

121 FERC ¶ 61,057
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

North American Electric Reliability
Corporation

Docket No. RR07-16-000

ORDER CONDITIONALLY ACCEPTING
2008 BUSINESS PLAN AND BUDGET OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND ORDERING COMPLIANCE FILINGS

(Issued October 18, 2007)

1. On August 24, 2007, as corrected on August 31, 2007,¹ NERC, the Commission-certified Electric Reliability Organization (ERO),² filed its 2008 Business Plan and Budget as well as the 2008 Business Plan and Budget of each Regional Entity. We will conditionally accept the NERC and Regional Entity business plans and budgets and order NERC to make compliance filings on or before December 14, 2007 and April 1, 2008, as discussed below. NERC is authorized to issue billing invoices to fund the fiscal year 2008 operations of the Regional Entities, Western Interconnection Regional Advisory Body (WIRAB) and itself.

I. Background

A. Regulatory History

2. The Energy Policy Act of 2005 added a new section 215 to the Federal Power Act (FPA), which requires a Commission-certified ERO to develop mandatory and enforceable Reliability Standards, subject to Commission review and approval.³ Section

¹ The North American Electric Reliability Corporation (NERC) Application.

² *North American Electric Reliability Corp.*, 116 FERC ¶ 61,062, *order on reh'g and compliance*, 117 FERC ¶ 61,126 (2006) (*ERO Certification Order*).

³ Pub. L. No. 109-58, Title XII, Subtitle A, 119 Stat. 594, 941 (2005) (to be codified at 16 U.S.C. § 824o).

215(c)(2)(B) of the FPA provides that the ERO must have rules that “allocate equitably reasonable dues, fees and other charges among end users for all activities under this section.”⁴

3. On February 3, 2006, the Commission issued Order No. 672 to implement the requirements of section 215 of the FPA.⁵ Order No. 672, among other things, sets forth requirements for funding the ERO and the approval of an ERO business plan and budget.⁶ The Commission’s regulations require the ERO to file with the Commission its proposed annual budget for statutory and non-statutory activities 130 days before the beginning of its fiscal year.⁷ This filing must also contain the annual budgets of each Regional Entity for statutory and non-statutory activities, and include supporting materials, including the ERO’s and each Regional Entity’s complete business plan and organization chart, and explanation of the proposed collection of all dues, fees and charges and the proposed expenditure of funds collected.

4. In an October 2006 Order, the Commission conditionally accepted NERC’s first budget and business plan.⁸ In that order, the Commission provided NERC guidance on future budget and business plan submissions.

NERC’s 2008 ERO Business Plan and Budget Application

5. The NERC Application contains NERC’s proposed ERO business plan and budget for the year ending December 31, 2008. It also includes proposed business plans and budgets for the year ending December 31, 2008, for each of NERC’s eight Regional Entities: Texas Regional Entity (TRE), a Division of Electric Reliability Council of Texas, Inc. (ERCOT); Florida Reliability Coordinating Council (FRCC); Midwest Reliability Organization (MRO); Northeast Power Coordinating Council (NPCC); Reliability First Corporation (RFC); Southeastern Reliability Council (SERC); Western

⁴ 16 U.S.C.A. § 824o(c)(2)(B) (West Supp. 2006).

⁵ *Rules Concerning Certification of the Electric Reliability Organization; Procedures for the Establishment, Approval and Enforcement of Electric Reliability Standards*, Order No. 672, FERC Stats. & Regs. ¶ 31,204 (2006), *order on reh’g*, Order No. 672-A, FERC Stats. & Regs. ¶ 31,212 (2006).

⁶ *Id.* at P 197; 18 C.F.R. § 39.4 (2007).

⁷ 18 C.F.R. § 39.4(b) (2007).

⁸ *North American Electric Reliability Corp.*, 117 FERC ¶ 61,091 (2006), *order on reh’g*, 119 FERC ¶ 61,059 (2007) (2007 Budget Order).

Electricity Coordinating Council (WECC), and Southwest Power Pool, Inc. (SPP).⁹ The WECC budget includes the funding request for WIRAB, a regional advisory body established pursuant to section 215(j) of the FPA.¹⁰

6. The total funding requirement for 2008 allocable under section 215 of the FPA to end users in the United States for which NERC seeks Commission approval is \$82,587,129. This amount includes \$22,780,492 for NERC funding, \$59,402,602 for Regional Entity funding and \$404,035 for WIRAB funding.

7. NERC states that funding among end users will continue to be allocated in each country based on net energy for load (NEL).¹¹ One exception to this method of collection would apply to the allocation of certain compliance and enforcement costs for jurisdictions outside the United States where a provincial government has designated an entity other than a Regional Entity to perform compliance and enforcement activities.¹²

8. The NERC Application also includes a records retention policy and system of accounts. In addition, NERC provides a series of metrics that provide comparative information regarding the organization and business plans of the eight Regional Entities. NERC states that these metrics help to identify and explain differences that exist among Regional Entity activities and budgets; and the metrics will provide a baseline to use in future years to make comparisons and develop trending analyses.

II. Procedural Matters

9. Notice of the filing was published in the *Federal Register*, 72 Fed. Reg. 51,812 (2007), with interventions and protests due on or before September 21, 2007. RFC, MRO and the City of Santa Clara, California filed timely motions to intervene. WECC filed a

⁹ The Commission has approved delegation agreements between NERC and each of the eight Regional Entities. *North American Electric Reliability Corp.*, 119 FERC ¶ 61,060, *order on reh'g*, 120 FERC ¶ 61,260 (2007) (*Delegation Agreement Order*).

¹⁰ *Governors of Arizona, California, Colorado, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming*, 116 FERC ¶ 61,061 (2006); 16 U.S.C.A. § 824o(j) (West Supp. 2006).

¹¹ Net energy for load values are included in Appendix C of Attachment 2 of the filing.

¹² See NERC Application, Attachment 5 (Policy on Allocation of Certain Compliance and Enforcement Costs).

timely motion to intervene and comments. FRCC filed a motion to intervene out-of-time and comments. WIRAB filed advice to the Commission regarding NERC's Application pursuant to section 215(j) of the FPA.

III. Discussion

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,¹³ the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, the Commission will grant FRCC's late-filed motion to intervene given its interest in the proceeding, the early stage of this proceeding, and the absence of any undue prejudice or delay.

11. Based on our review of NERC's Application, we will conditionally accept the NERC budget and business plan, and the Regional Entity budgets and business plans, and order NERC to make compliance filings, as discussed below.

A. NERC's Business Plan and Budget

1. NERC Application

12. NERC states that its 2008 business plan and budget were developed based on the following major program elements: (1) Reliability Standards; (2) compliance enforcement and organization registration and certification; (3) reliability readiness audits and improvement; (4) training, education and operator certification; (5) reliability assessment and performance analysis; (6) situational awareness and infrastructure security; and (7) administrative services. NERC states that these activities are statutory activities necessary and appropriate to carry out NERC's responsibilities as the ERO.

13. NERC identifies operations excellence and communications as its primary objectives and provides a detailed explanation regarding how it plans to achieve these objectives. Further, for each of NERC's seven program areas, NERC describes the program, identifies the program's goals and objectives, and provides the number of full-time equivalent employees (FTEs) and amount budgeted for 2008. NERC also provides 2007 budget and 2007 projected actual data for comparison.

14. NERC requests \$27,287,031 in total funding for 2008.¹⁴ This amount includes: \$26,531,995 for activities in the United States, Canada and Mexico; and a \$755,036

¹³ 18 C.F.R. § 385.214 (2007).

¹⁴ Total funding includes direct funding and indirect funding. Indirect funding supports direct, or more traceable, expenditures.

increase in cash reserves.¹⁵ \$1,593,000 of that funding is to be collected through fees charged to participants and users of certain NERC programs and by interest earned on bank balances and short-term investments. Of the \$25,694,031 net funding requirement, \$22,780,492 is allocated to end users located in the United States.¹⁶ NERC states that, based on the aggregate NEL of the United States for 2006, NERC's proposed total U.S. net funding requirement is equivalent to \$0.000006/kWh.

