



Business Plan and Budget

2009

Approved by: Board of Directors

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Introduction

Total RE Resources				
(in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Statutory FTEs	44			
Non-statutory FTEs	0			
Total FTEs	44			
Statutory Expenses	\$11,434,201	\$11,434,201		
Non-statutory Expenses	\$0	\$0		
Total Expenses	\$11,434,201	\$11,434,201		
ERO Funding Assessments	\$8,833,834	\$8,833,834		
Member Funding Assessments	\$0	\$0		
Non-statutory Funding	\$0	\$0		
Total Funding Assessments	\$8,833,834	\$8,833,834		
NEL	951,148,266	951,148,266		
NEL %	100%	100%		

Background

ReliabilityFirst Corporation (“ReliabilityFirst”) is a not-for-profit company incorporated in the state of Delaware and has been authorized by the Federal Energy Regulatory Commission (FERC) to operate as a Regional Entity. As a Regional Entity, ReliabilityFirst performs key reliability functions delegated to it by the Electric Reliability Organization (ERO or NERC). These functions include: reliability standards development, organization registration and certification, compliance assessment and enforcement, assessment of the expected short and long-term reliability of the Bulk Power System, readiness evaluations, situational awareness and industry training. ReliabilityFirst is responsible for all parts of the Bulk Power System in thirteen states and the District of Columbia.

ReliabilityFirst performed only those functions delegated to it by the ERO in 2008 and the organization does not intend to perform any functions outside its ERO delegated activities in 2009. Although the corporate Bylaws provide the flexibility to perform such functions, doing so would require Board authorization and any such activities would be funded separately from those delegated by the ERO and directly by those who benefit from such activities. As can be seen in this business plan, no activities outside the delegated functions are budgeted for and none are planned in 2009.

There is no annual fee for ongoing membership in ReliabilityFirst. As new members join, they are required to pay a nominal one-time fee to cover the costs of processing their membership application. This one-time fee currently ranges from \$250 for associate and adjunct members to \$1,000 for regular members and can be waived by the President for good cause.

In order to properly carry out its ERO delegated functions, the proposed ReliabilityFirst 2009 Business Plan and Budget, has been submitted to NERC for approval. This Business Plan and Budget reflect ReliabilityFirst’s best estimate of the costs it will incur in carrying out its

delegated functions in support of the ERO in 2009 as we know them in the first quarter of 2008. The overall budget reflects an 18% increase over that of 2008. The increase is primarily driven by increased staffing in the Compliance department, in response to the expected increased activities and demands in performing this critical delegated function. An area of significant new focus will be assessment of Critical Infrastructure Protection performance as compliance monitoring and audit activities expand in this area during 2009. Expenses for all other areas are projected to remain relatively flat compared to 2008 levels.

Membership and Governance

Members

ReliabilityFirst has an open membership policy that permits full and fair participation of all industry stakeholders through their designated representatives.

There are six (6) **Industry Sectors**: Suppliers, Transmission Companies, Regional Transmission Organizations (RTOs), Small Load Serving Entities (LSEs), Medium LSEs and Large LSEs.

There are three (3) **Classes of Members**: Regular Members, Associate Members and Adjunct Members.

A **Regular Member** is any entity that has joined an Industry Sector that either (i) has no Affiliates or Related Parties that are Members or (ii) is the entity designated to be the Regular Member by any related group of Associate Members.

An **Associate Member** is any entity that has joined an Industry Sector and is an Affiliate or Related Party of a Regular Member.

An **Adjunct Member** is any entity that does not qualify to join an Industry Sector but has been approved for membership. Adjunct Members may include Regulatory Participants.

There are currently 69 members of ReliabilityFirst Corporation; 43 are regular voting, 22 are associates and 4 are adjunct. ReliabilityFirst's foundation has been and continues to be the broad, active participation of technical and policy experts representing electricity industry stakeholders within the Region who are committed to the reliability of the Bulk Power System. ReliabilityFirst believes that extensive use of industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a strong approach to reliability that is consistent with the industry self-regulatory model envisioned by Congress in the Energy Policy Act of 2005

Board

ReliabilityFirst Corporation is governed by a hybrid independent and balanced stakeholder Board.

- (a) The Board consists of fourteen (14) directors.
- (b) Eight directors are elected by the Industry Sectors as follows:
 - (i) Suppliers elect two (2) directors;
 - (ii) Transmission Companies elect two (2) directors;
 - (iii) RTOs elect one (1) director;
 - (iv) Small LSEs elect one (1) director;
 - (v) Medium LSEs elect one (1) director; and
 - (vi) Large LSEs elect one (1) director.
- (c) Three (3) directors are at-large. At-large directors are elected by all of the Industry Sectors voting together as a single class.
- (d) Three (3) directors are independent from ReliabilityFirst Corporation, any Member, Affiliate or Related Party of any Member. Independent directors are

elected by all of the Industry Sectors voting together as a single class.

Statutory Functional Scope

ReliabilityFirst performs statutory functions in support of the Electric Reliability Organization, in accordance with the executed delegation agreement between ReliabilityFirst and the ERO.

These functions are:

- Active participation in the development of North American reliability standards for the Bulk Power System, and as needed development of reliability standards applicable within the ReliabilityFirst Region.
- Monitoring and enforcement of approved reliability standards, including the registration of responsible entities, and as needed, certification of such entities.
- Assessment of the present and future reliability, adequacy, and security of the Bulk Power System.
- Assisting NERC in the readiness evaluation of responsible entities within ReliabilityFirst, as well as other regions.
- Promoting effective training and education of personnel, and assisting in the certification of operating personnel.
- Promoting situational awareness and the protection of critical infrastructure.

ReliabilityFirst does not perform any non-statutory functions at this time, although ReliabilityFirst may in the future consider providing non-statutory functions from time to time as appropriate and as permitted by its Bylaws and applicable statutes and regulations.

Major 2009 Cost Impacts

Overall, the ReliabilityFirst 2009 operating budget (\$11.4M) increased 18% over the 2008 operating budget (\$9.7M). ReliabilityFirst believes that in 2009 it will continue to realize material efficiencies that allow the region to remain an efficient provider of statutory functions. The following is a list of targeted budget increases to allow ReliabilityFirst to accomplish the specific objectives outlined in the business plan. The most significant increases in the budget are a result of increased staffing in the compliance and enforcement area.

The 2008 budgeted staffing level was 34 FTEs. At the time of this writing, ReliabilityFirst is staffed with 31 FTEs with offers pending to 3 potential employees. The ending projected staffing level for 2008 will exceed the budgeted amount by 5 FTEs for a total of 39 FTEs. The additional personnel will be needed in support of the Compliance Monitoring and Enforcement Program (5 FTEs).

The 2009 budgeted staffing level is 44 FTEs, which increases the staff by 10 FTEs over 2008 budget or 5 FTEs over year-end 2008 projected levels. Assuming the projected staffing levels are attained for 2008 (39 FTEs), the compliance and enforcement area will be adding 5 FTEs in 2009 and the situational awareness program area will be adding 1 FTE.

Operating expenses are projected to increase by 14% or \$351K over the 2008 budget. Major contributors are Office Costs, Professional Services and Computer Purchases. The Office Cost increases are due to adding a larger Internet connection to support our telecommuters, virtual conferencing and compliance website traffic. The increase in Professional Services represents the rise anticipated in legal support associated with compliance and enforcement activities. The

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maintenance, modifications and support of new compliance monitoring software represents the increase in Computer Purchases.

Meeting Expenses which include meetings, travel and conference calls reflect a projected reduction of 35% or \$488K compared to the 2008 budget. Meetings and travel are expected to increase in volume, but by instituting better estimating practices that consider actual costs experienced in 2007, the total expected costs are projected to be lower in 2009 than compared to 2008 budget. The budget for conference calls is lower from the usage of Voice Over Internet Protocol (VOIP). Consultant expenses reflect a reduction of 57% or \$300K due to reduced need for contractors in the compliance and enforcement area as full time staff is added in this area.

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B.

Section A — 2009 Business Plan

Reliability Standards Program

Reliability Standards Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.00	2.00	2.00
Total Direct Expenses	\$625,473	\$425,796	\$529,461
Total Indirect Expenses ¹	\$336,918	\$347,266	\$265,619
Total Expenses	\$962,391	\$773,062	\$795,080

Background

Many of the proposed ReliabilityFirst standards development activities and priorities for 2008/2009 are directly related to the NERC three-year Work Plan for NERC Reliability Standards development and the continuing effort of ReliabilityFirst to consolidate legacy documents associated with the merged regional councils of - ECAR, MAAC, and MAIN.

On day one of 2006, ReliabilityFirst began operation with six approved “standards”, as they were referred to at the time, developed by the Corporation’s standard development teams in accordance with the ReliabilityFirst Board-approved Standards Development Procedure. In addition, as stated in Section 16.1 of the Bylaws, ReliabilityFirst decided to continue with the “legacy” regional documents as “organization standards” which had been deemed compliant with the associated NERC Standards that were in effect at that time.

During 2006/2007, ReliabilityFirst continued working on existing Board-approved documents, (known then as standards), additional Standard Authorization Requests, and enhancing the Standards Development Procedure. During this period, six standard drafting teams were in place working on additional standards or revisions. Maintaining constant monitoring of the effectiveness of the standards development program, the Board-approved Under Frequency Load Shedding (UFLS) standard was rescinded because of a technical omission, while a one-of-a-kind Resource Adequacy standard was approved by the Board. A permanent, balanced Stakeholder Standards Committee, replacing the Interim Standards Committee, was responsible for developing a revised Standards Development Procedure in mid 2006 that included an enhanced interpretation process. The Standards Development Procedure was also revised in late 2007 in response to FERC directives. Many legacy documents were formally retired and only those needed to enhance reliability within the ReliabilityFirst footprint were retained.

Program Description and Functions Performed

The Standards Program staff will continue to provide direction and prioritization of ReliabilityFirst initiated Reliability Standards and the associated standard related procedures throughout 2009. This will include participation in NERC and other regional standard drafting

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

efforts and related working groups, task forces, etc., such as the NERC Regional Reliability Standards Working Group (RRSWG) and the Functional Model Working Group (FMWG).

- 1) ReliabilityFirst Standards Program staff will continue to volunteer to serve as members of NERC Standard Authorization Request (SAR) Drafting Teams. A staff member is the requestor of four NERC SARs that are currently under development by the NERC Standard Drafting Teams.
- 2) ReliabilityFirst Standards Program staff will continue to volunteer to serve as members of NERC Standard Drafting Teams (SDT). Currently a staff member is either chair or vice-chair of two NERC SDTs and we are participating on five other SAR/SDT Teams.
- 3) ReliabilityFirst Standards Program staff will continue to volunteer to participate on special NERC teams to develop plans and programs related to regional tasks. This will include special teams such as the RRSWG which deals with the NERC “fill-in the blanks” work plan and established task forces such as the FMWG as well as presenting at NERC Workshops such as the Standard Development and LSE Workshops.

The ReliabilityFirst Standards Program relies on technical support from both the ReliabilityFirst staff and stakeholder volunteers for drafting teams. The teams are facilitated by the Standards staff. Even though more than six standards can be in development at one time, realistically only the six highest priority standards will be in the active drafting step at one time so as to not exhaust stakeholder and staff resources. Even with this managed workload, additional standards staff assistance may be needed from time to time to provide the proper support for the fluctuating standards work. This will allow staff to effectively facilitate ReliabilityFirst Standard Drafting Teams (SDTs) and participate on NERC teams. This will also allow staff to develop their own skills and provide technical resources for ReliabilityFirst and NERC compliance audits.

The ReliabilityFirst Standards staff will continue to keep the Standards Committee, Board of Directors and all stakeholders informed of the progress in the development of ReliabilityFirst and NERC standards via public announcements, the corporate newsletter, and website postings.

2009 Areas of Focus

- Submit to NERC and subsequently file with FERC any regional standards that are needed to support revised NERC Reliability Standards
- Submit to NERC and subsequently file with FERC any regional standards that are not addressed by NERC Reliability Standards, yet are required to maintain regional reliability of the Bulk Power System.
- Submit to NERC and subsequently file with FERC any regional standards that will be needed to provide an “interim” solution to reliability needs in the region until replaced by NERC Reliability Standards

The objectives of the standards program for 2009 are to:

- Prioritize the regional standards drafting effort to align with the timing of NERC Reliability Standards revisions
- Modify the regional Standards Development Procedure to align with changing NERC and FERC requirements

- Initiate and coordinate revisions to regional Standards in any stage of development to align with NERC and FERC requirements
- Systematically extract requirements from the remaining “legacy” documents for developing regional standards and complete the retirement of the “legacy” documents or use portions of them in future regional criteria and/or procedures

Section 215 Regional Entity Reliability Standards Development

The Standards Development Procedure and NERC Standards Development Work Plan are, and will be, the basis for regional standards work throughout 2009. Of the four NERC Reliability Standards that are expected to require regional standards for support, ReliabilityFirst submitted the Operating Reserves standard to NERC in late 2007. ReliabilityFirst expects the Disturbance Monitoring and UFLS regional standards to be in place by the end of 2008 with the SPS Review regional standard to be completed in 2009. Although these regional standards will be in place prior to the rewrite of the corresponding NERC standards, they will provide interim direction for ReliabilityFirst stakeholders. Since standards staff are active members of the associated NERC drafting teams, it is expected that the regional standards in place will influence and streamline the direction of the NERC effort. Any modifications needed in the regional standards will be initiated prior to final development of the NERC standards, expected during 2008 – 2009, employing the first-hand knowledge of the ReliabilityFirst members on the NERC drafting teams.

