4 Auditirs were Budgeted to be hired 1/1/08 - not hired until later in the year - April, June, July and December
Payroll Taxes	48,515	73,435	(24,920)	Direct Corelation to Salaries
Employee Benefits	104,485	185,896	(81,411)	Direct Corelation to Salaries and a reduction in Medical Policy Pricing
Savings & Retirement	103,767	139,552	(35,785)	Direct Corelation to Salaries
Total Personnel Expenses	<u>1,078,130</u>	<u>1,447,960</u>	<u>(369,830)</u>	
Meeting Expenses				
Meetings	17,610	28,349	(10,739)	Mitigation Plans were behind - there FRCC Compliance Staff did not participate in as many "Out of Region" audits
Travel	54,145	90,075	(35,930)	Mitigation Plans were behind - there FRCC Compliance Staff did not participate in as many "Out of Region" audits
Conference Calls	4,965	8,349	(3,384)	Mitigation Plans were behind - there FRCC Compliance Staff did not participate in as many "Out of Region" audits
Total Meeting Expenses	<u>76,721</u>	<u>126,773</u>	<u>(50,052)</u>	
Operating Expenses				
Rent & Improvements	150,043	122,681	27,362	Larger space than budgeted was acquired
Contracts & Consultants	13,670	46,621	(32,951)	No hearings were held - therefore no hearing officials were paid
Office Costs	40,861	75,736	(34,875)	Direct Corelation to Salaries
Professional Services	85,327	98,437	(13,110)	No hearings were held - therefore no attorneys were paid
Computer Purchase & Maint.	2,730	46,459	(43,729)	Direct Corelation to Salaries
Furniture & Equipment	148,314	38,907	109,407	Compliance Software enhancements not budgeted
Total Operating Expenses	<u>440,945</u>	<u>428,841</u>	<u>12,104</u>	
Total Expenses	<u>1,595,796</u>	<u>2,003,574</u>	<u>(407,778)</u>	
Net Change in Assets	<u>420,931</u>	<u>-</u>	<u>420,931</u>	

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.
Reliability Readiness Evaluation & Improvement Program

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments</u>
Funding				
ERO Funding	90,216	90,215	1	
Membership Fees & Non-Stat Assessments			-	
Training & Education Fees			-	
Services & Software			-	
Interest	156		156	None Budgeted
Misc.			-	
Total Funding	<u>90,372</u>	<u>90,215</u>	<u>157</u>	
Expenses				
Personnel Expenses				
Salaries	6,339	23,600	(17,261)	A decision was made to eliminate this program in 2009 and 2008 was tapered down in scope
Payroll Taxes	375	1,652	(1,277)	Direct Correlation to Salaries
Employee Benefits	563	4,181	(3,618)	Direct Correlation to Salaries and a reduction in Medical Policy Pricing
Savings & Retirement	801	3,139	(2,338)	Direct Correlation to Salaries
Total Personnel Expenses	<u>8,078</u>	<u>32,572</u>	<u>(24,494)</u>	
Meeting Expenses				
Meetings	3	162	(159)	
Travel	1,187	50,779	(49,592)	A decision was made to eliminate this program in 2009 and 2008 was tapered down in scope
Conference Calls	12	162	(150)	
Total Meeting Expenses	<u>1,202</u>	<u>51,103</u>	<u>(49,901)</u>	
Operating Expenses				
Rent & Improvements	680	2,385	(1,705)	
Contracts & Consultants	56	907	(851)	
Office Costs	203	1,378	(1,175)	
Professional Services	603	208	395	
Computer Purchase & Maint.	19	903	(884)	
Furniture & Equipment	93	756	(663)	
Total Operating Expenses	<u>1,654</u>	<u>6,537</u>	<u>(4,883)</u>	
Total Expenses	<u>10,935</u>	<u>90,212</u>	<u>(79,277)</u>	
Net Change in Assets	<u>79,437</u>	<u>3</u>	<u>79,434</u>	

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.
Reliability Assessment & Performance Analysis Program (RA)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments</u>
Funding				
ERO Funding	1,206,312	1,206,313	(1)	
Membership Fees & Non-Stat Assessments			-	
Training & Education Fees			-	
Services & Software	20,160		20,160	Pass Through Billings & Expenses not budgeted
Interest	9,416		9,416	None Budgeted
Misc.	1,000		1,000	
Total Funding	<u>1,236,888</u>	<u>1,206,313</u>	<u>30,575</u>	
Expenses				
Personnel Expenses				
Salaries	666,596	618,742	47,854	
Payroll Taxes	39,401	43,312	(3,911)	
Employee Benefits	62,024	109,641	(47,617)	Reduction in Medical Policy Pricing
Savings & Retirement	84,274	82,307	1,967	
Total Personnel Expenses	<u>852,296</u>	<u>854,002</u>	<u>(1,706)</u>	
Meeting Expenses				
Meetings	6,970	13,802	(6,832)	
Travel	29,753	21,708	8,045	
Conference Calls	10,128	4,522	5,606	
Total Meeting Expenses	<u>46,852</u>	<u>40,032</u>	<u>6,820</u>	
Operating Expenses				
Rent & Improvements	55,505	66,452	(10,947)	Less Spent than anticipated
Contracts & Consultants	105,933	147,755	(41,822)	Pass Through Billings & Expenses not budgeted
Office Costs	20,803	46,044	(25,241)	Less Spent than anticipated
Professional Services	59,404	5,789	53,615	FERC Audit Prep and 3 year Assessment Filing
Computer Purchase & Maint.	1,705	25,166	(23,461)	Did not need the equipment to support this function
Furniture & Equipment	20,134	21,075	(941)	
Total Operating Expenses	<u>263,485</u>	<u>312,281</u>	<u>(48,796)</u>	
Total Expenses	<u>1,162,632</u>	<u>1,206,315</u>	<u>(43,683)</u>	
Net Change in Assets	<u>74,256</u>	<u>(2)</u>	<u>74,258</u>	

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.
Training & Education (TE) (0900)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments</u>
Funding				
ERO Funding	80,388	80,385	3	
Membership Fees & Non-Stat Assessments			-	
Training & Education Fees	72,250		72,250	Pass through Income and Expense not budgeted
Services & Software			-	
Interest	141		141	None Budgeted
Misc.			-	
Total Funding	<u>152,779</u>	<u>80,385</u>	<u>72,394</u>	
Expenses				
Personnel Expenses				
Salaries	10,793	38,587	(27,794)	Program is administered by committee - Less FTE's necessary
Payroll Taxes	638	2,701	(2,063)	Direct Correlation to Salaries
Employee Benefits	1,042	6,838	(5,796)	Direct Correlation to Salaries and a reduction in Medical Policy Pricing
Savings & Retirement	1,365	5,133	(3,768)	Direct Correlation to Salaries
Total Personnel Expenses	<u>13,837</u>	<u>53,259</u>	<u>(39,422)</u>	
Meeting Expenses				
Meetings	63,814	11,098	52,716	Pass through Income and Expense not budgeted
Travel	2,262	1,670	592	Pass through Income and Expense not budgeted
Conference Calls	589	348	241	
Total Meeting Expenses	<u>66,665</u>	<u>13,116</u>	<u>53,549</u>	
Operating Expenses				
Rent & Improvements	963	5,112	(4,149)	Program is administered by committee - Less FTE's necessary
Contracts & Consultants	69	1,943	(1,874)	
Office Costs	3,855	2,955	900	Pass through Income and Expense not budgeted
Professional Services	875	445	430	
Computer Purchase & Maint.	30	1,936	(1,906)	Program is administered by committee - Less FTE's necessary
Furniture & Equipment	36	1,621	(1,585)	Program is administered by committee - Less FTE's necessary
Total Operating Expenses	<u>5,829</u>	<u>14,012</u>	<u>(8,183)</u>	
Total Expenses	<u>86,332</u>	<u>80,387</u>	<u>5,945</u>	
Net Change in Assets	<u>66,447</u>	<u>(2)</u>	<u>66,449</u>	

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.
Situational Awareness & Infrastructure (SA) (1000)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments</u>
Funding				
ERO Funding	128,844	128,845	(1)	
Membership Fees & Non-Stat Assessments			-	
Training & Education Fees			-	
Services & Software			-	
Interest	460		460	None Budgeted
Misc.			-	
Total Funding	<u>129,304</u>	<u>128,845</u>	<u>459</u>	
Expenses				
Personnel Expenses				
Salaries	29,638	83,944	(54,306)	FTMS labor was budgeted here - in actuality it is Member Services
Payroll Taxes	1,752	5,876	(4,124)	Direct Correlation to Salaries
Employee Benefits	2,846	14,875	(12,029)	Direct Correlation to Salaries and a reduction in Medical Policy Pricing
Savings & Retirement	3,747	11,167	(7,420)	Direct Correlation to Salaries
Total Personnel Expenses	<u>37,982</u>	<u>115,862</u>	<u>(77,880)</u>	
Meeting Expenses				
Meetings	590	116	474	
Travel	909	557	352	
Conference Calls	1,704	116	1,588	
Total Meeting Expenses	<u>3,203</u>	<u>789</u>	<u>2,414</u>	
Operating Expenses				
Rent & Improvements	2,660	1,704	956	
Contracts & Consultants	237	8,172	(7,935)	
Office Costs	1,797	985	812	
Professional Services	2,822	149	2,673	
Computer Purchase & Maint.	45	645	(600)	
Furniture & Equipment	118	540	(422)	
Total Operating Expenses	<u>7,679</u>	<u>12,195</u>	<u>(4,516)</u>	
Total Expenses	<u>48,864</u>	<u>128,846</u>	<u>(79,982)</u>	
Net Change in Assets	<u>80,440</u>	<u>(1)</u>	<u>80,441</u>	

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.
Organization Registration & Certification (ORC) (0500)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments</u>
Funding				
ERO Funding			-	
Membership Fees & Non-Stat Assessments			-	
Training & Education Fees			-	
Services & Software			-	
Interest	104		104	None Budgeted
Misc.			-	
Total Funding	<u>104</u>	<u>-</u>	<u>104</u>	
Expenses				
Personnel Expenses				
Salaries	9,594		9,594	Was budgeted to within the Compliance Function in 2008
Payroll Taxes	567		567	Was budgeted to within the Compliance Function in 2008
Employee Benefits	878		878	Direct Corelation to Salaries and a reduction in Medical Policy Pricing
Savings & Retirement	1,213		1,213	Was budgeted to within the Compliance Function in 2008
Total Personnel Expenses	<u>12,252</u>	<u>-</u>	<u>12,252</u>	
Meeting Expenses				
Meetings	159		159	Was budgeted to within the Compliance Function in 2008
Travel	170		170	Was budgeted to within the Compliance Function in 2008
Conference Calls	21		21	Was budgeted to within the Compliance Function in 2008
Total Meeting Expenses	<u>350</u>	<u>-</u>	<u>350</u>	
Operating Expenses				
Rent & Improvements	963		963	Was budgeted to within the Compliance Function in 2008
Contracts & Consultants	79		79	Was budgeted to within the Compliance Function in 2008
Office Costs	310		310	Was budgeted to within the Compliance Function in 2008
Professional Services	883		883	Was budgeted to within the Compliance Function in 2008
Computer Purchase & Maint.	31		31	Was budgeted to within the Compliance Function in 2008
Furniture & Equipment	66		66	Was budgeted to within the Compliance Function in 2008
Total Operating Expenses	<u>2,332</u>	<u>-</u>	<u>2,332</u>	
Total Expenses	<u>14,934</u>	<u>-</u>	<u>14,934</u>	
Net Change in Assets	<u>(14,830)</u>	<u>-</u>	<u>(14,830)</u>	

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.
General Administration (GA) (2000)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments</u>
Funding				Overall Comment for the General Administration (GA) Program:
ERO Funding			-	
Membership Fees & Non-Stat Assessments			-	
Training & Education Fees			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries			-	
Payroll Taxes			-	
Employee Benefits			-	
Savings & Retirement			-	
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings			-	
Travel			-	
Conference Calls			-	
Total Meeting Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts & Consultants			-	
Office Costs			-	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Net Change in Assets	<u>-</u>	<u>-</u>	<u>-</u>	

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.
Non Statutory Summary

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments</u>
Funding				
ERO Funding			-	
Membership Fees & Non-Stat Assessments	2,579,987	2,607,773	(27,787)	One Member Dropped out - Balance was not split amongst the Balance of Members
Training & Education Fees			-	
Services & Software	181,438		181,438	Frame Relay Pass Through Billings Not budgeted Income or Expense
Interest			-	
Misc.			-	
Total Funding	<u>2,761,425</u>	<u>2,607,773</u>	<u>153,652</u>	
Expenses				
Personnel Expenses				
Salaries	857,920	667,743	190,177	More Actual Time was spent performing Member Services Functions than was anticipated
Payroll Taxes	58,181	46,742	11,439	Direct Correlation to Salaries
Employee Benefits	93,077	119,269	(26,192)	Savings Achieved with a Medical Plan
Savings & Retirement	124,442	87,804	36,638	Direct Correlation to Salaries
Total Personnel Expenses	<u>1,133,620</u>	<u>921,558</u>	<u>212,062</u>	
Meeting Expenses				
Meetings	9,410	12,285	(2,875)	
Travel	19,312	28,500	(9,188)	
Conference Calls	16,549	5,938	10,611	
Total Meeting Expenses	<u>45,271</u>	<u>46,723</u>	<u>(1,453)</u>	
Operating Expenses				
Rent & Improvements	103,027	142,605	(39,578)	Movement of two groups to FCG
Contracts & Consultants	971,584	1,046,219	(74,635)	OC & PC Consultants Over budgeted
Office Costs	395,013	180,598	214,415	Frame Relay Pass Through Billings Not budgeted Income or Expense & Telecommunications Upgrades not budgeted
Professional Services	67,296	21,351	45,945	Legal Fees not anticipated for the FERC and NERC Potential Violation Investigation
Computer Purchase & Maint.	3,618	-	3,618	
Furniture & Equipment	14,928	248,719	(233,791)	Software budgeted but not spent
Total Operating Expenses	<u>1,555,465</u>	<u>1,639,492</u>	<u>(84,027)</u>	
Total Expenses	<u>2,734,355</u>	<u>2,607,773</u>	<u>126,582</u>	
Net Change in Assets	<u>27,069</u>	<u>0</u>	<u>27,069</u>	

ATTACHMENT 3

2008 ACTUAL COST-TO-BUDGET COMPARISON

FOR

MIDWEST RELIABILITY ORGANIZATION



March 23, 2009

To: Bruce Walenczyk, NERC

Cc: MRO Finance and Audit Committee
Susan Turpen, NERC
Dan Skaar, MRO

From: Sue Clarke, MRO

Subject: 2008 True-Up: Business Plan and Budget vs. Actuals Reconciliation Statutory Filing-Audited

Midwest Reliability Organization actual costs are in line with budget (under by less than 1%). MRO staff believes that the continued efforts in rationalized cost reductions have been helpful to balance the budget. Note the Non-Statutory is a service agreement based on cost. Revenue recovery equals the cost of the service. Therefore, no statutory funding was used to fund non-statutory activities.

Explanation of Statutory Revenue and Expense Items

Revenues

Revenues are \$61,000 over budget on a year-end basis. The resulting overage is from revenues for compliance information system that were not budgeted as revenues.

Expenses

Expenses are \$5,963 under budget on a year-end basis. The following are the major areas of budget variances:

- (\$317,367) – Personnel Expenses under budget. Budgeted amounts for the entire year show 22.9 FTE's. The budgeted underage is largely the result of the timing of additional staffing. At the end of 2008, MRO had 24 employees.
- \$158,283 – Meeting expenses are over budget due to higher than expected costs in conference bridge and meeting expenses. Travel costs are over budget by \$89,025.
- \$153,122 – Operating expenses are over budget with the most significant difference in contracts, consulting and professional service costs over budget by \$350,940. The compliance information system consulting costs were budgeted in a different area and are resulting in an overage. In addition, the September 18th Event Analysis resulted in additional costs. The final report was completed in December 2008 and was accepted by the Board on December 11. The follow-up recommendations are being tracked by MRO. There were significant under budget amounts in computer, furniture and equipment purchases since all discretionary costs were eliminated (\$142,718) as a means to maintain actual costs with budget. Contingency expenses were not recognized in 2008 that resulted in under budget savings (\$157,947).

Allocation of Indirect Costs

MRO did not allocate any indirect administrative costs to the other statutory program areas.



MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)

(In Whole Dollars)

Summary	<u>2008 YTD Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>
Funding			
Assessments	5,331,488	5,331,488	-
Membership Fees & Non-Stat	-	-	-
Testing	-	-	-
Services & Software	183,610	491,308	(307,698)
Interest	-	-	-
Misc.	-	-	-
Total Funding	5,515,098	5,822,796	(307,698)
Expenses			
Personnel Expenses			
Salaries	2,189,882	2,421,638	(231,756)
Payroll Taxes	169,799	449,786	(279,987)
Employee Benefits	423,857	208,439	215,418
Savings & Retirement	370,596	438,817	(68,221)
Total Personnel Expenses	3,154,134	3,518,680	(364,546)
Meeting Expenses			
Meetings	104,605	55,000	49,605
Travel	424,060	334,995	89,065
Conference Calls	58,336	38,684	19,652
Total Meeting Expenses	587,001	428,679	158,322
Operating Expenses			
Rent & Improvements	152,501	180,000	(27,499)
Contracts	21,656	-	21,656
Consultants	759,335	901,283	(141,948)
Office Costs	346,117	215,771	130,346
Professional Services	249,673	100,000	149,673
Computer Purchase & Maint.	122,417	320,436	(198,019)
Furniture & Equipment	55,301	-	55,301
Miscellaneous	-	157,947	(157,947)
Total Operating Expenses	1,707,000	1,875,437	(168,437)
Total Expenses	5,448,135	5,822,796	(374,661)
Net Change in Assets	66,963	-	66,963

MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)

(In Whole Dollars)

Statutory Summary	<u>2008 December YTD</u>		
	<u>Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>
Funding			
Assessments	5,331,488	5,331,488	-
Membership Fees & Non-Stat	-	-	-
Testing	-	-	-
Services & Software	61,000	-	61,000
Interest	-	-	-
Misc.	-	-	-
Total Funding	5,392,488	5,331,488	61,000
Expenses			
Personnel Expenses			
Salaries	2,159,604	2,359,002	(199,398)
Payroll Taxes	164,550	438,147	(273,597)
Employee Benefits	420,787	203,045	217,742
Savings & Retirement	365,347	427,461	(62,114)
Total Personnel Expenses	3,110,288	3,427,655	(317,367)
Meeting Expenses			
Meetings	104,605	55,000	49,605
Travel	424,020	334,995	89,025
Conference Calls	58,336	38,684	19,652
Total Meeting Expenses	586,961	428,679	158,282
Operating Expenses			
Rent & Improvements	152,501	180,000	(27,499)
Contracts	21,656	-	21,656
Consultants	680,611	501,000	179,611
Office Costs	346,117	215,771	130,346
Professional Services	249,673	100,000	149,673
Computer Purchase & Maint.	122,417	320,436	(198,019)
Furniture & Equipment	55,301	-	55,301
Miscellaneous	-	157,947	(157,947)
Total Operating Expenses	1,628,276	1,475,154	153,122
Total Expenses	5,325,525	5,331,488	(5,963)
Net Change in Assets	66,963	-	66,963

MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)

(In Whole Dollars)

Standards (0300)	<u>2008 December</u> <u>YTD Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>Comments</u>
Funding				
Assessments	336,965	336,965	-	0.00%
Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>336,965</u>	<u>336,965</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	215,291	185,850	29,441	15.84%
Payroll Taxes	15,820	34,271	(18,451)	-53.84%
Employee Benefits	56,257	15,882	40,375	254.22%
Savings & Retirement	30,497	33,434	(2,937)	-8.78%
Total Personnel Expenses	<u>317,865</u>	<u>269,437</u>	<u>48,428</u>	
Meeting Expenses				
Meetings	6,927	5,000	1,927	38.54%
Travel	21,171	10,000	11,171	111.71%
Conference Calls	21,106	12,528	8,578	68.47%
Total Meeting Expenses	<u>49,204</u>	<u>27,528</u>	<u>21,676</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	71,211	30,000	41,211	137.37%
Office Costs	21,686	10,000	11,686	116.86%
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>92,897</u>	<u>40,000</u>	<u>52,897</u>	
Total Expenses	<u>459,966</u>	<u>336,965</u>	<u>123,001</u>	
Net Change in Assets	<u>(123,001)</u>	<u>-</u>	<u>(123,001)</u>	

Labor distributions to other departments based on time tracking system. Individuals reside in a department for payroll purposes, but the actual personnel costs are adjusted by a time tracking system. Actual headcount was slightly higher than budgeted. See other departments under their budget. Standards labor supports Training and Education and NERC Forums.
The 2008 Budget was accurate in the personnel related costs over and above the compensation, however, when calculated on line-by line cost it was not accurate. MRO would expect these numbers to be more accurate in 2010 going forward. Again, in total, it was accurate.

This group tracks time to Training and Education, as well as, NERC Forums.

MRO Staff was able to aggressively renegotiate some of the meeting costs with event planners in the area. MRO will continue to aggressively look for more reductions based on the number of meetings.

Travel was significantly under estimated in 2008. Staff recognized this quickly in 2008 and immediately began to make efforts in cost reductions or eliminations in other areas that made sense

Conference call costs were also significantly under estimated in 2008. MRO Staff aggressively sought better pricing and were able to go from \$.21 to \$.12 per minute costs. (Reduction of \$.09 per minute, or 43% reduction.)

RSVP development was not included in the 2008 Budget; application moving to a vendor.

Includes actual training \$s of 13k, 2008 budget is for only \$6.5.

**MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)**

(In Whole Dollars)

Compliance (0400)	<u>2008 December</u> <u>YTD Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>Comments</u>
Funding				
Assessments	1,453,770	1,453,770	-	0.00%
Assessments			-	
Testing			-	
Services & Software	61,000		61,000	Service arrangements on application software; application moved to a vendor in 2009.
Interest			-	
Misc.			-	
Total Funding	<u>1,514,770</u>	<u>1,453,770</u>	<u>61,000</u>	
Expenses				
Personnel Expenses				
Salaries	767,190	931,758	(164,568)	-17.66%
Payroll Taxes	60,363	172,626	(112,263)	-65.03%
Employee Benefits	150,864	79,997	70,867	88.59%
Savings & Retirement	135,729	168,416	(32,687)	-19.41%
Total Personnel Expenses	<u>1,114,146</u>	<u>1,352,797</u>	<u>(238,651)</u>	
Meeting Expenses				
Meetings	25,163	12,000	13,163	109.69%
Travel	63,071	47,795	15,276	31.96%
Conference Calls	1,104	4,278	(3,174)	-74.19%
Total Meeting Expenses	<u>89,338</u>	<u>64,073</u>	<u>25,265</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	245,511	15,000	230,511	1536.74%
Office Costs	36,864	21,900	14,964	68.33%
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>282,375</u>	<u>36,900</u>	<u>245,475</u>	
Total Expenses	<u>1,485,859</u>	<u>1,453,770</u>	<u>32,089</u>	
Net Change in Assets	<u>28,911</u>	<u>-</u>	<u>28,911</u>	

**MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)**

(In Whole Dollars)

Readiness (0700)	<u>2008 December</u> <u>YTD Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>Comments</u>
Funding				
Assessments	208,491	208,491	-	0.00%
Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>208,491</u>	<u>208,491</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	106,752	122,052	(15,300)	-12.54%
Payroll Taxes	5,802	22,730	(16,928)	-74.47%
Employee Benefits	41,396	10,533	30,863	293.01%
Savings & Retirement	23,378	22,176	1,202	5.42%
Total Personnel Expenses	<u>177,328</u>	<u>177,491</u>	<u>(163)</u>	
Meeting Expenses				
Meetings	-	1,200	(1,200)	-100.00%
Travel	11,904	21,000	(9,096)	-43.31%
Conference Calls	-	1,200	(1,200)	-100.00%
Total Meeting Expenses	<u>11,904</u>	<u>23,400</u>	<u>(11,496)</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	6,120	4,000	2,120	53.00%
Office Costs	5,824	3,600	2,224	61.78%
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>11,944</u>	<u>7,600</u>	<u>4,344</u>	
Total Expenses	<u>201,176</u>	<u>208,491</u>	<u>(7,315)</u>	
Net Change in Assets	<u>7,315</u>	<u>-</u>	<u>7,315</u>	

Labor distributions to other departments based on time tracking system. Individuals reside in a department for payroll purposes, but the actual personnel costs are adjusted by a time tracking system. Actual headcount was significantly lower than budgeted. A higher paid individual was transferred to 0400 in the latter part of the year 2008.

The 2008 Budget was accurate in the personnel related costs over and above the compensation, however, when calculated on line-by-line cost it was not accurate. MRO would expect these numbers to be more accurate in 2010 going forward. Again, in total, it was accurate. Because MRO's time tracking is currently a manual entry, and not online, my estimates from one cost center to another is not as accurate if it was a system generate time tracking.

Travel was significantly under estimated in 2008. Staff recognized this quickly in 2008 and immediately began to make efforts in cost reductions or eliminations in other areas that made sense

Readiness evaluation prepared by outside consultants, not included in the budget
Includes training costs not included in budget. (Case Consulting.)

**MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)**

(In Whole Dollars)

Assessment (0800)	<u>2008 December</u> <u>YTD Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>		<u>Comments</u>
Funding					
Assessments	541,741	541,741	-	0.00%	
Assessments			-		
Testing			-		
Services & Software			-		
Interest			-		
Misc.			-		
Total Funding	<u>541,741</u>	<u>541,741</u>	<u>-</u>		
Expenses					
Personnel Expenses					
Salaries	336,990	188,664	148,326	78.62%	There is a significant decrease in consulting costs as the headcount was increased to meet the objectives of the Assessment group
					The 2008 Budget was accurate in the personnel related costs over and above the compensation, however, when calculated on line-by-line cost it was not accurate. MRO would expect these numbers to be more accurate in 2010 going forward. Again, in total, it was accurate. In this department, the benefits % is slightly lower than the overall company due to the less years of average experience in the
Payroll Taxes	24,306	34,777	(10,471)	-30.11%	MRO Staff.
Employee Benefits	53,029	16,116	36,913	229.05%	
Savings & Retirement	52,037	33,929	18,108	53.37%	
Total Personnel Expenses	<u>466,362</u>	<u>273,486</u>	<u>192,876</u>		
Meeting Expenses					
Meetings	29,310	15,000	14,310	95.40%	
					Travel was significantly under estimated in 2008. Staff recognized this quickly in 2008 and immediately began to make efforts in cost reductions or eliminations in other areas that made sense. The amount over budget was further increased by the increase in the
Travel	89,307	8,000	81,307	1016.34%	headcount.
Conference Calls	14,288	14,278	10	0.07%	
Total Meeting Expenses	<u>132,905</u>	<u>37,278</u>	<u>95,627</u>		
Operating Expenses					
Rent & Improvements			-		
Contracts			-		
Consultants	84,846	215,000	(130,154)	-60.54%	The increase in the headcount shows a significant reduction in consulting costs
Office Costs	13,253	15,977	(2,724)	-17.05%	Includes training costs not included in budget
Professional Services			-		
Computer Purchase & Maint.			-		
Furniture & Equipment			-		
Miscellaneous			-		
Total Operating Expenses	<u>98,099</u>	<u>230,977</u>	<u>(132,878)</u>		
Total Expenses	<u>697,366</u>	<u>541,741</u>	<u>155,625</u>		
Net Change in Assets	<u>(155,625)</u>	<u>-</u>	<u>(155,625)</u>		

MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)

(In Whole Dollars)

Training & Ed (Operators) (0900)	<u>2008 December YTD Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>		<u>Comments</u>
Funding					
Assessments	80,962	80,962	-	0.00%	
Assessments			-		
Testing			-		
Services & Software			-		
Interest			-		
Misc.			-		
Total Funding	<u>80,962</u>	<u>80,962</u>	<u>-</u>		
Expenses					
Personnel Expenses					
Salaries	42,269	51,122	(8,853)	-17.32%	Labor distributions to other departments based on time tracking system. Individuals reside in a department for payroll purposes, but the actual personnel costs are adjusted by a time tracking system. Actual headcount was slightly lower than budgeted. See other departments under their budget. Standards labor supports Training and Education, as well as, NERC Forums.
Payroll Taxes	6,983	9,528	(2,545)	-26.71%	The 2008 Budget was accurate in the personnel related costs over and above the compensation, however, when calculated on line-by-line cost it was not accurate. MRO would expect these numbers to be more accurate in 2010 going forward. Again, in total, it was accurate. Because my time tracking is currently a manual entry, and not online, my estimates from one cost center to another is not as accurate if it was a system generate time tracking.
Employee Benefits	2,093	4,416	(2,323)	-52.60%	
Savings & Retirement	6,983	9,296	(2,313)	-24.88%	
Total Personnel Expenses	<u>58,328</u>	<u>74,362</u>	<u>(16,034)</u>		
Meeting Expenses					
Meetings	167	600	(433)	-72.17%	
Travel	-	2,400	(2,400)	-100.00%	
Conference Calls	1,132	1,200	(68)	-5.67%	
Total Meeting Expenses	<u>1,299</u>	<u>4,200</u>	<u>(2,901)</u>		
Operating Expenses					
Rent & Improvements			-		
Contracts			-		
Consultants	2,024	2,400	(376)	-15.67%	Training costs not included in the budget. (Case Consulting)
Office Costs	5,600		5,600		
Professional Services	460		460		
Computer Purchase & Maint.			-		
Furniture & Equipment			-		
Miscellaneous			-		
Total Operating Expenses	<u>8,084</u>	<u>2,400</u>	<u>5,684</u>		
Total Expenses	<u>67,711</u>	<u>80,962</u>	<u>(13,251)</u>		
Net Change in Assets	<u>13,251</u>	<u>-</u>	<u>13,251</u>		

**MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)**

(In Whole Dollars)

Situation Aware (1000)	<u>2008 December</u> <u>YTD Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>		<u>Comments</u>
Funding					
Assessments	60,840	60,840	-	0.00%	
Assessments			-		
Testing			-		
Services & Software			-		
Interest			-		
Misc.			-		
Total Funding	<u>60,840</u>	<u>60,840</u>	<u>-</u>		
Expenses					All of these costs are a result of the September 18, 2007 separation event analysis. It was not anticipated that the investigation would last into end of year 2008.
Personnel Expenses					
Salaries	41,815	38,540	3,275	8.50%	
Payroll Taxes	7,005	7,175	(170)	-2.37%	
Employee Benefits	2,684	3,325	(641)	-19.28%	
Savings & Retirement	7,005	7,000	5	0.07%	
Total Personnel Expenses	<u>58,509</u>	<u>56,040</u>	<u>2,469</u>		
Meeting Expenses					
Meetings	20,978	1,200	19,778	1648.17%	All of these costs are a result of the September 18, 2007 separation event analysis. It was not anticipated that the investigation would last into end of year 2008.
Travel	6,547	2,400	4,147	172.79%	All of these costs are a result of the September 18, 2007 separation event analysis. It was not anticipated that the investigation would last into end of year 2008.
Conference Calls	19,650	1,200	18,450	1537.50%	All of these costs are a result of the September 18, 2007 separation event analysis. It was not anticipated that the investigation would last into end of year 2008.
Total Meeting Expenses	<u>47,175</u>	<u>4,800</u>	<u>42,375</u>		
Operating Expenses					
Rent & Improvements			-		
Contracts			-		
Consultants	49,637		49,637		All of these costs are a result of the September 18, 2007 separation event analysis. It was not anticipated that the investigation would last into end of year 2008.
Office Costs			-		
Professional Services			-		
Computer Purchase & Maint.			-		
Furniture & Equipment			-		
Miscellaneous			-		
Total Operating Expenses	<u>49,637</u>	<u>-</u>	<u>49,637</u>		
Total Expenses	<u>155,321</u>	<u>60,840</u>	<u>94,481</u>		
Net Change in Assets	<u>(94,481)</u>	<u>-</u>	<u>(94,481)</u>		

**MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)**

(In Whole Dollars)

NERC Forums (1100)	<u>2008 December</u> <u>YTD Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>Comments</u>
Funding				
Assessments	328,835	328,835	-	0.00%
Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>328,835</u>	<u>328,835</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	100,478	81,920	18,558	22.65%
				Labor distributions to other departments based on time tracking system. Individuals reside in a department for payroll purposes, but the actual personnel costs are adjusted by a time tracking system. Actual headcount was slightly lower than budgeted. See other departments under their budget. Standards labor supports Training and Education, as well as, NERC Forums.
Payroll Taxes	8,410	15,463	(7,053)	-45.61%
Employee Benefits	6,377	7,166	(789)	-11.01%
Savings & Retirement	16,820	15,086	1,734	11.49%
Total Personnel Expenses	<u>132,085</u>	<u>119,635</u>	<u>12,450</u>	
Meeting Expenses				
Meetings	(216)		(216)	
Travel	153,602	209,200	(55,598)	-26.58%
Conference Calls	391		391	
Total Meeting Expenses	<u>153,777</u>	<u>209,200</u>	<u>(55,423)</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants			-	
Office Costs	1,071		1,071	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>1,071</u>	<u>-</u>	<u>1,071</u>	
Total Expenses	<u>286,933</u>	<u>328,835</u>	<u>(41,902)</u>	
Net Change in Assets	<u>41,902</u>	<u>-</u>	<u>41,902</u>	

**MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)**

(In Whole Dollars)

Gen & Admin (2000)	<u>2008 December</u> <u>YTD Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>Comments</u>
Funding				
Assessments	612,894	612,894	-	0.00%
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>612,894</u>	<u>612,894</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	202,020	248,753	(46,733)	-18.79% Labor distributions to other departments based on time tracking system. Individuals reside in a department for payroll purposes, but the actual personnel costs are adjusted by a time tracking system. Actual headcount was slightly lower than budgeted. See other departments under their budget. G&A supports all of the direct departments.
Payroll Taxes	6,654	46,751	(40,097)	-85.77%
Employee Benefits	32,284	21,665	10,619	49.01%
Savings & Retirement	29,293	45,610	(16,317)	-35.78%
Total Personnel Expenses	<u>270,251</u>	<u>362,779</u>	<u>(92,528)</u>	The 2008 Budget was accurate in the personnel related costs over and above the compensation, however, when calculated on line-by-line cost it was not accurate. MRO would expect these numbers to be more accurate in 2010 going forward. Again, in total, it was accurate. Because MRO's time tracking is currently a manual entry, and not online, my estimates from one cost center to another is not as accurate if it was a system generate time tracking.
Meeting Expenses				
Meetings	21,278	20,000	1,278	6.39%
Travel	71,754	20,400	51,354	251.74%
Conference Calls	665		665	
Total Meeting Expenses	<u>93,697</u>	<u>40,400</u>	<u>53,297</u>	Travel was significantly under estimated in 2008. Staff recognized this quickly in 2008 and immediately began to make efforts in cost reductions or eliminations in other areas that made sense. The 2008 Business Plan and Budget budgeted member travel reimbursement in Dept 1100, however, actual 2008 member travel reimbursement was charged to 2000, if that travel was related to the Qtrly BOD meetings.
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	53,965	8,000	45,965	574.56% MRO share of Auditor Training Materials not budgeted for appro \$5k, MRO did not include Crisis Planning Consulting in the budget approx \$42k.
Office Costs	52,148	43,768	8,380	19.15% MRO's Professional Dues were significantly under budgeted. Actual was \$13k and budgeted was for \$2k
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous	-	157,947	(157,947)	-100.00% MRO's Business Plan and Budget included \$\$ for hearings and other one time events which did not occur
Total Operating Expenses	<u>106,113</u>	<u>209,715</u>	<u>(103,602)</u>	
Total Expenses	<u>470,061</u>	<u>612,894</u>	<u>(142,833)</u>	
Net Change in Assets	<u>142,833</u>	<u>-</u>	<u>142,833</u>	

**MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)**

(In Whole Dollars)

Legal (2200)	<u>2008 December</u> <u>YTD Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>Comments</u>
Funding				
Assessments	512,576	512,576	-	0.00%
Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>512,576</u>	<u>512,576</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	66,602	222,876	(156,274)	-70.12%
Payroll Taxes	6,490	41,943	(35,453)	-84.53%
Employee Benefits	4,361	19,437	(15,076)	-77.56%
Savings & Retirement	9,005	40,920	(31,915)	-77.99%
Total Personnel Expenses	<u>86,458</u>	<u>325,176</u>	<u>(238,718)</u>	
Meeting Expenses				
Meetings	-		-	
Travel	274	3,600	(3,326)	-92.39%
Conference Calls	-	4,000	(4,000)	-100.00%
Total Meeting Expenses	<u>274</u>	<u>7,600</u>	<u>(7,326)</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	-	75,000	(75,000)	-100.00%
Office Costs	2,280	4,800	(2,520)	-52.50%
Professional Services	224,213	100,000	124,213	124.21%
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>226,493</u>	<u>179,800</u>	<u>46,693</u>	
Total Expenses	<u>313,225</u>	<u>512,576</u>	<u>(199,351)</u>	
Net Change in Assets	<u>199,351</u>	<u>-</u>	<u>199,351</u>	

In an effort to control 2008 overall MRO costs, Legal did not increase the headcount as quickly as budgeted for; additional headcount is in place at year end recognizing the additional workload in the Enforcement area. The 2008 Budget was accurate in the personnel related costs over and above the compensation, however, when calculated on line-by-line cost it was not accurate. MRO would expect these numbers to be more accurate in 2010 going forward. Again, in total, it was accurate. Because MRO's time tracking is currently a manual entry, and not online, my estimates from one cost center to another is not as accurate if it was a system generate time tracking.

