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August 24, 2011

VIA ELECTRONIC FILING

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: North American Electric Reliability Corporation
Docket No. RR11-___-000
Request for Acceptance of 2012 Business Plans and Budgets of NERC and Regional Entities and for Approval of Proposed Assessments to Fund Budgets

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits this filing in accordance with 18 C.F.R. §39.4, requesting acceptance of the 2012 Business Plans and Budgets of NERC, the eight Regional Entities and the Western Interconnection Regional Advisory Body, and approval of the proposed assessments to fund the 2012 budgets.

NERC's filing consists of: (1) this transmittal letter, (2) the narrative text of this filing which follows this transmittal letter, and (3) Attachments 1 through 17, all of which are being transmitted in a single pdf file. Pages ii and iii in the Table of Contents to the narrative text list the 17 attachments.

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

Respectfully submitted,

/s/ Owen E. MacBride
Owen E. MacBride

Attorney for North American Electric Reliability Corporation

UNITED STATES OF AMERICA
Before the
FEDERAL ENERGY REGULATORY COMMISSION

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION	**)** **)** **)**	**Docket No. RR11-__-000**

REQUEST OF THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION FOR ACCEPTANCE OF ITS 2012 BUSINESS PLAN AND BUDGET AND THE 2012 BUSINESS PLANS AND BUDGETS OF REGIONAL ENTITIES AND FOR APPROVAL OF PROPOSED ASSESSMENTS TO FUND BUDGETS

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August 24, 2011

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ATTACHMENTS

Attachment 1: Summary tables showing NERC's proposed 2012 budget; the proposed 2012 budget for statutory activities of each Regional Entity; and the 2012 U.S. ERO statutory assessments of NERC and the Regional Entities.

Attachment 2: NERC's Proposed 2012 Business Plan and Budget

Attachment 3: Florida Reliability Coordinating Council Proposed 2012 Business Plan and Budget

Attachment 4: Midwest Reliability Organization Proposed 2012 Business Plan and Budget

Attachment 5: Northeast Power Coordinating Council, Inc. Proposed 2012 Business Plan and Budget

Attachment 6: Reliability*First* Corporation Proposed 2012 Business Plan and Budget

Attachment 7: SERC Reliability Corporation Proposed 2012 Business Plan and Budget

Attachment 8: Southwest Power Pool Regional Entity Proposed 2012 Business Plan and Budget

Attachment 9: Texas Reliability Entity Proposed 2012 Business Plan and Budget

Attachment 10: Western Electricity Coordinating Council Proposed 2012 Business Plan and Budget

Attachment 11: Western Interconnection Regional Advisory Body Proposed 2012 Business Plan and Budget

Attachment 12: Discussion of Comments Received During Development of NERC's 2012 Business Plan and Budget.

Attachment 13: Calculation of Adjustments to the AESO 2012 NERC Assessment, the IESO 2012 NERC Assessment, the NBSO 2012 Assessment and the Québec 2012 NERC Assessment.

Attachment 14: Status Report on the Achievement of NERC's 2011 Goals

Attachment 15: Metrics Comparing Regional Entity Operations Based on the 2011 Projections and 2012 Budgets

Attachment 16: Metrics on NERC and Regional Entity Administrative (Indirect) Costs Based on the 2012 Budgets

Attachment 17: Status Report on Progress in Processing Violations of Reliability Standards

I. INTRODUCTION

In accordance with 18 C.F.R. §39.4, the North American Electric Reliability Corporation (NERC) submits for the Commission's acceptance and approval:

(1) NERC's proposed Business Plan and Budget as the electric reliability organization (ERO), for the year ending December 31, 2012;

(2) the proposed Business Plans and Budgets for the year ending December 31, 2012, for the eight Regional Entities:

- Florida Reliability Coordinating Council (FRCC),
- Midwest Reliability Organization (MRO),
- Northeast Power Coordinating Council, Inc. (NPCC),
- Reliability*First* Corporation (Reliability*First*),
- SERC Reliability Corporation (SERC),
- Southwest Power Pool Regional Entity (SPP RE),
- Texas Reliability Entity (Texas RE), and
- Western Electricity Coordinating Council (WECC);

(3) the proposed budget of the Western Interconnection Regional Advisory Body (WIRAB) for activities under Section 215(j) of the Federal Power Act (FPA) for the year ending December 31, 2012; and

(4) NERC's proposed allocation of the proposed ERO statutory assessment of NERC, the Regional Entities and WIRAB by country and among the Regional footprints, and the proposed assessments to the load-serving entities (LSE) within each Region to collect the allocated statutory funding requirements.

This filing includes the following attachments:

Attachment 1 is a set of summary tables showing (i) NERC's proposed 2012 budget by program, (ii) the proposed 2012 budget for statutory activities of each Regional Entity, and (iii) the aggregate ERO statutory assessment of NERC and the Regional Entities allocated to the U.S., for which approval is requested.

Attachment 2 contains NERC's detailed 2012 Business Plan and Budget and the allocation of assessments by Region and LSE to recover the resulting statutory funding requirements for 2012 (as well as the assessments to recover the statutory funding requirements of the Regional Entities and WIRAB).

Attachments 3 through 11 contain the detailed 2012 Business Plans and Budgets of, respectively, FRCC, MRO, NPCC, Reliability*First*, SERC, SPP RE, Texas RE, WECC and WIRAB.

Attachment 12 contains a discussion of how comments submitted by interested entities on posted drafts of NERC's 2012 Business Plan and Budget during the budgeting process were addressed in developing the final 2012 Business Plan and Budget.

Attachment 13 contains the calculation of the adjustment to the Alberta Electric System Operator (AESO) 2012 NERC assessment, the adjustment to the Ontario Independent Electric System Operator (IESO) 2012 NERC assessment, the adjustment to the New Brunswick System Operator (NBSO) 2012 NERC assessment, and the adjustment to the Québec 2012 NERC assessment, for credits for certain NERC Compliance Program and Situation Awareness and Infrastructure Security costs.

Attachment 14 is a status report on progress in achieving NERC's 2011 goals.

Attachment 15 provides metrics, based on the 2011 projections[1] and 2012 budgets, comparing Regional Entity operations.

Attachment 16 contains metrics, based on the 2012 budgets, on NERC and Regional Entity administrative (indirect) costs.

Attachment 17 provides a status report on the progress of NERC and the Regional Entities in processing violations of reliability standards, as of June 30, 2011.

The Commission's regulations require the ERO to file its proposed entire annual budget for statutory and non-statutory activities with the Commission 130 days before the beginning of the ERO's fiscal year. NERC's 2012 fiscal year will begin January 1, 2012. The filing must also contain the entire annual budget 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.[2] The information required by 18 C.F.R. §39.4(b) is included in this filing. In accordance with 18 C.F.R. §39.4(c),

[1] The 2011 projections are NERC's and the Regional Entities' June 2011 projected 2011 financial results.

[2] 18 C.F.R. §39.4(b).

NERC requests issuance of an order by November 2, 2011, accepting the proposed Business Plans and Budgets, and approving the proposed assessments, submitted in this filing.[3] Entry of the Commission's order by November 2, 2011 will enable billings to be issued to the LSEs or their designees for assessments with initial payment dates commencing on or about January 1, 2012, to support the activities of NERC and the Regional Entities during 2012.

In addition, as discussed in §V.C below, NERC is requesting that, for purposes of future years' NERC and Regional Entity business plan and budget filings, the Commission waive or terminate the requirement in P 38 of the *2011 Budget Order* that NERC and the Regional Entities present metrics based on their current year final projections.

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[3]18 C.F.R. §39.4(c) states: "The Commission, after public notice and opportunity for hearing, shall issue an order either accepting, rejecting, remanding or modifying the proposed Electric Reliability Organization budget and business plan no later than sixty (60) days in advance of the beginning of the Electric Reliability Organization's fiscal year." For reference, NERC notes that: (i) the Commission conditionally approved NERC's 2007 budget and funding requirement and the proposed 2007 budgets and funding requirements of the Regional Entities and WIRAB in an order issued October 24, 2006 and two subsequent orders (*North American Electric Reliability Corp.*, 117 FERC ¶ 61,091 (2006) (*2007 Budget Order*), *order on reh'g and establishing technical conference*, 118 FERC ¶ 61,111, *order on reh'g*, 119 FERC ¶ 61,059 (2007)); (ii) the Commission conditionally approved NERC's 2008 budget and funding requirement and the proposed 2008 budgets and funding requirements of the Regional Entities and WIRAB in an order issued October 18, 2007 (*North American Electric Reliability Corp.*, 121 FERC ¶ 61,057 (2007) (*2008 Budget Order*)); (iii) the Commission approved NERC's 2009 budget and funding requirement and the proposed 2009 budgets and funding requirements of the Regional Entities and WIRAB in an order issued October 16, 2008 (*North American Electric Reliability Corp.*, 125 FERC ¶ 61,056 (2008) (*2009 Budget Order*)) and an Order issued July 16, 2009 (*North American Electric Reliability Corp.*, 128 FERC ¶ 61,025 (2009) (*July 16, 2009 Budget Compliance Order*)); (iv) the Commission conditionally approved NERC's 2010 budget and funding requirements and the proposed budgets and funding requirements of the Regional Entities and WIRAB in an order issued October 15, 2009 (*North American Electric Reliability Corp.*, 129 FERC ¶ 61,040 (*2010 Budget Order*)); and (v) the Commission conditionally approved NERC's 2011 budget and funding requirements and the proposed budgets and funding requirements of the Regional Entities and WIRAB in an order issued October 21, 2010 (*North American Electric Reliability Corp.*, 133 FERC ¶ 61,062 (*2011 Budget Order*)).

II. NOTICES AND COMMUNICATIONS

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

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III. OVERVIEW OF PROPOSED BUDGETS AND FUNDING REQUIREMENTS

A. NERC's Proposed Business Plan, Budget and Funding Requirement

1. Organization of NERC's 2012 Business Plan and Budget[4]

In this filing NERC seeks acceptance of its 2012 Business Plan and Budget. NERC's 2012 Business Plan and Budget is organized based on five specific program areas. Each of these program areas carries out or supports implementation of one or more of the statutory activities of the ERO as specified in §215 of the FPA and the Commission's regulations: development of reliability standards for the bulk power system (§215(d) of the FPA; 18 C.F.R. §39.5); enforcement of compliance with reliability standards, including imposition of penalties and sanctions for violations (§215(e) of the FPA; 18 C.F.R. §39.7); and conducting periodic

[4] The organization of the NERC 2012 Business Plan and Budget (**Attachment 2**) described in this subsection also applies to the Regional Entity 2012 Business Plans and Budgets (**Attachments 3** through **10**).

assessments of the reliability and adequacy of the bulk power system in North America (§215(g) of the FPA; 18 C.F.R. §39.11). Specifically:

(1) The Reliability Standards Program implements the statutory activity of development of reliability standards.

(2) The Compliance Monitoring and Enforcement and Organization Registration and Certification Program implements the statutory activity of monitoring and enforcement of compliance with reliability standards, including imposition of penalties and sanctions for violations of standards, and conducts analyses and investigations of bulk power system events.

(3) The Reliability Assessment and Performance Analysis Program implements the statutory activity of conducting periodic assessments of the reliability and adequacy of the bulk power system in North America. This program also provides information and feedback that supports the statutory activities of development of, and achieving compliance with, reliability standards, and includes NERC's metrics and benchmarking activities.

(4) The Training, Education and Operator Certification Program supports the statutory activity of enforcing and achieving compliance with reliability standards, and also provides information and feedback that supports the statutory activity of development of reliability standards.

(5) The Situation Awareness and Infrastructure Security Program supports the statutory activity of enforcing and achieving compliance with reliability standards, and also provides information and feedback that supports the statutory activities of development of reliability standards and conducting assessments of the reliability and adequacy of the bulk power system. This Program is also responsible for NERC's activities regarding critical infrastructure protection (CIP) and the Electricity Sector Information Sharing and Analysis Center (ES-ISAC).

NERC's five statutory, or "direct," programs are supported by its Administrative Services, or "indirect," programs: Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology (IT), Human Resources (HR), and Finance and Accounting (FA).

The information required by 18 C.F.R. §39.4(b) is contained in NERC's 2012 Business Plan and Budget, **Attachment 2** to this filing. The initial section of the document, About NERC,

provides an overview of NERC's organization, scope of responsibilities, membership and governance, delegation of authorities to Regional Entities, and statutory funding.

The Introduction and Executive Summary summarizes NERC's total resource requirements for 2012 including total full-time equivalent employees (FTEs) in statutory functions, statutory expenses, and required ERO funding assessments, and shows the distribution of the total net energy for load (NEL) among the U.S., Canada and Mexico to be used for allocating the ERO funding requirement among the three countries. It also highlights NERC's principal goals, priority deliverables and the demands and challenges it faces, for 2012; its key deliverables for 2012 by program area; and the key assumptions underlying the 2012 Business Plan and Budget.[5] Finally, it provides an overview of NERC's funding and resource requirements for 2012, in total and by program area.

NERC's principal goals, as identified in the Introduction and Executive Summary, to carry out its statutory mission, include:

- Develop clear, results-based reliability standards.
- Promote a culture of industry learning and reliability excellence.
- Provide effective measures of reliability and risk performance.
- Facilitate effective management of critical infrastructure tasks.
- Ensure effective and timely compliance and mitigation.
- Provide an effective and efficient ERO enterprise.
- Instill a high degree of trust and confidence in the ERO.

[5] A detailed statement of the 2012-2015 Shared Business Plan and Budget Assumptions developed and used by NERC and the Regional Entities in developing their 2012 Business Plans and Budgets and 2013 and 2014 budget projections is provided in Exhibit A to **Attachment 2**.

These goals were developed through a strategic planning initiative involving NERC and Regional Entity executive management and the NERC Board of Trustees, and have been presented to and received the general support of the NERC Member Representatives Committee (MRC), NERC's technical standing committees, and industry groups. In furtherance of these strategic goals, NERC identified a number of high priority activities for 2011 and 2012, including:

- Issuing new and revised standards, including the development of results-based standards, and working with industry, applicable governmental authorities and other stakeholders to improve the efficiency of the standards development process.

- Continuing to improve enforcement efficiency and productivity, including working with regulatory authorities and stakeholders to develop and implement an improved enforcement framework which focuses both ERO and industry resources on compliance activities which ensure and enhance the reliability of the North American bulk power system.

- Working with stakeholders, developing a long-term strategy for the ES-ISAC and related functions.

- Improving and issuing more event analysis and emerging issues reports.

- Encouraging additional self-reporting.

- Developing and implementing improvements to ERO processes, including the design and deployment of necessary IT infrastructure to facilitate process improvements, including stakeholder communications, process input and collaboration.

- Continuing to improve compliance information and education, including Compliance Application Notices (CANs), bulletins and case notes.

- Advancing the evaluation of reliability effects of geomagnetic disturbances (GMD).

- Improving metrics and modeling capabilities.

- Working closely with industry, Commission staff, Regional Entities and other stakeholders to define a long term strategy for the Situation Awareness – FERC, NERC and the Regions initiative (SAFNR), including ensuring proper protection and use of information collected through the SAFNR technology platform.

- Continuing near term support of the North American Synchro-Phasor Initiative (NASPI) as part of a plan to eliminate further funding by NERC by year-end 2013 in light of other significant public and private sector funding initiatives and support.

- Working with industry regarding a transition of the Interchange Distribution Calculator (IDC) and other tools that are not essential to NERC's operations, to a user-supported funding mechanism in connection with NERC's termination of funding of the IDC in March 2013.

- Improvements in training ERO staff and stakeholders.

- Improving the ability of industry to respond to incidents, vulnerabilities, and threats that have the potential to adversely affect bulk power system reliability.

- Continuing to work with regulatory authorities, Regional Entities, industry and other stakeholders to identify, and reduce or eliminate, resource demands associated with low priority activities, in order to improve the overall efficiency and effectiveness of the ERO while avoiding creating unnecessary resource burdens on Regional Entities or stakeholders.

The Introduction and Executive Summary also lists the key deliverables in support of these high priority activities for each NERC program area for 2012.

The critical challenges and demands faced by NERC, the Regional Entities and industry participants for 2012, as they work to achieve the ERO strategic objectives, include:

- Reprioritizing to focus on reliability risk and delivery of results.

- Rising expectations in critical infrastructure.

- Addressing regulatory mandates, particularly with respect to improving reliability standards and reducing compliance caseload.

- Addressing improvements identified in NERC's *Three-Year ERO Performance Assessment*.[6]

- Improving business processes in ways that are noticeable and supported by stakeholders, while also maintaining a focus on and managing a significant workload using existing support processes as new processes are developed and integrated.

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[6] *Three-Year Electric Reliability Organization Performance Assessment Report Submitted in Accordance with 18 C.F.R. §39.3(c)*, filed July 20, 2009, in Docket RR09-7-000 (*Three-Year ERO Performance Assessment*).

- Balancing resource needs within financial constraints, and achieving efficiencies.
- Recruiting, integrating and retaining qualified personnel.

The Introduction and Executive Summary provides an overview of the principal resource requirements and other factors driving NERC's proposed 2012 Budget. The proposed increases in NERC's budget for 2012 are separated based on two broad causative factors: (1) increases in the cost of current operations (representing a $190,527, or 0.4%, increase over the 2011 base operating budget[7]), and (2) increases due to incremental 2012 resource additions, such as additional staffing (representing a $4,195,280, or 8.6%, increase over the 2011 base operating budget). The Introduction and Executive Summary summarizes the additional resource needs and incremental funding requirements in each of the five statutory programs and Administrative Services.

The Introduction and Executive Summary provides tables showing (1) the 2011 Budget, 2011 Projection, 2012 Budget, and variance from the 2011 Budget to the 2012 Budget, for each of the five statutory programs and in total; and (2) the FTEs per the 2011 Budget, 2011 Projection and 2012 Budget, for each of the five statutory programs and six Administrative Services programs. Finally, the Introduction and Executive Summary presents NERC's overall Statement of Activities and Capital Expenditures (Statement of Activities), with information from the approved 2011 Budget, 2011 Projection, and proposed 2012 Budget, reflecting the proposed overall increase of $4,385,807, or 9.0%, over the 2011 Budget. Taking into account NERC's non-assessment Funding sources in 2011 and 2012 (which for 2011 included $10,175,000 of Penalty payments, but for 2012 include no Penalty payments), the proposed

[7] For purposes of the analysis presented in the Introduction and Executive Summary, NERC's base operating budget is defined as the costs associated with NERC's current (2011) operations, and excludes any funding requirements for Working Capital Reserves *See* **Attachment 2** at 16.

increase in NERC's statutory assessments to LSEs is $9,554,307, or 23%, over the 2011 statutory assessments.

Section A of **Attachment 2** is NERC's detailed 2012 Business Plan and Budget. It is designed to address the requirements of 18 C.F.R. §39.4(b), the Commission's Order certifying NERC as the ERO,[8] and applicable directives in subsequent Commission orders. Section A provides detailed program scope and functional descriptions, 2012 goals and key deliverables, and 2012 resource requirements by major component (*e.g.*, Personnel, Consultants & Contracts), for each of NERC's statutory programs and Administrative Services functions. Section A includes a table at the start of the subsection on each statutory program and Administrative Services function showing FTEs, total direct expenses, total indirect expenses,[9] increase or decrease in Fixed Assets, and total Funding requirement for the statutory program or Administrative Services function for the 2012 Budget, with the comparable data from NERC's 2011 Budget and the increase or decrease from the 2011 Budget. A detailed Statement of Activities is also provided for each program and administrative department. The Statements of Activities show funding and expense information from the 2011 Budget, the 2011 Projection and the 2012 Budget, as well as variances from the 2011 Budget to the 2011 Projection and from the 2011 Budget to the 2012 Budget.

In the Statements of Activities, Funding is shown from the ERO Assessments and from other anticipated sources (such as Testing Fees, revenues from sale of Services & Software, fees

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[8] *Order Certifying North American Electric Reliability Corporation as the Electric Reliability Corporation and Ordering Compliance Filing*, 116 FERC ¶ 61,062 (2006) (*ERO Certification Order*), at P 202.

[9] Indirect expenses are the amount of Administrative Services expenditures that have been allocated to each of the statutory programs, on the basis of numbers of FTEs in each statutory program.

from Workshops, and Interest income).[10] Expenses are shown by the major categories (and sub-categories) of Personnel Expenses (Salaries, Payroll Taxes, Benefits, Retirement Costs), Meeting Expenses (Meetings, Travel, Conference Calls), and Operating Expenses (Consultants & Contracts, Office Rent, Office Costs, Professional Services, Miscellaneous, Depreciation). Finally, the Statements of Activities show Fixed Assets activity, comprised of Depreciation (an equal and offsetting amount to the Depreciation included in Operating Expenses[11]), Computer & Software Capital Expenditures (CapEx), Furniture & Fixtures CapEx, Equipment CapEx, and Leasehold Improvements.

Section B of **Attachment 2** provides Supplemental Financial Information comprised of tables detailing the components of certain Funding and Expense categories and explanations of variances from the 2011 Budget, including analysis of the Working Capital Reserve balance[12] (Table B-1), Penalty Sanctions (Table B-2), Supplemental Funding (Table B-3), Personnel Expenses (Table B-4), Consultants and Contracts Expenses (Table B-5), Office Rent (Table B-6), Office Costs (Table B-7), Professional Services (Table B-8), and Other Operating Expenses (Table B-9). Additionally, Table B-10 provides projections of NERC's 2013 and 2014 Budgets.[13]

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[10] Some of these other sources of Funding are anticipated only for certain, but not all, of the statutory programs. For example, income from Services & Software is budgeted only for the Reliability Assessment and Performance Analysis Program, and Testing Fees are budgeted only for the Training, Education, and Operator Certification Program.

[11] As a result of this offset, the Funding amounts do not include funding for Depreciation.

[12] Table B-1 shows the Working Capital Reserve or Deficit at December 31, 2010, the projected Working Capital Reserve (Deficit) at December 31, 2011, the desired Working Capital Reserve at December 31, 2012, and the increase or decrease in Funding requirements (assessments) for 2012 necessary to achieve the desired Working Capital Reserve at December 31, 2012.

[13] *See* §III.F below for a discussion of the 2013 and 2014 Budget projections.

Section C, Non-Statutory Activity, of **Attachment 2**, is reserved for presentation of business plan and budget information on non-statutory activities. This section is empty for NERC, but in the Business Plans and Budgets of those Regional Entities that have non-statutory activities, it includes business plan and budget information on their non-statutory activities.

Section D, Supplemental Financial Statements, of **Attachment 2**, provides NERC's actual and projected Statements of Financial Position at December 31 for 2010, 2011 and 2012. The data at December 31, 2010 is actual data per the independent financial audit of 2010 results;[14] the data at December 31, 2011 is based on NERC's 2011 Projection; and the data at December 31, 2012 is based on the 2012 Budget. In addition, Section D provides NERC's 2012 Consolidated Statement of Activities, showing its 2012 budgeted line-item Funding sources, Expenses, and Fixed Asset activity, in total and by statutory program and Administrative Services function, as well as the direct expenses and indirect expenses for each statutory program.

Exhibit A to **Attachment 2** contains a list of the 2012-2015 Shared Business Planning and Budget Assumptions developed and used by NERC and the Regional Entities in preparing their 2012 Business Plans and Budgets and 2012 and 2013 budget projections.

Appendix 1 to **Attachment 2** contains NERC's organization chart, as required by 18 C.F.R. §39.4(b). The organization chart is color-coded to indicate the mapping of FTEs by program area for budget purposes.

Appendix 2 to **Attachment 2** contains the calculation of the NEL-based allocation factors for each LSE and designee, and the allocation of the NERC and Regional Entity statutory

[14] The audited financial statements of NERC and each Regional Entity for 2010 were filed with the Commission on May 31, 2011, in NERC's *Report of Comparison of Budgeted to Actual Costs for 2010 for NERC and the Regional Entities*, Docket No. RR11-4-000 (*2010 Budget True-up Report*).

assessments, by allocation method, to each LSE and designee.[15] The development of the assessments presented in the Appendices is discussed in more detail in §III.A.3 and III.D below.

The detailed information in the Introduction and Executive Summary and in Sections A and B of **Attachment 2** demonstrates that the programs included in NERC's 2012 Business Plan and Budget are necessary and appropriate to carry out NERC's responsibilities as the ERO and that the specific resource requirements budgeted meet the Commission's objectives for affordability, sustainability and efficiency and effectiveness of the ERO's expenditures.[16] The discussion in the Introduction and Executive Summary and Section A of **Attachment 2**, as well as in this narrative, demonstrates how the activities and expenditures included in NERC's 2012 Business Plan and Budget lend themselves to accomplishment of NERC's statutory responsibilities and objectives as the ERO.[17]

2. Development of the 2012 Business Plans and Budgets

NERC prepared its 2012 Business Plan and Budget (and worked with the Regional Entities in the development of their business plans and budgets) through a rigorous process that provided ample opportunity for review and input by the Finance and Audit Committee (FAC) of the NERC Board of Trustees as well as by stakeholders.[18] During the development process,

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[15] The NEL-based allocation factors are calculated using NEL data for 2010, which is the most current actual NEL data available as of August 2011. As has been the case in allocating the NERC and Regional Entity statutory assessments by country and by Regional footprint and calculating the assessments to LSEs or their designees for prior years' budgets, the allocation and calculation of assessments for the 2012 Budget is based on NEL data for the second preceding calendar year, 2010.

[16] *ERO Certification Order*, P 202 (budget principle (5)).

[17] *ERO Certification Order*, P 202 (budget principle (2)).

[18] During the process of developing NERC's 2012 Business Plans and Budget, comments were received from stakeholders on posted drafts of the Business Plan and Budget. **Attachment 12**

successive versions of the 2012 Business Plans and Budgets were discussed in meetings and conference calls of the FAC and of the full NERC Board, in each case with opportunities for stakeholders to make comments. The following list highlights important steps in the preparation of the NERC and Regional Entity 2012 Business Plans and Budgets:

- During January 2011, the NERC program areas initially provided input to the NERC Finance and Accounting department on their business plans and budget requirements for 2012.

- In mid-January 2011, the NERC representatives and the Regional Entity Managers Group (REMG) met to discuss preliminary strategic goals and objectives and the common business planning and budget assumptions for 2012.

- In early February 2011, an initial draft of common assumptions for the 2012 Business Plans and Budgets was circulated for comment internally at NERC and among the Regional Entities. These common assumptions were discussed in several meetings and conference calls among NERC staff, the REMG and the Regional Entity Budget Group (REBG – the Regional Entity Finance and Accounting staffs). The common assumptions were given final approval by NERC and Regional Entity management in March, and were posted on the NERC Website on March 30, 2011.

- In mid-April 2011, the Regional Entities submitted preliminary drafts of their 2012 Business Plans and Budgets to NERC for review and comment by the NERC program managers. These drafts, as well as the NERC Business Plan and Budget, were prepared using a common template that was essentially the same as the common template used for the 2011 NERC and Regional Entity Business Plans and Budgets.

- On May 2, 2011, Draft #1 of the NERC 2012 Business Plan and Budget was posted on the NERC Website for stakeholder review and comment, and sent to the FAC. Notification of the posting (and of all subsequent postings) was sent by e-mail to a broad distribution list of interested persons and entities.

- On May 3, 2011, a conference call of the FAC was held to discuss Draft #1 of the NERC 2012 Business Plan and Budget; and a Webinar providing an overview of the NERC 2012 Business Plan and Budget was conducted. The Webinar materials were posted and maintained in the NERC Website for stakeholder review.

- On May 10, 2011, a meeting of the FAC was held, at which an update on development of the 2012 Business Plan and Budget was provided.

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discusses how concerns expressed in stakeholder comments were addressed in NERC's final 2012 Business Plan and Budget.

- On May 10 and 11, 2011, meetings of the NERC MRC and the NERC Board were held, at which the draft 2012 Business Plans and Budgets were discussed. The Board meeting included a briefing of the full NERC Board by the Chair of the FAC on the development of the 2012 Business Plan and Budget.

- On May 11, 2011, Draft #1's of the 2012 Business Plan and Budget of the Regional Entities were posted on the NERC Website for stakeholder review. Additionally, on May 26, a summary of Draft #1 of each Regional Entity's 2012 Business Plan and Budget was posted on the NERC Website.

- On May 12, 2011, the REBG met with members of the Commission's Office of Electric Reliability, Division of Logistics and Security to present summaries of their respective Draft #1 Business Plans and Budgets.

- Each Regional Entity's Business Plan and Budget was also separately posted and available for comment on the Regional Entity's website as part of each Regional Entity's independent budget preparation, review and approval process.

- On June 2, 2011, following further meetings and discussions among NERC staff and the REBG and consideration of stakeholder comments on Draft #1, Draft #2 of the NERC 2012 Business Plan and Budget was posted on the NERC Website for stakeholder review and comment.

- Also on June 2, 2011, a conference call of the FAC was held to discuss the Draft #1's of the Regional Entity 2012 Business Plans and Budgets, with Regional Entity representatives available to discuss their respective Business Plans and Budgets.

- At various dates from mid-June to mid-July, the Boards or other governing bodies of the Regional Entities met to review and approve their respective proposed 2012 Business Plans and Budgets, and the approved Regional Entity Business Plans and Budgets were transmitted to NERC.

- On July 13, 2011, Draft #3 of NERC's 2012 Business Plan and Budget was posted on the NERC Website.

- On July 14, 2011, the Regional Entity 2012 Business Plans and Budgets, as approved by their respective boards or other governing bodies, were posted on the NERC Website.

- On July 19, 2011, a FAC conference call, and associated Webinar, were held for the purpose of discussing Draft #3 of the NERC 2012 Business Plans and Budget.

- On July 27, 2011, the final proposed version of the 2012 NERC Business Plans and Budget was sent to the members of the NERC MRC and the Board and posted on the NERC Website.

- On August 1, 2011, the proposed statutory assessments resulting from the 2012 Business Plans and Budgets were sent to the NERC Board and posted on the NERC Website.

- The final NERC and Regional Entity Business Plans and Budgets were presented to the NERC MRC at its August 3, 2011 meeting for comment, prior to the August 3 meeting of the NERC FAC.

- At its August 3, 2011 meeting, the FAC recommended NERC Board approval of the NERC, Regional Entity and WIRAB 2012 Business Plans and Budgets and associated statutory assessments.

- At its August 4, 2011 meeting, the NERC Board approved the NERC, Regional Entity and WIRAB 2012 Business Plans and Budgets, and the proposed 2012 statutory assessments.

In summary, the processes followed by NERC and the Regional Entities to develop the proposed 2012 Business Plans and Budgets were thorough and comprehensive, involved significant input from NERC and Regional Entity management and financial and program area staffs, as well as iterative review and comment by the NERC FAC, and provided several opportunities for stakeholder input and comment.[19] NERC and the Regional Entities developed and used a set of shared business planning and budget assumptions and a common business plan and budget template. The process was open and inclusive at all steps.

3. Summary of NERC's Proposed 2012 Budget and Funding Requirement

NERC's proposed 2012 Funding requirement is $53,112,272. This total encompasses U.S., Canadian and Mexican activities. The proposed 2012 Funding requirement represents a decrease of $614,193 (1.1%) over the 2011 Funding requirement of $53,726,465. The 2012 Budget is comprised of $54,240,898 of Expenses (including Depreciation) and a $1,128,627

[19] Commission staff was also provided with periodic updates on the development of NERC's and the Regional Entities' Business Plans and Budgets.

decrease in Fixed Assets (Capital Expenditures of $772,090 less Depreciation of $1,900,717[20]). The 2012 Funding requirement does not include any amount for Working Capital Reserve funding, whereas the 2011 Funding requirement included $5,000,000 for Working Capital Reserve funding.[21] In addition, NERC's 2011 Budget included $750,000 budgeted as Other Non-Operating Expenses to cover expenses related to the relocation of NERC's headquarters from Princeton, New Jersey to Atlanta, Georgia, and the expansion of its Washington, D.C. office. All of the expenses for the relocation of the headquarters office and expansion of the Washington office are expected to be fully recorded in 2011, so there are no expenses for office relocation and expenses in the 2012 Budget.[22]

As in past years, a portion of NERC's 2012 Budget will be funded through Testing Fees charged to participants in certain NERC programs, including the Operator Certification Program and the Continuing Education Program (budgeted at $2,061,000, a 6.2% increase over the 2011 Budget[23]); through fees charged for NERC Services and Software such as Generating Availability Data System data (budgeted at $250,000, the same amount as in the 2011 Budget); by attendance fees for Workshops (budgeted at $120,000, a 29.7% increase over the 2011

[20] As noted earlier, an end result of this budget presentation is that Funding is not being requested for Depreciation expense.

[21] *See* §IV.B below and Table B-1 in **Attachment 2**.

[22] In the 2011 Budget, the $750,000 of Other Non-Operating Expenses was allocated to the five statutory programs based on proportional numbers of FTEs. Therefore, the 2012 Budget for each statutory program is reduced by the elimination of its allocated share of the 2011 Other Non-Operating Expenses.

[23] NERC strives to adjust the Testing Fees from time to time as necessary to recover the costs of administering the Operator Certification program.

Budget[24]); and by Interest earned on bank balances and short-term investments (budgeted at $20,000, an $8,000 increase from the 2011 Budget).

One Funding source that is not reflected in the 2012 Budget is any Penalty payments received by NERC from registered entities for violations of reliability standards. NERC received no Penalty payment during the period July 1, 2010 through June 30, 2011. (In contrast, in NERC's 2011 Budget, its Funding sources included $10,175,000 in Penalty payments received from registered entities during the period July 1, 2009 through June 30, 2010, which served to reduce the amount of the overall Funding requirement to be recovered through assessments to LSEs.[25]) Additionally, the 2012 Budget does not include any payments to NERC from any Regional Entities to compensate NERC for performing compliance monitoring and enforcement responsibilities over reliability functions for which the Regional Entity is the registered entity. The 2011 Budget included $150,000 for such payments from WECC (budgeted under "Miscellaneous" funding); however, NERC, WECC and NPCC have entered into agreements pursuant to which NPCC will assume, from NERC, compliance monitoring and enforcement responsibility over WECC's registered entity functions, and have submitted these agreements to the Commission for approval with a requested effective date of January 1, 2012.[26]

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[24] NERC strives to set Workshop fees to cover the costs of presenting the workshops, such as costs to rent meeting space and prepare printed materials. The number of Workshops planned, of course, also impacts the projected Workshop fee revenues.

[25] Pursuant to the NERC policy, *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*, Penalty payments received by NERC or a Regional Entity during the period from July 1 of the second year preceding the budget year through June 30 of the year preceding the budget year are used to offset assessments to LSEs in the U.S. for the budget year.

[26] *See Petition of the North American Electric Reliability Corporation for Approval of Compliance Monitoring and Enforcement Agreement Between Northeast Power Coordinating Council, Inc. and Western Electricity Coordinating Council and Related Amendments to Delegation Agreements*, filed May 25, 2011 in Docket No. RR11-2-000.

These budgeted non-assessment sources of Funding are projected to be $2,451,000 in total, resulting in a 2012 net Funding requirement of $50,661,272 to be funded by assessments to LSEs. Of this amount, $46,132,189 is allocated to the U.S., $4,411,462 is allocated to Canadian provinces (in the aggregate), and $117,621 is allocated to Mexico. Based on the aggregate NEL of the United States for 2010 on which the allocation of assessments is based,[27] the proposed U.S. net funding requirement for NERC represents $0.0000115 per end user kilowatt-hour.

NERC's 2012 Business Plan and Budget was developed and is organized based on its five statutory programs (2011 budgeted amounts by program are shown for comparison):

Program	**2012 Budget**	**2011 Budget**
Reliability Standards	$ 9,156,601	$ 7,682,752
Compliance Enforcement and Organization Registration and Certification	$19,514,535	$17,457,901
Reliability Assessment and Performance Analysis	$ 6,968,860	$ 6,292,329
Training, Education and Personnel Certification	$ 3,098,129	$ 2,923,011
Situation Awareness and Infrastructure Security	$14,374,147[28]	$14,370,473
Contribution to Working Capital Reserve	$ 0	$ 5,000,000
	$53,112,272	$53,726,465

The budgeted amounts for each program incorporate a total budget for Administrative Services of $19,922,828, which has been allocated to the budgets for the five statutory programs in proportion to the numbers of FTEs budgeted for each program.

The discussion in §IV below, as well as the detailed discussion of each statutory program in **Attachment 2**, demonstrates that each of NERC's statutory programs is necessary and

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[27] The NEL data for the U.S., Canada and Mexico, by Region and by LSE or designee, is provided in Appendix 2-A of **Attachment 2**.

[28] The Situation Awareness and Infrastructure Security budget is comprised of $6,977,999 for Situation Awareness (as compared to $8,111,711 in the 2011 Budget) and $7,396,148 for Critical Infrastructure Protection (as compared to $6,258,762 in the 2011 Budget).

appropriate to the execution of NERC's responsibilities as the ERO. Section A of **Attachment 2** describes the activities encompassed in each statutory program (Program Scope and Functional Description), the 2012 Goals and Key Deliverables for the program, Resource Requirements for the program, and the principal causes of changes (increases or decreases) in the funding and expenditure categories for the program as compared to the 2011 Budget. A Statement of Activities and Capital Expenditures, showing the line item components of the 2012 Budget, is provided for each program. The functions of and resource requirements and budgets for each NERC Administrative Services department are also discussed in Section A of **Attachment 2**.

NERC proposes an allocation of its 2012 net funding requirement (statutory assessment) of $50,661,272 to the Regional footprints as follows[29]:

- FRCC $2,703,019
- MRO $3,340,737[30]
- NPCC $6,086,861[31]
- RFC $10,801,822
- SERC $12,370,909
- SPP RE $2,636,390
- TRE $3,558,395
- WECC $9,163,140[32]

[29] As described in §III.D below, the aggregate NERC statutory assessment has been allocated to the Regional footprints on the basis of (i) 8-Region NEL, (ii) 8-Region NEL to allocate adjustments (credits) to certain Canadian entities for CMEP and Situation Awareness and Infrastructure Security costs to the remaining LSEs, and (iii) IDC Defined Shares (based on usage of the NERC Interchange Distribution Calculator). The detailed allocations of the NERC statutory assessment by allocation methodology are shown in Appendix 2 to **Attachment 2**.

[30] The total allocation to MRO consists of $2,824,600 allocated to the U.S. and $516,137 allocated to Canadian provinces.

[31] The total allocation to NPCC consists of $3,315,043 allocated to the U.S. and $2,771,818 allocated to Canadian provinces.

Appendix 2 to **Attachment 2** contains tables showing (i) the development of the NEL-based allocation factors used to allocate the NERC and Regional Entity statutory assessments by country and among the Regional footprints,[33] and (ii) the allocation of the NERC and Regional Entity statutory assessments by country and by Region.[34] Appendix 2 shows the allocation of the NERC and Regional Entity assessments to the individual LSEs or designees within the footprint of each Regional Entity. These allocations are discussed in greater detail in §III.D below.[35] NERC's only sources of funding for its planned programs and operations will be the assessments to owners, operators and users of the bulk power system provided for in 18 C.F.R. §39.4(e) and equivalent collections from entities in Canada and Mexico, and the other sources listed as

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[32] The total allocation to WECC consists of $7,922,012 allocated to the U.S., $1,123,507 allocated to Canadian provinces and $117,621 allocated to Mexico.

[33] *See* Appendix 2-A to **Attachment 2**.

[34] *See* Appendices 2-B, 2-C and 2-D to **Attachment 2**.

[35] NERC will calculate and bill the assessments to certain entities, referred to as "designees", based on NEL values that include the NEL for other LSEs served by the designee, or for which the designee has otherwise agreed to accept responsibility for assessments. The calculation and billing of assessments to designees is not a departure from the principle that the ERO funding requirement should be recovered through assessments to LSEs based on NEL, but rather is a matter of administrative convenience and efficiency (*e.g.*, a generation and transmission (G&T) cooperative and its member distribution cooperatives may find it more efficient for the assessment to be calculated and billed to the G&T cooperative rather than to the individual distribution cooperatives). The lists of LSEs and designees for which assessments will be calculated and billed have been provided to NERC by the Regional Entities. NERC has had no involvement in developing the lists of LSEs or in arrangements between LSEs and designees pursuant to which a designee agrees to accept responsibility for an assessment that would otherwise be calculated for and billed to the LSE and the LSE agrees to be financially responsible to reimburse the designee for the assessment, with one exception: in Exhibit E of the NERC-Texas RE Delegation Agreement, NERC and Texas RE have agreed that the Electric Reliability Council of Texas (ERCOT) is the only LSE in the Texas RE region and shall be invoiced for the entire NERC and Texas RE assessment. Additionally, the assessments for the NPCC region will be billed to ISO New England and the New York ISO (and to similar entities in Ontario, Québec, New Brunswick and Nova Scotia), each of which will be responsible for billing and collecting assessments from the LSEs within their respective footprints.