In 2009 there will also be regional drafting efforts related to the NERC “fill in the blank” standards that NERC may not complete for the next couple of years, such as the MOD generator verification standards. Regional standards will be developed and implemented during the interim period pending the completion of these NERC standards. For example, two interim regional standards related to generator data verification and reporting that began in 2007 will be completed in 2008/2009 in advance of any associated standard drafting by NERC. ReliabilityFirst has an effort underway to retire the existing Automatic Reserve Sharing Standard and an effort to revise the Planned Resource Adequacy Assessment Standard which should be completed in late 2008.

The following are standards underway in 2008 with continued or additional effort expected in 2009:

- 1) ***Under Frequency Load Shed Program*** – Drafting of this standard parallels the ReliabilityFirst regional assessment of under frequency load shedding programs, to be completed in 2008. Approval of the standard is expected at the end of 2008. Since the drafting for the related NERC standard (Project 2007-01) has been initiated, it is expected any revisions to the regional standard required by NERC’s activities will be initiated as early as the beginning of 2009.
- 2) ***Automatic Reserve Sharing*** - This is a ReliabilityFirst-approved day one standard. An initiative to retire this standard began in late 2007, in response to questions regarding whether this standard is needed for Bulk Power System reliability. It is expected that this standard will be retired in late 2008. In the event that unforeseen comments or complications are encountered, additional follow-up work may be needed in 2009.

- 3) ***Disturbance Monitoring Equipment*** – This regional standard is expected to be approved in 2008; however, the related NERC standards effort (Project 2007-11) is in the drafting phase and is not expected to be completed until mid 2009. It is expected revisions to the regional standard which may be required by NERC’s effort will be initiated as early as the beginning of 2009.
- 4) ***Special Protection Systems Review*** – Development of this regional standard will begin in mid-2008 and the standard is anticipated to be approved mid-2009. This standard is related to NERC standards work (Project 2008-04). It is expected that adjustments to the regional standard will be initiated as early as the end of 2009 to align with the NERC effort. Development of this regional work may be used to help develop and formulate the NERC standard.
- 5) ***Generator Data Verification and Reporting*** – Drafting of this subject matter began in 2007 and will require two regional standards. This effort is related to NERC Reliability Standards MOD-024 and MOD-025 (Projects 2006-05 and 2007-09). Approval for the regional standards will be staggered from the end of 2008 through mid 2009. Revisions related to NERC work will be staggered accordingly.
- 6) ***Planned Resource Adequacy Assessment*** - This resource adequacy standard is unique to Reliability *First* and the Midwest Reliability Organization (MRO) and not related to any existing NERC standards. This effort is related to revising the currently approved standard to: 1.) Limit enforcement to reserve requirement analysis and assignment, 2.) Add significant improvements from Reliability *First* experience and Midwest Reliability Organization (MRO) development, and 3.) Conform to the current Reliability *First* Standards Development Procedure and NERC standards requirements. Drafting of this standard revision began in 2008 and is not expected to be approved until the end of 2008 or beginning of 2009.
- 7) ***Capacity Benefit Margin*** – Although a regional standard drafting team is in place, its work is on hold until work on the related NERC Transfer Capability Standards (Project 2006-05) moves forward. Regional efforts may or may not be needed in 2008, continuing into 2009.
- 8) ***Sub-Regional Adequacy*** – This *transmission* related adequacy standard is unique to Reliability *First* and not related to any existing NERC standards. This standard is based upon pre-existing requirements in one of the legacy regions. The SAR has been written and work will begin in 2009.

Funding Requirements — Explanation of Increase (Decrease)

Since the Reliability *First* standards development program has been and continues to be fully engaged with a somewhat intentionally controlled workload, it is expected that the funding in 2009 will remain on the same track as 2007 and 2008.

Staffing Needs

Hiring Plans

- No additional FTEs are needed in 2009

Shared Employees

- Reliability*First* does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Use of contractors is not anticipated in this area in 2009

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Standards					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 625,473	\$ 625,473	\$ -	\$ 529,461	\$ (96,012)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 625,473	\$ 625,473	\$ -	\$ 529,461	\$ (96,012)
Expenses					
Personnel Expenses					
Salaries	\$ 278,026	\$ 276,639	\$ (1,387)	\$ 343,925	\$ 67,286
Payroll Taxes	17,361	16,769	(592)	17,526	757
Benefits	32,018	26,208	(5,810)	30,186	3,978
Retirement Costs	42,636	46,099	3,463	51,264	5,165
Total Personnel Expenses	\$ 370,041	\$ 365,715	\$ (4,326)	\$ 442,901	\$ 77,186
Meeting Expenses					
Meetings	\$ 115,200	\$ 28,361	\$ (86,839)	\$ 53,000	\$ 24,639
Travel	124,860	30,405	(94,455)	32,000	1,595
Conference Calls	15,372	1,315	(14,057)	1,560	245
Total Meeting Expenses	\$ 255,432	\$ 60,081	\$ (195,351)	\$ 86,560	\$ 26,479
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 625,473	\$ 425,796	\$ (199,677)	\$ 529,461	\$ 103,665
Change in Assets	\$ -	\$ 199,677	\$ 199,677	\$ -	\$ (199,677)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 2 FTEs for the 2008 projection and 2 FTEs for the 2009 budget. Staff resources are used to direct the Reliability*First* drafting teams and support the NERC drafting and development teams as defined in the business plan.

Meeting Expenses

- Meeting, staff travel, and conference call expenses in support of the Reliability*First* and NERC drafting teams.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources			
<small>(in whole dollars)</small>			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	12.00	18.00	23.00
Total Direct Expenses	\$3,374,181	\$3,378,890	\$5,099,328
Total Indirect Expenses	\$2,021,511	\$3,125,392	\$3,054,613
Total Expenses	\$5,395,692	\$6,504,282	\$8,153,941

Background

2009 represents a major transition for the ReliabilityFirst Compliance Monitoring and Enforcement Program (CMEP). It will be the first full year that ReliabilityFirst will implement the compliance program requirements as a Regional Entity under the ERO with mandatory enforcement authority in place, including the expectations set forth in the Regional Delegation Agreement between NERC and ReliabilityFirst. Under the ERO (NERC), ReliabilityFirst will have the authority to enforce compliance with approved Reliability Standards on all owners, operators, and users of the Bulk Power System within the Region. Personnel will be prepared and tools will be put in place to fully implement the compliance program functions under NERC. The ReliabilityFirst compliance staff will support and/or participate in NERC designated compliance and organization certification committees and working groups as requested.

In its third year of operation, ReliabilityFirst will be expanding its efforts to effectively carry out its ERO-delegated compliance monitoring and enforcement, organization registration and certification activities. Compliance related information/data collection, analysis, audits, investigations, assessments, enforcement case management, and reporting to NERC will be used to satisfy all monitoring and enforcement requirements of FERC and other regulatory authorities. Established processes will be used for the collection of compliance-related information. Training will be required for all compliance auditors through the ERO Training and Education function, which is intended to assure consistent assessments with competent and unbiased compliance auditors to support regional and NERC audit activities. Supplemental auditor training and certification may be conducted by ReliabilityFirst. Violation case management will be performed respecting the due process rights of all Registered Entities and will be applied in a fair and consistent manner.

Program Description and Functions Performed

ReliabilityFirst will monitor and identify alleged violations of Reliability Standards through a variety of processes including:

- Self-certification and self-reporting by owners, operators, and users of the Bulk Power System, including reports of both specific incidents and events.

- Investigations of complaints received from other owners, operators, and users of the Bulk Power System and other persons and entities interested in the reliable operation of the Bulk Power System, including government entities.
- Compliance violation investigations associated with significant system disturbances or events whenever a ReliabilityFirst or NERC initiated investigation team is activated.
- Compliance audits of the Reliability Standard requirements applicable to the functions of the registered owners, operators, and users of the Bulk Power System. Spot checking individual standard requirements will also be performed as validation to self-certifications and follow up activities.
- Data submittals for standard requirements to support studies, modeling, and seasonal assessments.
- Exception reporting to assess compliance to Reliability Standards.
- Begin the initial steps of monitoring the Critical Infrastructure Protection standards and prepare for the auditing of these standards beginning July of 2009 and beyond.

To facilitate ReliabilityFirst compliance monitoring and enforcement activities, all owners, operators, and users of the Bulk Power System will be required to register with ReliabilityFirst for the functions that are applicable to their organizations. ReliabilityFirst will update organization registration information on a regular basis and submit it to NERC, who will maintain the official compliance registry. Registration of organizations responsible to comply with the standards will be reviewed on a regular basis. Certification of organizations performing primary reliability responsibilities is expected to begin for key registered functions.

2009 Areas of Focus

- a. Implementation of ReliabilityFirst delegated Compliance Monitoring and Enforcement Program (CMEP) responsibilities, which will include but are not limited to the following:
 - 1) Establish and prepare staff to achieve maximum effectiveness, inter- and intra-regional consistency and requisite due diligence in monitoring and assessments, data and status reporting, enforcement actions, settlement activities, and hearing proceedings with regard to compliance to Reliability Standards.
 - 2) Assure timely mitigation of all violations of Reliability Standards. Mitigation plans will be assessed for effectiveness and reasonableness of implementation (including the time to complete) and will be tracked to closure. Tracking will include requiring the Registered Entity to provide regular status updates regarding the implementation of the accepted plan including when significant milestones are achieved, if the Registered Entity begins to fall behind the accepted mitigation plan timeline or any significant change in status. In all cases, status updates will be required at least every ninety (90) days until the mitigation plan is completed. The Registered Entity is required to certify successful completion at the conclusion of the mitigation plan. Also, ReliabilityFirst may ask for additional evidence to support the determination of a successful completion of the accepted mitigation plan and ReliabilityFirst may elect to perform an on-site review as verification.

- 3) Conduct thorough and formal compliance audits on a three-year cycle of the RC/BA/TOP/TO functional entities and local control centers (LCCs) within the region. Spot-checks, as a form of audit, will also be performed to confirm self-certifications, self reports, and the status of mitigation plans. Audit teams will consist of staff, contractors, and NERC personnel, with FERC oversight. Industry volunteers will not serve on audit teams. These audits will review 12 to 15 entities per year with 60 to 70 total functions evaluated.
 - RC – Reliability Coordinator
 - BA – Balancing Authority
 - TOP – Transmission Operator
 - TO – Transmission Owner

 - 4) Conduct thorough and formal compliance audits of small entities on a six-year cycle, which will include the following registered functions: GO/GOP/LSE/PSE/DP/RP/PA/TP/TSP. These audits will include both site visits and off-site reviews. Approximately 60 entities will be reviewed annually with 100 to 120 total standard requirements evaluated.
 - GO – Generator Owner
 - GOP Generator Operator
 - LSE – Load Serving Entity
 - PSE – Purchasing-Selling Entity
 - DP – Distribution Provider
 - RP – Resource Planner
 - PA – Planning Authority
 - TP – Transmission Planner
 - TSP – Transmission Service Provider

 - 5) Conduct initial violation fact and circumstance reviews and communication activities, settlements, hearings, and participate as necessary in any appeals to NERC or regulatory agencies for alleged violations that are contested.

 - 6) Review all enforcement actions for consistent application of penalties for violations of Reliability Standards.

 - 7) Manage all compliance activities in an unbiased, fair, and consistent manner, affording all Registered Entities appropriate due process.
- b. Provide training for compliance auditors:
- 1) Assure all auditors receive and meet all auditor training requirements.
 - 2) Assure that the program is delivered to all Reliability*First* staff and contractors participating in compliance audits.
- c. Develop and enhance processes, databases, and reporting tools for accurate tracking and reporting of alleged and confirmed violations of reliability standards, penalty and sanction actions, settlements, hearings, disposition of all violations, and mitigation plans.

- d. Maintain reporting relationship with NERC and establish processes and procedures to report violations, levy penalties and sanctions, and track mitigation plans and settlement actions for violations.
 - 1) Report all alleged violations of Reliability Standards to NERC.
 - 2) Prepare and distribute notices of proposed penalty findings associated with compliance violations.
- e. Enhance reporting of violations of Reliability Standards to the ReliabilityFirst Board Compliance Committee and NERC.
 - 1) Report all violations of Reliability Standards for which investigation, decision, and hearing processes have been completed, including the identity of the organizations involved in those violations.
 - 2) Identify trends pertaining to problem areas, entities that may require additional follow-up review, and communicate any lessons learned with other Registered Entities while protecting confidentiality as required by NERC Rules of Procedure.
- f. Monitor and assess that ReliabilityFirst has adequately addressed and can satisfy the requirements for compliance with those NERC standards for which ReliabilityFirst is currently accountable.
- g. Support the development of the compliance elements for all new or revised Reliability Standards within the ReliabilityFirst and NERC Standards Program. Support NERC standards drafting teams as resources are available.
- h. Provide the necessary information regarding all financial penalties to support the collection and disbursement of the penalty funds.
- i. Develop a plan for an independent audit or self assessment of the ReliabilityFirst CMEP in 2009 to evaluate the success and effectiveness of the program in achieving its mission.