15. NERC states that its business plan and budget were developed and are organized based on the following major program elements:

<u>Program</u>	<u>2008 Budget¹⁷</u>
Reliability Standards	\$ 4,990,523
Compliance Enforcement and Organization Registration and Certification	\$ 7,914,174
Reliability Readiness Audits and Improvement	\$ 3,355,606
Training, Education and Operator Certification	\$ 2,149,068
Reliability Assessment and Performance Analysis	\$ 4,254,186
Situation Awareness and Infrastructure Security	\$ 3,868,438
Total Budget	\$26,531,995 ¹⁸
Less Non-assessment revenues and fees	(\$1,593,000)
Plus Provision for Cash Reserves	\$ 755,036
Net Funding Requirement	\$25,694,031

16. To accomplish its responsibilities as the ERO, NERC proposes to increase its total number of full-time equivalent employees (FTEs) from 85 in 2007 to 101.5 in 2008 (a 19.4 percent increase) and its total expenditures from \$22,546,552 in 2007 to \$26,531,995 in 2008 (a 17.7 percent increase).

17. NERC also included a projection for the following two years (2009 and 2010) of expected revenues and expenses. NERC states that it is providing these projections for informational purposes only, that they have not been approved by the NERC Board of

¹⁵ This increase in its cash reserves is due to NERC's request to increase the cash reserves balance to 10 percent of the projected 2008 net funding requirement (before provision for cash reserves).

¹⁶ See NERC Application, Transmittal at 7 and Attachment 1, Table 1.

¹⁷ The amounts projected for each program are the total direct funding for Canada, Mexico and United States. See NERC Application Attachment 1, Table 1.

¹⁸ The Total Budget amount also includes \$9,359,657 in Administrative Services, which in this table has been allocated among the program areas.

Trustees, and that it is not seeking approval of the projections by the Commission. The 2009 projected assessments to load-serving entities for NERC funding are estimated to increase by just under \$1.86 million (7.0 percent) over 2008. The 2010 projected assessments for NERC funding are estimated to increase by \$1.26 million (4.4 percent increase) over 2009.

18. Finally, NERC states that it will include an accounting and true-up for under- or over-collections in 2007 when it files its 2009 budget. The anticipated amounts of year-end 2007 underspending for NERC and each regional entity are as follows: NERC \$532,550; FRCC \$238,052; MRO \$926,470; RFC \$1,784,592; SERC \$454,648; SPP \$87,946; and TRE \$2,464,315. NPCC and WECC expect to overspend; NPCC by \$304,998 and WECC by \$1,120,941. Because 2008 will be the first full year in which NERC and the Regional Entities will carry out the compliance and enforcement program, and because it is difficult at this point to estimate how many violations of Reliability Standards may be identified and what percentage of those violations may be contested, NERC proposes to retain any year-end budget surpluses that may exist at the end of 2007 for use in 2008 if the compliance and enforcement workload should turn out to be greater than anticipated. Given the uncertainties associated with the first full year of operations in enforcing mandatory Reliability Standards, NERC recommends this one-time suspension of the normal policy in order to make additional resources available to the compliance and enforcement program should the need arise.

2. Comments and Advice

19. WIRAB recommends that the Commission approve NERC's proposal to not use unexpended reserves from the 2007 budget to offset required revenues in 2008. It also asserts that the policy may need to be extended to unexpended reserves from the 2008 budget.

20. WIRAB states that the three-year estimates (i.e., for 2008, 2009 and 2010) provide greater transparency, a clearer understanding of the program direction supported by the budget request and greater opportunities for interested entities to review and offer suggested changes. WIRAB recommends that the Commission encourage NERC to continue to provide three-year estimates. In addition, WIRAB asks the Commission to encourage WECC to develop three-year estimates as part of its 2009 budget submission.

3. Commission Conclusion

21. The Commission conditionally accepts NERC's budget and business plan. Section 39.4(b) of the Commission's regulations requires the ERO to file annually with the Commission its proposed budget, business plan, and organization chart. We find that NERC's submitted business plan provides sufficient detail for us to determine whether NERC intends to pursue appropriate activities. NERC's proposed categories of activities are the same as those approved by the Commission for NERC's 2007 budget and

reasonably fall within the types of activities the Commission considers to be covered by FPA section 215. As we explained in the 2007 Budget Order, anything required of the ERO or a Regional Entity by the statute, Order No. 672 pursuant to the statute, or any subsequent Commission order pursuant to section 215 of the FPA is a statutory activity.¹⁹

22. In reviewing the ERO business plan and budget (and the Regional Entity business plans and budgets) for 2008, the Commission examined, among other things, the statutory activities for consistency, the relative funding levels by activity among regions, areas of emphasis, differences from the 2007 budgets and business plans, adequacy of staffing and funding, level of supporting staff and funding, mechanics of allocation and invoicing, types and levels of non-statutory activities, the system of accounting and record keeping, and supporting documentation for changes in emphasis, funding and staffing. Based on this analysis, the Commission finds that NERC's budget and business plan are reasonable.

23. In the future, we also expect to compare proposed budgets to actual expenditures. The Commission believes that there should not be a nine-month lag in the examination of the accounting and the proposed true-up for under- or over-collections in 2007. The Commission believes that it is valuable to receive actual ERO (and Regional Entity) prior-year costs well before NERC files its budget for the following year. This will provide the Commission and stakeholders with information that will help in analyzing the following year's budget in a timely manner. Therefore, we reject NERC's proposal to file its 2007 true-up with its 2009 budget. Instead, the Commission will require NERC to provide the true-up for the ERO (and for the Regional Entities) on or before April 1 of each year in sufficient detail and with sufficient explanations for the Commission to determine, by program area, the reasons for deviations from the budget and the impacts of those deviations.

24. Because 2008 is the first complete year in which NERC (and the Regional Entities) will be enforcing the Reliability Standards, the Commission finds that NERC's proposal to suspend the normal policy and use any year-end budget surpluses for compliance and enforcement programs is reasonable. The Commission will not rule at this time whether WIRAB's advice to not extend this proposal to the 2009 budget is appropriate, but NERC may consider making such a proposal in the context of the 2009 budget submission.

25. While three-year estimates may provide industry with a clearer understanding of direction the programs are taking, the Commission at this comparatively early stage in the development of the ERO and the Regional Entities will defer to NERC and the Regional Entities to determine whether developing three-year estimates is sufficiently useful to

¹⁹ 2007 Budget Order, 117 FERC ¶ 61,091 at P 28, citing *ERO Certification Order*, 116 FERC ¶ 61,062 at P 185.

justify their continued development. The Commission therefore declines at this time to direct NERC and the Regional Entities to develop and provide the three-year estimates. However, if such information is developed in the future, it should be included in the annual budget filing with the Commission.

B. Regional Entity Business Plans and Budgets

26. NERC's Application contains a proposed 2008 budget and business plan for each Regional Entity. NERC explains that it provided guidance to each Regional Entity on the expected scope and content of the regional budget submission. NERC's finance and accounting staff reviewed the submitted budgets, as did the Finance and Audit Committee of NERC's Board of Trustees. NERC states that its review focused on verifying that each Regional Entity's business plan and budget provided sufficient resources to adequately carry out the functions that NERC has delegated to the Regional Entity, as well as understanding the bases for any significant differences in the amounts budgeted by different Regional Entities for the same function. Attachment A to this order shows Regional Entity funding for 2007 and 2008, broken down by category.

1. Consistency Among Regional Entity Business Plans and Budgets

27. In the 2007 Budget Order, the Commission expressed concern about the need for consistency among Regional Entity budgets and business plans. The Commission directed NERC to provide the Regional Entities with better designations, descriptions and criteria of statutory activities for the 2008 budget.²⁰ Similarly, the Commission directed NERC to provide further consistency and standardization in the formatting of the Regional Entity budgets for 2008.²¹ Further, the Commission stated that differences between Regional Entity business plans should be minimized, and those that remain should be justified.²²

a. NERC Application

28. NERC states that it and the Regional Entities have worked diligently to achieve consistency in the content and presentation of the Regional Entity budgets. NERC developed templates for the Regional Entity business plans and schedules that comprise the regional budgets. NERC explains that these templates follow the same format that NERC uses for its business plan and budget. NERC's Chief Financial Officer worked with each Regional Entity to discuss the templates and the 2008 budget process. NERC

²⁰ *2007 Budget Order*, 117 FERC ¶ 61,091 at P 39.

²¹ *Id.* P 84.

²² *Id.* P 69.

maintains that, as a result of this effort, the business plan and budget for each Regional Entity follow the same format, are organized in the same way and provide the same items of information. Further, according to NERC, all of the Regional Entities have included statutory programs in their budgets in a manner consistent with NERC's programs.

29. Further, NERC has developed a series of metrics that provide, by Regional Entity, detailed information about how each such entity is organized, how it does its business, and the relative sizes of the organizations and the amount of work they have to do.²³ NERC states that the metrics help to identify and explain the differences that exist among the Regional Entities' activities and budgets. NERC also explains that the metrics will provide a baseline on a going-forward basis to make comparisons and develop trend analyses.

b. Comments and Advice

30. WIRAB recommends that the Commission encourage NERC to continue to provide regional metrics with the understanding that such comparisons are useful for identifying the different approaches which Regional Entities are taking to achieve the goals of section 215. WIRAB also recommends that the metrics should not be used to force uniformity that does not improve reliability, and that the Commission request that NERC provide illustrations on how the metrics might be used.