"Funding" on its Statements of Activities and described above.[36]

B. Regional Entity Proposed 2012 Budgets

Section 39.4(b) of the Commission's regulations requires that the ERO's annual budget submission include "the entire annual budget for statutory and non-statutory activities for each Regional Entity, with supporting materials, including . . . each Regional Entity's complete business plan and organization chart, explaining . . . the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures . . . ." Section 39.4(b) further states that the ERO's annual budget submission "shall include the line item budgets for the activities of each Regional Entity that are delegated or assigned to each Regional Entity pursuant to § 39.8." This information for 2012 is provided in the individual Regional Entity Business Plans and Budgets in **Attachments 3 through 10**.

The Regional Entity budgets for statutory activities that are to be funded through NERC are the budgets for the functions and activities relating to development of reliability standards; compliance monitoring and enforcement and organization registration and certification; training, education and operator certification; reliability assessment and performance analysis (including necessary data gathering activities); and situation awareness and infrastructure security, that have been delegated by NERC to the Regional Entity pursuant to the Commission-approved delegation agreements; as well as each Regional Entity's budgeted costs for administrative services. Funding the Regional Entities in accordance with their proposed Business Plans and Budgets will enable them to carry out the activities necessary in 2012 to meet their responsibilities under the approved delegation agreements.

[36] NERC's 2012 Business Plan and Budget includes no non-statutory activities; therefore, NERC has not developed or presented specific accounting processes to separate the funding of its statutory and non-statutory activities and to assure that funding derived from § 215 of the FPA will exclusively support statutory activities.

In *Order No. 672*, the Commission stated that "The ERO must determine, at a minimum, whether each Regional Entity's proposed budget is adequate to carry out the functions delegated to it."[37] As described above in §III.A.2, NERC staff provided guidance to the Regional Entities in the development of their business plan and budget submissions, and worked collaboratively with the Regional Entities to develop a set of shared business planning and budget assumptions for the Regional Entities' 2012 Business Plans and Budgets. Further, the Regional Entities prepared their 2012 Business Plans and Budgets using a template that is essentially the same as the template used to prepare the 2011 Business Plans and Budgets. The use of the common template facilitates comparisons among the Regional Entities' budgets.[38] Additionally, in developing their 2012 Business Plans and Budgets, NERC and the Regional Entities continued to use the set of consistent accounting principles for presentation of the budgets, and the common definition of administrative (indirect) costs, that were originally developed in connection with preparation of the 2010 Business Plans and Budgets.

As described in greater detail in §III.A.2, NERC management and staff worked iteratively with the REBG from January through July, 2011, on the development of the Regional Entity 2012 Business Plans and Budgets. The Regional Entities submitted initial drafts of their Business Plans and Budgets in May, 2011, after having received the initial drafts of NERC's Business Plan and Budget. More developed drafts were then submitted in late May and posted on the NERC Website. NERC staff reviewed and provided feedback on these drafts. The draft

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[37] *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 No. 672*), at P 229.

[38] NERC and the Regional Entities originally developed a common template to use in preparing the 2008 Business Plans and Budgets, and the form of the template evolved through the development of the 2009, 2010 and 2011 Business Plans and Budgets, to the form of template used for the 2011 and 2012 Business Plans and Budgets.

Regional Entity Business Plans and Budgets were also discussed by the NERC FAC. Where appropriate, additional information was requested and other suggested changes were made. NERC and Regional Entity management and finance staffs convened meetings and conference calls to provide feedback and refine their respective business plans and budgets. NERC's review focused on (1) verifying each Regional Entity's Business Plan and Budget provided for sufficient resources to adequately carry out the functions delegated to the Regional Entity under the delegation agreement, (2) verifying that the Regional Entity was using the shared business planning and budget assumptions, common budget format and presentation, and agreed accounting methodology, and (3) understanding the bases for any significant differences in amounts budgeted by different Regional Entities for the same function.

Through the processes described above and in §III.A.2, NERC has been able to satisfy itself that each Regional Entity's 2012 Business Plan and Budget provides necessary and adequate resources to carry out the Regional Entity's delegated functions.

The Regional Entities submitted their final 2012 Business Plans and Budgets, approved by their respective governing bodies, to NERC in mid-July 2011. These Business Plans and Budgets were submitted to the NERC FAC and the NERC Board of Trustees, and reviewed at their respective meetings held on August 3 and 4. The Regional Entities' 2012 Business Plans and Budgets were approved by the NERC Board at the August 4, 2011 meeting.[39]

The table below shows the budgets for statutory and (where applicable) non-statutory functions for each Regional Entity as presented in their respective 2012 Business Plans and

[39] In reviewing the Regional Entity Business Plans and Budgets, and in accordance with the Commission's directive in the *ERO Certification Order*, NERC afforded the proposed Regional Entity Business Plans and Budgets no presumption of reasonableness due to having been approved by the Regional Entities' governing bodies. *See ERO Certification Order* at P 203.

Budgets (**Attachments 3-10**).[40] For all Regional Entities, the total budget amount for statutory functions includes total Expenses and Fixed Asset activity. Because each Regional Entity has one or more other sources of income (*e.g.*, attendance fees for workshops; Penalty payments received from registered entities) that will be used to offset the costs of performing delegated functions, the requested ERO funding (assessments) for the Regional Entities is less than their budgets for statutory activities. The fourth column shows the total (*i.e.*, for all jurisdictions) net statutory assessment required for each Regional Entity, taking into account other sources of income including application of Penalty payments. The statutory assessment amounts include amounts (which for some Regional Entities are negative adjustments to the funding requirement) to achieve the level of Working Capital Reserve at December 31, 2012, determined to be appropriate by each Regional Entity.

[40] MRO, Reliability*First* and SERC do not plan to perform any non-statutory activities in 2012.

Regional Entity	Total Budget for Statutory Functions	Budget for Non-Statutory Functions	Total Net Statutory Assessment
FRCC	$ 6,394,454	$ 5,994,975	$ 4,424,850
MRO	$ 9,057,228	----------	$ 8,349,029[41]
NPCC	$ 13,680,642	$ 998,427	$12,551,567[42]
Reliability*First*	$ 16,656,499	---------	$13,534,272
SERC	$ 15,594,445	---------	$14,845,275
SPP RE	$ 11,410,642	$127,243,358[43]	$ 9,851,647
Texas RE	$ 10,613,459	$ 999,100	$ 9,503,866
WECC	$ 67,969,167	$ 1,540,140	$37,220,341[44]

C. Western Interconnection Regional Advisory Board Funding Request

In its Order issued July 20, 2006, in Docket No. RR06-02-000 (*WIRAB Order*), the Commission concluded that reasonable costs incurred by WIRAB for activities under §215(j) of the FPA can be funded through the ERO funding process.[45] As specified in P 35 of the *WIRAB Order*, WIRAB submitted to NERC a proposed 2012 Business Plan and Budget for §215(j) activities, which is included in **Attachment 11**. NERC has reviewed WIRAB's submission and believes it complies with the requirements of P 35 of the *WIRAB Order*.

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[41] The statutory assessment for MRO consists of $6,994,464 allocated to the U.S. and $1,354,565 allocated to Canadian provinces.

[42] The statutory assessment for NPCC consists of $7,308,162 allocated to the U.S. and $5,243,405 allocated to Canadian provinces.

[43] The figure of $127,243,358 is the total 2011 budget of Southwest Power Pool, Inc. ($138,654,000) less the 2012 Budget of SPP RE for statutory activities of $11,410,642. The overall annual budget of Southwest Power Pool, Inc. is prepared on a schedule that will not result in approval of its 2011 budget until October 2011. *See* §V.B.6 below and Section C of **Attachment 8**.

[44] The assessment for WECC of $37,220,341 includes the requested funding amount for WIRAB (discussed in the next subsection). The statutory assessment for WECC consists of $31,507,675 allocated to the U.S., $5,211,366 allocated to Canadian provinces and $501,301 allocated to Mexico.

[45] *Order on Petition to Establish a Regional Advisory Body for the Western Interconnection*, Docket No. RR06-2-000, 116 FERC ¶61,061 (2006) (*WIRAB Order*), PP 33-37.

WIRAB's proposed 2012 Budget for expenses is $614,677, which is a decrease of $1,793 from its 2011 Budget. WIRAB is budgeting a small increase in staffing from its 2011 Budget, from 2.50 FTEs to 2.75 FTEs, including a full-time attorney hired in 2011. WIRAB has adopted four new, additional priorities which will increase staffing needs: (i) promote reliability of a changing power grid that includes significantly more variable wind and solar generation; (ii) promote evaluation and deployment of new cost-effective technologies to improve reliability and make more efficient use of the grid; (iii) expand WECC's role in identifying and evaluating challenges to the Western Interconnection; and (iv) educate states and provinces about cyber-security threats and responses, and identify actions that states and provinces can take to improve cyber security. WIRAB's 2012 Budget will be funded by Working Capital Reserve of $369,828 in excess of WIRAB's target Working Capital Reserve,[46] interest income of $2,000, and a proposed assessment of $242,849 ($76,514 lower that the 2011 assessment of $319,363).

WIRAB's overall statutory funding request of $242,849 for 2012 consists of $205,937 (84.8%) allocated to the U.S., $33,855 (13.9%) allocated to Canadian provinces and $3,058 (1.3%) allocated to Mexico, all based on NEL. At its August 4, 2011 meeting, the NERC Board of Trustees approved WIRAB's 2012 Budget request.

D. Allocation of Statutory Assessments by Country, Regional Entity Footprint and LSE

The total ERO statutory funding requirement for 2012, net of other NERC and Regional Entity income sources, to be funded by assessments is $160,942,119, consisting of $50,661,272 for funding of NERC's programs and $110,280,847 for funding of Regional Entity statutory activities and the WIRAB. NERC has allocated its statutory assessment of $50,661,272 to the

[46] WIRAB's target Working Capital Reserve is $100,000 (*see* Table B-1 of **Attachment 11**).

LSEs within each Regional footprint primarily on the basis of NEL, as described below.[47]

First, the costs of operating and maintaining NERC's IDC, which is used only in the Eastern Interconnection, were allocated to the six Regional footprints in the Eastern Interconnection based on usage levels of the IDC ("IDC Defined Share"). The IDC Defined Share allocation approach is reasonable and equitable because it allocates the cost of this function based on its actual use by Region, and does not assess the costs of the IDC to entities in Texas RE and WECC. A total of $1,619,220 of the NERC Funding requirement was allocated based on the IDC Defined Share. The IDC Defined Share allocations to the six Regional footprints in the Eastern Interconnection are shown in Appendix 2-C of **Attachment 2**.

Second, a total of $1,242,928 of adjustments (credits) to the allocations to the AESO, the IESO, the NBSO and Québec for CMEP and Situation Awareness and Infrastructure Security costs was allocated using 8-Region NEL. In accordance with NERC's *Expanded Policy on Allocation of Certain Compliance and Enforcement Costs*, adjustments were made in the calculations of the assessments to the AESO, the IESO, the NBSO and Québec, to provide credits for certain NERC CMEP and Situation Awareness and Infrastructure Security program costs. These adjustments recognize that entities in certain of these provinces (Ontario, Alberta and New Brunswick) expend resources to perform compliance and enforcement activities in those provinces that otherwise would be performed by NERC or a Regional Entity, and that the compliance and enforcement resources NERC needs for Québec are reduced due to the very

[47]See Appendix 2-A of **Attachment 2** for the 2010 NEL data by Regional Entity and calculation of the country allocation factors for each Region. MRO, NPCC and WECC are the only Regional Entities whose footprints encompass Canadian provinces (and for WECC, Mexico). As noted earlier, the year 2010 is the most recent calendar year for which NEL data is available.

small number of entities subject to compliance and enforcement activities in those provinces.[48] These adjustments also recognize that certain NERC activities, including the SAFNR program, either overlap with Canadian regulatory programs or, as in the case of SAFNR, are not used by these Canadian provinces, and therefore these provinces were not allocated a share of these costs. **Attachment 13** shows the calculations of these adjustments to the allocations to the AESO, the IESO, the NBSO and Québec. These calculations have been reviewed with, respectively, the AESO, the IESO, the NBSO and La Régie de l'energie du Québec, and each has agreed with and accepted the calculations. The allocation of the $1,242,928 of adjustments (credits) to the allocations to the AESO, the IESO, the NBSO and Québec for CMEP and Situation Awareness and Infrastructure Security costs is shown in Appendix 2-C of **Attachment 2**.

Finally, an allocation based on the 8-Region NEL was used to allocate $49,042,052 of the NERC statutory assessment to the Regional footprints. The NEL-based allocations to the eight Regional footprints are shown in Appendix 2-C of **Attachment 2**.

NEL has also been used to allocate the Regional Entity assessments, with these exceptions: First, 40% of NPCC's Compliance Monitoring and Enforcement and Organization Registration and Certification (CORC) Program costs has been allocated among the six Balancing Authority Areas in NPCC on the basis of NEL, and 60% of the CORC costs have been allocated between the U.S. and Canadian Balancing Authority Areas using a compliance audit-based methodology. The allocation of NPCC CORC Program costs, including the NPCC audit-based methodology, was explained at pages 71-75 of the *December 15, 2008 Budget Order*

[48] The Commission accepted NERC's *Expanded Policy on Allocation of Certain Compliance Costs* in the *July 16, 2009 Budget Compliance Order*, at P 42, finding that the Expanded Policy "provides reasonable guidelines for cost allocation in specific circumstances described in the document."

Compliance Filing[49] and at pages 26-28 and Attachment 3 of the *December 11, 2009 Budget Order Compliance Filing*.[50] As directed in the *July 16, 2009 Budget Compliance Order*, PP 38-41, the portion of NPCC CORC costs allocated to the U.S. using the compliance audit-based methodology has been allocated between the New England and New York Balancing Authority Areas based on NEL.[51]

Second, WECC's allocation of its assessment to the AESO for the Province of Alberta has been reduced by $315,948, representing WECC CMEP costs that are duplicative of programs of the AESO. The AESO credit amount was allocated to the remainder of the LSEs (Balancing Authorities) in the WECC Region on the basis of NEL.[52]

After allocating the appropriate portions of the NERC, Regional Entity and WIRAB funding requirements to Canadian provinces and Mexico (taking into account the NEL-based

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[49] *Compliance Filing of the North American Electric Reliability Corporation in Response to October 16, 2008 Order on 2009 Business Plans and Budgets*, filed December 16, 2008 in Docket Nos. RR08-6-002 and RR07-14-003 (*December 15, 2008 Budget Order Compliance Filing*).

[50] *Compliance Filing of the North American Electric Reliability Corporation in response to October 15, 2009 Order on 2009 Business Plans and Budgets*, filed December 11, 2009 in Docket Nos. RR09-9-001 *et al.* (*December 11, 2009 Budget Order Compliance Filing*).

[51] The allocation of NPCC CORC Program costs is described in greater detail in §V.B.3 below and at pages 81-83 of the NPCC 2012 Business Plan and Budget, **Attachment 5**. As described in §V.B.3, the allocation of 40% of NPCC's CORC Program costs based on NEL and 60% of its CORC Program costs based on the audit-based methodology represents a change in these allocation percentages from NPCC's 2009, 2010 and 2011 Business Plan and Budget filings.

[52] *See* Appendix C of the WECC 2012 Business Plan and Budget, **Attachment 10** to this filing, which shows the calculation of the $315,948 adjustment to the WECC assessment to the AESO. The adjustment to the WECC assessment to the AESO is provided for in a Memorandum of understanding entered into effective July 15, 2010 among NERC, WECC and the AESO. The calculation of the AESO credit originally presented in Appendix C of WECC's 2011 Business Plan and Budget did not take budgeted statutory Fixed Asset expenditures into account. The calculation of the credit presented in Appendix C of WECC's 2012 Business Plan and Budget now appropriately takes into account WECC's budgeted statutory Fixed Asset expenditures, as well as its budgeted statutory direct expenses and indirect expenses.

allocations, the adjustments to the NERC allocations to the AESO, the IESO, the NBSO and Québec, the adjustments to the NPCC allocations to the IESO and Québec, and the adjustment to the WECC assessment to the AESO), the total ERO statutory assessment for 2012 allocable to U.S. LSEs for which Commission approval is sought in this filing is $144,102,400, or a 15.3% increase over the 2011 assessment to U.S. LSEs, consisting of:

NERC Assessment: $46,132,189 (28.2% increase over 2011)

Regional Entity Assessments: $97,970,211[53] (6.9% increase over 2011)

The funding requirement of each Regional Entity for statutory activities is of course allocated 100% to that Region. The funding requirement for the WIRAB is allocated 100% to the WECC Region. The following table shows the allocation to each Region of the total 2012 ERO statutory assessment of $144,102,400 for the U.S. statutory activities of NERC and the Regional Entities (including WIRAB). The table also shows the statutory assessments per kWh based on 2010 U.S. NEL of each Region.

Regional Entity	NERC Assessment	Regional Entity Assessments	Total U.S. Assessment	Assessment per kWh (2010 NEL)
FRCC	$ 2,703,019	$ 4,424,850	$ 7,127,869	$ 0.0000306
MRO	$ 2,824,600	$ 6,994,464	$ 9,819,064	$ 0.0000422
NPCC	$ 3,315,043	$ 7,308,162	$ 10,623,205	$ 0.0000364
RFC	$ 10,801,822	$ 13,534,272	$ 24,336,094	$ 0.0000261
SERC	$ 12,370,909	$ 14,845,275	$ 27,216,184	$ 0.0000253
SPP	$ 2,636,390	$ 9,851,647	$ 12,488,037	$ 0.0000577
TRE	$ 3,558,395	$ 9,503,866	$ 13,062,261	$ 0.0000408
WECC	$ 7,922,012	$ 31,507,675	$ 39,429,687	$ 0.0000554
Total	$ 46,132,189	$ 97,970,211	$ 144,102,400	$ 0.0000359

For all Regions except NPCC, NERC obtained from the Regional Entity a listing of the LSEs or their designees in the Region and a breakdown of the Region's 2010 NEL by LSE or

[53] This amount includes the WIRAB funding.

designee. For the NPCC region, NERC obtained from NPCC the 2010 NEL for each Balancing Authority Area (New York, New England, Ontario, Québec, Nova Scotia and New Brunswick). Additionally, for Texas RE, NERC obtained from Texas RE the 2010 NEL for ERCOT, which, as noted earlier, is the billing agent for the Texas RE Region. NERC used this information to allocate the total ERO statutory assessment allocated to each Region among the LSEs, their designees or the other entities to be billed the assessments within that Region.[54] The amount of the NERC and Regional Entity statutory assessment allocated to each LSE or designee or other entity to be billed in each Region is shown in Appendix 2-B of **Attachment 2**. NERC requests that the Commission approve the statutory assessment amounts allocated to each LSE or designee, as shown in Appendix 2-B of **Attachment 2**, so that the LSEs and their designees or other entities may be billed for these assessments in accordance with 18 C.F.R. §39.4(e).[55]

NERC will directly invoice the approved assessments to LSEs or designees, or to the other entities to be billed, in all Regions except WECC.[56] WECC will invoice LSEs or Balancing Authorities or their designees within the WECC footprint, collect the assessments and remit the funds to NERC. These arrangements have been provided for in Exhibit E to the delegation agreement with each Regional Entity.

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[54] Certain LSEs in MRO and WECC serve end users only in Canada or Mexico and not in the U.S. These LSEs were not allocated any portion of the ERO funding requirement allocated to U.S. end users, but were allocated appropriate portions, based on NEL (except as noted above), of the ERO funding requirement allocated to Canadian provinces or Mexico, as applicable.

[55] As approved by the Commission in the *ERO Certification Order* at P 218, for reasons of administrative convenience billing and payment by LSEs of annual assessments less than $100 will not be required.

[56] As noted above, the assessments in the NPCC region will be billed to a single entity for each of the six Balancing Authority Areas within NPCC; and the assessments in the Texas RE region will be billed to ERCOT. (NERC also directly bills La Régie de l'energie du Québec, which is not a LSE, for the CMEP costs allocated to Québec.)

E. Provision for Working Capital Reserve

In the development of their 2012 Business Plans and Budgets and their proposed assessment amounts to LSEs, NERC and the Regional Entities have taken into account the need to maintain an appropriate amount of Working Capital Reserve. This process takes into account each entity's actual and projected Working Capital Reserves at December 31, 2010 and December 31, 2011, respectively, resulting from its accumulated prior years' surpluses and deficits, and results in an incremental or decremental adjustment to each entity's proposed 2012 statutory assessment amount, in order to arrive at its target Working Capital Reserve at December 31, 2012. Table B-1, Reserve Balance, in Section B of the NERC and each Regional Entity's 2012 Business Plan and Budget, shows the calculation of the increment or decrement to the entity's requested 2012 assessment to achieve the entity's desired Working Capital Reserve at December 31, 2012.

The calculations shown on Table B-1 take into account (1) the entity's Working Capital Reserve (Deficit) at December 31, 2010, (2) assessment Funding, projected other Funding, and projected Expenses and Capital Expenditures for 2011, resulting in (3) the projected Working Capital Reserve at December 31, 2011, (4) the desired (target) Working Capital Reserve at December 31, 2012, (5) the budgeted Expenses and Capital Expenditures, and projected other funding sources (including Penalties collected from registered entities), for 2012,[57] resulting in (6) the increment or decrement to the requested 2012 assessments to achieve the target Working

[57] As noted earlier, Penalty payments received by NERC or a Regional Entity between July 1 of the second year preceding the budget year and June 30 of the year preceding the budget year are used to reduce the requested assessments for the budget year; Penalty payments received after June 30 will be used to reduce the requested assessments for the year following the budget year. In the case of the 2012 Budgets, all Penalty payments being used by the Regional Entities to reduce their requested 2012 assessment amounts were received during the period July 1, 2010 – June 30, 2011. NERC did not receive any Penalty payments during the period July 1, 2010 – June 30, 2011.

Capital Reserve at December 31, 2012. As shown on Table B-1 for the NERC and each Regional Entity, each Regional Entity (except SPP RE) has established a target Working Capital Reserve for 2012.[58] The basis for each entity's Working Capital Reserve for 2012 is stated on its Table B-1 or explained elsewhere in the text of its 2012 Business Plan and Budget.

NERC projects that its Working Capital Reserve will be $1,798,578 at December 31, 2011, which NERC management and the NERC FAC believe is a reasonable and sufficient amount of reserves to support NERC's operations. Accordingly, NERC is not proposing to increase or decrease its proposed assessment amount for 2012 to increase or decrease NERC's Working Capital Reserve. *See* §IV.B below for further discussion.

F. Budget Projections for 2013 and 2014

As it did in its 2008, 2009, 2010 and 2011 Business Plans and Budgets, NERC is providing budget projections for the two years following the budget year (*i.e.*, 2013 and 2014).[59] This information is provided in Table B-10 in Section B of **Attachment 2**.[60] These budget projections show that NERC's 2013 total Expenses plus any increase or decrease in Fixed Assets are projected to be $2,191,845, or 4.1%, higher than in its 2012 Budget; and its 2013 statutory assessments are projected to be $2,145,845, or 4.2%, higher than its requested 2012 assessments. For 2014, NERC's total Expenses plus change in Fixed Assets are projected to be $701,640, or 1.3%, lower than the amount projected for 2013, and the 2014 assessments are projected to be

[58] As in prior years, SPP RE has determined that it does not need to maintain a separate Working Capital Reserve. *See* §V.B.6 below.

[59] The 2012 Business Plan and Budget of each Regional Entity also includes budget projections for 2013 and 2014.

[60] The NERC Board of Trustees has not approved the 2013-2014 projections as official budgets, and NERC is not seeking approval of these budget projections by the Commission or other governmental authorities.

$761,640, or 1.5%, lower than the projected 2013 assessments. Due to the uncertainty associated with future program staffing needs at this time, the budget projections assume that staffing levels in 2013 and 2014 are kept even with the 2012 budgeted staffing levels. A summary is provided with Table B-10 in **Attachment 2** of other principal assumptions used in developing the 2013 and 2014 budget projections, including anticipated changes in the use of consultants and contractors and the related Operating Expenses.

IV. DISCUSSION OF NERC BUSINESS PLAN AND BUDGET

A. 2012 Business Plan and Budget by Program

This section summarizes NERC's proposed 2012 Business Plan and Budget by statutory program and Administrative Services department.[61]

1. Reliability Standards Program

The Reliability Standards Program develops and maintains standards designed to ensure the reliability of the bulk power system in North America. The stakeholder Standards Committee provides oversight to the standards development process, verifying that the standards development process has been faithfully executed and ensuring the quality of the work product, while NERC staff standards development advisors and other standards staff facilitate standards drafting team activities, assist the drafting teams in adhering to the standards development process, and ensure that the quality of the documents produced are appropriate for approval. The NERC standards staff and other technical staff provide technical and development process comments during the standards development process to aid the development of technically sound standards that can obtain regulatory approval. The standards staff also supports the Regional Entities' standards development processes by providing final quality review of Regional

[61] **Attachment 14** is a status report on NERC's progress in achieving its 2011 goals.

standards, presentation to the NERC Board, and submission to the applicable regulatory authorities for adoption.

The goals and key deliverables of the Reliability Standards Program for 2012 are described at page 27 of **Attachment 2**.

Although much of the work in the Reliability Standards Development Process is performed by committees and task groups comprised of volunteer technical experts from the industry, government and academia (including the Standards Committee), significant NERC professional staff resources are needed to facilitate and coordinate the work of industry volunteers, to administer the process and help ensure that it functions efficiently, and to provide input to support development of technically sound standards. NERC has budgeted 24.92 FTEs for the Reliability Standards Program for 2012, which is an increase of 4.84 FTEs from the 2011 Budget, and reflects the addition of four new staff members during 2012.[62] Specifically, NERC is planning to add (i) a regulatory coordination position to more effectively support regulatory communications and standards processing; (ii) a new position to support maintaining standards-related content on the NERC Website, in order to help keep industry and regulators apprised of the status of standards; and (iii) two standards specialists with technical writing skills to assist drafting teams in the drafting of standards and associated documents developed during the standards development process (such as the technical justifications for the proposed standards requirements).

Although NERC is increasing staffing in the Reliability Standards Program for 2012, it is reducing budgeted Consultants & Contracts expense by $476,000 from the 2011 Budget, to

[62] The indicated increase of 4.84 FTEs reflects the timing of the addition of the new staff members during 2012, as well as allocation of a portion of the costs of NERC's senior reliability officer and support personnel which are allocated across several programs.

$15,000. This reduction reflects (i) completion of certain work that was being performed by consultants and contractors, (ii) the reduced need for outside resources due to the proposed staffing additions, and (iii) transfer of $92,000 of budgeted costs for standards-related IT projects to the Information Technology budget. Budget and funding responsibility associated with IT infrastructure to support standards development and processing activities, including Website applications, has been transferred to the IT department in order to provide for better integration and more efficient support of NERC's technology infrastructure.

The 2012 budgeted direct expenses for this program are $5,307,943, which is an increase of $444,805 (9.1%) over the 2011 Budget,[63] with the principal driver of the increase being the increased staffing. The principal direct cost components of the 2011 Budget are Personnel Expenses ($4,570,151) and Meeting Expenses (including Travel) ($663,975). As noted above, budgeted Consultants & Contracts expense has been significantly reduced, with the result that budgeted Operating Expenses are reduced from $544,394 to $73,818. The allocation of Administrative Services expenses to this program is $4,011,842, and the Allocation of Fixed Assets from the Administrative Services Programs decreases the Reliability Standards Program budget $163,184.

2. Compliance Monitoring and Enforcement and Organization Registration and Certification Program

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) is comprised of Compliance Operations, Compliance Enforcement, and Event Analysis and Investigations. Compliance Operations is responsible for Regional Entity compliance operations coordination and collaboration, compliance audit training and oversight, development and oversight of the annual CMEP Implementation Plan and the

[63] *See* table on page 26 of **Attachment 2**.

Annual Report, maintenance of the Reliability Standards Audit Worksheets, the organization registration and certification functions, interface and outreach to the industry, and staff support to the NERC Compliance and Certification Committee. Compliance Enforcement conducts all of NERC's enforcement activities, including docketing of all possible violations coming into the NERC enforcement program, prosecution of compliance violation matters arising out of NERC-led investigations and audits, review of all mitigation plans and dismissals approved by Regional Entities, processing of all compliance violations prosecuted by Regional Entities, and development and analysis of compliance statistics. Event Analysis and Investigations is responsible for all event analysis activities and compliance investigation and complaint activities. Event Analysis and Investigations also supports activities of Reliability Standards, Compliance Operations, Compliance Enforcement, Training, and Legal and Regulatory.

The principal objectives of the CMEP for 2012 are (1) the implementation of risk-based methodologies to more effectively and efficiently support compliance monitoring activities, (2) developing revisions to the NERC Rules of Procedure to improve the efficiency of Compliance Operations and Enforcement, and (3) continuing to develop and implement streamlined mechanisms to expedite the disposition of minor, administrative violations of standards and seek to gain more discretion to disposition minor violations without the full enforcement process and record development. The 2012 goals and key deliverables of each of the three departments in the CMEP are summarized at pages 33-34, 35-36, and 40-41, respectively, of **Attachment 2.**

The budgeted CMEP staffing for 2012 is 55.67 FTEs, which is an increase of 8.6 FTEs over the budgeted 2011 staffing. The increased staffing reflects unbudgeted staffing additions during 2011 as well as planned additional hires in 2012. Specifically, two FTEs were added to Compliance Operations during 2011 and one FTE will be transferred to Compliance Operations

in 2012. These additional personnel will support organization registration activities and oversight of compliance audits. Three new FTEs will be added to Enforcement in 2012. These personnel are being added to improve processing time for alleged violations. The projected Enforcement staffing needs are based on detailed analysis of violations processing time, taking into account historic data, assumptions of increased efficiency, and the role and resources of the Regional Entities.[64] One new FTE (0.5 FTE based on anticipated date of hiring) will be added to Event Analysis and Investigations in 2012 to support Event Analysis activities and dissemination of information to the industry to assist in implementing reliability improvements and mitigating compliance violation risks. Finally, 1.6 FTEs represents the allocation of NERC's senior reliability officer and support personnel which are allocated across the four areas falling under the CRO's oversight responsibility (Standards, Compliance Operations, Event Analysis and Investigations, and Situation Awareness).

Consultants & Contracts expense is budgeted to be reduced significantly, from $1,195,000 in the 2011 Budget to $120,000 ($1,075,000 reduction). A significant portion of this reduction is due to (1) transfer of budget responsibility for contracts for development of Compliance-related software to the IT Department, and (2) transfer of expenses for consultant support for audits of Regional Entity compliance programs to Finance and Accounting, as part of the consolidation of the risk management function in that department. In addition, funding for consultants and contractors for development of an event analysis tool is being eliminated.

The budgeted direct expenses for the CMEP for 2012 total $11,137,257, which is an increase of $313,158 (2.9%) over the 2011 Budget,[65] with the primary driver of the increased

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[64] The analysis of trends in numbers of possible violations entering the enforcement system, processing times, and staffing needs is discussed at pages 35-39 of **Attachment 2**.

[65] *See* Table on page 32 of **Attachment 2**.

expense being the increased staffing. The principal direct cost budget components for the CMEP in the 2012 Budget are Personnel Expenses ($9,685,959) and Meeting Expenses (including Travel) ($1,014,410). As noted above, Consultant & Contracts expense is being significantly reduced; as a result, total Operating Expenses are reduced from $1,305,494 in the 2011 Budget to $436,888 in the 2012 Budget ($868,606 reduction). The allocation of Administrative Services expenses to this program is $8,960,638, Fixed Assets (net of Depreciation) are budgeted to decrease by $218,882, and the allocation of Fixed Asset additions decreases the CMEP budget by $364,478.

3. Reliability Assessment and Performance Analysis Program

The Reliability Assessment and Performance Analysis Program enables NERC to meet its responsibility as the ERO to "conduct periodic assessments of the reliability and adequacy of the bulk power system in North America."[66] The Reliability Assessment and Performance Analysis Program prepares annual seasonal (summer and winter) and long-term reliability assessment reports, which assess the short-term and long-term resource adequacy and operating reliability of the bulk power system in North America, both existing and planned. This program also identifies and assesses risk and severity in reliability performance, measures progress in improving current reliability, tracks leading indicators of future reliability, and provides risk-informed input to NERC's standards and compliance processes. To support these activities, the Reliability Assessment and Performance Analysis Program maintains detailed databases measuring the ongoing reliability performance of generation, transmission, and demand response resources. Finally, this program identifies and analyzes key issues that may affect reliability, and conducts special reliability assessments based on specific issues as warranted.

[66] Section 215(g) of the FPA and 18 C.F.R. §39.11.

The 2012 goals and key deliverables for the Reliability Assessment and Performance Analysis Program are summarized at pages 45-46 of **Attachment 2**. A major objective of this program for 2012 is to complete development (through collaboration with industry stakeholders and NERC standing committees), and obtain NERC Board approval, of a revised definition of "adequate level of reliability" of the bulk electric system.

The budgeted direct expense for the Reliability Assessment and Performance Analysis Program for 2012 is $4,437,753, which represents an increase of $137,736 (3.2%) from the 2011 Budget.[67] The 2012 budgeted staffing for this program in 16.50 FTEs, which is an increase of 2.75 FTEs from the 2011 Budget. One additional FTE will be hired in 2012 (projected for the second quarter) to support interconnection power flow and dynamic modeling and validation efforts. In addition, one of the added FTEs represents the transfer of contractor costs to a full-time position, and the final added FTE represents the transfer of an employee who supports the NERC Planning Committee from the Situation Awareness and Infrastructure Security program to the Reliability Assessment and Performance Analysis Program.

The 2012 budget for Consultants & Contracts for this program is reduced by $162,000 (14.0%) from the 2011 Budget. Consultants and contractors will be used to (i) evaluate the reliability impacts of geomagnetic disturbances and provide oversight of the Spare Equipment Database (SED); (ii) improve reliability assessment benchmarking databases (the need to improve these databases was recognized in the *Three-Year ERO Performance Assessment*); (iii) prepare a probabilistic assessment of resource adequacy (the need for this assessment was also recognized in the *Three-Year ERO Performance Assessment* as well as by the NERC Planning Committee); (iv) provide programming and oversight for the Generator Availability Data System

[67] *See* table on page 45 of **Attachment 2**.

(GADS) and Transmission Availability Data System (TADS) to support performance analysis, risk/severity assessments, and Planning Committee and Operating Committee activities; and (v) improve static and dynamic modeling efforts needed to support activities and requirements of NERC, the Regional Entities, and the Planning, Operating and Standards Committees.

The principal components of the 2012 budgeted direct expenses for the Reliability Assessment and Performance Analysis Program are Personnel Expenses ($2,911,090), Meetings Expense (including Travel) ($413,825); and Consultants & Contracts ($998,000). The allocation of Administrative Services expenses to this program is $2,656,316, and the allocation of Fixed Asset Additions reduces the overall budget of this program by $108,047. Revenues from the sale of Services and Software are projected to be $250,000, which is the same amount included in the 2011 Budget.

4. Training, Education, and Operator Certification Program

The Training, Education, and Operator Certification Program provides oversight and coordination of the delivery of training programs that support the training needs of the Reliability Standards, Compliance Operations, Compliance Enforcement, and Event Analysis and Investigations departments. The Training, Education, and Operator Certification Program also supports NERC's System Operator Certification and Continuing Education Programs for owners, operators and users of the bulk power system and their operating personnel. NERC maintains the credentials for over 6,000 system operators, effectively licensing them to work in system control centers across North America. The certification exams are created by the Personnel Certification Governance Committee, a group of operational experts, trainers and supervisors.

The 2012 goals and deliverables of the Training, Education, and Operator Certification Program are summarized at pages 50-51 of **Appendix 2**. In 2012, NERC will enhance its training programs in response to the industry's recognition, as identified in the *Three-Year ERO*

Performance Assessment, of the need for more and ongoing training opportunities for auditors and investigators to achieve consistent application of reliability standards. Training and education opportunities will be expanded for NERC and Regional Entity staff, registered entities, and other stakeholders. For NERC and Regional Entity staff, the training and education will focus on consistent audit and investigation techniques and application of standards. For registered entities, training and education will focus on objectives related to various standards including how best to comply with reliability standards and improve bulk power system reliability. Training and education opportunities will be provided through workshops hosted by NERC and the Regional Entities, Webinars, training courses, and vendor-provided training modules and other offerings.

The direct expense budgeted for the Training, Education, and Operator Certification Program for 2012 is $2,055,656, which is an increase of $10,118 (0.5%) over the 2011 Budget.[68] Staffing of 6.75 FTEs is budgeted for 2012, which is an increase of 0.50 FTE from the 2011 Budget. One new position (budgeted as 0.5 FTE based on timing of hiring) will be added to support training and educational programs. In addition, Consultants & Contracts expense is budgeted to increase by $108,790 over the 2011 Budget, due primarily to the need for external support to more rapidly develop and deploy additional training programs.

The principal direct expense components of the 2012 Budget for the Training, Education, and Operator Certification Program are Personnel Expenses ($1,164,808), Meetings, Travel and Conference Call expenses ($230,550), and Consultants & Contracts ($596,448). The allocation of Administrative Services expenses to this program is $1,086,675, and the allocation of Fixed Asset additions is a decrease of $44,201 to the total budget for this program. This program

[68] *See* table on page 50 of **Attachment 2**.

generates revenues from fees charged for system operator certification examinations and to continuing education providers, and for training and education workshops, which are intended to recover the costs (including an allocation of indirect expenses) of the these programs. The 2012 Budget includes projected revenues from Testing Fees totaling $2,061,000, which is an increase of $121,000 (6.2%) over the 2011 Budget; and projected revenues from Workshops of $120,000, which is an increase of $27,000 (29.7%) over the 2011 Budget. Testing Fee revenue is projected to increase over 2011 due to an increase in the number of examinations taken and in the number of certificate renewals and due to an increase in the fees charged to administer system operator examinations, for certificate renewals and to evaluate continuing education courses, in order to continue to recover the costs of these activities. Workshop revenues are projected to increase to due plans to offer a greater number of workshops, particularly relating to the Reliability Standards and CIP Programs and NASPI.

5. Situation Awareness and Infrastructure Security

NERC's Situation Awareness and Infrastructure Security Program is comprised of two departments, Situation Awareness and Critical Infrastructure Protection. These departments are responsible for gathering and disseminating information regarding bulk power system vulnerabilities and system and cyber events, and for coordinating industry-wide exercises and drills in conjunction with government authorities.

The Situation Awareness department works closely with situation awareness personnel at the Regional Entities and governmental authorities, including the Commission, to share information regarding system events and risks to the reliability of the bulk power system, using NERC's secure alert system and other communications as appropriate. Situation Awareness also works closely with the CIP department regarding CIP and cyber information sharing. In 2011, Situation Awareness began implementation of the SAFNR platform, which allows NERC, the

Regional Entities and governmental entities to collect and display key information on bulk power system conditions with common forms and formats. SAFNR established a single data-sharing process and protocol as opposed to multiple processes and protocols, thereby eliminating duplication of effort; however, it was not designed, and is not intended to be used, to direct registered entity operations. During 2012, Situation Awareness will continue implementation of SAFNR, and will continue to work with stakeholders to clarify the long-term role of SAFNR in the context of NERC's statutory responsibilities. Finally, Situation Awareness is responsible for NERC's activities with respect to NASPI. The primary objective of NASPI is to develop a secure and flexible "appliance" (phasor measurement devices installed throughout the grid) that will serve as the gateway for real-time exchanges between utility control centers and other control centers, utilities, and regulatory and oversight entities. The 2012 goals and deliverables for Situation Awareness are shown on page 57 of **Attachment 2**.

The overall strategic objective of CIP department, on both a short-term and long-term basis, is to establish NERC as the authoritative voice regarding critical infrastructure and security matters affecting the reliability of the North American bulk power system. Going forward, the activities of the CIP department will be focused in four main areas: (1) continued support of the CIP standards development process and providing assistance to industry in understanding and developing approaches to comply with CIP standards requirements; (2) facilitating the timely exchange of threat and vulnerability information between NERC and industry; (3) providing knowledge and information to support both the response to and recovery from CIP-related events; and (4) supporting the CIP aspects of NERC's lessons learned initiatives. The CIP department also operates and maintains the Electricity Sector Information Sharing and Analysis Center (ES-ISAC) to monitor the bulk power system and provide situation awareness leadership

and coordination services to the electric industry. The ES-ISAC sends alerts and notifications, developed with federal government partners such as the Department of Homeland Security and Department of Energy (DOE) National Laboratories, to registered entities. It is an objective of NERC to work closely with stakeholders to develop a long-term plan for the ES-ISAC consistent with NERC's role as the ERO. The goals and key deliverables, and other projects and initiatives in progress, for the CIP department in 2012 are described on pages 61-62 of **Attachment 2**.