Under budgeted travel costs are due to lower headcount than budgeted.

The 2008 Business Plan and Budget had allowed dollars for a hearing judge which was not required in 2008.

Under budgeted office costs are due to lower headcount than budgeted.

The over budgeted professional services is related to legal support on regulatory issues that are unforeseen in the budgeting process. \$13.5k is related to Corporate Costs in redefining MRO's Pension Plan.

**MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)**

(In Whole Dollars)

IT (2300)	<u>2008 December</u> <u>YTD Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>Comments</u>
Funding				
Assessments	517,274	517,274	-	0.00%
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>517,274</u>	<u>517,274</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	158,267	124,617	33,650	27.00% Actual headcount was slightly higher than budgeted. The supervisor in this area also supports a regional CIPC discussion group, as well as, the NERC CIPC Regional Representative. These costs will be in 1050 in 2009.
Payroll Taxes	9,245	22,937	(13,692)	-59.69% The 2008 Budget was accurate in the personnel related costs over and above the compensation, however, when calculated on line-by-line cost it was not accurate.
Employee Benefits	33,200	10,630	22,570	212.32% MRO would expect these numbers to be more accurate in 2010 going forward. Again, in total, it was accurate.
Savings & Retirement	24,346	22,378	1,968	8.79%
Total Personnel Expenses	<u>225,058</u>	<u>180,562</u>	<u>44,496</u>	
Meeting Expenses				
Meetings	112	-	112	Travel was significantly under estimated in 2008. Staff recognized this quickly in 2008 and immediately began to make efforts in cost reductions or eliminations in other areas that made sense.
Travel	6,086	4,200	1,886	44.90%
Conference Calls			-	
Total Meeting Expenses	<u>6,198</u>	<u>4,200</u>	<u>1,998</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts	21,656		21,656	
Consultants	69,352	63,600	5,752	9.04%
Office Costs	121,513	31,026	90,487	291.65% The 2008 Business Plan and Budget is under budget by approximately \$25k for the software maintenance, annual fees and contracts, as well as the computer and equipment capital purchases. The 2008 Business Plan and Budget was not prepared in the line-by-line regional consensus on where \$s should be accounted for and charged, as well as, which overhead department is responsible for as outlined in the NERC template and the use of NERC Chart of Accounts. (See IT is under budgeted and Finance and HR are over budgeted.) MRO expects that these numbers will reflect the budget and actual in the same departments and accounts for 2009 Business Plan and Budget vs Actual as MRO creates consistency and transparency as directed by FERC's Order dated June 19, 2008.
Professional Services			-	
Computer Purchase & Maint. (Capital Purchases)	-	237,886	(237,886)	-100.00% The 2008 Business Plan and Budget is under budget by approximately \$25k for the software maintenance, annual fees and contracts, as well as the computer and equipment capital purchases. The 2008 Business Plan and Budget was not prepared in the line-by-line regional consensus on where \$s should be accounted for and charged, as well as, which overhead department is responsible for as outlined in the NERC template and the use of NERC Chart of Accounts. (See IT is under budgeted and Finance and HR are over budgeted.) MRO expects that these numbers will reflect the budget and actual in the same departments and accounts for 2009 Business Plan and Budget vs Actual as MRO creates consistency and transparency as directed by FERC's Order dated June 19, 2008.
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>212,521</u>	<u>332,512</u>	<u>(119,991)</u>	
Total Expenses	<u>443,777</u>	<u>517,274</u>	<u>(73,497)</u>	
Net Change in Assets	<u>73,497</u>	<u>-</u>	<u>73,497</u>	

MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)

(In Whole Dollars)

Finance & HR (2500)	<u>2008 December</u> <u>YTD Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>Comments</u>
Funding				
Assessments	677,140	677,140	-	0.00%
Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>677,140</u>	<u>677,140</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	121,930	162,850	(40,920)	-25.13%
				Due to staff realignments which occurred after the submission of the business plan, actual spend less than budgete
Payroll Taxes	13,472	29,946	(16,474)	-55.01%
Employee Benefits	38,242	13,878	24,364	175.56%
Savings & Retirement	30,254	29,216	1,038	3.55%
Total Personnel Expenses	<u>203,898</u>	<u>235,890</u>	<u>(31,992)</u>	
Meeting Expenses				
Meetings	886		886	
Travel	304	6,000	(5,696)	-94.93%
Conference Calls	-		-	
Total Meeting Expenses	<u>1,190</u>	<u>6,000</u>	<u>(4,810)</u>	Estimated travel expense did not materialize due to fewer meetings of the Regional Entity Budget Group and participation in one meeting by conference call instead of face to face.
Operating Expenses				
Rent & Improvements	152,501	180,000	(27,499)	-15.28%
Contracts			-	
Consultants	97,945	88,000	9,945	11.30%
				The consulting fees include Pension Plan Actuarial Fees, as well as, planning costs in preparation of MRO's conversion from a defined pension plan to a defined contribution plan. Between the costs in 2500, as well as, 2200, the 2008 Actual Costs include more than \$95k relating to the Pension Plan. MRO anticipates that our fees will dramatically decrease in this area after our conversion.
Office Costs	85,878	84,700	1,178	1.39%
				The 2008 Business Plan and Budget is under budget by approximately \$25k for the software maintenance, annual fees and contracts, as well as the computer and equipment cap purchases. The 2008 Business Plan and Budget was not prepared in the line-by-line regional consensus on where \$s should be accounted for and charged, as well as, which overhead department is responsible for. (See 2300 under budgeted and 2500 over budgeted.) MRO expects that these numbers will reflect the budget and actual in the same departments and accounts for 2009 Business Plan and Budget vs Actual.
Professional Services	25,000		25,000	
				This is the audit charge and it is over budget since this was included in Consultants in the preparation of the 2008 Business Plan and Budget. The regions and NERC have decid that going forward the audit charge should be accounted for in the same manner throughout the regions as Professional Service.
Computer Purchase & Maint.	122,417	82,550	39,867	48.29%
				The 2008 Business Plan and Budget is under budget by approximately \$25k for the software maintenance, annual fees and contracts, as well as the computer and equipment capital purchases. The 2008 Business Plan and Budget was not prepared in the line-by-line regional consensus on where \$s should be accounted for and charged, as well as, which overhead department is responsible for as outlined in the NERC template and the use of NERC Chart of Accounts. (See IT is under budgeted and Finance and HR are over budgeted.) MRO expects that these numbers will reflect the budget and actual in the same departments and accounts for 2009 Business Plan and Budget vs Actual as MRO creates consistency and transparency as directed by FERC's Order dated June 19, 2008.
Furniture & Equipment	55,301		55,301	
Miscellaneous			-	
Total Operating Expenses	<u>539,042</u>	<u>435,250</u>	<u>103,792</u>	
Total Expenses	<u>744,130</u>	<u>677,140</u>	<u>66,990</u>	
Net Change in Assets	<u>(66,990)</u>	<u>-</u>	<u>(66,990)</u>	

**MIDWEST RELIABILITY ORGANIZATION
2008 TRUE-UP: BUSINESS PLAN AND BUDGET VS. ACTUALS (AUDITED)**

(In Whole Dollars)

Non-Statutory Summary (2700)	<u>2008 December YTD Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>Comments</u>
Funding				
Assessments	-		-	
Assessments			-	
Testing			-	
Services & Software	122,610	491,308	(368,698)	
Interest			-	
Misc.			-	
Total Funding	<u>122,610</u>	<u>491,308</u>	<u>(368,698)</u>	Non-statutory revenues and costs are net \$0. The service agreement with MAPPOR assures net \$0 with payments for under and over service payments collected.
Expenses				
Personnel Expenses				
Salaries	30,278	62,636	(32,358)	
Payroll Taxes	5,249	11,639	(6,390)	
Employee Benefits	3,070	5,394	(2,324)	
Savings & Retirement	5,249	11,356	(6,107)	
Total Personnel Expenses	<u>43,846</u>	<u>91,025</u>	<u>(47,179)</u>	
Meeting Expenses				
Meetings			-	
Travel	40		40	
Conference Calls			-	
Total Meeting Expenses	<u>40</u>	<u>-</u>	<u>40</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	78,724	400,283	(321,559)	
Office Costs			-	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>78,724</u>	<u>400,283</u>	<u>(321,559)</u>	
Total Expenses	<u>122,610</u>	<u>491,308</u>	<u>(368,698)</u>	
Net Change in Assets	<u>-</u>	<u>-</u>	<u>-</u>	Non-statutory revenues and costs are net \$0. The service agreement true-up assures net \$0 with payments for under and over service payments collected.

ATTACHMENT 4

2008 ACTUAL COST-TO-BUDGET COMPARISON

FOR

NORTHEAST POWER COORDINATING COUNCIL, INC.



NORTHEAST POWER COORDINATING COUNCIL, INC.
1515 BROADWAY, NEW YORK, NY 10036-8901 TELEPHONE: (212) 840-1070 FAX: (212) 302-2782

March 27, 2009

North American Electric Reliability Corporation
Princeton Forrestal Village, 116-390 Village Boulevard
Princeton, New Jersey 08540-5721
Attention: Mr. Bruce Walenczyk - Chief Financial Officer

Subject: NPCC 2008 True Up Budget vs. Actual Variance Analysis
Based on Adjusted 12/31/08 Financial Statements (Audited Financial
Statements to be issued by PWC early April, 2009)

Dear Bruce:

Enclosed is NPCC's updated submittal of information on the 2008 NPCC budget and year-end actual cost-to-budget variances. While NPCC's independent audit is nearing conclusion and adjustments reflective of that effort have been incorporated within the information being provided, the audited financial statements will be made available in early April. The attached information is intended to respond to the Federal Energy Regulatory Commission order in Docket No. RR07-16-000 "*Order Conditionally Accepting 2008 Business Plan and Budget of The North American Electric Reliability Corporation and Ordering Compliance Filings*" directing NERC and the regional entities to file a true-up report no later than April 1, 2009.

Resource reprioritizations were made throughout 2008 and any significant variances by program area are explained on a line-item basis using the NERC provided template which presents actual and budgeted costs on a program-by-program basis. Actual total expenses for NPCC's Regional Entity (RE) division for 2008 were \$7,438,654 which is \$66,253 or less than 1% under the 2008 operating budget of \$7,504,907. Actual total expenses for NPCC's Criteria Services (CS) division for 2008 were \$583,281 which is \$88,775 or approximately 13% under the 2008 operating budget of \$672,056. In the aggregate, actual total expenses for the NPCC RE and CS divisions were \$8,021,935 which is \$155,027 or nearly 1.9% under the 2008 total corporate budget of \$8,176,962.

Expenses for indirect functions are not allocated to the program areas in this True Up. Expenses listed by program area are for direct costs only, and indirect expenses are listed separately by function.

No statutory assessments were used to fund non-statutory activities.

Significant aggregate above and under budget expenditures for the Regional Entity division are explained below:

Personnel Expenses

Personnel expenses were above budget by a net amount of \$409,855 or 11%. Salaries were higher by less than 10% as a result of successful recruiting of senior level technical experts as compared to budget for junior level staff and 50th percentile market rates. Savings & Retirement expenses were above budget by 52%, or \$163,252 primarily due to a \$170,000 pension contribution

supplement (90% or \$153,000 was charged to the RE division) recommended by the Pension Committee in light of the increasing accrued pension liabilities and negative market performance.

Meeting and Travel Expenses

This account in total was on target for meetings, travel, and conference call expenses. The meeting expenses were above budget by \$60,055 or some 41%, while the Travel budget was under budget by \$59,719 or approximately 10%. Savings from increased use of conference calls in lieu of in person meeting provided the offsetting savings in Travel.

Operating Expenses

- **Rent & Improvements**

This account was under budget by \$100,765 or 34% due to deferral of various leases and improvements and least cost integration of additional staff in light of NPCC's impending corporate relocation.

- **Contracts**

This account was above budget by \$49,044 or 18% due to increased scope and time commitment for independent contractor services.

- **Consultants**

This account was under budget by \$42,199 or 4% due to effective deployment of resources.

- **Office Costs**

This account was under budget by \$92,085 or 27% due to lags in billing for real estate tax escalations as well as electric, maintenance and building security being charged to the miscellaneous subaccount which is included in Furniture and Equipment.

- **Professional Services**

This account was under budget by a net \$99,218 or 14% due to increases for consultation and services performed in the accounting area being offset by lower than anticipated legal consultation with regard to filing of regional standards or contested penalty assessments as there were none for 2008.

- **Computer Purchase & Maintenance**

This account was under budget by \$9,000 or 100% due to a lack of maintenance issues.

- **Furniture & Equipment**

This account (which includes Furniture Purchase, Equipment Purchase, Miscellaneous Expense and Contingency Expense) was under budget by \$181,472 or 58%. Through 2008 NPCC has annually included a contingency account as part of its budget to address potential unforeseen and approved resource needs that could arise within each year. For 2008, NPCC established a

contingency account totaling some \$289,800 for the RE division and \$32,200 for the CS division for a total of \$322,000. While no funds were budgeted in association with NPCC conducting a compliance hearing, the majority of the RE contingency account budget was allocated to the Compliance program area in the event that a hearing or hearings could be needed and in anticipation that compliance program software enhancements could be greater than budgeted. Neither of those potential scenarios emerged.

It has been indicated that cash reserves are meant to handle expenses which exceed the amount budgeted, as well as unforeseen events that could occur at any time. In the development of NPCC's 2009 Business Plan and Budget, NPCC has eliminated the contingency account and will fund approved unbudgeted items going forward through operating cash reserves consistent with NERC.

NPCC has a Criteria Services division whose efforts with regard to regionally-specific reliability criteria assessment, monitoring and compliance enforcement would be considered non-statutory activities. Allocation between the RE division and CS division represents a 90/10 split based upon total corporate full time equivalents (FTEs) of 25.2 FTEs in the RE division and 2.8 FTEs in the CS division

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

Sincerely,

Jennifer Budd Mattiello

Jennifer Budd Mattiello
Vice President & Chief Operating Officer

JBM:jm

cc: NPCC Staff

NPCC
2008 Income Statement Summary
(Regional Entity and Criteria Services Divisions)

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
Assessments	7,648,718	7,504,907	143,811 ¹
Membership Fees & Non-Stat Assessments	655,654	672,056	(16,402) ²
Testing	-	-	-
Services & Software	-	-	-
Interest	41,676	-	41,676
Misc.	-	-	-
Total Funding	8,346,048	8,176,962	169,086
Expenses			
Personnel Expenses			
Salaries	3,180,603	2,922,337	258,266
Payroll Taxes	197,069	178,910	18,159
Employee Benefits	647,288	676,416	(29,128)
Savings & Retirement	533,391	350,000	183,391
Total Personnel Expenses	4,558,351	4,127,662	430,689
Meeting Expenses			
Meetings	215,705	162,000	53,705
Travel	559,541	650,000	(90,459)
Conference Calls	44,044	45,000	(956)
Total Meeting Expenses	819,290	857,000	(37,710)
Operating Expenses			
Rent & Improvements	216,383	330,000	(113,617)
Contracts	333,132	284,500	48,632
Consultants	1,028,323	1,080,000	(51,677)
Office Costs	274,141	374,300	(100,159)
Professional Services	646,150	763,000	(116,850)
Computer Purchase & Maint.	-	10,000	(10,000)
Furniture & Equipment	146,165	350,500	(204,335)
Total Operating Expenses	2,644,294	3,192,300	(548,006)
Total Expenses	8,021,935	8,176,962	(155,027)
Net Change in Assets	324,113	-	324,113

¹Assessments increased by \$143,812 to bring Regional Entity Division operating cash reserve level to targeted 20%

²Non-Statutory assessments reduced by \$16,402 to bring Criteria Services Division operating cash reserve level to targeted 20%

NPCC
2008 Income Statement Summary
Regional Entity Division Only

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
Assessments	7,648,718	7,504,907	143,811
Membership Fees & Non-Stat Assessments	-	-	-
Testing	-	-	-
Services & Software	-	-	-
Interest	37,508	-	37,508
Misc.	-	-	-
Total Funding	<u>7,686,226</u>	<u>7,504,907</u>	<u>181,319</u>
Expenses			
Personnel Expenses			
Salaries	2,954,159	2,702,620	251,539
Payroll Taxes	183,038	165,893	17,145
Employee Benefits	586,693	608,774	(22,081)
Savings & Retirement	478,252	315,000	163,252
Total Personnel Expenses	<u>4,202,142</u>	<u>3,792,287</u>	<u>409,855</u>
Meeting Expenses			
Meetings	205,855	145,800	60,055
Travel	525,281	585,000	(59,719)
Conference Calls	39,751	40,500	(749)
Total Meeting Expenses	<u>770,887</u>	<u>771,300</u>	<u>(413)</u>
Operating Expenses			
Rent & Improvements	196,235	297,000	(100,765)
Contracts	317,344	268,300	49,044
Consultants	985,801	1,028,000	(42,199)
Office Costs	244,785	336,870	(92,085)
Professional Services	587,482	686,700	(99,218)
Computer Purchase & Maint.	-	9,000	(9,000)
Furniture & Equipment	133,978	315,450	(181,472)
Total Operating Expenses	<u>2,465,625</u>	<u>2,941,320</u>	<u>(475,695)</u>
Total Expenses	<u>7,438,654</u>	<u>7,504,907</u>	<u>(66,253)</u>
Net Change in Assets	<u>247,572</u>	-	<u>247,572</u>

NPCC
2008 Income Statement Summary
Reliability Standards

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
Assessments	800,449	785,399	15,050	2%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
Total Funding	<u>800,449</u>	<u>785,399</u>	<u>15,050</u>	
Expenses				
Personnel Expenses				
Salaries	171,663	301,206	(129,543)	-43% Budgeted 2.5 staff; actual 1.5 staff
Payroll Taxes	10,563	20,942	(10,379)	-50% Lower overall salaries resulted in lower payroll taxes
Employee Benefits	62,009	84,552	(22,543)	-27% FTE retained prior employer's health care plan
Savings & Retirement	<u>62,078</u>	<u>43,750</u>	<u>18,328</u>	42% Pension supplemented due to increased liabilities
Total Personnel Expenses	<u>306,313</u>	<u>450,451</u>	<u>(144,138)</u>	
Meeting Expenses				
Meetings	24,145	20,250	3,895	19% Greater number of meetings than budgeted
Travel	92,951	81,250	11,701	14% Higher airfare and hotel costs than budgeted
Conference Calls	<u>5,613</u>	<u>5,625</u>	<u>(12)</u>	0%
Total Meeting Expenses	<u>122,709</u>	<u>107,125</u>	<u>15,584</u>	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	116,869	227,824	(110,955)	-49% Industry support as budgeted and some consultant efforts deferred to 2009
Office Costs	-	-	-	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>116,869</u>	<u>227,824</u>	<u>(110,955)</u>	
Total Expenses	<u>545,891</u>	<u>785,399</u>	<u>(239,509)</u>	
Net Change in Assets	<u>254,558</u>	-	<u>254,558</u>	

NPCC
2008 Income Statement Summary
Compliance and Organization Registration and Certification

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
Assessments	2,036,114	1,997,831	38,283	2%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
Total Funding	2,036,114	1,997,831	38,283	
Expenses				
Personnel Expenses				
Salaries	778,005	679,505	98,500	14% Successfully recruited senior technical expertise at higher than budget
Payroll Taxes	47,809	47,076	733	2%
Employee Benefits	181,430	181,183	247	0%
Savings & Retirement	103,124	93,750	9,374	10% Pension supplemented due to increased liabilities
Total Personnel Expenses	1,110,368	1,001,513	108,855	
Meeting Expenses				
Meetings	29,827	43,393	(13,566)	-31% Effective venue changes and cost cutting for Compliance Workshops & Meetings
Travel	145,553	174,107	(28,554)	-16% Increased teleconference meetings reduced travel costs
Conference Calls	11,799	12,054	(255)	-2%
Total Meeting Expenses	187,179	229,554	(42,375)	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	93,669	90,000	3,669	4%
Consultants	633,200	406,765	226,435	56% Greater utilization of independent consultants in expanded on-site, off-site, and spot-check audits than budgeted
Office Costs	-	-	-	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	8,237	270,000	(261,763)	-97% Majority of Contingency budget, which could have been applied to Compliance hearings, not expended. NPCC has eliminated Contingency funding for future budgets and will fund unbudgeted approved expenditures from the operating cash reserves.
Total Operating Expenses	735,106	766,765	(31,659)	
Total Expenses	2,032,653	1,997,831	34,822	
Net Change in Assets	3,461	-	3,461	

NPCC
2008 Income Statement Summary
Reliability Readiness Evaluation and Improvement

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
Assessments	237,024	232,567	4,457	2%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
Total Funding	<u>237,024</u>	<u>232,567</u>	<u>4,457</u>	
Expenses				
Personnel Expenses				
Salaries	146,365	134,448	11,917	9%
Payroll Taxes	9,105	8,619	486	6%
Employee Benefits	23,959	24,158	(199)	-1%
Savings & Retirement	29,973	12,500	17,473	140% Pension supplemented due to increased liabilities
Total Personnel Expenses	<u>209,402</u>	<u>179,725</u>	<u>29,677</u>	
Meeting Expenses				
Meetings	3,886	5,786	(1,900)	-33% Effective cost cutting in meeting support
Travel	31,304	23,214	8,090	35% Expanded utilization of consultant in 4 Readiness evaluations
Conference Calls	1,572	1,607	(35)	-2%
Total Meeting Expenses	<u>36,762</u>	<u>30,607</u>	<u>6,155</u>	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	43,479	22,235	21,244	96% Expanded utilization of consultant in 4 Readiness evaluations
Office Costs	-	-	-	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>43,479</u>	<u>22,235</u>	<u>21,244</u>	
Total Expenses	<u>289,643</u>	<u>232,567</u>	<u>57,075</u>	
Net Change in Assets	<u>(52,619)</u>	<u>-</u>	<u>(52,619)</u>	

NPCC
2008 Income Statement Summary
Reliability Assessment and Performance Analysis

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
Assessments	1,063,608	1,043,610	19,998	2%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
Total Funding	1,063,608	1,043,610	19,998	
Expenses				
Personnel Expenses				
Salaries	589,629	432,523	157,106	36% Successfully recruited senior technical expertise at higher than budget
Payroll Taxes	36,714	27,836	8,878	32% Greater overall salaries resulted in higher payroll taxes
Employee Benefits	88,962	84,552	4,410	5%
Savings & Retirement	81,426	43,750	37,676	86% Pension supplemented due to increased liabilities
Total Personnel Expenses	796,731	588,661	208,070	
Meeting Expenses				
Meetings	25,192	20,250	4,942	24% Greater number of meetings than budgeted
Travel	81,517	81,250	267	0%
Conference Calls	5,505	5,625	(120)	-2%
Total Meeting Expenses	112,214	107,125	5,089	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	154,557	100,000	54,557	55% Expanded scope for preseasonal and long-term reliability assessments
Consultants	118,221	247,824	(129,603)	-52% Deferral in 2009 Business Plan of tie benefits and long range resource adequacy assessments resulted in reduction in consultant efforts in later 2008
Office Costs	-	-	-	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Total Operating Expenses	272,778	347,824	(75,046)	
Total Expenses	1,181,723	1,043,610	138,113	
Net Change in Assets	(118,115)	-	(118,115)	

NPCC
2008 Income Statement Summary
Training and Education

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
Assessments	123,084	120,770	2,314	2%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
Total Funding	<u>123,084</u>	<u>120,770</u>	<u>2,314</u>	
Expenses				
Personnel Expenses				
Salaries	79,803	71,641	8,162	11% Re-allocation of more senior level staff
Payroll Taxes	4,966	4,379	587	13% Higher salary of more senior staff member resulted in higher payroll taxes
Employee Benefits	12,427	12,079	348	3%
Savings & Retirement	9,859	6,250	3,609	58% Pension supplemented due to increased liabilities
Total Personnel Expenses	<u>107,055</u>	<u>94,348</u>	<u>12,707</u>	
Meeting Expenses				
Meetings	1,926	2,893	(967)	-33% Effective cost cutting in meetings and meeting support
Travel	11,521	11,607	(86)	-1%
Conference Calls	788	804	(16)	-2%
Total Meeting Expenses	<u>14,235</u>	<u>15,304</u>	<u>(1,069)</u>	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	9,400	11,118	(1,718)	-15% Industry Support was lower than anticipated
Office Costs	-	-	-	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>9,400</u>	<u>11,118</u>	<u>(1,718)</u>	
Total Expenses	<u>130,690</u>	<u>120,770</u>	<u>9,920</u>	
Net Change in Assets	<u>(7,606)</u>	<u>-</u>	<u>(7,606)</u>	

NPCC
2008 Income Statement Summary
Situation Awareness and Infrastructure Security

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
Assessments	268,373	263,328	5,045	2%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
Total Funding	268,373	263,328	5,045	
Expenses				
Personnel Expenses				
Salaries	185,413	142,582	42,831	30% Re-allocation of more senior level stff
Payroll Taxes	11,548	8,746	2,802	32% Higher overall salaries resulted in higher payroll taxes
Employee Benefits	25,666	24,158	1,508	6%
Savings & Retirement	25,961	12,500	13,461	108% Pension supplemented due to increased liabilities
Total Personnel Expenses	248,588	187,985	60,603	
Meeting Expenses				
Meetings	30,438	5,786	24,652	426% Greater number of meetings than budgeted
Travel	41,006	23,214	17,792	77% Higher airfare and hotel costs than budgeted
Conference Calls	1,572	1,607	(35)	-2%
Total Meeting Expenses	73,016	30,607	42,409	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	22,989	22,500	489	2%
Consultants	22,668	22,235	433	2%
Office Costs	-	-	-	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Total Operating Expenses	45,657	44,735	922	
Total Expenses	367,261	263,328	103,934	
Net Change in Assets	(98,888)	-	(98,888)	

NPCC
2008 Income Statement Summary
Committees and Member Forums

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
Assessments	72,786	71,417	1,369	2%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
Total Funding	<u>72,786</u>	<u>71,417</u>	<u>1,369</u>	
Expenses				
Personnel Expenses				
Salaries	19,521	57,563	(38,042)	-66% Re-assignment of function to junior, non-technical personnel
Payroll Taxes	1,202	2,856	(1,654)	-58% More junior staff resulted in lower payroll taxes
Employee Benefits	5,579	7,247	(1,668)	-23% Health coverage status changed
Savings & Retirement	7,890	3,750	4,140	110% Pension supplemented due to increased liabilities
Total Personnel Expenses	<u>34,192</u>	<u>71,417</u>	<u>(37,225)</u>	
Meeting Expenses				
Meetings	-	-	-	
Travel	-	-	-	
Conference Calls	-	-	-	
Total Meeting Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	-	-	-	
Office Costs	-	-	-	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses	<u>34,192</u>	<u>71,417</u>	<u>(37,225)</u>	
Net Change in Assets	<u>38,594</u>	<u>-</u>	<u>38,594</u>	

NPCC
2008 Income Statement Summary
General and Administrative

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
Assessments	2,571,550	2,523,199	48,351	2%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	37,508	-	37,508	Interest not budgeted for
Misc.	-	-	-	
Total Funding	<u>2,609,058</u>	<u>2,523,199</u>	<u>85,859</u>	
Expenses				
Personnel Expenses				
Salaries	609,587	594,072	15,515	3%
Payroll Taxes	37,916	21,694	16,222	A budget model deficiency resulted in an underbudgeting of Payroll Taxes in the G&A 75% function.
Employee Benefits	101,787	89,383	12,404	A budget model deficiency resulted in an underbudgeting of Employee Benefits in the 14% G&A function.
Savings & Retirement	64,980	46,250	18,730	40% Pension supplemented due to increased liabilities
Total Personnel Expenses	<u>814,270</u>	<u>751,400</u>	<u>62,870</u>	
Meeting Expenses				
Meetings	90,442	47,443	42,999	91% NPCC hosted more meetings on-site than budgeted
Travel	121,429	190,357	(68,928)	-36% More on-site meetings reduced NPCC's travel expenditures
Conference Calls	12,901	13,179	(278)	-2%
Total Meeting Expenses	<u>224,772</u>	<u>250,979</u>	<u>(26,207)</u>	
Operating Expenses				
Rent & Improvements	196,236	297,000	(100,764)	-34% Full real estate tax escalations have been realized to the extent predictable, but any unforeseen billings could be pulled back into 2008 if deemed material
Contracts	46,129	55,800	(9,671)	-17% Effective deployment of in-house staff reduced need for independent contractor
Consultants	41,965	90,000	(48,035)	-53% Effective deployment of in-house staff reduced consulting
Office Costs	244,783	336,870	(92,087)	-27% NPCC has incurred significantly less than budgeted expenses to accommodate and support its recent hires, reconfiguring and sharing resources where possible in light of the ensuing 2009 office relocation
Professional Services	587,482	686,700	(99,218)	-14% While accounting and auditing fees were much higher along with increases in commercial insurances, decreased legal expenditures drove total costs to be under budget
Computer Purchase & Maint.	-	9,000	(9,000)	-100% Judicious use of existing computer hardware and peripherals
Furniture & Equipment	125,743	45,450	80,293	177% Reprioritizations or underbudgeted program area needs within the budget are funded through the Contingency account. NPCC has eliminated Contingency funding for future budgets and will fund unbudgeted approved expenditures from the operating cash reserves
Total Operating Expenses	<u>1,242,338</u>	<u>1,520,820</u>	<u>(278,482)</u>	
Total Expenses	<u>2,281,380</u>	<u>2,523,199</u>	<u>(241,819)</u>	
Net Change in Assets	<u>327,678</u>	<u>-</u>	<u>327,678</u>	