31. Further, WIRAB recommends that the Commission direct NERC to include state governments as entities it and the Regional Entities should engage in the preparation and dissemination of reliability and adequacy assessments to ensure that the assessments provide information needed for states to act.

c. Commission Conclusion

32. NERC and the Regional Entities have made significant progress in promoting consistency among the Regional Entity budgets and business plans. NERC's development of a common template for all Regional Entities makes it easier to understand the information provided, and to compare this information and understand the bases for any significant differences in amounts budgeted by different Regional Entities for the same function. Thus, at this time, the Commission finds NERC's progress in promoting consistency is satisfactory. NERC, however, in future filings needs to provide further explanation why the differences between the Regional Entities are reasonable and acceptable. The Commission notes that some Regional Entities do not list the amount budgeted for non-statutory activities on their income statement. For future budget filings, the Regional Entities should, consistent with NERC's categories, include in their income

²³ See NERC Application, Attachment 7 (Metrics Relating to Regional Entity Business Plans and Budgets).

statements: (1) statutory activities categorized by the corresponding NERC program and (2) non-statutory activities (other than Regional Transmission Organization (RTO) or Independent System Operator (ISO) activities) described in sufficient detail to allow the Commission to carry out its responsibilities to assure that there is no conflict with statutory duties. SPP and TRE, in their income statements, should also include a column indicating the entire budget for their RTO or ISO activities, which does not need to be further categorized. However, to the extent that the Regional Entity organization of SPP or TRE engages in non-statutory activities, this must be clearly reflected in their business plans and budgets.

33. As mentioned above, NERC and the Regional Entities developed a series of metrics to enable both NERC and the Regional Entities to understand and compare the operations of the Regional Entities in meeting their obligations under the delegation agreements. The metrics provide information about how each Regional Entity is organized, how it does its business, the size of its organization and the amount of work it anticipates doing. The metrics are presented in table format and are organized by program area for each Regional Entity.

34. The Commission finds these metrics to be helpful and, as recommended by WIRAB, the Commission encourages NERC to continue to provide these metrics. Moreover, in the interest of increasing the usefulness of the metrics, NERC is directed to continue its efforts to improve and refine the metrics. While the metrics provided in the NERC Application include information regarding compliance audits, it appears to lack uniformity in the description of the types of audits and the method for calculating the cost of the various types of audits. At a minimum, the Commission directs NERC to include the following additional metrics in its 2009 Business Plan and Budget filing:

Identify the number of shared employees, including the portion of time spent on statutory and non-statutory activities, for the following three categories – supervisory/ management, technical and support personnel.

Identify in a uniform manner information about planned Reliability Standards compliance audits, including the number of on-site, paper audits and self-certifications checked; the number of man-hours estimated for each type of audit; and the number and type (i.e., dedicated, shared, contractor or volunteer) of personnel to be involved in each type of audit.

35. The metrics are an evolving tool designed to assist in the review and evaluation of the budgets, both in the current year and in the future. Review of the metrics is one method for ensuring that the Regional Entities have sufficient staffing and funding in order to accomplish their delegated responsibilities. While the Commission will analyze

the metrics in its review of the Regional Entity budgets, the Commission directs NERC to also conduct an analysis and include in its budget and business plan a discussion of significant inconsistencies or other issues revealed by such analysis and an explanation of such matters and why any inconsistencies are reasonable and should be accepted by the Commission.

36. While the Commission encourages NERC and the Regional Entities to work with state governments, WIRAB's recommendation regarding consultation with state governments is beyond the scope of this proceeding.

2. Regional Entity Budgets and Business Plans

a. FRCC

37. FRCC oversees 81 Florida registered entities. FRCC has two divisions: (1) the Regional Entity Division, which engages in statutory programs and (2) the Member Services Division, which provides non-statutory functions, including FRCC's day-to-day operations as Florida's regional reliability coordinator, coordinated planning, design and resource adequacy assessment. FRCC's business plan identifies its activities based on the same program areas as identified by the ERO. FRCC is developing six regional Reliability Standards. In calendar year 2008, FRCC plans five on-site audits of registered entities and 10 tabletop compliance audits, while 77 registered entities will self-certify. FRCC also plans 72 spot checks on self-certifications.

38. NERC states that FRCC proposes a total 2008 budget of \$6,707,726. This is an increase of \$1,770,804 over its total 2007 funding of \$4,936,922. This increase is generally due to increasing staff in 2008.

39. FRCC will allocate \$2,717,778 to non-statutory functions, which will be funded through membership dues. FRCC proposes to provide non-statutory services through its Member Services Division which includes the Members' Forum, portions of the Operating and Planning Committees, and various operating reliability support services. FRCC proposes an extensive list of non-statutory functions, including: the FRCC reliability coordinator, transmission planning, readiness audits, a gas study project, multiple working groups, subcommittees and operating reliability support services. In addition, FRCC states that it has a service agreement with Florida Electric Power Coordinating Group to provide administrative services.

40. FRCC states that, in 2006, it incorrectly included in its 2007 Regional Entity budget the costs associated with non-statutory tools and processes. These items included communications-related tools and other costs-items associated with its activities as Reliability Coordinator.²⁴ For the 2008 budget, FRCC explains that these tools and

²⁴ See NERC Application, 2008 FRCC Business Plan at 17.

services (and their associated costs) were moved to the Member Services Division with the exception of a limited number of tools, such as FRCC's emergency satellite telephone. FRCC provides little to no detail regarding the items and costs at issue, however.

b. MRO

41. MRO oversees 112 registered entities located in eight states in the north-central United States and in two Canadian provinces. MRO performs its Regional Entity role with a separate staff, which it proposes to expand in calendar year 2008. MRO is developing four regional Reliability Standards. In 2008, MRO plans to increase its compliance staff. In 2008, MRO proposes on site audits of 21 of its 112 registered entities; other registered entities are expected to self-certify compliance. MRO plans 72 spot checks of self-certifications.

42. NERC states that MRO proposes a total 2008 budget of \$5,822,795. This is an increase of \$342,207 over its total 2007 budget of \$5,480,588. This increase is generally due to an overall increase in staff. MRO proposes to provide \$491,308 in non-statutory services in addition to \$853,038 in services provided to Canada.²⁵ MRO states that its budget includes a service agreement to provide a non-profit cooperative, MAPPCOR, limited information technology, human resources and finance services. MRO states that the value of the contract is \$342,308. In addition, MRO has \$149,000 Compliance Data Management System contracts with NERC, RFC and SPP.

c. NPCC

43. NPCC²⁶ oversees 235 entities located in New York, New England, Eastern Canada and the Maritime provinces. NPCC consists of two divisions: the Regional Entity Division, which performs statutory functions, and the Criteria Services Division, which performs non-statutory functions. NPCC's business plan identifies its activities based on the same program areas as identified by the ERO. In 2008, NPCC plans 100 audits of its registered entities, varying in scope. In addition, NPCC expects to conduct approximately 200 spot checks of self-certifications. NPCC conducts a near-real time

²⁵ NERC Application, 2008 MRO Business Plan at 5.

²⁶ On August 21, 2007, NERC filed for approval to substitute NPCC itself as the regional entity in place of the separate corporate entity, Northeast Power Coordinating Council: Cross Border Regional Entity, Inc., which will be merged into NPCC and operated as a division of NPCC. See NERC August 21, 2007 petition, Docket No. RR07-15-000.

communication, awareness and assistance program that includes the operation and maintenance of tools, critical infrastructure protection technologies and other support services for the benefit of reliability coordinators and other system operators.

44. NERC states that NPCC proposes a total 2008 budget of \$8,176,962. This is an increase of \$820,052 over its 2007 budget of \$7,356,910. The increase is generally due to an overall increase in staff. In addition, approximately two-thirds of the budget increase can be attributed to NPCC adopting NERC's definitions of statutory and non-statutory functions.