The budgeted direct expense for 2012 for the Situation Awareness and Infrastructure Security Program is $10,534,732, which is a decrease of $254,737 (2.4%) from the 2011 Budget.[69] On a departmental basis, the budgeted direct expense for 2012 for the Situation Awareness department is $5,320,469, which is a $1,233,972 (18.8%) decrease from the 2011 budget;[70] while the budgeted direct expense for 2012 for the CIP department is $5,214,262, which is a $979,235 (23.1%) increase from the 2011 Budget.[71] The 2012 Budget reflects 25.16 FTEs in this program, a decrease of 0.67 FTEs from the staffing in the 2011 Budget. The budgeted staffing for the Situation Awareness department is 8.17 FTEs, which is a decrease of 3.16 FTEs from the 2011 Budget, while the budgeted staffing for the CIP department is 17.0 FTEs, which is an increase of 2.50 FTEs over the staffing in the 2011 Budget. The reduction in budgeting staffing in Situation Awareness reflects personnel reductions during 2011, the transfer of one FTE to the Compliance Operations department and the transfer of one FTE to the Reliability Assessment and Performance Analysis program. The transferred employees spend a substantial amount of time support NERC Operating Committee and Planning Committee

[69] *See* first table on page 55 of **Attachment 2**.

[70] *See* second table on page 55 of **Attachment 2**.

[71] *See* table on page 59 of **Attachment 2**.

activities, which are closely tied with the functions of the departments to which the employees are being transferred. In the CIP department, two CIP security specialists will be added in 2012 to support additional increases in CIP standards and security incident workload associated with ES-ISAC information sharing and risk management activities. These added personnel are needed to further develop and implement CIP program risk management activities, meeting federal coordination requirements in the U.S. and Canada, and respond to the growing need for expert cyber security and CIP standards subject matter expert support.

Budgeted Consultants & Contracts expense for 2012 for Situation Awareness and Infrastructure Security is $4,383,116, which is a $198,442 (4.3%) reduction from the 2011 Budget. For the Situation Awareness department, budgeted expense for Consultants & Contracts is $458,442 lower than the 2011 Budget. Consultants & Contracts expense for this department is primarily driven by ongoing contractual commitments in support of SAFNR and NASPI. For the CIP department, budgeted expense for Consultants & Contracts is approximately $260,000 higher than the 2011 Budget, and includes support and subject matter expertise for Cyber Risk Preparedness Assessments of bulk power system entities, the National Institute of Standards/DOE Risk Management Project, the Electricity Sub-sector Coordinating Council, the NERC Critical Infrastructure Protection Committee, and the ES-ISAC.

The Situation Awareness and Infrastructure Security budget also includes funding for various tools which NERC supports on behalf of reliability coordinators and other industry participants. NERC continues to evaluate its continued funding of these tools as part of its ERO operations, and plans to eliminate funding of tools which are not essential to NERC's core operations, including elimination of funding support for the IDC by March 2013, with funding

support for tools that have commercial value being transitioned to users through industry vendors.

The principal direct cost components of the 2012 Budget for the Situation Awareness and Infrastructure Security Program include Personnel Expenses ($5,177,996), Meetings Expense (including Travel) ($828,315), and Consultants & Contracts ($4,383,116). The allocation of Administrative Services expenses to this program is $4,052,089, and the allocation of Fixed Asset additions results in a decrease of $164,821 to the budget for this program.

6. Administrative Services

The Administrative Services departments support the other NERC programs. Administrative Services comprises the following functions: (i) Technical Committees and Members' Forums (which has no budget in 2012); (ii) General and Administrative; (iii) Legal and Regulatory; (iv) Information Technology; (v) Human Resources, and (vi) Finance and Accounting. Detailed descriptions and planned 2012 activities, goals and objectives for each of the functions included in Administrative Services are provided in the text at pages 67-87 of **Attachment 2**.

The total budget for the Administrative Services departments for 2012 is $20,767,559, which is an increase of $5,746,366 (38.3%) over the 2011 Budget. Three primary drivers of this increase are (1) increased Office Rent expense of $1,284,106, reflecting rent for NERC's new Atlanta headquarters and expanded Washington, D.C. office; (2) transfer of budgeted expenses and Fixed Asset additions for certain IT-related projects from statutory programs to the IT department; and (3) transfer of budget responsibility for outside auditors supporting audits of Regional Entities from Compliance Operations to Finance and Accounting. All Administrative Services expenses and Fixed Asset additions are allocated to the five statutory programs on the basis of proportional numbers of budgeted FTEs in the statutory programs.

The following paragraphs provide further detail on the 2011 activities and budget requirements for the individual Administrative Services departments.

Technical Committees and Members' Forums – While NERC management and staff will continue to interact with and support numerous reliability-related industry forums during 2012, the 2012 budget does not include any specific expense or funding for any forum activities.

General and Administrative – The General and Administrative function is responsible for administration and general management of NERC. Expenses budgeted in this area include Office Rent; personnel and related costs of the CEO, a senior advisor to the CEO, the CEO's executive assistant; the communications and public relations staff; and costs related to the Board of Trustees. Budgeted staffing for this function for 2012 is 7.00 FTEs, which is the same staffing as in the 2012 Budget.

The 2012 budgeted Direct Expense for General and Administrative is $6,800,249, which is an increase of $1,503,865 (28.4%) over the 2010 Budget. The most significant component of this increase is the increase of $1,284,106 in Office Rent expense.[72] In addition, budgeted Depreciation Expense is increased by $160,489 over the 2011 Budget as the result of investments in leasehold improvements and the relocation of NERC's primary data center. Budgeted Personnel expense is increased by only $38,567 (1.9%), and budgeted Professional Services expense is decreased by $50,000, as compared to the 2011 Budget.

Legal and Regulatory – The Legal and Regulatory function provides legal, regulatory and governmental relations support to the organization. Expenses budgeted in this area include the General Counsel, attorneys, and Canadian governmental affairs. Increased demands for

[72] As described in §IV.B on Working Capital Reserve, below, a significant portion of the Office Rent expense is a non-cash item due to abatement of the rent on the Atlanta office until October 2012 pursuant to the lease.

Legal and Regulatory support are coming primarily from three areas: Reliability Standards (for drafting assistance to standards drafting teams, quality review of standards projects, and greater involvement in preparing filings for approval of standards), Compliance Operations (for support for significant audits), and Event Analysis and Investigations (for support for investigation teams). In addition, Legal and Regulatory is responsible for providing a wide range of legal support in corporate, commercial and contractual matters.

The 2012 Budget for Legal and Regulatory is $4,021,294, which is an increase of $1,286,419 (47.0%) over the 2011 Budget. Budgeted staffing for 2012 for Legal and Regulatory is increased from 8.0 FTEs to 13.0 FTEs, reflecting the unbudgeted addition of two attorneys during 2011 and the planned addition of two attorneys and additional administrative support in 2012. Budgeted Consultants & Contracts expense and Professional Services expense is increased by a total of $91,750 (11.5%) over the 2011 Budget to reflect increased volume and complexity of required filings with governmental authorities and corporate matters arising from ongoing operations.

Information Technology – NERC's IT function is responsible for the design, procurement, implementation, and management of NERC's technology infrastructure, including network servers, databases, applications, and telecommunications, and for implementing and managing logical and physical security controls to protect critical business assets. IT staff develops applications and similar technology initiatives in close coordination with statutory program staff, consultants and vendors. IT staff also currently supports, manages and maintains a number of reliability tools and related infrastructure on behalf of the industry. During 2011, NERC is relocating its primary IT backbone support infrastructure to a hosted, third-party data

center to improve infrastructure availability and reliability. The 2012 goals and key deliverables of the IT function are summarized at pages 76-77 of **Attachment 2**.

The 2012 budgeted expense for IT is $6,629,579, which is an increase of $2,090,327 (46.1%) over the 2011 Budget. The 2012 Budget reflects 12.75 FTEs in this function, which is an increase of 2.00 FTEs from the 2011 Budget. The additional FTEs are comprised of a new project manager position responsible for managing all stages of complex IT projects, and one FTE of transitional support to the IT group as it transitions certain critical IT personnel who will not be relocating to NERC's Atlanta headquarters. The 2012 budget for Consultants & Contracts is increased by $385,000 over the 2011 Budget, which reflects the transfer to the IT department of approximately $552,000 of expense for IT projects from Reliability Standards, Compliance Operations and Finance and Accounting in order to consolidate management and responsibility for these initiatives in the IT function. Office Costs budgeted in IT are increased by $382,326 (25.2%) over the 2011 Budget, reflecting primarily costs of computers, software, cell phones and mobile broadband service for the increased numbers of FTEs at NERC, and an increase in software maintenance agreements covering investments in the new NERC primary data center. Finally, budgeted Depreciation expense is increased by $844,830 over the 2011 Budget due to the investments in Fixed Assets in NERC's new headquarters in Atlanta, its expanded office in Washington, D.C., and the new primary data center.

Human Resources – HR manages all of NERC's human resources functions, including new hires, benefits and employee functions, and oversees employee performance appraisals and the incentive structure process. The 2012 goals and objectives for HR are summarized at page 81 of **Attachment 2**. The 2012 Budget for HR is $1,444,141, which is an increase of $202,641 (16.3%) over the 2011 Budget. The 2012 Budget reflects 6.00 FTEs in this function, which is an

increase of 0.50 FTE over the 2011 Budget, and reflects the conversion of a part-time to a full-time position to provide support for benefits administration and other HR services to employees.[73] Budgeted Consultants & Contracts expense for HR is increased by $40,000 (16.0%) over the 2011 Budget to provide for additional executive level training and staff development.

Finance and Accounting – Finance and Accounting manages all of NERC's finance and accounting functions, including employee payroll, 401(k) plans, travel and expense reporting, monthly financial reporting, sales and use taxes, meeting/events planning and services, insurance, internal audit, and facilities management. Finance and Accounting has overall responsibility for development of the annual business plan and budget, and for NERC's proposed ERO risk management framework.

The 2012 budgeted expense for Finance and Accounting is $1,872,296, which is an increase of $663,115 (54.8%) from the 2011 Budget. The 2012 Budget reflects 9.00 FTEs in this function, which is an increase of 2.50 FTEs from the 2011 Budget. One FTE is being added for establishment of a risk management framework and support function, which will focus on NERC's compliance with its internal operating procedures and controls, corporate ethics policies, codes of conduct, conflicts of interest and reputational risk factors, and will monitor compliance by NERC and the Regional Entities with applicable Rules of Procedure and applicable governmental authorizations, regulations and orders. However, the risk management function will not be responsible for evaluation of bulk power system reliability risks. The responsibilities of the risk management staff will include management of audits of Regional

[73] Two of the FTEs in Human Resources are receptionist positions for the Atlanta and Washington offices. In addition to performing receptionist duties, these employees provide general administrative and clerical support for each office.

Entity programs. The remaining increase of 1.5 FTEs represents the transfer of an administrative assistant from another department and the conversion of a payroll and general accounting support position from part-time to full time.

Additionally, the 2012 budgeted expense for Consultants & Contracts is increased from $5,000 in the 2011 Budget to $320,000, reflecting the transfer of budget responsibility for outside auditors supporting audits of Regional Entities from Compliance Operations to Finance and Accounting. However, the budgeted 2012 expense for this outside auditor support, although transferred internally within NERC, is the same as in the 2011 Budget.

B. Working Capital Reserve

NERC is not proposing any adjustment to its proposed 2012 assessment amount for Working Capital Reserve. In its 2010 Business Plan and Budget, NERC included a $469,043 component in its assessment amount for Working Capital Reserve, which was the amount necessary to restore the Working Capital Reserve to zero at December 31, 2010. NERC's Working Capital Reserve had been negatively affected by, among other factors, the impact of certain accounting adjustments to its balance sheet at December 31, 2009 that were required due to NERC's shift to accrual accounting for certain costs. In order to mitigate the overall assessment increase in 2010 over 2009, NERC elected to include only enough assessment funding to restore its Working Capital Reserve to zero. In its 2011 Business Plan and Budget, however, NERC included a $5,000,000 component in its assessment amount in order to rebuild its Working Capital Reserve.[74] As shown on Table B-1 in **Attachment 2**, NERC is projecting a

[74] Although the $5,000,000 amount for Working Capital Reserve was a substantial adjustment to NERC's 2011 assessments, the impact was mitigated due to the fact that the overall 2011 assessment amount was reduced by $10,175,000 of Penalty payments received by NERC between July 1, 2009 and June 30, 2010.

Working Capital Reserve of $1,798,578 at December 31, 2011.[75] NERC management and the NERC FAC have determined that this amount of Working Capital Reserve is reasonable and sufficient to support NERC's operations, particularly in light of two factors: (1) While under generally-accepted accounting principles, NERC is required to reflect on its income statement the amortization of its leasehold for its new Atlanta office, under the terms of the lease, the actual rent is abated for a significant portion of 2012, thereby enhancing NERC's free cash flow during 2012. (2) NERC continues to maintain a $4,000,000 line of credit with a major financial institution. Accordingly, NERC is not proposing to include a component for Working Capital Reserve in its assessment amount for 2012.

V. REGIONAL ENTITY BUSINESS PLANS AND BUDGETS

A. Consistency Among Regional Entity Budgets

In developing the 2012 Regional Entity Business Plans and Budgets, NERC and the Regional Entities continued the substantial efforts they devoted to achieving consistency of format and presentation of information in the 2008, 2009, 2010 and 2011 Business Plans and Budgets. NERC and the Regional Entities (i) used a common and consistent format (template) for their 2012 Business Plan and Budget documents, (ii) continued to use the more consistent accounting methodologies that were developed collaboratively in connection with the 2010 Business Plans and Budgets, and agreed to, among NERC and the Regional Entities, (iii) continued to use the common definition of administrative (indirect) costs that was originally developed in connection with the 2010 Business Plans and Budgets, and (iv) developed and used an extensive set of Shared Business Planning and Budget Assumption for their 2012 Business

[75] The target Working Capital Reserve established for purposes of the 2011 Budget was $2,500,000 at December 31, 2011.

Plans and Budgets. The Shared Business Planning and Budget Assumptions are provided in Exhibit A to the NERC 2012 Business Plan and Budget (**Attachment 2**), which is cross-referenced in each of the Regional Entity Business Plans and Budgets. NERC believes that achieving and maintaining consistency among the Regional Entity business plans and budgets is an ongoing process, and NERC intends to continue to work collaboratively with the Regional Entities to maintain and enhance consistency in the presentation of the NERC and Regional Entity business plans and budgets in the future.

The Regional Entity Business Plans and Budgets follow a similar format to that used for the NERC Business Plan and Budget. Each Regional Entity Business Plan and Budget begins with an Introduction section that presents a table showing the Regional Entity's budgeted Total Resources for 2012, including statutory and non-statutory FTEs and expenses;[76] the proposed increases or decreases in statutory and non-statutory Fixed Assets and Working Capital Requirement; the total statutory and non-statutory Funding Requirement; and the proposed Assessments to recover the Regional Entity's statutory Funding Requirement, allocated (where applicable) among the U.S., Canadian provinces and Mexico. The Introduction section also provides general information on the Regional Entity, including information on its membership and governance; provides the Regional Entity's key business plan and budget assumptions and goals and key deliverables for 2012; and provides an overview of the primary cost impacts to the Regional Entity's 2012 Budget. The Introduction section includes a table showing the Regional Entity's 2011 Budget, 2011 Projection, 2012 Budget, and Variance between the 2011 Budget and

[76] Information on non-statutory FTEs, expenses, and funding is, of course, only provided in the business plans and budgets of the Regional Entities that have non-statutory activities – FRCC, NPCC, SPP, Texas RE and WECC.

2012 Budget, for each of the five statutory programs.[77] It also contains charts comparing the Regional Entity's 2011 to 2012 budgeted funding requirements by statutory program and showing the percent change in funding for each statutory program from the 2011 Budget to the 2012 Budget; and a table showing the Regional Entity's FTEs, by statutory program and administrative department, for its 2011 Budget, 2011 Projection, and 2012 Budget. Finally, the Introduction section includes the Regional Entity's overall statutory Statement of Activities and Capital Expenditures, with information presented for its 2011 Budget, 2011 Projection, Variance between its 2011 Budget and 2011 Projection, 2012 Budget, and variance between its 2012 Budget and 2011 Budget.

The Regional Entity Business Plans and Budgets next contain, in Section A – Statutory Programs, separate subsections on each statutory program and administrative department or function of the Regional Entity. These sections are presented in similar format to the NERC Business Plan (Section A of **Attachment 2**), including (i) a table for each statutory program and administrative function showing total FTEs, total Direct Expenses, total Indirect Expenses, increase or decrease in Fixed Assets, and total Funding Requirement, for the 2011 Budget and the 2012 Budget, and (ii) a Statement of Activities for the statutory program or administrative function showing Funding, Expenses and Fixed Asset activity by major line item categories.[78] Information is presented in each of the Statements of Activities for the 2011 Budget, the 2011 Projection and the 2012 Budget, and the Variances between the 2011 Budget and 2011

[77] The budget numbers displayed in this table do not include the Regional Entity's proposed 2012 provision for its Working Capital Reserve, and in the case of Reliability*First* also do not include an allocation of certain administrative costs which have been offset by Interest income within the Administrative Services budget.

[78] The FRCC 2012 Business Plan and Budget (**Attachment 3**) provides a consolidated summary table and Statement of Activities for General and Administrative covering all its administrative functions, and does not include separate tables for each individual administrative function.

Projection and between the 2012 Budget and the 2011 Budget.[79] The text of these sections for each statutory program includes discussion of the program scope and functional description, key assumptions, goals and key deliverables for 2012, and reasons for increases or decreases in funding and costs in 2012, for the program.

Section B of each Regional Entity Business Plan and Budget presents supplemental financial information supporting the 2012 statutory Budget. Section B contains tables detailing the development of the adjustment to the Regional Entity's 2012 assessment to achieve its desired Working Capital Reserve at December 31, 2012 (Table B-1); Penalty payments received, to be used as an offset to the Regional Entity's funding requirement (Table B-2); Supplemental Funding (*e.g.*, Workshop fees and Interest income) (Table B-3); Personnel Expenses (Table B-4); Consultants & Contracts expense (Table B-5); Office Rent (Table B-6); Office Costs (Table B-7); Professional Services expense (Table B-8); and Other Non-Operating Expenses (Table B-9). Tables B-3 through B-9 are followed, where applicable, by explanations of significant variances between the Regional Entity's 2011 and 2012 Budgets for the funding or cost category. Finally, Table B-10 provides the Regional Entity's statutory budget projections for 2013 and 2014 in Statement of Activities format.[80]

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[79] The Statement of Activities for each Regional Entity's General and Administrative function shows its proposed adjustment, if any, to its 2012 statutory assessment to provide for Working Capital Reserve as a Funding Requirement for the General and Administrative function. All Expenses and Fixed Asset activity for the administrative programs are allocated to, and included in the Funding Requirements for, the statutory programs; therefore, no other Funding Requirement is shown for any of the Regional Entity's administrative functions.

[80] MRO has included its budget projections for 2013 and 2014 in Section D of its 2012 Business Plan and Budget, and WECC has included its budget projections for 2013 and 2014 in Appendix B to its 2012 Business Plan and Budget, rather than in Table B-10 of Section B.

Section C – Non-Statutory Activities of each Regional Entity Business Plan and Budget provides (where applicable) information on the Regional Entity's non-statutory activities for 2012, including program descriptions and objectives, budget information, and FTEs.[81]

Following Section C, each Regional Entity Business Plan and Budget also provides, in Section D – Additional Consolidated Financial Statements, or in separate appendices: (1) a 2012 Consolidated Statement of Activities and Capital Expenditures showing the Regional Entity's 2011 budgeted line-item funding sources, expenses, and Fixed Asset activity, in total, by statutory and (if applicable) non-statutory, and by statutory program and Administrative Services department, as well as the Direct Expenses and Indirect Expenses for each statutory program; (2) a combined (statutory and, where applicable, non-statutory) Statement of Financial Position at (i) December 31, 2010, based on 2010 actual audited results;[82] (ii) December 31, 2011, based on the Regional Entity's 2011 Projection; and (iii) December 31, 2012, based on the Regional Entity's 2012 Budget; and (3) the Regional Entity's organization chart, showing staffing comparisons for 2012 versus 2011.

B. Discussion of Individual Regional Entity 2012 Business Plans and Budgets

This section summarizes highlights of the individual Regional Entity 2012 Business Plans and Budgets.

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[81] MRO, Reliability*First* and SERC do not plan to have, and have not budgeted for, any non-statutory activities in 2012. SPP RE is unable to provide a non-statutory budget for 2012 because its planning and budgeting cycle does not result in finalization and Board approval of the overall SPP, Inc. budget until October. SPP RE has included the overall SPP, Inc. 2011 budget and 2010 actual income statement, for information.

[82] The audited financial statements of each Regional Entity for 2010 were filed with the Commission on May 31, 2011, in NERC's *2010 True-up Report*.

1. FRCC

FRCC's total statutory budget for 2012, before adjustment for Working Capital Reserve, is $6,394,454, an increase of $805,844 (14.4%) from its 2011 Budget. However, FRCC's proposed 2012 ERO Assessment amount of $4,424,850 is $542,210 (10.9%) lower than its 2011 ERO Assessment, reflecting (i) an $874,700 offset from Penalty payments received from registered entities (as compared to $50,000 of Penalty payments in the 2011 Budget); and (ii) a decremental adjustment of $993,474 to its 2012 ERO Assessment, based on the difference between its projected Working Capital Reserve at December 31, 2011 and its desired Working Capital Reserve at December 31, 2012.

FRCC's largest area of increase is in Personnel Expense, which is budgeted to increase by $781,304 (18.7%) over the 2011 Budget. FRCC plans total staffing for statutory and administrative programs of 30.69 FTEs, an increase of 4.24 FTEs over its 2011 Budget. FRCC is budgeting increased resources for its CMEP for 2012, by adding five FTEs in this program (budgeted as 3.35 FTEs for 2012 based on timing of hiring) over its 2011 Budget, resulting in budgeted staffing of 19.94 FTEs in its CMEP for 2012. One of the added FTEs will support Compliance Monitoring, three of the new FTEs will support Compliance Enforcement, and one new FTE will support Compliance Monitoring Administration. FRCC's 2012 Budget for its CMEP is $661,783 (16.8%) higher than its 2011 Budget. FRCC is not budgeting significant staffing additions in 2011 in other statutory or administrative programs; the overall staffing increase for the other statutory programs and the administrative functions from the 2011 Budget is only 0.89 FTEs. FRCC's budgeted Office Rent and Office Costs for 2012 are higher than the budgeted 2011 amount by $117,519 (23.3%), due primarily to the additional office space and Office Costs required for the added personnel.

FRCC's desired Working Capital Reserve at December 31, 2012 is $319,723, based on 5% of budgeted annual statutory expenses. FRCC has reduced its desired Working Capital Reserve from 10% to 5% of budgeted annual statutory expenses because it has never needed to use its Working Capital Reserve and because the scope of its delegated responsibilities has stabilized with experience. FRCC's projected Working Capital Reserve at December 31, 2011, is $1,313,197; therefore, FRCC's requested 2012 assessment amount is reduced by $993,474.

FRCC's 2012 budget for non-statutory activities is $5,912,177.

2. MRO

MRO's total statutory budget for 2012, before adjustment for Working Capital Reserve, is $9,057,228, an increase of $926,404 (11.4%) over its 2011 Budget. However, MRO's statutory assessment for 2012 is only $88,526 (1.1%) higher than its 2011 assessments, reflecting (i) $418,500 of Penalty payment offsets, as compared to $137,000 of Penalty payment offsets in its 2011 Budget; and (ii) a decremental adjustment (reduction) to its assessments of $289,699 for Working Capital Reserve, as compared to an incremental adjustment (increase) of $266,678 for this purpose in its 2011 Budget.

MRO's budgeted 2012 staffing for statutory and administrative programs is 37.0 FTEs, an increase of 2.5 FTEs over its 2011 Budget. MRO's budgeted staffing for its CMEP for 2012 is 19.16 FTEs, which is 1.69 FTEs more than in the 2011 Budget; however, the FTE increase reflects unbudgeted personnel additions to the CMEP during 2011, and no new staff additions are planned during 2012. Consultants & Contracts expense in the 2012 Budget for the CMEP is $302,000, an increase of $156,000 over the 2011 Budget. This increase is primarily due to increased expenditures on contracts for enhancements to existing IT applications; expenditures on consultants is budgeted to decrease due to the increased staffing in the CMEP. The overall increase in budgeted expenditures for the CMEP over the 2011 Budget is $779,736 (15.2%).

MRO is also budgeting increased expenditures of $411,908 (20.4%) in the Reliability Assessment and Performance Analysis program over the 2011 Budget, which includes an increase in staffing of 1.29 FTEs to provide further support to Event Analysis.

MRO is not planning significant staffing increases in any other statutory programs or administrative departments, and in fact is budgeting lower expenditures in 2012 for the Reliability Standards program and the Situation Awareness and Infrastructure Security program. MRO's budgeted Consultants & Contracts expense for 2012 for the IT function is $120,700 (76.5%) higher than in the 2011 Budget, due primarily to security requirements and a higher number of FTEs requiring security licensing or credentials. Additionally, MRO is planning to move to a new office facility in the Minneapolis-St. Paul area in 2012; as a result, the 2012 Budget reflects an increase of $167,880 (75%) in Office Rent over the 2011 Budget, and $77,484 of Other Non-Operating Expense for one-time relocation costs to the new facility.

MRO has identified a desired Working Capital Reserve at December 31, 2012, of $1,116,645, representing 45 days of cash. MRO currently projects a Working Capital Reserve of $1,406,344 at December 31, 2011, resulting in a decremental adjustment (decrease) of $289,699 to its 2012 assessments.

MRO plans no non-statutory activities in 2012 and therefore has no 2012 Budget for non-statutory activities.

3. NPCC

NPCC's statutory budget for 2012, before provision for Working Capital Reserve, is $13,680,642, an increase of $963,833 (7.6%) over its 2011 Budget. However, NPCC's 2012 ERO Assessments are reduced by $101,043 (0.8%) from its 2011 Budget. The reduction in the assessments results primarily from (i) $614,000 of Penalty payments offsets in the 2012 Budget (versus $308,508 in the 2011 Budget); (ii) $72,000 of budgeted Miscellaneous revenue (versus

$0 in the 2011 Budget), comprising the compensation to NPCC from WECC for performing compliance monitoring and enforcement responsibilities over the WECC registered entity functions pursuant to an agreement that is assumed to become effective on January 1, 2012;[83] and (iii) a decremental adjustment (decrease) in the assessment amount of $323,075 reflecting the difference between the desired Working Capital Reserve at December 31, 2012 and the higher projected Working Capital Reserve at December 31, 2011, as compared to an incremental adjustment (increase) of $364,302 to the assessment for Working Capital Reserve in 2011.

NPCC has budgeted total staffing for statutory and administrative programs of 35.43 FTEs, an increase of 4.01 FTEs over its 2011 Budget. The increased FTEs are comprised of 1.0 FTE in each of the Reliability Standards, CMEP, and Reliability Assessment and Performance Analysis programs, plus 1.01 FTE in Administrative programs. With respect to its statutory programs, NPCC is budgeting increases of $385,377 (36.2%) in Reliability Standards, $92,583 (1.3%) in the CMEP, $500,157 (19.2%) in Reliability Assessment and Performance Analysis, and $1,727 (0.9%) in Training, Education, and Operator Certification, and a decrease of $16,010 (1.1%) in Situation Awareness and Infrastructure Security, compared to its 2011 Budget. For Administrative Services, NPCC is budgeting a decrease in Direct Expenses of $207,933 and a decrease in Fixed Asset Additions of $323,075, compared to the 2011 Budget.

Based on the increased staffing, an assumed average salary increase of 3% for existing staff, and increased costs for Payroll Taxes, Benefits and Retirement Costs, NPCC's 2012 Budget for Personnel Expenses is $875,363 (12.0%) higher than the 2011 Budget. Budgeted Consultants & Contracts expense is decreased by $366,947 (16.3%) from the 2011 Budget, largely due to the added NPCC staff offsetting work that would have been performed by

[83] *See* footnote 26, above.

consultants and contractors. A final area of significant change in the 2012 Budget as compared to the 2011 Budget is Professional Services expense, which is increased by $269,913 (30.2%). Of this amount, $150,818 (55.8% of the increase) constitutes a search fee for candidates for the NPCC Board of Trustees, and increased Trustee fee expense, resulting from adoption of NPCC's proposed new Bylaws that introduce independent trustees into the NPCC governance structure.[84] The remainder of the increase in budgeted Professional Services fees is comprised of a $20,615 (9.3%) increase in budgeted Accounting and Auditing Fees (*i.e.*, associated with the annual independent audit of NPCC), a $97,335 (21.1%) increase in Legal Fees, and a $1,146 (4.8%) increase in Commercial Insurance fees.

NPCC's target Working Capital Reserve at December 31, 2012 is $2,736,129, based on 20% of its total Regional Entity (statutory) budget. NPCC has reduced its desired Working Capital Reserve from 25% of its total statutory budget to 20%, based on greater predictability of the services to be provided and lower risk of the unanticipated emergence of unplanned work after the budget has been approved, due to experience. NPCC currently projects a Working Capital Reserve of $3,059,204 at December 31, 2011; therefore, NPCC's 2012 assessment amount is reduced by $323,075.

NPCC's total non-statutory (Criteria Services Division) Funding Requirement for 2012 is $956,900.

For purposes of determining the assessments to recover NPCC's statutory funding

[84] The proposed NPCC Bylaws amendments were approved by the NERC Board of Trustees on May 11, 2011, and were filed with the Commission for approval as Regional Entity Rules (along with other amendments to the NERC-NPCC Delegation Agreement) on May 25, 2011, in Docket No. RR11-3-000, with a requested effective date of January 1, 2012. *Petition of the North American Electric Reliability Corporation for Approval of Amendments to Delegation Agreement with Northeast Power Coordinating Council, Inc. Including Amendments to NPCC's Bylaws and Regional Reliability Standards Development Procedure*.

requirement, the statutory funding requirement is allocated among the Balancing Authority Areas within NPCC in the U.S. (New York and New England), Ontario, Québec, New Brunswick and Nova Scotia. A portion (40%) of NPCC's statutory costs for the Compliance and Organization Registration Program ("CORC") is allocated between the U.S. and Canadian Balancing Authority Areas on the basis of NEL and a portion (60%) of the CORC costs is allocated between the U.S. and the Canadian provinces using an audit-based methodology.[85] The portion of the costs allocated to the U.S using the audit-based methodology is then allocated between the New York and New England Balancing Authority Areas on the basis of NEL, as required by the Commission's *July 16, 2009 Budget Compliance Order*.[86] The narrative discussion on pages 81-82, and the table on page 83, of NPCC's Business Plan and Budget (**Attachment 5**) explain and show the development of the 2012 assessments by Balancing Authority Area within NPCC to recover NPCC's statutory funding requirement. This presentation is consistent with the explanation of the allocation methodology provided at pages 26-28, and the table provided in Attachment 3, of the *December 11, 2009 Budget Order Compliance Filing*.

4. Reliability*First*

Reliability*First* has a total statutory budget for 2012 of $16,656,499 before provision for Working Capital Reserve, an increase of $1,436,849 (9.4%) over its 2011 Budget. However,

[85] In NPCC's 2009, 2010 and 2011 Business Plan and Budget filings, 55% of NPCC's statutory CORC costs were allocated between the U.S. and Canadian Balancing Authority Areas on the basis of NEL, and 45% of NPCC's statutory CORC costs were allocated between the U.S. and Canadian provinces based on the audit-based methodology. These allocation percentages are revised to 40% and 60%, respectively, for 2012, because of changes in the respective scopes of work to be performed by NPCC and the relevant provincial governmental and regulatory authorities in the Compliance area, as negotiated between NPCC and the relevant authorities in each of the provinces and reflected in the Memorandum of Understanding between NPCC and the relevant authorities for each province.

[86] *July 16, 2009 Budget Compliance Order* at PP 38-41.

Reliability*First*'s proposed statutory assessments are increasing by only approximately one-half of the amount of the budget increase, specifically, by $730,428 (5.7%). Reliability*First*'s proposed assessments are reduced by $792,100 of Penalty payments received from registered entities (versus $878,901 in the 2011 Budget), $60,000 of budgeted Interest income (versus $40,000 in the 2011 Budget), and a reduction in the 2012 assessment of $2,270,128 due to Reliability*First*'s projected Working Capital Reserve at December 31, 2011 significantly exceeding its target Working Capital Reserve at December 31, 2012 (in comparison, the 2011 Budget included a reduction in the assessment of $1,496,905 due to adjustment for Working Capital Reserve).

Reliability*First* has budgeted 2012 staffing for statutory and administrative programs of 73 FTEs, an increase of 5 FTEs over its 2011 Budget. Reliability*First* is budgeting 42.50 FTEs for its CMEP, a decrease of 0.25 FTE over the 2011 Budget; and one additional FTE for the Reliability Assessment and Performance Analysis program. However, after taking into account the effect of an internal reorganization occurring during 2011 (in which 2.0 FTEs were reallocated to General and Administrative and 1.75 FTEs were reallocated to Legal and Regulatory), Reliability*First* will actually be hiring 3.50 new FTEs for its CMEP in 2012.[87] No other staffing changes are budgeted for the statutory direct programs. In the Administrative Services functions, Reliability*First* is budgeting additional staffing of 2.0 FTEs in General and Administrative (reflecting the transfers occurring in 2011), 1.75 FTEs in Legal and Regulatory (also reflecting the transfers occurring in 2011), and 0.80 FTE in IT.

Reliability*First*'s largest area of expense increase in the 2012 Budget over the 2011 Budget is Personnel Expenses, which are increasing by $1,660,133 (14.7%), and reflect the

[87] *See* Tables on page 7 of **Attachment 6**.

addition of 5.0 FTEs, the impact of phased hiring from 2011, an estimated 4% increase in salary costs for existing staff based on salary and market adjustments and promotions, and increased Benefits costs. Budgeted Consultants & Contracts expense is decreasing by $180,900 (26.0%) over the 2011 Budget. This decrease is due largely to the absence from the 2012 Budget of consultant and contracts costs for Under-Frequency Load Shedding (UFLS) dynamic analyses which must be completed every five years and were conducted in 2011 (reflected in the Reliability Assessment and Performance Analysis budget); and of consultant expense for vulnerability testing of Reliability*First*'s electronic infrastructure that was performed in 2011 (reflected in the Situation Awareness and Infrastructure Security budget). Budgeted Professional Services expense for 2012 is reduced by $291,586 (36.8%) from the 2011 Budget, due primarily to two factors: (i) unlike 2011, Reliability*First* has not budgeted for the expense of any compliance-related hearings, and (ii) Reliability*First* has added in-house attorneys to its staff and therefore is able to reduce its budget for outside legal services. Reliability*First*'s 2012 budgeted expense for Office Rent is increased by $139,068 (35.4%) over the 2011 Budget, due primarily to the need for additional space for computer equipment as part of its Disaster Recovery Plan. Finally, Reliability*First* has budgeted $495,000 for Computer and Software CapEx, and increase of $260,000 (111%) over the 2011 Budget, due to scheduled replacement of aging server hardware, replacement of its IP-based phone and Web-conferencing systems, and acquisition of hardware and software to support implementation of the Disaster Recovery Plan.

Reliability*First*'s target Working Capital Reserve at December 31, 2012 is $1,000,000, based on a policy to maintain a Working Capital Reserve of approximately 10% of budgeted expenses, but not less than $1,000,000. Reliability*First* projects a Working Capital Reserve at December 31, 2011 of $3,270,128. Therefore, Reliability*First*'s requested assessment amount

for 2012 reflects a decremental adjustment of $2,270,128 to reach the desired Working Capital Reserve at December 31, 2012.

Reliability*First* plans no non-statutory activities in 2012 and therefore has no 2012 Budget for non-statutory activities.

5. SERC

SERC's total statutory budget for 2012 is $15,594,445 before provision for Working Capital Reserve, an increase of $3,817,805 (32.4%) over its 2011 Budget. SERC's proposed 2012 ERO Assessment is $4,173,767 (39.1%) higher than its 2011 assessments, because (i) Penalty payments to offset assessments for 2012 are $434,500 versus $919,000 in the 2011 Budget, and (ii) attendance fees for Workshops are projected to be $15,830 lower than in the 2011 Budget. SERC has budgeted $40,000 in Funding in 2012 for performing CMEP responsibilities over the registered functions of FRCC and SPP, based on SERC's agreements with those entities (budgeted and recorded as Other Funding); this is the same amount of revenue provided for in SERC's 2011 Budget for this activity.

SERC's budgeted staffing for 2012 for statutory and administrative programs is 73.70 FTEs, an increase of 20.20 FTEs over its 2011 Budget. SERC's 2012 Budget reflects increased staffing in its CMEP by 14 FTEs over its 2011 Budget, to 42 FTEs in the CMEP, comprised of 10 unbudgeted FTEs added during 2011 (two auditors, six enforcement engineers, and two CIP auditors) and four new FTEs to be hired in 2012 (two additional auditors, one additional compliance enforcement engineer, and one additional CIP auditor). The other budgeted staffing additions for 2012 are 1.20 FTEs in Reliability Assessment and Performance Analysis, 2.00 FTEs in Situation Awareness and Infrastructure Security; and 3.00 FTEs in General and Administrative. In General and Administrative, SERC is budgeting the addition of an attorney

(unbudgeted addition in 2011), an IT technician, and a HR specialist.[88] As a result of the increased staffing, the total budgeted Personnel expenses for 2012 are $3,045,408 (34.7%) higher than in the 2011 Budget.

The total increase in SERC's 2012 Budget for its CMEP over the 2011 Budget is $3,107,133 (39.4%). The changes from the 2011 Budget for the other statutory programs are: (i) Reliability Standards, decrease of $50,709 (8.8%); Reliability Assessments and Performance Analysis, increase of $315,958 (24.1%); Training, Education, and Operator Certification, increase of $86,163 (11.3%); and Situation Awareness and Infrastructure Security, increase of $359,260 (29.3%). While budgeted Personnel Expenses for the CMEP are higher by $2,167,473 (49.2%) than the 2011 Budget, due to the increased staffing, budgeted Consultants & Contracts expense is reduced by $90,786 (35.8%) from the 2011 Budget. The need for consultants to conduct non-CIP compliance audits and compliance investigations is reduced due to the increase in CMEP staffing. However, in the Reliability Assessment and Performance Analysis program, SERC is budgeting increased Consultants & Contracts expense of $82,800 (55.6%) over the 2011 Budget, primarily due to increased consultant and contract support for the Resource Adequacy Program, an UFLS study (performed every five years), and SERC-specific dynamic analysis studies (performed bi-annually).

SERC's budgeted Office Rent and Office Cost for 2012 are higher than the amounts in the 2011 Budget by $149,030 (50.4%) and $385,053 (129.3%), respectively. SERC has significantly increased its office space to provide space for the added staff. The additional Office Costs reflect additional telephone, office supplies, computer supplies and maintenance, and

[88] SERC budgets all Administrative Services personnel, including Legal and Regulatory, IT, HR and Finance and Accounting, under General and Administrative to protect the confidentiality of individual compensation information of employees in these functions.

printer and equipment costs to support the increased staff and larger office, plus $100,000 for a new SharePoint server to facilitate interaction with NERC and other Regional Entities. Finally, SERC is budgeting $290,000 for Computer and Software CapEx (versus $0 in the 2011 Budget) for additional software development for SERC's reliability portal.

SERC's target Working Capital Reserve at December 31, 2012 is $1,195,519, based on a target of up to 10% of budgeted annual statutory operating costs. SERC's projected Working Capital Reserve at December 31, 2011 is $1,630,019; however, this projected Working Capital Reserve balance includes $434,500 of Penalty payments that will be used to reduce the 2012 assessment amount. Minus the $434,500 of Penalty payments, SERC's projected Working Capital Reserve balance at December 31, 2011 is $1,195,519. Therefore, SERC is not proposing any increase or decrease to its 2012 assessment amount for Working Capital Reserve.

SERC plans no non-statutory activities in 2012 and therefore has no 2012 Budget for non-statutory activities.

6. SPP RE

SPP RE's total 2012 statutory budget is $11,410,642, an increase of $1,613,406 (16.5%) over its 2011 Budget. SPP RE's proposed assessment amount for 2012 is $9,851,647, which is $756,662 (8.3%) higher than its 2011 assessment amount. The amount of Penalty payments to offset assessments in SPP RE's 2012 Budget is only slightly larger than the amount in its 2011 Budget ($200,920 versus $187,500); however, SPP RE is proposing a decrease in its 2012 assessment of $1,358,075 for Working Capital Reserve, as compared to a downward adjustment to its assessment for this purpose in its 2011 Budget of $514,752 (*i.e.*, this adjustment reduces the assessment amount by an additional $843,323 as compared to 2011).