NPCC
2008 Income Statement Summary
Legal and Regulatory

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
Assessments	-	-	-	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
Total Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	-	-	-	
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings	-	-	-	
Travel	-	-	-	
Conference Calls	-	-	-	
Total Meeting Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	-	-	-	
Office Costs	-	-	-	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Net Change in Assets	<u>-</u>	<u>-</u>	<u>-</u>	

*NPCC budgeted expenses for outside legal counsel under
Professional Services in the General and Administrative account*

NPCC
2008 Income Statement Summary
Information Technology

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
Assessments	269,434	264,368	5,066	2%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
Total Funding	<u>269,434</u>	<u>264,368</u>	<u>5,066</u>	
Expenses				
Personnel Expenses				
Salaries	227,264	184,410	42,854	23% Re-allocation of more senior level staff
Payroll Taxes	14,130	13,974	156	1%
Employee Benefits	40,768	43,484	(2,716)	-6%
Savings & Retirement	48,492	22,500	25,992	116% Pension supplemented due to increased liabilities
Total Personnel Expenses	<u>330,654</u>	<u>264,368</u>	<u>66,286</u>	
Meeting Expenses				
Meetings	-	-	-	
Travel	-	-	-	
Conference Calls	-	-	-	
Total Meeting Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	-	-	-	
Office Costs	-	-	-	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses	<u>330,654</u>	<u>264,368</u>	<u>66,286</u>	
Net Change in Assets	<u>(61,220)</u>	<u>-</u>	<u>(61,220)</u>	

NPCC
2008 Income Statement Summary
Human Resources

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
Assessments	35,088	34,428	660	2%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
Total Funding	<u>35,088</u>	<u>34,428</u>	<u>660</u>	
Expenses				
Personnel Expenses				
Salaries	24,165	21,510	2,655	12% Mid-year promotion of staff member resulted in higher than budgeted salaries
Payroll Taxes	1,498	1,920	(422)	-22% non-material
Employee Benefits	5,890	7,247	(1,357)	-19% non-material
Savings & Retirement	8,361	3,750	4,611	123% Pension supplemented due to increased liabilities
Total Personnel Expenses	<u>39,914</u>	<u>34,428</u>	<u>5,486</u>	
Meeting Expenses				
Meetings	-	-	-	
Travel	-	-	-	
Conference Calls	-	-	-	
Total Meeting Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	-	-	-	
Office Costs	-	-	-	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses	<u>39,914</u>	<u>34,428</u>	<u>5,486</u>	
Net Change in Assets	<u>(4,826)</u>	-	<u>(4,826)</u>	

NPCC
2008 Income Statement Summary
Accounting and Finance

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
Assessments	171,209	167,990	3,219	2%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
Total Funding	<u>171,209</u>	<u>167,990</u>	<u>3,219</u>	
Expenses				
Personnel Expenses				
Salaries	122,744	83,159	39,585	48% Mid-year promotion of staff member resulted in higher than budgeted salaries
Payroll Taxes	7,587	7,850	(263)	-3%
Employee Benefits	38,216	50,731	(12,515)	-25% Health coverage status changed
Savings & Retirement	36,107	26,250	9,857	38% Pension supplemented due to increased liabilities
Total Personnel Expenses	<u>204,654</u>	<u>167,990</u>	<u>36,664</u>	
Meeting Expenses				
Meetings	-	-	-	
Travel	-	-	-	
Conference Calls	-	-	-	
Total Meeting Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	-	-	-	
Office Costs	-	-	-	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses	<u>204,654</u>	<u>167,990</u>	<u>36,664</u>	
Net Change in Assets	<u>(33,445)</u>	<u>-</u>	<u>(33,445)</u>	

NPCC
2008 Income Statement Summary
Criteria Services Division Only

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
Assessments	-	-	-
Membership Fees & Non-Stat Assessments	655,654	672,056	(16,402)
Testing	-	-	-
Services & Software	-	-	-
Interest	4,168	-	4,168
Misc.	-	-	-
Total Funding	<u>659,822</u>	<u>672,056</u>	<u>(12,234)</u>
Expenses			
Personnel Expenses			
Salaries	226,444	219,717	6,727
Payroll Taxes	14,031	13,017	1,014
Employee Benefits	60,595	67,642	(7,047)
Savings & Retirement	55,139	35,000	20,139
Total Personnel Expenses	<u>356,209</u>	<u>335,376</u>	<u>20,833</u>
Meeting Expenses			
Meetings	9,850	16,200	(6,350)
Travel	34,260	65,000	(30,740)
Conference Calls	4,293	4,500	(207)
Total Meeting Expenses	<u>48,403</u>	<u>85,700</u>	<u>(37,297)</u>
Operating Expenses			
Rent & Improvements	20,148	33,000	(12,852)
Contracts	15,788	16,200	(412)
Consultants	42,522	52,000	(9,478)
Office Costs	29,356	37,430	(8,074)
Professional Services	58,668	76,300	(17,632)
Computer Purchase & Maint.	-	1,000	(1,000)
Furniture & Equipment	12,187	35,050	(22,863)
Total Operating Expenses	<u>178,669</u>	<u>250,980</u>	<u>(72,311)</u>
Total Expenses	<u>583,281</u>	<u>672,056</u>	<u>(88,775)</u>
Net Change in Assets	<u>76,541</u>	-	<u>76,541</u>

ATTACHMENT 5

2008 ACTUAL COST-TO-BUDGET COMPARISON

FOR

RELIABILITYFIRST CORPORATION



North American Electric Reliability Corporation
116-390 Village Blvd.
Princeton, NJ 08540-5721
Attention: Bruce Walenczyk – NERC

Subject: April 1, 2009 True-up Compliance Filing

Dear Mr. Walenczyk:

As requested:

1. ReliabilityFirst Corporation 2008 Statement of Activities (Attached).
2. Significant variances explained at the statutory level (see below).

Significant Variances:

ReliabilityFirst under spent its 2008 budget by \$81,135 resulting in a 1% variance. Although the overall variance is minimal, we experienced large swings within various expense categories; 2008 was a year of significant change and uncertainty for all regional entities. The major contributors were the uncertainty of legal services to support compliance activities, development and implementation of the compliance software and hardware and travel expenses. 2008 was the first year that ReliabilityFirst received a penalty sanction of \$180,000 which will not be applied until 2010.

Personnel Expenses:

The 2008 budget was created assuming ReliabilityFirst would be fully staffed with 34 FTEs for the entire year which did not happen until mid August. However, the company ended the year with 38 FTEs. During the 3rd and 4th quarters, the Board of Directors approved 5 additional new hires for the Compliance Department to better keep pace with the workload. Four (4) of these positions were ultimately filled by year's end. As a result, personnel expenses ended the year near budgeted levels (6% under) with the exception of Employee Benefits. Employee Benefits ended the year \$293K under which includes \$107k of underutilized employee education reimbursement, \$130k for medical benefits that cost less than expected and \$70k of vacation monies not used.

Meeting Expenses:

Meeting, Travel and Conference Calls are accounted for in Meeting Expenses. ReliabilityFirst ended the year with an under spend of \$657,617 (47% under budgeted levels). When the 2008 budget was prepared, it was anticipated that ReliabilityFirst would host more meetings and incur more travel than actually experienced. Conference call costs were reduced by the implementation of new office VOIP and virtual meeting capabilities; this gives our employees the ability to collaborate without the need for travel.

Operating Expenses:

Total Operating Expenses ended the year over budget by \$900,067 or 35% over.

- **Contract & Consultants** (\$170,779 over budget or 31% over).
Contractor use became necessary until permanent staff were hired in preparation, supporting and documenting our compliance audits.
- **Professional Services** (\$305,796 under budget or 28% under).
The line item represents Legal Services that were budgeted to support compliance violation hearings and settlements. Fortunately, there were no major challenges to the enforcement process



in 2008. This particular line item will always be difficult to forecast and manage due to the uncertainty of these challenges. A few years of history will be needed to provide a reasonable baseline.

- **Computer Purchase and Maintenance** (\$1,023,878 over budget or 321% over).
ReliabilityFirst entered into a contract for the development and delivery of a Data / Document Management & System Interface (DMSI) application. The application is used to increase the efficiency and effectiveness of the registered entity-region compliance interface, document tracking, electronic storage and court docket tracking for compliance purposes, and to improve the efficiency of all other delegated functions. The DMSI Project takes place 2008 through 2009. It will be implemented in three phases. The first phase is the base system to support the oversight of compliance activities of the registered entities. The second phase is the definition and pilot of docket/document management system to support compliance informational needs. The third phase will be implemented March, 2009 (defined as essential in the second phase). The DMSI project was not included in the 2008 budget due to the timing of the budget cycle, but \$1.5M was later approved by the Board. Two thirds of the project was completed in 2008 with the remaining to be completed in 2009.
- **Furniture and Equipment** (\$19,352 under budget or 39% under).
The budget was created before ReliabilityFirst moved into its new offices and anticipated more purchases of office furniture and equipment than what was incurred.
- **Miscellaneous** (\$6,204 over budget or 41% over).
The 2008 budget did not anticipate the purchase and maintenance of office decorations.

Cash Reserves Statement:

No Cash Reserves were used by ReliabilityFirst Corporation in 2008.

Non-Statutory Activities:

ReliabilityFirst Corporation did not perform any non-statutory activities in 2008.

Allocation Methodology:

Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center. We allocate payroll taxes as a proportion to labor dollars.

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

Sincerely,

Jack A Istvan

Jack A. Istvan
CFO/Treasurer

ReliabilityFirst Corporation
2008 Statement of Activities

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
Assessments	9,584,256	9,584,256	-
Membership Fees & Non-Stat Assessments	4,000	-	4,000
Testing	-	-	-
Services & Software	-	-	-
Interest	74,113	80,000	(5,887)
Investment	172,194	-	172,194
Misc.	-	-	-
Sub-Total Funding	<u>9,834,563</u>	<u>9,664,256</u>	<u>170,307</u>
Funds Not Available for 2008	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Total Funding	<u>10,014,563</u>	<u>9,664,256</u>	<u>350,307</u>
Expenses			
Personnel Expenses			
Salaries	4,178,769	4,152,535	26,234
Payroll Taxes	261,257	286,746	(25,489)
Employee Benefits	349,002	642,443	(293,441)
Savings & Retirement	607,706	638,595	(30,889)
Total Personnel Expenses	<u>5,396,734</u>	<u>5,720,319</u>	<u>(323,585)</u>
Meeting Expenses			
Meetings	259,670	367,685	(108,015)
Travel	477,223	990,800	(513,577)
Conference Calls	16,207	52,232	(36,025)
Total Meeting Expenses	<u>753,100</u>	<u>1,410,717</u>	<u>(657,617)</u>
Operating Expenses			
Rent & Improvements	289,972	270,000	19,972
Contracts	698,309	527,530	170,779
Consultants	-	-	-
Office Costs	251,352	246,970	4,382
Professional Services	798,554	1,104,350	(305,796)
Computer Purchase & Maint.	1,343,243	319,365	1,023,878
Furniture & Equipment	30,648	50,000	(19,352)
Miscellaneous	21,204	15,000	6,204
Total Operating Expenses	<u>3,433,282</u>	<u>2,533,215</u>	<u>900,067</u>
Total Expenses	<u>9,583,116</u>	<u>9,664,251</u>	<u>(81,135)</u>
Net Change in Assets	<u>431,447</u>	<u>5</u>	<u>431,442</u>

ReliabilityFirst Corporation
2008 Statement of Activities
Statutory Only

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
Assessments	9,584,256	9,584,256	-
Membership Fees & Non-Stat Assessments	4,000	-	4,000
Testing	-	-	-
Services & Software	-	-	-
Interest	74,113	80,000	(5,887)
Investment	172,194	-	172,194
Misc.	-	-	-
Sub-Total Funding	<u>9,834,563</u>	<u>9,664,256</u>	<u>170,307</u>
Funds Not Available for 2008	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Total Funding	<u>10,014,563</u>	<u>9,664,256</u>	<u>350,307</u>
Expenses			
Personnel Expenses			
Salaries	4,178,769	4,152,535	26,234
Payroll Taxes	261,257	286,746	(25,489)
Employee Benefits	349,002	642,443	(293,441)
Savings & Retirement	607,706	638,595	(30,889)
Total Personnel Expenses	<u>5,396,734</u>	<u>5,720,319</u>	<u>(323,585)</u>
Meeting Expenses			
Meetings	259,670	367,685	(108,015)
Travel	477,223	990,800	(513,577)
Conference Calls	16,207	52,232	(36,025)
Total Meeting Expenses	<u>753,100</u>	<u>1,410,717</u>	<u>(657,617)</u>
Operating Expenses			
Rent & Improvements	289,972	270,000	19,972
Contracts	698,309	527,530	170,779
Consultants	-	-	-
Office Costs	251,352	246,970	4,382
Professional Services	798,554	1,104,350	(305,796)
Computer Purchase & Maint.	1,343,243	319,365	1,023,878
Furniture & Equipment	30,648	50,000	(19,352)
Miscellaneous	21,204	15,000	6,204
Total Operating Expenses	<u>3,433,282</u>	<u>2,533,215</u>	<u>900,067</u>
Total Expenses	<u>9,583,116</u>	<u>9,664,251</u>	<u>(81,135)</u>
Net Change in Assets	<u>431,447</u>	<u>5</u>	<u>431,442</u>

ReliabilityFirst Corporation
2008 Statement of Activities
Reliability Standards

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	951,930	951,930	-	0.00%	
Membership Fees & Non-Stat Assessments			-		
Testing			-		
Services & Software			-		
Interest	6,738	7,273	(535)	-7.36%	
Investment			-		
Misc.			-		
Sub-Total Funding	<u>958,668</u>	<u>959,203</u>	<u>(535)</u>		
Funds Not Available for 2008					
Total Funding	<u>958,668</u>	<u>959,203</u>	<u>(535)</u>		
Expenses					
Personnel Expenses					
Salaries	318,596	278,026	40,570	14.59%	ReliabilityFirst has found it necessary for increases in compensation in order to retain the qualified technical staff already in its employ.
Payroll Taxes	19,919	17,360	2,559	14.74%	Direct Correlation to Salaries
Employee Benefits	24,092	32,018	(7,926)	-24.75%	Employee Benefits in total ended the year \$293K under which includes \$107k of underutilized employee education reimbursement, \$130k for medical benefits that cost less than expected and \$70k of vacation monies not used. This explanation is consistent throughout all programs.
Savings & Retirement	43,982	42,636	1,346	3.16%	
Total Personnel Expenses	<u>406,589</u>	<u>370,040</u>	<u>36,549</u>		
Meeting Expenses					
Meetings	25,938	115,200	(89,262)	-77.48%	When the 2008 budget was prepared, it was anticipated that ReliabilityFirst would host more meetings than actually experienced. With the implementation of the Voice over IP, we were able to host more meetings via web instead of holding face to face meetings, which kept travel and meeting costs down.
Travel	39,226	124,860	(85,634)	-68.58%	When the 2008 budget was prepared, it was anticipated that ReliabilityFirst would host more meetings than actually experienced. With the implementation of the Voice over IP, we were able to host more meetings via web instead of holding face to face meetings, which kept travel and meeting costs down.
Conference Calls	1,113	15,372	(14,259)	-92.76%	Conference calls were reduced by the implementation of new office VOIP and virtual meeting capabilities; this gives our employees the ability to collaborate without the need for travel.
Total Meeting Expenses	<u>66,277</u>	<u>255,432</u>	<u>(189,155)</u>		
Operating Expenses					
Rent & Improvements			-		
Contracts			-		
Consultants			-		
Office Costs			-		
Professional Services			-		
Computer Purchase & Maint.			-		
Furniture & Equipment			-		
Miscellaneous			-		
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Total Expenses	<u>472,866</u>	<u>625,472</u>	<u>(152,606)</u>		
Net Change in Assets	<u>485,802</u>	<u>333,731</u>	<u>152,071</u>		

ReliabilityFirst Corporation
2008 Statement of Activities
Compliance and Organization Registration and Certification

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	5,346,620	5,346,620	-	0.00%	
Membership Fees & Non-Stat Assessments			-		
Testing			-		
Services & Software			-		
Interest	40,425	43,636	(3,211)	-7.36%	
Investment			-		
Misc.			-		
Sub-Total Funding	<u>5,387,045</u>	<u>5,390,256</u>	<u>(3,211)</u>		
Funds Not Available for 2008					
Total Funding	<u>5,387,045</u>	<u>5,390,256</u>	<u>(3,211)</u>		
Expenses					
Personnel Expenses					
					During the 3 rd and 4 th quarters, the Board of Directors approved 5 additional new hires for the Compliance Department. Four (4) of these positions were ultimately filled. Partially offset by not filling all positions in same time frame as budgeted. As a result, salaries ended the year over budget.
Salaries	1,755,379	1,506,984	248,395	16.48%	
Payroll Taxes	109,746	101,825	7,921	7.78%	
Employee Benefits	132,613	216,555	(83,942)	-38.76%	See comment within Standards Program
Savings & Retirement	252,627	231,642	20,985	9.06%	
Total Personnel Expenses	<u>2,250,365</u>	<u>2,057,006</u>	<u>193,359</u>		
Meeting Expenses					
Meetings	16,479	41,600	(25,121)	-60.39%	See comment within Standards Program
Travel	261,190	452,502	(191,312)	-42.28%	See comment within Standards Program
Conference Calls	8,386	9,540	(1,154)	-12.10%	See comment within Standards Program
Total Meeting Expenses	<u>286,055</u>	<u>503,642</u>	<u>(217,587)</u>		
Operating Expenses					
Rent & Improvements			-		
					Contractor use became necessary until permanent staff was hired in preparation, supporting and documenting our Audits.
Contracts	498,156	313,530	184,626	58.89%	
Consultants			-		
Office Costs	2,368	13,700	(11,332)	-82.72%	Professional dues and Publications expenses were less than budgeted The line item represents Legal Services that were anticipated to support compliance violation hearings and settlement. Fortunately, there were no major challenges to the enforcement process in 2008. This particular line item will always be difficult to forecast and manage due to the uncertainty of these challenges. A few years of history will be needed to provide a reasonable baseline.
Professional Services	180,299	500,000	(319,701)	-63.94%	
Computer Purchase & Maint.			-		
Furniture & Equipment			-		
Miscellaneous			-		
Total Operating Expenses	<u>680,823</u>	<u>827,230</u>	<u>(146,407)</u>		
Total Expenses	<u>3,217,243</u>	<u>3,387,878</u>	<u>(170,635)</u>		
Net Change in Assets	<u>2,169,802</u>	<u>2,002,378</u>	<u>167,424</u>		

ReliabilityFirst Corporation
2008 Statement of Activities
Reliability Readiness Evaluation and Improvement

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	369,055	369,055	-	0.00%	
Membership Fees & Non-Stat Assessments	-	-	-		
Testing	-	-	-		
Services & Software	-	-	-		
Interest	3,368	3,636	(268)	-7.36%	
Investment	-	-	-		
Misc.	-	-	-		
Sub-Total Funding	<u>372,423</u>	<u>372,691</u>	<u>(268)</u>		
Funds Not Available for 2008	-	-	-		
Total Funding	<u>372,423</u>	<u>372,691</u>	<u>(268)</u>		
Expenses					
Personnel Expenses					
Salaries	33,201	125,582	(92,381)	-73.56%	A reduced set of Evaluations took place than originally budgeted.
Payroll Taxes	2,076	8,485	(6,409)	-75.54%	A reduced set of Evaluations took place than originally budgeted.
Employee Benefits	-	14,746	(14,746)	-100.00%	A reduced set of Evaluations took place than originally budgeted.
Savings & Retirement	-	19,303	(19,303)	-100.00%	A reduced set of Evaluations took place than originally budgeted.
Total Personnel Expenses	<u>35,277</u>	<u>168,116</u>	<u>(132,839)</u>		
Meeting Expenses					
Meetings	-	-	-		
Travel	18,556	37,708	(19,152)	-50.79%	A reduced set of Evaluations took place than originally budgeted.
Conference Calls	-	-	-		
Total Meeting Expenses	<u>18,556</u>	<u>37,708</u>	<u>(19,152)</u>		
Operating Expenses					
Rent & Improvements	-	-	-		
Contracts	-	-	-		
Consultants	-	-	-		
Office Costs	-	-	-		
Professional Services	-	-	-		
Computer Purchase & Maint.	-	-	-		
Furniture & Equipment	-	-	-		
Miscellaneous	-	-	-		
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Total Expenses	<u>53,833</u>	<u>205,824</u>	<u>(151,991)</u>		
Net Change in Assets	<u>318,591</u>	<u>166,867</u>	<u>151,724</u>		

ReliabilityFirst Corporation
2008 Statement of Activities
Reliability Assessment and Performance Analysis

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	2,420,558	2,420,558	-	0.00%	
Membership Fees & Non-Stat Assessments			-		
Testing			-		
Services & Software			-		
Interest	20,213	21,818	(1,605)	-7.36%	
Investment			-		
Misc.			-		
Sub-Total Funding	<u>2,440,771</u>	<u>2,442,376</u>	<u>(1,605)</u>		
Funds Not Available for 2008					
Total Funding	<u>2,440,771</u>	<u>2,442,376</u>	<u>(1,605)</u>		
Expenses					
Personnel Expenses					
Salaries	618,010	738,771	(120,761)	-16.35%	Resources are shared between Assessments and Forums. The actual time spent was different than budgeted.
Payroll Taxes	38,638	50,699	(12,061)	-23.79%	Resources are shared between Assessments and Forums. The actual time spent was different than budgeted.
Employee Benefits	62,051	98,559	(36,508)	-37.04%	See comment within Standards Program
Savings & Retirement	93,950	113,777	(19,827)	-17.43%	Resources are shared between Assessments and Forums. The actual time spent was different than budgeted.
Total Personnel Expenses	<u>812,649</u>	<u>1,001,806</u>	<u>(189,157)</u>		
Meeting Expenses					
Meetings	25,146	62,612	(37,466)	-59.84%	See comment within Standards Program
Travel	50,557	165,653	(115,096)	-69.48%	See comment within Standards Program
Conference Calls	1,004	14,739	(13,735)	-93.19%	See comment within Standards Program
Total Meeting Expenses	<u>76,707</u>	<u>243,004</u>	<u>(166,297)</u>		
Operating Expenses					
Rent & Improvements			-		Some funds are budgeted in the case they are needed for unforeseen reliability type studies, such as a request from NERC for a scenario assessment, the RFC Board, or other request to perform a reliability study. For example, RFC is required to perform a UFLS study every five years and these funds would be used for similar studies or consultant work.
Contracts	120,850	175,000	(54,150)	-30.94%	
Consultants			-		
Office Costs	206	21,376	(21,170)	-99.04%	Publishing various external reports internally instead of contracting outside
Professional Services			-		
Computer Purchase & Maint.			-		
Furniture & Equipment			-		
Miscellaneous			-		
Total Operating Expenses	<u>121,056</u>	<u>196,376</u>	<u>(75,320)</u>		
Total Expenses	<u>1,010,412</u>	<u>1,441,186</u>	<u>(430,774)</u>		
Net Change in Assets	<u>1,430,359</u>	<u>1,001,190</u>	<u>429,169</u>		

ReliabilityFirst Corporation
2008 Statement of Activities
Training and Education

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	130,433	130,433	-	0.00%	
Membership Fees & Non-Stat Assessments			-		
Testing			-		
Services & Software			-		
Interest	843	910	(67)	-7.36%	
Investment			-		
Misc.			-		
Sub-Total Funding			-		
Funds Not Available for 2008			-		
Total Funding	-	-	-		
Expenses					
Personnel Expenses					
Salaries	13,997	41,326	(27,329)	-66.13%	The same personnel provided support for Training & Education and Situation Awareness. Adding the Salaries of both programs together will negate the variance. The actual hours incurred were different than what was budgeted which caused the variance.
Payroll Taxes	875	2,265	(1,390)	-61.36%	See Salaries
Employee Benefits	284	3,725	(3,441)	-92.38%	See comment within Standards Program
Savings & Retirement	1,555	6,315	(4,760)	-75.38%	See Salaries
Total Personnel Expenses	16,711	53,631	(36,920)		
Meeting Expenses					
Meetings	98,915	31,900	67,015	210.08%	ReliabilityFirst sponsored more compliance workshops than budgeted and also established a registered entity compliance forum to enable these entities to share compliance experiences. These proactive moves are aimed at reducing potential violations before they occur.
Travel		4,095	(4,095)	-100.00%	See comment within Standards Program
Conference Calls			-		
Total Meeting Expenses	98,915	35,995	62,920		
Operating Expenses					
Rent & Improvements			-		
Contracts			-		
Consultants			-		
Office Costs			-		
Professional Services			-		
Computer Purchase & Maint.			-		
Furniture & Equipment			-		
Miscellaneous			-		
Total Operating Expenses	-	-	-		
Total Expenses	115,626	89,626	26,000		
Net Change in Assets	(115,626)	(89,626)	(26,000)		

ReliabilityFirst Corporation
2008 Statement of Activities
Situational Awareness and Infrastructure Security

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	365,660	365,660	-	0.00%	
Membership Fees & Non-Stat Assessments			-		
Testing			-		
Services & Software			-		
Interest	2,526	2,727	(201)	-7.36%	
Investment			-		
Misc.			-		
Sub-Total Funding	<u>368,186</u>	<u>368,387</u>	<u>(201)</u>		
Funds Not Available for 2008					
Total Funding	<u>368,186</u>	<u>368,387</u>	<u>(201)</u>		
Expenses					
Personnel Expenses					
Salaries	152,669	123,977	28,692	23.14%	See comment within Training & Education
Payroll Taxes	9,545	6,796	2,749	40.45%	See comment within Training & Education
Employee Benefits	5,371	20,425	(15,054)	-73.70%	See comment within Standards Program
Savings & Retirement	<u>24,875</u>	<u>18,946</u>	<u>5,929</u>	<u>31.29%</u>	<u>See comment within Training & Education</u>
Total Personnel Expenses	<u>192,460</u>	<u>170,144</u>	<u>22,316</u>		
Meeting Expenses					
Meetings	11,942	48,600	(36,658)	-75.43%	See comment within Standards Program
Travel	31,145	24,015	7,130	29.69%	Travel is over budget due to increased support of NERC's Critical Infrastructure Protection (CIP) effort.
Conference Calls	4,542	480	4,062	846.25%	Conference Calls is over budget due to increased support of NERC's Critical Infrastructure Protection (CIP) effort.
Total Meeting Expenses	<u>47,629</u>	<u>73,095</u>	<u>(25,466)</u>		
Operating Expenses					
Rent & Improvements			-		
Contracts			-		
Consultants			-		
Office Costs			-		
Professional Services			-		
Computer Purchase & Maint.			-		
Furniture & Equipment			-		
Miscellaneous			-		
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Total Expenses	<u>240,089</u>	<u>243,239</u>	<u>(3,150)</u>		
Net Change in Assets	<u>128,097</u>	<u>125,148</u>	<u>2,949</u>		

ReliabilityFirst Corporation
2008 Statement of Activities
Committees and Member Forums

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments			-		
Membership Fees & Non-Stat Assessments			-		
Testing			-		
Services & Software			-		
Interest			-		
Investment			-		
Misc.			-		
Sub-Total Funding	-	-	-		
Funds Not Available for 2008					
Total Funding	-	-	-		
Expenses					
Personnel Expenses					
Salaries	324,635	307,821	16,814	5.46%	
Payroll Taxes	20,296	21,125	(829)	-3.92%	
Employee Benefits	22,812	41,066	(18,254)	-44.45%	See comment within Standards Program
Savings & Retirement	53,480	47,407	6,073	12.81%	Assessments and Forums. Savings and Retirement are directly related to Salaries. The actual time spent was different than budgeted.
Total Personnel Expenses	421,223	417,419	3,804	0.91%	
Meeting Expenses					
Meetings	23,324	26,088	(2,764)	-10.59%	See comment within Standards Program
Travel	35,797	69,022	(33,225)	-48.14%	See comment within Standards Program
Conference Calls	1,004	6,141	(5,137)	-83.65%	See comment within Standards Program
Total Meeting Expenses	60,125	101,251	(41,126)	-40.62%	
Operating Expenses					
Rent & Improvements			-		
Contracts			-		
Consultants			-		
Office Costs	20	4,824	(4,804)	-99.59%	Less funds used for professional dues, subscriptions and publications than anticipated
Professional Services			-		
Computer Purchase & Maint.			-		
Furniture & Equipment			-		
Miscellaneous			-		
Total Operating Expenses	20	4,824	(4,804)		
Total Expenses	481,368	523,494	(42,126)		
Net Change in Assets	(481,368)	(523,494)	42,126		

ReliabilityFirst Corporation
2008 Statement of Activities
General and Administrative

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments			-		
Membership Fees & Non-Stat Assessments	4,000	-	4,000		This represents membership fees collected that are not a budgeted item.
Testing			-		
Services & Software			-		
Interest			-		
Investment	172,194	-	172,194		This represents unrealized appreciations on the long term investment that is associated with cash reserve, penalty sanctions collected and prior year under spend.
Misc.			-		
Sub-Total Funding	<u>176,194</u>	<u>-</u>	<u>176,194</u>		
Funds Not Available for 2008	<u>180,000</u>	<u>-</u>	<u>180,000</u>		This represents a penalty sanction which will not be applied until 2010.
Total Funding	<u>356,194</u>	<u>-</u>	<u>356,194</u>		
Expenses					
Personnel Expenses					
Salaries	436,687	357,355	79,332	22.20%	This reflects the cost of retaining experienced, qualified employees necessary to lead the organization. Also, some executive benefits were not properly budgeted when the 2008 budget was developed in March 2007.
Payroll Taxes	27,302	18,453	8,849	47.95%	See comment above
Employee Benefits	41,268	89,302	(48,034)	-53.79%	See comment within Standards Program
Savings & Retirement	55,743	53,936	1,807	3.35%	
Total Personnel Expenses	<u>561,000</u>	<u>519,046</u>	<u>41,954</u>	8.08%	
Meeting Expenses					
Meetings	57,435	41,685	15,750	37.78%	Staff and Board Meetings expenditures were higher than budgeted
Travel	26,784	73,755	(46,971)	-63.69%	See comment within Standards Program
Conference Calls	158	5,720	(5,562)	-97.24%	See comment within Standards Program
Total Meeting Expenses	<u>84,377</u>	<u>121,160</u>	<u>(36,783)</u>	-30.36%	
Operating Expenses					
Rent & Improvements	289,972	270,000	19,972	7.40%	
Contracts	42,563	39,000	3,563	9.14%	
Consultants			-		
Office Costs	93,490	49,170	44,320	90.14%	The 2008 budget did not anticipate the build out of 4 compliance offices (due to the additional employees hired).
Professional Services	618,255	604,350	13,905	2.30%	
Computer Purchase & Maint.			-		
Furniture & Equipment	30,648	50,000	(19,352)	-38.70%	Budget was created before ReliabilityFirst moved into its new offices and it anticipated more purchases of office furniture and equipment than what was incurred.
Miscellaneous	21,204	15,000	6,204	41.36%	The 2008 budget did not anticipate the purchase and maintenance of office decorations.
Total Operating Expenses	<u>1,096,132</u>	<u>1,027,520</u>	<u>68,612</u>	6.68%	
Total Expenses	<u>1,741,509</u>	<u>1,667,726</u>	<u>73,783</u>	4.42%	
Net Change in Assets	<u>(1,565,315)</u>	<u>(1,667,726)</u>	<u>102,411</u>	-6.14%	

ReliabilityFirst Corporation
2008 Statement of Activities
Legal and Regulatory

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	-			
Membership Fees & Non-Stat Assessments	-			
Testing	-			
Services & Software	-			
Interest	-			
Investment	-			
Misc.	-			
Sub-Total Funding	-	-	-	
Funds Not Available for 2008				
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	-			
Payroll Taxes	-			
Employee Benefits	-			
Savings & Retirement	-			
Total Personnel Expenses	-	-	-	
Meeting Expenses				
Meetings	-			
Travel	-			
Conference Calls	-			
Total Meeting Expenses	-	-	-	
Operating Expenses				
Rent & Improvements	-			
Contracts	-			
Consultants	-			
Office Costs	-			
Professional Services	-			
Computer Purchase & Maint.	-			
Furniture & Equipment	-			
Miscellaneous	-			
Total Operating Expenses	-	-	-	
Total Expenses	-	-	-	
Net Change in Assets	-	-	-	

Legal and Regulatory expenses are budgeted and recorded in General and Administrative and in the statutory programs in which Legal and Regulatory expenses are anticipated and incurred.