45. NPCC proposes to exclude \$346,414 from its assessment to the Independent Electricity System Operator of Ontario (IESO) for the cost of compliance monitoring and enforcement activities conducted by IESO under the "Policy on Allocations of Certain Compliance and Enforcement Costs" which was approved by the NERC Finance and Audit Committee on May 1, 2007.²⁷

46. NPCC proposes to spend \$672,056 for non-statutory expenses. NPCC's non-statutory functions include the development of region-specific "criteria" and its cross border regional activities for: personnel certification, readiness reviews, reliability assessment and performance analysis, training and education, situational awareness, and infrastructure security.

d. RFC

47. RFC oversees 315 registered entities located in the District of Columbia, Pennsylvania, New Jersey, Delaware, Maryland, Ohio, Indiana, Michigan, West Virginia, and parts of Virginia, Wisconsin and Illinois. RFC performs its statutory functions with distinct, or designated, staffing. RFC does not plan to perform any non-statutory functions in 2008. RFC's business plan does not identify its activities based on the same program areas as identified by the ERO. RFC is currently developing eight regional Reliability Standards. In calendar year 2008, RFC plans to conduct on-site compliance audits of 10 to 12 of its 315 registered entities. In addition, it plans to audit 45 to 50 small entities using slightly abbreviated methods.

48. NERC states that RFC proposes a total 2008 budget of \$9,664,256. This is an increase of \$220,284 over its 2007 budget of \$9,443,972.

²⁷ NERC Application, 2008 NPCC Business Plan at 4. *See also* NERC Application, NPCC, Business Plan at 32.

e. **SERC**

49. SERC oversees 225 registered entities located in sixteen states in the southeastern United States. SERC states that it does not currently provide and does not plan to provide any non-statutory functions; however it may reconsider providing non-statutory functions in the future as appropriate and as permitted by applicable statutes and regulations. SERC's business plan identifies its activities based on the same program areas as identified by the ERO. In calendar year 2008, SERC plans to conduct audits of 50 of the 225 registered entities. The majority are planned to be on-site audits, while sixteen are expected to be table-top type audits. SERC recently moved into a new Charlotte-area corporate office facility.

50. NERC states that SERC proposes a total 2008 budget of \$7,991,021. This is an increase of \$2,288,966 over its 2007 budget of \$5,702,055.

f. **SPP**

51. SPP oversees 125 registered entities located in eight states in the south central and southwestern United States. SPP's business plan identifies its activities based on the same program areas as identified by the ERO. In calendar year 2008, SPP plans to conduct between 14 and 18 compliance audits.

52. NERC states that SPP proposes a total 2008 statutory budget of \$4,609,083. This is a \$1,428,057 increase from its 2007 budget of \$3,181,026. SPP states that a significant portion of the increase in total funding is a result of the identification of shared services, such as human resources, and information and technology.²⁸

53. SPP identifies its RTO functions such as tariff administration, reliability coordination, regional scheduling, market operations, expansion planning and contract services as non-statutory. SPP states that it did not include its 2008 non-statutory expenses noting that the ERO/Regional Entity budget cycle does not align with its RTO budget cycle. However, if SPP's Regional Entity annual budget is excluded, then SPP, Inc.'s 2007 annual budget was \$81.9 million.²⁹

54. SPP states that its business plan and budget does not include the non-Regional Entity related functions which it provides to the entities operating within the SPP footprint. SPP points out that it has ensured that there is an appropriate separation of staff functions, and that SPP as a Regional Entity meets the independence requirements set forth in the *Delegation Agreement Order*. SPP adds, however, that, as a Regional

²⁸ NERC Application, 2008 SPP Business Plan at 2.

²⁹ *Id.* at 3.

Entity, it shares services such as various administrative services with SPP.³⁰ In addition, SPP points out that it uses shared SPP staff to: facilitate the development of Reliability Standards,³¹ review posted NERC Reliability Standards, and support the NERC Reliability Assessment Subcommittee effort and the Eastern Interconnection Reliability Assessment Group as part of the Reliability Assessments activities.

55. Finally, SPP's training program includes an increase of two FTEs whose primary function is regional system operator training such as regional emergency operations, system operations training, blackstart training/drills, and system restoration training.

g. TRE

56. TRE is a division of ERCOT created to perform statutory Regional Entity functions. TRE oversees 161 registered entities providing 206 functions located in the State of Texas. Through another division, ERCOT provides non-statutory functions including day-to-day operations such as regional reliability coordination, coordinated planning, design and resource adequacy assessment. TRE's business plan identifies its activities based on the same program areas as identified by the ERO. In calendar year 2008, TRE plans on-site audits of 39 of its 161 registered entities while 77 registered entities are expected to self-certify their having met compliance measures for applicable reliability standards. TRE will also conduct 15 spot checks of the self-certifications.

57. NERC states that TRE proposes a total 2008 budget of \$3,296,066. This is a \$1,574,689 decrease compared to its 2007 budget of \$4,870,755.

58. TRE's budget for non-statutory activities is substantially larger than the budgets for non-statutory activities of most other regional entities because the combined TRE/ERCOT budget includes amounts necessary to support ERCOT's activities as an independent system operator. ERCOT estimates its expenditures to be \$165,736,000, which includes the operational budget of the ERCOT ISO. Within ERCOT, TRE performs the Regional Entity function and also performs the non-statutory function of monitoring compliance with the ERCOT Protocols and Operating Guides needed to safely and reliably operate the electric transmission system and support wholesale and retail markets. TRE's non-statutory funding for these activities is \$848,782.

³⁰ SPP currently charges SPP Regional Entity \$110 per hour for each hour worked by a shared staff member. Shared Administrative services include services for member forums, human resources, information technology, legal and regulatory, and finance and accounting. NERC Application, 2008 SPP Business Plan at 2, 18-19.

³¹ NERC Application, 2008 SPP Business Plan at 6 and Metrics – Standards # 4.

h. WECC

59. WECC oversees 537 registered entities located west of the Rocky Mountains including all or part of 14 states, two Canadian provinces and a portion of Baja California Norte, Mexico. WECC's business plan identifies its activities based on the same program areas as identified by the ERO. In 2008, WECC expects to conduct on site audits of 14 entities. WECC also plans to conduct table-top audits of 107 entities to determine whether they are complying with applicable reliability standards.

60. NERC states that WECC proposes a total 2008 statutory budget of \$27,940,402. This is an increase of \$10,119,734 over its 2007 funding of \$17,820,668. WECC states that the higher level of funding is necessary to support additional staff for NERC's standard development program; WECC's compliance and enforcement program, including hearings and review of compliance documentation; and implementation of the WECC Reliability Coordination Strategic Initiative, including the West-wide System Model. The funding increase also supports the Western Interchange Tool and completion of a new reliability center. In addition, WIRAB points out that none of the reported reliability standards violations in WECC have been fully resolved or have gone through the appeal process. Finally, NERC states that WECC proposes to increase its 2008 budget because of the larger workload due to the mitigation plans associated with reliability standards violations and that WECC anticipates overspending its 2007 assessment by \$1,120,941.

61. WECC identifies the following functions as non-statutory: Western Renewable Generation Information System (WREGIS);³² compliance enforcement in Canada and Mexico; training classes and staff support for non-statutory activities. WECC has budgeted \$331,266 in direct costs for non-statutory activities.

i. Comments and Advice

62. FRCC and WECC state that they support their respective budgets and business plans. WIRAB supports WECC's proposed 2008 budget.

j. Commission Conclusion

63. The Commission will conditionally accept the proposed Regional Entity business plans and budgets. However, the Commission directs NERC to submit a compliance filing, as discussed below.

³² WREGIS is funded through user subscriptions to the program, and training classes are self-funded by revenue generated from registration fees.

64. In reviewing NERC's and the Regional Entities' business plans and budgets, the Commission has found that the submission reasonably supports the levels of expenditures contained in the budgets. However, the portions of that filing pertaining to the Regional Entities, with the exception of RFC, contained many inconsistencies between the business plan of the Regional Entity and its budget as laid out in its income statement, even after NERC filed its corrected budget on August 31, 2007. The discrepancies noted by the Commission are identified in Attachment B to this order. The Commission believes that the business plan and budget submissions must be not only clear and accurate but also consistent. Therefore, we direct NERC and the Regional Entities to correct or explain their business plans and budgets to eliminate the inconsistencies. If a Regional Entity intended the budget for a given program to be that found in the business plan, and not the income statement, we expect NERC to file a modified income statement and support the Regional Entity's proposed changes; in the meantime, we will conditionally allow the Regional Entities to collect their budgets as provided in their income statements. NERC must file these corrections or explanations on or before December 14, 2007. The Commission expects that the 2009 budgets and business plans will not contain similar discrepancies.