SPP RE's budgeted total staffing for statutory and administrative programs for 2012 is 33.50 FTEs, an increase of 3.83 FTEs over its 2011 Budget. The increased staffing includes the

addition of 4.83 FTEs in SPP RE's CMEP over its 2011 Budget, resulting in total budgeted CMEP staffing of 22.75 FTEs; and small staffing increases or decreases (0.50 FTE or smaller) in several other programs.[89] SPP RE is budgeting an increase in 2012 for its CMEP of $1,957,950 (27.5%) over its 2011 Budget, and an increase of $65,611 (64.5%) for Situation Awareness and Infrastructure Security; decreases of varying amounts are budgeted for the other three statutory programs. In addition to increased Personnel expense ($478,238 (12.0%)) reflecting added staffing, SPP RE is budgeting an increase in Consultants & Contracts expense of $324,500 (29.6%) over its 2011 Budget. Although the amount budgeted for Consultants & Contracts for CIP and compliance monitoring activities is lower than the 2011 Budget, an additional $300,000 in contractor costs is budgeted in the CMEP for load flow, short-circuit and/or stability studies to evaluate a registered entity's request for a declaration that elements of its system are not part of the bulk electric system, and $300,000 in contractor costs is budgeted (also in the CMEP) for an initiative to reduce the number of open violations. SPP RE has also budgeted an increase in Travel expense over the 2011 Budget of $195,700 (44.0%); $160,000 of this increased expense has been budgeted in the CMEP reflecting anticipated increased travel by CMEP staff.

SPP RE's budgeted Administrative Services expense of $1,496,927 is approximately the same as the 2011 Budget ($1,504,142). SPP RE's 2012 budgeted hourly indirect expense allocation rate for support services performed by SPP, Inc., based on 2010 actual results, is $71.04 per hour of direct statutory program activity.[90] The indirect expense allocation rate for

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[89] Because SPP RE has only one FTE budgeted for the Training, Education, and Operator Certification program, it has budgeted Personnel Expenses for this program in the CMEP in order to protect the confidentiality of the individual employee's compensation information.

[90] The hourly indirect expense rate used in the 2012 Budget is the estimated rate for 2012, calculated using actual data for 2010 (*see* the calculation of the rate in Section E of **Attachment 8**). As the year progresses and better estimates can be made, this rate may be adjusted. At the

support services performed by SPP, Inc. used in SPP RE's 2011 Budget was $69.35 per hour. The calculation of the hourly indirect expense allocation rate follows the procedure and format detailed in Attachment 7 to the *2008 Budget True-up Filing*,[91] which the Commission accepted in an Order issued June 29, 2009.[92]

As discussed in previous years' Business Plan and Budget filings and in other filings, SPP RE has determined it does not need to establish or budget for a Working Capital Reserve, because it has access to operating cash balances and bank lines of credit of SPP, Inc. for short-term funding needs.[93] However, as shown in Table B-1 in Section B of **Attachment 8**, SPP RE projects it will have a Working Capital Reserve of $1,358,075 at December 31, 2011. Accordingly, SPP RE has reduced its requested 2012 assessment amount by $1,358,075.

As in prior years' filings, SPP RE is unable to provide a 2012 Budget for SPP, Inc.'s non-statutory activities because SPP, Inc.'s overall annual budget for 2012 will not be approved, in accordance with SPP, Inc.'s normal planning and budgeting cycle, until October 2011. SPP RE has included its 2011 budget for non-statutory activities (as previously filed with the Commission in Docket Nos. RT04-1-000 and -001, ER04-48-000 and ER08-1338-0000), as well as its 2010 actual results, in Section C of its Business Plan and Budget, for information.

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end of the year, an actual indirect charge rate is calculated and used to finalize SPP RE's actual expenses for the year.

[91] *Additional Compliance Filing of the North American Electric Reliability Corporation in Response to October 18, 2007 Order – Comparisons of Budgeted to Actual Costs for 2008 for NERC and the Regional Entities*, filed April 1, 2009 in Docket No. RR07-16-005.

[92] *North American Electric Reliability Corporation, Order Conditionally Accepting Compliance Filings*, 127 FERC ¶61,307 (2009), at PP 15-22.

[93] *See, e.g., December 15, 2008 Budget Order Compliance Filing* at 53-54.

7. Texas RE

Texas RE's total 2012 statutory budget is $10,613,459 before provision for Working Capital Reserve, an increase of $1,329,603 (14.3%) over its 2011 Budget.[94] However, Texas RE's proposed 2012 assessment amount is only $276,043 (3.0%) higher than its 2011 assessment amount. Although Texas RE is budgeting lower non-assessment revenue from Workshop attendance fees, by $185,500, than in its 2011 Budget, Texas RE's 2012 Budget includes $572,830 of Penalty payments received to offset assessments, an increase of $552,830 over its 2011 Budget. Additionally, Texas RE's 2012 Budget provides for a $466,263 downward adjustment to the assessment amount based on the excess of Texas RE's projected Working Capital Reserve at December 31, 2011, over its target Working Capital Reserve (as contrasted with a $207,567 increase to the assessment for Working Capital Reserve in the 2011 Budget).

Texas RE's budgeted total staffing for statutory and administrative programs for 2012 is 58 FTEs, an increase of 9 FTEs over its 2011 Budget. Texas RE is budgeting increased staffing of 8.88 FTEs for its CMEP, to 38 FTEs; a net increase of 0.23 FTEs for its other statutory programs (including an increase of 1.57 FTEs in Reliability Assessment and Performance Analysis); and decreased staffing of 0.11 FTEs for Administrative Services, from its 2011 Budget. In its CMEP, Texas RE plans to add one FTE to compliance monitoring, focused on CIP and non-CIP compliance audits; 1.5 additional FTEs in other compliance monitoring activities; and five FTEs in Compliance Enforcement. Additionally, there are 1.38 FTEs who were previously reflected in other program areas but are now reflected in the CMEP; because the

[94] All comparisons to Texas RE's 2011 Budget are to its Amended 2011 Budget which was approved by the Commission in a letter Order dated March 1, 2011, in Docket No. RR10-13-002. The amendments to Texas RE's original 2011 Budget were primarily driven by Texas RE's agreement to continue to act as the Texas Reliability Monitor after December 31, 2010 (non-statutory activities), and had minimal impact on Texas RE's originally approved 2011 Budget for statutory activities.

work performed by these FTEs is in the Texas RE CMEP, it is appropriate to reflect them in that program. In Reliability Assessment and Performance Analysis, Texas RE is planning to add 1.5 FTEs to support the event analysis process, review all reliability assessment initiatives, support data collection for federal initiatives, and provide data collection and analytical support for the GADS, TADS, SED and Demand Responses Availability Data System. Consistent with the staffing increases, Texas RE's overall 2012 Budget for its CMEP is $1,414,527 (20.0%) higher than its 2011 Budget, and its overall 2012 Budget for Reliability Assessment and Performance Analysis is $379,763 (52.7%) higher than its 2011 Budget. Texas RE's budgets for the other three statutory programs are each lower than in its 2011 Budget.

Texas RE's budgeted Personnel expenses are higher by $1,481,597 (22.8%) than its 2011 Budget, reflecting the staffing increases. Budgeted Meeting expenses are reduced from the 2011 Budget by $197,100 (84.1%), due primarily to elimination of facilitation of an Operations Training Seminar. Budgeted Consultants & Contracts expense is reduced by $344,001 (55.8%) from the 2011 Budget, due primarily to elimination of contracted IT "help desk" support (the in-house IT support is able to handle this function without outside contract support) and reduced costs for hosting and maintenance of Compliance applications (due to changes of service providers). Budgeted Office Costs are higher by $95,000 (38.1%) than in the 2011 Budget, due primarily to the need to renew maintenance contracts, at higher costs. Budgeted Professional Services expenses are higher by $103,000 (13.8%) than in the 2011 Budget, due primarily to budgeted costs for recruitment and fees for Texas RE Board members. Finally, Texas RE is budgeting an increase in Computers and Software CapEx and Equipment CapEx of $167,000 (57.6%). The increased Computer and Software CapEx are due to purchases of hardware and

software for the added staff, plus hardware upgrades, expansion and capacity enhancements to ensure that Texas RE's IT platform remains secure and stable.

Texas RE's desired Working Capital Reserve at December 31, 2012 is $1,727,622, representing an approximate 60 day cash reserve. Texas RE has reduced its cash reserve requirement to 60 days from 75 days, but is also contemplating arranging for a line of credit from its bank to provide additional liquidity for contingencies. Texas RE projects a Working Capital Reserve of $2,193,885 at December 31, 2011. As a result, Texas RE's proposed 2011 statutory assessment is reduced by $466,263.

Texas RE's total non-statutory budget for 2012 is $999,100, an increase of $29,126 from its 2011 non-statutory budget (*see* Section C of **Attachment 9**). Texas RE's non-statutory activities consist of acting as the Texas Reliability Monitor for the Public Utility Commission of Texas (PUCT) and in that role, performing audits, investigations, monthly metrics reviews, and other monitoring and reporting of market participants' compliance with the reliability-related Protocols and Operating Guides of ERCOT, as well as monitoring the stakeholder Regional Rules creation and modification process and assisting the PUCT with comments on proposed changes to Regional Rules that impact reliability.

8. WECC

WECC's 2011 total statutory budget is $67,969,167 before provision for Working Capital, a decrease of $236,283 (0.3%) from its 2011 Budget. WECC's 2012 Budget includes $27,431,301 in expenses and Fixed Asset additions funded by federal DOE grants, whereas the 2011 Budget included $28,066,621 in expenses and Fixed Asset additions funded by DOE grants, a reduction of $635,320. Therefore, WECC's 2012 statutory budget components not associated with DOE grant activities are increasing by $399,037 over the 2011 Budget. WECC's 2012 assessment amount is lower than its 2011 assessment amount by $938,037 (2.5%).

WECC's 2012 Budget includes $2,256,023 of Penalty payments to offset assessments, as compared to $865,650 in its 2011 Budget. WECC is also projecting a reduction in Interest income of $58,829 (16.8%) from the amount budgeted in its 2011 Budget.

WECC actually received $2,706,023 in Penalty payments from registered entities in the period July 1, 2010 through June 30, 2011, but is only using $2,256,023 of this amount to offset its 2012 statutory assessments to U.S. LSEs. WECC has set aside $450,000 of the Penalty payments to be used to pay penalties for violations of reliability standards in its capacity as a registered entity performing the Reliability Coordinator and Interchange Authority for the WECC region. On July 21, 2011, the Commission issued a letter Order approving a settlement agreement among Commission Staff, NERC and WECC in which WECC agreed to pay a penalty of $350,000 in settlement of alleged violations occurring on February 14, 2008.[95]

WECC's budgeted total staffing for statutory and administrative programs for 2012 is 213.2 FTEs, an increase of 5.3 FTEs over its 2011 Budget. WECC is actually planning to add 11 FTEs in 2012, but due to the anticipated timing of the additions, the increase in headcount for budgeting purposes is 5.3 FTEs. Of the budgeted staffing increase, 4.25 FTEs are being added in Situation Awareness and Infrastructure Security to support the Western Interconnection Synchrophasor Program infrastructure and applications to be deployed in the WECC Reliability Coordinator registered function; 4.75 FTEs are being added in the Reliability Coordinator registered function in Situation Awareness and Infrastructure Security, to ensure compliance with requirements of CIP standards and other reliability standards; and 1.1 FTEs are being added in IT to ensure more comprehensive support to WECC employees and ensure efficient

[95] *Western Electricity Coordinating Council, Order Approving Stipulation and Consent Agreement*, 136 FERC ¶ 61,020 (2011).

application of technology. Budgeted staffing in all other statutory programs and Administrative Services functions is being reduced by 4.8 FTEs in the aggregate from the budgeted staffing in the 2011 Budget. WECC's total budgeted staffing for 2012 includes 4.0 FTEs in Reliability Standards, 58.5 FTEs in the CMEP, 1.5 FTEs in Training, Education, and Operator Certification, 21.2 FTEs in Reliability Assessment and Performance Analysis, 79.8 FTEs in Situation Awareness and Infrastructure Security (which, as indicated, includes WECC's registered functions as Reliability Coordinator and Interchange Authority for the WECC region), and 48.3 FTEs for the Administrative Services functions. A portion of the staffing in both Reliability Assessment and Performance Analysis and Situation Awareness and Infrastructure Security is for DOE grant activities, and the costs for these personnel are paid for by the grant funding.

WECC's budgeted changes for 2012 over its 2011 Budget, by statutory program, are: Reliability Standards, decrease of $103,878 (9.3%); CMEP, increase of $15,942 (0.1%); Reliability Assessment and Performance Analysis, decrease of $1,489,221 (16.6%); Training, Education, and Operator Certification, decrease of $411,796 (40.3%); and Situation Awareness and Infrastructure Security, increase of $2,142,379 (5.0%). The reduction in the Training, Education, and Operator Certification budget reflects a decision, based on a member survey conducted in 2010 and attendance at training sessions in 2011, to reduce the total number of training sessions in 2012; however, the program will be adding Webinar-based training sessions.

WECC's 2012 budget for Personnel expense is increased over its 2011 Budget by $1,050,280 (3.8%). WECC is also budgeting an increase of $244,535 (13.3%) in Travel expense over the 2011 Budget, primarily due to an increase in the number of on-site compliance audits planned for 2012. Budgeted Consultant & Contracts expense for 2012 is $277,367 (1.4%) higher than in the 2011 Budget; the additional expense is all for work associated with the federal grants,

and is fully funded by the grants. Budgeted Office Costs for 2012 is $1,003,093 (19.9%) higher than in the 2011 Budget, reflecting several drivers, including (i) transition of the WECC Compliance Portal from the current Guidance-supported Web portal to webCDMS hosted by Open Access Technology International ($326,000); (ii) greater bandwidth needs and volume licensing renewals for desktop and laptop computers ($280,000); and (iii) various small equipment purchases associated with (and funded by) the DOE grants. Budgeted Professional Services expense is reduced from the 2011 Budget by $270,439 (22.5%), primarily due to a decrease of $380,989 in insurance coverage expense that was deemed appropriate by the WECC Board after a thorough review of risks and mitigating factors. This decrease is partially offset by a $116,000 increase in Professional Services expenses in Situation Awareness and Infrastructure Security, associated primarily with (i) expenses anticipated for preparation for a compliance audit scheduled for 2012 for the WECC registered functions, and (ii) $72,000 in compensation to NPCC for performing CMEP responsibilities over the WECC registered functions in 2012,[96] as well as smaller increases in this expense item in several other programs.

WECC's target Working Capital Reserve at December 31, 2012 is $9,800,000, which is an increase of approximately $8,950,000 from WECC's target Working Capital Reserve as specified in its 2011 Business Plan and Budget. WECC's Board has approved a Working Capital Reserve target equal to three months of statutory funding requirements excluding expenditures funded by DOE grants, which for 2012 results in a target of $9,800,000. WECC's actual Working Capital Reserve at December 31, 2010, was $7,587,826 as compared to a projected Working Capital Reserve at December 31, 2010 as presented in WECC's 2011 Business Plan and Budget of $847,498; and its projected Working Capital Reserve at December 31, 2011 is

[96] *See* the discussion in §V.B.3, above.

$9,750,967. WECC's reported Working Capital Reserve has increased significantly because previously, WECC categorized certain of its investments, such as long-term U.S. treasury and corporate bonds, as long-term and did not include these long-term investments in its Working Capital Reserve balance. However, because these investments are highly liquid and fit the GAAP definition of a short-term investment, WECC has now concluded that these investments should be included in the Working Capital Reserve Balance. Because WECC's projected Working Capital Reserve at December 31, 2011 is only slightly less than its target Working Capital reserve at December 31, 2012, WECC is not proposing any increase or decrease to its requested 2012 statutory assessments to fund its Working Capital Reserve.

WECC's total non-statutory budget for 2011 is $1,540,140.

WECC's allocation of its assessment to the AESO for the Province of Alberta has been reduced by $315,948, representing WECC CMEP costs (including allocated Indirect costs and Fixed Asset expenditures) that are considered duplicative of Compliance and Enforcement Programs of the AESO. The AESO credit amount is allocated to the remainder of the LSEs (Balancing Authorities) in the WECC Region on the basis of NEL. Appendix C to the 2012 WECC Business Plan and Budget (**Attachment 10**) shows the calculation of the $315,948 adjustment to the assessment to AESO.

C. Metrics Related to Regional Entity Budgets

Beginning with its 2008 Business Plan and Budget filing, NERC has included, as part of these annual filings, attachments providing and discussing metrics developed by NERC and the Regional Entities to be used as a further aid to understanding where and why differences exist among the Regional Entities' activities and budgets. The presentations in these attachments have been revised and expanded over time based on NERC's and the Regional Entities' analysis of

appropriate and useful metrics, and directives in the Commission's Orders.[97] In Attachments 15 and 16 of each of the 2010 Business Plan and Budget filing and the 2011 Business Plan and Budget filing, NERC provided two sets of metrics information. The metrics in Attachment 15 depicted and compared the Regional Entities' total statutory budgets and staffing, CMEP budgets and staffing, total statutory budget and CMEP budget dollars per registered entity and per registered function, registered entities and registered functions per statutory FTE and per CMEP FTE, numbers of "small," medium" and "large" non-CIP compliance audits and "small" and "large" CIP compliance audits, and cost per compliance audit by type and size of audit.[98] The metrics in Attachment 16 focused on the NERC and Regional Entity administrative (indirect) costs and staffing relative to total and direct program costs and staffing, including

- Statutory indirect expenses as a percent of total statutory expenses, and statutory direct expenses per dollar of statutory indirect expenses
- Statutory indirect FTEs as a percent of total statutory FTEs, and ratio of direct statutory FTEs to indirect statutory FTEs.
- Total statutory expenses per total FTE, statutory direct expenses per direct FTE, statutory indirect expenses per indirect FTE, and statutory indirect expenses per total FTE.

In the *2011 Budget Order*, the Commission generally approved the metrics information presented in the 2011 Business Plan and Budget filing, but directed NERC to provide additional metrics information in future Business Plan and Budget filings:

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[97] *See, e.g., 2008 Budget Order* at PP 34-35; *2009 Budget Order* at PP 47-48; *North American Electric Reliability Corporation, Order Conditionally Accepting Compliance Filing*, 123 FERC ¶ 61,282 (2008), at P 39

[98] Metrics information on CIP audits was provided for the first time in Attachment 15 to the 2011 Business Plan and Budget filing. For the metrics provided in this filing, the definitions of CIP audit sizes have been revised from the definitions used to develop the metrics in the 2011 Business Plan and Budget filing. There are now two categories of CIP audit sizes identified, "small" and "large," with the key distinguishing factor between the two audit sizes being whether or not the registered entity has any critical cyber assets. *See* **Attachment 15** for a complete statement of the revised definitions of "small" and "large" CIP audits.

> NERC provides metrics on Regional Entity operations in Attachments 15 and 16 of its Application. The Commission directs NERC to make additions to the section regarding metrics used to analyze the Regional Entities operations in future business plan and budget filings. NERC should include an analysis of the current fiscal year in addition to the "Metrics for Budget Submission" for the next budget year, specifically a "projected" versus "budgeted" amount, similar to the way NERC presents its budget information within its business plan and budget filing.[99]

Attachment 15 and **Attachment 16** provide the same metrics information, in the same format, as presented in Attachments 15 and 16 of the 2010 and 2011 Business Plan and Budget filings, from NERC's and the Regional Entities' 2012 Business Plans and Budgets. In addition, in response to P 38 of the *2011 Budget Order*, Attachment 15 has been expanded to include metrics based on the NERC and Regional Entity 2011 projections included in their respective 2012 Business Plans and Budgets.[100] Each Attachment contains analysis and discussion of the metrics information presented in that Attachment.

Paragraph 38 of the *2011 Budget Order*

As noted above, the *2011 Budget Order* directed NERC to make additions to the section regarding metrics used to analyze the Regional Entities' operations in future business plan and budget filings, namely, to include an analysis of the current fiscal year in addition to the "Metrics for Budget Submission" for the next budget year, specifically a "projected" versus "budgeted" amount similar to the way this information is presented in the business plan and budget filings. At the time the *2011 Budget Order* was received, NERC and the Regional Entities anticipated being able to provide the additional metrics based on current year projections.

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[99] *2011 Budget Order* at P 38.

[100] The "Metrics for Budget Submission" referred to in P 38 of the *2011 Budget Order* were provided in Attachment 15 to the 2011 Business Plan and Budget Filing.

Subsequent to the issuance of the *2011 Budget Order*, however, NERC and the Regional Entities engaged in extensive discussions regarding the development of a set of metrics to measure Regional Entity performance under the delegation agreements, as well as the overall effectiveness of ERO operations.[101] The Finance and Accounting staffs of NERC and the Regional Entities also spent considerable time discussing the extensive resources required to prepare and track, as well as the overall design and usefulness of, the various metrics (based on upcoming year budget information) which have previously been developed and submitted in the annual business plan and budget filings; and the additional resources required to compile and present comparable metrics based on the current year projections. Further, each annual budget (which for practical purposes, must be prepared and essentially completed by about May 31 of the prior year) reflects the knowledge and experience gained during the second preceding year (*e.g.*, 2010 in the case of the 2012 budgets) regarding the cost and resources required to undertake activities the metrics seek to measure. NERC and the Regional Entities are engaged in ongoing efforts to analyze and better understand the differences in budgeted Compliance Program and compliance audit costs among the Regional Entities. NERC and the Regional Entities are also engaged in ongoing efforts to improve the efficiency and effectiveness of NERC's financial and operational auditing of the Regional Entities' operations.

Additionally, although NERC and the Regional Entities do present current year "projections" in their business plans and budgets (which typically represent each entity's projections of the final current year financial results as of May or June of the current year), these

[101] For example, at its August 4, 2011 board meeting, the NERC Board of Trustees approved an initial set of metrics for measuring performance under the delegation agreements (*see* http://www.nerc.com/docs/bot/agenda_items/9-1-Proposed%20RDA%20Metrics%20-%20July%2013%202011.pdf).

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projections are not prepared with the level of consistency used to prepare the entities' annual budgets, and therefore make the usefulness of any metrics comparison using this information questionable. For example, different Regional Entities may choose to reflect new information on resource requirements, gained since their current year budgets were filed with the Commission, in different ways in developing their current year projections. One Regional Entity may decide that a new requirement that arose since the start of the current year should be explicitly reflected as an adjustment to the current year budget, in arriving at a current year projection, while another Regional Entity may conclude that the new requirement will not necessitate sufficient incremental resources to warrant an adjustment to the current year budget. NERC and the Regional Entities have not developed a set of guidelines and criteria for making such decisions. Moreover, comparing year-to-date results for the first four or five months against the pro rata budget numbers and then extrapolating the variance for the full year is not appropriate, because a Regional Entity will not necessarily incur one-twelfth of its budgeted costs for the year in each month (*i.e.*, activities do not occur, and are not assumed to occur, uniformly on a monthly basis throughout the year). As a result, presenting comparisons of metrics based on the current year "projection" to metrics based on the upcoming year's budget does not provide meaningful comparative information, and could be misleading, because the two sets of underlying numbers are not necessarily prepared with the same levels of consistency.[102]

[102] NERC acknowledges that the procedures used to develop the current year projections have not been discussed in previous business plan and budget filings and would not have been known to the Commission. NERC and the Regional Entities are also engaged in ongoing efforts to improve the quality and consistency of annual and long-term budget projections, and the discussion presented in this filing regarding the development of metrics using current fiscal year projections should not be construed as an indication of any lack of attention or diligence by the individual Regional Entities in developing these projections.

NERC and the Regional Entities already prepare and file with the Commission, by May 31 of each year, a detailed report comparing their final, actual, audited statutory costs to their budgeted costs for the preceding year, with explanations of significant variances on a total entity basis and on a line-item basis by program. That filing includes metrics based on both budgeted costs and actual costs for the preceding year.[103] That annual filing provides a meaningful comparison between the budgeted costs and the actually incurred costs of NERC and the Regional Entities for the year just concluded.

In **Attachment 15** to this filing, in response to P 38 of the *2011 Budget Order*, NERC has provided certain of the metrics based on NERC's and the Regional Entities' 2011 projections (as well as on their 2012 budgets) as presented in the 2012 Business Plans and Budgets.[104] However, for the reasons described above, NERC respectfully submits that the development of metrics based on the current year "projections," and the comparison of those metrics to the metrics based on the budgets for the upcoming year, does not provide meaningful or useful information and that any incremental knowledge gleaned from such metrics does not justify the resources required to develop the additional metrics. Development of metrics and comparisons based on the current year "projections" does not provide any material benefit in terms of analyzing, understanding and improving the (relative) efficiencies of Regional Entity or overall ERO operations, beyond what can be gained from continuing to analyze and improve the

[103] NERC and the Regional Entities also prepare detailed statements of activities presenting actual, budgeted and projected costs by entity on a quarterly basis.

[104] In **Attachment 15**, NERC has not included metrics based on the 2011 projections for the costs of, and other resources used in, the various sizes and types of compliance audits. The NERC and Regional Entity current year projections are developed at a much higher level of aggregation (*i.e.*, by total entity and by statutory program and administrative function); they are not developed at a level of detail that would enable a Regional Entity to develop a revised (from the budget) projection of the costs of the different sizes and types of compliance audits.

collective understanding of the extensive budget information and metrics NERC and the Regional Entities already prepare, as well as devoting resources and attention to improving the efficiency and effectiveness of NERC's auditing of Regional Entity operations. NERC and the Regional Entities remain committed to the ongoing development of meaningful metrics based on their budgets and actual results, and to exchanging actual and projected budget, cost and resource information to improve the overall efficiency and effectiveness of NERC and Regional Entity resource utilization.

Accordingly, NERC respectfully requests that, for purposes of future years' NERC and Regional Entity business plan and budget filings, the Commission waive or terminate the requirement in P 38 of the *2011 Budget Order* that NERC and the Regional Entities present metrics based on current year financial projections.

VI. STATUS REPORT ON PROGRESS IN PROCESSING ALLEGED VIOLATIONS OF RELIABILITY STANDARDS

In its 2010 and 2011 Business Plan and Budget filings, NERC provided status reports on the progress achieved by NERC and the Regional Entities in reducing the backlog of alleged violations of reliability standards that had not been processed to completion.[105] The status reports also described the initiatives being undertaken by NERC and the Regional Entities to process new allegations of violations in a more expeditious manner. In the *2011 Budget Order*, the Commission reviewed the status report submitted in Attachment 17 of the 2011 Business Plan and Budget filing and stated the following observations and directives:

36. The Commission commends NERC for its efforts to reduce the number of

[105] A status report on processing alleged violations was originally included in the 2010 Business Plan and Budget filing, in response to a Commission directive in the *July 16, 2009 Budget Compliance Order*, at P 18. The status reports were Attachment 19 to the 2010 Business Plan and Budget filing and Attachment 17 to the 2011 Business Plan and Budget filing.

> alleged violations pending before December 31, 2008. However, Regional Entities and NERC are still actively considering a number of alleged violations from 2009 and 2010, including analyzing whether violations occurred and the penalty amounts that should be imposed, or engaging in settlement discussions. The Commission's expectation is that NERC will take appropriate measures if its budgeted resources are not enough to achieve desired efficiencies in enforcement processing to diminish the number of alleged violations under active consideration, especially those that are more than six months old.
>
> 37. The Commission, to that end, directs NERC to include in its future business plan and budget filings NERC's progress in processing violations. The business plan and budget filings should include an assessment of violations status by region and also provide background on NERC's caseload and caseload management. The status of NERC's active violations should be broken down into six month time frames and reach back to NERC's earliest active violation. Moving forward, NERC should remove any time periods that no longer contain active violations. Additionally, NERC's discussion and compliance statistics contained in the Compliance Enforcement section of NERC's business plan should also be included in this status report.[41] In this regard, the Commission notes that Attachment 17 to NERC's Application lacks a summary of all current outstanding violations, summarized by state and region, similar to what was filed in NERC's 2010 business plan and budget.[42] The Commission directs NERC to include this table in its compliance filing.
>
> [41] NERC Application at 39-43.
>
> [42] NERC Petition, Docket No. RR09-09-000, at Attachment 19 Table 4 (filed August 24, 2009).

Attachment 17 to this filing is a status report, as of June 30, 2011, on the processing of alleged violations by NERC and the Regional Entities conforming to the requirements in P 37 of the *2011 Budget Order*. In response to P 37, the information provided in **Attachment 17** has been expanded from Attachment 17 to the 2010 Business Plan and Budget filing, and also includes tables in the form referred to in the last sentence of P 37. As directed in P 37, NERC will continue to provide a status report in this format (or as modified by directives in future Commission Orders) in future annual business plan and budget filings.

VII. CONCLUSION

Based on the information in this filing, NERC requests that the Commission issue an order pursuant to 18 C.F.R. §39.4, by November 2, 2011: (1) accepting NERC's proposed 2012

Business Plan and Budget in **Attachment 2**; (2) accepting the proposed 2012 Business Plans and Budgets of the eight Regional Entities for statutory activities in **Attachments 3 through 10**; (3) accepting the proposed budget and funding requirement of WIRAB for 2012 in **Attachment 11**; (4) approving the proposed assessments to each load-serving entity or designee or other entities to be billed within each Region, as set forth in Appendix 2 to **Attachment 2**, to be billed to and paid by each such load-serving entity or designee or other entity to fund the portion of NERC's 2012 Funding requirement allocated to the United States and the 2012 Funding requirement for statutory activities of each Regional Entity and WIRAB allocated to the United States; and (5) terminating the requirement in P 38 of the *2011 Budget Order*.

Respectfully submitted,

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DOCKET NO. RR11-__-000

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 1

SUMMARY TABLES FOR NERC AND REGIONAL ENTITY

PROPOSED 2012 BUDGETS AND ASSESSMENTS

NERC'S Proposed Budget by Program[1]

NERC Program	2011 Budget for Statutory Functions	2012 Budget for Statutory Functions
Reliability Standards	$ 7,682,752	$ 9,156,601
Compliance Enforcement and Organization Registration and Certification	$ 17,457,901	$ 19,514,535
Reliability Assessment and Performance Analysis	$ 6,292,329	$ 6,968,860
Training, Education and Operator Certification	$ 2,923,011	$ 3,098,129
Situational Awareness and Infrastructure Security	$ 14,370,473	$ 14,374,147
Total Budget	$ 48,726,465	$ 53,112,272

[1]Does not include the proposed provision for Working Capital reserve funding

Proposed Budget for Statutory Activities of NERC, each Regional Entity and WIRAB[1]

	2011 Budget for Statutory Functions	2012 Budget for Statutory Functions
NERC	$ 48,726,465	$ 53,112,272
FRCC	$ 5,588,610	$ 6,394,454
MRO	$ 8,130,824	$ 9,057,228
NPCC	$ 12,716,809	$ 13,680,642
RFC	$ 15,219,650	$ 16,656,499
SERC	$ 11,776,640	$ 15,594,445
SPP RE	$ 9,797,236	$ 11,410,642
TRE[2]	$ 9,283,856	$ 10,613,458
WECC	$ 68,205,449	$ 67,969,168
WIRAB	$ 616,470	$ 614,677
Total Budget	**$ 190,062,009**	**$ 205,103,485**

[1]Does not include the proposed provision for Working Capital reserve funding

[2]The 2010 Budget for Statutory Functions for TRE is based upon their Amended 2011 Business Plans and Budgets

Proposed Assessments for Statutory Activities of NERC and each Regional Entity

	Assessments for Statutory Functions 2011	Allocation to U.S. 2011	Assessments for Statutory Functions 2012	Allocation to U.S. 2012
NERC	$ 41,106,967	$ 35,989,995	$ 50,661,272	$ 46,132,189
FRCC	$ 4,967,060	$ 4,967,060	$ 4,424,850	$ 4,424,850
MRO	$ 8,260,502	$ 6,852,336	$ 8,349,029	$ 6,994,464
NPCC	$ 12,652,610	$ 7,397,523	$ 12,551,567	$ 7,308,162
RFC	$ 12,803,844	$ 12,803,844	$ 13,534,272	$ 13,534,272
SERC	$ 10,671,508	$ 10,671,508	$ 14,845,275	$ 14,845,275
SPP RE	$ 9,094,985	$ 9,094,985	$ 9,851,647	$ 9,851,647
TRE	$ 9,227,823	$ 9,227,823	$ 9,503,866	$ 9,503,866
WECC[1]	$ 38,234,892	$ 32,656,488	$ 37,220,341	$ 31,507,675
Total Budget	**$ 147,020,191**	**$ 129,661,562**	**$ 160,942,119**	**$ 144,102,400**

[1] Includes assessments for WECC and WIRAB

DOCKET NO. RR11-__-000

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 2

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

PROPOSED 2012 BUSINESS PLAN AND BUDGET

NERC

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 Business Plan and Budget

August 4, 2011

to ensure the reliability of the bulk power system

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About NERC

Overview

The North American Electric Reliability Corporation (NERC) is a not-for-profit entity organized under the New Jersey Nonprofit Corporation Act. NERC's mission is to improve and ensure the reliability of the bulk power system in North America. NERC's area of responsibility spans the continental United States and Canada and the northern portion of Baja California, Mexico. Entities under NERC's jurisdiction are the users, owners, and operators of the bulk power system - a system that serves the needs of over 334 million people, includes installed electricity production capacity of approximately 1,200 gigawatts, operates 211,000 miles of high voltage transmission, and is comprised of assets worth more than one trillion dollars.

The Federal Energy Regulatory Commission (FERC) certified NERC as the Electric Reliability Organization (ERO) within the United States to establish and enforce reliability standards for the U.S. portion of the bulk power system, pursuant to Section 215 of the Federal Power Act. NERC is subject to regulatory oversight by FERC.

In Canada, NERC presently has memoranda of understanding with provincial authorities in Ontario, New Brunswick, Nova Scotia, Québec, Saskatchewan, and Alberta, and with the National Energy Board of Canada. NERC standards are mandatory and enforceable in Ontario and New Brunswick as a matter of provincial law. NERC has an agreement with Manitoba Hydro, making reliability standards mandatory for that entity, and Manitoba has recently adopted legislation setting out a framework for standards to become mandatory for users, owners, and operators in the province. In addition, NERC has been designated as the "electric reliability organization" under Alberta's Transportation Regulation, and certain reliability standards have been approved in that jurisdiction; others are pending. NERC and the Northeast Power Coordinating Council (NPCC) have been recognized as standards setting bodies by the Régie de l'énergie of Québec, and Québec has the framework in place for reliability standards to become mandatory. NERC standards are now mandatory in British Columbia and Nova Scotia.

Scope of Responsibilities

As the ERO, NERC's primary responsibilities are leading the development, improvement, and adoption of reliability standards for the bulk power system in North America and the monitoring, evaluating, and enforcement of compliance with those reliability standards by the approximately 1,900 entities registered with NERC as bulk power system users, owners, and operators. Collectively, these entities perform over 4,600 bulk power system reliability functions. In addition, NERC conducts near-term and long-term assessments of the reliability and future adequacy of the North American bulk power system; certifies bulk power system operators as having and maintaining the necessary knowledge and skills to perform their reliability responsibilities; maintains situational awareness of events and conditions that may threaten the reliability of the bulk power system; coordinates efforts to improve physical and cyber security for the bulk power system of North America as it relates to reliability; and

conducts detailed analyses and investigations of system disturbances and unusual events to determine root causes, uncover lessons learned, and issue relevant findings as advisories, recommendations, and essential actions to the industry. All of these activities serve the broad public purpose of helping to improve and ensure the reliability of the bulk power system.

Membership and Governance

Membership in NERC is open to any person or entity that has an interest in the reliability of the North American bulk power system. Membership in NERC is voluntary and affords participants the opportunity to engage in the governance of the organization through election to the Member Representatives Committee. The number of entities and individuals who are members is nearly 700.

A twelve-member Board of Trustees governs NERC (11 independent directors plus the CEO serving as the management trustee). The board has formed several committees to facilitate its oversight of the organization in the areas of finance and audit, governance and human resources, compliance, standards oversight and technology, and nominations. The board also oversees NERC's technical committees of industry volunteers in the areas of operations, planning, critical infrastructure protection, standards, compliance and certification, and personnel certification.

NERC's Member Representatives Committee comprises 28 voting representatives elected from the 12 membership sectors. The Member Representatives Committee elects the independent trustees, along with the board votes on amendments to the Bylaws, and provides policy advice and recommendations to the board on behalf of stakeholders with respect to annual budgets, business plans, and other matters pertinent to the purpose and operations of the organization.

Delegated Authorities

In executing a portion of its responsibilities, NERC delegates authority to Regional Entities to perform certain functions through delegation agreements. FERC has approved delegation agreements between NERC and eight Regional Entities (Florida Reliability Coordinating Council, Midwest Reliability Organization, Northeast Power Coordinating Council, Inc., Reliability*First* Corporation, SERC Reliability Corporation, Southwest Power Pool RE, Texas Reliability Entity, Inc. and the Western Electricity Coordinating Council). These delegation agreements describe the authority delegated to the Regional Entities in the United States to propose and enforce reliability standards within their geographic footprints. NERC expects Regional Entities whose territories extend into Canada and Mexico to perform equivalent functions in those jurisdictions. During 2010, NERC and the Regional Entities negotiated and the FERC approved amendments to these delegation agreements to improve the efficiency, transparency, quality and effectiveness of the combined NERC and Regional Entity operations. NERC and the Regional Entities will implement and maintain metrics to measure and track key elements of NERC and Regional Entity performance.

Funding

Section 215 of the Federal Power Act and FERC regulations also specify procedures for NERC's funding in the United States. NERC prepares an annual business plan and budget, which is subject to FERC approval in the United States. Once approved, assessments are allocated to load-serving entities on a net energy for load (NEL) basis. Equivalent funding mechanisms are provided in Canada subject to the specific laws and regulations of each province.

The funding requirements for each Regional Entity are addressed separately in each Regional Entity's business plan and budget, which must be reviewed and approved by NERC and FERC in the United States. Assessments for the Regional Entity budgets are included in the overall NERC assessments to load-serving entities.

Introduction and Executive Summary

TOTAL RESOURCES (in whole dollars)	2012 Budget	U.S.	Canada	Mexico
Statutory FTEs	176.75			
Non-statutory FTEs				
Total FTEs	176.75			
Statutory Expenses	$ 54,240,898			
Non-Statutory Expenses	$ -			
Total Expenses	$ 54,240,898			
Statutory Inc(Dec) in Fixed Assets	$ (1,128,627)			
Non-Statutory Inc(Dec) in Fixed Assets	$ -			
Total Inc(Dec) in Fixed Assets	$ (1,128,627)			
Statutory Working Capital Requirement	$ (0)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	$ (0)			
Total Statutory Funding Requirement	$ 53,112,272			
Total Non-Statutory Funding Requirement	$ -			
Total Funding Requirement	$ 53,112,272			
Statutory Funding Assessments	$ 50,661,272			
Non-Statutory Fees				
NEL	4,531,597,185	4,013,668,072	507,354,159	10,574,954
NEL%	100.00%	88.18%	11.57%	0.25%

Goals, Priority Deliverables, and Challenges

NERC's mission is to improve and ensure the reliability of the bulk power system of North America. NERC furthers this mission by facilitating industry awareness and management of risks to reliability; developing clear, reliability-focused standards; promoting compliance excellence with its reliability standards; assessing and reporting on existing and future reliability performance; analyzing and reporting on system events to identify and share lessons learned; and providing firm but fair enforcement of mandatory reliability standards.

NERC has accomplished many things in the short time period since being designated as the ERO by FERC, as recognized in the FERC's acceptance of the three-year ERO performance assessment of NERC as the ERO, and finding that NERC, working with the Regional Entities, continues to satisfy statutory and regulatory criteria for certification and highlighting the significant progress that NERC and the Regional Entities have made in transitioning from a voluntary reliability program to mandatory and enforceable reliability standards, approved by

the Commission.[1] NERC's accomplishments were also appropriately summarized by the Edison Electric Institute in its February 17, 2011 Policy Input Comments to the NERC Board of Trustees:

> "With almost five years experience as the nation's Electric Reliability Organization, NERC should be proud of its record of achievement. Developing 'version O' standards catalog and a process for mandatory reliability standards, standing up a compliance and enforcement program, and seeking generally to transform the historical corporate mission and culture to fit with a federal regulatory oversight role, all are evidence of the strong commitment, dedication, and performance of the entire NERC community; NERC staff, regions, and stakeholders who support NERC and its critical mission to ensure the reliability of the best bulk power system in the world. The broad FERC endorsement of NERC performance in the three-year assessment further reflects that NERC has achieved many significant important milestones."

NERC acknowledges and appreciates the support it has received from industry, regulatory and governmental authorities, and numerous other stakeholders. Designated as the ERO in 2006, NERC continues to evolve and mature as an organization and recognizes that there is considerable work that remains to be done in furtherance of its mission, including, but not limited to, ongoing strategy work and prioritization, improvements in business planning, processes, and execution, including the deployment of technology to effectively support business processes, as well as stakeholder communications, information sharing and support.