ReliabilityFirst Corporation
2008 Statement of Activities
Information Technology

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	-				
Membership Fees & Non-Stat Assessments	-				
Testing	-				
Services & Software	-				
Interest	-				
Investment	-				
Misc.	-				
Sub-Total Funding	-	-	-		
Funds Not Available for 2008	-	-	-		
Total Funding	-	-	-		
Expenses					
Personnel Expenses					
Salaries	299,436	381,507	(82,071)	-21.51%	Actual salaries incurred were less than budgeted due to an open position in the IT program that was not filled in 2008.
Payroll Taxes	18,721	32,190	(13,469)	-41.84%	See comment above.
Employee Benefits	47,149	71,244	(24,095)	-33.82%	See comment within Standards Program
Savings & Retirement	46,838	59,091	(12,253)	-20.74%	See comment above.
Total Personnel Expenses	412,144	544,032	(131,888)	-24.24%	
Meeting Expenses					
Meetings	491	-	491		
Travel	8,606	31,355	(22,749)	-72.55%	See comment within Standards Program
Conference Calls	-	240	(240)	-100.00%	See comment within Standards Program
Total Meeting Expenses	9,097	31,595	(22,498)	-71.21%	
Operating Expenses					
Rent & Improvements			-		
Contracts	31,740		31,740		The IT program needed additional support in network configuration.
Consultants			-		
Office Costs	155,268	157,900	(2,632)	-1.67%	
Professional Services			-		
Computer Purchase & Maint.	1,343,243	319,365	1,023,878	320.60%	ReliabilityFirst entered into a contract for the development and delivery of a Data / Document Management & System Interface (DMSI) application. The application is used to increase the efficiency and effectiveness of the registered entity-region compliance interface, document tracking, electronic storage and court docket tracking for compliance purposes, and to improve the efficiency of all other delegated functions. The DMSI Project takes place 2008 through 2009. It will be implemented in three phases. The first phase is the base system to support the oversight of compliance activities of the registered entities. The second phase is the definition and pilot of docket/document management system to support compliance informational needs. The third phase will be implementing March, 2009 (defined as essential in the second phase). The DMSI project was not included in the 2008 budget due to the timing of the budget cycle, but \$1.5M was later approved by the Board. Two thirds of the project was completed in 2008 with the remaining to be completed in 2009.
Furniture & Equipment			-		
Miscellaneous			-		
Total Operating Expenses	1,530,251	477,265	1,052,986	220.63%	
Total Expenses	1,951,492	1,052,892	898,600	85.35%	
Net Change in Assets	(1,951,492)	(1,052,892)	(898,600)	85.35%	

ReliabilityFirst Corporation
2008 Statement of Activities
Human Resources

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments			-		
Membership Fees & Non-Stat Assessments			-		
Testing			-		
Services & Software			-		
Interest			-		
Investment			-		
Misc.			-		
Sub-Total Funding	-	-	-		
Funds Not Available for 2008					
Total Funding	-	-	-		
Expenses					
Personnel Expenses					
Salaries	126,852	117,460	9,392	8.00%	
Payroll Taxes	7,931	11,700	(3,769)	-32.22%	Direct Correlation to Salaries
Employee Benefits	7,550	21,142	(13,592)	-64.29%	See comment within Standards Program
Savings & Retirement	19,360	18,318	1,042	5.69%	
Total Personnel Expenses	<u>161,693</u>	<u>168,620</u>	<u>(6,927)</u>		
Meeting Expenses					
Meetings	-	-	-		
Travel	-	2,140	(2,140)	-100.00%	No meetings were incurred within the HR program.
Conference Calls	-	-	-		
Total Meeting Expenses	<u>-</u>	<u>2,140</u>	<u>(2,140)</u>		
Operating Expenses					
Rent & Improvements			-		
Contracts			-		
Consultants			-		
Office Costs			-		
Professional Services			-		
Computer Purchase & Maint.			-		
Furniture & Equipment			-		
Miscellaneous			-		
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Total Expenses	<u>161,693</u>	<u>170,760</u>	<u>(9,067)</u>		
Net Change in Assets	<u>(161,693)</u>	<u>(170,760)</u>	<u>9,067</u>		

ReliabilityFirst Corporation
2008 Statement of Activities
Accounting and Finance

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments			-		
Membership Fees & Non-Stat Assessments			-		
Testing			-		
Services & Software			-		
Interest			-		
Investment			-		
Misc.			-		
Sub-Total Funding	-	-	-		
Funds Not Available for 2008					
Total Funding	-	-	-		
Expenses					
Personnel Expenses					
Salaries	99,307	173,726	(74,419)	-42.84%	Due to reorganization associated with voluntary severance caused by office relocation
Payroll Taxes	6,209	15,848	(9,639)	-60.82%	See Salaries comment.
Employee Benefits	5,812	33,661	(27,849)	-82.73%	See comment within Standards Program
Savings & Retirement	15,296	27,224	(11,928)	-43.81%	See Salaries comment
Total Personnel Expenses	126,624	250,459	(123,835)		
Meeting Expenses					
Meetings			-		
Travel	5,362	5,695	(333)	-5.85%	
Conference Calls			-		
Total Meeting Expenses	5,362	5,695	(333)		
Operating Expenses					
Rent & Improvements			-		
Contracts	5,000		5,000		This was the use of an account temp to help support the year end audit.
Consultants			-		
Office Costs			-		
Professional Services			-		
Computer Purchase & Maint.			-		
Furniture & Equipment			-		
Miscellaneous			-		
Total Operating Expenses	5,000	-	5,000		
Total Expenses	136,986	256,154	(119,168)		
Net Change in Assets	(136,986)	(256,154)	119,168		

ATTACHMENT 6

2008 ACTUAL COST-TO-BUDGET COMPARISON

FOR

SERC RELIABILITY CORPORATION



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

March 2, 2009

Bruce Walenczyk
Chief Financial Officer
North American Electric Reliability Corporation

SERC 2008 Budget vs. Actual Variance Analysis

Enclosed is SERC's response to your request for information on variances between the 2008 SERC budget and year-end financials. This information is intended to respond to the Federal Energy Regulatory Commission order in Docket No. RR07-16-000 "Order Conditionally Accepting 2008 Business Plan and Budget of The North American Electric Reliability Corporation and Ordering Compliance Filings" directing NERC and the regional entities to file a true-up report no later than April 1, 2009.

Overall, SERC under spent its 2008 operating budget of \$7,991,021 by \$128,685. Additionally, SERC exceeded 2008 budgeted revenues by \$31,003. The net impact was a \$171,438 positive impact on SERC's cash position for the year.

However, because SERC switched from cash accounting to an accrual basis of accounting during 2008, SERC was required to restate its 2007 yearend financials. The result of the switch to accrual accounting is that SERC exceeded its 2007 operating budget of \$5,702,055 by \$186,395. The ending cash reserve for 2007 was \$236,428.

Starting with the ending cash reserve for 2007 of \$236,428, adding the 2008 under run of \$171,438, the ending 2008 cash reserve is \$407,865. The targeted yearend cash reserve for 2008 was \$799,102. Therefore, the actual net overrun for 2007 and 2008 together, including the unbudgeted, one-time cost of switching from cash to accrual accounting, was \$391,236. This amount will be absorbed in the 2009 operating budget, at which point SERC expects to remain at or below target spending going forward under the accrual basis of accounting.

There are several mitigating circumstances causing this overrun, as explained below:

- Effective January 1, 2008, SERC modified its accounting policy from cash basis accounting to the accrual basis of accounting. The income statement is required to be on a consistent basis of accounting for the entire period shown, January 1, 2008 through December 31, 2008. Due to this change, SERC restated the opening equity at January 1, 2008 to be on the accrual basis of accounting. Since SERC's 2007 financial statements were presented on the cash basis of accounting, all revenue and expense items that related to fiscal year 2007 were reclassified into the correct period.

Terry Blackwell
SERC Chairman
South Carolina Public Service Authority

R. Scott Henry
SERC Vice-Chairman
Duke Energy Carolinas

Mike Smith
SERC Secretary Treasurer
Georgia Transmission Corporation


- To meet operational needs that evolved after the budget was established, SERC added the following staff beyond forecast during 2008 to meet its regional entity responsibilities: three administrative staff, a data analyst, and a CIP coordinator. Additionally, a part-time Compliance Engineer was moved to full-time status. These changes in staff were necessitated by the greater than expected administrative workload in compliance and the increased emphasis on CIP during the year. The cost of these changes resulted in an increase in salary and benefits totaling approximately \$218,300.
- The cost of benefits was lower than expected because a significant portion of staff chose to remain with benefits plans at their prior employers.
- Budgeted legal expenses relating to the filing of regional standards and contested penalty assessments were not required as budgeted, resulting in expenditures below budget of \$127,090.
- SERC budgeted in 2008 for the opening of the new central office located in Charlotte, North Carolina. However, SERC was able to accelerate this plan and move into the new office in 2007. By doing this, most of the set-up costs were incurred during 2007 on a cash basis of accounting, causing an under run of \$306,997 in Furniture and Equipment in 2008.
- Due to the strains on the economy, SERC has emphasized the use of conference calls and Webex capabilities to reduce the number of face to face meetings, which helps keep travel and meeting costs down.

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

SERC did not allocate indirect costs to statutory programs.

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

Yours truly,



Jennifer Kelly

cc: Gerry Cauley

SERC
2008 Statement of Activities

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
Assessments	7,775,521	7,775,521	-
Membership Fees & Non-Stat Assessments	-	-	-
Workshops	235,790	173,500	62,290
Services & Software	-	-	-
Interest	20,332	42,000	(21,668)
Misc.	2,130	-	2,130
Total Funding	<u>8,033,773</u>	<u>7,991,021</u>	<u>42,752</u>
Expenses			
Personnel Expenses			
Salaries	4,561,760	3,962,528	599,232
Payroll Taxes	277,350	247,416	29,934
Employee Benefits	436,822	761,085	(324,263)
Savings & Retirement	464,094	356,123	107,971
Total Personnel Expenses	<u>5,740,026</u>	<u>5,327,152</u>	<u>412,874</u>
Meeting Expenses			
Meetings	440,794	378,465	62,329
Travel	411,652	409,044	2,608
Conference Calls	52,262	-	52,262
Total Meeting Expenses	<u>904,708</u>	<u>787,509</u>	<u>117,199</u>
Operating Expenses			
Rent & Improvements	162,262	177,938	(15,676)
Contracts	-	-	-
Consultants	602,832	751,600	(148,768)
Office Costs	262,533	331,320	(68,787)
Professional Services	183,396	305,000	(121,604)
Computer Purchase & Maint.	3,505	310,502	(306,997)
Furniture & Equipment	-	-	-
Miscellaneous	3,073	-	3,073
Total Operating Expenses	<u>1,217,601</u>	<u>1,876,360</u>	<u>(658,759)</u>
Total Expenses	<u>7,862,335</u>	<u>7,991,021</u>	<u>(128,686)</u>
Net Change in Assets	<u>171,438</u>	<u>-</u>	<u>171,438</u>

SERC
2008 Statement of Activities
Statutory Only

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
Assessments	7,775,521	7,775,521	-
Membership Fees & Non-Stat Assessments	-	-	-
Workshops	235,790	173,500	62,290
Services & Software	-	-	-
Interest	20,332	42,000	(21,668)
Misc.	2,130	-	2,130
Total Funding	<u>8,033,773</u>	<u>7,991,021</u>	<u>42,752</u>
Expenses			
Personnel Expenses			
Salaries	4,561,760	3,962,528	599,232
Payroll Taxes	277,350	247,416	29,934
Employee Benefits	436,822	761,085	(324,263)
Savings & Retirement	464,094	356,123	107,971
Total Personnel Expenses	<u>5,740,026</u>	<u>5,327,152</u>	<u>412,874</u>
Meeting Expenses			
Meetings	440,794	378,465	62,329
Travel	411,652	409,044	2,608
Conference Calls	52,262	-	52,262
Total Meeting Expenses	<u>904,708</u>	<u>787,509</u>	<u>117,199</u>
Operating Expenses			
Rent & Improvements	162,262	177,938	(15,676)
Contracts	-	-	-
Consultants	602,832	751,600	(148,768)
Office Costs	262,533	331,320	(68,787)
Professional Services	183,396	305,000	(121,604)
Computer Purchase & Maint.	3,505	310,502	(306,997)
Furniture & Equipment	-	-	-
Miscellaneous	3,073	-	3,073
Total Operating Expenses	<u>1,217,601</u>	<u>1,876,360</u>	<u>(658,759)</u>
Total Expenses	<u>7,862,335</u>	<u>7,991,021</u>	<u>(128,686)</u>
Net Change in Assets	<u>171,438</u>	<u>-</u>	<u>171,438</u>

SERC
2008 Statement of Activities
Reliability Standards

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	317,071	317,071	-	0.00%	
Membership Fees & Non-Stat	-	-	-		
Workshops	-	-	-		
Services & Software	-	-	-		
Interest	-	-	-		
Misc.	-	-	-		
Total Funding	<u>317,071</u>	<u>317,071</u>	<u>-</u>		
Expenses					
Personnel Expenses					
Salaries	192,016	184,021	7,995	4.34%	
Payroll Taxes	11,458	11,260	198	1.76%	
Employee Benefits	7,447	25,644	(18,197)	-70.96%	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs.
Savings & Retirement	17,960	19,140	(1,180)	-6.17%	
Total Personnel Expenses	<u>228,881</u>	<u>240,065</u>	<u>(11,184)</u>		
Meeting Expenses					
Meetings	6,247	14,340	(8,093)	-56.44%	SERC budgeted for 24 meetings, actually held 15 meetings at a lower average cost.
Travel	15,374	10,770	4,604	42.75%	Variance is due mainly to the costs related to the participation in working groups involving the FAC-003-2 standard development. Additionally, the budgeted travel basis costs were lower than actual travel expenses incurred.
Conference Calls	2,029	-	2,029		
Total Meeting Expenses	<u>23,650</u>	<u>25,110</u>	<u>(1,460)</u>		
Operating Expenses					
Rent & Improvements	6,499	7,414	(915)	-12.34%	Due to a rent abatement clause in SERC's lease, SERC did not have to pay rent in January 2008. The budget does not take into account the one month of free rent.
Contracts	-	-	-		
Consultants	1,395	-	1,395		
Office Costs	7,344	11,544	(4,200)	-36.38%	Office furniture and equipment was budgeted to be purchased in 2008 under the Computer Purchase and Maintenance category (see below). However in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. The 2008 expense includes costs for the purchase of office furniture and equipment, which individually all items were below SERC's capitalization policy and were therefore expensed. Additionally, SERC purchased other office supplies over the budget in order to fully establish a working office. When creating the budget for 2008, SERC separately budgeted for telephone and internet charges. In working with our vendor, we were able to use the internet for our phone service causing SERC to be under budget.
Professional Services	687	20,000	(19,313)	-96.57%	Budgeted for legal services related to Standards Development procedure or any regional standards that required legal review as they were submitted for FERC approval, which did not occur during the year.
Computer Purchase & Maint.	137	12,938	(12,801)	-98.94%	Office furniture and equipment was budgeted to be purchased in 2008, however in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. All furniture and equipment purchased in 2008 were below SERC's capitalization policy and were therefore expensed under Office Costs (see above).
Furniture & Equipment	-	-	-		
Miscellaneous	73	-	73		
Total Operating Expenses	<u>16,135</u>	<u>51,896</u>	<u>(35,761)</u>		
Total Expenses	<u>268,666</u>	<u>317,071</u>	<u>(48,405)</u>		
Net Change in Assets	<u>48,405</u>	<u>-</u>	<u>48,405</u>		

SERC
2008 Statement of Activities
Compliance and Organization Registration and Certification

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	3,393,665	3,393,665	-	0.00%	
Membership Fees & Non-Stat Assessments	-	-	-		
Workshops	-	-	-		
Services & Software	-	-	-		
Interest	-	-	-		
Misc.	-	-	-		
Total Funding	<u>3,393,665</u>	<u>3,393,665</u>	<u>-</u>		
Expenses					
Personnel Expenses					
Salaries	2,173,041	1,866,097	306,944	16.45%	In order to meet its regional entity responsibilities, two administrative staff and a CIP coordinator were hired due to the greater than expected administrative workload and the increased emphasis on CIP during the year. Additionally, a part-time Compliance Engineer moved to full-time status.
Payroll Taxes	133,503	111,474	22,029	19.76%	See salary variance above.
Employee Benefits	213,101	355,829	(142,728)	-40.11%	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs.
Savings & Retirement	210,571	169,006	41,565	24.59%	See explanation for salary variance. Additionally, SERC did not budget for all employees to receive the full match, as the full match is based on an employee contributing 6%. The average SERC contribution for this department was 3% match, plus the 3% safe harbor and the 5% discretionary for a total of 11%. SERC budgeted for an average of 9% in this department.
Total Personnel Expenses	<u>2,730,216</u>	<u>2,502,406</u>	<u>227,810</u>		
Meeting Expenses					
Meetings	69,436	30,275	39,161	129.35%	A larger number of meetings were held than originally budgeted including auditor training and Regional Compliance Managers Working Group.
Travel	234,993	166,098	68,895	41.48%	Variance is due to a number of necessary unbudgeted trips that occurred during 2008 including CIP spot checks, compliance staff investigation training session at FERC, follow-up visits to two entities regarding mitigation plan performance and participation in working groups involving the penalty tool. Additionally, the budgeted travel basis costs were lower than actual travel expenses incurred.
Conference Calls	23,996	-	23,996		There was a management emphasis on the use of conference calls in lieu of meetings to increase productivity and efficiency. Due to this, conference calls increased and ran over budget.
Total Meeting Expenses	<u>328,425</u>	<u>196,373</u>	<u>132,052</u>		
Operating Expenses					
Rent & Improvements	75,432	78,960	(3,528)	-4.47%	Due to a rent abatement clause in SERC's lease, SERC did not have to pay rent in January 2008. The budget does not take into account the one month of free rent.
Contracts	-	-	-		
Consultants	60,928	150,000	(89,072)	-59.38%	SERC did not incur significant consultant costs related to compliance investigations in 2008, causing SERC to be under budget.
Office Costs	104,208	128,141	(23,933)	-18.68%	Office furniture and equipment was budgeted to be purchased in 2008 under the Computer Purchase and Maintenance category (see below). However in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. The 2008 expense includes costs for the purchase of office furniture and equipment, which individually all items were below SERC's capitalization policy and were therefore expensed. Additionally, SERC purchased other office supplies over the budget in order to fully establish a working office. When creating the budget for 2008, SERC separately budgeted for telephone and internet charges. In working with our vendor, we were able to use the internet for our phone service causing SERC to be under budget.
Professional Services	124,178	200,000	(75,822)	-37.91%	Budgeted for legal services related to contested penalty assessments, which did not occur during the year.
Computer Purchase & Maint.	1,594	137,785	(136,191)	-98.84%	Office furniture and equipment was budgeted to be purchased in 2008, however in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. All furniture and equipment purchased in 2008 were below SERC's capitalization policy and were therefore expensed under Office Costs (see above).
Furniture & Equipment	-	-	-		
Miscellaneous	448	-	448		
Total Operating Expenses	<u>366,788</u>	<u>694,886</u>	<u>(328,098)</u>		
Total Expenses	<u>3,425,429</u>	<u>3,393,665</u>	<u>31,764</u>		
Net Change in Assets	<u>(31,764)</u>	<u>-</u>	<u>(31,764)</u>		

SERC
2008 Statement of Activities
Reliability Readiness Audit and Improvement

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	440,620	440,620	-	0.00%	
Membership Fees & Non-Stat Assessments	-	-	-		
Workshops	-	-	-		
Services & Software	-	-	-		
Interest	-	-	-		
Misc.	-	-	-		
Total Funding	<u>440,620</u>	<u>440,620</u>	<u>-</u>		
Expenses					
Personnel Expenses					
Salaries	113,690	118,197	(4,507)	-3.81%	
Payroll Taxes	6,400	9,167	(2,767)	-30.18%	Due to lower salary costs, payroll taxes were also reduced.
Employee Benefits	9,842	24,796	(14,954)	-60.31%	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs.
Savings & Retirement	11,546	8,753	2,793	31.91%	SERC did not budget for all employees to receive the full match, as the full match is based on an employee contributing 6%. The average SERC contribution for this department was 2% match, plus the 3% safe harbor and the 5% discretionary for a total of 10%. SERC budgeted for an average of 8%.
Total Personnel Expenses	<u>141,478</u>	<u>160,913</u>	<u>(19,435)</u>		
Meeting Expenses					
Meetings	3,338	2,640	698	26.44%	
Travel	2,442	43,740	(41,298)	-94.42%	No readiness evaluations occurred during 2008, causing the significant under budget.
Conference Calls	1,305	-	1,305		
Total Meeting Expenses	<u>7,085</u>	<u>46,380</u>	<u>(39,295)</u>		
Operating Expenses					
Rent & Improvements					
	4,178	5,190	(1,012)	-19.50%	Due to a rent abatement clause in SERC's lease, SERC did not have to pay rent in January 2008. The budget does not take into account the one month of free rent.
Contracts					
Consultants	86,722	206,000	(119,278)	-57.90%	Participation in the OATI schedule checkout tool was lower than planned in 2008. SERC budgeted for 34 balancing authorities for the entire year. By September, 21 balancing authorities had joined. A portion of this savings was reapplied to other contracts.
Office Costs					
	4,597	8,081	(3,484)	-43.11%	Office furniture and equipment was budgeted to be purchased in 2008 under the Computer Purchase and Maintenance category (see below). However in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. The 2008 expense includes costs for the purchase of office furniture and equipment, which individually all items were below SERC's capitalization policy and were therefore expensed. Additionally, SERC purchased other office supplies over the budget in order to fully establish a working office. When creating the budget for 2008, SERC separately budgeted for telephone and internet charges. In working with our vendor, we were able to use the internet for our phone service causing SERC to be under budget.
Professional Services	442	5,000	(4,558)	-91.16%	Budgeted for regulatory legal services which did not occur during the year.
Computer Purchase & Maint.	88	9,056	(8,968)	-99.03%	Office furniture and equipment was budgeted to be purchased in 2008, however in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. All furniture and equipment purchased in 2008 were below SERC's capitalization policy and were therefore expensed under Office Costs (see above).
Furniture & Equipment					
Miscellaneous	-	-	-		
	12	-	12		
Total Operating Expenses	<u>96,039</u>	<u>233,327</u>	<u>(137,288)</u>		
Total Expenses	<u>244,602</u>	<u>440,620</u>	<u>(196,018)</u>		
Net Change in Assets	<u>196,018</u>	<u>-</u>	<u>196,018</u>		

SERC
2008 Statement of Activities
Reliability Assessment and Performance Analysis

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	528,642	528,642	-	0.00%	
Membership Fees & Non-Stat Assessments		-	-		
Workshops		-	-		
Services & Software		-	-		
Interest		-	-		
Misc.	105	-	105		
Total Funding	<u>528,747</u>	<u>528,642</u>	<u>105</u>		
Expenses					
Personnel Expenses					
Salaries	507,957	289,033	218,924	75.74%	In order to meet its regional entity responsibilities, an administrative staff and a data analyst were hired due to the greater than expected workload. Finally, due to the increased importance of the reliability assessment function, SERC hired a director for this group.
Payroll Taxes	31,476	19,960	11,516	57.70%	See salary variance above.
Employee Benefits	51,236	56,731	(5,495)	-9.69%	
Savings & Retirement	59,411	21,501	37,910	176.32%	See explanation for salary variance. Additionally, SERC did not budget for all employees to receive the full match, as the full match is based on an employee contributing 6%. The average SERC contribution for this department was 3% match, plus the 3% safe harbor and the 5% discretionary for a total of 11%. SERC budgeted for an average of 8%.
Total Personnel Expenses	<u>650,080</u>	<u>387,225</u>	<u>262,855</u>		
Meeting Expenses					
Meetings	39,298	34,615	4,683	13.53%	Meeting costs were higher due to locations.
Travel	33,057	28,808	4,249	14.75%	Variance is due mainly to the switch from cash to accrual basis of accounting. Additionally, the budgeted travel basis costs were lower than actual travel expenses incurred.
Conference Calls	6,523	-	6,523	100.00%	There was a management emphasis on the use of conference calls in lieu of meetings to increase productivity and efficiency. Due to this, conference calls increased and ran over budget.
Total Meeting Expenses	<u>78,878</u>	<u>63,423</u>	<u>15,455</u>		
Operating Expenses					
Rent & Improvements	20,889	14,643	6,246	42.66%	Due to a rent abatement clause in SERC's lease, SERC did not have to pay rent in January 2008. The budget does not take into account the one month of free rent. Additionally, the budgeted rent was based on an employee allocation. Due to the additional hires, the rent allocation was modified to show the true allocation, causing an increase in departments with unbudgeted hires.
Contracts	-	-	-		
Consultants	53,847	-	53,847		The 2007 Series MMWG Dynamics Database Project concluded in 2008, causing expenses that were not budgeted in 2008 to incur.
Office Costs	26,970	22,799	4,171	18.29%	Office furniture and equipment was budgeted to be purchased in 2008 under the Computer Purchase and Maintenance category (see below). However in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. The 2008 expense includes costs for the purchase of office furniture and equipment, which individually all items were below SERC's capitalization policy and were therefore expensed. Additionally, SERC purchased other office supplies over the budget in order to fully establish a working office. When creating the budget for 2008, SERC separately budgeted for telephone and internet charges. In working with our vendor, we were able to use the internet for our phone service causing SERC to be under budget.
Professional Services	8,211	15,000	(6,789)	-45.26%	Budgeted for regulatory legal services which did not occur during the year.
Computer Purchase & Maint.	441	25,552	(25,111)	-98.27%	Office furniture and equipment was budgeted to be purchased in 2008, however in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. All furniture and equipment purchased in 2008 were below SERC's capitalization policy and were therefore expensed under Office Costs (see above).
Furniture & Equipment	-	-	-		
Miscellaneous	48	-	48		
Total Operating Expenses	<u>110,406</u>	<u>77,994</u>	<u>32,412</u>		
Total Expenses	<u>839,364</u>	<u>528,642</u>	<u>310,722</u>		
Net Change in Assets	<u>(310,617)</u>	<u>-</u>	<u>(310,617)</u>		

SERC
2008 Statement of Activities
Training and Education

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	331,650	331,650	-	0.00%	
Membership Fees & Non-Stat Assessments	-	-	-		
Workshops	235,790	173,500	62,290	35.90%	Attendance and registration fees were higher than budgeted for the System Operator Training Conferences, causing an overage of \$38,750. Registration fees were not budgeted for the Joint Meetings, creating an over budget amount of \$65,790. Attendance and registration fees were less than budgeted for the Compliance Seminars, causing an under budget amount of \$36,500. Two Train-the-Trainer Workshops were budgeted but were not held, causing an under budget amount of \$7,500. Finally, the two Regional Study Workshops were not held, causing an under budget of \$10,000.
Services & Software	-	-	-		
Interest	-	-	-		
Misc.	-	-	-		
Total Funding	<u>567,440</u>	<u>505,150</u>	<u>62,290</u>		
Expenses					
Personnel Expenses					
Salaries	185,313	172,431	12,882	7.47%	
Payroll Taxes	11,523	11,094	429	3.87%	
Employee Benefits	12,583	39,497	(26,914)	-68.14%	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs.
Savings & Retirement	17,960	15,195	2,765	18.20%	SERC did not budget for all employees to receive the full match, as the full match is based on an employee contributing 6%. The average SERC contribution for this department was 2% match, plus the 3% safe harbor and the 5% discretionary for a total of 10%. SERC budgeted for an average of 8%.
Total Personnel Expenses	<u>227,379</u>	<u>238,217</u>	<u>(10,838)</u>		
Meeting Expenses					
Meetings	145,533	142,340	3,193	2.24%	
Travel	12,161	60,073	(47,912)	-79.76%	Due to a decrease in the overall number of meetings held, there was a decrease in travel costs.
Conference Calls	2,029	-	2,029		
Total Meeting Expenses	<u>159,723</u>	<u>202,413</u>	<u>(42,690)</u>		
Operating Expenses					
Rent & Improvements	6,499	7,413	(914)	-12.33%	Due to a rent abatement clause in SERC's lease, SERC did not have to pay rent in January 2008. The budget does not take into account the one month of free rent.
Contracts	-	-	-		
Consultants	20	-	20		
Office Costs	9,067	39,169	(30,102)	-76.85%	Office furniture and equipment was budgeted to be purchased in 2008 under the Computer Purchase and Maintenance category (see below). However in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. The 2008 expense includes costs for the purchase of office furniture and equipment, which individually all items were below SERC's capitalization policy and were therefore expensed. Additionally, SERC purchased other office supplies over the budget in order to fully establish a working office. When creating the budget for 2008, SERC separately budgeted for telephone and internet charges. In working with our vendor, we were able to use the internet for our phone service causing SERC to be under budget.
Professional Services	687	5,000	(4,313)	-86.26%	Budgeted for regulatory legal services which did not occur during the year.
Computer Purchase & Maint.	137	12,938	(12,801)	-98.94%	Office furniture and equipment was budgeted to be purchased in 2008, however in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. All furniture and equipment purchased in 2008 were below SERC's capitalization policy and were therefore expensed under Office Costs (see above).
Furniture & Equipment	-	-	-		
Miscellaneous	12	-	12		
Total Operating Expenses	<u>16,422</u>	<u>64,520</u>	<u>(48,098)</u>		
Total Expenses	<u>403,524</u>	<u>505,150</u>	<u>(101,626)</u>		
Net Change in Assets	<u>163,916</u>	<u>-</u>	<u>163,916</u>		

SERC
2008 Statement of Activities
Situational Awareness and Infrastructure Security

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	289,288	289,288	-	0.00%	
Membership Fees & Non-Stat Assessments	-	-	-		
Workshops	-	-	-		
Services & Software	-	-	-		
Interest	-	-	-		
Misc.	-	-	-		
Total Funding	289,288	289,288	-		
Expenses					
Personnel Expenses					
Salaries	169,252	146,350	22,902	15.65%	Variance is due to the seniority of the staff that was actually hired in 2007 to jump start the organization resulted in an average base salary compensation higher than budgeted.
Payroll Taxes	9,285	11,346	(2,061)	-18.16%	Actual payroll taxes paid were 5.5%, where SERC budgeted 7.8%, causing actuals to be lower than budget.
Employee Benefits	24,626	35,660	(11,034)	-30.94%	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs.
Savings & Retirement	16,678	12,871	3,807	29.58%	See explanation for salary variance. Additionally, SERC did not budget for all employees to receive the full match, as the full match is based on an employee contributing 6%. The average SERC contribution for this department was 2% match, plus the 3% safe harbor and the 5% discretionary for a total of 10%. SERC budgeted for an average of 8%.
Total Personnel Expenses	219,841	206,227	13,614		
Meeting Expenses					
Meetings	5,260	11,550	(6,290)	-54.46%	Budgeted for 4 meetings, actually held 3 meeting at a much lower cost.
Travel	25,321	7,200	18,121	251.68%	The budgeted travel basis costs were lower than actual travel expenses incurred.
Conference Calls	1,884	-	1,884		
Total Meeting Expenses	32,465	18,750	13,715		
Operating Expenses					
Rent & Improvements	6,035	6,302	(267)	-4.24%	Due to a rent abatement clause in SERC's lease, SERC did not have to pay rent in January 2008. The budget does not take into account the one month of free rent.
Contracts	-	-	-		
Consultants	15,957	32,200	(16,243)	-50.44%	In 2008, SERC budgeted the phase in of the VOIP hotline system. Due to the compromise of the SERC conference bridge in 2007, the implementation was accelerated and the costs were incurred during 2007.
Office Costs	29,043	9,812	19,231	195.99%	Office furniture and equipment was budgeted to be purchased in 2008 under the Computer Purchase and Maintenance category (see below). However in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. The 2008 expense includes costs for the purchase of office furniture and equipment, which individually all items were below SERC's capitalization policy and were therefore expensed. Additionally, SERC purchased other office supplies over the budget in order to fully establish a working office. When creating the budget for 2008, SERC separately budgeted for telephone and internet charges. In working with our vendor, we were able to use the internet for our phone service causing SERC to be under budget.
Professional Services	638	5,000	(4,362)	-87.24%	
Computer Purchase & Maint.	128	10,997	(10,869)	-98.84%	Office furniture and equipment was budgeted to be purchased in 2008, however in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. All furniture and equipment purchased in 2008 were below SERC's capitalization policy and were therefore expensed under Office Costs (see above).
Furniture & Equipment	-	-	-		
Miscellaneous	12	-	12		
Total Operating Expenses	51,813	64,311	(12,498)		
Total Expenses	304,119	289,288	14,831		
Net Change in Assets	(14,831)	-	(14,831)		

SERC
2008 Statement of Activities
Committees and Member Forums

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	649,057	649,057	-	0.00%	
Membership Fees & Non-Stat Assessments	-	-	-		
Workshops	-	-	-		
Services & Software	-	-	-		
Interest	-	-	-		
Misc.	105	-	105		
Total Funding	649,162	649,057	105		
Expenses					
Personnel Expenses					
Salaries	344,196	312,832	31,364	10.03%	Variance is due to the seniority of the staff that was actually hired in 2007 to jump start the organization resulted in an average base salary compensation higher than budgeted.
Payroll Taxes	21,659	19,385	2,274	11.73%	See explanation for salary variance.
Employee Benefits	3,685	44,811	(41,126)	-91.78%	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs.
Savings & Retirement	30,462	27,978	2,484	8.88%	See explanation for salary variance. Additionally, SERC did not budget for all employees to receive the full match, as the full match is based on an employee contributing 6%. The average SERC contribution for this department was 2% match, plus the 3% safe harbor and the 5% discretionary for a total of 10%. SERC budgeted for an average of 8%.
Total Personnel Expenses	400,002	405,006	(5,004)		
Meeting Expenses					
Meetings	133,837	134,355	(518)	-0.39%	
Travel	33,838	48,879	(15,041)	-30.77%	
Conference Calls	3,479	-	3,479		
Total Meeting Expenses	171,154	183,234	(12,080)		
Operating Expenses					
Rent & Improvements	11,141	12,975	(1,834)	-14.13%	Due to a rent abatement clause in SERC's lease, SERC did not have to pay rent in January 2008. The budget does not take into account the one month of free rent.
Contracts	-	-	-		
Consultants	34	-	34		
Office Costs	17,476	20,201	(2,725)	-13.49%	Office furniture and equipment was budgeted to be purchased in 2008 under the Computer Purchase and Maintenance category (see below). However in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. The 2008 expense includes costs for the purchase of office furniture and equipment, which individually all items were below SERC's capitalization policy and were therefore expensed. Additionally, SERC purchased other office supplies over the budget in order to fully establish a working office. When creating the budget for 2008, SERC separately budgeted for telephone and internet charges. In working with our vendor, we were able to use the internet for our phone service causing SERC to be under budget.
Professional Services	1,177	5,000	(3,823)	-76.46%	
Computer Purchase & Maint.	235	22,641	(22,406)	-98.96%	Office furniture and equipment was budgeted to be purchased in 2008, however in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. All furniture and equipment purchased in 2008 were below SERC's capitalization policy and were therefore expensed under Office Costs (see above).
Furniture & Equipment	-	-	-		
Miscellaneous	171	-	171		
Total Operating Expenses	30,234	60,817	(30,583)		
Total Expenses	601,390	649,057	(47,667)		
Net Change in Assets	47,772	-	47,772		