65. The Commission also has specific concerns with respect to FRCC's, MRO's and SPP's budgets and business plans. As stated above, for the 2008 budget, FRCC explains that communications-related tools and other costs-items associated with its activities as Reliability Coordinator were moved to the Member Services Division with the exception of a limited number of tools, such as FRCC's emergency satellite telephone. FRCC provides little to no detail regarding the items and costs at issue. The Commission also notes that FRCC has, for the most part, corrected the misalignment of non-statutory costs and functions which appeared in the 2007 budget. While we appreciate that FRCC has been forthcoming and acknowledged its 2007 assignment errors, greater detail as to the size, scope and specific "tools and services" at issue must be provided. Such detail is necessary, at a minimum, to determine what realignments are necessary and for the Commission to be properly and fully apprised of the extent of the misalignment. NERC is therefore directed to submit a compliance filing in which FRCC lists and documents the tools and services at issue (and the associated costs) and how such items are proposed to be realigned and reconciled in the 2008 budget proposal. The specifics of any tools and services, and associated costs, recognized as improperly aligned but not reconciled in the 2008 must also be included. FRCC should include this information in the December 14, 2007 compliance filing.

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

67. The Commission's review of NERC's metrics raises concerns about MRO's budget. MRO should explain and justify, in a compliance filing submitted by NERC on or before December 14, 2007, why indirect costs of MRO for statutory activities are going from \$1,485,700 in the 2007 budget to \$2,648,719 in the 2008 budget while FTEs remain unchanged.

68. The Commission's review of NERC's metrics has identified several concerns regarding SPP's business plan. In the *Delegation Agreement Order*, the Commission approved the delegation agreement between NERC and SPP.³³ The Commission also identified concerns regarding the adequacy of the separation and independence of the SPP Regional Entity from the SPP RTO and directed SPP to address those concerns in its 180-day filing.³⁴ The metrics provided by NERC indicate that SPP has shared staff performing functions for both the Regional Entity and the RTO. For example, SPP provides that its Regional Entity function "utilizes a combination of dedicated staff and shared staff to perform the functions and programs under the Delegation Agreement. . . . The shared staff includes engineers, managers, administrative support, and attorneys" ³⁵ Similarly, the metrics indicate that SPP relies on shared staff in the Reliability Standards development process, both in representation on NERC drafting teams and facilitating the development of regional Reliability Standards. While the adequacy of SPP's separation of functions will be addressed in the context of SPP's 180-day filing required by the *Delegation Agreement Order*, it appears that SPP's business plan and budget contemplate a significant degree of employee sharing. SPP should explain, in a compliance filing submitted by NERC on or before December 14, 2007, whether the budget and business plan submitted by SPP is based on the structure as approved in the *Delegation Agreement Order*, or contemplates the changes made by SPP in support of its 180-day filing to address the Commission's concerns regarding the adequacy of the Regional Entity's separation and independence from the RTO.

69. The Commission is also concerned about potential for SPP as a Regional Entity to subsidize non-statutory activities of the RTO with section 215 funding. SPP indicates that it calculates its indirect funding costs based on the application of a \$110 per hour charge for shared and support services. Based on this application, SPP's costs appear to be substantially higher than other Regional Entities' costs. SPP's total funding request of \$4,609,083 includes \$2,357,959 of indirect funding – over 50 percent of the total budget. Moreover, SPP does not provide adequate support for the \$110 per hour charge. Therefore, NERC is directed to make a compliance filing on or before December 14,

³³ 119 FERC ¶ 61,060 at P 396.

³⁴ *Id.* at P 397-98.

³⁵ NERC Application, Attachment 7, 2008 Metrics Development by Program, Organization-Wide, metric 2.

2007, providing information on the \$110 per hour charge. The filing should also explain differences in the allocation methods used for administrative services and direct funding needs in 2008 versus 2007, the reason for the change and the dollar impact of the change.

70. Finally, the NERC metrics suggest that SPP's budget for internal training includes the cost of training the RTO's operational employees.³⁶ SPP should provide an explanation regarding this training and its funding in the NERC compliance filing required on or before December 14, 2007.

3. WIRAB Funding Request

a. NERC Application

71. NERC seeks funding for WIRAB. NERC states that WIRAB has submitted to NERC an organization chart and a proposed 2008 budget for activities that fall under section 215(j). WIRAB's overall funding request of \$477,261 includes \$403,381³⁷ allocated to entities within the U.S.

b. Commission Conclusion

72. We approve the requested funding for WIRAB. Order No. 672-A stated that any Regional Advisory Body funding request must specify if such funding is for employees or consulting fees.³⁸ WIRAB has done so, providing for the funding of two full-time equivalent employees, associated overhead, consulting fees and travel expenses. Such

³⁶ *Id.* at Organization-Wide, metric 2-3 (Organization Structure and RE Staff: Distinct, shared, loaned; Describe RE Shared Services Arrangements). ("SPP [Regional Entity] utilizes a combination of dedicated and shared staff to perform the functions and programs under the Delegation Agreement. For the SPP Compliance Monitoring and Enforcement Program, SPP RE has dedicated staff of four full time employees and contracted services for up to three employees. The shared staff includes engineers, managers, administrative support, and attorneys, and provides additional support for the RE functions. SPP shares staff to support RE functions. The support groups consist of Information Technology, Accounting/Payroll, Human Resources, Communications and other indirect functions. Currently, SPP charges the RE \$110 per hour for each hour worked by a shared staff member.")

³⁷ NERC Application, 2008 WIRAB Business Plan at 4 states that \$403,381 is allocated to entities within the United States; however, the NERC Application, Attachment 1 at 2 states that the 2008 United States portion is \$404,035.

³⁸ Order No. 672-A at P 67.

funding appears reasonable given the role of WIRAB in advising the Commission, the ERO and the Regional Entity. WIRAB's total expenditure for 2008 is, moreover, the same as its 2007 budget.

C. System of Accounts and Record Keeping Requirements

73. The Commission did not establish accounting or record keeping requirements for the ERO. Instead, we allowed NERC the flexibility to develop its own system of accounts, provided that its system had a level of detail and record keeping comparable to the Commission's Uniform System of Accounts.³⁹ To give NERC sufficient time to develop those systems and requirements, we required NERC to submit them with its 2008 budget filing.

1. NERC Application

74. Attachment 6 of the NERC Application sets forth a proposed system of accounts and records retention policy. NERC states that its proposed system of accounts and record keeping requirements provide a level of detail that is comparable, in light of NERC's programs and operations, to the Commission's Uniform System of Accounts.

75. NERC believes its accounting system is sufficient to allow the Commission to compare each Commission-approved fiscal year budget with the actual results at the NERC and Regional Entity level. NERC also states that its accounting practices and procedures comply with generally accepted accounting principles. Further, NERC states that, for reporting purposes, the Regional Entities are using the income statement accounts from NERC's system of accounts. However, because of the differences in corporate structures, NERC indicates that it has not required the Regional Entities to use the balance sheet portion of its system of accounts.

76. NERC also provided a copy of its proposed records retention policy detailing by type of record how long it will be retained, with retention periods ranging from one year to permanently. NERC believes its record keeping requirements provide a level of detail that is comparable, in light of NERC's programs and operations, to the Commission's requirements.

77. No parties filed comments on NERC's accounting and record retention policies.

³⁹2007 Budget Order, 117 FERC ¶ 61,091 at P 142.

2. Commission Conclusion

a. System of Accounts

78. NERC's proposed system of accounts is made up of a listing of the functional categories that are to be used to segregate income and expenses for budgetary purposes, along with a listing of balance sheet and income statement accounts that it has identified and made available for recording and tracking financial transactions. However, the Regional Entity budgets and business plans do not always disclose the categories that they use to segregate their non-statutory income, revenue and expenses. In order to make certain that income, revenue and expenses from non-statutory activities are properly segregated and to ensure that funds are adequately controlled it is essential to have in place a proper accounting structure related to these non-statutory functions. Therefore, NERC must make sure that each Regional Entity accurately and completely identifies its specific non-statutory activities.

79. In addition, NERC did not provide any instructions detailing its accounting policies and procedures comparable to those included in the Commission's Uniform System of Accounts that describe and provide guidance on how to record and summarize financial data and transactions.⁴⁰ Such instructions aid understanding and utilization of the accounting system and aid the processing of financial information to ensure compliance with accounting requirements and standards. Since NERC did not provide these instructions in its filing, there are no details provided as to how the functional categories and the listing of accounts interrelate and how the income, revenue and expenses recorded in the accounts make their way into the functional categories.