As part of the 2011 Business Plan and Budget process, NERC and the Regional Entities took steps to improve their long-term business planning and budgeting processes to provide a more meaningful context to properly evaluate near term resource needs. Rather than focus on the development of a common set of assumptions for just the upcoming year as was the case with the 2010 Business Plan and Budget, NERC and the Regional Entities developed assumptions that they believed would influence resource and funding requirements over a three-year planning horizon. As part of its 2011 Business Plan and Budget, NERC also presented a three-year budget forecast. This forecast reflected significant anticipated increases in resources in 2011 and 2012, followed by a leveling off of incremental resource needs in 2013.

While understandably noting their concerns with NERC's proposed 2011 budget increase, especially in light of the general state of the economy, stakeholders expressed support for the ERO goals, objectives, and resource requirements, all of which were thereafter filed with and approved by FERC and filed as necessary with other applicable governmental authorities.

NERC is now in the second year of that three-year plan and its 2012 Business Plan and Budget reflects the resources required for NERC to continue to deliver on its mission. NERC's 2012 Business Plan and Budget also reflects the ongoing efforts of NERC, as a maturing ERO, to better

[1] Order on The Electric Reliability Organization Three-Year Performance Assessment, North American Electric Reliability Corporation, Reliability Standards Development and NERC and NERC and Regional Entity Enforcement, Docket Nos. RR09-7-000 AD10-14-000, September 16, 2010 (132 FERC ¶ 61,217) at pages 1 and 2.

define program area requirements and allocate resources in order to make more meaningful and demonstrable contributions to improvements in the reliability of the bulk power systems in North America.

During the first quarter of 2011, under the leadership of NERC's president and chief executive officer, the NERC and Regional Entity executive management group devoted considerable time and effort to further improving the ERO business planning and budgeting process, including refining and updating goals, objectives, deliverables, and common multi-year business planning and budgeting assumptions, taking into account lessons learned and stakeholder feedback, as well as applicable governmental requirements and directives. NERC's Board of Trustees also participated in a strategic planning session, building on input from NERC and the Regional Entity Executive Management Group. Seven goals emerged from this strategic planning initiative including:

- Develop clear, results-based standards
- Promote a culture of industry learning and reliability excellence
- Provide effective measures of reliability risk and performance
- Facilitate effective management of critical infrastructure risks
- Ensure effective and timely compliance enforcement and mitigation
- Provide an efficient and effective ERO enterprise
- Instill a high degree of trust and confidence in the ERO

These goals were also presented to and received the general support of NERC's Member Representatives Committee, FERC Commissioners and staff attending the NERC Board and MRC meetings when they were presented, NERC's technical standing committees, and industry groups. They have also been acknowledged by and received the support of representatives of other governmental entities and representatives.

In furtherance of these strategic goals, NERC identified a number of high priority items for 2011 and 2012 including:

- Issuing new and revised standards, including the development of results-based standards, as well as working with industry, applicable governmental authorities and other stakeholders to improve the efficiency of the standards development process
- Continuing to improve enforcement efficiency and productivity, including working with regulatory authorities and stakeholders to develop and implement an improved enforcement framework which focuses both ERO and industry resources on compliance activities that are more likely to support the reliability of the North American bulk power system
- Working with stakeholders, develop a long-term strategy for the ES-ISAC and related functions
- Improving and issuing more event analysis and emerging issues reports

- Encouraging additional self-reporting
- Developing and implementing improvements to ERO processes, including the design and deployment of necessary IT infrastructure to facilitate these process improvements, including stakeholder communications, process input and collaboration
- Continuing to improve compliance information and education, including Compliance Application Notices (CANs), bulletins and case notes
- Advancing the evaluation of the reliability effects of geomagnetic disturbance (GMD)
- Improving metrics and modeling capabilities
- Working closely with industry, FERC staff, the regional entities and other stakeholders to define a long term strategy for SAFNR, including ensuring the proper protection and use of information collected through the SAFNR technology platform
- Continuing near term support of NASPI as part of a plan to eliminate further funding by NERC by the end of 2013 in light of other significant public and private sector funding initiatives and support
- Work with industry regarding a transition of the Interchange Distribution Calculator (IDC), as well as other tools that are not essential to NERC operations, to a user-supported funding mechanism in connection with NERC's termination of funding of the IDC in March of 2013.
- Improvements in training of ERO staff and stakeholders
- Improving the ability of industry to respond to incidents, vulnerabilities, and threats that have the potential to adversely affect the bulk power system reliability

NERC is also committed to continuing to work with regulatory authorities, the Regional Entities, industry and other stakeholders to identify, reduce or eliminate resource demands associated with low priority activities. NERC is also mindful of resource impacts on the Regional Entities resulting from NERC initiatives. NERC's goal is to improve the overall efficiency and effectiveness of the ERO and not create unnecessary resource burdens on Regional Entities or stakeholders.

As a maturing ERO, NERC, along with the Regional Entities and industry participants in the ERO, continue to face a number of critical challenges and demands as they work to achieve the ERO's strategic objectives:

- *Reprioritizing to focus on reliability risk and delivery of results*
- *Rising expectations in critical infrastructure*
- *Addressing regulatory mandates*, particularly with respect to improving reliability standards and reducing compliance caseload
- *Addressing improvements identified* in the three-year assessment of NERC's performance as the ERO

- *Improving business processes* in ways that are noticeable and supported by stakeholders, while also maintaining a focus on and managing a significant workload using existing support processes as new processes are developed and integrated
- *Balancing resource needs within financial constraints, and achieving efficiencies*
- *Recruiting, integrating and retaining qualified personnel*

2012 Key Assumptions

As mentioned above, NERC and the Regional Entities' Business Plans and Budgets reflect a set of common assumptions, attached as Exhibit A, developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The significant assumptions underlying NERC's 2012 Business Plan include:

1. The legal framework under which NERC and the Regional Entities operate will continue;
2. There will be continued industry participation to support key program areas;
3. There will be increased workload and therefore an increased need for improved resource planning coordination between and among NERC committees, as well as between NERC management and the leadership of these committees, as well as with Regional Entities;
4. Cyber and critical asset security will continue to be a priority in the United States and Canada;
5. Continued refinement of risk-based methodologies to support more effective and efficient compliance monitoring will mitigate compliance resource needs;
6. The frequency of compliance audits will transition to be more reflective of a registered entity's reliability risk profile;
7. Current trends in the number of new alleged standards violations each month will continue, e.g., violations of Order 693 standards gradually trending downward and violations of cyber security standards continuing to increase;
8. A uniform Bulk Electric System (BES) definition will be implemented in 2012;
9. Registration challenges will not increase significantly;
10. The Generator Availability Data System will become mandatory before or during 2012 and the and Spare Equipment Database will become operational in 2012; and
11. The number of events requiring review and analysis will increase as a result of the implementation of NERC's new event analysis procedure, which will require NERC review and feedback as necessary notwithstanding the new procedure's goal of increasing registered entity self analysis.

2012 Key Deliverables

Consistent with the list of high priority items emerging from its strategic planning initiative, the following is the list of significant deliverables, which NERC is targeting for 2012:

Reliability Standards

- Complete and obtain board approval of a report on the adequate level of reliability of the bulk power system
- Increase the number of new, substantively revised or retired standards, including those developed through the use of expedited processes
- Further reduce the backlog of standards-related directives
- Working with applicable NERC committees, develop a plan and procedures for piloting a compliance trial period applicable to new standards
- Provide supplemental reference guides and supporting compliance information to guide implementation of new and revised standards
- Make recommendations for additional program area improvements based on findings in annual risk assessment report
- Ensure the standards work plan reflects review of reliability priorities
- Continue to improve the quality and clarity of standards drafting in an effort to reduce ambiguities and associated ERO and stakeholder resource demands associated with the application and enforcement of standards

Compliance

- Continue to follow through on initiatives commenced during 2011 to implement ongoing improvements in the compliance enforcement framework to refocus both ERO and industry resources on compliance activities that are directly tied to ensuring reliability
- Risk-based prioritization and methods for focusing compliance monitoring on critical standards and at-risk entities are fully adopted
- Ongoing reductions in duration of active caseload
- Reduction in the time period required to verify closure of mitigation plans
- Improved organization registration procedures

Event Analysis

- Increased number of self-assessments by registered entities, together with increased percentage acceptance of initial submittals by NERC
- Closeout and finalization of review of all events from 2009 and 2010
- Increased issuance of alerts, as well as better systems and processes to issue and track alerts

Reliability Assessments

- Assessment of the reliability affects of Geomagnetic Disturbance (GMD) using the GMD scenario outlined in the Electricity Sub-Sector Coordinating Council (ESCC) Critical Infrastructure Protection Strategic Roadmap and the related technical committees' Critical Infrastructure Protection Strategic Initiatives Coordinated Action Plan
- Improved reliability data management, modeling, and programming capabilities

Situation Awareness

- Improve ES-ISAC capabilities, including the development of a secure portal for communication of sensitive information with industry and governmental authorities
- Work with industry, FERC staff and the Regional Entities to develop a long term strategy for SAFNR, including but not limited to addressing industry concerns regarding the use of SAFNR information

Critical Infrastructure Protection

- Support CIP Standards Development
- Support ESCC Coordinated Action Plan
- Deploy ES-ISAC portal to facilitate information sharing/collaboration; develop long term strategy for ES-ISAC
- Support security training, exercises and outreach

Training and Education

- Deliver additional staff and standards drafting teams training on development of results-based standards
- Through engagement of standing committees' expertise, issuance of white papers to assist in developing the technical basis for reliability standards
- More robust training opportunities through improved NERC website functionality, webinars, and workshops
- Increased issuance of lessons learned
- Increased training of ERO staff on event forensics and root cause analysis
- Additional internal and stakeholder Critical Infrastructure Protection training

Information Technology

- Deployment of ERO information systems and related technologies which are responsive to ERO business requirements, regional entity, and stakeholder needs
- Significantly improve NERC's website; work on which has already been initiated, with the expectation of NERC's new website being rolled out in the first quarter of 2012

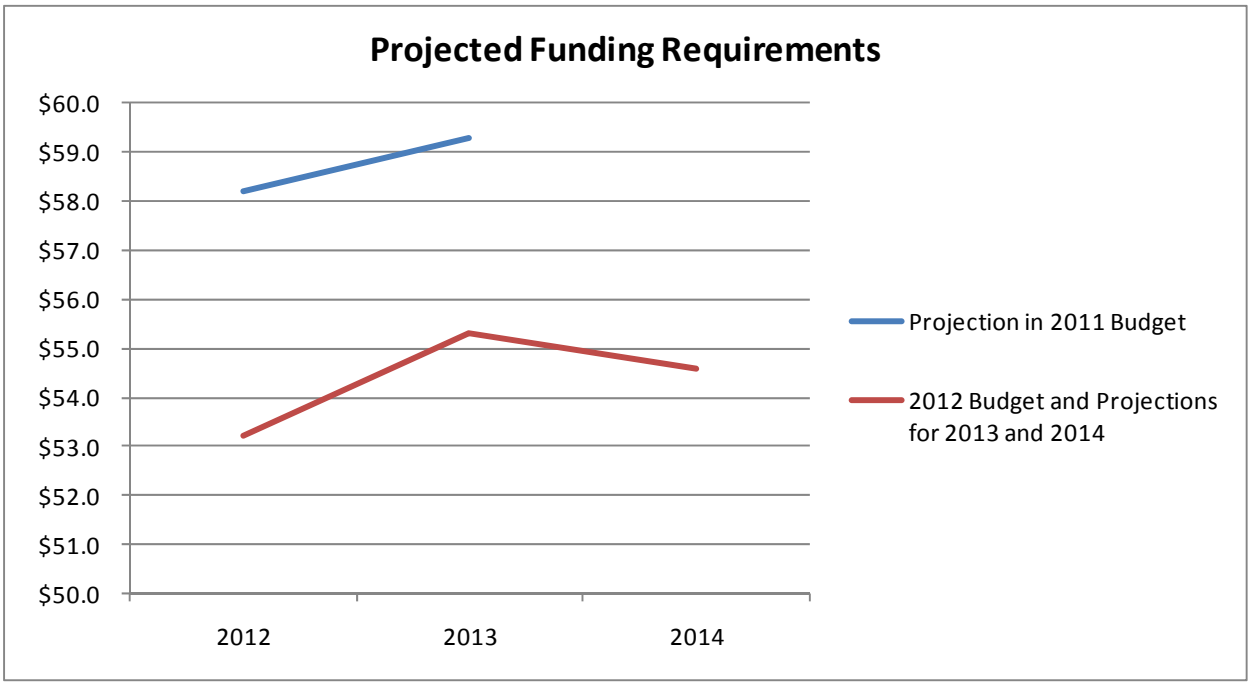
Overview of Funding Requirements

The following sections of the 2012 Business Plan and Budget describe in detail the resources needed in 2012 for NERC to continue to carry out its obligations and address the many challenges it faces as the ERO. The 2012 funding requirements reflect the costs of ongoing operations, including those resulting from 2011 personnel additions and infrastructure investments. Incremental funding requirements in 2012 are primarily driven by resources required to strengthen standards development capabilities, increase compliance processing efficiency, and fund investments in technology to facilitate improved business processes. The 2012 funding requirements for these items are partially offset by savings realized from the completion, elimination, or reduction in the scope of various other program area initiatives.

Overall, NERC is projecting an increase in total operating expenses and capital expenditures of approximately $4.4M, or approximately 9 percent, over 2011. This compares to an increase of approximately $10.3 M or an increase of 26.7 percent in 2011 operating expenses and capital expenditures compared to 2010. Total 2012 projected operating expenses and capital expenditures are also approximately $4.5M or 7.9 percent below the 2012 projection contained in NERC's 2011 Business Plan and Budget. Since NERC is not projecting any further additions to working capital in 2012, total 2012 funding requirements are projected to decrease approximately $614k, or 1.1 percent, over 2011, which included a provision for additional working capital funding.

NERC management has also developed preliminary budget projections for 2013 and 2014. Management believes that the proposed 2012 funding requirements, together with proposed Regional Entity resources and ongoing improvements in the efficiency of overall ERO operations should permit NERC to hold its 2013 and 2014 funding requirements in the range of $55.3M and $54.6M, respectively. These amounts reflect a continuing trend towards lower funding increases. For purposes of these projections, 2013 and 2014 staffing levels have been kept even with 2012 projected staffing levels due to the uncertainty associated with future program area staffing needs at this time. The 2013 and 2014 contractor and consulting budget forecast was held level with 2012, with the exception of an increase of approximately $150k under the Reliability Assessment Program Area for additional modeling support using outside experts which was deferred until 2013, the reduction in IDC expenses associated with the termination of that contract in 2013, the elimination of further NASPI funding at the end of December 2012 and the addition of $500k as a place holder for funding of IT software and infrastructure to support process improvement initiatives. NERC will continue to refine these projections as 2011 and 2012 resource additions are integrated into current operations and the results of the various ERO efficiency initiatives undertaken by and between NERC and the Regional Entities become available. While there are many factors that can affect resources requirements in 2013 and 2014, NERC management believes these projections are reasonable in light of known factors affecting company resource requirements. Management will continue to review these assumptions in the context of the preparation of its 2013 Business Plan and Budget and long-term financial forecasts.

The following graph compares NERC proposed 2012 and projected 2013 and 2014 funding requirements compared to three-year projection contained in NERC's 2011 Business Plan and Budget. The projected increase decrease in the 2014 budget compared to 2013 is primarily driven by the termination of funding of the IDC contract and NASPI.



Background

Building on the 2011 business planning initiatives and taking into account feedback from stakeholders, the first step NERC took in preparing its 2012 budget was to undertake a comprehensive review of existing resource allocation to ensure alignment with the ERO's strategic goals and objectives. Departmental staffing, consulting, and contractor costs were also thoroughly reviewed, as were travel and meeting expenses and other operating costs. During 2011, NERC management also implemented a new employee performance management program to better align individual and departmental performance with corporate goals and objectives. This process, which has now been institutionalized, also provided and will continue to provide an opportunity to better evaluate and address weaknesses within existing resource capabilities. NERC's 2012 Business Plan and Budget also reflects consideration of stakeholder comments over the course of preparing, posting and presenting various drafts.

Cost of Current Operations

After completing its comprehensive review of existing staffing, management reviewed the costs associated with existing operations, including opportunities to reduce contractor, consulting and other operating expenses. Similar to the budget presentation format used in 2011, the costs associated with NERC's existing operations are referred to as NERC's "base operating budget". The base operating budget excludes funding requirements for working capital

reserves.[2] The 2011 base operating budget is approximately $48.7M. The projected 2012 base operating budget is approximately $48.9M, representing a projected increase of approximately $190.5k or 0.4 percent. This compares to a base operating cost increase of approximately 6.1 percent in 2011 compared to 2010.

The 2012 increase in base operating costs includes an increase of approximately $1.4M in personnel costs (wages, payroll taxes, health care, and other benefits), which is primarily driven by the increased level of staffing from the prior budget period and compares to an increase of approximately $3.4M in 2011. The increase in personnel costs was offset by a reduction of approximately $1.7M in existing consulting and contractor costs as a result of completion or elimination of various projects, as well as the assumption of greater workload by NERC staff. Meeting and travel costs are projected to remain relatively flat in 2012, with some increase in the projected use and associated cost of teleconferencing and web-based meetings, which helps hold down travel related expenses. Spending for capitalized computers, software, equipment, and furniture is projected to decrease as a result of the completion of various infrastructure projects.

The 2012 base operating budget reflects increased rent expense due to the leasing of office space needed to accommodate existing and future staffing needs, as well as short-term costs associated with existing leases as NERC transitions to its new headquarters in Atlanta and a new location in Washington, D.C. given space limitations at its current Washington, D.C. location. The relocation of NERC's headquarters to Atlanta and the expansion of its Washington, D.C. office is part of a comprehensive office relocation strategy adopted in 2010 to improve the long-term efficiency and cost effectiveness of overall ERO operations. This strategy remains on track.

The breakdown of the projected increase in base operating costs is summarized in the following chart.

[2] At this time and as further described herein, based on its preliminary year-end forecast, NERC is not anticipating increasing funding for working capital reserves in 2012. This assumption will be subject to ongoing review during the budget finalization process as NERC further updates its year-end working capital forecast.

2011 Base Operating Budget		2012 projected change in base operating budget
$ 21,095,939	Salaries	$ 1,471,167
1,285,299	Payroll Taxes	101,789
3,263,692	Benefits	(337,000)
2,977,801	Retirement	193,403
$ 28,622,731	**Total Personnel Expense**	**$ 1,429,359**
$ 861,500	Meetings	$ (125,500)
2,635,536	Travel	-
227,800	Conference Calls	121,110
$ 3,724,836	**Total Meeting Expense**	**$ (4,390)**
$ 7,137,042	Consultants and Contracts	$ (1,714,042)
300,094	NERCnet Contract	-
1,901,580	IDC Contract	(282,360)
$ 9,338,716	**Contracts and Consultants**	**$ (1,996,402)**
$ 1,020,151	Office Rent	$ 1,284,106
2,420,176	Office Costs	382,418
1,959,854	Professional Services	45,146
4,000	Miscellaneous	22,200
$ 5,404,182	**Operating Expenses**	**$ 1,733,870**
$ 750,000	**Non-Operating Expenses**	**(750,000)**
$ 845,200	Computer & Software CapEx	$ (181,110)
40,800	Network Equipment	(40,800)
	Furniture & Fixtures	
$ 886,000	**Capital Expenditures**	**$ (221,910)**
$ 48,726,465	**Total Base Operating Budget**	**$ 190,527**

Proposed 2012 Resource Additions and Projected Budget Impacts

After taking into account projected 2011 year-end staffing resources, management prepared a projection of 2012 resource needs, which includes proposed personnel additions, as well as additional consultant and contract needs to support key initiatives. These projections are summarized in the table below, followed by a discussion of resource needs by program area. The cumulative effect of the increase in the cost of current operations, together with proposed

incremental 2012 resource additions, is presented in a table following the discussion of the proposed 2012 resource additions and budget impacts.

Projected 2012 Base Operating Budget		Projected increase in staffing and programs
$ 22,567,106	Salaries	$ 2,233,729
1,387,088	Payroll Taxes	137,846
2,926,692	Benefits	263,616
3,171,204	Retirement	318,532
$ 30,052,090	**Total Personnel Expense**	**$ 2,953,723**
$ 736,000	Meetings	$ -
2,635,536	Travel	152,334
348,910	Conference Calls	-
$ 3,720,446	**Total Meeting Expense**	**$ 152,334**
$ 5,423,000	Consultants and Contracts	$ 945,000
300,094	NERCnet Contract	
1,619,220	IDC Contract	
$ 7,342,314	**Contracts and Consultants**	**$ 945,000**
$ 2,304,257	Office Rent	$ -
2,802,594	Office Costs	36,225
2,005,000	Professional Services	
26,200	Miscellaneous	
$ 7,138,052	**Operating Expenses**	**$ 36,225**
$ -	**Non-Operating Expenses**	
$ 664,090	Computer & Software CapEx	$ 108,000
-	Network Equipment	
-	Furniture & Fixtures	
$ 664,090	**Capital Expenditures**	**$ 108,000**
$ 48,916,992	**Total Base Operating Budget**	**$ 4,195,280**

The following is a summary of additional resource needs and incremental 2012 funding requirements by Program area:

- **Standards** — The 4.84 FTE increase for this program area takes into account the addition of staff in 2011 and phasing in of new personnel. These personnel are necessary to support the standards development process, including timely production of high quality results-based standards addressing high priority issues. Existing resources are insufficient to support forecasted workload needs. The need to implement improvements in and provide additional resource support to the standards development process has been consistently recognized in numerous industry, committee, stakeholder and governmental forums, including the Three-Year ERO Performance Assessment. These additional resources will support the training and technical writing capabilities of drafting teams, as well as greater stakeholder and regulatory outreach and coordination. The increase in personnel costs in the Standards Program Area will be partially offset by a reduction of over $300k in consulting costs compared to the 2011 budget. The total increase in funding requirements to support the Standards Program area is approximately $1.5M or approximately 19.2 percent over the 2011 program area budget.
- **Compliance Operations, Events Analysis, and Enforcement** — The 8.6 FTE increase for these departments in 2012 compared to 2011 reflects personnel additions in 2011, as well as proposed personnel additions in 2012. Two FTEs were added to the Compliance Operations department in 2011 and one FTE will be transferred in 2012. One new person (0.5 FTEs due to timing of hiring) will also be added in 2012 to support Event Analysis and Investigations and three new personnel will be added to the Enforcement area in 2012. The remaining 2.1 FTE additions reflect updated allocations of personnel supporting Compliance Operations and other departments under the oversight of NERC's Chief Reliability Officer and the impact of the phasing of new hires in 2011.

  Additional Compliance Operations resources are required to support audit oversight activities. The risk based monitoring initiatives the Compliance Operations group is implementing should pave the way for future reductions in the number of violations which must be processed by the Enforcement group, thereby easing resource demands in that group in future budget years. The personnel addition to the Events Analysis and Investigations Group is required to support events analysis and increased dissemination of information to further assist industry in implementing reliability improvements and mitigating compliance violation risks. Projected enforcement staffing needs take into account the primary enforcement role of the Regional Entities, as well as the significant role NERC plays in the CMEP process. These projections are also based on a detailed analysis of violations processing time taking into account historic data and assumed increased efficiency. Output of this group has increased 47 percent in the first half of 2011 over the average output in 2010. Despite the increase in output, the caseload has increased from approximately 2,400 to almost 3,900 active violations. NERC is committed to working with stakeholders to address the many factors contributing to

these increases, including, as outlined in the common business plan and budget assumptions,

- The implementation of risk based methodologies to more effectively and efficiently support compliance monitoring activities
- Changes to the rule of procedure to enhance the efficiency of compliance operations and enforcement
- NERC and the Regional Entities continuing to develop and implement streamlined mechanisms to expedite the disposition of minor, administrative violations and look to gain more discretion to handle minor violations before they enter the enforcement process to better focus existing resources on significant violations

Consulting and Contractor costs for this program area are projected to decrease by $315k compared to the 2011 budget due to the elimination of projected nuclear CIP audit workload as a result of the NRC's assumption of responsibility for these audits and the elimination of funding for the development of an event analysis tool. Ongoing development costs for the Compliance Reporting Analysis and Tracking System ("CRATS") to support compliance efforts, as well as the Compliance Information Tracking System ("CITS") and portal applications were reallocated to the IT department and have been reduced in 2012 by $55k. As part of its ERO Enterprise IT strategy which is being developed as part of NERC's overall process improvement initiative, NERC expects to leverage these investments and achieve further efficiencies in the planning, development, operation and maintenance of these systems within the context of a more integrated enterprise wide IT platform, the development and implementation of which is being led by NERC's IT department. The total increased funding requirements to support the Compliance Monitoring and Enforcement and Organization Registration and Certification Program Area is approximately $2.1M or 11.8 percent increase over the 2011 program area budget.

- **Reliability Assessment and Performance Analysis (RAPA)** — The projected 2.75 FTE increase reflects the addition of personnel to this program area in 2011, as well as the phasing in of new hires in 2012. The increase in personnel is partially offset by a decrease of $162k (14.0 percent) in spending on contractors and consultants that support program area workload driven primarily by NERC standing committee initiatives and responses to the Three-year Assessment, including assessments of the reliability effects of GMD, gas/electricity interdependencies, and improved database development and modeling capabilities. In addition, one of the personnel additions represents the transfer of an FTE who supports the NERC Planning Committee from the Situation Awareness and Infrastructure Security Program area given the close alignment between many RAPA and Planning Committee activities. The total increased funding requirement to support the RAPA Program area is approximately $676.5k or 10.7 percent over the 2011 program area budget.
- **Training, Education, and Operator Certification Program** — The addition of one person (0.5 FTE based upon timing of hiring) is to support ongoing training programs. The

proposed enhancement of a number of training programs and initiatives will also result in an increased funding requirement of approximately $175k or an increase of approximately 6 percent over the 2011 program area budget. This program is primarily funded through user and program fees, although the incremental funding proposed for 2012 is primarily for outside assistance to expedite the development of training modules in an effort to be responsive to needs identified in the Three-year Assessment and by stakeholders, as well as the need to expedite the development of training modules for use by ERO staff and industry.

- **Situation Awareness and Infrastructure Security (SAIS)** — The SAIS program area includes both Situation Awareness and CIP resources, with CIP representing approximately 51.6 percent of the total combined funding requirements for both departments. The SAIS program area budget is broken down into these two departments to more accurately track funding associated with CIP initiatives separate and apart from other program activities given the increased resources being devoted to CIP over the past two budget cycles. As further described on page 59, CIP department resource also include ES-ISAC funding since the ES-ISAC was established under the Rules of Procedure as part of the ERO's responsibilities to coordinate electric industry activities to promote critical infrastructure protection of the bulk power system in North America. ES-ISAC funding requirements represents approximately 8.1 percent of overall CIP funding requirements and less than 4.2 percent of overall SAIS Program (combined Situation Awareness and CIP departments) funding requirements.

  Proposed 2012 personnel additions in the CIP area are offset by other Situation Awareness Department personnel reductions and transfers, resulting in a net .67 FTE reduction in 2012 for this program area. The increase in funding associated with this program area is significantly less than the increase in 2011 funding requirements over 2010 and is driven primarily by funding associated with improving ES-ISAC communications capabilities, including the ability to securely communicate and exchange data with governmental authorities and stakeholders. ES-ISAC operations are supported by personnel from both the Situation Awareness and CIP departments.

  Two additional personnel are proposed to be added to the CIP area to support increases in CIP standard, incident analysis and reporting requirements, among other department workload. These two personnel additions are offset by reductions and transfers of other personnel in the Situation Awareness department during 2012, resulting in the previously described net reduction of .67 FTEs for this program area in 2012.

  Situation Awareness department funding is projected to decrease by approximately $1.1M, down 14.0 percent from 2011 funding requirements, while CIP department funding is projected to increase by approximately $1.1M, up 18.2 percent from 2011 funding, primarily driven by investments in ES-ISAC capabilities. The total SAIS funding remains flat with a slight increase of approximately $3.7k.

- **Administrative Services** — The increase in 2012 projected Administrative resource needs and associated funding requirements is primarily driven by the addition of attorneys to support the standards development and compliance workload, additional

personnel, software and systems to support IT initiatives and the transfer of funding for regional audits and the addition of 1 FTE to establish and support an ERO enterprise risk management function. Two attorneys were added in 2011 and two additional attorneys and an administrative assistant are included in the 2012 budget to address increased standards and compliance workload. The addition of two personnel to NERC's IT group in 2012 is primarily related to required infrastructure and personnel support driven by personnel levels and information processing needs, as well as project management to support various program areas' initiatives, such as SAFNR and compliance information systems, among others. To minimize the risk of potential downtime due to the loss of power or telecommunications connectivity, NERC previously decided to relocate its servers and switch equipment to a third-party data center equipped with backup power supply and appropriately scaled fire prevention systems. This relocation was accelerated to 2011 as part of NERC's office relocation strategy. The investment made in 2011 is expected to significantly improve the security of NERC's IT infrastructure, as well as lower ongoing communications costs. The total increase in 2012 funding for the Administrative area reflects transfers of funding from other departments of approximately $947.0k, including transfers of funding of approximately $522.0k for IT projects to the IT department to facilitate improved management, integration and deployment of IT resources in support of all program areas.

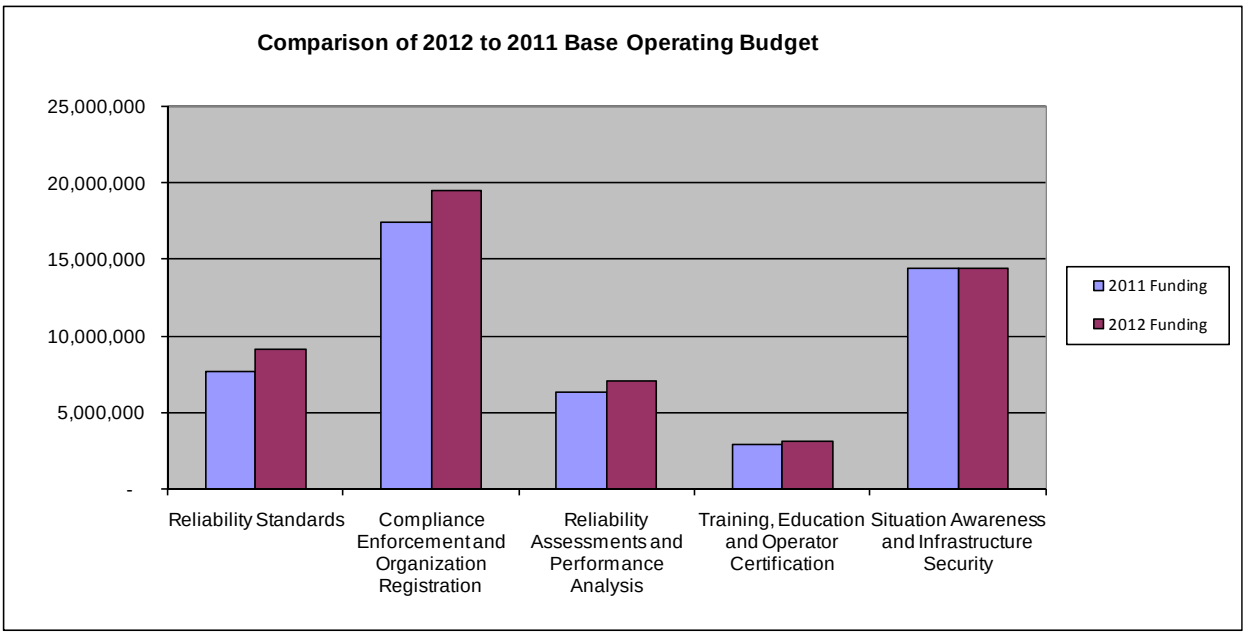
- **Working Capital Reserves** — In its 2010 budget, in order to mitigate the overall funding increase over 2009, NERC only provided sufficient funding for working capital reserve to restore its cash working capital reserve to zero at December 31, 2010. In 2011, NERC believed it was prudent to reestablish this reserve in light of the growth in the size of the organization, its cash flow requirements and the potential for unanticipated short-term resource needs driven by potential governmental directives, industry needs or litigation that could potentially arise in connection with enforcement actions. NERC's 2011 budget included $5M in working capital reserve funding, a significant portion of which was required to strengthen NERC's balance sheet due to the impact of accrual accounting adjustments on its 2009 year-end working capital balance. NERC is currently projecting it will have a 2011 year-end working capital balance of approximately $1.8M. In addition, while under generally accepted accounting principles NERC is required to reflect the amortization of the leasehold for Atlanta, actual rent expense is abated for a significant portion of 2012 thereby enhancing NERC's free cash flow. In addition, NERC still has in place a $4M line of credit. Based on these three factors, NERC is not at this time expecting to request additional funding in 2012 to restore or further increase working capital.

The following charts and tables summarize the projected increase in 2012 funding requirements. The first chart breaks down the increase by major statement of activity category (Personnel Costs, Meetings, Travel and Conference Calls, Consultants and Contracts, etc.) These charts and tables are followed by a table showing the breakdown of funding requirements by Program Area and a bar chart showing the relative increases by Program Area, a chart showing 2011 and 2012 FTEs by Program area and a comparative Statement of Activities. The charts are followed by more detailed discussions of each Program Area, including its scope and functional

description, key assumptions affecting 2012, 2012 goals and deliverables, and detailed discussions of projected 2012 resource requirements by Program Area.

2011 Base Operating Budget		Total Projected 2012 Increase over 2011 Budgeted Expenses and Capital Expenditures
$ 21,095,939	Salaries	$ 3,704,895
1,285,299	Payroll Taxes	239,635
3,263,692	Benefits	(73,384)
2,977,801	Retirement	511,935
$ 28,622,731	**Total Personnel Expense**	**$ 4,383,081**
$ 861,500	Meetings	$ (125,500)
2,635,536	Travel	152,334
227,800	Conference Calls	121,110
$ 3,724,836	**Total Meeting Expense**	**$ 147,944**
$ 7,137,042	Consultants and Contracts	$ (769,042)
300,094	NERCnet Contract	-
1,901,580	IDC Contract	(282,360)
$ 9,338,716	**Contracts and Consultants**	**$ (1,051,402)**
$ 1,020,151	Office Rent	$ 1,284,106
2,420,176	Office Costs	418,643
1,959,854	Professional Services	45,146
4,000	Miscellaneous	22,200
$ 5,404,182	**Operating Expenses**	**$ 1,770,095**
$ 750,000	**Non-Operating Expenses**	**$ (750,000)**
$ 845,200	Computer & Software CapEx	$ (73,110)
40,800	Network Equipment	(40,800)
	Furniture & Fixtures	-
$ 886,000	**Capital Expenditures**	**$ (113,910)**
$ 48,726,465	**Total Base Operating Budget**	**$ 4,385,807**
5,000,000	Working Capital Reserve Funding	(5,000,000)
$ 53,726,465	**TOTAL FUNDING REQUIREMENT**	**$ (614,193)**

Base Operating Budget	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Reliability Standards	**7,682,752**	**8,611,362**	**9,156,601**	**1,473,849**	**19.2%**
Compliance Enforcement and Organization Registration	**17,457,901**	**19,004,117**	**19,514,535**	**2,056,634**	**11.8%**
Reliability Assessments and Performance Analysis	**6,292,329**	**7,664,128**	**6,968,860**	**676,531**	**10.8%**
Training, Education and Operator Certification	**2,923,011**	**2,468,304**	**3,098,129**	**175,118**	**6.0%**
Situation Awareness (SA)	8,111,711	8,174,106	6,977,999	(1,133,712)	-14.0%
Critical Infrastructure Protection (CIP)	6,258,762	6,897,915	7,396,148	1,137,386	18.2%
Total Situation Awareness and Infrastructure Security	**14,370,473**	**14,903,537**	**14,374,147**	**3,674**	**0.0%**
	48,726,465	**52,651,448**	**53,112,272**	**4,385,807**	**9.0%**
Working Capital Reserve	5,000,000	5,000,000	-	(5,000,000)	
Total Funding	**53,726,465**	**57,651,448**	**53,112,272**	**(614,193)**	**-1.1%**



Total FTE's by Program Area	Budget 2011	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs[1] 2012 Budget	Total FTEs 2012 Budget	Change from 2011 Budget
	STATUTORY					
Operational Programs						
Reliability Standards	20.08	19.41	24.92		24.92	4.84
Compliance and Organization Registration and Certific	47.08	45.63	55.66		55.66	8.58
Training and Education	6.25	5.08	6.75		6.75	0.50
Reliability Assessment and Performance Analysis	13.75	15.36	16.50		16.50	2.75
Situation Awareness and Infrastructure Security	25.83	21.96	25.17		25.17	(0.66)
Total FTEs Operational Programs	**113.00**	**107.44**	**129.00**	**-**	**129.00**	**16.00**
Administrative Programs						
Technical Committees and Member Forums	-	-	-		-	-
General & Administrative	7.00	6.42	7.00		7.00	-
Legal and Regulatory	8.00	9.41	13.00		13.00	5.00
Information Technology	10.75	10.17	12.75		12.75	2.00
Human Resources	5.50	4.94	6.00		6.00	0.50
Finance and Accounting	6.50	7.25	9.00		9.00	2.50
Total FTEs Administrative Programs	**37.75**	**38.19**	**47.75**	**-**	**47.75**	**10.00**
Total FTEs	**150.75**	**145.63**	**176.75**	**-**	**176.75**	**26.00**

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

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget

STATUTORY

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	$ 41,106,965	$ 41,106,965	$ (0)	50,661,272	$ 9,554,307
Penalty Sanctions	10,175,000	10,175,000	(0)	-	(10,175,000)
Total NERC Funding	**$ 51,281,965**	**$ 51,281,965**	**$ (0)**	**$ 50,661,272**	**$ (620,693)**
Membership Dues	-	-	-	-	-
Testing Fees	1,940,000	1,940,000	-	2,061,000	121,000
Services & Software	250,000	264,534	14,534	250,000	-
Workshops	92,500	164,476	71,976	120,000	27,500
Interest	12,000	15,000	3,000	20,000	8,000
Miscellaneous	150,000	26,903	(123,097)	-	(150,000)
Total Funding	**$ 53,726,465**	**$ 53,692,878**	**$ (33,588)**	**$ 53,112,272**	**$ (614,193)**
Expenses					
Personnel Expenses					
Salaries	$ 21,095,939	$ 20,609,580	$ (486,357)	$ 24,800,833	$ 3,704,895
Payroll Taxes	1,285,299	1,260,495	(24,804)	1,524,935	239,635
Benefits	3,263,692	2,771,926	(491,766)	3,190,308	(73,384)
Retirement Costs	2,977,801	2,766,923	(210,878)	3,489,736	511,935
Total Personnel Expenses	**$ 28,622,731**	**$ 27,408,924**	**$ (1,213,806)**	**$ 33,005,811**	**$ 4,383,082**
Meeting Expenses					
Meetings	$ 861,500	$ 856,374	$ (5,126)	$ 736,000	$ (125,500)
Travel	2,635,536	2,690,763	55,227	2,787,870	152,334
Conference Calls	227,800	227,800	-	348,910	121,110
Total Meeting Expenses	**$ 3,724,836**	**$ 3,774,937**	**$ 50,101**	**$ 3,872,780**	**$ 147,944**
Operating Expenses					
Consultants & Contracts	$ 9,338,716	$ 9,458,009	$ 119,293	$ 8,287,314	$ (1,051,402)
Office Rent	1,020,151	1,957,416	937,265	2,304,257	1,284,106
Office Costs	2,420,176	2,650,216	230,040	2,838,819	418,643
Professional Services	1,959,854	2,205,904	246,050	2,005,000	45,146
Miscellaneous	4,000	8,753	4,753	26,200	22,200
Depreciation	752,988	952,789	199,801	1,900,717	1,147,729
Total Operating Expenses	**$ 15,495,886**	**$ 17,233,087**	**$ 1,737,201**	**$ 17,362,307**	**$ 1,866,422**
Total Direct Expenses	**$ 47,843,453**	**$ 48,416,947**	**$ 573,496**	**$ 54,240,898**	**$ 6,397,447**
Indirect Expenses	**$ (0)**	**$ (0)**	**$ 0**	**$ (0)**	**$ 0**
Other Non-Operating Expenses	**$ 750,000**	**$ -**	**$ (750,000)**	**$ -**	**$ (750,000)**
Total Expenses	**$ 48,593,453**	**$ 48,416,947**	**$ (176,504)**	**$ 54,240,898**	**$ 5,647,447**
Change in Assets	**$ 5,133,012**	**$ 5,275,930**	**$ 142,916**	**$ (1,128,627)**	**$ (6,261,640)**
Fixed Assets					
Depreciation	$ (752,988)	$ (952,789)	$ (199,801)	$ (1,900,717)	$ (1,147,729)
Computer & Software CapEx	845,200	2,683,000	1,837,800	772,090	(73,110)
Furniture & Fixtures CapEx	-	1,503,740	1,503,740	-	-
Equipment CapEx	40,800	678,531	637,731	-	(40,800)
Leasehold Improvements	-	354,732	354,732	-	-
(Incr)Dec in Fixed Assets	**$ (133,012)**	**$ (4,267,214)**	**$ (4,134,202)**	**$ 1,128,627**	**$ 1,261,639**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**(133,012)**	**(4,267,214)**	**(4,134,202)**	**1,128,627**	**1,261,639**
TOTAL CHANGE IN NET ASSETS	**$ 5,000,000**	**$ 1,008,716**	**$ (3,991,286)**	**$ (0)**	**$ (5,000,000)**

Section A — 2012 Business Plan

Reliability Standards

Reliability Standards Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	20.08	24.92	4.84
Direct Expenses	$ 4,863,138	$ 5,307,943	$ 444,805
Indirect Expenses	$ 2,669,696	$ 4,011,842	$ 1,342,146
Other Non-Operating Expenses	$ 133,296	$ -	$ (133,296)
Inc(Dec) in Fixed Assets	$ 16,621	$ (163,184)	$ (179,805)
Total Funding Requirement	$ 7,682,752	$ 9,156,601	$ 1,473,849

Program Scope and Functional Description

NERC's Reliability Standards Program develops and maintains standards designed to ensure the reliability of the bulk power system in North America. NERC's ANSI-accredited standards development process is open, balanced, and transparent, relying on industry subject matter experts to scope, draft, and ultimately approve the standards for adoption by NERC's Board of Trustees and filing with regulatory authorities in the United States and Canada.