SERC
2008 Statement of Activities
General and Administrative

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	666,760	666,760	-	0.00%	
Membership Fees & Non-Stat Assessments		-	-		
Workshops		-	-		
Services & Software		-	-		
Interest	20,332	42,000	(21,668)	-51.59%	Earned a lower interest rate than anticipated.
Misc.	1	-	1		
Total Funding	<u>687,093</u>	<u>708,760</u>	<u>(21,667)</u>		
Expenses					
Personnel Expenses					
Salaries	457,945	456,421	1,524	0.33%	
Payroll Taxes	27,109	20,962	6,147	29.32%	A majority of this variance is due to the taxes paid in relation to the relocation costs of the President.
Employee Benefits	94,949	70,367	24,582	34.93%	A majority of this variance is due to the relocation costs of the President.
Savings & Retirement	40,593	39,389	1,204	3.06%	
Total Personnel Expenses	<u>620,596</u>	<u>587,139</u>	<u>33,457</u>		
Meeting Expenses					
Meetings	36,025	8,350	27,675	331.44%	Included are Board of Directors and Executive Committee Meetings, along with unexpected FERC and NERC meetings.
Travel	43,876	40,506	3,370	8.32%	
Conference Calls	4,349	-	4,349		There was a management emphasis on the use of conference calls in lieu of meetings to increase productivity and efficiency.
Total Meeting Expenses	<u>84,250</u>	<u>48,856</u>	<u>35,394</u>		
Operating Expenses					
Rent & Improvements	10,236	16,682	(6,446)	-38.64%	Due to a rent abatement clause in SERC's lease, SERC did not have to pay rent in January 2008. The budget does not take into account the one month of free rent.
Contracts	-	-	-		
Consultants	235	-	235		
Office Costs	17,664	26,974	(9,310)	-34.51%	Office furniture and equipment was budgeted to be purchased in 2008 under the Computer Purchase and Maintenance category (see below). However in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. The 2008 expense includes costs for the purchase of office furniture and equipment, which individually all items were below SERC's capitalization policy and were therefore expensed. Additionally, SERC purchased other office supplies over the budget in order to fully establish a working office. When creating the budget for 2008, SERC separately budgeted for telephone and internet charges. In working with our vendor, we were able to use the internet for our phone service causing SERC to be under budget.
Professional Services	1,772	-	1,772		
Computer Purchase & Maint.	294	29,109	(28,815)	-98.99%	Office furniture and equipment was budgeted to be purchased in 2008, however in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. All furniture and equipment purchased in 2008 were below SERC's capitalization policy and were therefore expensed under Office Costs (see above).
Furniture & Equipment	-	-	-		
Miscellaneous	2,259	-	2,259		Variance relates to a job fair booth fee as a means of searching for candidates for open positions.
Total Operating Expenses	<u>32,460</u>	<u>72,765</u>	<u>(40,305)</u>		
Total Expenses	<u>737,306</u>	<u>708,760</u>	<u>28,546</u>		
Net Change in Assets	<u>(50,213)</u>	<u>-</u>	<u>(50,213)</u>		

SERC
2008 Statement of Activities
Legal and Regulatory

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
<hr/>					
Funding					
Assessments	27,200	27,200	-	0.00%	
Membership Fees & Non-Stat Assessments		-	-		
Workshops		-	-		
Services & Software		-	-		
Interest		-	-		
Misc.		-	-		
Total Funding	<u>27,200</u>	<u>27,200</u>	<u>-</u>		
Expenses					
Personnel Expenses					
Salaries		-	-		
Payroll Taxes		-	-		
Employee Benefits		-	-		
Savings & Retirement		-	-		
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Meeting Expenses					
Meetings		-	-		
Travel		-	-		
Conference Calls		-	-		
Total Meeting Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Operating Expenses					
Rent & Improvements		-	-		
Contracts		-	-		
Consultants		-	-		
Office Costs	-	2,200	(2,200)	-100.00%	
Professional Services	27,585	25,000	2,585	10.34%	Legal costs were budgeted across all departments, however all legal costs were recorded under legal. Overall, SERC is under budget in legal costs.
Computer Purchase & Maint.		-	-		
Furniture & Equipment		-	-		
Miscellaneous		-	-		
Total Operating Expenses	<u>27,585</u>	<u>27,200</u>	<u>385</u>		
Total Expenses	<u>27,585</u>	<u>27,200</u>	<u>385</u>		
Net Change in Assets	<u>(385)</u>	<u>-</u>	<u>(385)</u>		

SERC
2008 Statement of Activities
Information Technology

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	692,966	692,966	-	0.00%	
Membership Fees & Non-Stat Assessments	-	-	-		
Workshops	-	-	-		
Services & Software	-	-	-		
Interest	-	-	-		
Misc.	1,520	-	1,520		Proceeds from sale of retired equipment
Total Funding	<u>694,486</u>	<u>692,966</u>	<u>1,520</u>		
Expenses					
Personnel Expenses					
Salaries	165,341	196,509	(31,168)	-15.86%	SERC originally budgeted for a Manager of IT, a Portal Technician and a Computer Technician. In 2008, the Portal Technician moved to the Compliance department as a Compliance Engineer.
Payroll Taxes	9,772	15,367	(5,595)	-36.41%	See explanation for salary variance.
Employee Benefits	6,593	45,875	(39,282)	-85.63%	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs. In addition, SERC switched benefit carriers for dental, life and disability which has lowered benefit costs to SERC and employees.
Savings & Retirement	20,526	17,830	2,696	15.12%	See explanation for salary variance. Additionally, SERC did not budget for all employees to receive the full match, as the full match is based on an employee contributing 6%. The average SERC contribution for this department was 3% match, plus the 3% safe harbor and the 5% discretionary for a total of 11%. SERC budgeted for an average of 9% in this department.
Total Personnel Expenses	<u>202,232</u>	<u>275,581</u>	<u>(73,349)</u>		
Meeting Expenses					
Meetings	398	-	398		
Travel	4,145	-	4,145		
Conference Calls	2,319	-	2,319		There was a management emphasis on the use of conference calls in lieu of meetings to increase productivity and efficiency.
Total Meeting Expenses	<u>6,862</u>	<u>-</u>	<u>6,862</u>		
Operating Expenses					
Rent & Improvements	7,427	11,677	(4,250)	-36.40%	Due to a rent abatement clause in SERC's lease, SERC did not have to pay rent in January 2008. The budget does not take into account the one month of free rent.
Contracts	-	-	-		
Consultants	341,432	363,400	(21,968)	-6.05%	
Office Costs	25,083	21,931	3,152	14.37%	Office furniture and equipment was budgeted to be purchased in 2008 under the Computer Purchase and Maintenance category (see below). However in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. The 2008 expense includes costs for the purchase of office furniture and equipment, which individually all items were below SERC's capitalization policy and were therefore expensed. Additionally, SERC purchased other office supplies over the budget in order to fully establish a working office. When creating the budget for 2008, SERC separately budgeted for telephone and internet charges. In working with our vendor, we were able to use the internet for our phone service causing SERC to be under budget.
Professional Services	785	-	785		
Computer Purchase & Maint.	157	20,377	(20,220)	-99.23%	Office furniture and equipment was budgeted to be purchased in 2008, however in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. All furniture and equipment purchased in 2008 were below SERC's capitalization policy and were therefore expensed under Office Costs (see above).
Furniture & Equipment	-	-	-		
Miscellaneous	38	-	38		
Total Operating Expenses	<u>374,922</u>	<u>417,385</u>	<u>(42,463)</u>		
Total Expenses	<u>584,016</u>	<u>692,966</u>	<u>(108,950)</u>		
Net Change in Assets	<u>110,470</u>	<u>-</u>	<u>110,470</u>		

**Human Resources
2008 Statement of Activities
Human Resources**

(In Whole Dollars)

	2008 YTD Actual	2008 YTD Budget	2008 YTD Variance	%	Comments
Funding					
Assessments	43,814	43,814	-	0.00%	
Membership Fees & Non-Stat Assessments	-	-	-		
Workshops	-	-	-		
Services & Software	-	-	-		
Interest	-	-	-		
Misc.	-	-	-		
Total Funding	43,814	43,814	-		
Expenses					
Personnel Expenses					
Salaries	29,861	27,043	2,818	10.42%	Variance is due to the seniority of the staff that was actually hired in 2008 to jump start the organization resulted in an average base salary compensation higher than budgeted.
Payroll Taxes	1,762	2,117	(355)	-16.77%	Actual payroll taxes paid were 6%, where SERC budgeted 7.8%, causing actuals to be lower than budget.
Employee Benefits	927	5,603	(4,676)	-83.46%	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs.
Savings & Retirement	3,849	1,874	1,975	105.39%	See explanation for salary variance. Additionally, SERC did not budget for all employees to receive the full match, as the full match is based on an employee contributing 6%. The average SERC contribution for this department was 3% match, plus the 3% safe harbor and the 5% discretionary for a total of 11%. SERC budgeted for an average of 7% in this department.
Total Personnel Expenses	36,399	36,637	(238)		
Meeting Expenses					
Meetings	268	-	268		
Travel	12	-	12		
Conference Calls	435	-	435		
Total Meeting Expenses	715	-	715		
Operating Expenses					
Rent & Improvements	1,393	1,668	(275)	-16.49%	Due to a rent abatement clause in SERC's lease, SERC did not have to pay rent in January 2008. The budget does not take into account the one month of free rent.
Contracts	-	-	-		
Consultants	27,600	-	27,600	100.00%	SERC used a Consultant to perform a study on the salary and benefits offered. This was not budgeted for, but deemed necessary by the Board.
Office Costs	2,277	2,598	(321)	-12.36%	Office furniture and equipment was budgeted to be purchased in 2008 under the Computer Purchase and Maintenance category (see below). However in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. The 2008 expense includes costs for the purchase of office furniture and equipment, which individually all items were below SERC's capitalization policy and were therefore expensed. Additionally, SERC purchased other office supplies over the budget in order to fully establish a working office. When creating the budget for 2008, SERC separately budgeted for telephone and internet charges. In working with our vendor, we were able to use the internet for our phone service causing SERC to be under budget.
Professional Services	147	-	147		
Computer Purchase & Maint.	29	2,911	(2,882)	-99.00%	Office furniture and equipment was budgeted to be purchased in 2008, however in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. All furniture and equipment purchased in 2008 were below SERC's capitalization policy and were therefore expensed under Office Costs (see above).
Furniture & Equipment	-	-	-		
Miscellaneous	-	-	-		
Total Operating Expenses	31,446	7,177	24,269		
Total Expenses	68,560	43,814	24,746		
Net Change in Assets	(24,746)	-	(24,746)		

SERC
2008 Statement of Activities
Accounting and Finance

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>		<u>Comments</u>
Funding					
Assessments	394,788	394,788	-	0.00%	
Membership Fees & Non-Stat Assessments		-	-		
Workshops		-	-		
Services & Software		-	-		
Interest		-	-		
Misc.	399	-	399		
Total Funding	395,187	394,788	399		
Expenses					
Personnel Expenses					
Salaries	223,148	193,594	29,554	15.27%	Variance is due to the seniority of the staff that was actually hired in 2008 to jump start the organization resulted in an average base salary compensation higher than budgeted.
Payroll Taxes	13,403	15,284	(1,881)	-12.31%	Actual payroll taxes paid were 6%, where SERC budgeted 7.8%, causing actuals to be lower than budget.
Employee Benefits	11,833	56,272	(44,439)	-78.97%	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs.
Savings & Retirement	34,538	22,586	11,952	52.92%	See explanation for salary variance. Additionally, SERC did not budget for all employees to receive the full match, as the full match is based on an employee contributing 6%. The average SERC contribution for this department was 3% match, plus the 3% safe harbor and the 5% discretionary for a total of 11%. SERC budgeted for an average of 9% in this department.
Total Personnel Expenses	282,922	287,736	(4,814)		
Meeting Expenses					
Meetings	1,154	-	1,154		
Travel	6,433	2,970	3,463	116.60%	Travel costs were higher than anticipated. Additionally, more travel was required of the Manager of Finance.
Conference Calls	3,914	-	3,914		
Total Meeting Expenses	11,501	2,970	8,531		
Operating Expenses					
Rent & Improvements	12,533	15,014	(2,481)	-16.52%	Due to a rent abatement clause in SERC's lease, SERC did not have to pay rent in January 2008. The budget does not take into account the one month of free rent.
Contracts	-	-	-		
Consultants	14,662	-	14,662	100%	SERC implemented new accounting software, in which training courses were done. This was not budgeted for, but deemed necessary in order for the accounting staff to be properly trained on the new software.
Office Costs	18,804	37,870	(19,066)	-50.35%	Office furniture and equipment was budgeted to be purchased in 2008 under the Computer Purchase and Maintenance category (see below). However in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. The 2008 expense includes costs for the purchase of office furniture and equipment, which individually all items were below SERC's capitalization policy and were therefore expensed. Additionally, SERC purchased other office supplies over the budget in order to fully establish a working office. When creating the budget for 2008, SERC separately budgeted for telephone and internet charges. In working with our vendor, we were able to use the internet for our phone service causing SERC to be under budget.
Professional Services	17,087	25,000	(7,913)	-31.65%	Insurance costs were less than anticipated, however the audit fee was more than budgeted.
Computer Purchase & Maint.	265	26,198	(25,933)	-98.99%	Office furniture and equipment was budgeted to be purchased in 2008, however in order to get the Charlotte office up and running early, some of the furniture and equipment was purchased in 2007. All furniture and equipment purchased in 2008 were below SERC's capitalization policy and were therefore expensed under Office Costs (see above).
Furniture & Equipment	-	-	-		
Miscellaneous	-	-	-		
Total Operating Expenses	63,351	104,082	(40,731)		
Total Expenses	357,774	394,788	(37,014)		
Net Change in Assets	37,413	-	37,413		

ATTACHMENT 7

2008 ACTUAL COST-TO-BUDGET COMPARISON

FOR

SOUTHWEST POWER POOL REGIONAL ENTITY

AND

ADDITIONAL COMPLIANCE ITEMS FOR

SPP REGIONAL ENTITY



SOUTHWEST POWER POOL

415 NORTH MCKINLEY, SUITE 140 LITTLE ROCK, ARKANSAS 72205

April 1, 2009

North American Electric Reliability Corporation
Princeton Forrestal Village
116-390 Village Boulevard
Princeton, New Jersey 08540-5721

Subject: Southwest Power Pool April 1st True Up Filing

Dear Bruce,

Attached is Southwest Power Pool's (SPP) submission for the 2008 Statutory Budget April 1st True Up filing. SPP has addressed specific variances within the delegated function financial statements as well as additional directives in recent Federal Energy Regulatory Commission (FERC) orders. SPP's independent audit is nearing conclusion and adjustments reflective of that effort have been incorporated within the information provided.

For budget year 2008, SPP received \$4.61MM in funding for statutory functions and incurred \$4.40MM in statutory expense. The following bullet points explain the significant aggregate variances as compared to budget:

- Personnel Expenses – SPP incurred \$1.57MM in expense and budgeted \$1.43MM resulting in an unfavorable variance of \$0.14MM in budget year 2008. 12.4 FTE was budgeted to perform statutory functions while 11.3 FTE actually performed the functions. Although fewer FTEs actually performed the functions, those FTEs were generally at higher compensation levels than originally budgeted. These variances primarily appear in the Training, and General & Administrative functions.
- Professional Services – SPP incurred \$0.27MM in professional service expense and budgeted \$0.46MM in budget year 2008 resulting in a favorable variance of \$0.19MM. The cause of the variance was due to no compliance hearings being held in 2008 though the budget included \$0.15MM for hearings.
- Regional Entity Trustee Fees - SPP incurred \$0.11MM in trustee fees and budgeted \$0.14MM in budget year 2008 resulting in a favorable variance of \$0.03MM. Timing of payments primarily contributes to the variance.

- Indirect Expenses - SPP allocated \$2.23MM in indirect expense and budgeted \$2.36MM in budget year 2008 resulting in a favorable variance of \$0.13MM. Indirect expenses are exclusively related to SPP overhead allocated to statutory functions as described in Exhibit E of the delegation agreement and are discussed in greater detail below.

In its order issued March 21, 2008, FERC required SPP to respond to the following order in the April 1st true-up filing relating to SPP's use of shared staff (P 14):

“Similarly, the Commission will approve SPP's use of the \$110 per hour rate for shared employees, subject to NERC submitting SPP's detailed analysis of its actual costs in its April 2009 true-up filing. However, we direct SPP to provide a detailed accounting of actual employee costs when it files the true-up to the 2008 budget in April 2009 to ensure that neither the SPP Regional Entity nor the SPP RTO is paying more than their actual costs. The true-up should include specific information regarding the actual hours shared employees work on SPP Regional Entity business and their actual per hour rate. Each shared employee is expected to record, on a daily basis, hours worked on Regional Entity business. If the actual cost for shared employees differs from the \$110 figure, the cost must be true-up. In addition, SPP must provide detailed definitions of each indirect cost allocation function, which clearly set forth what the function is and how it supports the Regional Entity. In future annual business plan and budget filings, SPP must include the above information for each indirect cost allocation for shared services.”

SPP responds as follows:

The text of P-14 of the March 21, 2008 order does not accurately describe the processes by which SPP shared employee costs and SPP indirect costs are charged to the SPP statutory activities. As discussed with FERC staff during FERC's audit of SPP in 2007 and 2008, as well as other filings, the SPP RE incurs two types of charges from SPP: 1) direct charges for SPP RE and SPP shared staff hours worked on delegated functions and 2) indirect charges reflecting allocated overhead costs such as Human Resources and Accounting. The Indirect charge rate is calculated by dividing the total overhead costs by the total hours worked by non-overhead personnel. The indirect charge rate is then added to each hour directly charged by SPP RE or SPP shared staff.

At the beginning of the year, the indirect charge rate is based on the estimated rate included in the budget. As the year progresses and better estimates can be made this rate may be adjusted. At the end of the year, an actual indirect charge rate is calculated and used to finalize the SPP RE actual expenses.

SPP RE and shared staff record specific hours in support of the delegated function in SPP's time tracking system. These hours are posted by the specific RE and shared staff and reviewed and approved by their specific manager or supervisor. As well, SPP executive staff has historically reviewed the approved hours submitted by shared staff for consistency and accuracy. SPP RE review after March 16, 2009 will be performed by the

RE General Manager. This procedure results in actual hours spent by SPP employees on statutory RE functions, at each employee's actual compensation rate, being charged directly to the particular SPP RE direct function. These direct charges are included in the actual costs being compared to the budgeted amounts in each direct function, for purposes of this annual true up.

SPP has recalculated its overhead rate for 2008 using actual data resulting in a new rate of \$105 per man hour. The calculation of the 2008 actual indirect charge rate is shown in Exhibit - C. This new rate has been applied to all hours associated with budget year 2008 on an actual basis. The attached Exhibit A illustrates the specific breakdown by employee for the number of hours recorded supporting the delegated functions. The specific shared staff names have been removed from this public filing. The indirect expense allocated can be proved as follows:

21,249.56	Number of hours directly charged to statutory activities
\$ 105	SPP 2008 indirect overhead rate per hour
\$ 2,231,204	Total indirect expenses for 2008 budget year

Detailed definitions of each indirect cost allocation function follows:

- Accounting – Provides all accounting and financial support for SPP, including: accounts payable, billing and collections, general accounting, budgeting and forecasting, internal audit, and purchasing functions.
- Human Resources – Provides all human resources and payroll functions for SPP, including: administration of all company paid benefits, staff recruitment and hiring, payroll processing and general administration services
- Information Technology – Provides all information technology services for SPP, including: all support, project management and infrastructure services for SPP’s networks, internal/external communications systems, staff workstations.
- Communications – Provides communications support for SPP, including: administration of SPP internal/external websites and all press releases.
- Legal – Provides legal support for SPP.
- Customer Services – Provides customer service functions to all SPP members, customers and registered entities. Annual Net Energy for Load values used for the ERO fee allocation is collected by customer service representatives.
- Officers & Administration – Provides executive and administrative support to SPP, including: costs related to pension and retiree healthcare funding, other company benefits funding, general administrative and office expenses, depreciation of general fixed assets not including market and transmission related assets, and executive oversight.

In its order issued March 21, 2008, FERC required NERC to respond to the following order in the April 1st true-up filing related to SPP's 2008 Business Plan and Budget (P 15):

“The Commission notes that SPP has not included the total cost of the direct funding category for each of the statutory functions in its corrected 2008 Business Plan and Budget as directed by the 2008 Budget Order. NERC is directed to submit a revised SPP 2008 Business Plan and Budget which includes the total cost for direct funding for each of the statutory functions in addition to the already existing dollar breakdown for the direct funding expense lines when it files its true-up in April, 2009.”

SPP responds as follows:

Although this specific order requires NERC to submit a revised SPP 2008 Business Plan and Budget, SPP has provided Exhibit B, which includes the tables to which FERC is referring and the appropriate totals in the 2008 Budget columns related to Total Direct Funding.

In FERC's 2009 ERO Budget Order, FERC required SPP to respond to the following order in the April 1st true-up filing relating to SPP's use of shared staff (P 57):

“As previously determined in the 2008 Compliance Order, the Commission approved SPP Regional Entity's use of the \$110 per hour rate for shared employees, subject to NERC submitting SPP Regional Entity's detailed analysis of its actual costs in its April 2009 true-up filing. In addition, the Commission directed that in future annual business plan and budget filings, SPP Regional Entity must include specific information regarding the proposed hours shared employees will work on SPP Regional Entity business and its actual per hour rate for each indirect cost allocation for shared services. SPP Regional Entity, however, has not provided the above required information in the 2009 Business Plan and Budget regarding its proposed \$101 per hour rate for shared employees. Therefore, SPP Regional Entity's hourly rate is conditionally accepted subject to NERC and SPP Regional Entity providing the required information in the compliance filing. In addition, NERC and SPP Regional Entity are directed to file as part of the next April true-up filing the detailed accounting of actual employee costs along with specific information regarding the actual hours shared employees work on SPP Regional Entity business, their actual per hour rate, and documentation demonstrating that a Regional Entity employee approved the assignment of work before it began and authorized the work before it was paid.”

SPP responds as follows:

As described above in response to P14 of the March 21, 2008 Order, the indirect rate of \$101 per hour reflects allocated overhead costs not the charges for direct work performed by shared employees on delegated functions. The calculation of the actual 2008 indirect rate of \$105 per hour is provided in Exhibit - C.

The direct charged hours by SPP RE and shared staff are provided on Exhibit A. The SPP RE and shared staff record specific hours in support of the delegated function in SPP's time tracking system. These hours are posted by the specific RE and shared staff and reviewed and approved by their specific manager or supervisor. As well, SPP executive staff has historically reviewed the approved hours submitted by shared staff for consistency and accuracy. The approval of the accrued hours for shared staff is how the authorization for "paying" by the RE is made. Each SPP RE and SPP shared staff employee's actual recorded hours on SPP RE direct statutory functions are charged at the respective employee's actual compensation rate. SPP RE review after March 16, 2009 will be performed by the RE General Manager.

Additionally, please see the excerpt below from SPP's compliance filing on March 16, 2009 regarding the recommendations included in the FERC Audit Report related to the separation of SPP's Regional Transmission Organization ("RTO") and its Regional Entity ("RE") functions under the Delegation Agreement between SPP and NERC.

"Audit Report Recommendation 13: Develop procedures to ensure that the independent RE Manager approves shared employees' allocation of costs to the RE.

SPP Response: SPP will provide the RE General Manager with statements itemizing and explaining the allocation of shared employees' costs. SPP will provide the RE General Manager with sole authority to approve all withdrawal of funds from the SPP Regional Entity bank account in accordance with the spending approval policy (Exhibit No. SPP-9). The RE General Manager will be responsible for approving shared staff costs. Upon approval, SPP accounting staff will initiate a transfer of funds equal to the shared staff cost amount from the SPP Regional Entity bank account into the SPP operating bank account. The RE General Manager will have sole authority to approve the initiated transfer of funds."

As noted earlier, these procedures began March 16, 2009.

In NERC's December 15, 2008 response to FERC's 2009 ERO Budget Order, NERC stated the following related to SPP's 2008 Business Plan and Budget (P 44-45):

SPP RE's 2009 Budget for statutory Indirect Costs is \$1,162,919, which is an increase of \$494,991 over the stated 2008 Budget for statutory Indirect Costs of \$667,928. However, SPP RE has determined that the indirect/overhead cost allocation represented in the "Other Non-Operating Expenses" component of total statutory Indirect Costs in the 2008 Budget was incorrectly calculated, and should have been \$310,200 rather than \$103,419 as originally presented (i.e., \$206,781 higher).⁴⁹ Therefore, the 2008 Budget amount for total statutory Indirect Costs should have been

\$874,709 (not \$667,928), and with that correction, the increase in statutory Indirect Costs in the SPP RE 2009 Budget is \$288,210, or 32.9%.

⁴⁹ The cause and impacts of this incorrect calculation will be detailed in NERC's April 1, 2009 filing reconciling differences between the 2008 Budgets and 2008 actual costs of NERC and the Regional Entities.

SPP responds as follows:

During the 2008 budgeting process, the SPP RE Trustees approved an additional employee to directly support the General and Administrative delegated function. As a result, the direct salary and associated benefits and taxes of this employee were inserted into the 2008 business plan. However, the associated indirect overhead expenses were inadvertently omitted. This resulted in the variance as described in the NERC filing quoted above and shown in the table below:

General and Administrative 2008 Budget			
	Existing Budget	Should have been Budgeted	Variance
# hours budgeted per year	1,880	1,880	-
2008 indirect resource rate	\$ 110.00	\$ 110.00	\$ -
# FTE's	0.5	1.5	(1.0)
Total Indirect Costs	\$ 103,400	\$ 310,200	\$ (206,800)

If you have any questions related to the submitted materials please feel free to call me at the number below or email me at ssmith@spp.org.

Sincerely,

Scott Smith
Accounting Manager
Southwest Power Pool
501-614-3339

SOUTHWEST POWER POOL
2008 Income Statement Summary
Statutory Activities Only

<i>(In Whole Dollars)</i>	ACTUALS	BUDGET	VARIANCE
Funding			
ERO Funding	4,609,084	4,609,084	-
Membership Dues	-	-	-
Testing Fees	-	-	-
Workshops	-	-	-
Interest	6,899	-	6,899
Miscellaneous	-	-	-
Total Funding	4,615,984	4,609,084	6,899
Expenses			
Personnel Expenses			
Salaries	1,318,072	1,149,532	168,540
Payroll Taxes	88,866	96,461	(7,595)
Benefits	167,976	172,963	(4,986)
Continuing Education	922	15,000	(14,078)
Retirement Costs	-	-	-
Total Personnel Expenses	1,575,836	1,433,955	141,881
Meeting Expenses			
Meetings	62,246	64,670	(2,424)
Travel	143,763	152,000	(8,237)
Conference Calls	-	-	-
Total Meeting Expenses	206,009	216,670	(10,661)
Operating Expenses			
Office Rent	-	-	-
Administrative Costs	7,066	6,100	966
Professional Services	271,588	459,400	(187,812)
Regional Entity Trustee Fees	109,648	135,000	(25,352)
Computer Purchase & Maint.	-	-	-
Depreciation	-	-	-
Total Operating Expenses	388,303	600,500	(212,197)
Total Direct Expenses	2,170,147	2,251,125	(80,978)
Total Indirect Expenses	2,231,204	2,357,959	(126,755)
Total Expenses	4,401,351	4,609,084	(207,733)
Net Change in Assets	214,632	-	214,632
FTE's	11.2	12.4	(1.2)

SOUTHWEST POWER POOL
2008 Income Statement Summary
Reliability Standards

<i>(In Whole Dollars)</i>	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE	COMMENTS
Funding				
ERO Funding	154,113	154,113	-	
Membership Dues				
Testing Fees				
Workshops				
Interest			-	
Miscellaneous				
Total Funding	<u>154,113</u>	<u>154,113</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	22,306	41,069	(18,762)	-46% The 2008 budget assumed 0.5 direct FTE would support the Reliability Standards Development program. On an actual basis 0.2 FTE were used to support the program.
Payroll Taxes	1,492	3,446	(1,954)	-57% Lower FTEs result in lower payroll taxes.
Benefits	2,753	6,179	(3,426)	-55% Lower FTEs result in lower payroll benefits.
Continuing Education			-	
Retirement Costs			-	
Total Personnel Expenses	<u>26,552</u>	<u>50,694</u>	<u>(24,142)</u>	
Meeting Expenses				
Meetings			-	
Travel	11,121		11,121	No travel was budgeted in 2008 resulting in the variance.
Conference Calls			-	
Total Meeting Expenses	<u>11,121</u>	<u>-</u>	<u>11,121</u>	
Operating Expenses				
Office Rent			-	
Administrative Costs			-	
Professional Services			-	
Regional Entity Trustee Fees			-	
Computer Purchase & Maint.			-	
Depreciation			-	
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Direct Expenses	<u>37,672</u>	<u>50,694</u>	<u>(13,022)</u>	
Total Indirect Expenses	42,210	103,419	(61,209)	-59% Indirect expenses are specifically related to overhead applied to delegated function on an hourly basis. Actual expenses are lower than budget primarily due to lower than expected man-hours in support of the delegated function. In addition, the budget assumed a rate of \$110 per man hour while an actual rate of \$105 was used to calculate actual expense.
Total Expenses	<u>79,882</u>	<u>154,113</u>	<u>(74,231)</u>	
Net Change in Assets	<u>74,231</u>	<u>-</u>	<u>74,231</u>	
FTE's	0.21	0.50	(0.29)	

SOUTHWEST POWER POOL
2008 Income Statement Summary
Compliance and Organization Registration and Certification

<i>(In Whole Dollars)</i>	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE	COMMENTS
Funding				
ERO Funding	1,691,820	1,691,820	-	
Membership Dues				
Testing Fees				
Workshops				
Interest			-	
Miscellaneous				
Total Funding	<u>1,691,820</u>	<u>1,691,820</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	575,120	346,641	228,479	66%
Payroll Taxes	36,969	29,088	7,881	27%
Benefits	64,519	52,157	12,362	24%
Continuing Education	437	15,000	(14,563)	-97%
Retirement Costs			-	
Total Personnel Expenses	<u>677,045</u>	<u>442,885</u>	<u>234,160</u>	
Meeting Expenses				
Meetings	20,902	10,000	10,902	109%
Travel	60,476	69,000	(8,524)	-12%
Conference Calls			-	
Total Meeting Expenses	<u>81,378</u>	<u>79,000</u>	<u>2,378</u>	
Operating Expenses				
Office Rent			-	
Administrative Costs	4,699		4,699	
Professional Services	260,896	446,000	(185,104)	-42%
Regional Entity Trustee Fees			-	
Computer Purchase & Maint.			-	
Depreciation			-	
Total Operating Expenses	<u>265,595</u>	<u>446,000</u>	<u>(180,405)</u>	
Total Direct Expenses	<u>1,024,019</u>	<u>967,885</u>	<u>56,134</u>	
Total Indirect Expenses	872,066	723,935	148,131	20%
Total Expenses	<u>1,896,085</u>	<u>1,691,820</u>	<u>204,265</u>	
Net Change in Assets	<u>(204,265)</u>	<u>-</u>	<u>(204,265)</u>	
FTE's	4.38	3.50	0.88	

The 2008 budget assumed 3.5 direct FTE would support the Compliance and Certification programs. On an actual basis 4.4 FTE were used to support the programs. SPP's Regional Entity Trustees approved the additional FTEs. The additional FTEs were hired at higher levels than the budgeted averages.

Additional FTEs result in higher payroll taxes.
Additional FTEs result in higher payroll benefits.

Variance occurs since primary training was provided in-house resulting in considerably less expense to SPP

Variance due to additional workshops held in 2008.

No administrative expense was budgeted in 2008 resulting in the variance.
2008 budget included professional services expense for both compliance audit assistance and hearings. No hearings occurred in 2008 resulting in the variance.

Indirect expenses are specifically related to overhead applied to delegated function on an hourly basis. Actual expenses are higher than budget primarily due to the additional FTEs as described above, partially offset by a rate lower than budget.