80. Consequently, we will require NERC to make a filing on or before April 1, 2008 detailing (1) the functional categories and accounts to be used by the Regional Entities for segregating non-statutory income, revenue and expenses and (2) the instructions detailing policies and procedures describing and providing guidance on the recording and summarizing of financial data and transactions, including an explanation of the interrelationship of the functional categories to its account listing.

b. Records Retention

81. In Order No. 672, the Commission mandated a regular performance assessment that requires the ERO to affirmatively demonstrate to the Commission that it satisfies the statutory and regulatory criteria for an ERO and is not only maintaining but improving

⁴⁰ The Commission's Uniform System of Accounts contains a list of general, plant and operating expense instructions. See 18 C.F.R. Part 101 (2007).

the quality of its activities and those of the Regional Entities to which it has delegated such activities.⁴¹ The initial performance assessment is required three years after ERO certification, and then every five years thereafter.

82. Due to this periodic ERO performance assessment, there may be some records, such as general and subsidiary ledgers, that may be needed for historical or reference purposes during the preparation or during the review of the performance assessment. Because these performance appraisals will be performed every five years, we direct NERC to revise its retention schedule so that all records on its proposed records retention schedule that have a retention period less than five years, except routine vendor correspondence and employment applications, are retained for the longer of five years or until a final Commission order is issued regarding the performance assessment. This increase in retention period will ensure that all necessary records are available to conduct the performance assessments.

The Commission orders:

(A) NERC's 2008 business plan and budget is hereby conditionally accepted, as discussed in the body of this order.

(B) The Regional Entities' 2008 budgets and business plans are hereby conditionally accepted, as discussed in the body of this order.

(C) The WIRAB budget is hereby approved for funding, as discussed in the body of this order.

(D) NERC is hereby directed to submit a compliance filing on or before December 14, 2007 correcting or explaining the inconsistencies in the budgets and business plans of the Regional Entities and providing further information, as discussed in the body of this order.

(E) NERC is hereby directed to submit a compliance filing on or before April 1, 2008 detailing (1) the functional categories to be used by the Regional Entities for segregating non-statutory income, revenue and expenses and (2) instructions detailing policies and procedures describing and providing guidance on the recording and summarizing of financial data and transactions, including an explanation of the interrelationship of the functional categories to its account listing, as discussed in the body of this order.

⁴¹ *ERO Certification Order* at P 186.

(F) NERC is hereby directed to submit a separate compliance filing on or before April 1, 2008 to revise its records retention policy, as discussed in the body of this order.

(G) NERC is hereby directed to submit a separate compliance filing on or before April 1, 2008 containing a true-up of actual 2007 costs, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Acting Deputy Secretary.

Attachment A

Regional Entity Budgets: 2007 and 2008

FRCC	2007 Budget		2008 Budget		Proposed change	
	FTE	Direct Funding	FTE	Direct Funding	FTE	Direct Funding
Reliability Standards	.9	\$105,201	1.55	\$311,623	.65	\$206,422
Compliance Enforcement & Organization Registration & Certification	3.2	\$669,653	7.2	\$1,218,578	4.0	\$548,925
Reliability Readiness Audits and Improvement	.14	\$12,712	.14	\$74,951	0.0	\$62,239
Training, Education and Operator Certification	.2	\$20,493	.3	\$47,677	0.1	\$27,184
Reliability Assessment & Performance Analysis	2.7	\$420,804	3.9	\$781,107	1.2	\$360,303
Situation Awareness and Infrastructure Security	.1	\$147,281	.1	\$117,942	0.0	-\$29,339
Total Direct Funding		\$1,376,144		\$2,551,878		\$1,175,734
Administrative Services	3.5	\$1,074,152	3.3	\$1,438,069	-0.2	\$363,917
Total Statutory Indirect Funding		\$1,074,152		\$1,438,069		\$363,917
Total Statutory	10.74	\$2,450,296	16.5	\$3,989,947	5.78	\$1,539,651
Member Services - Direct	5.66	\$1,396,551	7.9	\$1,902,961		\$506,410
Indirect		\$1,090,075		\$814,817		-\$275,258
Total Non-Statutory	5.66	\$2,486,626	7.9	\$2,717,778	2.24	\$231,152
Total	16.4	\$4,936,922	24.4	\$6,707,725	8.0	\$1,770,803

MRO (Canada and United States)	2007 Budget		2008 Budget		Proposed change	
	FTE	Total Funding	FTE	Total Funding	FTE	Total Funding
Reliability Standards	2.25	\$284,623	2.15	\$336,965	-.10	\$52,342
Compliance Enforcement & Organization Registration & Certification	5.25	\$1,278,901	9.65	\$1,453,770	4.4	\$174,869
Reliability Readiness Audits and Improvement	1.95	\$443,279	1.1	\$208,491	-.85	-\$234,788
Training, Education and Operator Certification	.65	\$147,760	.45	\$80,962	-.2	-\$66,798
Reliability Assessment & Performance Analysis	2.25	\$1,085,805	2.2	\$541,741	-.05	-\$544,064
Situation Awareness and Infrastructure Security	.65	\$295,520	.35	\$60,840	-.30	-\$234,680
Administrative Services	2.25	\$504,002	1.65	\$612,894	-.6	\$108,892
Finance and IT	4.0	\$688,697	3.5	\$1,194,414	-.5	\$505,717
Legal and Regulatory	.75	\$293,001	1.4	\$512,576	.65	\$219,575
NERC Forum	0.0	\$0	.45	\$328,835	.45	\$328,835
Total Statutory for Canada and US	20.0	\$5,021,588	22.9	\$5,331,488	2.9	\$309,900
Non-Statutory Indirect	0	\$459,132	0.6	\$491,308	0.6	\$ 32,176
Total Non-Statutory	0	\$459,132	0.6	\$491,308	0.6	
Total	20.0	\$5,480,587	23.5	\$5,822,796		\$342,209

NPCC (Canada and United States)	2007 Budget		2008 Budget		Proposed change	
	FTE	Total Funding	FTE	Total Funding	FTE	Total Funding
Reliability Standards	2.5	\$768,642	3.5	\$785,399	1.0	\$16,757
Compliance Enforcement & Organization Registration & Certification	5.5	\$1,382,177	7.5	\$1,997,831	2.0	\$615,654
Reliability Readiness Audits and Improvement	0.8	\$244,863	1.0	\$232,567	0.2	-\$12,296
Training, Education and Operator Certification	0.2	\$61,216	0.5	\$120,770	0.3	\$59,554
Reliability Assessment & Performance Analysis	3.0	\$1,071,275	3.5	\$1,043,610	0.5	-\$27,665
Situation Awareness and Infrastructure Security	0.5	\$306,078	1.0	\$263,328	0.5	-\$42,750
Administrative Services	4.5	\$1,380,110	8.2	\$3,061,402	3.7	\$1,681,292
Total Direct/ Statutory Funding	17.0	\$5,214,361	25.2	\$7,504,907	8.2	\$2,290,546
Full Member Criteria Services – Direct Funding	7.0	\$1,377,353	2.8	\$440,171	-4.2	-\$937,182
Indirect Funding		\$765,196		\$231,884		-\$533,312
Non-Statutory [Total]	7	\$2,142,549	2.8	\$672,055	-4.2	-\$1,470,494
Total	24	\$7,356,910	28	\$8,176,962	4	\$ 820,052

RFC	2007 Budget		2008 Budget		Proposed change	
	FTE	Direct Funding	FTE	Direct Funding	FTE	Direct Funding
Reliability Standards	3.0	\$1,014,057	2.0	\$625,473	-1.0	-\$388,584
Compliance Enforcement & Organization Registration & Certification	10.5	\$2,861,722	12	\$3,387,878	1.5	\$526,156
Reliability Readiness Audits and Improvement	1.5	\$462,091	1.0	\$205,826	-0.5	-\$256,265
Training, Education and Operator Certification	.25	\$65,908	.25	\$89,626	0	\$23,718
Reliability Assessment & Performance Analysis	5.5	\$1,610,340	6.0	\$1,441,187	0.5	-\$169,153
Situation Awareness and Infrastructure Security	0.75	\$269,340	0.75	\$243,239	0	-\$26,101
Total Direct Funding		\$6,283,457		\$5,993,228		-\$290,229
Administrative Services	12.5	\$3,160,514	12.0	\$3,671,028	-0.5	\$510,514
Total Indirect Funding		\$3,160,514		\$3,671,028		
Total Statutory		\$9,443,971		\$9,664,256		\$220,285
Total	34.0	\$9,443,971	34.0	\$9,664,256	0	\$220,285