NERC standard development advisors and other standards staff facilitate standards drafting team activities, assist the drafting teams in adherence to the development process, and ensure that the quality of documents produced are appropriate for approval. Each standard must be technically excellent, just, reasonable, not unduly discriminatory or preferential, in the public interest, and developed in adherence with the approved process in order to be adopted by the U.S. and Canadian regulatory authorities.

For North American standards, the Standards Committee (one of NERC's standing committees) provides process oversight, verifying that the standards development has been faithfully executed and ensuring the quality of the work product. The Standards Committee is also responsible for the development and implementation of the three-year Reliability Standards Development Plan used to establish priorities for standards development, respond to regulatory directives, and guide standard development activities.

The standards program also provides the eight Regional Entities with the ability to develop Regional Standards when reliability gaps are detected at the regional level. The NERC standards staff similarly supports each of the Regional Standards development processes by providing final quality review of Regional standards, presentation to the NERC Board of Trustees and submission to the applicable regulatory authorities for adoption.

NERC standards and other NERC technical staff actively monitor both the regional and North America-wide standards development activities and provide technical and development process comments to the standards development process in order to aid the development of technically sound standards that can receive regulatory approval.

2012 Goals and Key Deliverables

In 2012, NERC will focus standards development in two areas: meeting regulatory obligations for standards development and revisions, as specified in regulatory directives, and continuing to develop risk-based standards focused on key reliability outcomes under the new prioritization process first adopted in 2011. In 2012, NERC will continue to focus on increasing the productivity and results from standards development efforts, including:

- Supporting the three-year Standards Development Plan, including development of prioritized standards and the long-term transition to results-based standards[3]
- Working with industry, applicable governmental authorities and other stakeholders to improve the efficiency of the standards development process
- Addressing Three-Year ERO Performance Assessment action items and other specific NERC actions related to standards, especially quality and timeliness
- Responding to and reducing the backlog of FERC standards directives
- Maintaining ANSI accreditation for the standards development process
- Supporting the development of new CIP and system protection and control standards
- Improving the quality of standards drafting, training, and communications
- Removing administrative requirements from existing standards where feasible
- More frequent interactions and coordination with FERC staff
- Increasing coordination with compliance and enforcement

Resource Requirements

Personnel

In 2010, the NERC Standards Program area began to re-align its organization based on key drivers for success (improved quality and timeliness in standard development, improved accuracy and quality of web-based information, and improved stakeholder outreach); to create clear accountability for accomplishing the program mission at the strategic and tactical level; to enhance organizational efficiency in decision-making and execution; and to create a sustainable level of program activities and output. NERC Standards Program area management is also continually considering ways to improve the efficiency of standards development activities. In 2010 NERC gained regulatory approval of the new Standard Processes Manual which provides for the potential to shorten time frames. In 2011 NERC finished and gained approval of the initial standards development prioritization project. Also in 2011, NERC initiated the standards

[3] Results-based Standards (RBS) comprise: Performance-based, Risk-based, and Competency-based standards.

development "rapid development" initiative, which is intended to assist in the development of key standards in a shorter amount of time (targeted for a year or less). This concept is currently being tested with a project focused on standards related to the analysis and mitigation of protection system misoperations. The project was started with a small team of experts familiar with the current standard, which was charged with developing the initial draft of a results-based standard in this subject area. That work product was then handed over to a full drafting team for further work and refinement. Opportunities for improving the process have already been identified, and the current team is in the process of modifying the draft standard to address comments received during its first posting. However, even with these recent process improvements, NERC will continue to engage stakeholders regarding the need for further changes in the standards development process.

In 2011, additional staff was added to further support the goals and key deliverables set forth above. In 2012, management proposes adding four (4) additional personnel to Standards Program area. The 4.84 FTEs in the table above reflects the timing of these personnel additions, as well as a portion of the costs of NERC's senior reliability officer and support personnel which are allocated across the four areas falling under the CRO's oversight responsibility (Standards, Compliance Operations, Event Analysis and Investigations, and Situation Awareness). The cost of the FTE additions to the Standards Program area is partially offset by the almost complete elimination of the use of outside contractors and consultants. The four additional positions are described further below.

A regulatory coordination position will be added to more effectively support regulatory communications and standards processing in both the U.S. and Canada. As standards have evolved from the initial version 0 in 2007, NERC's Standards Program Area interactions and communications with governmental and regulatory authorities, including responding to directives, have become much more demanding, requiring additional resource support. One additional administrative position will be added to support drafting team meeting activity, which is extensive and unable to be supported using existing administrative support.

One position will also be added to support standards information related content on the NERC web site required by the enabling regulations. NERC is charged with the responsibility to keep the industry and regulators informed of the status of each of its standards relative to effective date in the U.S. and Canadian Provincial jurisdictions.

Two standards specialists with technical writing skills will also be added to aid drafting teams in the drafting of standards and associated documents developed during the standard development process. This will improve the quality of the standards and reduce the need for inefficiency resulting from subsequent revisions during later stages in standards processing. The standards specialists will help drafting teams document the technical justification for proposed requirements, will help drafting teams develop effective webinar presentations, and will also provide assistance in verifying the accuracy of drafting team documents posted for public review.

Contractor Expenses

After taking into account the completion of certain work in progress and the elimination of the need to use outside contractors as a result of proposed personnel additions, management is proposing a contractor and consulting budget for the Reliability Standards Program area of just $15,000 for ongoing training of standards staff, representing a reduction of approximately $476k from 2011 budgeted levels inclusive of the transfer of $92k in funding for IT-related projects discussed in the next paragraph.

Funding associated with IT infrastructure to support standards development and processing activities, including web site applications, has been transferred to the IT department under the Administrative Program area in order to provide for better integration and more efficient support of NERC's technology infrastructure. This is further discussed under the Administrative Services, Information Technology section of the 2012 Business Plan and Budget.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Standards

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	$ 5,872,230	$ 5,872,230	$ (0)	$ 9,152,737	$ 3,280,507
Penalty Sanctions	1,808,389	1,808,389		-	(1,808,389)
Total NERC Funding	**$ 7,680,619**	**$ 7,680,619**	**$ (0)**	**$ 9,152,737**	**$ 1,472,119**
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	44,450	44,450	-	-
Interest	2,133	-	(2,133)	3,864	1,731
Miscellaneous	-	-	-	-	-
Total Funding	**$ 7,682,752**	**$ 7,725,069**	**$ 42,317**	**$ 9,156,601**	**$ 1,473,849**
Expenses					
Personnel Expenses					
Salaries	$ 2,835,888	$ 2,716,328	$ (119,560)	$ 3,454,036	$ 618,148
Payroll Taxes	179,070	175,256	(3,814)	222,559	43,489
Benefits	381,842	306,100	(75,742)	403,907	22,065
Retirement Costs	395,844	374,109	(21,736)	489,648	93,804
Total Personnel Expenses	**$ 3,792,644**	**$ 3,571,793**	**$ (220,851)**	**$ 4,570,151**	**$ 777,507**
Meeting Expenses					
Meetings	$ 80,000	$ 120,000	$ 40,000	$ 107,850	$ 27,850
Travel	400,500	400,500	-	447,625	47,125
Conference Calls	45,600	45,600	-	108,500	62,900
Total Meeting Expenses	**$ 526,100**	**$ 566,100**	**$ 40,000**	**$ 663,975**	**$ 137,875**
Operating Expenses					
Consultants & Contracts	$ 491,500	$ 479,007	$ (12,493)	$ 15,000	$ (476,500)
Office Rent	-	-	-	-	-
Office Costs	52,894	52,894	(0)	57,818	4,923
Professional Services	-	-	-	-	-
Miscellaneous	-	515	515	1,000	1,000
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 544,394**	**$ 532,416**	**$ (11,978)**	**$ 73,818**	**$ (470,577)**
Total Direct Expenses	**$ 4,863,138**	**$ 4,670,309**	**$ (192,829)**	**$ 5,307,943**	**$ 444,805**
Indirect Expenses	**$ 2,669,696**	**$ 3,119,120**	**$ 449,425**	**$ 4,011,842**	**$ 1,342,146**
Other Non-Operating Expenses	**$ 133,296**	**$ -**	**$ (133,296)**	**$ -**	**$ (133,296)**
Total Expenses	**$ 7,666,130**	**$ 7,789,430**	**$ 123,299**	**$ 9,319,785**	**$ 1,653,654**
Change in Assets	**$ 16,621**	**$ (64,361)**	**$ (80,982)**	**$ (163,184)**	**$ (179,805)**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	0
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	(16,621)	(816,219)	(799,598)	163,184	179,805
Change in Fixed Assets	**$ (16,621)**	**$ (816,219)**	**$ (799,598)**	**$ 163,184**	**$ 179,805**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ (880,579)**	**$ (880,580)**	**$ (0)**	**$ -**

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments and Penalty Sanctions)

- Interest income is allocated to the Statutory Programs (Reliability Standards, Compliance Monitoring and Enforcement, Reliability Assessments and Performance Analysis, Training and Education, and Situation Awareness and Infrastructure Security) based upon the percentage of FTEs in the Program relative to total FTEs in all Statutory Programs. Interest income is expected to increase based upon current earnings.

Personnel Expenses

- The increases are the result of adding 4.84 FTEs over the 2011 budget. While the increase in salaries, payroll taxes and retirement costs are generally consistent, the increase in benefits is substantially less due to reductions in the average cost of medical benefits per employee.

Meeting Expenses

- Generally related to an increase in staffing. The use of conference calls to educate and inform industry stakeholders has also increased.

Operating Expenses

- The decrease in operating expenses is primarily related to the virtual elimination of the use of outside consultants and contractors to support standards development and the transfer of IT related contracts to the IT department.

Indirect Expenses

- Indirect expenses represent an allocation of expenses in the administrative departments and are based upon the proportional FTEs in the Program as described above. The increase in the indirect expense allocation is related to the increase in FTEs in the Standards Program, which represent 19% of the total Statutory Program FTEs in 2012, versus 18% in 2011, and to the increase in expenses in the administrative departments.

Other Non-Operating Expenses

- Expenses related to the relocation of NERC's primary headquarters and expansion of its Washington, D.C. offices will be fully recorded in 2011 so there is no budget in 2012.

Fixed Asset Additions

- The decrease is related to the allocation of fixed assets from the administrative departments. The allocation is based upon the Program's proportional FTEs as described above.

Compliance Monitoring and Enforcement and Organization Registration and Certification

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	47.08	55.67	8.6
Direct Expenses	$ 10,824,099	$ 11,137,257	$ 313,158
Indirect Expenses	$ 6,258,830	$ 8,960,638	$ 2,701,808
Other Non-Operating Expenses	$ 312,500	$ -	$ (312,500)
Inc(Dec) in Fixed Assets	$ 62,472	$ (583,360)	$ (645,832)
Total Funding Requirement	$ 17,457,901	$ 19,514,535	$ 2,056,635

Consistent with its 2011 Business Plan and Budget presentation, this Program Area is comprised of NERC's Compliance Operations, Enforcement, and Event Analysis and Investigations departments. While these departments operate separately, they have been consolidated to facilitate year over year budget comparisons.

Management is committed to working with stakeholders to improve the focus and efficiency of ERO compliance enforcement processes, as well as to reduce the burdens on industry regarding standards violations which do not present a meaningful risk to the reliability of the bulk power system. These efforts include addressing the many factors contributing to these efficiency impacts and burden on industry, including, as outlined in the common business plan and budget assumptions,

- The implementation of risk based methodologies to more effectively and efficiently support compliance monitoring activities;
- Changes to the rule of procedure to enhance the efficiency in compliance operations and enforcement; and
- Continuing to develop and implement streamlined mechanisms to expedite the disposition of minor, administrative violations and look to gain more discretion to handle minor violations without going through the full enforcement process and record development.

The 8.6 FTEs combined total increase for these departments in 2012 compared to 2011 reflects personnel additions in 2011, as well as the proposed personnel additions in 2012. 1.6 FTEs represents the allocation of NERC's senior reliability officer and support personnel which are allocated across the four areas falling under the CRO's oversight responsibility (Standards, Compliance Operations, Event Analysis and Investigations, and Situation Awareness). Two FTEs were added to the Compliance Operations department in 2011 and one FTE will be transferred in 2012. One new person will be added in 2012 to support Event Analysis and Investigations and

three new personnel will be added to the Enforcement area in 2012. Additional Compliance Operations resources are required to support audit oversight and organization registration activities. The personnel addition to the Event Analysis and Investigations group are required to support event analysis and increased dissemination of information to further assist industry in implementing reliability improvements and mitigating compliance violation risks. Projected enforcement staffing needs are based on a detailed analysis of violations processing time taking into account historic data and assumed increased efficiency. Projected staffing needs also reflect the significant role and resources of the eight Regional Entities in the compliance area. Consulting and Contractor expense for this program area is inclusive of reductions resulting from transfer of budgeted expenditures for the development of compliance-related software and external audit resources to the IT budget under the Administrative Program area.

The following paragraphs provide additional detail regarding the key goals, deliverables, and incremental resource requirements for each of the three departments in this program area.

Compliance Operations

Program Scope and Functional Description

The Compliance Operations department is responsible for Regional Entity compliance operations coordination and collaboration, audit training and oversight, development and oversight of the annual Compliance Monitoring and Enforcement Program (CMEP) implementation plan and annual report, maintenance of the Reliability Standards Audit Worksheets (RSAWs), the registration and certification functions, interface and outreach to the industry, and staff support to the stakeholder Compliance and Certification Committee.

This department will continue to focus its efforts on increasing consistency in CMEP execution by providing more assistance to the Regional Entities, development of programs to identify Regional Entity inconsistency in compliance applications with follow up guidance to improve consistency, and providing increased training for auditors. NERC auditors will continue to participate in Regional Entity audits, providing assistance to foster consistency and improve Regional Entity auditor understanding of standards and consistency throughout the industry in a proactive manner.

2012 Goals and Key Deliverables

- Continue the Regional Entity audit observation, key reliability standard spot check and consistency programs with an emphasis on identifying and promoting best practices and sharing lessons learned to support both Regional and registered entity compliance improvement.
- Provide timely information to the Regional Entities and industry through various outreach programs and public bulletins to promote transparency and consistency of compliance activities.
- Work with NERC's ERO IT personnel to develop an enhanced CMEP audit and annual actively monitored list modules for the NERC and ERO software systems/platform to facilitate development of the annual implementation plan and development of RSAWs.

- Provide ongoing feedback to the Standards Program area to help maintain a focus on reliability-based priorities and ensure sharing of lessons learned. Establish a field trial for mock compliance audits of standards during the implementation window to provide guidance to industry to facilitate compliance by the effective date of new or revised standards.
- Continue to develop, implement, and institutionalize training strategies in collaboration with the Regional Entities and NERC's Director of Training to enhance auditor proficiency and consistency.

Resource Requirements

Compliance Operations resources were augmented during 2011, through the addition of two FTEs into the department to adequately perform audit oversight and assurance functions and related initiatives. These resource additions will also support the department's issuance of compliance application notices and bulletins to better inform the Regional Entities and industry on compliance best practices and lessons learned, and to clarify compliance applications and practices. The following paragraphs further describe these additional resource requirements.

Organization Registration and Certification

NERC recognizes that a strong registration and certification process is the essential starting point of the compliance process for Registered Entities. As the industry continues to refine delineation of shared responsibilities for Reliability Standards NERC will provide information and assistance in the establishment of Joint Registration Organizations (JRO) and Coordinated Functional Registration (CFR). NERC will provide more guidance on better aligning entities with functions and the appropriate standards and requirements. Due to dynamics in the industry, registration changes are being realized where a number of entities require organizational certification in accordance with the NERC Rules of Procedure Section 500. In 2011, one FTE was added to support these activities over and above what was included in the 2011 Business Plan and Budget. This FTE is reflected as an additional FTE for purpose of the 2012 Business Plan and Budget.

Audit Assurance and Oversight

Several critical new risk-based compliance initiatives are in the planning and development stage that are directed at enhancing Regional Entity consistency in CMEP implementation through audit validation, high impact reliability standards spot checks, and spot checks of Regional Entity audits of critical registered functions. Ongoing programs to support consistency and transparency objectives include: Regional Entity audit observations and audits, Reliability Standard Audit Worksheet maintenance and development, and improvements in auditor training. NERC audit staff will also work closely with NERC's Standards department to provide compliance information and guidance during standards drafting, including guidance in the standards implementation plan. A related initiative will include mock audits of critical reliability standards during the implementation phase of new and revised standards to provide information and guidance to both ERO auditors and industry to facilitate industry compliance prior to the effective date of the new or revised standard.

NERC is also moving forward on a comprehensive risk-based reliability compliance monitoring program to provide in-depth information and guidance to the industry on improving compliance programs and to refine the annual CMEP Implementation Plan and Actively Monitored List. This initiative will help NERC and the Regions develop more efficient and effective audit programs. Appropriately scoping audits and allowing Regional Entities flexibility to react to trends and significant events or activities is essential to provide a reliability focused compliance program. Development of the annual plan and AML will include greater analysis of the statistics available and improved criteria to determine a core set of standards for auditing based on the registered function and top reliability risks.

The department's auditors will also work closely with and support NERC's ERO risk management framework, which will be launched in 2012 and is discussed further under the Finance Department section within the Administrative Program Area.

One existing FTE will transfer to the Compliance Operations department in 2012 to more properly align the work performed by this individual with the functions managed by this department, which includes, among other things, support of NERC operating committee activities. This FTE was previously budgeted in Situation Awareness and provided support to the NERC operating committee.

Compliance Enforcement

Program Scope and Functional Description

NERC's Compliance Enforcement department conducts all of NERC's enforcement activities, including:

- Docketing of all possible violations coming into the NERC enforcement program
- Prosecution of compliance violation matters arising out of NERC-led investigations and audits
- Review of all mitigation plans and dismissals approved by Regional Entities
- Processing of all compliance violations prosecuted by Regional Entities
- Analysis of compliance statistics

2012 Goals and Deliverables

A priority for this department is to achieve greater efficiencies in enforcement processing by focusing both NERC and Regional Entity compliance enforcement resources on the cases that have the most significant impact on the reliability of the bulk power system. This should reduce the overall ERO compliance caseload by ensuring that the number of cases processed through filing of a notice of penalty exceeds the number of cases coming into the ERO docket and should allow NERC to close out cases expeditiously to provide timely lessons learned to the

industry. NERC's Compliance Enforcement staff has realized significant efficiencies and expects to gain efficiencies through better utilization of existing resources in the future.[4]

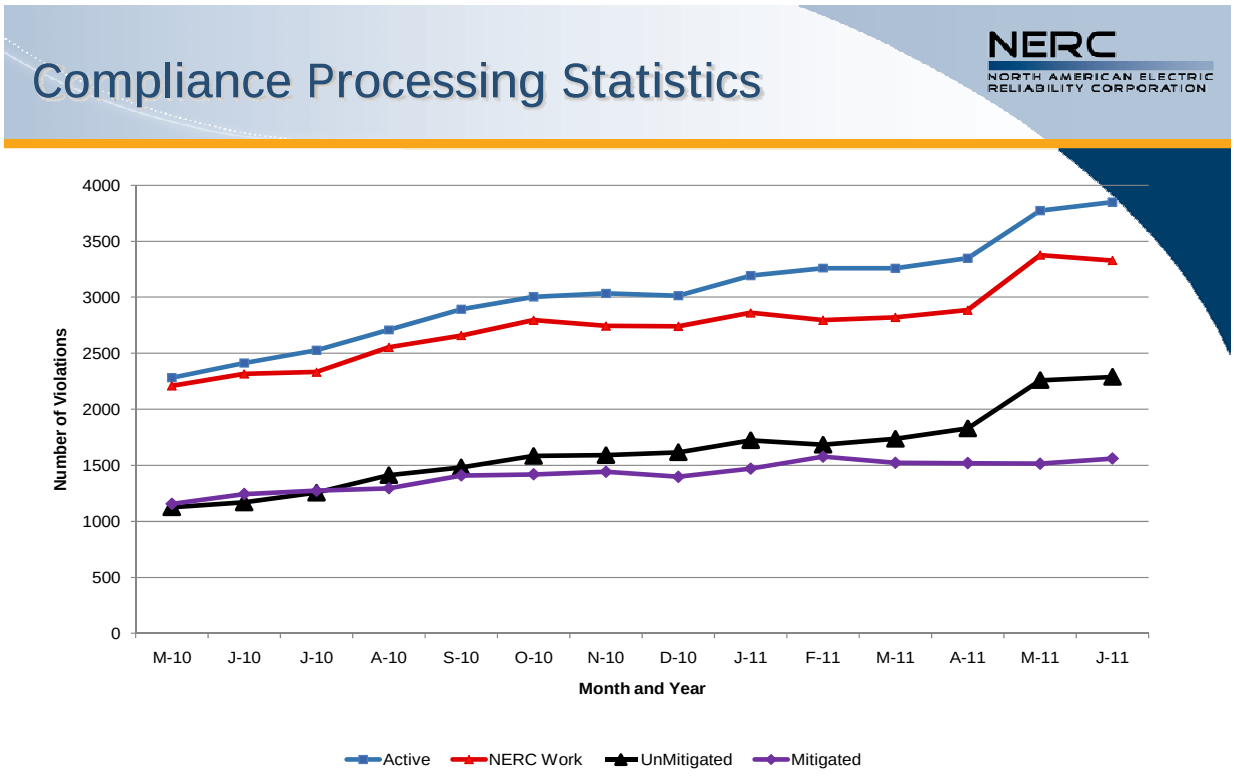
Despite efforts to attain greater efficiencies, a significant gap is anticipated in the number of cases coming into the Enforcement process and the number of cases the Enforcement team can close out on a monthly basis. In the past year, as reflected in Figure 1, the ERO's caseload of active violations expanded from 2,413 in June 2010 to 3,881 in June 2011. The rate of new violations coming into the caseload has increased dramatically from an average of 140 violations per month in early 2010 to an average of 203 violations per month at the start of 2011. The increase in caseload is primarily attributable to the large number of violations of CIP Standards that have been and are expected to continue entering the system. As reflected in Figure 2, the number of incoming violations each month from non-CIP reliability standards has been relatively stable since June 2008, but with the staged implementation of the CIP reliability standards, the number of incoming violations each month from CIP reliability standards continues to rise.

The influx of new violations is expected to outstrip the number of violations NERC can process each month. Compliance Enforcement processed to BOTCC approval an average of 76 violations per month in 2010. With the implementation of streamlined procedures and the advent of the administrative citation process, the team has processed an average of 112 violations per month for the first six months of 2011.

Beyond management of the caseload, another significant area of focus for the next year will be to improve the submittal and completion of mitigation plans. As reflected in Figure 1 below, the increase in active violations in 2010/2011 brought with it an increase in the number of unmitigated violations and a decline in the overall percentage of active violations subject to a mitigation plan. Currently, less than half of the active violations in the caseload have been mitigated. To help manage risk to the bulk power system, Compliance Enforcement will focus on understanding and improving upon the mitigation process.

[4] There is substantial evidence of this increased efficiency. Compliance Enforcement rolled out new processes in early 2010. These processes, including the introduction of the Disposition Document, Abbreviated Notice of Penalties, and other process improvements, have helped streamline compliance enforcement. Over the course of the year, Compliance Enforcement has also increased collaboration with Regional Entities and increased the number and expertise of Enforcement Staff. As a consequence, Compliance Enforcement has increased by 67% the number of violations processed each month in 2011 (through June 30) compared to the number of violations processed each month in 2009 (112/month vs. 67/month).

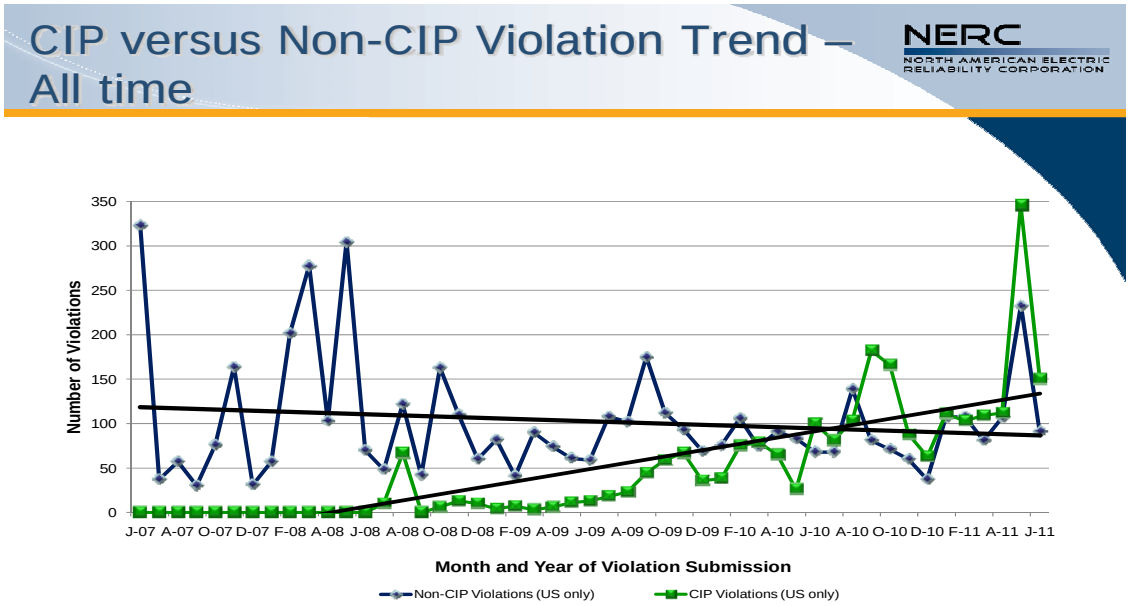
Figure 1: Compliance Processing Overview (as of June 30, 2011)[5]



[5] For purposes of this Figure 1:

- **Active** means all Violations that have not been Closed or Dismissed.
  - *Closed Violations have all the following characteristics:* Violation NOP approved by FERC, Verified Completion of Mitigation Plan, and Payment of any associated Penalties.
- **NERC Work** means Active Violations less those in which NERC has issued a Notice of Penalty.
- **Unmitigated** means Violations where Mitigation Plans have not been received or have not yet been closed minus Violations with completed Mitigation Plans that NERC is reviewing
  - *Closed Mitigation Plans* are those in which the Regional Entity has Verified Completion of all Mitigated Elements specified by Plan
- **Mitigated** means Active Violations minus Unmitigated

Figure 2: Violations Submitted per Month (CIP vs. Non-CIP)



Resource Requirements

Personnel

As a result of the resource demands described above, NERC is budgeting three additional FTEs in 2012 to meet its enforcement processing goals. In assessing the number of employees required to process the anticipated number of violations, NERC staff conducted an analysis of the hours required to process a violation using the most recent hours per violation processing rate. Based on the current rates of processing and anticipated efficiency gains, the full complement of budgeted analysts and regulatory assistants (eight FTEs) should be able to achieve an average of 175 violations per month.[6] To keep ahead of the current average rate of new violations and work down the active caseload, Compliance Enforcement should be resourced to process 225 to 250 violations per month. Accordingly, for 2012, an increase of two FTEs will be required by Compliance Enforcement to meet the currently expected inflow of violations, resulting in a total of 12 FTEs dedicated exclusively or largely to processing violations.

In addition, the department is creating a new technical advisor position, which will be filled by the current Manager of Compliance Reporting, Tracking and Analysis. This new technical advisor function will focus on reviewing mitigation plans and assessing mitigation activities, which, as noted above, is an area of focus for Compliance Enforcement. The technical advisor also will provide overall technical support for Compliance Enforcement in the processing of

[6] In the 2010 Business Plan and Budget, Compliance Enforcement projected that the eight FTEs could process 150 violations per month, after factoring in a 20 percent efficiency gain.

notices of penalties, in reviewing dismissals, and in other areas where technical support is needed. As a result, Compliance Enforcement will need to recruit a new Manager of Compliance Reporting, Tracking and Analysis.

Contractor Expenses

No contractor or consulting resources are proposed within the group for 2012.

Event Analysis and Investigations

Program Scope and Functional Description

The NERC Compliance Violation Investigation Group (CVI) was reorganized and renamed as the Event Analysis and Investigation Group (EA&I) in February of 2010. As part of this reorganization, all event analysis activities were assigned to this group, in addition to compliance investigation and complaint activities. The new ERO Event Analysis Program requires a concentrated effort of the department's technical staff to perform a quality review of all event analysis reports submitted to NERC, to capture metrics, trends and severity index risk assessments, including the review and analysis of 115 qualified events in the first phase of the event analysis field trial. The analysis effort requires in-depth technical reviews and is also used to develop lessons learned and alerts.

This department is critical to supporting the ERO's reliability goals through its work to evaluate bulk power system events, undertaking appropriate levels of analysis to determine the causes of the events, promptly assuring tracking of corrective actions to prevent recurrence, and providing lessons learned to the industry. The primary responsibilities of this department include: directing all NERC activities with respect to event analysis, formal complaints and non-public compliance investigations, assuring consistent, timely, and coordinated results, as well as interfacing with regulatory authorities, Regional Entities, industry and stakeholder committees, registered entities, and other focus groups regarding events analysis and compliance investigations.

Developing a Culture of Reliability Excellence

Through the Event Analysis Program, the ERO strives to develop a culture of reliability excellence that promotes and rewards aggressive self-critical review and analysis of operations, planning, and critical infrastructure protection processes. This self-critical focus must be ongoing, and the industry must recognize that registered entities are linked together by their individual and collective performances. This focus is the root of understanding the underlying cause of events and avoiding similar or repeated events through the timely identification and correction of event causes and through the sharing of lessons learned. The event analysis process also provides valuable input for training and education, reliability trend analysis efforts, and reliability standards development, all of which support continued reliability improvement.

Collaboration

Successful event analysis depends on a collaborative approach in which registered entities, Regional Entities, and NERC work together to achieve a common goal. The process requires clarity, certainty and consistent adherence to reliability principles by bulk power system owners, operators, and users that perform a wide array of reliability functions.

Being a Learning Organization

As a learning organization, Event Analysis serves an integral function of providing insight and guidance by identifying and disseminating valuable information to owners, operators, and users of the bulk power system who enable improved and more reliable operation. As such, Event Analysis is one of the pillars of a strong ERO.

Due to the technical qualifications residing within the department, the department supports many activities outside its core job duties. The department supports:

- The Compliance Operations department by drafting, reviewing, and commenting on CANs;
- The Standards Program Area by reviewing Standard Drafting Team documents and providing technical input to issues surrounding the compliance elements;
- The Legal and Enforcement departments by developing notifications of findings, reviewing Violation Dismissals, NOPs, and providing technical input to issues surrounding compliance elements; and
- The Training department by developing comprehensive investigation and root cause analysis training courses. These courses will include facilitating two individual eight-hour classes quarterly.

Resources must also be devoted to training and mentoring staff to both build and leverage the knowledge necessary to perform departmental responsibilities. The development of detailed databases and spreadsheets measuring the ongoing reliability performance of events and occurrences on the bulk power system also requires considerable resources.

2012 Goals and Key Deliverables

- Complete development and implementation of a comprehensive Event Analysis Program that engages bulk power system owners, operators, and users in determining root causes and lessons learned from events
- Understand the cause of events and categorize by Risk Priority
  - Individual events
  - Periodic review of events in aggregate to detect emerging trends and signs of decline in reliability performance

- Further develop a systematic program that identifies and publishes improvement opportunities, including, as appropriate, lessons learned, corrective actions, and an evaluation of recommendations
- Manage the desired shift in industry paradigm to a more reliability excellence-based culture
- Develop the capability to integrate risk analysis into the event analysis process; this includes a coordinated effort with the RAPA program area to identify adverse trends to reliability and the development of severity risk indexes
- Share key results to facilitate enhancements in and support of NERC programs and initiatives (e.g., performance metrics, standards, compliance monitoring and enforcement, training and education, etc.)
- Be recognized as independent and objective, striving at all times for what is best for the reliability of the bulk power system and not unduly influenced by alternative interests
- Expedite the public release of initial findings and lessons learned of NERC, Regional, and Registered Entity event analyses
- Provide training and educational opportunities regarding lessons learned, analysis and investigative techniques, including root-cause analysis, reporting processes and formats for all registered entities
- Engage the Operating and Planning Committees, as well as industry trade associations and reliability forums, in the development of best practices and examples of excellence
- Balancing the discreet roles and activities of event analysis and investigations processes

Resource Requirements

Personnel

One additional person (0.5 FTEs based on projected timing of hiring) is planned for this department in 2012 based on the significant increase in the department responsibilities, existing and projected workload, including, but not limited to, issuing timely reports.

Contractor Expenses

Consulting and contractor expenses for this department are primarily related to the retention of subject matter experts to assist in the new event analysis program as well as ongoing investigations. As a result of the elimination of funding for an events analysis tool, funding for contractors and consultants is projected to be $145K less in 2012 compared to 2011.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Compliance and Organization Registration and Certification

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	$ 13,063,318	$ 13,063,317	$ (0)	$ 19,505,905	$ 6,442,588
Penalty Sanctions	4,239,583	$ 4,239,583		-	(4,239,583)
Total NERC Funding	**$ 17,302,901**	**$ 17,302,901**	**$ (0)**	**$ 19,505,905**	**$ 2,203,005**
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	5,000	-	(5,000)	8,629	3,629
Miscellaneous	150,000	23,417	(126,583)	-	(150,000)
Total Funding	**$ 17,457,901**	**$ 17,326,318**	**$ (131,583)**	**$ 19,514,535**	**$ 2,056,634**
Expenses					
Personnel Expenses					
Salaries	$ 6,344,046	$ 5,945,422	$ (398,624)	$ 7,276,494	$ 932,448
Payroll Taxes	416,818	388,812	(28,006)	476,089	59,272
Benefits	895,127	677,509	(217,617)	901,186	6,059
Retirement Costs	892,082	835,256	(56,826)	1,032,190	140,108
Total Personnel Expenses	**$ 8,548,072**	**$ 7,846,999**	**$ (701,073)**	**$ 9,685,959**	**$ 1,137,887**
Meeting Expenses					
Meetings	$ 32,500	$ 134,107	$ 101,607	$ 41,175	$ 8,675
Travel	909,833	757,560	(152,273)	939,000	29,167
Conference Calls	28,200	28,200	-	34,235	6,035
Total Meeting Expenses	**$ 970,533**	**$ 919,867**	**$ (50,666)**	**$ 1,014,410**	**$ 43,877**
Operating Expenses					
Consultants & Contracts	$ 1,195,000	$ 812,500	$ (382,500)	$ 120,000	$ (1,075,000)
Office Rent	-	-	-	-	-
Office Costs	84,000	104,900	20,900	94,006	10,006
Professional Services	-	4,530	4,530	-	-
Miscellaneous	-	623	623	4,000	4,000
Depreciation	26,494	227,928	201,434	218,882	192,388
Total Operating Expenses	**$ 1,305,494**	**$ 1,150,481**	**$ (155,013)**	**$ 436,888**	**$ (868,606)**
Total Direct Expenses	**$ 10,824,099**	**$ 9,917,347**	**$ (906,752)**	**$ 11,137,257**	**$ 313,158**
Indirect Expenses	**$ 6,258,830**	**$ 7,332,585**	**$ 1,073,755**	**$ 8,960,638**	**$ 2,701,808**
Other Non-Operating Expenses	**$ 312,500**	**$ -**	**$ (312,500)**	**$ -**	**$ (312,500)**
Total Expenses	**$ 17,395,429**	**$ 17,249,932**	**$ (145,497)**	**$ 20,097,895**	**$ 2,702,466**
Change in Assets	**$ 62,472**	**$ 76,386**	**$ 13,914**	**$ (583,360)**	**$ (645,832)**
Fixed Assets					
Depreciation	(26,494)	(227,928)	(201,434)	(218,882)	(192,388)
Computer & Software CapEx	50,000	50,000	-	-	(50,000)
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
(Incr)Dec in Fixed Assets	**$ (23,506)**	**$ 177,928**	**$ 201,434**	**$ 218,882**	**$ 242,388**
Allocation of Fixed Assets	$ (38,966)	$ (1,918,808)	(1,879,842)	364,478	403,444
Change in Fixed Assets	**(62,472)**	**(1,740,880)**	**(1,678,408)**	**583,360**	**645,832**
TOTAL CHANGE IN NET ASSETS	**$ 0**	**$ (1,664,494)**	**$ (1,664,494)**	**$ -**	**$ (0)**

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments and Penalty Sanctions)

- Interest income is allocated to the Statutory Programs (Reliability Standards, Compliance Monitoring and Enforcement, Reliability Assessments and Performance Analysis, Training and Education, and Situation Awareness and Infrastructure Security) based upon the percentage of FTEs in the Program relative to total FTEs in all Statutory Programs. Interest income is expected to increase based upon current earnings.
- Miscellaneous income represented the expected revenue associated with NERC's role in acting as the compliance enforcement authority (CEA) for certain registered functions in FRCC, SPP, Texas RE and WECC. FERC approved SERC as the CEA for FRCC and SPP and Texas RE separated from ERCOT, eliminating the requirement for NERC to act as the CEA in those Regions and thereby reducing expected revenues associated with performance of these services. A proposed agreement for NPCC to act as CEA for WECC registered functions, replacing NERC, is pending before the Commission, and the budget assumes this agreement is effective on January 1, 2012.

Personnel Expenses

- The increases are the result of adding 8.6 FTEs over the 2011 budget. While the increase in salaries, payroll taxes and retirement costs are generally consistent, the increase in benefits is substantially less due to reductions in the average cost of medical benefits per employee.

Meeting Expenses

- Travel expenses are not expected to increase substantially over 2011 budget even though staffing is increasing. FTEs added to Compliance Enforcement are not expected to travel extensively.

Operating Expenses

- The decrease in operating expenses is primarily related to the substantial decrease in consultants and contractor expense as a result of the transfer of software development contracts to the IT department, the elimination of funding for an events analysis tool and the transfer of expenses for consultant support of audits of Regional Entities to Finance and Accounting.

Indirect Expenses

- Indirect expenses represent an allocation of expenses in the administrative departments and are based upon the proportional FTEs in the Program as described above. The increase in the indirect expense allocation is related to the increase in FTEs in the Compliance Program, which represent 43% of the total Statutory Program FTEs in 2012, versus 42% in 2011, and to the increase in expenses in the administrative departments.

Other Non-Operating Expenses

- Expenses related to the relocation of NERC's primary headquarters and expansion of its Washington, D.C. offices will be fully recorded in 2011 so there is no budget in 2012.

Fixed Asset Additions

- The decrease is related to the allocation of fixed assets from the administrative departments.

Reliability Assessment and Performance Analysis

Reliability Assessments and Performance Analysis (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	13.75	16.50	2.75
Direct Expenses	$ 4,300,017	$ 4,437,753	$ 137,736
Indirect Expenses	$ 1,827,800	$ 2,656,316	$ 828,516
Other Non-Operating Expenses	$ 91,261	$ -	$ (91,261)
Inc(Dec) in Fixed Assets	$ 73,251	$ (125,208)	$ (198,459)
Total Funding Requirement	$ 6,292,329	$ 6,968,860	$ 676,530

Program Scope and Functional Description

NERC's Reliability Assessment and Performance Analysis (RAPA) program conducts annual seasonal and long-term reliability assessments, designed to assess existing and planned short and long-term resource adequacy and operating reliability. Further, the program identifies as well as assesses risk and severity in reliability performance, measures progress in improving current reliability, tracks leading indicators of future reliability and provides risk-informed input into NERC's standards and compliance processes. To support these functions, RAPA maintains detailed databases measuring the ongoing reliability performance of generation, transmission and demand response resources. RAPA also identifies and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency ("HILF") events, industry trends, and proposed public policy measures, and documents these special assessments.