Funding Requirements — Explanation of Increase (Decrease)

The compliance department's current workload is exceeding the available resources and this workload is not anticipated to subside in future years, but rather grow. Increased staffing will cause the funding requirements to grow.

Staffing Needs

Hiring Plans

- Through the second half of 2008, 5 additional compliance staff personnel are expected to be hired. These positions were identified as a contingency action in the 2008 budget. An additional 5 positions are designated to be hired throughout 2009. The availability of properly experienced applicants may impact our ability to hire additional staff, both in the latter part of 2008 and in 2009. Many avenues are being considered in finding appropriate candidates, including non traditional skill sets outside of the direct utility industry. Some

of the areas of focus will be for experience in legal case management, critical infrastructure knowledge, data management, and engineering or operational backgrounds with planning knowledge.

- The current workload in the compliance department is exceeding the available resources and the company has been forced to use contractors for overflow work. The number of Registered Entities that must be audited, mitigation plan review and follow-up, violation investigation, settlement proceedings, and administration of the compliance process all have seen heavy increases in activity and this workload is not anticipated to subside in future years, but rather to grow. For these reasons, the additional resources identified above are necessary in order for proper completion of this very important delegated function.

Shared Employees

- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Contractors may be utilized to supplement staff in the areas of audits, investigations, and other resource intense activities, whenever workload exceeds the capabilities of the permanent staff.

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Compliance Enforcement and Organization Registration and Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 3,374,181	\$ 3,374,181	\$ -	\$ 5,099,328	\$ 1,725,147
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 3,374,181	\$ 3,374,181	\$ -	\$ 5,099,328	\$ 1,725,147
Expenses					
Personnel Expenses					
Salaries	\$ 1,506,988	\$ 1,875,502	\$ 368,514	\$ 2,993,674	\$ 1,118,172
Payroll Taxes	101,825	124,674	22,849	176,380	51,706
Benefits	216,555	244,540	27,985	382,744	138,204
Retirement Costs	231,642	325,680	94,038	496,310	170,630
Total Personnel Expenses	\$ 2,057,010	\$ 2,570,396	\$ 513,386	\$ 4,049,108	\$ 1,478,712
Meeting Expenses					
Meetings	\$ 41,600	\$ 5,000	\$ (36,600)	\$ 10,000	\$ 5,000
Travel	452,502	233,858	(218,644)	399,500	165,642
Conference Calls	9,540	516	(9,024)	720	204
Total Meeting Expenses	\$ 503,642	\$ 239,374	\$ (264,268)	\$ 410,220	\$ 170,846
Operating Expenses					
Consultants	\$ 313,529	\$ 69,120	\$ (244,409)	\$ 120,000	\$ 50,880
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	500,000	500,000	-	520,000	20,000
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 813,529	\$ 569,120	\$ (244,409)	\$ 640,000	\$ 70,880
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 3,374,181	\$ 3,378,890	\$ 4,709	\$ 5,099,328	\$ 1,720,438
Change in Assets	\$ -	\$ (4,709)	\$ (4,709)	\$ -	\$ 4,709

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document.

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 18 FTEs for the 2008 projection and 23 FTEs for the 2009 budget. The FTE difference from 2008 projection to 2009 budget includes 5 FTE's that have been deemed necessary to effectively implement the compliance program to over 350 Registered Entities. Staff resources are used to support the objectives of the Compliance Enforcement Program as defined in the business plan. To avoid past budgeting inaccuracies, all additional employees are not budgeted to start on the same date (i.e. January 1, 2009). Rather, the addition of staff has been staged over 2009 and the personnel expenses reflect this phased approach.
- Professional development costs for training for specific job skills and any other professional certification requirements.

Meeting Expenses

- Meeting, staff travel and conference call expenses in support of the Compliance Monitoring and Enforcement Program, and, Organization Registration and Certification Program have all been considered in developing the budget requirements.

Operating Expenses

- Reliability*First* utilizes staff and independent contractors to perform all compliance activities. Increased costs in this area are directly related to the increased number of audits and all other activities required to be performed across 350 plus Registered Entities.
- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.00	1.00	0
Total Direct Expenses	\$205,824	\$173,389	\$0
Total Indirect Expenses	\$168,459	\$173,633	\$0
Total Expenses	\$374,283	\$347,022	\$0

Background

NERC has eliminated the Reliability Readiness Evaluation and Improvement Program. 2009 will be a transition year, during which open Readiness recommendations in the Region will be monitored to their completion and a reduced set of Evaluations will take place. Consequently, ReliabilityFirst has eliminated the Reliability Readiness Evaluation and Improvement Program funding requirements, FTE count, and activities from the 2009 Business Plan and Budget. ReliabilityFirst resources required to support any remaining required activities of this NERC program are assumed to be minimal and will be absorbed by existing ReliabilityFirst staff.

Funding Requirements — Explanation of Increase (Decrease)

The Readiness Evaluation Program has been eliminated for 2009. ReliabilityFirst resources required to support any remaining required activities of this NERC program are assumed to be minimal and will be absorbed by existing ReliabilityFirst staff.

Staffing Needs

Hiring Plans

- None.

Shared Employees

- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- ReliabilityFirst does not expect to use contractors to support the Readiness Evaluation Function. However, if there is a need to support NERC in the staffing of these evaluations with a representative from ReliabilityFirst, contractor support will be considered.

Reliability Readiness Evaluations and Improvement Program

Funding sources and related expenses for the reliability readiness audits and improvement section of the 2009 business plan are shown in the table below.

Statement of Activities						
2008 Budget & Projection, and 2009 Budget						
Reliability Readiness Evaluation and Improvement						
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)	
Funding						
ERO Assessments	\$ 205,824	\$ 205,824	\$ -	\$ -	\$ (205,824)	
Membership Dues	-		-	-	-	
Testing Fees	-		-	-	-	
Services & Software	-		-	-	-	
Workshops	-		-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-		-	-	-	
Total Funding	\$ 205,824	\$ 205,824	\$ -	\$ -	\$ (205,824)	
Expenses						
Personnel Expenses						
Salaries	\$ 125,582	\$ 111,550	\$ (14,032)	\$ -	\$ (111,550)	
Payroll Taxes	8,485	7,910	(575)	-	(7,910)	
Benefits	14,746	14,025	(721)	-	(14,025)	
Retirement Costs	19,303	18,306	(997)	-	(18,306)	
Total Personnel Expenses	\$ 168,116	\$ 151,791	\$ (16,325)	\$ -	\$ (151,791)	
Meeting Expenses						
Meetings		\$ -	\$ -	\$ -	\$ -	
Travel	37,708	21,598	(16,110)	-	(21,598)	
Conference Calls		-	-	-	-	
Total Meeting Expenses	\$ 37,708	\$ 21,598	\$ (16,110)	\$ -	\$ (21,598)	
Operating Expenses						
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -	
Contracts	-		-	-	-	
Office Rent	-		-	-	-	
Office Costs	-		-	-	-	
Professional Services	-		-	-	-	
Computer Purchase & Maintenance	-		-	-	-	
Furniture & Equipment	-		-	-	-	
Miscellaneous	-		-	-	-	
Contingency	-		-	-	-	
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses	\$ 205,824	\$ 173,389	\$ (32,435)	\$ -	\$ (173,389)	
Change in Assets	\$ -	\$ 32,435	\$ 32,435	\$ -	\$ (32,435)	

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document.

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- The Readiness Evaluation Program has been eliminated for 2009. Reliability*First* resources required to support any remaining required activities of this NERC program are assumed to be minimal and will be absorbed by existing Reliability*First* staff.

Meeting Expenses

- See Personnel Expenses above.

Operating Expenses

- . The program has been eliminated with no FTEs consequently; no operating costs will be allocated.

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	.25	.05	.05
Total Direct Expenses	\$89,626	\$64,947	\$102,582
Total Indirect Expenses	\$42,115	\$8,682	\$6,640
Total Expenses	\$131,741	\$73,629	\$109,222

Background

The ReliabilityFirst Training and Education Program for 2009 will address the areas of ReliabilityFirst Board of Director's training and industry workshops for membership covering topics such as the ReliabilityFirst Standards Development and Compliance Monitoring and Enforcement Program. Individual training needs or personal development of ReliabilityFirst staff are identified by the separate functional areas and coordinated under the ReliabilityFirst Training and Education Program, but the expenses for that training are included in each department's budget.

Program Description and Functions Performed

The Training, Education, and Operator Certification Program area focuses on providing relevant training to entities operating in the ReliabilityFirst region. This training is structured to provide timely information in a concise format to enable participation at all levels within an organization.

2009 Areas of Focus

Board of Directors Training

Per the Bylaws of ReliabilityFirst, The Board of Directors will receive training annually to keep current with activities within the ReliabilityFirst footprint and to stay abreast of changes affecting the industry. This training will be conducted at times convenient to the members of the Board and will be prepared and presented primarily by ReliabilityFirst staff, normally in conjunction with a regularly scheduled Board of Directors meeting.

Industry Workshops

In 2009, ReliabilityFirst will continue to offer workshops focused on keeping members abreast of the activities of ReliabilityFirst and other activities that may affect ReliabilityFirst members. The workshops will be geared toward enhancing understanding of the evolution of the industry as a result of the Energy Policy Act of 2005 and of ReliabilityFirst programs such as Standards Development and the Compliance Monitoring and Enforcement Program. Some of these workshops may require a registration fee from attendees to minimize the budgetary impact to ReliabilityFirst. Workshops to be conducted in 2009 include:

- Compliance Monitoring and Enforcement Program workshops to promote an understanding of the program as it continues to evolve under the ERO.

- Open forums to provide insight into new standards developed and approved by the industry, both NERC and ReliabilityFirst, changes in the Compliance Monitoring and Enforcement Program, or other topics requested by members/Registered Entities.
- Updates to the base case development process used for developing computer models used to perform reliability assessments.

Funding Requirements — Explanation of Increase (Decrease)

- In preparing the 2008 Business Plan and Budget for the Training, Education and Operator Certification program, it was assumed that coordination of individual staff training, as well as relevant training for entities within ReliabilityFirst, would be coordinated in the Training, Education and Operator Certification program. In preparing the 2009 Business Plan and Budget, the decision was made to delegate overall responsibility for individual staff-member training to the respective manager/director. This change, in conjunction with the discussion of Shared Employees (below), results in a reduction of personnel expenses funding requirements for the Training, Education and Operator Certification program area.

Staffing Needs

Hiring Plans

- For the reasons discussed above, no additional employees are proposed to support the Training, Education and Operator Certification program in 2009.

Shared Employees

- Staffing for this program area is achieved through the sharing of one staff member with the Situation Awareness program area. For 2008, the allocation of time for this employee was estimated to be 25% to Training and 75% to Situation Awareness. Due to changes in the management of personnel training, moving responsibility for this to the respective program area, this allocation has changed. For the remainder of 2008 and for 2009, the allocation of this shared employee is now 5% to Training and 95% to Situation Awareness.
- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Use of contractors is not anticipated in this area in 2009.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Training, Education and Operator Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 89,626	\$ 89,626	\$ -	\$ 102,582	\$ 12,956
Membership Dues	-		-	-	-
Testing Fees	-		-	-	-
Services & Software	-		-	-	-
Workshops	-		-	-	-
Interest	-		-	-	-
Miscellaneous	-		-	-	-
Total Funding	\$ 89,626	\$ 89,626	\$ -	\$ 102,582	\$ 12,956
Expenses					
Personnel Expenses					
Salaries	\$ 41,326	\$ 26,770	\$ (14,556)	\$ 8,695	\$ (18,075)
Payroll Taxes	2,265	439	(1,826)	770	331
Benefits	3,725	255	(3,470)	348	93
Retirement Costs	6,315	2,483	(3,832)	2,769	286
Total Personnel Expenses	\$ 53,631	\$ 29,947	\$ (23,684)	\$ 12,582	\$ (17,365)
Meeting Expenses					
Meetings	\$ 31,900	\$ 31,000	\$ (900)	\$ 88,000	\$ 57,000
Travel	4,095	4,000	(95)	2,000	(2,000)
Conference Calls	-		-	-	-
Total Meeting Expenses	\$ 35,995	\$ 35,000	\$ (995)	\$ 90,000	\$ 55,000
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-		-	-	-
Office Rent	-		-	-	-
Office Costs	-		-	-	-
Professional Services	-		-	-	-
Computer Purchase & Maintenance	-		-	-	-
Furniture & Equipment	-		-	-	-
Miscellaneous	-		-	-	-
Contingency	-		-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 89,626	\$ 64,947	\$ (24,679)	\$ 102,582	\$ 37,635
Change in Assets	\$ -	\$ 24,679	\$ 24,679	\$ -	\$ (24,679)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 2009 are budgeted for .05 FTE. Staff resources are used to support the objectives of the Training, Education, and Operator Certification Program as defined in the business plan. As explained in the discussion of Shared Employees for Training, Education, and Operator Certification, the adjustment to the allocation of FTEs results in a reduction of Personnel Expenses for this program area.