SOUTHWEST POWER POOL
2008 Income Statement Summary
Reliability Readiness Evaluation and Improvement

<i>(In Whole Dollars)</i>	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE	COMMENTS
Funding				
ERO Funding	179,545	179,545	-	
Membership Dues				
Testing Fees				
Workshops				
Interest			-	
Miscellaneous				
Total Funding	<u>179,545</u>	<u>179,545</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	12,494	49,520	(37,026) -75%	The 2008 budget assumed 0.5 direct FTE would support the Reliability Readiness program. On an actual basis 0.1 FTE were used to support the program. This variance is due to the uncertainty of the program among the ERO and Regional Entities.
Payroll Taxes	698	4,155	(3,458) -83%	Lower FTEs result in lower payroll taxes.
Benefits	1,081	7,451	(6,370) -85%	Lower FTEs result in lower payroll benefits.
Continuing Education			-	
Retirement Costs			-	
Total Personnel Expenses	<u>14,273</u>	<u>61,126</u>	<u>(46,853)</u>	
Meeting Expenses				
Meetings			-	
Travel		15,000	(15,000)	No travel was incurred in 2008 resulting in the variance.
Conference Calls			-	
Total Meeting Expenses	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>	
Operating Expenses				
Office Rent			-	
Administrative Costs			-	
Professional Services			-	
Regional Entity Trustee Fees			-	
Computer Purchase & Maint.			-	
Depreciation			-	
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Direct Expenses	<u>14,273</u>	<u>76,126</u>	<u>(61,853)</u>	
Total Indirect Expenses	17,351	103,419	(86,068) -83%	Indirect expenses are specifically related to overhead applied to delegated function on an hourly basis. Actual expenses are lower than budget primarily due to lower than expected man-hours in support of the delegated function. In addition, the budget assumed a rate of \$110 per man hour while an actual rate of \$105 was used to calculate actual expense.
Total Expenses	<u>31,624</u>	<u>179,545</u>	<u>(147,921)</u>	
Net Change in Assets	<u>147,921</u>	<u>-</u>	<u>147,921</u>	
FTE's	0.09	0.50	(0.41)	

SOUTHWEST POWER POOL
2008 Income Statement Summary
Reliability Assessment and Performance Analysis

<i>(In Whole Dollars)</i>	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE	COMMENTS
Funding				
ERO Funding	739,744	739,744	-	
Membership Dues				
Testing Fees				
Workshops				
Interest			-	
Miscellaneous				
Total Funding	<u>739,744</u>	<u>739,744</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	254,248	197,129	57,119	29%
Payroll Taxes	18,319	16,542	1,777	11%
Benefits	34,271	29,661	4,610	16%
Continuing Education			-	
Retirement Costs			-	
Total Personnel Expenses	<u>306,837</u>	<u>243,331</u>	<u>63,506</u>	
Meeting Expenses				
Meetings			-	
Travel	27,961		27,961	
Conference Calls			-	
Total Meeting Expenses	<u>27,961</u>	<u>-</u>	<u>27,961</u>	No travel was budgeted in 2008 resulting in the variance.
Operating Expenses				
Office Rent			-	
Administrative Costs	189		189	
Professional Services			-	
Regional Entity Trustee Fees			-	
Computer Purchase & Maint.			-	
Depreciation			-	
Total Operating Expenses	<u>189</u>	<u>-</u>	<u>189</u>	
Total Direct Expenses	<u>334,988</u>	<u>243,331</u>	<u>91,657</u>	
Total Indirect Expenses	576,591	496,413	80,178	16%
Total Expenses	<u>911,579</u>	<u>739,744</u>	<u>171,835</u>	Indirect expenses are specifically related to overhead applied to delegated function on an hourly basis. Actual expenses are higher than budget primarily due to the additional FTEs as described above, partially offset by a rate lower than budget.
Net Change in Assets	<u>(171,835)</u>	<u>-</u>	<u>(171,835)</u>	
FTE's	2.89	2.40	0.49	

SOUTHWEST POWER POOL
2008 Income Statement Summary
 Training and Education

<i>(In Whole Dollars)</i>	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE	COMMENTS
Funding				
ERO Funding	1,313,934	1,313,934	-	
Membership Dues				
Testing Fees				
Workshops				
Interest			-	
Miscellaneous				
Total Funding	<u>1,313,934</u>	<u>1,313,934</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	254,324	317,091	(62,767) -20%	The 2008 budget assumed 4.0 direct FTE would support the Training program. On an actual basis 2.1 FTE were used to support the program. However, the actual FTE's used to support the program are at higher employee levels than originally budgeted resulting in a smaller than expected variance.
Payroll Taxes	18,992	26,608	(7,616) -29%	Lower FTEs result in lower payroll taxes.
Benefits	38,125	47,711	(9,586) -20%	Lower FTEs result in lower payroll benefits.
Continuing Education			-	
Retirement Costs			-	
Total Personnel Expenses	<u>311,441</u>	<u>391,410</u>	<u>(79,969)</u>	
Meeting Expenses				
Meetings	32,033	54,670	(22,637) -41%	More training classes were performed at the SPP campus than assumed in the budget resulting in lower than expected expense.
Travel	3,642	21,000	(17,358) -83%	More training classes were performed at the SPP campus than assumed in the budget resulting in lower than expected expense.
Conference Calls			-	
Total Meeting Expenses	<u>35,675</u>	<u>75,670</u>	<u>(39,995)</u>	
Operating Expenses				
Office Rent			-	
Administrative Costs	1,426	6,100	(4,674) -77%	
Professional Services	10,692	13,400	(2,708) -20%	
Regional Entity Trustee Fees			-	
Computer Purchase & Maint.			-	
Depreciation			-	
Total Operating Expenses	<u>12,118</u>	<u>19,500</u>	<u>(7,382)</u>	
Total Direct Expenses	<u>359,235</u>	<u>486,580</u>	<u>(127,345)</u>	
Total Indirect Expenses	414,575	827,354	(412,779) -50%	Indirect expenses are specifically related to overhead applied to delegated function on an hourly basis. Actual expenses are lower than budget primarily due to lower than expected man-hours in support of the delegated function. In addition, the budget assumed a rate of \$110 per man hour while an actual rate of \$105 was used to calculate actual expense.
Total Expenses	<u>773,809</u>	<u>1,313,934</u>	<u>(540,125)</u>	
Net Change in Assets	<u>540,125</u>	<u>-</u>	<u>540,125</u>	
FTE's	2.08	4.00	(1.92)	

SOUTHWEST POWER POOL
2008 Income Statement Summary
Situational Awareness & Infrastructure Security

<i>(In Whole Dollars)</i>	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE	COMMENTS
Funding				
ERO Funding	22,000	22,000	-	
Membership Dues				
Testing Fees				
Workshops				
Interest			-	
Miscellaneous				
Total Funding	<u>22,000</u>	<u>22,000</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries			-	
Payroll Taxes			-	
Benefits			-	
Continuing Education			-	
Retirement Costs			-	
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings			-	
Travel	3,005	22,000	(18,995)	-86% Less travel was incurred in 2008 resulting in the variance.
Conference Calls			-	
Total Meeting Expenses	<u>3,005</u>	<u>22,000</u>	<u>(18,995)</u>	
Operating Expenses				
Office Rent			-	
Administrative Costs			-	
Professional Services			-	
Regional Entity Trustee Fees			-	
Computer Purchase & Maint.			-	
Depreciation			-	
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Direct Expenses	<u>3,005</u>	<u>22,000</u>	<u>(18,995)</u>	
Total Indirect Expenses			-	
Total Expenses	<u>3,005</u>	<u>22,000</u>	<u>(18,995)</u>	
Net Change in Assets	<u>18,995</u>	<u>-</u>	<u>18,995</u>	
FTE's	-	-	-	

SOUTHWEST POWER POOL
2008 Income Statement Summary
 Committees and Members Forums

<i>(In Whole Dollars)</i>	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE	COMMENTS
Funding				
ERO Funding	145,000	145,000	-	
Membership Dues				
Testing Fees				
Workshops				
Interest			-	
Miscellaneous				
Total Funding	<u>145,000</u>	<u>145,000</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	17,543		17,543	No FTE support for Member Forums was assumed in the 2008 budget. Actual FTEs supporting this function are Compliance staff.
Payroll Taxes	1,000		1,000	
Benefits	1,506		1,506	
Continuing Education			-	
Retirement Costs			-	
Total Personnel Expenses	<u>20,048</u>	<u>-</u>	<u>20,048</u>	
Meeting Expenses				
Meetings	9,310		9,310	
Travel	4,207	10,000	(5,793)	-58% Actual 2008 meeting expense is associated with RE Trustee meetings and other member forums.
Conference Calls			-	
Total Meeting Expenses	<u>13,518</u>	<u>10,000</u>	<u>3,518</u>	
Operating Expenses				
Office Rent			-	
Administrative Costs			-	
Professional Services			-	
Regional Entity Trustee Fees	109,648	135,000	(25,352)	-19% Timing of payments primarily contributes to the variance.
Computer Purchase & Maint.			-	
Depreciation			-	
Total Operating Expenses	<u>109,648</u>	<u>135,000</u>	<u>(25,352)</u>	
Total Direct Expenses	<u>143,214</u>	<u>145,000</u>	<u>(1,786)</u>	
Total Indirect Expenses	24,728		24,728	Since no FTEs were assumed to support this function in the 2008 budget, no indirect expenses were allocated to this function in the budget.
Total Expenses	<u>167,941</u>	<u>145,000</u>	<u>22,941</u>	
Net Change in Assets	<u>(22,941)</u>	<u>-</u>	<u>(22,941)</u>	
FTE's	0.12	-	0.12	

SOUTHWEST POWER POOL
2008 Income Statement Summary
 General and Administrative

<i>(In Whole Dollars)</i>	2008 YTD ACTUAL	2008 YTD BUDGET	VARIANCE	COMMENTS	
Funding					
ERO Funding	362,928	362,928	-		
Membership Dues					
Testing Fees					
Workshops					
Interest	6,899		6,899	Interest earned on Regional Entity bank account balance was \$6,899. No interest income was assumed in the budget.	
Miscellaneous					
Total Funding	<u>369,827</u>	<u>362,928</u>	<u>6,899</u>		
Expenses					
Personnel Expenses					
Salaries	182,037	198,083	(16,046)	-8%	The 2008 budget assumed 0.5 direct FTE would provide General & Administrative support in the form of SPP executive oversight. On an actual basis 1.4 FTE performed G&A activities including some SPP executives as well as newly hired legal staff and direct administrative support; both approved the RE Trustees. As a result, salaries and related benefits and taxes are closer to budget than expected given the lower overall compensation averages as compared to budget.
Payroll Taxes	11,397	16,622	(5,225)	-31%	
Benefits	25,721	29,804	(4,083)	-14%	
Continuing Education	485		485		
Retirement Costs			-		
Total Personnel Expenses	<u>219,640</u>	<u>244,509</u>	<u>(24,869)</u>		
Meeting Expenses					
Meetings			-		
Travel	33,351	15,000	18,351	122%	Additional FTEs result in higher travel expenses.
Conference Calls			-		
Total Meeting Expenses	<u>33,351</u>	<u>15,000</u>	<u>18,351</u>		
Operating Expenses					
Office Rent			-		
Administrative Costs	751		751		
Professional Services			-		
Regional Entity Trustee Fees			-		
Computer Purchase & Maint.			-		
Depreciation			-		
Total Operating Expenses	<u>751</u>	<u>-</u>	<u>751</u>		
Total Direct Expenses	<u>253,742</u>	<u>259,509</u>	<u>(5,767)</u>		
Total Indirect Expenses	283,684	103,419	180,265	174%	Indirect expenses are specifically related to overhead applied to delegated function on an hourly basis. Actual expenses are higher than budget primarily due to the additional FTEs as described above, partially offset by a rate lower than budget.
Total Expenses	<u>537,426</u>	<u>362,928</u>	<u>174,498</u>		
Net Change in Assets	<u>(167,599)</u>	<u>-</u>	<u>(167,599)</u>		
FTE's	1.42	1.50	(0.08)		

EXHIBIT - A
SPP SHARED & DEDICATED STAFF USED IN SUPPORT OF DELEGATED FUNCTIONS
NUMBER OF HOURS WORKED IN 2008

	RE - 300- Reliability Standard Dev	RE - 400- Compliance Enforcement	RE - 500- Org Registration & Certif	RE - 600- Personnel Certification	RE - 700- Reliability Readiness Audit & Improv	RE - 800- Reliability Assess & Perf Analysis	RE - 900- Training and Education	RE - 1100- Members Forum	RE - 2000- General and Admin	RE - 2100- Executive	RE - 2200- Legal and Regulatory	Totals
Employee 1						190.25						190.25
Employee 2					10.25							10.25
Employee 3						247.13						247.13
Employee 4										201.00		201.00
Employee 5							108.00					108.00
Employee 6							496.00					496.00
Employee 7							165.33					165.33
Employee 8							241.00					241.00
Employee 9						243.00						243.00
Employee 10					44.00	948.00						992.00
Employee 11						107.00						107.00
Employee 12						281.06						281.06
Employee 13						586.97						586.97
Employee 14						602.25						602.25
Employee 15	147.00	3.00				221.00						371.00
Employee 16	4.00	27.00										31.00
Employee 17					4.00		58.00					62.00
Employee 18	124.00											124.00
Employee 19	25.50											25.50
Employee 20						208.00						208.00
Employee 21						551.63						551.63
Employee 22							81.00					81.00
Employee 23					22.00							22.00
Employee 24	99.50					263.00						362.50
Employee 25							1,840.00					1,840.00
Employee 26						254.00						254.00
Employee 27						84.50						84.50
Employee 28		75.40										75.40
Employee 29						606.06						606.06
Employee 30	2.00							91.50		349.75		443.25
Employee 31							564.00					564.00
Employee 32							157.00					157.00
Employee 33		1,887.82	128.67									2,016.49
Employee 34		1,841.50	79.50		85.00	97.50						2,103.50
Employee 35		906.00										906.00
Employee 36		1,936.50						144.00				2,080.50
Employee 37									823.00			823.00
Employee 38											1,328.00	1,328.00
Employee 39		120.00					152.00					272.00
Employee 40		1,300.00					86.00					1,386.00
TOTALS	402.00	8,097.22	208.17	-	165.25	5,491.34	3,948.33	235.50	823.00	550.75	1,328.00	21,249.56

Exhibit B — 2008 SPP Regional Entity Budget

Reliability Standards Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	0.5 FTE	0.2 FTE	0.5 FTE
Total Direct Funding	\$120,647	\$62,069	Salary \$50,694
Total Indirect Funding		\$9,591	\$103,419
Total Funding	\$120,647	\$71,660	\$154,113

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	2.6 FTE	1.9 FTE	3.5 FTE
Total Direct Funding	\$690,171	\$557,989	<ul style="list-style-type: none"> • Travel \$69,000 • Continuing Education \$15,000 • SPP Meetings \$10,000 • Outside Services \$296,000 • Salary \$427,885 • <u>Hearings \$150,000</u> Total \$967,885
Total Indirect Funding		\$86,222	\$723,935
Total Funding	\$690,171	\$644,211	\$1,691,820

Reliability Readiness Evaluation and Improvement Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	0.3 FTE	0.2 FTE	0.5 FTE
Total Direct Funding	\$56,598	\$51,672	<ul style="list-style-type: none"> • Salary \$61,126 • <u>Travel \$15,000</u> Total \$76,126
Total Indirect Funding		\$7,984	\$103,419
Total Funding	\$56,598	\$59,656	\$179,545

Exhibit B — 2008 SPP Regional Entity Budget

Training, Education, and Operator Certification Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	2.0 FTE	3.1 FTE	4.0 FTE
Total Direct Funding	\$459,742	\$935,128	<ul style="list-style-type: none"> • Travel \$21,000 • Meeting Expenses \$54,670 • Online Testing Services \$13,400 • CEH Application Fees \$6,100 • <u>Salaries \$391,410</u> Total \$486,580
Total Indirect Funding		\$144,498	\$827,354
Total Funding	\$459,742	\$1,079,626	\$1,313,934

Reliability Assessment and Performance Analysis Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	2.7 FTE	3.1 FTE	2.4 FTE
Total Direct Funding	\$540,135	\$915,495	Salary \$243,331
Total Indirect Funding		\$141,464	\$496,413
Total Funding	\$540,135	\$1,056,959	\$739,744

Situation Analysis and Infrastructure Security Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs			**
Total Direct Funding	\$2,000	\$8,822	CIPC rep travel expense reimbursement \$18,000 CIPWG Secretary travel expense \$4,000 Total \$22,000
Total Indirect Funding		\$1,363	
Total Funding	\$2,000	\$10,185	\$22,000

Exhibit B — 2008 SPP Regional Entity Budget

Administrative Services Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	3.1 FTE	0.5 FTE	1.5 FTE
Total Direct Funding	\$1,313,733	\$147,926	<ul style="list-style-type: none"> • Salaries \$244,509 • SPP Travel \$15,000 • Trustees \$135,000 • <u>Trustee Travel \$10,000</u> Total \$404,509
Total Indirect Funding		\$22,857	\$103,419
Total Funding	\$1,313,733	\$170,783	\$507,928

EXHIBIT - C
CALCULATION OF THE SPP INDIRECT COST RATE
RATE IS BASED ON 2008 ACTUAL DATA

Support Groups	Overhead Costs to Allocate	
Administration	\$15,641,287	*
Officers	\$1,797,617	**
Accounting	\$924,812	
Human Resources	\$1,228,284	
Internal Audit	\$1,032,821	
Project Management	\$1,017,446	
Customer Service	\$350,123	
Legal	\$556,077	
Communications	\$283,310	
Information Technology	\$17,771,494	
	\$40,603,271	A
Non-Support Resource Groups		
Ending 2008 Headcount	205	
# of Work Hours in 2008	1,880	
	385,400	B
2008 Indirect Rate (A / B)	\$105.35	

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

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

ATTACHMENT 8

2008 ACTUAL COST-TO-BUDGET COMPARISON

FOR

TEXAS REGIONAL ENTITY,

A DIVISION OF

ELECTRIC RELIABILITY COUNCIL OF TEXAS

MEMORANDUM

To: Bruce E. Walencyk, CFO NERC
Susan Turpen, Senior Accountant, NERC

From: Todd Brewer, Senior Financial Analyst, Texas RE

CC: Larry Grimm, CEO & CCO, Texas RE

Date: March 27, 2009

Re: April 1, 2009 True-Up Filing with FERC

Dear Bruce,

Texas Regional Entity (Texas RE) has completed the analysis requirements to file the true-up of fiscal year 2008 statutory revenues and expenses with NERC and ultimately which will be filed with FERC on April 1, 2009. The variances for the year are as follows:

INCOME

- Texas RE's assessment receipts are as expected in the budget of \$3.2 million. Texas RE did not incur the operations training seminar costs in 2008 (\$70K). Additionally, Texas RE earned unplanned interest income on the prior year unspent funds of approximately \$90K for the year.

EXPENSES

- **Personnel Expenses** (Actual – \$80K under budget year-to-date)
 - Salary expenses are approximately \$43K under budget due to FTE vacancies. The budget included 25 FTEs that were fully funded throughout the year. During the 4th quarter, Texas RE made significant strides in staffing and we had zero vacancies.
 - Payroll taxes are a function of the salary expense and are \$11K below budget. As the FTEs have been lower than planned, so too is the expense.
 - Employee benefits were budgeted for the year at full staff levels and assumed the highest possible benefit plan selection by employees. Actual results of benefit selection and vacancies in staffing have caused the expense in this category to be lower than budgeted by \$8K. Additionally, an adjusting entry was posted in June based on the 2007 agreed upon procedures audit. The amount of the adjustment was \$32K, resulting in a total variance in this category of \$40K under budget.
 - Savings and Retirement expenses are slightly over budget by \$14K due to increased employee participation.
- **Meetings** (Actual – \$45K under budget year-to-date)
 - Texas RE did not conduct the Operations Training Seminar and therefore the expense was not incurred. However, this variance was partially offset by two seminars, which were conducted by Texas RE in the 4th quarter of 2008.

- **Travel** (Actual – \$5K under budget year-to-date)
 - The budget assumed full staffing and hiring delays have resulted in decreased expenditures.
- **Rent & Improvements** (Actual – \$21K over budget year-to-date)
 - The rent expense for 2008 is slightly higher based on the amount of rentable square footage (RSF) occupied and utilized by Texas RE. The memorandum of understanding between ERCOT and Texas RE adjusted the rent expense based on RSF and rates - please see individual explanations for these cost items on the individual program tables.
- **Contracts & Consultants** (Actual – \$267K over budget year-to-date)
 - The support service expenses (HR, Treasury, Finance, Board of Directors and Procurement) related to the memorandum of understanding between ERCOT and Texas RE are running significantly higher than originally planned - please see individual explanations for these cost items on the individual program tables.
- **Office Costs** (Actual – \$8K over budget year-to-date)
 - Texas RE is incurring higher costs due to increases in printing, consumable supplies, and postage/shipping.
- **Professional Services** (Actual – \$13K under budget year-to-date)
 - Professional services are approximately \$13K under budget year-to-date primarily due to savings in external legal expenses.
- **Computer Purchase & Maintenance** (Actual – \$197K over budget year-to-date)
 - Incurred unplanned expenses for computer related software/projects totaling \$154K. Additionally, the IT allocation per the MOU agreement between ERCOT and Texas RE, the variance was \$43K higher than budget - please see individual explanations for these cost items on the individual program tables.
- **Miscellaneous** (Actual – \$293K under budget year-to-date)
 - The original budget established a contingency reserve of \$296K within this category. Expenses incurred under miscellaneous are primarily due to professional dues, fees and license renewals totaling \$3K and are not contingency expenses. The contingency reserve was spent in the following areas: Rent & Improvements, Contracts & Consultants, Computer Purchases and Maintenance.

NET CHANGE IN ASSETS

- Texas RE did release \$35,202 from unspent prior year funds for the compliance portal project. The costs incurred for this project in 2008 was \$84,000; however the difference of \$48,798 was funded from current year operations.

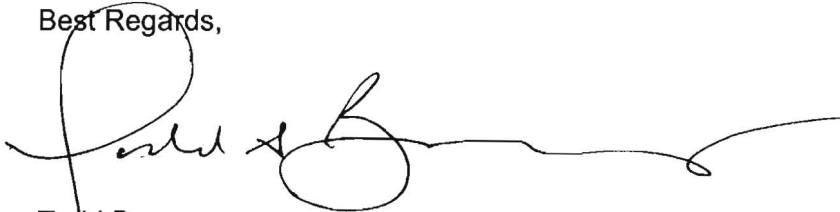
ADDITIONAL NOTES

- Texas RE did not allocate indirect costs. The expenses recorded in the G&A department benefit all units within Texas RE; however, those expenses are accumulated in G&A to indicate the control of expense.

- It is important to note that Texas RE uses statutory funding for statutory activities and that it uses non-statutory funding for non-statutory activities. Texas RE did not use any statutory funding for non-statutory activities.
- The MOU that was signed between Texas RE and ERCOT identified additional services that Texas RE receives from ERCOT, which was not anticipated in the budget. The MOU determines the drivers used for such expenses and the rate to be applied on a service-by-service basis.

As you are reviewing the enclosed analysis and supporting documentation, please do not hesitate to contact me at 512.225.7031 or Larry Grimm at 512.225.7025 with questions or concerns.

Best Regards,



Todd Brewer,
Senior Financial Analyst
Texas Regional Entity

TEXAS REGIONAL ENTITY
2008 Statement of Activities Summary
 Unaudited

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
Assessments	3,226,066	3,226,066	(0)
Membership Fees & Non-Stat Assessments	616,709	848,782	(232,073)
Testing	-	-	-
Services & Software	-	-	-
Interest	90,041	-	90,041
Misc.	-	70,000	(70,000)
Total Funding	<u>3,932,816</u>	<u>4,144,848</u>	<u>(212,033)</u>
Expenses			
Personnel Expenses			
Salaries	1,940,771	2,242,782	(302,011)
Payroll Taxes	151,745	186,151	(34,407)
Employee Benefits	175,551	269,134	(93,583)
Savings & Retirement	246,481	262,406	(15,925)
Total Personnel Expenses	<u>2,514,547</u>	<u>2,960,473</u>	<u>(445,926)</u>
Meeting Expenses			
Meetings	29,860	74,239	(44,379)
Travel	88,975	97,135	(8,160)
Total Meeting Expenses	<u>118,835</u>	<u>171,374</u>	<u>(52,539)</u>
Operating Expenses			
Rent & Improvements	118,020	112,000	6,020
Contracts	355,502	89,000	266,502
Consultants	49,005	12,000	37,005
Office Costs	37,095	19,500	17,595
Professional Services	264,546	338,000	(73,454)
Computer Purchase & Maint.	506,203	147,000	359,203
Miscellaneous	4,264	295,500	(291,236)
Total Operating Expenses	<u>1,334,635</u>	<u>1,013,001</u>	<u>321,635</u>
Total Expenses	<u>3,968,018</u>	<u>4,144,848</u>	<u>(176,830)</u>
Net Change in Assets	<u>(35,202)</u>	<u>0</u>	<u>(35,202)</u>

TEXAS REGIONAL ENTITY
2008 Statement of Activities Summary
Statutory Only

(In Whole Dollars)

	2008 YTD Actual	2008 YTD Budget	2008 YTD Variance	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
Assessments	3,226,066	3,226,066	(0)	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	90,041	-	90,041	In 2007, Texas RE had unspent funds that were held in an investment account. Prior to October of 2008, Texas RE was earning interest income in the range of 2% - 2.8%.
Misc.	-	70,000	(70,000)	Texas RE did not facilitate the Operations Training Seminar in 2008. This cost was incurred by ERCOT ISO; therefore this revenue was not collectible by Texas RE.
Total Funding	<u>3,316,106</u>	<u>3,296,066</u>	<u>20,041</u>	
Expenses				
Personnel Expenses				
Salaries	1,674,937	1,718,288	(43,351)	The budget included 25 FTEs that were fully funded throughout the year. Texas RE did end the year at full-staff; however there were personnel vacancy savings throughout the year.
Payroll Taxes	131,986	142,618	(10,633)	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	165,982	206,195	(40,213)	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	215,199	201,040	14,159	Savings and Retirement is a function of salary expense as well as FTE participation. Participation was higher than planned.
Total Personnel Expenses	<u>2,188,104</u>	<u>2,268,141</u>	<u>(80,037)</u>	
Meeting Expenses				
Meetings	28,861	74,239	(45,378)	Operations Training Seminar was not conducted by Texas RE. However, there were other meetings, training and workshops attended and conducted in 2008.
Travel	87,897	93,235	(5,338)	Travel incurred in direct support of Texas RE mission. Where possible, travel efficiencies were controlled, resulting in the positive variance compounded by lower than planned FTEs for the organization.
Total Meeting Expenses	<u>116,758</u>	<u>167,474</u>	<u>(50,716)</u>	
Operating Expenses				
Rent & Improvements	100,511	80,000	20,511	Higher due to the higher than planned expenses paid to ERCOT for Facilities and Rent (MOU executed in July, 2008). Budget assumption was based on per FTE and did not include the meeting spaces and common area expense in the rent expense. The MOU calculates a total Rentable Square Foot occupied more appropriate to the allocable base and therefore the amount is higher than budget.
Contracts	355,502	89,000	266,502	Higher due to the higher than planned expenses paid to ERCOT for Administrative Support Services (MOU executed in July, 2008). The support services budgeted in 2008 did not include the Board of Directors compensation, full Property Casualty Insurance costs, as well as Human Resources, Recruiting and Banking costs for 2008. The MOU established a rate and identified the category of expense more clearly; thereby causing the variance.
Consultants	-	-	-	
Office Costs	24,815	16,950	7,865	The costs associated with this category of expense were primarily driven over budget due to registration disputes, board support and preparation for the FERC audit of Texas RE.
Professional Services	242,951	256,000	(13,049)	Outside counsel for general legal matters was not fully utilized, resulting in a favorable variance for this category of expense.
Computer Purchase & Maint.	319,775	123,000	196,775	Higher due to the higher than planned expenses paid to ERCOT for IT Services (MOU executed in July, 2008). The IT services established by the MOU fully costed the services being received. The 2008 budget assumed an estimated amount of services; however more services were being consumed than estimated in the budget.
Miscellaneous	2,892	295,500	(292,608)	There was a contingency reserve established for this activity which was spent in the abovementioned categories in 2008 (Rent, Contracts, and Computer Purchase & Maintenance).
Total Operating Expenses	<u>1,046,446</u>	<u>860,450</u>	<u>185,996</u>	
Total Expenses	<u>3,351,308</u>	<u>3,296,065</u>	<u>55,243</u>	
Net Change in Assets	<u>(35,202)</u>	<u>0</u>	<u>(35,202)</u>	

TEXAS REGIONAL ENTITY
2008 Statement of Activities Summary
Reliability Standards

(In Whole Dollars)

	2008 YTD Actual	2008 YTD Budget	2008 YTD Variance		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
Assessments	215,453	215,453	-	0.00%	
Membership Fees & Non-Stat Assessments					
Testing					
Services & Software					
Interest					
Misc.					
Total Funding	<u>215,453</u>	<u>215,453</u>	<u>-</u>		
Expenses					
Personnel Expenses					
Salaries	118,279	144,806	(26,527)	-18.32%	2 FTEs were budgeted to work on reliability standards. There were personnel vacancy savings that were not originally budgeted in 2008.
Payroll Taxes	9,132	12,019	(2,887)	-24.02%	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	10,658	17,377	(6,719)	-38.66%	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	16,191	16,942	(751)	-4.43%	
Total Personnel Expenses	<u>154,260</u>	<u>191,144</u>	<u>(36,885)</u>		
Meeting Expenses					
Meetings	420	809	(389)	-48.08%	This category of expense captured meeting expenses for the Reliability Standards meetings.
Travel	5,436	8,500	(3,064)	-36.05%	Travel was budgeted to accommodate 2 FTEs travel. As there were personnel vacancy savings in 2008, a positive variance is recognized.
Total Meeting Expenses	<u>5,856</u>	<u>9,309</u>	<u>(3,453)</u>		
Operating Expenses					
Rent & Improvements		-	-		
Contracts		-	-		
Consultants		-	-		
Office Costs	412	-	412	100.00%	Cell phone service was not planned in 2008; however that expense was necessary and resulted in the variance.
Professional Services		-	-		
Computer Purchase & Maint.	25	-	25		
Miscellaneous		15,000	(15,000)	-100.00%	There was a contingency reserve established for this activity that was unspent in this activity for 2008.
Total Operating Expenses	<u>437</u>	<u>15,000</u>	<u>(14,563)</u>		
Total Expenses	<u>160,552</u>	<u>215,453</u>	<u>(54,901)</u>		
Net Change in Assets	<u>54,901</u>	<u>-</u>	<u>54,901</u>		

TEXAS REGIONAL ENTITY
2008 Statement of Activities Summary
Compliance and Organization Registration and Certification

(In Whole Dollars)

	2008 YTD Actual	2008 YTD Budget	2008 YTD Variance		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
Assessments	892,898	892,898	-	0.00%	
Membership Fees & Non-Stat Assessments			-		
Testing			-		
Services & Software			-		
Interest			-		
Misc.			-		
Total Funding	892,898	892,898	-		
Expenses					
Personnel Expenses					
Salaries	841,233	584,760	256,473	43.86%	Increased activity associated with Compliance Enforcement, Audit and Registration caused a significant variance for 2008, this was offset by reduced activity in other areas. Additionally, in 2008, Texas RE reorganized two departments which resulted in budget reallocations within Texas RE.
Payroll Taxes	73,765	48,535	25,229	51.98%	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses.
Employee Benefits	76,284	70,171	6,112	8.71%	
Savings & Retirement	109,767	68,417	41,350	60.44%	Savings and Retirement is a function of salary expense as well as FTE participation.
Total Personnel Expenses	1,101,048	771,883	329,165		
Meeting Expenses					
Meetings	7,202	810	6,392	789.19%	This category of expense captured both meeting and training related costs resulting in the variance. Training expenses were higher due to a NERC recertification course acquired in 2008.
Travel	54,110	46,205	7,905	17.11%	Travel incurred in direct support of the audits as well as compliance meetings. There was a significant increase in rates as well as the frequency of travel in 2008 which impacted this category of expense.
Total Meeting Expenses	61,312	47,015	14,297		
Operating Expenses					
Rent & Improvements		-	-		
Contracts		-	-		
Consultants		-	-		
Office Costs	4,832		4,832	100.00%	Primarily related to support registration dispute expenses that were not anticipated for 2008.
Professional Services	157,766		157,766	100.00%	Primarily related to legal expenses incurred in support of registration disputes and delegation agreement modifications. As bills were received they were reviewed and coded to the respective benefiting functional category.
Computer Purchase & Maint.	20		20		
Miscellaneous	904	74,000	(73,096)	-98.78%	Contingency reserve was budgeted in this activity. The expenses incurred in this category were for the sponsorship of a meeting for the CMWG as well as professional dues.
Total Operating Expenses	163,522	74,000	89,522		
Total Expenses	1,325,882	892,898	432,984		
Net Change in Assets	(432,984)	-	(432,984)		

TEXAS REGIONAL ENTITY
2008 Statement of Activities Summary
Reliability Readiness Audit and Improvement

(In Whole Dollars)