RAPA's resource needs are both driven and supported by the Board of Trustees, along with the Member Representatives, Planning, Operating, Critical Infrastructure Protection, Standards, and Compliance Committees strategic work plans, along with numerous subcommittees, working groups, and task forces.

2012 Goals and Key Deliverables

- Complete development of and obtain board approval of a revised definition of adequate level of reliability of the bulk electric system, through collaboration with industry stakeholders and standing committees
- Issue reliability assessment reports, guidelines, recommendations and Alerts as needed:
  - One 10-year Long-Term Reliability Assessment
  - Two pre-seasonal assessments: Summer and Winter
  - Two post-seasonal operational assessments: Winter and Summer

  - One annual risk/severity and reliability metrics report, including overall system risk and violation risk analysis
  - Two equipment reliability reports: Transmission (TADS) and Generating (GADS)
  - Geomagnetic Disturbance (GMD) effects on reliability of the bulk power system
  - Up to two additional special assessments addressing key reliability issues
  - Additional reports addressing industry reliability concepts and emerging issues
- Oversight of GADS, TADS, and DADS
- Strengthen data collection and validation processes by designing, creating, testing, and implementing data checking systems for reliability and risk assessments
- Build and sustain an enterprise reliability assessment and performance analysis team
- Develop Standard Authorization Requests to address deficiencies or needs revealed by reliability assessments and performance analysis
- Lead the study of current and future frequency response performance in the Eastern Interconnection and determine corrective actions as necessary
- Continued assessment and improvement of system protection and control schemes
- Sponsor system model improvements for each of the interconnections
- Develop and sustain power flow and dynamics cases for forensics and model validation
- Provide support and leadership to the Planning Committee, and standing committee subcommittees, working groups, and task forces serving the Standing Committees

Resource Requirements

RAPA activities have expanded significantly over the past two years. This activity level is expected to continue in 2012. RAPA added one FTE during 2011 to support department workload in the modeling area and is proposing to add two personnel in 2012 (one transfer from SAIS and one new hire), resulting in 2.75 FTEs after taking into account the projected timing of hires. Contractor and consulting costs are projected to decrease by approximately $62k over 2011.

Personnel

The continued expansion and acceleration of activities will require one additional employee hired in the second quarter of 2012 to support interconnection power flow and dynamic modeling and validation efforts. In addition, one FTE represents the transition of contractor costs to a full-time equivalent and another employee represents a transfer of an FTE that supports the Planning Committee to this program area. The transferred FTE was previously budgeted in the Situation Awareness and Infrastructure Security Program Area. Since many of the planning committee activities are closely related to the work undertaken by the Reliability Assessments Program Area, transferring the committee support position into this program area more accurately aligns costs with the appropriate program area.

Contractor Expenses

Consultant and contracts resource needs are projected to decrease approximately $162k over 2011 and are primarily needed to:

1. Evaluate the reliability impacts from GMD and provide oversight of the Spare Equipment Database. These activities are supported by both the NERC Standing Committees and the ESCC.
2. Improve reliability assessment benchmarking databases, the need for which was recognized in the Three-Year Assessment and incorporated in the Reliability Assessment Improvement Plan approved by NERC's Planning Committee.
3. Prepare a Probabilistic Assessment of Resource Adequacy, which was also recognized as needed in the Three-Year Assessment and by the Planning Committee.
4. GADS and TADS programming and oversight to support performance analysis and risk/severity assessments, as well as Planning and Operating Committees' initiatives.
5. Improve static and dynamic modeling efforts needed to support ERO and Regional Entities, as well as address Planning, Operating, and Standards Committee requirements.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Assessment and Performance Analysis

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	$ 4,802,760	$ 4,802,760	$ -	$ 6,716,302	$ 1,913,541
Penalty Sanctions	$ 1,238,108	1,238,108		-	(1,238,108)
Total NERC Funding	**$ 6,040,869**	**$ 6,040,869**	**$ -**	**$ 6,716,302**	**$ 675,433**
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	250,000	250,000	-	250,000	-
Workshops	-	48,000	48,000	-	-
Interest	1,460	-	(1,460)	2,558	1,098
Miscellaneous	-	-	-	-	-
Total Funding	**$ 6,292,329**	**$ 6,338,869**	**$ 46,540**	**$ 6,968,860**	**$ 676,531**
Expenses					
Personnel Expenses					
Salaries	$ 1,837,742	$ 2,006,643	$ 168,901	$ 2,189,610	$ 351,868
Payroll Taxes	118,451	129,956	11,505	141,720	23,268
Benefits	261,835	218,740	(43,095)	266,523	4,688
Retirement Costs	261,410	275,765	14,355	313,238	51,828
Total Personnel Expenses	**$ 2,479,438**	**$ 2,631,103**	**$ 151,665**	**$ 2,911,090**	**$ 431,652**
Meeting Expenses					
Meetings	$ 100,000	$ 75,000	$ (25,000)	$ 12,500	$ (87,500)
Travel	326,250	401,250	75,000	369,375	43,125
Conference Calls	42,500	42,500	-	31,950	(10,550)
Total Meeting Expenses	**$ 468,750**	**$ 518,750**	**$ 50,000**	**$ 413,825**	**$ (54,925)**
Operating Expenses					
Consultants & Contracts	$ 1,160,000	$ 1,322,000	$ 162,000	$ 998,000	$ (162,000)
Office Rent	-	-	-	-	-
Office Costs	123,700	73,700	(50,000)	93,676	(30,024)
Professional Services	-	25,135	25,135	-	-
Miscellaneous	-	355	355	4,000	4,000
Depreciation	68,129	25,505	(42,624)	17,161	(50,968)
Total Operating Expenses	**$ 1,351,829**	**$ 1,446,695**	**$ 94,866**	**$ 1,112,837**	**$ (238,992)**
Total Direct Expenses	**$ 4,300,017**	**$ 4,596,548**	**$ 296,531**	**$ 4,437,753**	**$ 137,736**
Indirect Expenses	**$ 1,827,800**	**$ 2,468,299**	**$ 640,499**	**$ 2,656,316**	**$ 828,516**
Other Non-Operating Expenses	**$ 91,261**	**$ -**	**$ (91,261)**	**$ -**	**$ (91,261)**
Total Expenses	**$ 6,219,078**	**$ 7,064,847**	**$ 845,769**	**$ 7,094,068**	**$ 874,990**
Change in Assets	**$ 73,251**	**$ (725,979)**	**$ (799,230)**	**$ (125,208)**	**$ (198,459)**
Fixed Assets					
Depreciation	(68,129)	(25,505)	42,624	(17,161)	50,968
Computer & Software CapEx	130,000	-	(130,000)	-	(130,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ (61,871)**	**$ 25,505**	**$ 87,376**	**$ 17,161**	**$ 79,032**
Allocation of Fixed Assets	$ (11,380)	$ (645,910)	$ (634,531)	108,047	$ 119,426
Change in Fixed Assets	**(73,251)**	**(620,405)**	**(547,155)**	**125,208**	**198,459**
TOTAL CHANGE IN NET ASSETS	**$ 0**	**$ (1,346,384)**	**$ (1,346,384)**	**$ -**	**$ (0)**

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments and Penalty Sanctions)

- Interest income is allocated to the Statutory Programs (Reliability Standards, Compliance Monitoring and Enforcement, Reliability Assessments and Performance Analysis, Training and Education, and Situation Awareness and Infrastructure Security) based upon the percentage of FTEs in the Program relative to total FTEs in all Statutory Programs. Interest income is expected to increase based upon current earnings.

Personnel Expenses

- The increases are the result of adding 2.75 FTEs over the 2011 budget. While the increase in salaries, payroll taxes and retirement costs are generally consistent, the increase in benefits is substantially less due to reductions in the average cost of medical benefits per employee.

Meeting Expenses

- Meetings are primarily being held in stakeholder or regional offices significantly reducing expenses. Travel is expected to increase in this program area with the addition of staff.

Operating Expenses

- The decrease in operating expenses is related to the decrease, or deferral as previously described, in consultants and contractors expense, a reduction in maintenance costs associated with benchmarking software and a reduction in depreciation expense resulting from lower spending for modeling software budgeted as a fixed asset.

Indirect Expenses

- Indirect expenses represent an allocation of expenses in the administrative departments and are based upon the proportional FTEs in the Program as described above. The increase in the indirect expense allocation is related to the increase in FTEs in the RAPA Program, which represent 13% of the total Statutory Program FTEs in 2012, versus 12% in 2011, and to the increase in expenses in the administrative departments.

Other Non-Operating Expenses

- Expenses related to the relocation of NERC's primary headquarters and expansion of its Washington, D.C. offices will be fully recorded in 2011 so there is no budget in 2012.

Fixed Asset Additions

- The decrease is related to the elimination of the budget for modeling software and allocation of fixed assets from the administrative departments.

Training, Education, and Operator Certification

Training, Education and Operator Certification (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	6.25	6.75	0.50
Direct Expenses	$ 2,045,537	$ 2,055,656	$ 10,118
Indirect Expenses	$ 830,818	$ 1,086,675	$ 255,856
Other Non-Operating Expenses	$ 41,482	$ -	$ (41,482)
Inc(Dec) in Fixed Assets	$ 5,173	$ (44,201)	$ (49,374)
Total Funding Requirement	$ 2,923,011	$ 3,098,129	$ 175,119

Program Scope and Functional Description

In 2012, NERC will enhance its training programs in response to the industry's recognition of the need for more and ongoing training opportunities for auditors and investigators to achieve consistent application of the reliability standards, identified in the Three-Year Assessment.

NERC's Training and Education Program provides oversight and coordination of the delivery of training programs that support NERC's Standards, Compliance Operations, Event Analysis and Investigations, and Enforcement department training needs.

NERC's Training and Education Program also supports NERC's System Operator Certification and Continuing Education programs, which ensure that personnel operating the bulk power system have the skills, training, and qualifications needed to operate the system reliably. NERC maintains the credentials for over 6,000 system operators, effectively licensing them to work in system control centers across North America. NERC's system operator certification exam is designed to: test specific knowledge of job skills and reliability standards; and prepare operators to ensure standards are met and quickly and confidently react when unexpected situations occur. Once an operator passes the certification exam, he or she is required to maintain certification through completing NERC-approved continuing education activities. The certification exam is created by the Personnel Certification Governance Committee, a group of operational experts, trainers, and supervisors. Exams are updated on an 18-month cycle.

2012 Goals and Deliverables

In response to needs identified in the Three-Year Assessment and through stakeholder and Regional Entity feedback, training and education opportunities will be further expanded for NERC and Regional Entity staff, registered entities, and stakeholders. For registered entities, this training and education will focus on objectives related to various standards including how to best comply with standards and improve bulk power system reliability – for both operational and cyber related topics. For NERC and regional staff, the training and education will focus on consistent audit and investigation techniques and standards application. NERC will also be

evaluating the development of a formal compliance auditor training and certification program. Other training will focus on skills development in a number of key areas, including:

- Critical Infrastructure Protection standards information;
- Teachable lessons-learned from past events;
- Identified themes from trending and common cause analysis;
- Effective compliance cultures with model compliance program and templates;
- Effective root apparent and common cause analysis techniques (as part of a culture of compliance);
- Quality improvement of registered entity self-reporting and self-certification;
- Currently-monitored standards;
- Reliability assessment/system planning fundamentals and requirements;
- Entity registration process, issues, and alternatives;
- Human performance error reduction techniques;
- Systematic approach to training; and
- Project management.

NERC will provide some of these learning opportunities through compliance workshops hosted by the Regional Entities. NERC will also host workshops, webinars, and training courses, as well as use vendors to develop training modules and supplement internal training resources, as NERC designs and implements further NERC-hosted electronic training and educational platforms. NERC's Training and Education group will also continue to develop and deliver a personnel development program to advance and improve the skills of NERC's operating staff. NERC's Human Resources department will continue to budget and manage the delivery of more traditional corporate employee training and continuing education programs.

Resource Requirements

Personnel

One new position (.5 FTEs based on timing of hiring) will be added to support ongoing training and educational programs.

Contractor Expenses

Contractor expenses are projected to increase by approximately $109k over 2011 levels due primarily to the need for external support to more rapidly develop and deploy training programs while moderating the need for increased staffing.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget

Training and Education

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	$ 327,071	$ 327,071	$ -	$ 916,083	$ 589,012
Penalty Sanctions	$ 562,777	562,777		-	(562,777)
Total NERC Funding	**$ 889,847**	**$ 889,847**	**$ -**	**$ 916,083**	**$ 26,236**
Membership Dues	-	-	-	-	-
Testing Fees	1,940,000	1,940,000	-	2,061,000	121,000
Services & Software	-	-	-	-	-
Workshops	92,500	-	(92,500)	120,000	27,500
Interest	664	-	(664)	1,047	383
Miscellaneous		-	-	-	-
Total Funding	**$ 2,923,011**	**$ 2,829,847**	**$ (93,164)**	**$ 3,098,129**	**$ 175,118**
Expenses					
Personnel Expenses					
Salaries	$ 815,066	$ 614,119	$ (200,947)	$ 879,333	$ 64,268
Payroll Taxes	54,445	47,431	(7,014)	57,024	2,579
Benefits	119,092	82,798	(36,293)	108,672	(10,419)
Retirement Costs	114,877	78,018	(36,859)	119,778	4,900
Total Personnel Expenses	**$ 1,103,479**	**$ 822,366**	**$ (281,114)**	**$ 1,164,808**	**$ 61,328**
Meeting Expenses					
Meetings	$ 278,000	$ 30,000	$ (248,000)	$ 124,450	$ (153,550)
Travel	48,000	48,000	-	48,000	-
Conference Calls	35,000	35,000	-	58,100	23,100
Total Meeting Expenses	**$ 361,000**	**$ 113,000**	**$ (248,000)**	**$ 230,550**	**$ (130,450)**
Operating Expenses					
Consultants & Contracts	$ 487,658	$ 412,303	$ (75,355)	$ 596,448	$ 108,790
Office Rent	-	-	-	-	-
Office Costs	93,400	93,400	-	63,600	(29,800)
Professional Services	-	-	-	-	-
Miscellaneous	-	82	82	250	250
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 581,058**	**$ 505,785**	**$ (75,273)**	**$ 660,298**	**$ 79,240**
Total Direct Expenses	**$ 2,045,537**	**$ 1,441,151**	**$ (604,386)**	**$ 2,055,656**	**$ 10,118**
Indirect Expenses	**$ 830,818**	**$ 816,339**	**$ (14,480)**	**$ 1,086,675**	**$ 255,856**
Other Non-Operating Expenses	**$ 41,482**	**$ -**	**$ (41,482)**	**$ -**	**$ (41,482)**
Total Expenses	**$ 2,917,838**	**$ 2,257,490**	**$ (660,348)**	**$ 3,142,330**	**$ 224,492**
Change in Assets	**$ 5,173**	**$ 572,357**	**$ 567,184**	**$ (44,201)**	**$ (49,374)**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx		-	-	-	-
Equipment CapEx		-	-	-	-
Leasehold Improvements		-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ (5,173)	$ (213,621)	(208,449)	44,201	$ 49,374
Change in Fixed Assets	**(5,173)**	**(213,621)**	**(208,449)**	**44,201**	**49,374**
TOTAL CHANGE IN NET ASSETS	**$ 0**	**$ 358,736**	**$ 358,735**	**$ -**	**$ (0)**

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments and Penalty Sanctions)

- Testing Fees – The increase is due to an increase in the fees charged to administer system operator examinations, for certificate renewals and the evaluation of continuing education courses to fully recover the cost of these programs, including the allocation of indirect expenses and fixed assets from the administrative departments.
- Workshop fees are increasing due to additional workshops related to Standards, NASPI and CIP Programs.
- Interest income is allocated to the Statutory Programs (Reliability Standards, Compliance Monitoring and Enforcement, Reliability Assessments and Performance Analysis, Training and Education, and Situation Awareness and Infrastructure Security) based upon the percentage of FTEs in the Program relative to total FTEs in all Statutory Programs. Interest income is expected to increase based upon current earnings.

Personnel Expenses

- The increases in salaries, payroll taxes and retirement costs are generally consistent and are related to the increase of 0.5 FTEs. The decrease in benefits is due to reductions in the average cost of medical benefits per employee.

Meeting Expenses

- Meeting expense is primarily related to workshops and is offset by funding. Other meetings are expected to be held primarily in the NERC office or regional offices.
- The use of conference calls for industry and stakeholder training is expected to increase.

Operating Expenses

- The increase in consultants and contractors expense is to more rapidly deploy training programs.
- The decrease in Office Costs is related to a reduction in the budget for merchant card fees to be more reflective of actual historical spending.

Indirect Expenses

- Indirect expenses represent an allocation of expenses in the administrative departments and are based upon the proportional FTEs in the Program as described above. The increase in the indirect expense allocation is related the increase in expenses in the administrative department. The proportional FTEs in the Training and Education Program decrease, representing 5% of the total Statutory Program FTEs in 2012, versus 6 percent in 2011.

Other Non-Operating Expenses

- Expenses related to the relocation of NERC's primary headquarters and expansion of its Washington, D.C. offices will be fully recorded in 2011 so there is no budget in 2012.

Situation Awareness and Infrastructure Security

Situation Awareness and Infrastructure Security (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	25.83	25.17	(0.66)
Direct Expenses	$ 10,789,469	$ 10,534,732	$ (254,737)
Indirect Expenses	$ 3,434,048	$ 4,052,089	$ 618,041
Other Non-Operating Expenses	$ 171,460	$ -	$ (171,460)
Inc(Dec) in Fixed Assets	(24,504)	(212,674)	(188,169)
Total Funding Requirement	$ 14,370,473	$ 14,374,147	$ 3,674

Program Scope and Functional Description

This Program Area is divided into two departments, Situation Awareness and Critical Infrastructure Protection. These departments are responsible for gathering and disseminating information regarding bulk power system vulnerabilities and system and cyber events. Both departments also support the coordination of industry-wide exercises and drills undertaken in conjunction with governmental authorities. The Situation Awareness department and resource needs are described first, followed by a discussion of the Critical Infrastructure Protection department and resource needs. On a consolidated basis, reductions in Situation Awareness funding requirements are more than offset by proposed increases in Critical Infrastructure Protection funding requirements. The reduction in Situation Awareness department funding is primarily due to increased efficiency in personnel utilization combined with reductions in funding requirements for SAFNR compared to 2011 levels. The increase in CIP department funding is primarily due to proposed additions in personnel to support core departmental functions, as well as for investments to deploy a secure communication system and cost of specialized consulting support, as further described below. CIP department funding also reflects management's review of department priorities, as well as the recognition of availability of other sources of funding to support key national CIP initiatives.

Situation Awareness

Situation Awareness (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	11.33	8.17	(3.16)
Direct Expenses	$ 6,554,441	$ 5,320,469	$ (1,233,972)
Indirect Expenses	1,506,550	1,777,691	271,140
Other Non-Operating Expenses	75,224	-	(75,224)
Inc(Dec) in Fixed Assets	(24,504)	(120,161)	(95,657)
Total Funding Requirement	$ 8,111,711	$ 6,977,999	$ (1,133,712)

NERC Situation Awareness personnel work closely with situation awareness personnel at the Regional Entities and governmental authorities, including FERC, to share information regarding system events and risks to the reliability of the bulk power system using NERC's secure alert system and other communications as appropriate. They also work closely with NERC's CIP department regarding CIP and cyber information sharing.

Overall Situation Awareness funding is projected to decrease by more than $1.1M in 2012 compared to 2011, a reduction of approximately 14.0 percent. This reduction was achieved through the transfer (without replacement) of existing personnel to other program areas to more properly align the work they perform with the functions managed within those program areas, as well as the elimination of the operations engineering management position that was allocated to this area in the 2011 budget.

In 2011, NERC initiated steps to implement a common platform for the collection and display of key system information from Reliability Coordinators by executing a master license services agreement to design, deploy and support this platform. This platform allows NERC, the Regional Entities, and governmental authorities to collect and display key information with common forms and formats. The single approach supports industry by establishing a single data sharing process and protocol as opposed to multiple processes and protocols for NERC, Regions, and governmental authorities thereby eliminating duplication of efforts. The project is known as Situation Awareness for FERC, NERC, and Regional Entities (SAFNR). During 2012 SAFNR will continue to evolve to ensure the parameters monitored and display formatting support early understanding of bulk power system vulnerabilities. This platform has not been designed nor is it intended to be used to direct registered entity operations. NERC will also continue to work with stakeholders to better clarify the long-term role of SAFNR in the context of the ERO's statutory responsibilities.

The Situation Awareness Program area provides funding to support the North American Synchro-Phasor Initiative (NASPI), which was initiated following the August 14, 2003 Northeast blackout. These devices can provide system operators with a critical indication of the health of the bulk power system and help predict weakened areas of the system. A number of phasor measuring devices have been installed in the interconnections and data concentrators have been put in place. In 2010, NERC entered into a contract with the Grid Protection Alliance (GPA) to further advance and support the development and deployment of synchro-phasor technologies. In 2011, NERC and GPA entered into an amendment to that agreement which provides that a portion of NERC's funding commitment will be used to support work GPA was awarded by the Department of Energy (DOE) in December, 2010, to develop a secure information exchange gateway for electric grid operations (the "SIEGate Grant"). This is in keeping with NERC's strategy to promote additional third-party funding of NASPI and leverage NERC's investments where practical. In addition to DOE funding, other entities are also providing funding support permitting NERC to further leverage NERC's NASPI investment. The primary objective of this project is to develop a secure and flexible "appliance" that will serve as the gateway for all types of real-time data exchanged between a utility control center and other control centers, utilities, and regulatory and oversight entities. The gateway appliance will be

designed and built to resist cyber attacks, protect the confidentiality and integrity of a growing volume of real-time information being exchanged to assure the reliability of the bulk electric system, and inter-operate with existing and proposed data formats and networking technologies.

2012 Goals and Deliverables

- Working closely with industry, FERC staff, the regional entities and other stakeholders to define a long term strategy for SAFNR, including ensuring the proper protection and use of information collected through the SAFNR technology platform
- Continued support of NASPI, with the goal of eliminating NERC funding by the end of 2013 as synchro-phaser technologies are commercialized.
- Refinements of Alerts processing to ensure comprehensive and timely review of developing Alerts
- Enhanced coordination of situational awareness functions with emergency response protocols

Resource Requirements

Personnel

No additional personnel are projected for this group during 2012. A reduction of 2.83 FTEs is projected for this area due to the combination of personnel reductions in 2011 and the transfer of one FTE to the Compliance Operations department and one FTE to the Reliability Assessments Program Area in 2012. These transferred FTEs spend a substantial amount of time supporting NERC operating and planning committee activities, which are more closely tied to the functions managed in these areas.

Contractor Expenses

Overall funding for contractors and consultants to support the Situation Awareness department will decrease approximately $358k in 2012 compared to 2011. NERC's 2012 Situation Awareness contractor expenses are primarily driven by ongoing contractual commitments in support of the SAFNR initiative and ongoing funding for GPA in connection with the NASPI initiative. The 2012 budgeted costs for SAFNR operations is $473.6k and is based on contractual commitments supporting SAFNR that were entered into in 2011 for SAFNR deployment, maintenance, and support. This is reduction of approximately $276k from the 2010 budget which substantially offsets the increase in budgeted funding for NASPI described in the next paragraph.

NERC's 2011 budget provided for a 60 percent reduction in NASPI-related funding compared to NERC's 2010 budget, with any incremental funding in 2011 above the budgeted amount to be paid from working capital reserves. NERC's 2012 budget amount to support the NASPI initiative has been increased by $200k to reflect known and projected funding requirements, including co-funding commitments in connection with the SEIGate Grant initiative, and represents a

reduction of several hundred thousand dollars from the funding NERC now projects it will require in 2011, inclusive of funding that will come from working capital reserves.

The Situation Awareness budget also includes ongoing funding for various NERC tools which NERC supports on behalf of reliability coordinators and other industry participants, as well as funding to support NERC's secure alert system. NERC continues to evaluate its continued funding of these tools as part of ongoing ERO operations. NERC recently exercised an option to terminate its contract supporting the Interchange Distribution Calculator (IDC), effective in March 2013, and will be working with users and the IDC vendor to transition the funding support for this tool to users given the commercial nature of its use. NERC plans to eliminate further funding, by no later than May 2013, of other tools which are not essential to NERC's core operations. Depending on the level of interest, NERC will work with users of these tools to transition them to end user funding.

Critical Infrastructure Protection

Critical Infrastructure Protection (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	14.50	17.00	2.50
Direct Expenses	$ 4,235,028	$ 5,214,262	$ 979,235
Indirect Expenses	1,927,498	2,274,398	346,900
Other Non-Operating Expenses	96,237	-	(96,237)
Inc(Dec) in Fixed Assets	-	(92,512)	(92,512)
Total Funding Requirement	$ 6,258,762	$ 7,396,148	$ 1,137,386

Program Scope and Functional Description

The CIP department supports CIP standards initiatives, as well as CIP and cyber information sharing, incident analysis, alerts, system-level risk assessment, and enhanced coordination between industry and our governmental partners.

NERC has developed an overall long-term CIP strategy that will be updated each year as part of the ERO business plan and budget process. NERC's short term prioritization of CIP activities, as well as a long term CIP objectives, are focused on establishing NERC as the authoritative voice regarding critical infrastructure and security matters affecting the reliability of bulk electric systems in North America. To accomplish this mission NERC's CIP department will focus its activities in four main areas:

- Continued support of the CIP standard development process, as well as providing assistance to industry in understanding and developing approaches to comply with standards requirements
- Facilitating the timely exchange of threat and vulnerability information between NERC and industry
- Providing knowledge and information to support both the response and recovery from CIP related events
- Supporting the CIP aspects of NERC's lessons learned initiatives

During the past few years both NERC and industry have been focused on supporting the development and compliance with CIP standards. While this remains important given the central role of CIP standards in establishing the baseline for industry CIP programs, additional efforts are required to assist industry in identifying and addressing emerging threats and vulnerabilities during and in parallel with the standards development process. Additional efforts are also required to improve CIP information sharing among and between governmental agencies and industry, including the sharing of information that can only be accomplished through use of secure communication technologies.

The NERC CIP department also operates and maintains the Electricity Sector Information Sharing and Analysis Center (ES-ISAC) to monitor the bulk power system and provide situation awareness leadership and coordination services to the electric industry. Under Section 1003 of the NERC Rules of Procedure, NERC was required to establish the ES-ISAC as part of its responsibilities to coordinate electric industry activities to promote critical infrastructure protection of the bulk power system in North America. The ES-ISAC functions to send alerts and notifications to registered bulk power system entities which are developed through a strong partnership of federal technical partners, including Department of Homeland Security and the Department of Energy National Laboratories, and industry bulk power system subject matter experts. While NERC is proposing to implement significant improvements to ES-ISAC communications capabilities in 2012, NERC also recognizes the need to work closely with stakeholders to develop a long-term plan for the ES-ISAC consistent with NERC's role as the ERO.

The CIP department is helping NERC advance a number of actions to complement mandatory CIP standards and provide enhanced resilience for the grid. Through support of the ESCC, NERC works with industry and governmental entities, including the Department of Energy, Department of Defense and Department of Homeland Security, to identify critical infrastructure protection concepts, processes and resources, as well as to facilitate information sharing about cyber vulnerabilities and threats. This type of public/private partnership is key to coordination and communication efforts on cyber security topics and initiatives. The CIP department is also leading NERC's role in developing a North American cyber security exercise to assess NERC and electricity sector incident response plans, with primary emphasis on incident reporting, and the escalation process through the management chain of each participating entity. Situational awareness, collection and dissemination of cyber security incident information, and internal response capabilities will be exercised.

Improving the amount and quality of actionable security threat and vulnerability information available to industry is a priority for NERC and is reflected in a number of joint projects underway with DHS and DOD. NERC is working with DHS' National Cybersecurity and Communications Integration Center on a Memorandum of Understanding (MOU) for bi-directional sharing of critical infrastructure protection information between the government and the electricity sector in North America. The MOU will result in cyber security data flow, analytical collaboration, and incident management activities across the spectrum of cyber security coordination to include detection, prevention, mitigation, and response/recovery. The MOU details an engagement of analytical collaboration and incident management activities across the spectrum of cybersecurity coordination. DHS and NERC's ES-ISAC cooperative activities will identify and develop mitigations for emerging cybersecurity risks that enhance the protection of the electricity sector which are vital to national security. To ensure that this proposed information-sharing arrangement is useful and effective, NERC will involve and consult with industry stakeholders by seeking the input of the ESCC on policy-related matters.
The CIP department also supports NERC's involvement with two significant DHS-affiliated public-private partnerships which include the Partnership for Critical Infrastructure Security

(PCIS) and the Industrial Control Systems Joint Working Group (ICSJWG). The PCIS is the senior -most policy coordination group between public and private sector organizations and the ICSJWG is a cross-sector industrial control systems working group that focuses on the areas of education, cross-sector strategic roadmap development, coordinated efforts on developing better vendor focus on security needs and cyber security policy issues.

NERC's CIP department is also engaged with DOE National Laboratories to further the level of awareness and expertise focused on cyber security, especially as it pertains to the bulk power system. NERC is working with DOE and the Pacific Northwest National Laboratory (PNNL) on developing certification guidelines for Smart Grid Cyber Operators and the Electric Sector Network Monitoring (ESNM) initiative. The Smart Grid Cybersecurity Operator Certification program is a DOE PNNL initiative currently underway that NERC has been asked to participate in to ensure that industry's interests are represented. NERC's role will be limited to evaluating certification criteria which may require bulk power system (BPS) experience or have BPS implications through collaboration with the NERC Critical Infrastructure Protection Committee and industry. The ESNM initiative will result in the deployment of network monitoring devices at electric utilities across the US. To date PNNL has deployed six devices at US utilities. NERC's plan is to investigate the feasibility of deploying a device at NERC and work with currently participating companies to determine the value of the ESNM information exchange with PNNL. Similarly, NERC is working with the Idaho National Laboratory to promote the already developed and available Cyber Security Evaluation Tool (CSET) for use within the electric sector.

Additionally, NERC is collaborating with DOE and the National Institute of Standards and Technology (NIST) to develop comprehensive cyber security risk management process guidelines for the entire electric grid, including the bulk power and distribution systems. This initiative is particularly important with the increasing availability of smart grid technologies. While the majority of technology associated with the smart grid is found within the distribution system, vulnerabilities realized within the distribution system could potentially impact the bulk power system.

2012 Goals and Key Deliverables

The following is a list of key 2012 deliverables for the CIP department:

- Continue enhancement of the ES-ISAC program first deployed over 10 years ago. ES-ISAC functions will include a portal for bi-directional information sharing with government and industry, rapid dissemination of threat and vulnerability information across the industry, a secure repository for security guidelines, incident, threat, and vulnerability information, and an analytical capability to assess potential risks to reliability and develop mitigations for industry consideration.
- Continue collaboration with government agencies in the U.S. and Canada to develop more timely dissemination of classified information regarding threats to the bulk power system, including dissemination of information from classified sources in a form that can be provided to and used by the industry.

- Working jointly with Regional Entities, increase the transparency of CIP compliance processes and program results among regions by deploying shared procedures, training and tools; improve risk-based approaches for CIP auditing to optimize resource utilization; and promote a culture of compliance excellence through education, information, and incentives.
- Work with Regional Entities for more efficient monitoring of compliance with CIP standards by registered entities.
- Conduct security incident analysis and work with industry experts to evaluate, track, and identify lessons learned and security metrics that enhance the sector's security posture.
- Provide administrative support to the CIPC, support the ESCC, working groups and task forces serving the Standing Committees.
- Provide support to bulk power system entities in development of adequate cyber risk preparedness exercises.
- Apply resources to improve education and outreach related to both CIP standards compliance and general security risk management. The CIP department will partner with internal and external groups to offer advanced auditor training, CIP education for registered entities, and technical cyber security training for NERC, regions, and registered entity staff. Rather than focus on the development of specific NERC sponsored training programs, the CIP department will focus its training support in furthering the level of awareness and expertise focused on cyber security issues affecting the bulk power system.

Resource Requirements

Personnel

Two CIP cyber security specialists will be added in 2012 to support additional increases in CIP Standards and security incident workload associated with ES-ISAC information sharing and risk management activities. The addition of these resources is required to further develop and implement CIP program risk management activities, meet federal coordination requirements in both the U.S. and Canada, and support the growing need for expert cyber security and CIP Standards subject matter expert support. These personnel will also assist the department in:

- Researching, analyzing, and disseminating information regarding significant cyber and physical security incidents.
- Conducting security focused risk management and security incident reporting analysis. The CIP cyber security specialists will support the ES-ISAC with event and incident data analysis, conducting quarterly analysis of all security-related incidents, and continue the development of incident descriptions, categories and measurements.
- Supporting access to operations center positions in the ICS-CERT and at the DHS National Incident Coordination Center in Washington D.C.

Contractor Expenses

The CIP program will require incremental contracting expenses to provide support and subject matter expertise in connection with several program initiatives and requirements in 2012, including:

- **Cyber Risk Preparedness Assessment (CRPA):** The CRPA is focused on bulk power system entities' abilities to protect their cyber assets and improve preparedness regarding their cyber security postures. Consultant support is required to examine bulk power system entities' ability to defend their information systems, deter and deny attacks against those systems, and respond to cyber attacks in a timely and efficient manner. The CRPA program is different than the DHS assessment program by being focused and tailored to a specific entity and is a valuable component of NERC's overall security training and outreach and historically industry participants have supported this approach. NERC encourages companies to participate in any program that provides value to their overall security posture including the DHS program(s).
- **NIST/DOE Risk Management Project (RMP) support:** The RMP is a public-private collaboration to develop a cyber security risk management guideline that will enable organizations to proactively manage risk. The effort is being led by DOE in coordination with NIST and NERC, and in collaboration with representatives from across the public and private sectors and will require consultant support to provide training and broaden understanding of the project. The RMP guideline is expected to be complete in 2011 and the 2012 NERC proposal for the DOE/NIST/NERC Risk Management Program (RMP) is limited to conducting industry outreach and training on the RMP. As part of its outreach efforts, NERC will continue to promote cybersecurity training activities offered by DHS and other agencies.
- **ESCC and CIPC Support:** Provide NERC with executive-level support and advice on strategic and policy matters related to critical infrastructure protection including support services to the ESCC, CIPC, and overall coordination of the various task force initiatives identified in the Coordinated Action Plan to implement the ESCC Critical Infrastructure Strategic Roadmap.
- **ES-ISAC:** The ES-ISAC is managed by NERC in collaboration with registered entities, NERC, Regions, vendors, suppliers, vulnerability researchers and government partners. The ES-ISAC leverages the knowledge, skills, and capabilities of industry and government partners to act as a primary communications and coordination mechanism for information sharing and analysis across the industry. A total of $600k has been budgeted to support the ES-ISAC, including $300k for expert consultant support for cyber security analysis and CIP incident response and $250k to support the deployment of the secure communications portal within the ES-ISAC. NERC recognizes that as information gathering and exchange systems are deployed within the ES-ISAC, it's extremely important to carefully monitor and ensure the proper protection and utilization of information flowing in and through the ES-ISAC, especially as the role of the ES-ISAC evolves and its role within the ERO becomes better defined. This is precisely the reason NERC is proposing funding in 2012 to support the development and deployment of secure communications portal within the ES-ISAC.

The total CIP Consultant and Contracts budget for 2012 represents an increase of approximately $160k over the 2011 CIP Consultant and Contract budget and is largely driven by funding requirements associated with the deployment of the ES-ISAC portal and communications infrastructure and the cyber security consulting support discussed above.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Situation Awareness and Infrastructure Security

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	$ 12,041,586	$ 12,041,586	$ -	$ 14,370,244	$ 2,328,658
Penalty Sanctions	2,326,143	2,326,143	(0)	-	(2,326,143)
Total NERC Funding	**$ 14,367,729**	**$ 14,367,729**	**$ (0)**	**$ 14,370,244**	**$ 2,515**
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	14,534	14,534	-	-
Workshops	-	72,026	72,026	-	-
Interest	2,743	-	(2,743)	3,902	1,159
Miscellaneous	-	-	-	-	-
Total Funding	**$ 14,370,473**	**$ 14,454,289**	**$ 83,816**	**$ 14,374,147**	**$ 3,674**
Expenses					
Personnel Expenses					
Salaries	$ 4,048,115	$ 3,378,458	$ (669,657)	$ 3,975,182	$ (72,933)
Payroll Taxes	232,389	204,866	(27,523)	238,666	6,278
Benefits	508,661	332,507	(176,154)	411,777	(96,885)
Retirement Costs	555,278	455,415	(99,863)	552,371	(2,907)
Total Personnel Expenses	**$ 5,344,443**	**$ 4,371,246**	**$ (973,197)**	**$ 5,177,996**	**$ (166,446)**
Meeting Expenses					
Meetings	$ 135,000	$ 195,000	$ 60,000	$ 209,140	$ 74,140
Travel	579,833	579,833	(0)	571,000	(8,833)
Conference Calls	10,200	10,200	-	48,175	37,975
Total Meeting Expenses	**$ 725,033**	**$ 785,033**	**$ 60,000**	**$ 828,315**	**$ 103,282**
Operating Expenses					
Consultants & Contracts	$ 4,581,558	$ 5,030,374	$ 448,816	$ 4,383,116	$ (198,442)
Office Rent	-	-	-	-	-
Office Costs	92,550	118,141	25,591	95,951	3,401
Professional Services	-	155,345	155,345	-	-
Miscellaneous	-	367	367	1,500	1,500
Depreciation	45,884	47,361	1,477	47,853	1,969
Total Operating Expenses	**$ 4,719,992**	**$ 5,351,587**	**$ 631,595**	**$ 4,528,420**	**$ (191,572)**
Total Direct Expenses	**$ 10,789,468**	**$ 10,507,866**	**$ (281,602)**	**$ 10,534,732**	**$ (254,737)**
Indirect Expenses	**$ 3,434,048**	**$ 3,528,897**	**$ 94,848**	**$ 4,052,089**	**$ 618,041**
Other Non-Operating Expenses	**$ 171,460**	**$ -**	**$ (171,460)**	**$ -**	**$ (171,460)**
Total Expenses	**$ 14,394,977**	**$ 14,036,763**	**$ (358,214)**	**$ 14,586,820**	**$ 191,844**
Change in Assets	**$ (24,504)**	**$ 417,527**	**$ 442,031**	**$ (212,674)**	**$ (188,170)**
Fixed Assets					
Depreciation	(45,884)	(47,361)	(1,477)	(47,853)	(1,969)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ 45,884**	**$ 47,361**	**$ 1,477**	**$ 47,853**	**$ 1,969**
Allocation of Fixed Assets	$ (21,380)	$ (923,450)	(902,070)	164,821	186,200
Change in Fixed Assets	**24,504**	**(876,089)**	**(900,594)**	**212,674**	**188,169**
TOTAL CHANGE IN NET ASSETS	**$ 0**	**$ (458,563)**	**$ (458,563)**	**$ 0**	**$ (0)**

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments and Penalty Sanctions)

- Interest income is allocated to the Statutory Programs (Reliability Standards, Compliance Monitoring and Enforcement, Reliability Assessments and Performance Analysis, Training and Education, and Situation Awareness and Infrastructure Security) based upon the percentage of FTEs in the Program relative to total FTEs in all Statutory Programs. Interest income is expected to increase based upon current earnings.

Personnel Expenses

- The decreases in salaries and retirement costs are generally consistent and are related to the decrease of 0.67 FTEs. The higher decrease in benefits is due to reductions in the average cost of medical benefits per employee. Payroll taxes are budgeted to increase due to the assumption that taxable limits will increase and to adjust for salary increases in 2012. This assumption, while applied consistently, is not readily apparent in other Programs due to the more significant variances in salaries expenses related to the increase in FTEs.

Meeting Expenses

- Meeting expenses are expected to increase and are related to NASPI and CIP.
- The use of conference calls to educate and inform industry stakeholders is expected to increase over 2011 budgeted levels.

Operating Expenses

- The decrease is related to reduced spending for consultants and contracts in the Situation Awareness Program used to support reliability tools and SAFNR.

Indirect Expenses

- Indirect expenses represent an allocation of expenses in the administrative departments and are based upon the proportional FTEs in the Program as described above. The increase in the indirect expense allocation is related to the increase in expenses in the administrative department. The proportional FTEs in the Situation Awareness and Infrastructure Security Program decrease, representing 20% of the total Statutory Program FTEs in 2012, versus 23% in 2011.