Meeting Expenses

- Staff travel and conference call expenses in support of the regional training activities. Due to the changes made in staff allocation for this program area, travel-related meeting expenses are projected to be lower in 2009 than 2008. However, ReliabilityFirst foresees a need for additional regional training events in 2009, particularly in the area of Compliance Enforcement. The additional training events, coupled with increasing costs to host meetings, results in an overall increase in 2009 Training and Education meeting expenses.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	6.00	5.50	5.50
Total Direct Expenses	\$1,419,811	\$1,022,140	\$985,605
Total Indirect Expenses	\$1,010,755	\$954,981	\$730,451
Total Expenses	\$2,430,566	\$1,977,121	\$1,716,056

Background

In support of the ERO and Rules of Procedure, Section 800, Reliability *First* staff will independently analyze, assess, and report on the reliability and adequacy of the Bulk Power System within its footprint in the past, present, and future. This includes performance of seasonal, near-term and long-term resource and transmission assessments, special investigations as warranted, analysis of system disturbances, and collection and dissemination of reliability data.

Program Description and Functions Performed

Assessments of Reliability Performance

- a. Perform short-term resource adequacy assessments per NERC Rules of Procedure Section 800 and NERC Standards MOD-016, TPL-005, and TPL-006.
- b. Perform long-term resource adequacy assessments per NERC Rules of Procedure Section 800 and NERC Standards MOD-016, TPL-005, and TPL-006.
- c. Perform seasonal (summer and winter) transmission assessments for the region per NERC Rules of Procedure Section 800 and NERC Standards TPL-005, and TPL-006.
- d. Perform near-term (1 through 5 years into the future) transmission assessments for the region per NERC Rules of Procedure Section 800 and NERC Standards TPL-005, and TPL-006.
- e. Perform long-term (5 through 10 years into the future) transmission assessments for the region per NERC Rules of Procedure Section 800 and NERC Standards TPL-005, and TPL-006.
- f. Produce Reliability *First* assessments for the NERC Reliability Assessment Subcommittee's seasonal and long-term reports per NERC Rules of Procedure Section 800 and NERC Standard TPL-006.
- g. Conduct dynamic assessments as needed for the region per NERC Standards PRC-006, PRC-012, TPL-005, and TPL-006.

- h. Work with neighboring Regional Entities to perform seasonal, near-term, and long-term transmission assessments in all three forums of the inter-regional forums for the Eastern Interconnection Reliability Assessment Group (ERAG) per NERC Standards TPL-005, and TPL-006.

Model Development to Conduct Assessments

- a. Develop power flow base case models for the region per NERC Standards MOD-011 and MOD-014 - Eastern Interconnection Reliability Assessment Group (ERAG) – Multiregional Modeling Working Group (MMWG) effort.
- b. Develop power flow base case models for the region per NERC Standards MOD-011 and MOD-014 (regional and interregional efforts).
- c. Develop dynamic base case models for the region per NERC Standards MOD-013 and MOD-015 (ERAG MMWG effort).
- d. Develop dynamic base case models for the region per NERC Standards MOD-013 and MOD-015 (regional and interregional efforts).

Reporting Requirements

- a. Submit regional load, capacity, and transmission data and power flow base cases annually for the DOE EIA-411 report.
- b. Submit regional power flow data annually for the FERC 715 report.
- c. Report to the Public Utilities Commission of Ohio.

Other Requirements and Activities

- a. Continue to actively participate in the Eastern Interconnection Reliability Assessment Group.
- b. Support the NERC Transmission Availability Data System (TADS) objectives. A regional staff person has been designated as a coordinator to collect, review, and disseminate data.
- c. Conduct initial and periodic Special Protection System (SPS) reviews as required in NERC Standards PRC-012, PRC-013, and PRC-014.
- d. Conduct initial and periodic Under Frequency Load Shed (UFLS) reviews as required in NERC Standard PRC-006.
- e. Conduct any initial and periodic Under Voltage Load Shed (UVLS) reviews.
- f. Conduct any additional initial and periodic zone 3 protective relay exception reviews.

- g. Conduct system disturbance and post-mortem analyses.
- h. Coordinate disturbance reporting as required in NERC Standard EOP-004.
- i. Coordinate disturbance monitoring equipment placement as required in NERC Standard PRC-002.
- j. Provide support to analyze protective relay miss operation information as required in NERC Standard PRC-003.
- k. Conduct methodology reviews (ATC/TTC/CBM/TRM) as required in NERC Standards MOD-001 through MOD-009.
- l. Develop and maintain a regional Bulk Power System facilities map.
 - a. Develop and maintain a linear contingency database for transmission assessment studies.

Events Analysis and Information Exchange Objectives

The ReliabilityFirst Major Disturbance Analysis Task Force (MDATF) and ReliabilityFirst staff have the responsibility to analyze any disturbances as directed by the Reliability Committee and in cooperation with NERC. This activity will be coordinated and facilitated by staff, with proper ties to the compliance department in instances for which potential violations of reliability standards were contributory to the disturbance.

Benchmarking Objectives

The ReliabilityFirst Power Flow Model Contact Group (PFMCG) and Dynamic Model Contact Group (DMCG) have the responsibility to address any benchmarking objectives as directed by the Reliability Committee.

2009 Areas of Focus

The areas of focus for this function are to annually complete the summer, winter, and long-term assessment reports on time and provide an independent assessment of the state of the Bulk Power System. The summer assessments should be completed by mid-May, the winter assessments should be completed by mid-November, and the long-term assessments should be completed in October. The series of power flow and dynamic models are built annually and updated prior to performing the seasonal and long-term studies needed for the assessments. Data for NERC and government reporting will be submitted to each organization by the respective due dates. This area of focus also includes active participation in ERAG forums to perform seasonal transmission assessments and build power flow and dynamic models.

Another major area of focus is to analyze any disturbances that may occur. ReliabilityFirst will fully cooperate with NERC to analyze any disturbances that may occur.

Funding Requirements — Explanation of Increase (Decrease)

Since the Reliability Assessment and Performance Analysis Program has been and continues to be fully engaged with a somewhat intentionally controlled workload, it is expected that the funding in 2009 will remain on the same track as 2007 and 2008.

Staffing Needs

Salary, payroll taxes, benefits, and savings and retirement expenses for 5.5 FTEs are anticipated for the 2008 projection and 2009 budget. Staff resources are used to support the objectives of the Reliability Assessment and Performance Analysis Program as defined in the business plan. The decrease of 0.5 FTE is attributable to the relocation of this FTE to the Member Forum function. History of time spent has dictated that this 0.5 FTE has been needed to facilitate the Member Forums.

Hiring Plans

- No additional FTEs are needed in 2009.

Shared Employees

- Reliability*First* does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.
- There are five of the five and a half FTEs designated for this function that are expected to participate in the NERC Readiness Evaluation function.

Contractors

- Outside contractors may be utilized on an as-needed basis. The ERAG forum will continue to use contractors to develop its series of power flow and dynamic models and each region involved will share in the cost of these services.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Assessment and Performance Analysis					
	2008	2008	2008 Projection	2009	2009 Budget
	Budget	Projection	Variance to	Budget	Variance to
			2008 Budget		2008 Projection
			Over(Under)		Over(Under)
Funding					
ERO Assessments	\$ 1,419,811	\$ 1,419,811	\$ -	\$ 985,605	\$ (434,206)
Membership Dues	-		-	-	-
Testing Fees	-		-	-	-
Services & Software	-		-	-	-
Workshops	-		-	-	-
Interest	-	-	-	-	-
Miscellaneous	-		-	-	-
Total Funding	\$ 1,419,811	\$ 1,419,811	\$ -	\$ 985,605	\$ (434,206)
Expenses					
Personnel Expenses					
Salaries	\$ 738,772	\$ 588,971	\$ (149,801)	\$ 637,059	\$ 48,088
Payroll Taxes	50,699	37,749	(12,950)	39,535	1,786
Benefits	98,559	58,896	(39,663)	73,404	14,508
Retirement Costs	113,777	97,713	(16,064)	105,407	7,694
Total Personnel Expenses	\$ 1,001,807	\$ 783,329	\$ (218,478)	\$ 855,405	\$ 72,076
Meeting Expenses					
Meetings	\$ 62,612	\$ 35,000	\$ (27,612)	\$ 24,000	\$ (11,000)
Travel	165,653	48,150	(117,503)	40,000	(8,150)
Conference Calls	14,739	661	(14,078)	1,200	539
Total Meeting Expenses	\$ 243,004	\$ 83,811	\$ (159,193)	\$ 65,200	\$ (18,611)
Operating Expenses					
Consultants	\$ 175,000	\$ 155,000	\$ (20,000)	\$ 65,000	\$ (90,000)
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 175,000	\$ 155,000	\$ (20,000)	\$ 65,000	\$ (90,000)
Other Non-Operating Expenses	\$ -		\$ -		\$ -
Total Expenses	\$ 1,419,811	\$ 1,022,140	\$ (397,671)	\$ 985,605	\$ (36,535)
Change in Assets	\$ -	\$ 397,671	\$ 397,671	\$ -	\$ (397,671)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 5.5 FTEs for the 2008 projection and 2009 budget. Staff resources are used to support the objectives of the Reliability Assessment and Performance Analysis Program as defined in the business plan.

Meeting Expenses

- Meeting, staff travel, and conference call expenses in support of the committees, subcommittees, working group, and task forces, currently in place to assess and report on the adequacy of the Bulk Power System. These groups consist of the:
 - **Transmission Performance Subcommittee (TPS)** – provides a transmission owner/planner forum to address any transmission planning and/or performance issues. This would include transmission assessments, outages, maps, notification, etc.
 - **Power Flow Model Contact Group (PFMCG)** – provides power flow model data for ERAG MMWG and other regional base case model building efforts.
 - **Dynamic Model Contact Group (DMCG)** – provides dynamic model data for ERAG MMWG and other regional dynamic base case model building efforts.
 - **Resource Assessment Subcommittee (RAS)** – provides a generation resource forum to conduct and assess the resource adequacy of the region. This includes the use and collection of demand, demand side management, and transaction data.

Operating Expenses

- Expenses associated with the Eastern Interconnection Reliability Assessment Group (ERAG) Multiregional Modeling Working Group (MMWG) and Management Committee are the responsibilities of the Regional Entities within the Eastern Interconnection. The Regional Entities will pay their pro rata share of ERAG and MMWG expenses.

ERAG expenses (Reliability *First* pro rata share)::

MMWG/ERAG Work (\$65,000)

Consultants to support in event analysis (\$10,000).

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Situational Awareness and Infrastructure Security Program

Situational Awareness and Infrastructure Security Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	.75	.95	1.95
Total Direct Expenses	\$243,238	\$240,510	\$400,924
Total Indirect Expenses	\$126,344	\$164,951	\$258,978
Total Expenses	\$369,582	\$405,461	\$659,902

Background

With the finalization of the Department of Homeland Security (DHS) National Infrastructure Protection Plan and the Sector Specific Plan for the Energy Sector in early 2007, Situation Awareness and Infrastructure Security (SAIS) continues to receive more focus. The ReliabilityFirst SAIS activity continues to evolve to provide the tools and information required by the ReliabilityFirst staff and stakeholders to promote infrastructure protection.

Program Description and Functions Performed

The Situation Awareness and Infrastructure Security program area focuses on supporting the ReliabilityFirst staff and Registered Entities in understanding potential threats to the electricity sector, implementation of reliability standards developed to reinforce infrastructure security, and maintaining an awareness of conditions on the Bulk Power System.

2009 Areas of Focus

- a. Support the activities of the ReliabilityFirst Critical Infrastructure Protection Subcommittee (CIPS). This subcommittee of the ReliabilityFirst Reliability Committee is populated by volunteers from stakeholders. These volunteers represent expertise in the disciplines of cyber security, physical security, and operations. The CIPS maintains liaison with the NERC Critical Infrastructure Protection Committee. The CIPS provides a forum for exchange of information and current events concerning Infrastructure Protection.
- b. Support/oversee compliance of ReliabilityFirst staff resources to the NERC Cyber Security Standards (CIP-002 – CIP-009).
- c. Provide information to the members of ReliabilityFirst on issues related to critical infrastructure protection, including alerts and advisories issued by the U.S. Department of Homeland Security and the Electric Sector Information Sharing and Analysis Center operator by NERC.
- d. Provide the tools and data necessary for ReliabilityFirst staff to monitor the health of the Bulk Power System as directed by the ReliabilityFirst Board of Directors.

- e. Maintain and test business continuity/disaster recovery and pandemic plans for the ReliabilityFirst office and staff.
- f. Assist stakeholders with implementing measures to comply with Reliability Standards dealing with critical infrastructure protection.
- g. Support the ReliabilityFirst Compliance Monitoring and Enforcement Program by participating in audits that include assessment of compliance to the NERC Cyber Security Standards (CIP-002 – CIP-009.)
- h. Provide support to ReliabilityFirst media spokespersons.

Support the ReliabilityFirst Critical Infrastructure Protection Subcommittee

In late 2006, ReliabilityFirst stakeholders formed the regional Critical Infrastructure Protection Subcommittee (CIPS). This subcommittee reports to the ReliabilityFirst Reliability Committee. The purpose of the CIPS is to share information concerning critical infrastructure protection (CIP) and to promote CIP within the ReliabilityFirst region. During 2009, SAIS will support the CIPS through scheduling and facilitation of subcommittee meetings and dissemination of messages, alerts, and warnings from NERC and DHS.

Support/oversee ReliabilityFirst staff resources compliance to the NERC Cyber Security Standards (CIP-002 – CIP-009)

ReliabilityFirst is committed to complying with the NERC Cyber Security Standards. The Situation Awareness and Infrastructure Security program area will continue to provide training, guidance, and oversight to the ReliabilityFirst Information Technology area in achieving compliance to these standards.