	2008 YTD Actual	2008 YTD Budget	2008 YTD Variance	%	<u>Comments - Explain variances that are +/- 10%</u>
Funding					
Assessments	58,345	58,345	(0)	0.00%	
Membership Fees & Non-Stat Assessments			-		
Testing			-		
Services & Software			-		
Interest			-		
Misc.			-		
Total Funding	<u>58,345</u>	<u>58,345</u>	<u>(0)</u>		
Expenses					
Personnel Expenses					
Salaries	3,368	32,368	(29,000)	-89.60%	The FTEs associated with this activity were reassigned to the compliance activity in 2008. This is also consistent with the 2009 Business Plan & Budget assumption for Texas RE.
Payroll Taxes	316	2,686	(2,370)	-88.22%	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses.
Employee Benefits	355	3,884	(3,529)	-90.85%	Benefits are a function of the number of FTEs and the benefit plans selected by employees and salary expense.
Savings & Retirement	501	3,787	(3,287)	-86.78%	Savings and retirement are a function of the number of FTEs and the plans selected by employees and salary expense.
Total Personnel Expenses	<u>4,540</u>	<u>42,725</u>	<u>(38,185)</u>		
Meeting Expenses					
Meetings	7		7		
Travel	584	10,620	(10,036)	-94.50%	Travel which was budgeted in this activity was also redistributed to the compliance activity to support that function.
Total Meeting Expenses	<u>591</u>	<u>10,620</u>	<u>(10,029)</u>		
Operating Expenses					
Rent & Improvements			-		
Contracts			-		
Consultants			-		
Office Costs	5		5		
Professional Services			-		
Computer Purchase & Maint.			-		
Miscellaneous		5,000	(5,000)	-100.00%	There was a contingency reserve established for this activity that was unspent in this activity for 2008.
Total Operating Expenses	<u>5</u>	<u>5,000</u>	<u>(4,996)</u>		
Total Expenses	<u>5,135</u>	<u>58,345</u>	<u>(53,210)</u>		
Net Change in Assets	<u>53,210</u>	<u>-</u>	<u>53,210</u>		

TEXAS REGIONAL ENTITY
2008 Statement of Activities Summary
Reliability Assessment and Performance Analysis

(In Whole Dollars)

	2008 YTD Actual	2008 YTD Budget	2008 YTD Variance		Comments - Explain variances that are +/- 10%
Funding					
Assessments	574,242	574,242	-	0.00%	
Membership Fees & Non-Stat Assessments					
Testing					
Services & Software					
Interest					
Misc.					
Total Funding	574,242	574,242	-		
Expenses					
Personnel Expenses					
Salaries	27,612	385,676	(358,064)	-92.84%	Because of limited staff in Texas RE, staff were used to supplement and support the compliance function. Studies and actual preparation of the reliability assessments were conducted by ERCOT ISO with input from appropriate stakeholders. The Texas RE reviewed these assessments and ensured this function was performed in accordance with the requirements and on schedule.
Payroll Taxes	2,121	32,011	(29,890)	-93.37%	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	2,288	46,281	(43,993)	-95.06%	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	3,030	45,124	(42,094)	-93.28%	Savings and Retirement is a function of salary expense as well as FTE participation. As FTEs are less than planned, so too is the expense.
Total Personnel Expenses	35,051	509,092	(474,041)		
Meeting Expenses					
Meetings	-	810	(810)	-100.00%	
Travel	336	4,340	(4,004)	-92.27%	Travel was based on full staff for the year. Due to vacancies in staffing as well as working of other NERC functional activities, the expenses were less than planned.
Total Meeting Expenses	336	5,150	(4,814)		
Operating Expenses					
Rent & Improvements					
Contracts					
Consultants					
Office Costs	27		27		
Professional Services					
Computer Purchase & Maint.	7,591		7,591	100.00%	This is the carryover-cost of a system enhancement from 2007 that was not expected when the 2008 budget was established.
Miscellaneous		60,000	(60,000)	-100.00%	There was a contingency reserve established for this activity that was unspent in this activity for 2008.
Total Operating Expenses	7,618	60,000	(52,382)		
Total Expenses	43,004	574,242	(531,238)		
Net Change in Assets	531,238	-	531,238		

TEXAS REGIONAL ENTITY
2008 Statement of Activities Summary
Training and Education

(In Whole Dollars)

	2008 YTD Actual	2008 YTD Budget	2008 YTD Variance		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
Assessments	73,503	73,503	-	0.00%	
Membership Fees & Non-Stat Assessments					
Testing					
Services & Software					
Interest					
Misc.	-	70,000	(70,000)	-100.00%	Texas RE did not facilitate the Operations Training Seminar in 2008. This cost was incurred by ERCOT ISO; therefore this revenue was not collectible by Texas RE.
Total Funding	<u>73,503</u>	<u>73,503</u>	<u>-</u>		
Expenses					
Personnel Expenses					
Salaries	49,090	38,154	10,937	28.67%	An employee was hired in 2008 to facilitate 3 workshops which were conducted in May, October and November. Additionally, this position began preparing for the 2009 Operations Training Seminar as well as auditor training.
Payroll Taxes	3,597	3,167	430	13.58%	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been higher than planned, so too is the expense
Employee Benefits	3,813	4,578	(765)	-16.71%	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	6,168	4,464	1,704	38.16%	Savings and Retirement is a function of salary expense as well as FTE participation.
Total Personnel Expenses	<u>62,668</u>	<u>50,363</u>	<u>12,305</u>		
Meeting Expenses					
Meetings	14,867	70,000	(55,133)	-78.76%	3 Compliance Workshops were conducted by Texas RE in May, October and November 2008.
Travel	2,962	10,140	(7,178)	-70.79%	Travel was established to support the personnel facilitating the Operations Training Seminar and other events. The primary reason for the variance is directly attributed to the Operations Training Seminar.
Total Meeting Expenses	<u>17,829</u>	<u>80,140</u>	<u>(62,311)</u>		
Operating Expenses					
Rent & Improvements					
Contracts					
Consultants					
Office Costs	1,976		1,976	100.00%	Primarily related to printed material for distribution at the 2 workshops.
Professional Services					
Computer Purchase & Maint.					
Miscellaneous		13,000	(13,000)	-100.00%	There was a contingency reserve established for this activity that was unspent in this activity for 2008.
Total Operating Expenses	<u>1,976</u>	<u>13,000</u>	<u>(11,024)</u>		
Total Expenses	<u>82,473</u>	<u>143,503</u>	<u>(61,030)</u>		
Net Change in Assets	<u>(8,970)</u>	<u>(70,000)</u>	<u>61,030</u>		

TEXAS REGIONAL ENTITY
2008 Statement of Activities Summary
Situation Awareness and Infrastructure Security

(In Whole Dollars)

	2008 YTD Actual	2008 YTD Budget	2008 YTD Variance		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
Assessments	46,925	46,925	-	0.00%	
Membership Fees & Non-Stat Assessments	-	-	-		
Testing	-	-	-		
Services & Software	-	-	-		
Interest	-	-	-		
Misc.	-	-	-		
Total Funding	<u>46,925</u>	<u>46,925</u>	<u>-</u>		
Expenses					
Personnel Expenses					
Salaries	56,050	32,368	23,683	73.17%	Fractional FTE support was needed to coordinate Infrastructure Security. Additionally, Texas RE hired an unbudgeted full-time CIP analyst in the 2nd quarter of 2008. This resulted in a higher expense than originally budgeted.
Payroll Taxes	3,861	2,686	1,175	43.72%	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses.
Employee Benefits	22,052	3,884	18,168	467.75%	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count). Additionally, there were relocation benefits paid which were unanticipated.
Savings & Retirement	6,844	3,787	3,057	80.72%	Savings and Retirement is a function of salary expense as well as FTE participation.
Total Personnel Expenses	<u>88,808</u>	<u>42,725</u>	<u>46,082</u>		
Meeting Expenses					
Meetings	1,710	-	1,710	100.00%	Training expenses were incurred which were unanticipated for the 2008 operating year.
Travel	3,628	200	3,428	1713.58%	A slight travel budget was established for the .5 FTE, due to the original plan that coverage was expected to be provided by existing staff.
Total Meeting Expenses	<u>5,338</u>	<u>200</u>	<u>5,138</u>		
Operating Expenses					
Rent & Improvements	-	-	-		
Contracts	-	-	-		
Consultants	-	-	-		
Office Costs	13	-	13		
Professional Services	-	-	-		
Computer Purchase & Maint.	-	-	-		
Miscellaneous	-	4,000	(4,000)	-100.00%	There was a contingency reserve established for this activity which was spent in the abovementioned categories in 2008. Additionally, other resources were required to be applied from other areas that underspent their budgets in 2008.
Total Operating Expenses	<u>13</u>	<u>4,000</u>	<u>(3,987)</u>		
Total Expenses	<u>94,158</u>	<u>46,925</u>	<u>47,233</u>		
Net Change in Assets	<u>(47,233)</u>	<u>-</u>	<u>(47,233)</u>		

TEXAS REGIONAL ENTITY
2008 Statement of Activities Summary
General and Administrative

(In Whole Dollars)

	2008 YTD Actual	2008 YTD Budget	2008 YTD Variance		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
Assessments	779,024	779,024	-	0.00%	
Membership Fees & Non-Stat Assessments			-		
Testing			-		
Services & Software			-		
Interest	90,041		90,041		In 2007, Texas RE had unspent funds that were held in an investment account. Prior to October of 2008, Texas RE was earning interest income in the range of 2% - 2.8%.
Misc.			-		
Total Funding	869,065	779,024	90,041		
Expenses					
Personnel Expenses					
Salaries	192,802	176,207	16,595	9.42%	
Payroll Taxes	15,393	14,625	768	5.25%	
Employee Benefits	21,972	21,145	827	3.91%	
Savings & Retirement	21,712	20,616	1,096	5.31%	
Total Personnel Expenses	251,879	232,594	19,285		
Meeting Expenses					
Meetings	3,793	1,000	2,793	279.34%	Primarily related to training expenses as well as remote wireless access to Texas RE's networks.
Travel	15,451	6,480	8,971	138.43%	There was significantly more travel incurred in 2008 than originally planned. The frequency of meetings as well as the rate increases experienced over the year impacted this category of the budget.
Total Meeting Expenses	19,244	7,480	11,764		
Operating Expenses					
Rent & Improvements	100,511	80,000	20,511	25.64%	Higher due to the higher than planned expenses paid to ERCOT for Facilities and Rent (MOU executed in July, 2008). Budget assumption was based on per FTE and did not include the meeting spaces and common area expense in the rent expense. The MOU calculates a total Rentable Square Foot occupied more appropriate to the allocable base and therefore the amount is higher than budget.
Contracts	355,502	89,000	266,502	299.44%	Higher due to the higher than planned expenses paid to ERCOT for Administrative Support Services (MOU executed in July, 2008). The support services budgeted in 2008 did not include the Board of Directors compensation, full Property Casualty Insurance costs, as well as Human Resources, Recruiting and Banking costs for 2008. The MOU established a rate and identified the category of expense more clearly; thereby causing the variance.
Consultants			-		
Office Costs	10,147	15,450	(5,303)	-34.32%	This category of expense was controlled where possible.
Professional Services	17,256	160,000	(142,744)	-89.21%	Budget was formulated for 2008 with the assumption that Texas RE would require additional external resources for the year. The expenses were incurred and recorded in the compliance and registration area and were related to a registration dispute.
Computer Purchase & Maint.	166,807	123,000	43,807	35.62%	Higher due to the higher than planned expenses paid to ERCOT for IT Services (MOU executed in July, 2008). The IT services established by the MOU fully costed the services being received. The 2008 budget assumed an estimated amount of services; however more services were being consumed than estimated in the budget.
Miscellaneous	741	71,500	(70,759)	-98.96%	The contingency reserve was not spent in this category/activity; however, spending was higher in other categories in 2008 (Rent, Contracts, and Computer Purchase & Maintenance).
Total Operating Expenses	650,963	538,950	112,013		
Total Expenses	922,086	779,024	143,063		
Net Change in Assets	(53,022)	0	(53,022)		

TEXAS REGIONAL ENTITY
2008 Statement of Activities Summary
Legal and Regulatory

(In Whole Dollars)

	2008 YTD Actual	2008 YTD Budget	2008 YTD Variance		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
Assessments	308,281	308,281	-	0.00%	
Membership Fees & Non-Stat Assessments			-		
Testing			-		
Services & Software			-		
Interest			-		
Misc.			-		
Total Funding	308,281	308,281	-		
Expenses					
Personnel Expenses					
Salaries	222,470	163,811	58,658	35.81%	Legal staff salary was underbudgeted for 2008. The budget for 2008 was established prior to hiring counsel and this was an unknown expense item.
Payroll Taxes	12,648	13,596	(949)	-6.98%	
Employee Benefits	13,199	19,657	(6,459)	-32.86%	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	28,989	19,166	9,823	51.25%	Savings and Retirement is a function of salary expense as well as FTE participation.
Total Personnel Expenses	277,305	216,231	61,074		
Meeting Expenses					
Meetings	862	810	52	6.41%	
Travel	2,923	2,740	183	6.67%	
Total Meeting Expenses	3,785	3,550	235		
Operating Expenses					
Rent & Improvements		-	-		
Contracts		-	-		
Consultants		-	-		
Office Costs	6,596	500	6,096	1219.03%	Primarily related to Board support and also expenses incurred in 2008 related to preparing for the FERC audit of Texas RE.
Professional Services	44,929	60,000	(15,071)	-25.12%	Outside counsel for general legal matters was not fully utilized, resulting in a favorable variance for this category of expense.
Computer Purchase & Maint.		-	-		
Miscellaneous	216	28,000	(27,784)	-99.23%	There was a contingency reserve established for this activity that was for the most part unspent in this activity for 2008.
Total Operating Expenses	51,740	88,500	(36,760)		
Total Expenses	332,829	308,281	24,549		
Net Change in Assets	(24,549)	-	(24,549)		

TEXAS REGIONAL ENTITY
2008 Statement of Activities Summary
Information Technology

(In Whole Dollars)

	2008 YTD Actual	2008 YTD Budget	2008 YTD Variance	Comments - Explain variances that are +/- 10%
Funding				
Assessments	124,735	124,735	-	0.00%
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>124,735</u>	<u>124,735</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	92,779	85,670	7,109	8.30%
Payroll Taxes	6,286	7,111	(825)	-11.60%
Employee Benefits	10,429	10,281	149	1.45%
Savings & Retirement	12,554	10,023	2,530	25.24%
Total Personnel Expenses	<u>122,048</u>	<u>113,085</u>	<u>8,963</u>	
Meeting Expenses				
Meetings			-	
Travel	852	150	702	468.01%
Total Meeting Expenses	<u>852</u>	<u>150</u>	<u>702</u>	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	-	-	-	
Office Costs	688	500	188	37.68%
Professional Services	-	-	-	
Computer Purchase & Maint.	145,333	-	145,333	100.00%
Miscellaneous	1,031	11,000	(9,969)	-90.63%
Total Operating Expenses	<u>147,053</u>	<u>11,500</u>	<u>135,552</u>	
Total Expenses	<u>269,952</u>	<u>124,735</u>	<u>145,217</u>	
Net Change in Assets	<u>(145,217)</u>	<u>-</u>	<u>(145,217)</u>	

TEXAS REGIONAL ENTITY
2008 Statement of Activities Summary
Accounting and Finance

(In Whole Dollars)

	2008 YTD Actual	2008 YTD Budget	2008 YTD Variance		Comments - Explain variances that are +/- 10%
Funding					
Assessments	152,659	152,659	-	0.00%	
Membership Fees & Non-Stat Assessments		-	-		
Testing		-	-		
Services & Software		-	-		
Interest		-	-		
Misc.		-	-		
Total Funding	152,659	152,659	-		
Expenses					
Personnel Expenses					
Salaries	71,255	74,469	(3,214)	-4.32%	
Payroll Taxes	4,868	6,181	(1,313)	-21.25%	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses.
Employee Benefits	4,932	8,936	(4,004)	-44.81%	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	9,444	8,713	731	8.39%	
Total Personnel Expenses	90,498	98,299	(7,800)		
Meeting Expenses					
Meetings		-	-		
Travel	1,617	3,860	(2,243)	-58.11%	Expenses incurred to attend REBG meetings were controlled.
Total Meeting Expenses	1,617	3,860	(2,243)		
Operating Expenses					
Rent & Improvements		-	-		
Contracts		-	-		
Consultants		-	-		
Office Costs	120	500	(380)	-76.01%	Cell phone costs were less than planned for 2008.
Professional Services	23,000	36,000	(13,000)	-36.11%	The 2007 audit was paid in 2008. The costs associated with them were less than planned. No 2008 audit costs were actually paid in 2008, those expenses will be paid in 2009. On a GAAP basis the costs were accrued, however, since this is a cash basis report, those costs are not appropriate to reflect.
Computer Purchase & Maint.		-	-		
Miscellaneous		14,000	(14,000)	-100.00%	There was a contingency reserve established for this activity that was unspent in this activity for 2008.
Total Operating Expenses	23,120	50,500	(27,380)		
Total Expenses	115,235	152,659	(37,424)		
Net Change in Assets	37,424	-	37,424		

TEXAS REGIONAL ENTITY
2008 Statement of Activities Summary
Non-Statutory Only

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
Assessments			-
Membership Fees & Non-Stat Assessments	616,709	848,782	(232,073)
Testing			-
Services & Software			-
Interest			-
Misc.			
Total Funding	<u>616,709</u>	<u>848,782</u>	<u>(232,073)</u>
Expenses			
Personnel Expenses			
Salaries	265,834	524,494	(258,660)
Payroll Taxes	19,759	43,533	(23,774)
Employee Benefits	9,569	62,939	(53,370)
Savings & Retirement	31,282	61,366	(30,084)
Total Personnel Expenses	<u>326,443</u>	<u>692,332</u>	<u>(365,889)</u>
Meeting Expenses			
Meetings	999		999
Travel	1,078	3,900	(2,822)
Total Meeting Expenses	<u>2,077</u>	<u>3,900</u>	<u>(1,823)</u>
Operating Expenses			
Rent & Improvements	17,509	32,000	(14,491)
Contracts			-
Consultants	49,005	12,000	37,005
Office Costs	12,280	2,550	9,730
Professional Services	21,595	82,000	(60,405)
Computer Purchase & Maint.	186,427	24,000	162,427
Miscellaneous	1,372		1,372
Total Operating Expenses	<u>288,189</u>	<u>152,550</u>	<u>135,639</u>
Total Expenses	<u>616,709</u>	<u>848,782</u>	<u>(232,073)</u>
Net Change in Assets	<u>-</u>	<u>-</u>	<u>-</u>

ATTACHMENT 9

2008 ACTUAL COST-TO-BUDGET COMPARISON

FOR

WESTERN ELECTRICITY COORDINATING COUNCIL



Jillian S. Lessner
Controller

801.883.6866
jlessner@wecc.biz

Annual Statement of Activities (Unaudited) December 31, 2008 **Variance Explanations for April 1 True-up Filing**

Variances greater than \$10,000 and 10 percent are explained below.

WECC under spent its 2008 operating budget of \$33,152,585 by \$563,891. Additionally, WECC earned unanticipated revenue of \$409,417. Consequently, WECC's net 2008 under-run was \$966,467. This is comprised of a Statutory under-run of \$919,624 and a Non-statutory under-run of \$46,843.

Statutory Variances

FUNDING

- **SERVICES & SOFTWARE** (\$122K over budget YTD; 17%)
 - Unbudgeted sub-contract revenue.
- **MISCELLANEOUS** (\$59K over budget YTD; 708%)
 - Unanticipated fees and studies revenue.

EXPENSES

- **SALARIES** (\$409K under budget YTD; 4%)
 - Due to a combination of hiring lags, open positions in some areas, and unbudgeted positions filled in other areas. In addition, Situational Awareness (SA) labor costs were less than anticipated due to the timing of converting consultants to WECC employees.
- **PAYROLL TAXES** (\$125K under budget YTD; 16%)
 - Based on salaries, which are also under budget. Payroll taxes as a percentage of salaries was 6.3% compared to the budget of 7.2%, mostly due to Social Security ceilings.
- **BENEFITS** (\$1.3 million under budget YTD; 48%)
 - Training expenses are \$100K under budget due to hiring lags and time constraints due to heavy workload.
 - The medical insurance budgeted assumed a 22% increase; actual costs increased 8%. SA over-budgeted for benefits. Additionally, insurance costs are lower than budgeted as a result of hiring lags and the levels of coverage selected by employees (family, single, etc). Total insurance under-run is \$670K.

- **SAVINGS & RETIREMENT** (\$190K over budget YTD; 46%)
 - The level of employee participation in the retirement plan (which affects the amount of the employer match) was under-estimated.
 - In 2008, WECC changed eligibility requirements for retirement plan participation and the waiting period was abolished.
- **MEETINGS** (\$183K over budget YTD; 25%)
 - Compliance workshop meeting costs were not budgeted.
- **TRAVEL** (\$209K over budget YTD; 22%)
 - Compliance department employee travel is over budget due to the unanticipated volume of audits and investigations and the number of Compliance personnel traveling.
 - Situational Awareness travel was over budget due to the unanticipated level of travel required to get the Reliability Coordination centers up and running.
- **CONFERENCE CALLS** (\$24K under budget YTD; 21%)
 - WECC successfully controlled conference call costs during the year by migrating many calls to a free teleconferencing service.
- **OFFICE RENT** (\$97K under budget YTD; 13%)
 - The budget was prepared assuming that WECC would lease more office space in the current building in Salt Lake City; no new space was available in 2008.
 - Reliability Coordination offices moved into their new leased spaces in Vancouver, WA and Loveland, CO later than anticipated.
- **CONTRACTS** (\$570K over budget YTD; 21%)
 - Compliance utilized contracted consultants and employees to catch up on backlog by year end. This accounted for \$330K of the variance.
 - Reliability Assessment was under budget by \$150K, as a consequence of delayed projects and less expensive project fee actual.
 - General and Administrative was over budget by \$208K due to a classification difference between budget and actuals. The offset is in Consultants.
 - Situational Awareness represents the balance of the variance. Data control and data acquisition, which are needed to feed the real-time EMS system, were excluded from the original AREVA contract budget.
- **CONSULTANTS** (\$801K under budget YTD; 14%)
 - Reliability Assessment and Committees used WECC staff as a more economical resource and had delayed projects, resulting in an under-run of \$440K
 - General & Administrative was under budget by \$498K because actual needs were less than budgeted. Additionally, there is a \$208K over-run in Contracts that should be net with this category due to a classification difference between budget and actuals. The net under-run on Contracts and Consultants is \$289K.

- **OFFICE COSTS** (\$254K over budget YTD; 15%)
 - Unanticipated usage of cell phones, internet service, express shipping, office supplies and computer supplies & maintenance.
- **COMPUTER PURCHASE & MAINTENANCE** (\$1.5 million over budget YTD; 43%)
 - The number of laptop purchases required for new hires was underestimated in the 2008 budget.
 - Situational Awareness capital expenditure actuals were \$1.3 million greater than anticipated. The costs associated with the start-up of the two data centers were underestimated. WECC did not have an IT person on staff with experience in this area and the infrastructure costs budgeted for cooling systems, switches, fire suppression, backups, data communications, etc. were not sufficient.
- **FURNITURE & EQUIPMENT** (\$183k over budget YTD; 130%)
 - Situational Awareness accounts for this entire variance. WECC thought that the majority of the furniture at the external RC centers (PNSC, RDRC, and CMRC) would transfer to WECC in 2008, but that did not happen and WECC had to purchase all new furniture for the two new centers.

Non-statutory Variances

FUNDING

- **MEMBERSHIP FEES & NON-STATUTORY ASSESSMENTS** (\$231K over budget YTD; 48%)
 - Unbudgeted Western Renewable Energy Generation Information System (WREGIS) revenue.

EXPENSES

- **SALARIES** (\$122K over budget YTD; 56%)
 - One unbudgeted FTE was hired in 2008.
 - Salary allocation was larger than budgeted.
- **BENEFITS** (\$34K under budget YTD; 27%)
 - Medical Insurance was budgeted assuming a 22% increase; actual costs increased 8%.
 - Insurance costs are lower than expected due to hiring lags and the levels of coverage selected by employees (family, single, etc) compared to what was budgeted.
- **CONSULTANTS** (\$23K under budget YTD; 58%)
 - WREGIS program spent less than anticipated on advertising, marketing and promotion.

- **OFFICE COSTS** (\$66K over budget YTD; 366%)
 - Software service costs of \$20K were incurred that were not in the budget.
 - Internet services were \$8K more than budgeted.
 - Overhead allocation was \$30K more than budgeted.

- **PROFESSIONAL SERVICES** (\$45K over budget YTD; 150%)
 - Business insurance allocation was greater than the budgeted amount.

During 2008, no Statutory funds were used for Non-statutory activities.

Allocation of Expenses

For 2008 actuals, WECC did not allocate any indirect costs to Statutory program areas.

Indirect costs were allocated to Non-statutory (WREGIS) activities in several ways, and the allocation was dependent on the type of cost being allocated:

- WECC Executive and Administrative support salaries are allocated to WREGIS based on estimated percentages of time that executives, directors and administrative support spent on WREGIS matters multiplied by the individuals' annual salaries.
- Benefits (payroll taxes and insurance) were allocated to WREGIS based on a percentage of WREGIS salaries.
- Administrative costs (rent, facilities, utilities, office supplies, infrastructure costs, etc) are allocated to WREGIS based on a percentage of WREGIS salaries to total WECC salaries.
- Business insurance is allocated to WREGIS based on headcount (ERISA, Chubb D&O/Employment Liability), or based on the actual increase in premium and corresponding percentage of total insurance at the inception of the WREGIS program.

WECC
2008 Statement of Activities

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
Assessments	26,596,512	26,596,512	-
Membership Fees & Non-Stat Assessments	711,877	480,710	231,167
Testing	-	-	-
Services & Software	847,896	726,090	121,806
Interest	606,358	609,400	(3,042)
Line of Credit	5,852,414	5,852,414	-
Misc.	67,886	8,400	59,486
Total Funding	<u>34,682,943</u>	<u>34,273,526</u>	<u>409,417</u>
Expenses			
Personnel Expenses			
Salaries	10,658,742	10,945,764	(287,022)
Payroll Taxes	672,409	796,346	(123,937)
Employee Benefits	1,485,291	2,824,815	(1,339,524)
Savings & Retirement	606,694	416,743	189,951
Total Personnel Expenses	<u>13,423,137</u>	<u>14,983,668</u>	<u>(1,560,531)</u>
Meeting Expenses			
Meetings	926,463	739,797	186,666
Travel	1,151,752	950,986	200,766
Conference Calls	92,021	116,497	(24,476)
Total Meeting Expenses	<u>2,170,237</u>	<u>1,807,280</u>	<u>362,957</u>
Operating Expenses			
Rent & Improvements	657,091	753,871	(96,780)
Contracts	3,265,568	2,689,360	576,208
Consultants	4,923,870	5,748,629	(824,759)
Office Costs	2,034,926	1,715,184	319,742
Professional Services	1,732,555	1,683,585	48,970
Computer Purchase & Maint.	5,179,743	3,630,258	1,549,485
Furniture & Equipment	323,681	140,750	182,931
Total Operating Expenses	<u>18,117,433</u>	<u>16,361,637</u>	<u>1,755,796</u>
Non-Operating Cost			
Interest Expense	5,670	-	5,670
Total Expenses	<u>33,716,476</u>	<u>33,152,585</u>	<u>563,891</u>
Net Change in Assets	<u>966,467</u>	<u>1,120,941</u>	<u>(154,474)</u>

WECC
2008 Statement of Activities
Statutory Summary

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
Assessments	26,596,512	26,596,512	-
Membership Fees & Non-Stat Assessments	-	-	-
Testing	-	-	-
Services & Software	847,896	726,090	121,806
Interest	606,358	609,400	(3,042)
Line of Credit	5,852,414	5,852,414	-
Misc.	67,886	8,400	59,486
Total Funding	<u>33,971,066</u>	<u>33,792,816</u>	<u>178,250</u>
Expenses			
Personnel Expenses			
Salaries	10,316,667	10,725,828	(409,161)
Payroll Taxes	651,022	776,154	(125,132)
Employee Benefits	1,390,287	2,695,497	(1,305,210)
Savings & Retirement	606,694	416,743	189,951
Total Personnel Expenses	<u>12,964,671</u>	<u>14,614,222</u>	<u>(1,649,551)</u>
Meeting Expenses			
Meetings	921,453	738,597	182,856
Travel	1,139,661	930,982	208,679
Conference Calls	92,021	116,497	(24,476)
Total Meeting Expenses	<u>2,153,136</u>	<u>1,786,076</u>	<u>367,060</u>
Operating Expenses			
Rent & Improvements	657,091	753,871	(96,780)
Contracts	3,259,979	2,689,360	570,619
Consultants	4,907,303	5,708,765	(801,462)
Office Costs	1,951,275	1,697,228	254,047
Professional Services	1,658,002	1,653,821	4,181
Computer Purchase & Maint.	5,170,636	3,627,782	1,542,854
Furniture & Equipment	323,681	140,750	182,931
Total Operating Expenses	<u>17,927,966</u>	<u>16,271,577</u>	<u>1,656,389</u>
Non-Operating Cost			
Interest Expense	5,670	-	5,670
Total Expenses	<u>33,051,442</u>	<u>32,671,875</u>	<u>379,567</u>
Net Change in Assets	<u>919,624</u>	<u>1,120,941</u>	<u>(201,317)</u>

**WECC
2008 Statement of Activities
Reliability Standards**

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Variances greater than 10% and \$10,000</u>
Funding				
Assessments	687,812	687,812	-	0%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Line of Credit	-	-	-	
Misc.	-	-	-	
Total Funding	<u>687,812</u>	<u>687,812</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	217,138	397,160	(180,022)	-45% Two positions budgeted for but not filled during 2008.
Payroll Taxes	-	26,796	(26,796)	-100% Payroll tax actuals were all recorded in General & Admin in 2008.
Employee Benefits	-	68,667	(68,667)	-100% Benefits actuals were all recorded in General & Admin in 2008.
Savings & Retirement	-	20,837	(20,837)	-100% Retirement program actuals were all recorded in General & Admin in 2008.
Total Personnel Expenses	<u>217,138</u>	<u>513,460</u>	<u>(296,322)</u>	
Meeting Expenses				
Meetings	2,771	32,826	(30,055)	Minimal stand-alone Standards related meetings in 2008. Standards drafting was included on other meeting agendas and the meeting costs were not split out. Also, Committee meeting costs budget -92% was allocated out to the program areas, but actuals were recorded in Committee & Member Forums. Increased conference calls to minimize travel. Lower than expected travel due to two vacant
Travel	8,026	34,211	(26,185)	-77% positions. Also, Committee travel budget was allocated out across program areas.
Conference Calls	4,585	868	3,717	428%
Total Meeting Expenses	<u>15,381</u>	<u>67,905</u>	<u>(52,524)</u>	
Operating Expenses				
Rent & Improvements	-	18,508	(18,508)	-100% Rent was not allocated to program areas as a direct cost in 2008 actuals.
Contracts	-	-	-	
Consultants	600	-	600	
Office Costs	1,612	11,937	(10,325)	Indirect costs were allocated to program area budgets in 2008. Broadband cards, postage, shipping, -86% copying actuals were all recorded in General & Admin in 2008. Legal expenses were \$40K less than budgeted due to the addition of in-house counsel to WECC staff. Non-affiliated Director meeting compensation, financial statement audit fees, and business insurance were allocated to program areas in the budget, but actuals were recorded in Committees and Member Forums and General & Admin, respectively.
Professional Services	10,033	73,107	(63,074)	-86%
Computer Purchase & Maint.	-	2,895	(2,895)	-100%
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>12,245</u>	<u>106,447</u>	<u>(94,202)</u>	
Non-Operating Cost				
Interest Expense	-	-	-	
Total Expenses	<u>244,765</u>	<u>687,812</u>	<u>(443,047)</u>	
Net Change in Assets	<u>443,047</u>	<u>-</u>	<u>443,047</u>	

**WECC
2008 Statement of Activities
Compliance & Organization Registration & Certification**

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Variances greater than 10% and \$10,000</u>
Funding				
Assessments	4,568,116	4,568,116	-	0%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	158,950	-	158,950	Compliance began charging a fee for workshops in 2008 - nothing was budgeted.
Interest	-	-	-	
Line of Credit	-	-	-	
Misc.	-	-	-	
Total Funding	4,727,066	4,568,116	158,950	
Expenses				
Personnel Expenses				
Salaries	2,034,932	1,927,416	107,516	Some 2009 budgeted positions were hired in 2008 to help with backlog reduction. Temporary 6% employees were also used to assist with backlog reduction.
Payroll Taxes	-	133,980	(133,980)	-100% Payroll tax actuals were all recorded in General & Admin in 2008.
Employee Benefits	12,132	318,554	(306,422)	-96% Benefits actuals were all recorded in General & Admin in 2008, with the exception of training.
Savings & Retirement	-	90,293	(90,293)	-100% Retirement program actuals were all recorded in General & Admin in 2008.
Total Personnel Expenses	2,047,064	2,470,243	(423,179)	
Meeting Expenses				
Meetings	215,991	121,447	94,544	Greater than anticipated attendance at user groups and workshops. More offsite team meetings than 78% budgeted due to backlog reduction assessment and planning.
Travel	321,970	252,244	69,726	Increased travel due to the hiring of 2009 FTEs in 2008. Additionally, three staff were hired in the Vancouver office, which required increased travel between WECC offices due to backlog reduction 28% planning and training.
Conference Calls	19,595	103,763	(84,168)	-81% A free teleconferencing service was used for most calls in 2008 in an effort to reduce costs.
Total Meeting Expenses	557,556	477,454	80,102	
Operating Expenses				
Rent & Improvements	144,524	226,825	(82,301)	Budgeted rent was based on a headcount allocation, but in 2008, Compliance had its own space in Salt Lake City and was charged actual rent for that space in addition to a percentage of the Vancouver 36% office rent, which was less than the budgeted allocation.
Contracts	1,078,446	746,000	332,446	Contracted consulting/contract employees were used to assist with backlog reduction in order to be 45% current by year end.
Consultants	206,416	200,000	6,416	3%
Office Costs	192,682	76,736	115,946	Nothing was budgeted for computer licenses and services in 2008, but actual costs were incurred for the Guidance system. Telephone and office supplies were under budget by \$40K because actuals 151% were recorded in General & Admin.
Professional Services	219,131	340,314	(121,183)	Legal expenses were \$20K less than budgeted due to the addition of in-house counsel to WECC staff. Non-affiliated Director meeting compensation was allocated to program areas in the budget, but actuals were recorded in Committees and Member Forums. Insurance was allocated to the program 36% areas in the budget but actuals were recorded in General & Admin.
Computer Purchase & Maint.	16,915	30,544	(13,629)	Actual expenditures were less than anticipated. New staff laptops are all recorded in General & 45% Admin.
Furniture & Equipment	-	-	-	
Total Operating Expenses	1,858,114	1,620,419	237,695	
Non-Operating Cost				
Interest Expense	-	-	-	
Total Expenses	4,462,734	4,568,116	(105,382)	
Net Change in Assets	264,332	-	264,332	