SERC	2007 Budget		2008 Budget		Proposed change	
	FTE	Total Funding	FTE	Total Funding	FTE	Total Funding
Reliability Standards	3.66	\$638,500	1.33	\$317,071	-2.33	-\$321,429
Compliance Enforcement & Organization Registration & Certification	10.6	\$1,573,205	14.2	\$3,393,665	3.6	\$1,820,460
Reliability Readiness Audits and Improvement	2.0	\$251,915	0.93	\$440,620	-1.07	\$188,705
Training, Education and Operator Certification	2.1	\$395,070	1.33	\$505,150	-0.77	\$110,080
Reliability Assessment & Performance Analysis	2.32	\$464,090	2.63	\$528,642	0.31	\$64,552
Situation Awareness and Infrastructure Security	.03	\$97,070	1.13	\$289,288	1.10	\$192,218
Committees and Member Forums	2.9	\$391,620	2.33	\$649,057	-0.57	\$257,437
IT	2.5	\$700,270	2.1	\$692,966	-0.4	-\$7,304
Administrative Services	4.2	\$940,315	6.0	\$1,174,562	1.8	\$234,247
Total Statutory	30.3	\$5,702,055	32.0	\$7,991,021	1.7	\$2,288,966
Total Non-Statutory		\$ 0		\$ 0		
Total Cost	30.3	\$5,702,055	32.0	\$7,991,021		

SPP	2007 Budget		2008 Budget		Proposed change	
	FTE	Total Funding	FTE	Total Funding	FTE	Total Funding
Reliability Standards	0.5	\$120,647	0.5	\$50,694	0	-\$69,953
Compliance Enforcement & Organization Registration & Certification	2.6	\$690,171	3.5	\$967,884	0.9	\$277,713
Reliability Readiness Audits and Improvement	0.3	\$56,598	0.5	\$76,126	0.2	\$19,528
Training, Education and Operator Certification	2.0	\$459,742	4.0	\$486,580	2.0	\$26,838
Reliability Assessment & Performance Analysis	2.7	\$540,135	2.4	\$243,331	-0.3	-\$296,804
Situation Awareness and Infrastructure Security	0	\$2,000	0	\$22,000	0	\$20,000
Administrative Services	3.1	\$1,313,733	1.5	\$404,509	-1.6	-\$909,224
Total Direct	11.2	\$3,181,026	12.4	\$2,251,124	1.2	-\$929,902
Total Indirect		-----		\$2,357,959		\$2,357,959
Total Statutory	11.2	\$3,181,026	12.4	\$4,609,083	1.2	\$1,428,057
Total Non-Statutory		\$81,900,000		\$81,900,000 ⁴²		
Total Cost		\$85,081,026		\$86,509,083		

⁴² Fiscal year 2007 budget.

TRE	2007 Budget		2008 Budget		Proposed change	
	FTE	Direct Funding	FTE	Direct Funding	FTE	Direct Funding
Reliability Standards	2.0	\$288,757	2.0	\$215,454	0	-\$73,303
Compliance Enforcement & Organization Registration & Certification	11.0	\$1,180,655	8.5	\$892,898	-2.5	-\$287,757
Reliability Readiness Audits and Improvement	0.0	\$0.0	0.5	\$58,345	.5	\$58,345
Training, Education and Operator Certification	0.0	\$0	0.5	\$143,503	.5	\$143,503
Reliability Assessment & Performance Analysis	3.0	\$312,761	7.0	\$574,242	4.0	\$261,481
Situation Awareness and Infrastructure Security	1.0	\$108,032	0.5	\$46,925	-.5	-\$61,107
Total Direct	17.0	\$1,890,205	19.0	\$1,931,367	2.0	\$41,162
Administrative Services	5.0	\$2,980,550	6.0	\$1,364,698	1.0	-\$1,615,852
Total Indirect		\$2,980,550		\$1,364,698		
Total Statutory	22.0	\$4,870,755	25.0	\$3,296,065	3.0	-\$1,574,690
Non-Statutory				\$848,782		
Total				\$4,144,847		

WECC – Canada, Mexico, and United States.	2007 Budget		2008 Budget		Proposed change	
	FTE	Total Funding	FTE	Total Funding	FTE	Total Funding
Reliability Standards	2.3	\$290,040	4.0	\$687,812	1.7	\$397,772
Compliance Enforcement & Organization	6.6	\$919,800	16.0	\$5,029,781	9.4	\$4,109,981
Registration & Certification						
Hearings			4.0	\$659,276	4.0	\$659,276
Reliability Readiness Audits and Improvement	3.5	\$618,984	2.0	\$342,541	-1.5	-\$276,443
Training, Education and Operator Certification	1.5	\$552,396	3.0	\$726,090	1.5	\$173,694
Reliability Assessment & Performance Analysis	12.0	\$2,373,160	13.0	\$3,279,459	1.0	\$906,299
Situation Awareness and Infrastructure Security	4.0	\$6,957,136	18.0	\$12,155,428	14.0	\$5,198,292
Administrative Services	5.0	\$3,986,503	17.0	\$3,385,804	12.0	-\$600,699
Board and Committee Activities	8.6	\$2,122,650	4.0	\$1,674,211	-4.6	-\$448,439
Total Statutory	43.5	\$17,820,669	81	\$27,940,402 ⁴³	37.5	\$10,119,733
WREGIS, Market Interface Committee, NAESB dues and Administrative		\$645,985		\$480,710		-\$165,275
Total Non-Statutory		\$645,985		\$480,710		-\$165,275
Total		\$18,466,654		\$28,421,112		\$9,954,458

⁴³ Total Statutory is equal to \$26,819,461 for programs plus \$1,120,941 for change in assets.

Attachment B**Discrepancies in the Regional Entity Budgets and Business Plans****FRCC**

FRCC's Business Plan and Budget, section B – 2007 Projection and 2008 Budget Comparison, and Appendix B – Income Statement generally appear to follow NERC's format. However, the dollars and FTEs in the Business Plans and Budgets do not match those found in the supporting documentation.⁴⁴ Below is a list of the inconsistencies found in the Business Plan and Budget and the supporting documents. NERC and FRCC are directed to make a compliance filing on or before December 14, 2007, to correct or explain all inconsistencies including but not limited to the inconsistencies listed below.

Appendix B – Income Statement lists FRCC's Total Funding as \$6,707,726, while the 2008 Business Plan and Budget (page 3) and its 2007 Projection and 2008 Budget Comparison, (page 24) list it as \$6,597,726.

Appendix B – Income Statement lists FRCC membership dues as \$2,717,778, while the 2007 Projection and 2008 Budget Comparison (page 24) lists them as \$2,607,778.

Appendix B – Income Statement lists Total Non-Statutory Funding of \$2,717,778, while the Business Plan and Budget (pages 5 and 20) list it as \$2,607,778.

Appendix B – Income Statement lists Total Contracts & Consultants of \$1,612,722, while the 2007 Projection and 2008 Budget Comparison (page 24) lists it as \$1,512,722.

Appendix B – Income Statement lists Total Office Costs of \$347,440, while the 2007 Projection and 2008 Budget Comparison (page 24) lists it as \$337,440.

Appendix B – Income Statement lists Total Operating Expenses of \$2,595,756, while the 2007 Projection and 2008 Budget Comparison (page 24) lists it as \$2,485,756.

Appendix B – Income Statement lists Total Direct Costs of \$4,454,839, while the 2008 Business Plan and Budget (page 5) list it as \$4,344,840.

⁴⁴ The supporting documentation includes but is not limited to Section B – 2007 Projection and 2008 Budget Comparison and the Appendix B – Income Statement.

Appendix B – Income Statement lists Total Direct Non-Statutory Costs of \$1,902,961, while the 2008 Business Plans and Budget (page 5) list it as \$1,792,961.

Appendix B – Income Statement lists Total Indirect Costs – Reliability Standards of \$135,173, while the 2008 Business Plan and Budget – Reliability Standards Program (page 6) lists it as \$168,992.

Appendix B – Income Statement lists Total Indirect Costs – Compliance of \$627,902, while the 2008 Business Plan and Budget – Compliance (page 9) list it as \$784,996.

Appendix B – Income Statement lists Total Indirect Costs – Reliability Readiness of \$12,209, while the 2008 Business Plan and Budget – Reliability Readiness (page 11) list it as \$15,264.

Appendix B – Income Statement lists Total Indirect Costs – Reliability Assessment of \$340,113, while the 2008 Business Plan and Budget – Reliability Assessment (page 15) list it as \$425,206.

Appendix B – Income Statement lists Total Indirect Costs – Training and Education of \$26,163, while the 2008 Business Plan and Budget – Training and Education (page 13) list it as \$32,708.

Appendix B – Income Statement lists Total Indirect Costs – Situation Analysis of \$8,721, while the 2008 Business Plan and Budget – Situational Awareness (page 17) list it as \$10,903.