Provide information on CIP-related Issues

This involves dissemination of information from agencies such as the Electricity Sector Information Sharing and Analysis Center (ES-ISAC), the U.S. Department of Homeland Security, and others containing information on events or suspected events representing potential threats to the electricity sector.

To accomplish this objective, ReliabilityFirst staff must be identified to the U.S. Department of Homeland Security and the ES-ISAC as individuals authorized to receive these communications. The communications can then be forwarded to selected representatives of ReliabilityFirst member companies.

ReliabilityFirst staff will continue working with other members of the NERC Critical Infrastructure Protection Committee to develop a robust messaging system for dissemination of CIP-related messages to the appropriate target audience. This will involve working with the Registered Entities within the ReliabilityFirst region to identify the appropriate individual(s) at each entity to receive these messages.

Monitor the health of the Bulk Power System (BPS)

The use of situational awareness tools is at the discretion of the ReliabilityFirst Board of Directors. If the Board directs the ReliabilityFirst staff to employ these tools, this task involves gaining access to several NERC Operating Reliability Data support services that provide real-time or near-real-time status of the Bulk Power System. These services include the Reliability Coordinator Information System (RCIS), System Data eXchange (SDX), and Area Control Error (ACE) and Abnormal Frequency System Monitoring. These tools allow the ReliabilityFirst staff to monitor the health of the BPS and to review data at the time of a system event.

Implementation of these tools requires authorization from NERC to gain access to the services. The RCIS and SDX services are available via Internet connected computers. ACE/Abnormal Frequency data requires a dedicated system to receive information from the NERC service. In addition to use for monitoring the health of the BPS, these tools also provide information useful to the ReliabilityFirst compliance enforcement staff in ensuring compliance to reliability standards.

Maintain and Test Business Continuity/Disaster Recovery and Pandemic Plans for the ReliabilityFirst Office

A business continuity plan deals with the ability to continue business functions in a degraded situation such as the loss of corporate assets including office space or computer assets. Disaster recovery deals with a more complete loss of access to corporate assets due to a large-scale event such as a tornado or blackout. A pandemic plan focuses on business continuity in the face of a declared pandemic. Due to the potential nature of a pandemic, special steps must be taken to permit continued operation with reduced staff availability.

To ensure staff understanding and the adequacy of these plans, it is necessary to periodically test them. During 2009, tabletop exercises will be used to test the effectiveness and adequacy of these plans. Lessons learned during these tabletop exercises will then be used to improve the plans and address deficiencies.

Assist members to comply with NERC and ReliabilityFirst Standards Dealing with Critical Infrastructure Protection

In 2008, ReliabilityFirst members will continue progress toward compliance with the NERC Cyber Security Standards (CIP-002 – CIP-009). ReliabilityFirst SAIS staff will be available to answer questions concerning these standards and will sponsor regional workshops as needed to foster the exchange of ideas and solutions developed by the member companies.

Provide support to ReliabilityFirst media spokespersons

To assist ReliabilityFirst in keeping abreast of activities affecting the industry, a Communications Coordinator will be added to the SAIS staff. This position will monitor activities such as FERC rulings to inform staff of issues of interest. This position will also assist in keeping the ReliabilityFirst web content current and relevant. The goal is to more timely alert staff to developments of interest.

Funding Requirements — Explanation of Increase (Decrease)

The funding the situational awareness program is projected to increase due to an increase in staffing.

Staffing Needs

Hiring Plans

- One new employee will be hired in the first quarter of 2009 to fill the newly created position of Communications Coordinator. This person will, among other things, assist in the review of corporate documents and the preparation of responses to media inquiries, provide administrative support to the Reliability*First* Corporate Secretary, and monitor the media and other sources for articles or regulatory actions relevant to the industry.

Shared Employees

- Staffing for this program area is achieved through the sharing of one staff member with the Training, Education, and Operator Certification program area. For 2008, the allocation of time for this employee was estimated to be 25% to Training and 75% to Situation Awareness. Due to changes in the management of personnel training, moving responsibility for this to the respective program area, this allocation has changed. For the remainder of 2008 and for 2009, the allocation of this shared employee is now 5% to Training and 95% to Situation Awareness.
- Reliability*First* does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Use of contractors is not anticipated in this area in 2009

Situational Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Situational Awareness and Infrastructure Security					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 243,238	\$ 243,238	\$ -	\$ 400,924	\$ 157,686
Membership Dues	-		-	-	-
Testing Fees	-		-	-	-
Services & Software	-		-	-	-
Workshops	-		-	-	-
Interest	-	-	-	-	-
Miscellaneous	-		-	-	-
Total Funding	\$ 243,238	\$ 243,238	\$ -	\$ 400,924	\$ 157,686
Expenses					
Personnel Expenses					
Salaries	\$ 123,977	\$ 154,534	\$ 30,557	\$ 267,806	\$ 113,272
Payroll Taxes	6,796	8,342	1,546	15,749	7,407
Benefits	20,425	10,637	(9,788)	22,083	11,446
Retirement Costs	18,946	25,935	6,989	44,226	18,291
Total Personnel Expenses	\$ 170,144	\$ 199,448	\$ 29,304	\$ 349,864	\$ 150,416
Meeting Expenses					
Meetings	\$ 48,600	\$ 13,264	\$ (35,336)	\$ 16,000	\$ 2,736
Travel	24,015	27,761	3,746	35,000	7,239
Conference Calls	479	36	(443)	60	24
Total Meeting Expenses	\$ 73,094	\$ 41,062	\$ (32,032)	\$ 51,060	\$ 9,998
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -		\$ -		\$ -
Total Expenses	\$ 243,238	\$ 240,510	\$ (2,728)	\$ 400,924	\$ 160,414
Change in Assets	\$ -	\$ 2,728	\$ 2,728	\$ -	\$ (2,728)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 2009 are budgeted based on 1.95 FTEs for this program area. Staff resources are used to support the objectives of the Situation Awareness and Infrastructure Security Program as defined in the business plan per the allocation of shared employees and the projected addition of one employee to this program area.

Meeting Expenses

- Meeting, staff travel and conference call expenses in support of Regional committee/subcommittee and NERC committees and working groups in place to support the Situational Awareness and Infrastructure Security Program. This includes expenses for four quarterly meetings of the NERC Critical Infrastructure Protection Committee (CIPC) and the Reliability*First* Critical Infrastructure Protection Subcommittee respectively, as well as CIPC working group meetings and the Reliability*First* and NERC Board meetings.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Administrative Services

Technical Committees and Members' Forums

Technical Committees and Members' Forum			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.50	3.00	3.00
Total Direct Expenses	\$518,670	\$494,094	\$568,526

Background

The 2008 Reliability *First* Business Plan and Budget presented the Technical Committees and Members' Forums as a separate cost center. To provide continued consistency with NERC's 2009 Business Plan and Budget format, Reliability *First*'s 2009 Business Plan and Budget will integrate Technical Committees and Members' Forums into Administrative Services. The stakeholders are the source of expertise in the industry and provide the technical knowledge and opinions on reliability matters of the Bulk Power System.

The Reliability *First* Reliability Committee (RC) was established to provide the general advice and guidance for all the regional technical activities and to provide various technical forums for members. This Committee has a substructure of subcommittees, contact groups, and task forces to carry out its responsibilities.

Program Description and Functions Performed

The organizational groups listed below provide necessary technical advice and assistance to the Reliability Committee and Reliability *First* staff. The groups also act as a point of contact for stakeholders for the collection and dissemination of specific technical information and data.

- a. **Critical Infrastructure Protection Subcommittee (CIPS)** – provides a forum to address cyber security, physical security, and operations security. More information is contained in the Situational Awareness and Infrastructure Security section of this document.
- b. **Generator Subcommittee (GS)** – provides a generator owner/operator forum to address generator issues.
- c. **Operations Subcommittee (OS)** – provides a Bulk Power System operations-related forum to address operator and/or system operations related issues.
- d. **Protection Subcommittee (PS)** – provides a system protection forum to address protective relay and control issues including both generator and transmission protection.
- e. **Transmission Performance Subcommittee (TPS)** – provides a transmission owner/planner forum to address any transmission planning and/or performance issues. This would include transmission assessments, outages, maps, notification, etc.

f. **Vegetation Management Subcommittee (VMS)** – provides a vegetation management forum to address related issues.

g. **Power Flow Model Contact Group (PFMCG)** – provides power flow model data for ERAG MMWG and other regional base case model building efforts.

h. **Dynamic Model Contact Group (DMCG)** – provides dynamic model data for ERAG MMWG and other regional dynamic base case model building efforts.

i. **Major Disturbance Analysis Task Force (MDATF)** – assists Reliability *First* staff to analyze major system disturbances in a timely manner.

2009 Areas of Focus

The areas to focus on in 2009 are to facilitate the Member Forums activities in a timely manner, as stated in detail in the above section. The success of Reliability *First* depends upon the active and direct participation of industry stakeholders, including members.

Funding Requirements — Explanation of Increase (Decrease)

During 2008, an increase in payroll and benefits is attributable to one vacant FTE position being filled in the middle of 2007. That FTE position had been previously budgeted, but had been vacant. The increase of 0.5 FTE is also attributable to the relocation of this FTE from the Reliability Assessment and Performance Analysis function. History of time spent has dictated that this 0.5 FTE has been needed to facilitate the Member Forums.

Staffing Needs

Hiring Plans

- No additional FTEs are needed in 2009.

Shared Employees

- Reliability *First* does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.
- There are two of the three FTEs designated for this function that are expected to participate in the NERC Readiness Evaluation function.

Contractors

- Outside contractors may be used on an as-needed basis. Contractors may be needed if an ad hoc study would be required during the year for additional technical assistance, or if the Reliability *First* staff or Member Forums do not have the needed technical expertise or knowledge to perform an analysis or complete an unforeseen, yet necessary, project.

Technical Committees and Member Forums

Funding sources and related expenses for the Members' Forums section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Technical Committees and Member Forums					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 518,670	\$ 518,670	\$ -	\$ 568,526	\$ 49,856
Membership Dues	-		-	-	-
Testing Fees	-		-	-	-
Services & Software	-		-	-	-
Workshops	-		-	-	-
Interest	-		-	-	-
Miscellaneous	-		-	-	-
Total Funding	\$ 518,670	\$ 518,670	\$ -	\$ 568,526	\$ 49,856
Expenses					
Personnel Expenses					
Salaries	\$ 307,821	\$ 326,573	\$ 18,752	\$ 357,276	\$ 30,703
Payroll Taxes	21,125	22,570	1,445	23,589	1,019
Benefits	41,066	26,474	(14,592)	26,595	121
Retirement Costs	47,407	53,953	6,546	58,866	4,913
Total Personnel Expenses	\$ 417,419	\$ 429,570	\$ 12,151	\$ 466,326	\$ 36,756
Meeting Expenses					
Meetings	\$ 26,088	\$ 17,876	\$ (8,212)	\$ 32,000	\$ 14,124
Travel	69,022	45,987	(23,035)	59,000	13,013
Conference Calls	6,141	661	(5,480)	1,200	539
Total Meeting Expenses	\$ 101,251	\$ 64,524	\$ (36,727)	\$ 92,200	\$ 27,676
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 518,670	\$ 494,094	\$ (24,576)	\$ 568,526	\$ 74,432
Change in Assets	\$ -	\$ 24,576	\$ 24,576	\$ -	\$ (24,576)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 3.0 FTEs for the 2008 projection and 3.0 for the 2009 budget. Staff resources are used to support the objectives of the Technical Committees and Member Forums as defined in the business plan.

Meeting Expenses

- Meetings, staff travel and conference call expenses in support of the Technical Committees and Member Forums.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

General and Administrative

General and Administrative (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.00	2.00	2.00
Total Direct Expenses	\$1,718,427	\$1,763,293	\$1,882,105

Functional Description

The general and administrative department consists of the President and his Executive Assistant. Responsibilities include oversight and management of all ReliabilityFirst Corporation's activities, interaction with the Board of Directors and other Regional Entity Management Groups, managing the relationships with governmental agencies, regulators, Members, stakeholders, and other industry organizations.

Funding Requirements — Explanation of Increase (Decrease)

Funding requirements are flat compared to 2007-2008 levels, after considering anticipated merit salary increases.

Staffing Needs**Hiring Plans**

- No additional FTEs are needed in 2009

Shared Employees

- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Use of contractors is not anticipated in this area in 2009.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
General and Administrative					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,638,427	\$ 1,638,427	\$ -	\$ (718,262)	\$ (2,356,689)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	80,000	264,165	184,165	80,000	(184,165)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,718,427	\$ 1,902,592	\$ 184,165	\$ (638,262)	\$ (2,540,854)
Expenses					
Personnel Expenses					
Salaries	\$ 357,355	\$ 343,256	\$ (14,099)	\$ 410,984	\$ 67,728
Payroll Taxes	18,453	13,955	(4,498)	14,626	671
Benefits	89,303	29,068	(60,235)	36,413	7,345
Retirement Costs	53,936	55,577	1,641	85,092	29,515
Total Personnel Expenses	\$ 519,047	\$ 441,856	\$ (77,191)	\$ 547,115	\$ 105,259
Meeting Expenses					
Meetings	\$ 41,685	\$ 62,222	\$ 20,537	\$ 65,600	\$ 3,378
Travel	73,755	31,969	(41,786)	40,000	8,031
Conference Calls	5,720	144	(5,576)	240	96
Total Meeting Expenses	\$ 121,160	\$ 94,336	\$ (26,824)	\$ 105,840	\$ 11,504
Operating Expenses					
Consultants	\$ 39,000	\$ 18,701	\$ (20,299)	\$ -	\$ (18,701)
Contracts	-	-	-	-	-
Office Rent	270,000	294,000	24,000	311,000	17,000
Office Costs	134,870	72,981	(61,889)	54,650	(18,331)
Professional Services	569,350	797,907	228,557	823,000	25,093
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	50,000	25,000	(25,000)	20,500	(4,500)
Miscellaneous	15,000	18,512	3,512	20,000	1,488
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 1,078,220	\$ 1,227,102	\$ 148,882	\$ 1,229,150	\$ 2,048
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,718,427	\$ 1,763,293	\$ 44,866	\$ 1,882,105	\$ 118,812
Change in Assets	\$ -	\$ 139,299	\$ 139,299	\$ (2,520,367)	\$ (2,659,666)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function. Additional funding is from interest on cash balances.