WECC
2008 Statement of Activities
Reliability Readiness Evaluation and Improvement

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Variances greater than 10% and \$10,000</u>
Funding				
Assessments	342,541	342,541	-	0%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Line of Credit	-	-	-	
Misc.	-	-	-	
Total Funding	<u>342,541</u>	<u>342,541</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	154,533	155,922	(1,389)	-1%
Payroll Taxes	-	14,745	(14,745)	-100% Payroll tax actuals were all recorded in General & Admin in 2008.
Employee Benefits	-	45,781	(45,781)	-100% Benefits actuals were all recorded in General & Admin in 2008.
Savings & Retirement	-	13,891	(13,891)	-100% Retirement program actuals were all recorded in General & Admin in 2008.
Total Personnel Expenses	<u>154,533</u>	<u>230,339</u>	<u>(75,806)</u>	
Meeting Expenses				
Meetings	-	18,684	(18,684)	Committee meeting costs budget was allocated out to the program areas, but actuals were recorded -100% in Committee & Member Forums.
Travel	25,742	22,807	2,935	13%
Conference Calls	1,109	579	530	92%
Total Meeting Expenses	<u>26,852</u>	<u>42,070</u>	<u>(15,218)</u>	
Operating Expenses				
Rent & Improvements	-	12,338	(12,338)	-100% Rent was not allocated to program areas as a direct cost in 2008 actuals.
Contracts	-	-	-	
Consultants	-	32,500	(32,500)	-100% Decision to perform evaluations using WECC staff eliminated consultant expenses.
Office Costs	1,905	7,960	(6,055)	-76%
Professional Services	-	15,404	(15,404)	Non-affiliated Director meeting compensation, financial statement audit fees, and business insurance were allocated to program areas in the budget, but actuals were recorded in Committees and -100% Member Forums and General & Admin, respectively.
Computer Purchase & Maint.	-	1,930	(1,930)	-100%
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>1,905</u>	<u>70,132</u>	<u>(68,227)</u>	
Non-Operating Cost				
Interest Expense	-	-	-	
Total Expenses	<u>183,290</u>	<u>342,541</u>	<u>(159,251)</u>	
Net Change in Assets	<u>159,251</u>	<u>-</u>	<u>159,251</u>	

WECC
2008 Statement of Activities
Reliability Assessment & Performance Analysis

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Variances greater than 10% and \$10,000</u>
Funding				
Assessments	3,279,459	3,279,459	-	0%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	111,300	-	111,300	Unbudgeted Desert Southwest Area Coordinator revenue.
Interest	-	-	-	
Line of Credit	-	-	-	
Misc.	32,000	-	32,000	Unbudgeted sub-contract revenue from Lawrence Berkeley Labs for congestion study.
Total Funding	<u>3,422,759</u>	<u>3,279,459</u>	<u>143,300</u>	
Expenses				
Personnel Expenses				
Salaries	1,055,129	1,011,574	43,555	A self funded activity was completely excluded from the budget, and should not have been. Actuals 4% were properly recorded in the program area; salary was one component.
Payroll Taxes	4,092	87,087	(82,995)	Payroll tax actuals were all recorded in General & Admin in 2008 except for an allocation to the -95% Desert Southwest program.
Employee Benefits	30,414	297,552	(267,138)	-90% Benefits actuals were all recorded in General & Admin in 2008, with the exception of training.
Savings & Retirement	-	90,293	(90,293)	-100% Retirement program actuals were all recorded in General & Admin in 2008.
Total Personnel Expenses	<u>1,089,635</u>	<u>1,486,506</u>	<u>(396,871)</u>	
Meeting Expenses				
Meetings	42,691	121,447	(78,756)	Fewer meetings held in person than budgeted in an effort to reduce expenses - conference calls were utilized. Also, Committee meeting costs budget was allocated out to the program areas, but actuals -65% were recorded in Committee & Member Forums.
Travel	83,412	148,246	(64,834)	Utilized conference calls to reduce travel expenses. Also, Committee travel budget was allocated -44% out across program areas.
Conference Calls	25,312	3,763	21,549	573% Utilized conference calls to reduce travel and meeting expenses.
Total Meeting Expenses	<u>151,414</u>	<u>273,456</u>	<u>(122,042)</u>	
Operating Expenses				
Rent & Improvements	-	80,200	(80,200)	-100% Rent was not allocated to program areas as a direct cost in 2008 actuals. for a WAN network was delayed. Fees budgeted for Loads & Resources were less expensive than -58% anticipated.
Contracts	106,250	254,568	(148,318)	Generally, WECC staff was utilized more to reduce Consultant costs. \$75K of Loads & Resources costs were saved by utilizing someone who agreed to do pro bono work. \$75K was saved in -52% Disturbance Monitoring by using less expensive alternatives. One project delayed until 2009.
Consultants	284,145	588,000	(303,855)	150K relates to maintenance budgeted on synchro-phasors that were never purchased. \$50K of -40% indirect costs were allocated here in the budget and actuals were recorded in General & Admin.
Office Costs	283,847	474,053	(190,206)	Non-affiliated Director meeting compensation, financial statement audit fees, and business insurance were allocated to program areas in the budget, but actuals were recorded in Committees and Member -98% Forums and General & Admin, respectively.
Professional Services	1,872	100,132	(98,260)	
Computer Purchase & Maint.	3,562	22,544	(18,982)	-84% Less computer equipment purchased than anticipated.
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>679,677</u>	<u>1,519,497</u>	<u>(839,820)</u>	
Non-Operating Cost				
Interest Expense	-	-	-	
Total Expenses	<u>1,920,726</u>	<u>3,279,459</u>	<u>(1,358,733)</u>	
Net Change in Assets	<u>1,502,033</u>	<u>-</u>	<u>1,502,033</u>	

**WECC
2008 Statement of Activities
Training & Education**

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Variances greater than 10% and \$10,000</u>
Funding				
Assessments	-	-	-	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	568,950	726,090	(157,140)	-22% Attendance at workshops was less than expected.
Interest	-	-	-	
Line of Credit	-	-	-	
Misc.	-	-	-	
Total Funding	<u>568,950</u>	<u>726,090</u>	<u>(157,140)</u>	
Expenses				
Personnel Expenses				
Salaries	130,147	228,423	(98,276)	-43% One vacant position.
Payroll Taxes	10,412	21,853	(11,441)	-52% Budget was based on budgeted payroll dollars and actuals are based on actual payroll dollars.
Employee Benefits	45,876	53,942	(8,066)	-15%
Savings & Retirement	-	20,837	(20,837)	-100% Retirement program actuals were all recorded in General & Admin in 2008
Total Personnel Expenses	<u>186,435</u>	<u>325,055</u>	<u>(138,620)</u>	
Meeting Expenses				
Meetings	210,465	263,546	(53,082)	The hotel gives us volume discounts on the facility effective in 2008. Also, less participation translates to lower meeting costs (food). Also, Committee meeting costs budget was allocated out to the program areas, but actuals were recorded in Committee & Member Forums.
Travel	10,053	51,611	(41,558)	-81% The majority of training in 2008 was held in SLC, which reduced travel expenses. Also, Committee travel budget was allocated out across program areas.
Conference Calls	128	868	(740)	-85%
Total Meeting Expenses	<u>220,645</u>	<u>316,025</u>	<u>(95,380)</u>	
Operating Expenses				
Rent & Improvements	-	18,508	(18,508)	-100% Rent was not allocated to program areas as a direct cost in 2008 actuals.
Contracts	-	18,400	(18,400)	-100% Some consulting was budgeted in Contracts, but the actual consulting dollar actuals were recorded in Consultants. Consultant was used to fill vacant FTE. Some consulting budget dollars are in Contracts and actuals were recorded in Consultants.
Consultants	95,338	8,400	86,938	1035% recorded in Consultants.
Office Costs	14,921	16,595	(1,674)	-10% Non-affiliated Director meeting compensation, financial statement audit fees, and business insurance were allocated to program areas in the budget, but actuals were recorded in Committees and Member Forums and General & Admin, respectively.
Professional Services	-	23,107	(23,107)	
Computer Purchase & Maint.	969	-	969	
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>111,228</u>	<u>85,010</u>	<u>26,218</u>	
Non-Operating Cost				
Interest Expense	-	-	-	
Total Expenses	<u>518,307</u>	<u>726,090</u>	<u>(207,783)</u>	
Net Change in Assets	<u>50,643</u>	<u>-</u>	<u>50,643</u>	

**WECC
2008 Statement of Activities
Situational Awareness & Infrastructure Security**

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Variances greater than 10% and \$10,000</u>
Funding				
Assessments	12,155,428	12,155,428	-	0%
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software	8,696		8,696	
Interest	-		-	
Line of Credit	5,852,414	5,852,414	-	0%
Misc.			-	
Total Funding	18,016,538	18,007,842	8,696	
Expenses				
Personnel Expenses				
Salaries	4,216,107	5,168,145	(952,038)	Labor costs were less than anticipated due to the timing of new hire start dates and also due to the timing of the -18% conversion of RC consultants to WECC employees.
Payroll Taxes	-	484,057	(484,057)	-100% Payroll tax actuals were all recorded in General & Admin in 2008
Employee Benefits	295,133	1,453,221	(1,158,088)	-80% Benefits actuals were all recorded in General & Admin in 2008, with the exception of Relocation and Training.
Savings & Retirement	-	41,697	(41,697)	-100% Retirement program actuals were all recorded in General & Admin in 2008
Total Personnel Expenses	4,511,239	7,147,120	(2,635,881)	
Meeting Expenses				
Meetings	17,170	28,026	(10,856)	Meeting costs were less than anticipated and occasionally, conference calls were used instead of holding in person meetings. Also, Committee meeting costs budget was allocated out to the program areas, but actuals -39% were recorded in Committee & Member Forums.
Travel	303,141	193,791	109,350	56% Levels of required travel to get the RC Centers up and running/online were underestimated.
Conference Calls	12,586	868	11,718	1350% Conference calls were used instead of holding in-person meetings. Conference calls were also used to help mitigate the increased travel costs.
Total Meeting Expenses	332,897	222,685	110,212	
Operating Expenses				
Rent & Improvements	170,307	274,108	(103,801)	When the budgets were prepared, no leases were in existence yet. Actual rent costs were less than anticipated -38% we moved into spaces later than anticipated.
Contracts	1,851,711	1,621,392	230,319	Data control and data acquisition, which are needed to feed the real-time EMS system, were excluded from the original AREVA contract. 14%
Consultants	4,217,368	4,141,865	75,503	One of the external RC centers (PNSC) dissolved later than anticipated. WECC funded the PNSC operation and 2% their employees were accounted for as consultants.
Office Costs	416,074	375,645	40,429	Start-up costs of the two new centers were underestimated. Actual spending on the RC project differed from 11% budget classifications due to needs once the project was under way
Professional Services	620,777	566,707	54,070	Architecture, legal and design fees for an RC space in Loveland, CO that ultimately fell through and costs could 10% not be recouped.
Computer Purchase & Maint.	4,813,381	3,517,570	1,295,811	The costs associated with the start-up of the two data centers were underestimated. WECC did not have an IT person on staff with experience in this area and the infrastructure costs budgeted for cooling systems, switches, 37% fire suppression, backups, data communications, etc were not sufficient.
Furniture & Equipment	323,681	140,750	182,931	WECC believed that the furniture at the external RC centers would transfer to WECC in 2008, but that did not 130% happen and WECC had to purchase all new furniture for the two new centers.
Total Operating Expenses	12,413,299	10,638,037	1,775,262	
Non-Operating Cost				
Interest Expense	5,670		5,670	
Total Expenses	17,263,105	18,007,842	(744,737)	
Net Change in Assets	753,433	-	753,433	

**WECC
2008 Statement of Activities
Committees & Member Forums**

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Variances greater than 10% and \$10,000</u>
Funding				
Assessments	1,674,211	1,674,211	-	0%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Line of Credit	-	-	-	
Misc.	-	-	-	
Total Funding	<u>1,674,211</u>	<u>1,674,211</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	261,291	448,773	(187,482)	-42% Three vacant positions.
Payroll Taxes	-	29,496	(29,496)	-100% Payroll tax actuals were all recorded in General & Admin in 2008.
Employee Benefits	300	91,556	(91,256)	-100% Benefits actuals were all recorded in General & Admin in 2008, with the exception of training.
Savings & Retirement	-	27,778	(27,778)	-100% Retirement program actuals were all recorded in General & Admin in 2008.
Total Personnel Expenses	<u>261,591</u>	<u>597,603</u>	<u>(336,012)</u>	
Meeting Expenses				
Meetings	416,376	37,368	379,008	Budget of 397K was allocated out across program areas and actuals were all recorded here. True 1014% variance is 16K or 4%.
Travel	171,634	45,614	126,020	Budget of \$520K was allocated out across program areas and actuals were all recorded here for BOD and Non-affiliated Director Travel. All other Travel was coded to respective employee departments. Total Travel is over budget mainly due to Compliance and Situational Awareness.
Conference Calls	21,505	1,158	20,347	276% Conference calls were used to help reduce travel and meeting costs.
Total Meeting Expenses	<u>609,515</u>	<u>84,140</u>	<u>525,375</u>	
Operating Expenses				
Rent & Improvements	-	24,677	(24,677)	-100% Rent was not allocated to program areas as a direct cost in 2008 actuals.
Contracts	-	34,000	(34,000)	-100% Delay on Planning Coordination Committee project - will be spent in 2009. Delay on 85K Operating Committee project - will be spent in 2009. 50K in Planning Coordination
Consultants	73,500	213,000	(139,500)	-65% Committee consulting not spent as budgeted - used WECC staff.
Office Costs	660,806	653,120	7,686	1% Non-affiliated Director (NAD) meeting compensation, financial statement audit fees, and business insurance were allocated to program areas in the budget, but actuals were recorded in Committees and Member Forums and General & Admin, respectively. In total, NAD compensation was under
Professional Services	484,947	30,811	454,136	1474% and Member Forums and General & Admin, respectively. In total, NAD compensation was under
Computer Purchase & Maint.	-	36,860	(36,860)	-100% Delay on Planning Coordination Committee project - will be spent in 2009.
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>1,219,253</u>	<u>992,468</u>	<u>226,785</u>	
Non-Operating Cost				
Interest Expense	-	-	-	
Total Expenses	<u>2,090,359</u>	<u>1,674,211</u>	<u>416,148</u>	
Net Change in Assets	<u>(416,148)</u>	<u>-</u>	<u>(416,148)</u>	

**WECC
2008 Statement of Activities
General & Administrative**

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Variances greater than 10% and \$10,000</u>
Funding				
Assessments	2,757,030	2,757,030	-	0%
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest	606,358	609,400	(3,042)	0%
Line of Credit			-	
Misc.	35,886	8,400	27,486	327% Unanticipated Balancing Authority Applications and other small fee revenue
Total Funding	3,399,274	3,374,830	24,444	
Expenses				
Personnel Expenses				
Salaries	1,564,303	1,022,801	541,502	Some General & Admin Salaries were allocated out across Program Areas for budget (360K) and actuals were not allocated. Total Salaries are under budget t 53% 400K due to hiring lags. Two unbudgeted positions were filled in 2008
Payroll Taxes	636,518	(58,731)	695,249	Payroll tax actuals were all recorded in General & Admin in 2008. The budget was allocated out to the Program Areas. Total Payroll Taxes are under budget -1184% by 125K for 2008, mainly due to timing of new hire start date:
Employee Benefits	1,006,433	251,777	754,656	Benefits actuals were all recorded in General & Admin in 2008, with the exception of training and relocation. The budget was allocated out across Program Areas. Total Benefits are under budget by 1.3MM in 2008 - health benefits were budgeted at a 22% increase, actual increase was only 8%; Worker's Comp rates changed and actuals were 30K less than budget; Training in total is under budget by 100K due to workload and hiring lags; RC budget included 500K in medical insurance which had already been accounted for in the General & Admin calculation; Relocation in total is under budget by 400K due to timing of hir 300% and also due to the economic environment - employees are not able to sell their home
Savings & Retirement	606,694	76,388	530,306	Retirement program actuals were all recorded in General & Admin in 2008. The budget was allocated out across Program Areas. In total, Retirement is under 694% budget by 190K due to hiring lags and the actual level of participation compared to budget
Total Personnel Expenses	3,813,948	1,292,235	2,521,713	
Meeting Expenses				
Meetings	15,990	68,543	(52,553)	Committee meeting costs budget was allocated out to the program areas, but actuals were recorded in Committee & Member Forums. General & Admin ha -77% small number of meetings that were not budgeted for
Travel	184,427	125,439	58,988	Committee Travel was allocated across program areas, but actuals other than Board Travel were recorded in the employee department. Total Travel is ov 47% budget by 200K, due to Compliance
Conference Calls	7,109	3,184	3,925	123%
Total Meeting Expenses	207,525	197,166	10,359	
Operating Expenses				
Rent & Improvements	342,260	67,861	274,399	Rent was not allocated to program areas as a direct cost in 2008 actuals. Total Rent is under budget due to timing of moving into RC locations and also, budg 404% included expansion in SLC and there is no available space
Contracts	223,571	15,000	208,571	These two lines need to be net together for a (289K) variance. Budget was recorded in one area, and actuals were reflected in the other. Actual software ar 1390% consulting needs were less than anticipated
Consultants	26,990	525,000	(498,010)	These two lines need to be net together for a (289K) variance. Budget was recorded in one area, and actuals were reflected in the other. Actual software ar -95% consulting needs were less than anticipated
Office Costs	379,036	61,285	317,751	Indirect costs were allocated to Program Area budgets in 2008. Broadband cards, postage, shipping, copying actuals were all recorded in General & Admin in 2008. Also, unanticipated levels of usage of FedEx, cell phones, broadband cards, equipment rental, copy supplies & services, office supplies, telephones, and 518% other office expenses
Professional Services	57,562	84,728	(27,166)	Non-affiliated Director meeting compensation, financial statement audit fees, and business insurance were allocated to program areas in the budget, but actuals -32% were recorded in Committees and Member Forums and General & Admin, respectively
Computer Purchase & Maint.	335,808	10,614	325,194	3064% The number of laptop purchases for new hires was underestimated in the 2008 budget, which accounts for approximately 300K of the varian
Furniture & Equipment			-	
Total Operating Expenses	1,365,228	764,488	600,740	
Non-Operating Cost				
Interest Expense			-	
Total Expenses	5,386,701	2,253,889	3,132,812	
Net Change in Assets	(1,987,428)	1,120,941	(3,108,369)	

**WECC
2008 Statement of Activities
Legal & Regulatory**

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Variances greater than 10% and \$10,000</u>
Funding				
Assessments	381,000	381,000	-	0%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Line of Credit	-	-	-	
Misc.	-	-	-	
Total Funding	<u>381,000</u>	<u>381,000</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	197,232	-	197,232	WECC hired general legal counsel that was not budgeted.
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	<u>197,232</u>	<u>-</u>	<u>197,232</u>	
Meeting Expenses				
Meetings	-	-	-	
Travel	31,256	-	31,256	WECC hired general legal counsel that was not budgeted.
Conference Calls	93	-	93	
Total Meeting Expenses	<u>31,349</u>	<u>-</u>	<u>31,349</u>	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	2,946	-	2,946	
Office Costs	392	-	392	
Professional Services	263,679	381,000	(117,321)	-31% Legal expenses decreased as a result of hiring in-house counsel.
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>267,017</u>	<u>381,000</u>	<u>(113,983)</u>	-30%
Non-Operating Cost				
Interest Expense	-	-	-	
Total Expenses	<u>495,598</u>	<u>381,000</u>	<u>114,598</u>	30%
Net Change in Assets	<u>(114,598)</u>	<u>-</u>	<u>(114,598)</u>	

**WECC
2008 Statement of Activities
Information Technology**

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Variances greater than 10% and \$10,000</u>
Funding				
Assessments	406,067	406,067	-	0%
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Line of Credit				
Misc.			-	
Total Funding	<u>406,067</u>	<u>406,067</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	98,408	174,888	(76,480)	-44% Two vacant positions.
Payroll Taxes	-	22,123	(22,123)	-100% Payroll tax actuals were all recorded in General & Admin in 2008.
Employee Benefits	-	68,667	(68,667)	-100% Benefits actuals were all recorded in General & Admin in 2008.
Savings & Retirement	-	20,837	(20,837)	-100% Retirement program actuals were all recorded in General & Admin in 2008.
Total Personnel Expenses	<u>98,408</u>	<u>286,515</u>	<u>(188,107)</u>	
Meeting Expenses				
Meetings	-	28,026	(28,026)	-100% Committee Meetings costs budget was allocated out to the program areas, but actuals were recorded in Committee & Member Forums.
Travel		34,211	(34,211)	-100% Committee Travel was allocated across program areas, but actuals other than Board Travel were recorded in the employee department - or in this case, General & Admin.
Conference Calls		868	(868)	-100%
Total Meeting Expenses	<u>-</u>	<u>63,105</u>	<u>(63,105)</u>	
Operating Expenses				
Rent & Improvements	-	18,508	(18,508)	-100% Rent was not allocated to program areas as a direct cost in 2008 actuals.
Contracts		-	-	
Consultants		-	-	
Office Costs	-	11,937	(11,937)	-100% Indirect costs were allocated to Program Area budgets in 2008. Broadband cards, postage, shipping, copying actuals were all recorded in General & Admin in 2008.
Professional Services		23,107	(23,107)	-100% Non-affiliated Director meeting compensation, financial statement audit fees, and business insurance were allocated to program areas in the budget, but actuals were recorded in Committees and Member Forums and General & Admin, respectively.
Computer Purchase & Maint.		2,895	(2,895)	-100%
Furniture & Equipment		-	-	
Total Operating Expenses	<u>-</u>	<u>56,447</u>	<u>(56,447)</u>	
Non-Operating Cost				
Interest Expense			-	
Total Expenses	<u>98,408</u>	<u>406,067</u>	<u>(307,659)</u>	
Net Change in Assets	<u>307,659</u>	<u>-</u>	<u>307,659</u>	

**WECC
2008 Statement of Activities
Human Resources**

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Variances greater than 10% and \$10,000</u>
Funding				
Assessments	201,571	201,571	-	0%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Line of Credit	-	-	-	
Misc.	-	-	-	
Total Funding	<u>201,571</u>	<u>201,571</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	202,990	124,510	78,480	63% budgeted. One budgeted FTE versus 2 actual FTEs. Also, salary increase for one individual was higher than
Payroll Taxes	-	7,374	(7,374)	-100%
Employee Benefits	-	22,890	(22,890)	-100% Benefits actuals were all recorded in General & Admin in 2008.
Savings & Retirement	-	6,946	(6,946)	-100%
Total Personnel Expenses	<u>202,990</u>	<u>161,720</u>	<u>41,270</u>	26%
Meeting Expenses				
Meetings	-	9,342	(9,342)	-100% Committee Travel was allocated across program areas, but actuals other than Board Travel were
Travel	-	11,404	(11,404)	-100% recorded in the employee department - or in this case, General & Admin.
Conference Calls	-	289	(289)	-100%
Total Meeting Expenses	<u>-</u>	<u>21,035</u>	<u>(21,035)</u>	
Operating Expenses				
Rent & Improvements	-	6,169	(6,169)	-100%
Contracts	-	-	-	
Consultants	-	-	-	
Office Costs	-	3,980	(3,980)	-100%
Professional Services	-	7,702	(7,702)	-100%
Computer Purchase & Maint.	-	965	(965)	-100%
Furniture & Equipment	-	-	-	
Total Operating Expenses	<u>-</u>	<u>18,816</u>	<u>(18,816)</u>	
Non-Operating Cost				
Interest Expense	-	-	-	
Total Expenses	<u>202,990</u>	<u>201,571</u>	<u>1,419</u>	
Net Change in Assets	<u>(1,419)</u>	<u>-</u>	<u>(1,419)</u>	

WECC
2008 Statement of Activities
Accounting & Finance

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>	<u>Comments - Variances greater than 10% and \$10,000</u>
Funding				
Assessments	143,277	143,277	-	0%
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Line of Credit				
Misc.			-	
Total Funding	<u>143,277</u>	<u>143,277</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	184,457	66,216	118,241	One FTE was budgeted for in General and Admin and actuals were appropriately recorded in 179% Accounting & Finance.
Payroll Taxes	-	7,374	(7,374)	-100%
Employee Benefits	-	22,890	(22,890)	-100% Benefits actuals were all recorded in General & Admin in 2008.
Savings & Retirement	-	6,946	(6,946)	-100%
Total Personnel Expenses	<u>184,457</u>	<u>103,426</u>	<u>81,031</u>	
Meeting Expenses				
Meetings		9,342	(9,342)	-100%
Travel		11,404	(11,404)	-100% Committee Travel was allocated across program areas, but actuals other than Board Travel were recorded in the employee department - or in this case, General & Admin.
Conference Calls		289	(289)	-100%
Total Meeting Expenses	<u>-</u>	<u>21,035</u>	<u>(21,035)</u>	
Operating Expenses				
Rent & Improvements	-	6,169	(6,169)	-100%
Contracts		-	-	
Consultants			-	
Office Costs	-	3,980	(3,980)	-100%
Professional Services	-	7,702	(7,702)	-100%
Computer Purchase & Maint.		965	(965)	-100%
Furniture & Equipment		-	-	
Total Operating Expenses	<u>-</u>	<u>18,816</u>	<u>(18,816)</u>	
Non-Operating Cost				
Interest Expense			-	
Total Expenses	<u>184,457</u>	<u>143,277</u>	<u>41,180</u>	
Net Change in Assets	<u>(41,180)</u>	<u>-</u>	<u>(41,180)</u>	

WECC
2008 Statement of Activities
Non-statutory Summary

(In Whole Dollars)

	<u>2008 YTD Actual</u>	<u>2008 YTD Budget</u>	<u>2008 YTD Variance</u>
Funding			
Assessments			-
Membership Fees & Non-Stat Assessments	711,877	480,710	231,167
Testing			-
Services & Software			-
Interest			-
Line of Credit			-
Misc.			-
Total Funding	<u>711,877</u>	<u>480,710</u>	<u>231,167</u>
Expenses			
Personnel Expenses			
Salaries	342,075	219,936	122,139
Payroll Taxes	21,387	20,192	1,195
Employee Benefits	95,004	129,318	(34,314)
Savings & Retirement	-	-	-
Total Personnel Expenses	<u>458,466</u>	<u>369,446</u>	<u>89,020</u>
Meeting Expenses			
Meetings	5,010	1,200	3,810
Travel	12,091	20,004	(7,913)
Conference Calls	-	-	-
Total Meeting Expenses	<u>17,101</u>	<u>21,204</u>	<u>(4,103)</u>
Operating Expenses			
Rent & Improvements	-	-	-
Contracts	5,589	-	5,589
Consultants	16,567	39,864	(23,297)
Office Costs	83,651	17,956	65,695
Professional Services	74,553	29,764	44,789
Computer Purchase & Maint.	9,107	2,476	6,631
Furniture & Equipment	-	-	-
Total Operating Expenses	<u>189,467</u>	<u>90,060</u>	<u>99,407</u>
Non-Operating Cost			
Interest Expense			-
Total Expenses	<u>665,034</u>	<u>480,710</u>	<u>184,324</u>
Net Change in Assets	<u>46,843</u>	<u>-</u>	<u>46,843</u>

ATTACHMENT 10

**METRICS CONCERNING ADMINISTRATIVE COSTS IN
2008 NERC AND REGIONAL ENTITY
BUDGETS AND ACTUAL COSTS**

Analysis of Administrative (Indirect) Costs
2008 Actual and Budget

2008 ACTUAL SPEND

	Total Statutory Expenses	Total Statutory Direct Expenses	Total Statutory Indirect Expenses	% Statutory Indirect Expenses to Total Statutory	Statutory Direct Spend per Spend on Indirect Expenses
NERC	\$ 27,717,401	\$ 17,833,251	\$ 9,884,150	35.66%	\$ 1.80
MRO	\$ 5,325,525	\$ 3,067,399	\$ 2,258,126	42.40%	\$ 1.36
NPCC	\$ 7,438,655	\$ 4,547,861	\$ 2,890,794	38.86%	\$ 1.57
RFC	\$ 9,583,117	\$ 5,110,069	\$ 4,473,048	46.68%	\$ 1.14
SERC	\$ 7,862,335	\$ 5,485,704	\$ 2,376,631	30.23%	\$ 2.31
SPP	\$ 4,401,351	\$ 1,773,191	\$ 2,628,160	59.71%	\$ 0.67
Texas RE	\$ 3,351,306	\$ 1,711,204	\$ 1,640,102	48.94%	\$ 1.04
WECC	\$ 33,051,440	\$ 24,592,927	\$ 8,458,513	25.59%	\$ 2.91
TOTAL	\$ 98,731,130	\$ 64,121,606	\$ 34,609,524	35.05%	\$ 1.85
FRCC	\$ 3,196,572	3,196,572	-		

2008 ACTUAL FTEs

	Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs
NERC	91.50	62.00	29.50	32.24%	2.10
MRO	23.09	15.98	7.11	30.79%	2.25
NPCC	21.40	15.00	6.40	29.91%	2.34
RFC	37.00	26.50	10.50	28.38%	2.52
SERC	35.90	25.90	10.00	27.86%	2.59
SPP	11.20	9.70	1.50	13.39%	6.47
Texas RE	18.80	14.00	4.80	25.53%	2.92
WECC	127.00	99.50	27.50	21.65%	3.62
TOTAL	365.89	268.58	97.31	26.60%	2.76
FRCC	14.14	14.14			

2008 ACTUALSPEND per FTE

	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Expense per Total FTE
NERC	\$ 302,922	\$ 287,633	\$ 335,056	\$ 108,023
MRO	230,642	191,952	317,599	97,797
NPCC	347,601	303,191	451,687	135,084
RFC	259,003	192,833	426,005	120,893
SERC	219,007	211,803	237,663	66,201
SPP	392,978	182,803	1,752,107	234,657
Texas RE	178,261	122,229	341,688	87,239
WECC	260,248	247,165	307,582	66,602
TOTAL	\$ 2,190,661	\$ 1,739,609	\$ 4,169,386	\$ 916,498
FRCC	\$ 226,066	\$ 226,066		

2008 BUDGET SPEND

	Total Statutory Expenses	Total Statutory Direct Expenses	Total Statutory Indirect Expenses	% Statutory Indirect Expenses to Total Statutory	Statutory Direct Spend per Spend on Indirect Expenses
NERC	\$ 26,531,995	\$ 17,172,338	\$ 9,359,657	35.28%	\$ 1.83
MRO	\$ 5,331,488	\$ 2,682,769	\$ 2,648,719	49.68%	\$ 1.01
NPCC	\$ 7,504,907	\$ 4,443,505	\$ 3,061,402	40.79%	\$ 1.45
RFC	\$ 9,664,251	\$ 5,993,225	\$ 3,671,026	37.99%	\$ 1.63
SERC	\$ 7,991,021	\$ 5,474,436	\$ 2,516,585	31.49%	\$ 2.18
SPP	\$ 4,609,084	\$ 1,846,616	\$ 2,762,468	59.94%	\$ 0.67
Texas RE	\$ 3,296,065	\$ 1,931,366	\$ 1,364,699	41.40%	\$ 1.42
WECC	\$ 32,671,875	\$ 27,611,860	\$ 5,060,015	15.49%	\$ 5.46
TOTAL	\$ 101,590,633	\$ 69,707,993	\$ 31,882,640	31.38%	\$ 2.19
FRCC	\$ 3,989,947	2,551,878	1,438,069	36.04%	\$ 1.77

2008 BUDGET FTEs

	Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs
NERC	101.50	75.00	26.50	26.11%	2.83
MRO	22.90	15.90	7.00	30.57%	2.27
NPCC	21.40	15.00	6.40	29.91%	2.34
RFC	34.00	22.00	12.00	35.29%	1.83
SERC	31.80	21.40	10.40	32.70%	2.06
SPP	12.40	10.90	1.50	12.10%	7.27
Texas RE	19.50	14.90	4.60	23.59%	3.24
WECC	81.00	60.00	21.00	25.93%	2.86
TOTAL	324.50	235.10	89.40	27.55%	2.63
FRCC	16.49	13.19	3.30	20.01%	4.00

2008 BUDGETED SPEND per FTE

	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Expense per Total FTE
NERC	\$ 261,399	\$ 228,965	\$ 353,195	\$ 92,213
MRO	232,816	168,728	378,388	115,665
NPCC	350,697	296,234	478,344	143,056
RFC	284,243	272,419	305,919	107,971
SERC	251,290	255,815	241,979	79,138
SPP	371,700	169,414	1,841,645	222,780
Texas RE	169,029	129,622	296,674	69,985
WECC	403,356	460,198	240,953	62,469
TOTAL	\$ 2,324,530	\$ 1,981,394	\$ 4,137,097	\$ 893,277
FRCC	\$ 241,962	\$ 193,471	\$ 435,778	\$ 87,209