Appendix B – Income Statement lists Total Costs – Reliability Standards of \$446,796, while the 2008 Business Plans and Budget (page 6) list it as \$480,615.

Appendix B – Income Statement lists Total Costs – Compliance of \$1,846,480, while the 2008 Business Plans and Budget (page 9) list it as \$2,003,574.

Appendix B – Income Statement lists Total Costs – Reliability Readiness of \$87,160, while the 2008 Business Plans and Budget (page 11) list it as \$90,215.

Appendix B – Income Statement lists Total Costs – Reliability Assessment of \$1,121,221, while the 2008 Business Plans and Budget (page 15) list it as \$1,206,314.

Appendix B – Income Statement lists Total Costs – Training of \$73,840, while the 2008 Business Plans and Budget (page 13) list it as \$80,386.

Appendix B – Income Statement lists Total Costs – Situational Awareness of \$126,663, while the 2008 Business Plans and Budget (page 17) list it as \$128,845.

MRO

MRO's Business Plan and Budget, section B – 2008 Draft Budget Comparison, and Appendix B – Income Statement generally appear to follow NERC's format. However, the dollars and FTEs in the Business Plans and Budgets do not match those found in the supporting documentation.⁴⁵ Below is a list of the inconsistencies found in the Business Plan and Budget and the supporting documents. NERC and MRO are directed to make a compliance filing on or before December 14, 2007 to correct or explain all inconsistencies including but not limited to the inconsistencies listed below.

Appendix B – Income Statement lists Expenses for Meetings of \$71,500, while the 2008 Draft Budget Comparison (page 16) lists it as \$55,000.

Appendix B – Income Statement lists Expenses for Travel of \$370,945, while the 2008 Draft Budget Comparison (page 16) lists it as \$334,995.

Appendix B – Income Statement lists Total Meeting Expenses of \$481,129, while the 2008 Draft Budget Comparison (page 16) lists it as \$428,679.

Appendix B – Income Statement lists Contracts & Consultants of \$799,283, while the 2008 Draft Budget Comparison (page 16) lists it as \$901,282.

Appendix B – Income Statement lists Office Rent of \$206,100, while the 2008 Draft Budget Comparison (page 16) lists it as \$180,000.

Appendix B – Income Statement lists Office Costs of \$158,207, while the 2008 Draft Budget Comparison (page 16) lists it as \$215,771.

Appendix B – Income Statement lists Professional Services of \$142,000, while the 2008 Draft Budget Comparison (page 16) lists it as \$100,000.

Appendix B – Income Statement lists Computer Purchase & Maintenance of \$257,450, while the 2008 Draft Budget Comparison (page 16) lists it as \$320,436.

Appendix B – Income Statement lists Total Operating Expenses of \$1,720,987, while the 2008 Draft Budget Comparison (page 16) lists it as \$1,875,436.

⁴⁵The supporting documentation includes but is not limited to Section B – 2008 Draft Budget Comparison and the Appendix B – Income Statement.

NPCC

NPCC's Business Plan and Budget, section C – 2007 Total Budget & Projection and 2008 Budget Comparison, and Appendix B – Income Statement generally appear to follow NERC's format. However, the dollars and FTEs in the Business Plans and Budgets do not match those found in the supporting documentation.⁴⁶ Below is a list of the inconsistencies found in the Business Plan and Budget and the supporting documents. NERC and NPCC are directed to make a compliance filing on or before December 14, 2007 to correct or explain all inconsistencies including but not limited to the inconsistencies listed below.

Appendix B – Income Statement lists Membership Dues as \$672,056, while the 2007 Total Budget & Projection and 2008 Budget Comparison (page 27) list it as \$0.

Appendix B – Income Statement lists Total FTEs as 17 Statutory and 6.5 for the Committee and Member Forum and Administrative programs while the Business Plan and Budget (page 1) list FTEs as 28 (25.2 Statutory and 2.8 Non-Statutory).

Appendix B – Income Statement lists the FTEs for General and Administrative *et al.* as 6.5 while the Business Plan and Budget (pages 25, 28) list FTEs as 8.2.

SERC

SERC's Business Plan and Budget, section B – 2007 Budget and Projection and 2008 Budget Comparisons, and Appendix B – Income Statement generally appear to follow NERC's format. However, SERC does not break out total Direct Funding or Total Indirect Funding for Total SERC Resources in the Business Plan and Budget and does not list FTEs for Committee and Member Forums and Administrative. In addition, the dollars and FTEs in the Business Plan and Budget do not match those found in the supporting documentation.⁴⁷ Below is a list of the inconsistencies found in the Business Plan and Budget and the supporting documents. NERC and SERC are directed to make a compliance filing on or before December 14, 2007 to correct or explain all inconsistencies including but not limited to the inconsistencies listed below.

⁴⁶The supporting documentation includes but is not limited to Section C – 2007 Total Budget & Projection, and 2008 Budget Comparisons, Appendix B – Income Statement and the Executive Summary.

⁴⁷The supporting documentation includes but is not limited to Section B – 2007 Budget and Projection and 2008 Budget Comparisons and Appendix B – Income Statement.

Appendix B – Income Statement lists Total Direct Costs of \$5,474,436, while the 2007 Budget and Projection and 2008 Budget Comparison (page 33) list it as \$6,123,494.⁴⁸

Appendix B – Income Statement lists Total Indirect Costs of \$2,516,584, while the 2007 Budget and Projection and 2008 Budget Comparison (page 33) list it as \$1,867,527.⁴⁹

SPP

SPP's Business Plan and Budget, section B – 2007 Projection and 2008 Budget Comparison, and Appendix B – Income Statement generally appear to follow NERC's format. However, SPP has a unique way to list the cost for each program in the Business Plan and Budget – SPP identifies for each program the total for each expense line in the direct funding box,⁵⁰ however, SPP does not list the total cost. In the Income Statement SPP does not list the FTEs or the non-statutory dollars. In addition, SPP has provided its 2007 non-statutory costs instead of its proposed 2008 non-statutory costs.

SPP's method of listing each expense line in the Business Plan and Budget is helpful; however, SPP still needs to provide the total cost for each program as well. In addition, SPP must provide the FTEs for each program, direct and indirect as well as the non-statutory dollars. NERC and SPP are directed to make a compliance filing on or before December 14, 2007 to correct or explain all inconsistencies including but not limited to the inconsistencies listed above.

Since SPP has provided its 2007 non-statutory costs instead of its proposed 2008 non-statutory costs, NERC and SPP are directed to file its 2008 non-statutory costs as part of its April 1, 2008 compliance filing.

TRE

TRE's Business Plan and Budget, section B – Comparison 2007 Budget and Projection and Comparison 2007 Projection and 2008 Budget, and Appendix B – Income

⁴⁸ Difference is \$649,058 – the indirect cost for Committee & Member Forum.

⁴⁹ Difference is \$649,058 – the indirect cost for Committee & Member Forum.

⁵⁰ For example, the direct funding may list salary, travel, continuing education, meetings, outside services, hearings, on-line testing services, fees, trustees, trustees travel.

Statement generally appear to follow NERC's format. However, TRE does not list FTEs for the Committee and Member Forums, the Administrative Programs or for the non-statutory programs. In addition, TRE's non-statutory dollars for its RTO are based on 2007 instead of its project 2008 non-statutory costs. NERC reported in its August 31, 2007 filing that TRE's non-statutory costs for 2008 are \$848,782, as listed on TRE's Income Statement; however, NERC's transmittal (page 13) lists TRE's non-statutory costs as \$165,736,000.

NERC and TRE are directed to make a compliance filing on or before December 14, 2007 which will include the FTEs for each program, direct and indirect as well as the non-statutory. NERC and TRE are directed to clarify its non-statutory costs for 2008.

Since TRE has provided its 2007 non-statutory costs instead of its proposed 2008 non-statutory costs, NERC and TRE are directed to file its 2008 non-statutory costs as part of its April 1, 2008 compliance filing.

WECC

WECC's Appendix B – Income Statement generally appears to follow NERC's format. However, WECC's Business Plan and Budget does not contain a 2007 Projection and 2008 Budget and Comparison and WECC's Income Statement does not list FTEs for the Committee and Member Forums, the Administrative Programs or for the non-statutory programs. In addition, WECC's Income Statement does not list Indirect Funding or Total Funding for each program, direct, indirect and non-statutory.

NERC and WECC are directed to make a compliance filing on or before December 14, 2007 which will include a 2007 Projection and 2008 Budget and Comparison, the FTEs for each program, direct and indirect as well as the non-statutory; as well as the Indirect Funding and Total Funding for each program, direct, indirect and non-statutory.