Personnel Expenses

- Salary, payroll taxes, benefits and savings and retirement expenses for 2 FTEs.

Meeting Expenses

- Meeting, travel and conference call expenses in support of the corporation, including meetings of the Board and Annual Meetings of Members.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0	0	0
Total Direct Expenses	0	0	0

Functional Description

ReliabilityFirst Corporation currently uses outside counsel to assist with our legal and regulatory matters, because this is the most cost effective and effective option at this time. Future activities may dictate a shift in this philosophy as the needs and costs in this area are re-evaluated. All charges for corporate and regulatory matters are collected within Professional Services contained in the appropriate function.

Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Legal and Regulatory					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments			\$ -		\$ -
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries			\$ -		\$ -
Payroll Taxes			-		-
Benefits			-		-
Retirement Costs			-		-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings			\$ -		\$ -
Travel			-		-
Conference Calls			-		-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants			\$ -		\$ -
Contracts			-		-
Office Rent			-		-
Office Costs			-		-
Professional Services			-		-
Computer Purchase & Maintenance			-		-
Furniture & Equipment			-		-
Miscellaneous			-		-
Contingency			-		-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses			\$ -		\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

-

Personnel Expenses

Meeting Expenses

-

Operating Expenses

-

Information Technology

Information Technology (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	4.00	4.20	4.20
Total Direct Expenses	\$1,007,092	\$2,177,212	\$1,467,606

Background

Reliability *First* Corporation relies on Information Technology (IT) to support the entire staff to achieve our reliability mission. The IT organization currently maintains, but is not limited to:

- Data Center
- Website Hosting
- Telecommuter Support
- Voice Over Internet Protocol
- Virtual Meeting and Conferencing
- Email
- Desktop Support
- Information Security

Program Description and Functions Performed

IT provides the foundational computer networks, systems, and tools that drive day-to-day business processes and ensures that these information assets meet Reliability *First* Corporation's existing and future needs. Responsibilities encompass a variety of complex technical, administrative, and supervisory work in the development, installation, and maintenance of information technology systems.

2009 Areas of Focus

- Establishing and directing the strategic long-term goals, policies, and procedures of Reliability *First's* Information Technology department, which complement Reliability *First's* strategic goals and reliability mission.
- Assessing Reliability *First's* evolving business environment and recommending technology solutions to drive productivity, efficiency, and effectiveness.
- Planning and implementing organization-wide information systems, services, and network facilities, including local area networks, wide-area networks, and peripheral systems to meet the needs of a diverse user base, both internal and external to Reliability *First*.
- Ensuring all information systems are functional and secure, and that all applications running on these systems meet business requirements for performance, availability, and security.
- Creating and managing an information security program aimed at reducing risk to acceptable levels.
- Achieve compliance with the NERC Cyber Security Standards CIP-002–CIP-009 by June 30, 2009 which will ensure that the integrity, security and confidentiality of our data are maintained.
- Assist the compliance department when performing CIP Standards audits.
- Continue the development, integration, and expansion of databases and applications into a unified company-wide Information Management System. This system will ultimately feed active content to the Reliability *First* web site.

- Introduce collaboration tools to allow for the ready flow of information between applications and between users.
- Enhance IT infrastructure to better support a growing staff in multiple locations.
- Enhance telecommunications networks for increased throughput and redundancy.

Funding Requirements — Explanation of Increase (Decrease)

Funding requirements are projected to increase due to due to the purchase and maintenance of compliance software.

Staffing Needs

Hiring Plans

- ReliabilityFirst had 4 FTE's budgeted for 2008 for the IT department. However, due to reorganization, the IT staff has actually dropped to 3.2 FTE's. The department is expected to hire another IT person in 2008 to fill the void left by the reorganization. This would increase the staff to 4.2 FTE's.

Shared Employees

- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Contractors will be utilized on an as-needed basis. ReliabilityFirst will use contractors to supplement staff only when absolutely necessary. ReliabilityFirst's policy is to perform IT activities in-house to the greatest extent possible.

Information Technology

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Information Technology					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,007,092	\$ 1,007,092	\$ -	\$ 1,467,606	\$ 460,514
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,007,092	\$ 1,007,092	\$ -	\$ 1,467,606	\$ 460,514
Expenses					
Personnel Expenses					
Salaries	\$ 381,506	\$ 294,933	\$ (86,573)	\$ 402,465	\$ 107,532
Payroll Taxes	32,190	23,661	(8,529)	30,153	6,492
Benefits	71,244	75,434	4,190	90,142	14,708
Retirement Costs	59,092	55,914	(3,178)	68,661	12,747
Total Personnel Expenses	\$ 544,032	\$ 449,942	\$ (94,090)	\$ 591,421	\$ 141,479
Meeting Expenses					
Meetings	\$ -	\$ 300	\$ 300	\$ 300	\$ (0)
Travel	31,355	15,752	(15,603)	12,000	(3,752)
Conference Calls	240	-	(240)	20	20
Total Meeting Expenses	\$ 31,595	\$ 16,052	\$ (15,543)	\$ 12,320	\$ (3,732)
Operating Expenses					
Consultants	\$ -	\$ 50,000	\$ 50,000	\$ 33,000	\$ (17,000)
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	112,100	206,185	94,085	288,090	81,905
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	319,365	1,455,032	1,135,667	542,775	(912,257)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 431,465	\$ 1,711,217	\$ 1,279,752	\$ 863,865	\$ (847,352)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,007,092	\$ 2,177,212	\$ 1,170,120	\$ 1,467,606	\$ (709,606)
Change in Assets	\$ -	\$ (1,170,120)	\$ (1,170,120)	\$ -	\$ 1,170,120

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits and savings and retirement expenses for 4.2 FTEs.
- Currently personnel are at 3.2 FTEs, it is anticipated to hire an additional staff member within 2008 to support the new compliance software. It is projected to maintain a staff of 4.2 FTEs for 2009.

Meeting Expenses

- Meetings, staff travel and conference call expenses in support of Information Technology.

Operating Expenses

- Operating expenses are projected to increase due to the purchase and maintenance of compliance software. This software will help the compliance staff perform efficient tracking of self certifications, compliance issue and document storage and will also streamline compliance reporting and tracking for our Registered Entities.
- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Human Resources

Human Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.50	1.40	1.40
Total Direct Expenses	\$170,760	\$175,857	\$206,396

Background

ReliabilityFirst realizes that talented, experienced employees are its greatest resource, and that finding, nurturing, and developing that talent is one of our most important tasks. That is why ReliabilityFirst maintains one full time and one part-time employee devoted to facilitating our human resource needs.

Functional Description

By the end of 2009, ReliabilityFirst will have assembled a staff of 46 qualified management, professional, and technical employees with the expertise necessary to serve our stakeholders and to support the ERO by properly carrying out our delegated functions.

The Human Resources department will design, plan, and implement human resources policies and procedures, including staffing, compensation, benefits, and employee relations, in adherence with all applicable federal and state laws. Human resource policies are made available to all employees through the corporate intranet.

2009 Areas of Focus

- Recruit highly skilled and excellent employees.
- Provide training programs and career development.
- Review and manage employee benefits.
- Develop complete employee handbook.
- Review succession plans and employee retention plans.

Funding Requirements — Explanation of Increase (Decrease)

Funding requirements are flat compared to 2007-2008 levels, after considering anticipated merit salary increases.

Staffing Needs

Hiring Plans

- No additional FTEs are needed in 2009

Shared Employees

- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Use of contractors is not anticipated in this area in 2009.

Human Resources

Funding sources and related expenses for the human resources section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Human Resources					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 170,760	\$ 170,760	\$ -	\$ 206,396	\$ 35,636
Membership Dues			-	-	-
Testing Fees			-	-	-
Services & Software			-	-	-
Workshops			-	-	-
Interest			-	-	-
Miscellaneous			-	-	-
Total Funding	\$ 170,760	\$ 170,760	\$ -	\$ 206,396	\$ 35,636
Expenses					
Personnel Expenses					
Salaries	\$ 117,460	\$ 123,453	\$ 5,993	\$ 132,444	\$ 8,991
Payroll Taxes	11,700	8,316	(3,384)	8,711	395
Benefits	21,142	7,521	(13,621)	9,935	2,414
Retirement Costs	18,318	20,567	2,249	27,006	6,439
Total Personnel Expenses	\$ 168,620	\$ 159,857	\$ (8,763)	\$ 178,096	\$ 18,239
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	2,140	-	(2,140)	-	-
Conference Calls			-	-	-
Total Meeting Expenses	\$ 2,140	\$ -	\$ (2,140)	\$ -	\$ -
Operating Expenses					
Consultants		\$ -	\$ -	\$ -	\$ -
Contracts		-	-	-	-
Office Rent		-	-	-	-
Office Costs		-	-	-	-
Professional Services		16,000	16,000	28,300	12,300
Computer Purchase & Maintenance		-	-	-	-
Furniture & Equipment		-	-	-	-
Miscellaneous		-	-	-	-
Contingency		-	-	-	-
Total Operating Expenses	\$ -	\$ 16,000	\$ 16,000	\$ 28,300	\$ 12,300
Other Non-Operating Expenses			\$ -		\$ -
Total Expenses	\$ 170,760	\$ 175,857	\$ 5,097	\$ 206,396	\$ 30,539
Change in Assets	\$ -	\$ (5,097)	\$ (5,097)	\$ -	\$ 5,097

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits and savings and retirement expenses for 1.4 FTEs.

Meeting Expenses

- Meetings, staff travel and conference call expenses in support of Human Resource.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Finance and Accounting

Finance and Accounting (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.00	0.9	0.9
Total Direct Expenses	\$291,154	\$164,449	\$191,668

Functional Description

The Finance and Accounting department will work with the ERO and all ReliabilityFirst cost centers to produce an annual ReliabilityFirst budget and business plan that adequately support its delegated functions.

In support of the ERO's funding/collection mechanism, ReliabilityFirst will annually collect and supply the ERO with a list of Load Serving Entities (LSE) within the ReliabilityFirst Corporation footprint and their associated Net Energy to Load (NEL) data as mandated by the Federal Energy Regulatory Commission.

2009 Areas of Focus

- ReliabilityFirst will work with all Regional Entities through the Regional Entity Budget Group (REBG) to provide consistency in budget submittals to the ERO and to FERC and to coordinate LSE/NEL collection efforts to alleviate any potential double counting of LSE/NEL information.
- This department will provide all ReliabilityFirst cost centers, the Board of Directors, and the ERO with financial clarity and understanding of ReliabilityFirst's financial position.
- The Finance and Accounting department will direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget, tax, audit activities, and financial and accounting system controls and standards.
- Participate with NERC on the Regional Entity true-up filing.
- Institute a cost collecting mechanism which will help control costs and build a more effective budget.
- Establish program specific expense tracking systems.
- Provide advice from the financial perspective on contracts into which the organization may enter.

Funding Requirements — Explanation of Increase (Decrease)

Funding requirements are expected to decrease compared to 2007-2008 levels.

Staffing Needs**Hiring Plans**

- No additional FTE's are needed in 2009.

Shared Employees

- Reliability*First* does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Use of contractors is not anticipated in this area in 2009.

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Finance and Accounting					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 291,154	\$ 291,154	\$ -	\$ 191,668	\$ (99,486)
Membership Dues	-		-	-	-
Testing Fees	-		-	-	-
Services & Software	-		-	-	-
Workshops	-		-	-	-
Interest	-		-	-	-
Miscellaneous	-		-	-	-
Total Funding	\$ 291,154	\$ 291,154	\$ -	\$ 191,668	\$ (99,486)
Expenses					
Personnel Expenses					
Salaries	\$ 173,726	\$ 95,629	\$ (78,097)	\$ 101,603	\$ 5,974
Payroll Taxes	15,848	6,242	(9,606)	6,538	296
Benefits	33,661	5,961	(27,700)	8,818	2,857
Retirement Costs	27,224	16,053	(11,171)	17,009	956
Total Personnel Expenses	\$ 250,459	\$ 123,885	\$ (126,574)	\$ 133,968	\$ 10,083
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 700	\$ 700
Travel	5,695	5,564	(131)	9,000	3,436
Conference Calls	-		-	-	-
Total Meeting Expenses	\$ 5,695	\$ 5,564	\$ (131)	\$ 9,700	\$ 4,136
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-		-	-	-
Office Rent	-		-	-	-
Office Costs	-		-	-	-
Professional Services	35,000	35,000	-	48,000	13,000
Computer Purchase & Maintenance	-		-	-	-
Furniture & Equipment	-		-	-	-
Miscellaneous	-		-	-	-
Contingency	-		-	-	-
Total Operating Expenses	\$ 35,000	\$ 35,000	\$ -	\$ 48,000	\$ 13,000
Other Non-Operating Expenses	\$ -		\$ -		\$ -
Total Expenses	\$ 291,154	\$ 164,449	\$ (126,705)	\$ 191,668	\$ 27,219
Change in Assets	\$ -	\$ 126,705	\$ 126,705	\$ -	\$ (126,705)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Staffing levels are reduced from 2 FTEs to 0.9 FTE due to sharing 1 FTE with IT and reducing the full-time staff accountant to part-time. Salary, payroll taxes, benefits and savings and retirement expenses for 0.9 FTE.

Meeting Expenses

- Meetings and staff travel expenses in support of Finance and Accounting.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Section B — 2009 Budget

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

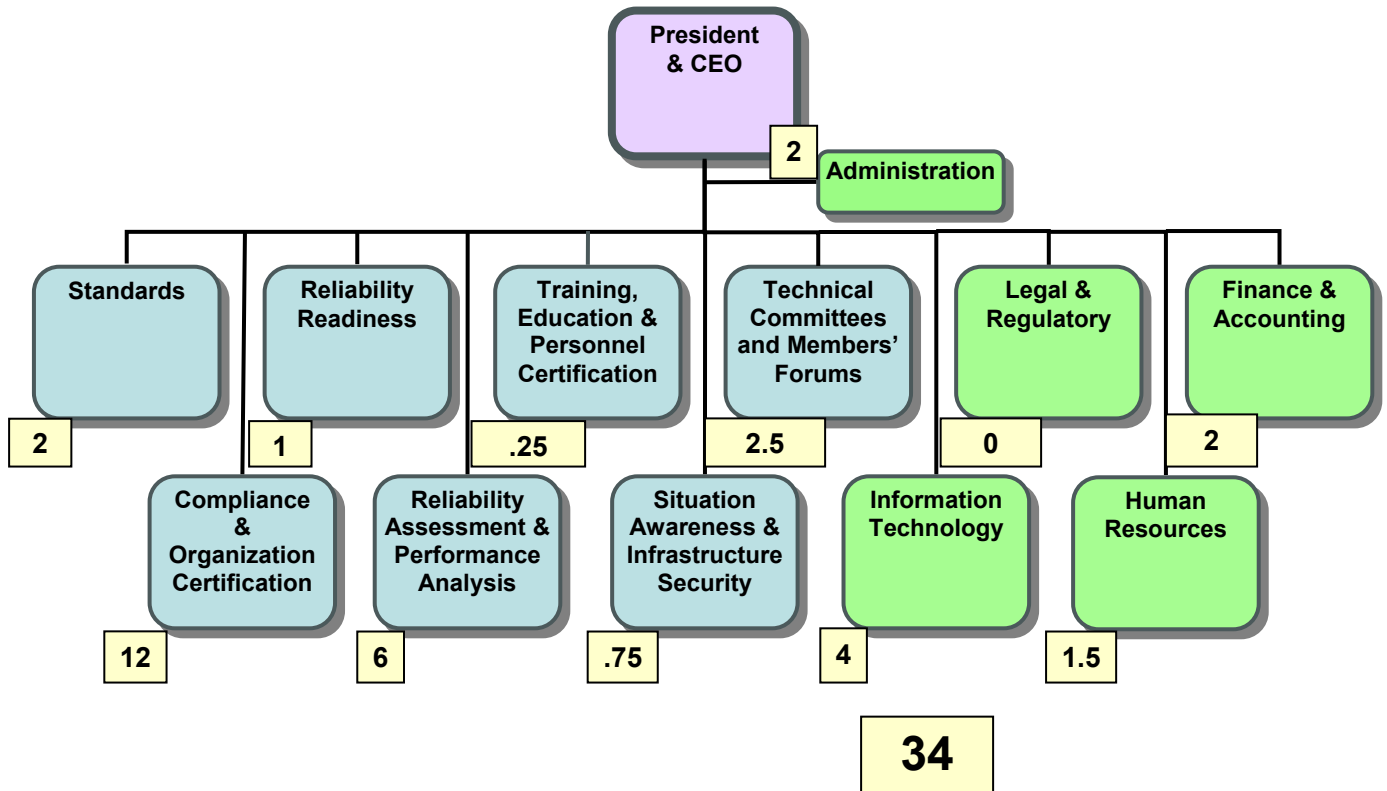
Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 9,584,256	\$ 9,584,256	\$ -	\$ 8,833,834	\$ (750,422)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	80,000	264,165	184,165	80,000	(184,165)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 9,664,256	\$ 9,848,421	\$ 184,165	\$ 8,913,834	\$ (934,587)
Expenses					
Personnel Expenses					
Salaries	\$ 4,152,536	\$ 4,217,810	\$ 65,271	\$ 5,655,931	\$ 1,438,121
Payroll Taxes	286,747	270,627	(16,120)	333,577	62,950
Benefits	642,444	499,019	(143,425)	680,668	181,649
Retirement Costs	638,597	718,280	79,684	956,610	238,330
Total Personnel Expenses	\$ 5,720,324	\$ 5,705,736	\$ (14,588)	\$ 7,626,786	\$ 1,921,050
Meeting Expenses					
Meetings	\$ 367,685	\$ 193,023	\$ (174,662)	\$ 289,600	\$ 96,577
Travel	990,800	465,045	(525,755)	628,500	163,455
Conference Calls	52,232	3,333	(48,898)	5,000	1,667
Total Meeting Expenses	\$ 1,410,717	\$ 661,402	\$ (749,315)	\$ 923,100	\$ 261,698
Operating Expenses					
Consultants	\$ 527,530	\$ 292,821	\$ (234,708)	\$ 228,000	\$ (64,821)
Contracts	-	-	-	-	-
Office Rent	270,000	294,000	24,000	311,000	17,000
Office Costs	246,970	279,166	32,196	342,740	63,574
Professional Services	1,104,350	1,348,907	244,557	1,419,300	70,393
Computer Purchase & Maintenance	319,365	1,455,032	1,135,667	542,775	(912,257)
Furniture & Equipment	50,000	25,000	(25,000)	20,500	(4,500)
Miscellaneous	15,000	18,512	3,512	20,000	1,488
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 2,533,215	\$ 3,713,439	\$ 1,180,225	\$ 2,884,315	\$ (829,124)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 9,664,256	\$ 10,080,577	\$ 416,321	\$ 11,434,201	\$ 1,353,624
Change in Assets	\$ -	\$ (232,156)	\$ (232,156)	\$ (2,520,367)	\$ (2,288,211)

Personnel Analysis**Table 2**

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
STATUTORY				
Operational Programs				
Reliability Standards	2.00	2.00	2.00	0.0
Compliance and Organization Registration and Certification	12.00	18.00	23.00	5.0
Reliability Readiness Audit and Improvement	1.00	1.00	0.00	-1.0
Training and Education	0.25	0.05	0.05	0.0
Reliability Assessment and Performance Analysis	6.00	5.50	5.50	0.0
Situational Awareness and Infrastructure Security	0.75	0.95	1.95	1.0
Total FTEs Operational Programs	22.0	27.5	32.5	5.0
Administrative Programs				
Member Forums	2.50	3.00	3.00	0.0
General & Administrative	2.00	2.00	2.00	0.0
Information Technology	4.00	4.20	4.20	0.0
Legal and Regulatory	0.00	0.00	0.00	0.0
Human Resources	1.50	1.40	1.40	0.0
Finance & Accounting	2.00	0.90	0.90	0.0
Total FTEs Administrative Programs	12.0	11.5	11.5	0.0
Total FTEs	34.0	39.0	44.0	5.0

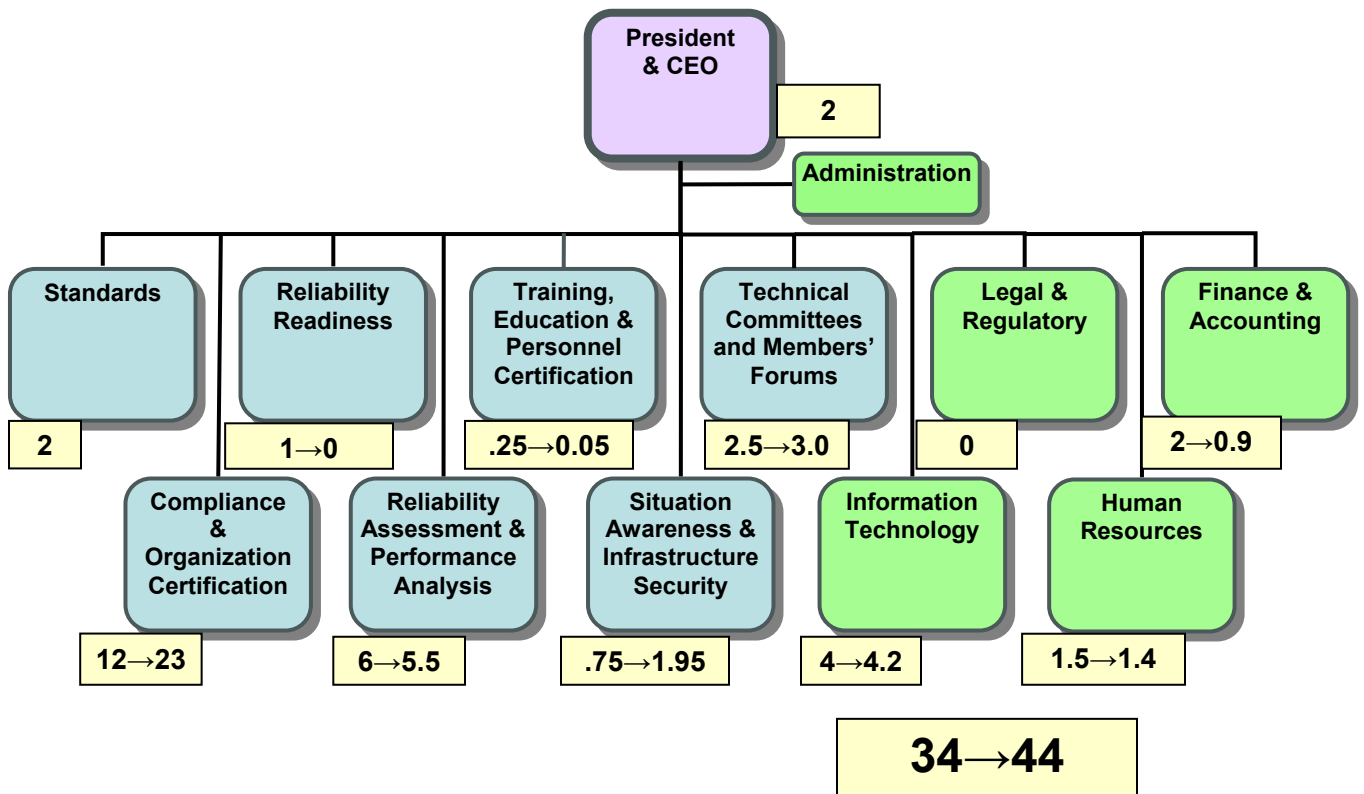
2008 Organizational Chart

Table 3



2009 Organizational Chart

Table 4



Reserve Balance

Table 5

Working Capital Reserve Analysis 2008-2009	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2007	3,752,521
Plus: 2008 ERO Funding (from LSEs or designees)	9,584,256
Plus: 2008 Other funding sources (Cash basis)	264,165
Less: '2008 Projected expenses & capital expenditures (Cash basis)	(10,080,575)
Projected Working Capital Reserve (Deficit), December 31, 2008	3,520,367
Desired Working Capital Reserve, December 31, 2009	1,000,000
Less: Projected Working Capital Reserve (Deficit), December 31, 2008	3,520,367
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(2,520,367)
2009 Assessment for Expenses and Capital Expenditures, excluding Working Capital Reserve (Cash basis)	11,434,201
Less: Other Funding Sources (Cash Basis)	(80,000)
Adjustment to achieve desired Working Capital Reserve	(2,520,367)
2009 Assessment	8,833,834

¹ Board of Directors approved that ReliabilityFirst Corporation maintains a \$1,000,000 balance in the reserve fund which represents approximately 10% of operating costs.

ReliabilityFirst Assessment Analysis

Assessments by Country

No table needed since ReliabilityFirst Corporation's footprint is all within the United States.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 63, of the 2009 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Supplemental Funding

Table B-1

Outside Funding Breakdown By Program (excluding ERO Assessments)	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
General and Administrative					
Interest Income	\$ 80,000	\$ 264,165	\$ 80,000	\$ (184,165)	-69.72%
Total	\$ 80,000	\$ 264,165	\$ 80,000	\$ (184,165)	-69.72%
Total Outside Funding	\$ 80,000	\$ 264,165	\$ 80,000	\$ (184,165)	-69.72%

Personnel Expenses**Table B-2**

Personnel Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Salaries					
Salary	\$ 4,152,536	\$ 4,217,810	\$ 5,625,931	\$ 1,408,121	33.39%
Employment Agency Fees	-	-	30,000	30,000	
Temporary Office Services	-	-	-	-	
Total Salaries	\$ 4,152,536	\$ 4,217,810	\$ 5,655,931	\$ 1,438,121	34.10%
Payroll Taxes					
FICA	\$ 207,638	\$ 196,101	\$ 241,426	\$ 45,325	23.1%
Medicare	60,154	56,438	71,606	15,168	26.9%
SUI	16,779	15,904	17,970	2,066	13.0%
FUI	2,176	2,184	2,575	391	17.9%
Total Payroll Taxes	\$ 286,747	\$ 270,627	\$ 333,577	\$ 62,950	23.3%
Benefits					
Workers Compensation	\$ 6,000	\$ 14,591 [▲]	\$ 17,377	\$ 2,786	19.1%
Medical Insurance	379,991	359,632 [▲]	479,280	119,648	33.3%
Life-LTD Insurance	52,153	47,494 [▲]	38,261	(9,233)	-19.4%
Education	134,300	77,302	95,750	18,448	23.9%
Relocation	-	-	50,000	50,000	
Vacation	70,000	-	-	-	
Total Benefits	\$ 642,444	\$ 499,019	\$ 680,668	\$ 181,649	36.4%
Retirement					
Profit Sharing Plan / SERP	\$ 373,368	\$ 473,920 [▲]	\$ 609,279	\$ 135,359	28.6%
Savings Plan	265,229	244,360 [▲]	342,331	97,971	40.1%
Pension & Savings Admin	-	-	5,000	5,000	
Total Retirement	\$ 638,597	\$ 718,280	\$ 956,610	\$ 238,330	33.2%
Total Personnel Costs	\$ 5,720,324	\$ 5,705,736	\$ 7,626,786	\$ 1,921,050	33.7%

Meeting Expenses

Table B-3

Meeting Expenses

Meeting Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 115,200	\$ 28,361	\$ 53,000	\$ 24,639	86.87%
Compliance, Organization Registration and Certification	41,600	5,000	10,000	\$ 5,000	100.01%
Reliability Readiness Audit and Improvement	-	-	-	\$ -	
Reliability Assessment and Performance Analysis	62,612	35,000	24,000	\$ (11,000)	-31.43%
Training and Education	31,900	31,000	88,000	\$ 57,000	183.87%
Situational Awareness and Infrastructure Security	48,600	13,264	16,000	\$ 2,736	20.62%
Committee and Member Forums	26,088	17,876	32,000	\$ 14,124	79.02%
General and Administrative	41,685	62,222	65,600	\$ 3,378	5.43%
Legal and Regulatory	-	-	-	\$ -	
Information Technology	-	300	300	\$ (0)	-0.03%
Human Resources	-	-	-	\$ -	
Accounting and Finance	-	-	700	\$ 700	
Total Meeting Expenses	\$ 367,685	\$ 193,023	\$ 289,600	\$ 96,577	50.03%

Travel Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 124,860	\$ 30,405	\$ 32,000	\$ 1,595	5.25%
Compliance, Organization Registration and Certification	452,502	233,858	399,500	165,642	70.83%
Reliability Readiness Audit and Improvement	37,708	21,598	-	(21,598)	-100.00%
Reliability Assessment and Performance Analysis	165,653	48,150	40,000	(8,150)	-16.93%
Training and Education	4,095	4,000	2,000	(2,000)	-50.00%
Situational Awareness and Infrastructure Security	24,015	27,761	35,000	7,239	26.07%
Committee and Member Forums	69,022	45,987	59,000	13,013	28.30%
General and Administrative	73,755	31,969	40,000	8,031	25.12%
Legal and Regulatory	-	-	-	-	
Information Technology	31,355	15,752	12,000	(3,752)	-23.82%
Human Resources	2,140	-	-	-	
Accounting and Finance	5,695	5,564	9,000	3,436	61.77%
Total Travel Expenses	\$ 990,800	\$ 465,045	\$ 628,500	\$ 163,455	35.15%

Conference Call Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 15,372	\$ 1,315	\$ 1,560	\$ 245	18.61%
Compliance, Organization Registration and Certification	9,540	516	720	204	39.54%
Reliability Readiness Audit and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	14,739	661	1,200	539	81.52%
Training and Education	-	-	-	-	
Situational Awareness and Infrastructure Security	480	36	60	24	67.97%
Committee and Member Forums	6,141	661	1,200	539	81.52%
General and Administrative	5,720	144	240	96	66.22%
Legal and Regulatory	-	-	-	-	
Information Technology	240	-	20	20	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Total Conference Calls	\$ 52,232	\$ 3,333	\$ 5,000	\$ 1,667	49.99%

Total Meeting Expenses

\$ 1,410,717	\$ 661,402	\$ 923,100	\$ 261,698	39.57%
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Operating Expenses**Table B-4**

Consultants	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance, Organization Registration and Certification	313,530	69,120	120,000	50,880	73.61%
Reliability Readiness Audit and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	175,000	155,000	65,000	(90,000)	-58.06%
Training and Education	-	-	-	-	
Situational Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	10,000	10,000	
General and Administrative	39,000	18,701	-	(18,701)	-100.00%
Legal and Regulatory	-	-	-	-	
Information Technology	-	50,000	33,000	(17,000)	-34.00%
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 527,530	\$ 292,821	\$ 228,000	\$ (64,821)	-22.14%

Table B-5

Contracts	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Contracts - Software					
	\$ -	\$ -	\$ -	\$ -	
Contracts - Software Total	\$ -	\$ -	\$ -	\$ -	
Contract - IDC					
	\$ -	\$ -	\$ -	\$ -	
Contracts - IDC Total	\$ -	\$ -	\$ -	\$ -	
Education and Training					
	\$ -	\$ -	\$ -	\$ -	
Education and Training Total	\$ -	\$ -	\$ -	\$ -	
Contracts Total	\$ -	\$ -	\$ -	\$ -	

Table B-6

Office Rent	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Rent	\$ 270,000	\$ 294,000	\$ 256,000	\$ (38,000)	-12.93%
Utilities	\$ -	\$ -	\$ 55,000	\$ 55,000	
Maintenance	\$ -	\$ -	\$ -	\$ -	
Security	\$ -	\$ -	\$ -	\$ -	
Total Office Rent	\$ 270,000	\$ 294,000	\$ 311,000	\$ 17,000	5.78%

Table B-7

Office Costs	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Telephone	\$ 70,400	\$ 67,900	\$ 87,690	\$ 19,790	29.15%
Internet	41,700	138,285	200,400	62,115	44.92%
Office Supplies	22,000	24,872	27,000	2,128	8.56%
Computer Supplies and Maintenance	16,500	8,780	-	(8,780)	-100.00%
Publications & Subscriptions	8,000	2,780	7,500	4,720	169.78%
Presentation & Publicity	-	-	-	-	
Dues	27,270	1,000	5,500	4,500	450.00%
Postage	3,000	3,000	2,700	(300)	-10.00%
Express Shipping	9,000	4,000	6,000	2,000	50.00%
Copying	6,000	-	-	-	
Reports - Graphics	12,800	-	650	650	
Stationary Forms	2,000	4,248	800	(3,448)	-81.17%
Equipment Repair/Service Contracts	27,300	24,000	4,400	(19,600)	-81.67%
Bank Charges	1,000	300	-	(300)	-100.00%
Sales & Use Taxes	-	-	-	-	
Merchant Card Fees	-	-	100	100	
Total Office Costs	\$ 246,970	\$ 279,165	\$ 342,740	\$ 63,575	22.77%

Table B-8

Professional Services	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Independent Trustee Fees	\$ 247,500	\$ 240,000	\$ 263,000	\$ 23,000	9.58%
Outside Legal	-	-	-	-	
Accounting & Auditing Fees	35,000	51,000	76,300	25,300	49.61%
Other Legal Fees	740,000	1,000,000	1,020,000	20,000	2.00%
Insurance Commercial	81,850	57,907	60,000	2,093	3.61%
Total Services	\$ 1,104,350	\$ 1,348,907	\$ 1,419,300	\$ 70,393	5.22%

Table B-9

Computer	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Purchase and Lease Software	\$ 319,365	\$ 1,455,032	\$ 542,775	\$ (912,257)	-62.70%
Total Computer	\$ 319,365	\$ 1,455,032	\$ 542,775	\$ (912,257)	-62.70%

Table B-10

Furniture & Equipment	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Furniture	\$ 50,000	\$ 25,000	\$ 20,000	\$ (5,000)	-20.00%
Equipment	-	-	500	500	
Leasehold Improvements	-	-	-	-	
Total Furniture & Fixtures	\$ 50,000	\$ 25,000	\$ 20,500	\$ (4,500)	-18.00%

Table B-11

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Office Relocation	-	-	-	-	
Cash Reserve Requirement	-	-	-	-	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Section C — 2009 RE Non-Statutory Business Plan and Budget

ReliabilityFirst performed only those functions delegated to it by the ERO in 2008 and the organization does not intend to perform any functions outside its ERO delegated activities in 2009, therefore Section C is not applicable.

ReliabilityFirst 2009 STATEMENT OF ACTIVITIES

Statement of Activities 2008 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement											Non-Statutory Total			
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Readiness Audit and Improvement (Section 700)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situational Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology		Human Resources	Accounting and Finance	
Funding																		
ERO Assessments	8,833,834	8,833,834	-	8,833,834	529,461	5,099,328	-	985,605	102,582	400,924	568,526	(718,262)	-	1,467,606	206,396	191,668	-	-
Membership Dues/Non-Statutory Ft	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	80,000	80,000	-	80,000	-	-	-	-	-	-	-	80,000	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	8,913,834	8,913,834	-	8,913,834	529,461	5,099,328	-	985,605	102,582	400,924	568,526	(638,262)	-	1,467,606	206,396	191,668	-	-
Expenses																		
Personnel Expenses																		
Salaries	5,655,931	5,655,931	-	5,655,931	343,925	2,993,674	-	637,059	8,695	267,806	357,276	410,984	-	402,465	132,444	101,603	-	-
Payroll Taxes	333,577	333,577	-	333,577	17,526	176,380	-	39,535	770	15,749	23,589	14,626	-	30,153	8,711	6,538	-	-
Benefits	680,668	680,668	-	680,668	30,186	382,744	-	73,404	348	22,083	26,595	36,413	-	90,142	9,935	8,818	-	-
Retirement Costs	956,610	956,610	-	956,610	51,264	496,310	-	105,407	2,769	44,226	58,866	85,092	-	68,661	27,006	17,009	-	-
Total Personnel Expenses	7,626,786	7,626,786	-	7,626,786	442,901	4,049,108	-	855,405	12,582	349,864	466,326	547,115	-	591,421	178,096	133,968	-	-
Meeting Expenses																		
Meetings	289,600	289,600	-	289,600	53,000	10,000	-	24,000	88,000	16,000	32,000	65,600	-	300	-	700	-	-
Travel	628,500	628,500	-	628,500	32,000	399,500	-	40,000	2,000	35,000	59,000	40,000	-	12,000	-	9,000	-	-
Conference Calls	5,000	5,000	-	5,000	1,560	720	-	1,200	-	60	1,200	240	-	20	-	-	-	-
Total Meeting Expenses	923,100	923,100	-	923,100	86,560	410,220	-	65,200	90,000	51,060	92,200	105,840	-	12,320	-	9,700	-	-
Operating Expenses																		
Consultants	228,000	228,000	-	228,000	-	120,000	-	65,000	-	-	10,000	-	-	33,000	-	-	-	-
Contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Rent	311,000	311,000	-	311,000	-	-	-	-	-	-	-	311,000	-	-	-	-	-	-
Office Costs	342,740	342,740	-	342,740	-	-	-	-	-	-	-	54,650	-	288,090	-	-	-	-
Professional Services	1,419,300	1,419,300	-	1,419,300	-	520,000	-	-	-	-	-	823,000	-	-	28,300	48,000	-	-
Computer Purchase & Maint.	542,775	542,775	-	542,775	-	-	-	-	-	-	-	-	-	542,775	-	-	-	-
Furniture and Equipment	20,500	20,500	-	20,500	-	-	-	-	-	-	-	20,500	-	-	-	-	-	-
Miscellaneous	20,000	20,000	-	20,000	-	-	-	-	-	-	-	20,000	-	-	-	-	-	-
Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	2,884,315	2,884,315	-	2,884,315	-	640,000	-	65,000	-	-	10,000	1,229,150	-	863,865	28,300	48,000	-	-
Other Non-Operating Expenses																		
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	11,434,201	11,434,201	-	11,434,201	529,461	5,099,328	-	985,605	102,582	400,924	568,526	1,882,105	-	1,467,606	206,396	191,668	-	-
Change in Assets	(2,520,367)	(2,520,367)	-	(2,520,367)	-	-	-	-	-	-	-	(2,520,367)	-	-	-	-	-	-
Allocation of Overhead																		
Direct Costs	7,117,900	7,117,900	-	7,117,900	529,461	5,099,328	-	985,605	102,582	400,924	-	-	-	-	-	-	-	-
Indirect Costs Allocation	4,316,301	4,316,301	-	4,316,301	265,619	3,054,613	-	730,451	6,640	258,978	-	-	-	-	-	-	-	-
	11,434,201	11,434,201	-	11,434,201	795,080	8,153,941	-	1,716,056	109,222	659,902	-	-	-	-	-	-	-	-
FTE's	44.00	44.00	0.00	44.00	2.00	23.00	-	5.50	0.05	1.95	3.00	2.00	0.00	4.20	1.40	0.90	-	0