Other Non-Operating Expenses

- Expenses related to the relocation of NERC's primary headquarters and expansion of its Washington, D.C. offices will be fully recorded in 2011 so there is no budget in 2012.

Fixed Asset Additions

- The decrease is related allocation of fixed assets from the administrative departments.

Administrative Services

Administrative Services (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	37.75	47.75	10.00
Total Direct Expenses	$ 15,021,192	$ 20,767,559	$ 5,746,366
Inc(Dec) in Fixed Assets	$ 93,519	$ (844,731)	$ (938,250)
Less: Other Funding Sources			$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ 15,114,711	$ 19,922,828	$ 4,808,117
Funding Requirement for Working Capital	$ 5,000,000	$ -	$ (5,000,000)

Program Scope and Functional Description

NERC's Administrative Services area includes all business and administrative functions of the organization, including technical committees and member forums, executive, legal and regulatory, governmental affairs, communications, human resources, information technology, finance and accounting, and general administrative expenses necessary to support program area activities. The resource requirements and comparative budget information for each of these functions is described further below. Costs incurred for these services are allocated as an indirect expense across NERC's other program areas.

Technical Committees and Members' Forum Program

Technical Committes and Member Forums (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	$ (0)	$ -	$ 0
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ 0	$ -	$ (0)

Program Scope and Functional Description

In 2010, the description of and budget for items reflected in this program area was limited to the Transmission Owners and Operators Forum. The 2011 budget reflected the removal of the Transmission Owners and Operators Forum ("TOOF") from NERC's Business Plan and Budget. TOOF ceased operations at the end of 2009 and its leadership formed a successor organization, the North American Transmission Forum, Inc., which operates independently from NERC. While NERC management and staff will continue to interact with and support numerous reliability related forums, NERC's 2012 budget does not contain specific funding for any additional forum activities.

General and Administrative

General and Administrative (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	7.00	7.00	-
Total Direct Expenses	$ 5,296,384	$ 6,800,249	$ 1,503,865
Inc(Dec) in Fixed Assets	$ (95,286)	$ (255,775)	$ (160,489)
Working Capital Requirement	$ 5,000,000	$ -	$ (5,000,000)

Program Scope and Functional Description

The General and Administrative area is responsible for the administration and general management of the organization. Expenses allocated in this area include office rent, personnel and related costs of the CEO, a senior advisor to the CEO, the CEO's executive assistant, communications and public relations staff, and costs related to the Board of Trustees.

2012 Assumptions and Cost Impacts

Total direct expenses for the General and Administrative area are increasing by approximately $1.5M, the majority of which is a result of an increase in rent expense due to the leasing of office space needed to accommodate existing and future staffing needs, as well as short-term costs associated with existing leases as NERC transitions to its new headquarters in Atlanta and a new location in Washington, D.C. given space limitations at its current Washington, D.C. location. The relocation of NERC's headquarters to Atlanta and the expansion of its Washington, D.C. office are part of a comprehensive office relocation strategy adopted in 2010 to improve the long-term efficiency and cost effectiveness of overall ERO operations. This strategy remains on track.

Working Capital Reserves — In its 2010 budget, in order to mitigate the overall funding increase over 2009, NERC only provided sufficient funding for working capital reserve to restore its cash working capital reserve to zero at December 31, 2010. As part of its 2011 Business Plan and Budget, NERC believed it was prudent to reestablish this reserve in light of the growth in the size of the organization, its cash flow requirements and the potential for unanticipated short-term resource needs driven by potential governmental directives, industry needs or litigation that could potentially arise in connection with enforcement actions. NERC's 2011 budget included $5M in working capital reserve funding, a significant portion of which was required to strengthen NERC's balance sheet due to the impact of accrual accounting adjustments on the company's 2009 year-end working capital balance. NERC is currently projecting it will have a 2011 yearend working capital balance of approximately $1.8M. In addition, while under generally accepted accounting principles, NERC is required to reflect the amortization of the leasehold for the Atlanta office; under the lease, actual rent expense is abated for a significant portion of 2012 thereby enhancing NERC's free cash flow. In addition, NERC still has in place a $4M line of credit. Based on

these three factors, NERC is not at this time expecting to request additional funding in 2012 to restore or further increase working capital.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
General and Administrative

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	$ 5,000,000	$ 5,000,000	$ -	$ -	$ (5,000,000)
Penalty Sanctions	-	-		-	$ -
Total NERC Funding	**$ 5,000,000**	**$ 5,000,000**	**$ -**	**$ -**	**$ (5,000,000)**
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	15,000	15,000	-	-
Miscellaneous	-	3,486	3,486	-	-
Total Funding	**$ 5,000,000**	**$ 5,018,486**	**$ 18,486**	**$ -**	**$ (5,000,000)**
Expenses					
Personnel Expenses					
Salaries	$ 1,501,010	$ 1,549,778	$ 48,768	$ 1,561,192	$ 60,183
Payroll Taxes	64,219	63,162	(1,057)	67,331	3,112
Benefits	226,508	198,461	(28,047)	208,278	(18,230)
Retirement Costs	242,792	150,407	(92,386)	236,295	(6,497)
Total Personnel Expenses	**$ 2,034,529**	**$ 1,961,808**	**$ (72,721)**	**$ 2,073,097**	**$ 38,567**
Meeting Expenses					
Meetings	$ 225,000	$ 290,792	$ 65,792	$ 224,000	$ (1,000)
Travel	268,120	314,120	46,000	265,120	(3,000)
Conference Calls	61,800	61,800	-	57,500	(4,300)
Total Meeting Expenses	**$ 554,920**	**$ 666,712**	**$ 111,792**	**$ 546,620**	**$ (8,300)**
Operating Expenses					
Consultants & Contracts	$ -	$ 34,634	$ 34,634	$ -	$ -
Office Rent	1,020,151	1,957,416	937,265	2,304,257	1,284,106
Office Costs	407,498	434,948	27,450	480,500	73,002
Professional Services	1,180,000	1,225,000	45,000	1,130,000	(50,000)
Miscellaneous	4,000	4,000	-	10,000	6,000
Depreciation	95,286	134,799	39,513	255,775	160,489
Total Operating Expenses	**$ 2,706,935**	**$ 3,790,797**	**$ 1,083,862**	**$ 4,180,532**	**$ 1,473,597**
Total Direct Expenses	**$ 5,296,384**	**$ 6,419,317**	**$ 1,122,933**	**$ 6,800,249**	**$ 1,503,865**
Indirect Expenses	**$ (5,296,384)**	**$ (6,400,831)**	**$ (1,104,447)**	**$ (6,800,249)**	**$ (1,503,865)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ 18,486**	**$ 18,486**	**$ -**	**$ 0**
Change in Assets	**$ 5,000,000**	**$ 5,000,000**	**$ (0)**	**$ -**	**$ (5,000,000)**
Fixed Assets					
Depreciation	(95,286)	(134,799)	(39,513)	(255,775)	(160,489)
Computer & Software CapEx		-	-	-	-
Furniture & Fixtures CapEx	-	1,503,740	1,503,740	-	-
Equipment CapEx		-	-	-	-
Leasehold Improvements		354,732	354,732	-	-
(Incr)Dec in Fixed Assets	**$ 95,286**	**$ (1,723,673)**	**$ (1,818,959)**	**$ 255,775**	**$ 160,489**
Allocation of Fixed Assets	$ (95,286)	$ 1,723,673	1,818,959	(255,775)	(160,489)
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ 5,000,000**	**$ 5,000,000**	**$ (0)**	**$ -**	**$ (5,000,000)**

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- The $5M in ERO Assessments in 2011 represented the funding of the working capital reserve needed to strengthen NERC's Balance Sheet which had been negatively impacted due to the change to accrual accounting in 2009. Current projections estimate that NERC will have a working capital reserve of approximately $1.8M at the end of 2011 and therefore, no assessments are budgeted in 2012 for additional funding of the reserve.

Personnel Expenses

- While salaries and payroll taxes are increasing slightly, retirement costs are slightly lower due to delayed eligibility for a new hire who replaces one FTE who transferred to another department. The more significant decrease in benefits costs is related to the lower average cost per employee.

Meeting Expenses

- Meeting, travel and conference call expenses are expected to decrease slightly.

Operating Expenses

- The increase in operating expenses is primarily related to the increase in rent expense associated with the relocation and expansion of NERC's primary office to Atlanta and expansion of space in Washington, DC. Depreciation expense is increasing as a result of investments in leasehold improvements and the relocation of NERC's primary data center.

Indirect Expenses

- Indirect expenses represent the allocation of the direct expenses in the General and Administrative department to the Statutory Programs.

Fixed Asset Additions

- The change in fixed assets is allocated to the Statutory Programs.

Legal and Regulatory

Legal and Regulatory (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	8.00	13.00	5.00
Total Direct Expenses	$ 2,734,875	$ 4,021,294	$ 1,286,419
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ (0)	$ -	$ 0

Program Scope and Functional Description

The Legal and Regulatory department provides legal, regulatory, and governmental relations support to the organization. Expenses allocated to this department include: General Counsel, attorneys, and Canadian governmental affairs.

2012 Assumptions and Cost Impacts

This department's workload is largely derivative of and supports the work of several of the NERC's key program areas. Increasing demands are being placed on this group from three primary areas: compliance operations, investigations, and standards. In the compliance operations area, there are increased requests for legal support for significant audits. In the investigations area, there are increasing calls for legal support for investigation teams. In standards, there are increasing calls for legal participation with drafting teams, drafting assistance and quality review of standards projects. In addition, recent FERC orders indicate a need for increased resources devoted to the development of filings for approval of standards.

In addition, this department is also responsible for providing a wide range of legal support to the NERC management team regarding antitrust, corporate, commercial, insurance, contract, employment, real estate, copyright, tax, legislation and other legal matters, the needs for which are growing as the NERC and the ERO mature and legal support needs become broader and more complex.

Two attorneys were added in 2011 and two attorneys and additional administrative support will be added in 2012 to address this department's significant workload needs and prevent it from becoming a bottleneck. Professional services and consulting costs were also increased to reflect increased volume and complexity of required filings with governmental authorities, as well as corporate matters arising from day to day operations.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Legal and Regulatory

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions		$ -		-	
Total NERC Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 1,400,014	$ 1,721,253	$ 321,239	$ 2,317,740	$ 917,726
Payroll Taxes	68,780	85,183	16,403	118,966	50,186
Benefits	179,908	152,913	(26,996)	249,428	69,519
Retirement Costs	200,552	238,413	37,860	327,545	126,993
Total Personnel Expenses	**$ 1,849,255**	**$ 2,197,762**	**$ 348,507**	**$ 3,013,679**	**$ 1,164,424**
Meeting Expenses					
Meetings	$ 5,000	$ 5,000	$ -	$ 5,000	$ -
Travel	50,500	75,000	24,500	74,000	23,500
Conference Calls	1,500	1,500	-	3,200	1,700
Total Meeting Expenses	**$ 57,000**	**$ 81,500**	**$ 24,500**	**$ 82,200**	**$ 25,200**
Operating Expenses					
Consultants & Contracts	$ 135,000	$ 135,000	$ -	$ 141,750	$ 6,750
Office Rent	-	-	-	-	-
Office Costs	28,620	28,620	-	32,915	4,295
Professional Services	665,000	665,000	-	750,000	85,000
Miscellaneous	-	-	-	750	750
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 828,620**	**$ 828,620**	**$ -**	**$ 925,415**	**$ 96,795**
Total Direct Expenses	**$ 2,734,875**	**$ 3,107,882**	**$ 373,007**	**$ 4,021,294**	**$ 1,286,419**
Indirect Expenses	**$ (2,734,875)**	**$ (3,107,882)**	**$ (373,007)**	**$ (4,021,294)**	**$ (1,286,419)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 0**	**$ -**	**$ (0)**	**$ -**	**$ (0)**
Change in Assets	**$ (0)**	**$ -**	**$ 0**	**$ -**	**$ 0**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx		-		-	-
Furniture & Fixtures CapEx		-		-	-
Equipment CapEx		-		-	-
Leasehold Improvements		-		-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets		$ -		-	
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ (0)**	**$ -**	**$ 0**	**$ -**	**$ 0**

Resource Requirements — Explanation of Increase (Decrease)

Personnel Expenses

- The increases are the result of adding 5.0 FTEs over the 2011 budget. While the increase in salaries, payroll taxes and retirement costs are generally consistent, the increase in benefits is substantially less due to reductions in the average cost of medical benefits per employee.

Meeting Expenses

- Travel expenses are expected to increase due to the increase in staff.

Operating Expenses

- The increase in operating expenses is primarily related to the increase in professional fees related to the increased use of outside counsel due to volume and complexity of required filings with governmental authorities, as well as corporate matters arising from day to day operations.

Indirect Expenses

- Indirect expenses represent the allocation of the direct expenses in the General and Administrative department to the Statutory Programs.

Information Technology

Information Technology (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	10.75	12.75	2.00
Total Direct Expenses	$ 4,539,253	$ 6,629,579	$ 2,090,327
Inc(Dec) in Fixed Assets	$ 190,555	$ (588,185)	$ (778,740)
Working Capital Requirement	$ (0)	$ -	$ 0

Program Scope and Functional Description

Information Technology (IT) is a strategic, mission-enabling function within NERC. IT is responsible for the design, procurement, implementation, and management of NERC's technology infrastructure, including network servers, databases, applications, and telecommunications, and for implementing and managing logical and physical security controls to protect critical business assets. Application development and similar technology initiatives are managed by IT staff in close coordination with relevant program staff, consultants, and vendors. Staff in this program area also support, manage, and maintain a number of reliability tools and related infrastructure on behalf of the industry, resulting in higher IT related resource requirements and costs than would otherwise exist in the absence of NERC support for this applications. NERC management will continue to closely monitor and evaluate these additional IT resource requirements in conjunction with its overall reliability tools initiative to ensure NERC's resources remain aligned with key ERO goals and objectives.

Recognizing the role of technology in the success of the ERO and in response to stakeholder feedback, NERC has placed a renewed emphasis in the IT area. Executive leadership has as one of its objectives to establish an integrated IT infrastructure and systems across common lines of business within the ERO enterprise. To achieve this objective, additional capital investments will be necessary. A new ERO-enterprise model for IT policy setting, decision-making and infrastructure deployment is critical to achieving ERO goals and objectives.

During 2011, NERC is relocating its primary IT backbone support infrastructure to a hosted, third-party data center to improve infrastructure availability and reliability. This investment was funded out of a combination of budgeted funds and working capital reserves.

2012 Goals and Key Deliverables

1. Establish a project management office to ensure the development and timely deployment of tools and technology that are aligned with ERO goals and priorities.

2. With the Regional Entities and the assistance of external consulting support, deploy a common, enterprise-wide technology platform that embraces the requirements of Regions and stakeholders for reliable, secure, efficient, and cost-effective systems and services.
3. Introduce incremental improvements to and integrate the compliance reporting and tracking systems into NERC's ERO IT platform to accommodate new business requirements and ensure sustained operability. This initiative commenced in 2011 and will carry over into 2012.
4. Replace the Standards Registered Ballot Body tool to enhance usability, performance and reliability.
5. Support enhancements to the performance metrics data management system, and improvements to the Spare Equipment Database.
6. Enhance NERC's web site to add functionality and improve user satisfaction. Continue to introduce new functionality supported by NERC's SharePoint platform, including new collaboration tools and automated content management in the Standards, Reliability Assessments, Events Analysis and Compliance areas.

Resource Requirements

To accomplish the goals and objectives described above, additional resources will be required as further described below.

Personnel

Additional IT personnel will be required to meet the long-term goals and objectives of the ERO. Specifically, IT requires additional dedicated staff to manage NERC's technology projects and IT infrastructure. Two additional personnel will be added in 2012 and include:

- Project Manager — This position will be responsible for managing all stages of complex IT projects including business analysis and design, budgeting, scheduling and status tracking, and final acceptance testing. The number of projects has grown significantly during the last several years and will continue to do so as the ERO IT platform becomes fully operational. Bringing additional dedicated project management expertise to bear will be essential to meeting the ERO's IT related goals and objectives.
- Transitional Support — An additional FTE will be added to provide support to NERC's IT group as it transitions certain critical IT support personnel who will not be relocating in connection with the closure of NERC's Princeton headquarters.

Contractor Expenses

The 2012 IT contractor and consulting budget is approximately a $385k increase from 2011 after taking into account the transfer to IT of approximately $522K in funding for IT projects from the Standards, Compliance Operations and Finance areas. The consolidation of the funding and oversight of IT projects is part of an ongoing initiative to better manage NERC's IT investments and ensure integration in an overall strategic long term and sustainable ERO enterprise IT platform, with the goal of leverage these transferred funds to support multiple

program area IT needs rather than merely supporting program area specific software requirements. Included in the $385k increase is $100k in additional funding over 2011 levels to expedite ERO enterprise IT platform development and deployment.

Office Costs

Other increases in costs are primarily personnel driven, and include the cost of computers, software and computer supplies for added FTEs; the cost of telephone expense, which includes cell phones and mobile broadband service; and an increase in software maintenance agreements.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Information Technology

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions		-		-	
Total NERC Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 1,031,532	$ 1,140,390	$ 108,858	$ 1,412,180	$ 380,648
Payroll Taxes	73,182	72,534	(648)	100,329	27,146
Benefits	202,588	161,417	(41,171)	204,053	1,465
Retirement Costs	145,162	161,222	16,060	203,123	57,961
Total Personnel Expenses	**$ 1,452,464**	**$ 1,535,563**	**$ 83,099**	**$ 1,919,685**	**$ 467,221**
Meeting Expenses					
Meetings	$ -	$ 475	$ 475	$ -	$ -
Travel	21,000	30,500	9,500	26,750	5,750
Conference Calls	1,200	1,200	-	4,800	3,600
Total Meeting Expenses	**$ 22,200**	**$ 32,175**	**$ 9,975**	**$ 31,550**	**$ 9,350**
Operating Expenses					
Consultants & Contracts	$ 1,033,000	$ 1,033,000	$ -	$ 1,418,000	$ 385,000
Office Rent	-	-	-	-	-
Office Costs	1,516,144	1,722,243	206,099	1,898,470	382,326
Professional Services	-	5,894	5,894	-	-
Miscellaneous	-	704	704	1,600	1,600
Depreciation	515,445	515,445	-	1,360,275	844,830
Total Operating Expenses	**$ 3,064,589**	**$ 3,277,285**	**$ 212,696**	**$ 4,678,345**	**$ 1,613,756**
Total Direct Expenses	**$ 4,539,253**	**$ 4,845,023**	**$ 305,770**	**$ 6,629,579**	**$ 2,090,327**
Indirect Expenses	**(4,539,253)**	**$ (4,845,023)**	**$ (305,770)**	**$ (6,629,579)**	**$ (2,090,327)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 0**	**$ -**	**$ (0)**	**$ -**	**$ (0)**
Change in Assets	**$ (0)**	**$ -**	**$ 0**	**$ -**	**$ 0**
Fixed Assets					
Depreciation	(515,445)	(515,445)	-	(1,360,275)	(844,830)
Computer & Software CapEx	665,200	2,633,000	1,967,800	772,090	106,890
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	40,800	678,531	637,731	-	(40,800)
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ (190,555)**	**$ (2,796,086)**	**$ (2,605,531)**	**$ 588,185**	**$ 778,740**
Allocation of Fixed Assets	$ 190,555	$ 2,796,086	2,605,531	$ (588,185)	$ (778,740)
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ (0)**	**$ -**	**$ 0**	**$ -**	**$ 0**

Resource Requirements — Explanation of Increase (Decrease)

Personnel Expenses

- The increases are the result of adding 2.0 FTEs over the 2011 budget. While the increase in salaries, payroll taxes and retirement costs are generally consistent, the increase in benefits is substantially less due to reductions in the average cost of medical benefits per employee.

Meeting Expenses

- The increase in travel is reflective of the increase in staff and increase in conference calls reflects historical actual spend.

Operating Expenses

- Consultants and Contracts – Primarily related to the transfer of funding for various IT projects from Compliance and Standards.
- Office Costs – Related to the cost of computers for employees, telephone and internet expense and an increase in maintenance agreements covering investments in the new primary data center.
- Depreciation – Related to the investment in fixed assets in NERC's new headquarters in Atlanta, expanded offices in Washington, DC, and the relocated primary data center.

Indirect Expenses

- Indirect expenses represent the allocation of the direct expenses in the General and Administrative department to the Statutory Programs.

Fixed Asset Additions

- Computer and Software purchases are related to the replacement of employee laptops which are at the end of their useful life.
- The change in fixed assets is allocated to the Statutory Programs

Human Resources

Human Resources (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	5.50	6.00	0.50
Total Direct Expenses	$ 1,241,500	$ 1,444,141	$ 202,641
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The Human Resources area manages all of NERC's human resources functions, including new-hires, benefits, and employee functions. This area also oversees NERC's employee performance appraisal and incentive structure process.

2012 Goals and Objectives

- Recruit and retain qualified employees to fulfill the activities of the ERO
- Provide training/staff development activities
- Ongoing review of compensation and benefits
- Continue to expand Human Resources Information System, which was rolled out in 2010 to facilitate the tracking of employee information and records

Resource Requirements

Personnel

The conversion of a part-time to full-time position to provide support for benefits administration and other department services to employees results in the addition of .5 FTEs to this department in 2012. This need is driven by the human resources support needs of NERC's larger employee base. The Human Resources department FTE total includes the receptionist positions for the company's Atlanta and D.C. offices. These receptionists also perform other administrative and support functions in addition to receptionist activities.

Contractor Expenses

Contractor and consultant expense is projected to increase $40k over the 2011 level to provide for additional executive training and staff development.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Human Resources

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions		-		-	
Total NERC Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 510,267	$ 632,407	$ 122,141	$ 711,539	$ 201,272
Payroll Taxes	31,354	40,159	8,805	37,353	5,999
Benefits	357,134	526,562	169,428	294,372	(62,763)
Retirement Costs	58,320	74,085	15,765	70,798	12,478
Total Personnel Expenses	**$ 957,076**	**$ 1,273,214**	**$ 316,138**	**$ 1,114,062**	**$ 156,987**
Meeting Expenses					
Meetings	$ 2,000	$ 2,000	$ -	$ 11,385	$ 9,385
Travel	6,000	24,000	18,000	7,000	1,000
Conference Calls	600	600	-	600	-
Total Meeting Expenses	**$ 8,600**	**$ 26,600**	**$ 18,000**	**$ 18,985**	**$ 10,385**
Operating Expenses					
Consultants & Contracts	$ 250,000	$ 194,191	$ (55,809)	$ 290,000	$ 40,000
Office Rent	-	-	-	-	-
Office Costs	10,970	10,970	-	13,094	2,124
Professional Services	14,854	25,000	10,146	5,000	(9,854)
Miscellaneous	-	2,108	2,108	3,000	3,000
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 275,824**	**$ 232,269**	**$ (43,555)**	**$ 311,094**	**$ 35,269**
Total Direct Expenses	**$ 1,241,500**	**$ 1,532,083**	**$ 290,583**	**$ 1,444,141**	**$ 202,641**
Indirect Expenses	**$ (1,241,500)**	**$(1,532,083)**	**$ (290,583)**	**$ (1,444,141)**	**$ (202,641)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ (0)**	**$ -**	**$ (0)**
Change in Assets	**$ -**	**$ -**	**$ 0**	**$ -**	**$ 0**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-		-	-
Equipment CapEx	-	-		-	-
Leasehold Improvements	-	-		-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	-	-
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ 0**	**$ -**	**$ 0**

Resource Requirements — Explanation of Increase (Decrease)

Personnel Expenses

- The increases in salaries, payroll taxes and retirement costs are generally consistent and are related to the increase of 0.5 FTEs. The decrease in benefits is due to reductions in the average cost of medical benefits per employee.

Meeting Expenses

- The increase in meeting expense is to support employee informational meetings, including new employee orientation and retirement planning.
- The increase in travel is reflective of the increase in staff and reflects historical actual spend.

Operating Expenses

- Consultants and Contracts – The increase is to provide for additional executive training and staff development.

Indirect Expenses

- Indirect expenses represent the allocation of the direct expenses in the General and Administrative department to the Statutory Programs.

Finance and Accounting

Accounting and Finance (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	6.50	9.00	2.50
Total Direct Expenses	$ 1,209,181	$ 1,872,296	$ 663,115
Inc(Dec) in Fixed Assets	$ (1,750)	$ (771)	$ 979
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

NERC's Finance and Accounting area manages all finance and accounting functions, including employee payroll, 401(k) plan, travel and expense reporting, monthly financial reporting, sales and use tax, meeting/events planning and services, insurance, internal auditing, and facilities management. This area also holds primary responsibility for the development of the annual business plan and budget, as well as NERC's proposed ERO risk management framework.

Resource Requirements

Personnel

One FTE has been added to the Finance and Accounting area for the establishment of a Risk Management framework and support function. NERC's risk management program will focus on NERC's compliance with its internal operating procedures and controls, as well as corporate ethics policies, codes of conduct, conflicts of interest and reputational risk factors. The program will also monitor and evaluate compliance by the ERO enterprise (i.e., NERC and the eight Regional Reliability Entities) with applicable rules of procedure, including but not limited to the compliance monitoring and enforcement program requirements, standards development plan, and applicable FERC and other governmental authorizations, regulations and orders. The evaluation of bulk power system reliability risks is outside the scope of this framework and will continue to be overseen by the Reliability Assessment and Performance Analysis Program Area, Event Analysis and Investigations group and other applicable operating areas. Management believes the separate staffing of this function should enhance overall ERO risk management processes and controls and improve the efficiency and costs of performing audits of NERC, as well as the Regional Entities, compared to the inefficiency and costs at both the NERC and Regional Entity level of using a matrix management approach with existing NERC resources to oversee these audit and risk management functions and relying more heavily on outside auditors to perform audits. For example, over the past few years NERC spent approximately $1M on an outside auditor to perform audits of NERC and Regional Entities. The auditors were managed by existing compliance staff on top of their normal job functions. Considerable time was spent in

educating the audit firm regarding the compliance framework and requirements. Each Regional Entity also had to devote considerable resources to these audits. NERC management believes there were clear process inefficiencies and resulting additional costs with this approach compared to staffing this function in house with some targeted outside support. The added risk management professional will work closely with existing program area staff, including the audit staff of the Compliance Operations department.

The remaining 1.5 FTEs reflect 2011 additions representing a transfer of an administrative assistant from another department and the conversion of a part time to full time payroll and general accounting support position. The finance and accounting department area does not currently have a budgeted administrative position and this FTE will provide administrative support to both finance and human resources areas.

Contractor Expenses

Funding for outside auditors retained to support the Compliance Operations regional entity audits have also been transferred to the finance and accounting area to support the risk management function. The budget for these auditors is the same level as in the 2011 budget.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Finance and Accounting

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions		-		-	
Total NERC Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 772,260	$ 904,783	$ 132,523	$ 1,023,527	$ 251,267
Payroll Taxes	46,591	53,136	6,545	64,896	18,306
Benefits	130,997	114,918	(16,079)	142,111	11,115
Retirement Costs	111,483	124,234	12,751	144,750	33,267
Total Personnel Expenses	**$ 1,061,331**	**$ 1,197,070**	**$ 135,740**	**$ 1,375,285**	**$ 313,955**
Meeting Expenses					
Meetings	$ 4,000	$ 4,000	$ -	$ 500	$ (3,500)
Travel	25,500	60,000	34,500	40,000	14,500
Conference Calls	1,200	1,200	-	1,850	650
Total Meeting Expenses	**$ 30,700**	**$ 65,200**	**$ 34,500**	**$ 42,350**	**$ 11,650**
Operating Expenses					
Consultants & Contracts	$ 5,000	$ 5,000	$ -	$ 325,000	$ 320,000
Office Rent	-	-	-	-	-
Office Costs	10,400	10,400	-	8,790	(1,610)
Professional Services	100,000	100,000	-	120,000	20,000
Miscellaneous	-	-	-	100	100
Depreciation	1,750	1,750	-	771	(979)
Total Operating Expenses	**$ 117,150**	**$ 117,150**	**$ -**	**$ 454,661**	**$ 337,511**
Total Direct Expenses	**$ 1,209,181**	**$ 1,379,420**	**$ 170,240**	**$ 1,872,296**	**$ 663,116**
Indirect Expenses	**$ (1,209,181)**	**$ (1,379,420)**	**$ (170,239)**	**$ (1,872,296)**	**$ (663,115)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ (0)**	**$ -**	**$ (0)**
Change in Assets	**$ -**	**$ -**	**$ 0**	**$ -**	**$ 0**
Fixed Assets					
Depreciation	(1,750)	(1,750)	-	(771)	979
Computer & Software CapEx	-	-		-	-
Furniture & Fixtures CapEx	-	-		-	-
Equipment CapEx	-	-		-	-
Leasehold Improvements	-	-		-	-
(Incr)Dec in Fixed Assets	**$ 1,750**	**$ 1,750**	**$ -**	**$ 771**	**$ (979)**
Allocation of Fixed Assets	$ (1,750)	$ (1,750)	$ -	(771)	979
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ 0**	**$ -**	**$ 0**

Resource Requirements — Explanation of Increase (Decrease)

Personnel Expenses

- The increases in salaries, payroll taxes and retirement costs are generally consistent and are related to the increase of 2.5 FTEs. The lower increase in benefits is due to reductions in the average cost of medical benefits per employee.

Meeting Expenses

- The decrease in meeting expense is reflected of historical actual spend.
- The increase in travel is reflective of the increase in staff and reflects historical actual spend.

Operating Expenses

- The increase in contractors and consultants is due to the transfer of the budget for outside auditor support of Regional Entities from Compliance Operations as part of the ERO risk management initiative.
- The increase in professional services is due to the requirement to audit NERC's 401(k) Plan and historical trends.

Indirect Expenses

- Indirect expenses represent the allocation of the direct expenses in the General and Administrative department to the Statutory Programs.

Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2011-2012		
STATUTORY		
Beginning Working Capital Reserve (Deficit), December 31, 2010		789,862
Plus: 2011 Funding (from LSEs or designees)		51,281,965
Plus: 2011 Other funding sources		2,410,913
Less: 2011Projected expenses & capital expenditures		(52,684,161)
Projected Working Capital Reserve (Deficit), December 31, 2011		**1,798,578**
Desired Working Capital Reserve, December 31, 2012	[1]	1,798,578
Minus: Projected Working Capital Reserve, December 31, 2011		1,798,578
Increase(decrease) in funding requirement to achieve Working Capital Reserve		0
2012 Expenses and Capital Expenditures		53,112,272
Less: Penalty Sanctions	[2]	
Less: Other Funding Sources		(2,451,000)
Adjustment to achieve desired Working Capital Reserve		-
2012NERC Assessment		50,661,272

[1] On August 3, 2011, the Finance and Audit Committee of the NERC Board of Trustees approved management's proposed 2012 business plan and budget which included a projected year end working capital reserve of approximately $1.8M.

[2] Represents collections on or prior to June 30, 2011.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the consolidated Statement of Activities on page 24. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2011 are to be used to offset assessments in the 2012 Budget, as documented in the NERC Policy – Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standard, as well as Section 1107 of the Rules of Procedure. Penalty monies received from July 1, 2011 through June 30, 2012 will be used to offset assessments in the 2013 Budget.

All penalties received prior to June 30, 2011 are detailed below, including the amount and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring and Enforcement and Organization Registration and Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situational Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-2

Penalty Sanctions Received On or Prior to June 30, 2011	Date Received	Amount Received
Total Penalties Received		$ -

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Compliance Monitoring, Enforcement & Org. Registration				
Miscellaneous - CEA function in WECC	$ 150,000	$ 26,903	$ -	$ (150,000)
Total	$ 150,000	$ 26,903	$ -	$ (150,000)
Reliability Assessment and Performance Analysis				
Total	$ 250,000	$ 250,000	$ 250,000	$ -
Training and Education				
Testing Fees and Certificate Renewals	$ 1,340,000	$ 1,340,000	$ 1,461,000	121,000
CEH Fees	600,000	600,000	600,000	-
Workshops	92,500	164,476	120,000	27,500
Total	$ 2,032,500	$ 2,104,476	$ 2,181,000	$ 148,500
Situation Awareness and Infrastructure Security				
FIST Royalties	$ -	$ -	$ -	$ -
TSIN Fees				
Total	$ -	$ -	$ -	$ -
General and Administrative				
Interest Income	$ 12,000	$ 15,000	$ 20,000	$ 8,000
Total	$ 12,000	$ 15,000	$ 20,000	$ 8,000
Total Outside Funding	$ 2,444,500	$ 2,396,379	$ 2,451,000	$ 6,500

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Compliance Monitoring, Enforcement and Organization Registration - Miscellaneous funding represents the reimbursement of costs for NERC to act as the Compliance Enforcement Authority (CEA) for WECC. WECC is entering into an agreement with NPCC to perform this function so no Miscellaneous Funding is budgeted in 2012.
- Training and Education
  - An increase in funding is budgeted due to an increase in system operator testing fees, certificate renewal fees and continuing education fees.
  - The increase in workshop fees is due to the increased number of workshops planned for Standards, Situation Awareness and Critical Infrastructure Security.

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Total Salaries	$ 21,095,939	$ 20,609,580	$ 24,800,833	$ 3,704,894
Total Payroll Taxes	1,285,299	1,260,495	1,524,935	239,635
Total Benefits	3,263,692	2,771,926	3,190,308	(73,384)
Total Retirement	2,977,801	2,766,923	3,489,736	511,935
Total Personnel Costs	$ 28,622,731	$ 27,408,924	$ 33,005,811	$ 4,383,080
FTEs	150.75	145.63	176.75	26.00
Cost per FTE				
Salaries	$ 139,942	$ 141,520	$ 140,316	374
Payroll Taxes	8,526	8,655	8,628	101
Benefits	21,650	19,034	18,050	(3,600)
Retirement	19,753	19,000	19,744	(10)
Total Cost per FTE	**$ 189,871**	**$ 188,209**	**$ 186,737**	**$ (3,134)**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- The increase in Total Salaries reflects a 19 percent increase in FTEs
- Total Benefits are increasing at a lower rate that total Salaries expenses due to lower costs for medical benefits and relocation expenses

Consultants and Contracts

Table B-5

Consultants and Contracts	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Reliability Standards	$ 491,500	$ 479,007	$ 15,000	$ (476,500)
Compliance and Organization Registration and Certification	1,195,000	812,500	120,000	(1,075,000)
Reliability Assessment and Performance Analysis	1,160,000	1,322,000	998,000	(162,000)
Training and Education	487,658	412,303	596,448	108,790
Situation Awareness and Infrastructure Security				
Situation Awareness	3,946,558		3,588,116	(358,442)
Critical Infrastructure Protection	635,000		795,000	160,000
Total Situation Awareness and Infrastructure Security	4,581,558	5,030,374	4,383,116	(198,442)
Committee and Member Forums	-	-	-	-
General and Administrative	-	34,634	-	-
Legal and Regulatory	135,000	135,000	141,750	6,750
Information Technology	1,033,000	1,033,000	1,418,000	385,000
Human Resources	250,000	194,191	290,000	40,000
Accounting and Finance	5,000	5,000	325,000	320,000
Consultants Total	**$ 9,338,716**	**$ 9,458,009**	**$ 8,287,314**	**$ (1,051,402)**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- **Reliability Standards** - The use of outside consultants and contractors has been virtually eliminated due to the increase in FTEs to support the program's resource requirements.
- **Compliance and Organization Registration and Certification** - Funding for outside auditors retained to support the Compliance Operations regional entity audits has been transferred to the finance and accounting area to support the risk management function and funding for the compliance database has been transferred to information technology as part of an ongoing initiative to better manage NERC's IT investments and ensure integration in an overall strategic long term and sustainable ERO enterprise IT platform; funding for development of the nuclear CIP audit program has been eliminated.
- **Reliability Assessments and Performance Analysis**- due the completion of contract work and the increase in internal resource capabilities.
- **Situation Awareness** - Reduction is primarily driven by reduced SAFNR and IDC costs.
- **Training and Education** – The increase is due primarily to the need for external support to more rapidly develop and deploy training programs while moderating the need for increased staffing.
- **Critical Infrastructure Protection** – Primarily driven by consulting support for the deployment of the secure communications portal within the ES-ISAC.

- **Information Technology** – The increase is primarily due to the transfer of IT-related projects from Standards and Compliance Operations, and also includes funding for technology improvements related to the ERO enterprise IT platform development and deployment which is integral to NERC's ERO process improvement initiative.
- **Human Resources**- additional funding for staff training and development.
- **Accounting and Finance** – Funding for the risk management function reallocated from Compliance Operations where it supported audits of the regional entities.

Office Rent

Table B-6

Rent	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Office Rent	$ 1,020,151	$ 1,957,416	$ 2,304,257	$ 1,284,106
Utilities			-	-
Maintenance			-	-
Total Office Rent	**$ 1,020,151**	**$ 1,957,416**	**$ 2,304,257**	**$ 1,284,106**

Increased rent expense due to the leasing of office space needed to accommodate existing and future staffing needs, as well as short-term costs associated with existing leases as NERC transitions to its new headquarters in Atlanta and a new location in Washington, D.C. given space limitations at its current Washington, D.C. location.

Office Costs

Table B-7

Office Costs	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Telephone	$ 272,018	$ 272,018	$ 441,280	$ 169,262
Telephone Answering Srv	2,400	2,400	2,400	-
Internet	514,924	654,924	312,900	(202,024)
Office Supplies	152,500	202,500	170,600	18,100
Computer Supplies and Maintenance	-	-	-	-
Computers	201,200	201,200	37,000	(164,200)
Computer Supplies	63,700	63,700	91,400	27,700
Maintenance & Service Agreements	589,850	696,890	1,168,400	578,550
Software	167,925	167,925	130,670	(37,255)
Network Supplies	40,645	40,645	-	(40,645)
Publications & Subscriptions	71,670	71,670	50,500	(21,170)
Dues	39,594	39,594	33,250	(6,344)
Postage	23,500	23,500	24,200	700
Express Shipping	32,250	32,250	49,000	16,750
Copying	72,000	72,000	139,000	67,000
Reports	10,000	10,000	3,219	(6,781)
Stationary/Forms	2,500	2,500	15,000	12,500
Equipment Repair/Service Contracts	31,000	31,000	25,000	(6,000)
Bank Charges	5,000	5,000	15,000	10,000
Taxes	60,000	60,000	50,000	(10,000)
Merchant Card Fees	67,500	67,500	80,000	12,500
Total Office Costs	**$ 2,420,176**	**$ 2,717,216**	**$ 2,838,819**	**$ 418,643**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Telephone expense is related to cell and wireless internet access for the increase in staffing and to the expansion of office space
- Internet expenses will decline in 2012 as a result of the new network topology being integrated in 2011 in connection with the relocation of NERC's primary headquarters, expansion of offices in Washington, DC and relocation of its primary data center
- The increased cost of maintenance and service agreements is the result of investments in the new primary data center as well as computers, network equipment and audio visual equipment in NERC's Atlanta headquarters and expanded offices in Washington, D.C.
- Cost increases in other categories are generally due to the additional of personnel.

Professional Services

Table B-8

Professional Services	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Independent Trustee Fees	$ 985,000	$ 985,000	$ 980,000	$ (5,000)
Trustee Search Fee	120,000	120,000	75,000	(45,000)
Outside Legal	615,000	810,705	700,000	85,000
Lobbying Fees	50,000	50,000	50,000	-
Accounting & Auditing Fees	100,000	105,000	135,000	35,000
Insurance Commercial	75,000	115,000	115,000	40,000
Total Services	**$ 1,945,000**	**$ 2,185,705**	**$ 2,055,000**	**$ 110,000**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- The reduction in trustee search fees reflects actual experience in prior years
- Outside law firms are used to support NERC's internal legal and regulatory staff due to increased demands and responsibilities
- The increase in Accounting and Auditing Fees is due to the new requirement to audit NERC's 401k plan, higher payroll service fees related to an increase in staff and outsourcing of Family Medical Leave Act (FMLA) administration
- Insurance costs are increasing as a result of NERC's investments and expansions of its offices and data center

Other Non-Operating Expenses

Table B-9

Other Non-Operating Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Interest Expense	$ -	$ -	$ -	$ -
Line of Credit Payment		-		-
Office Relocation	750,000	-	-	(750,000)
Total Non-Operating Expenses	**$ 750,000**	**$ -**	**$ -**	**$ (750,000)**

Expenses related to the relocation of NERC's primary headquarters and expansion of its Washington, D.C. offices will be fully recorded in 2011 so there is no budget requirement in 2012. Actual 2011 office relocation expenses are reflected in Rent Expense and Fixed Assets.

2013 and 2014 Projections

Table B-10

For purposes of the 2013 and 2014 projections, staffing levels have been kept even with 2012 projected staffing levels due to the uncertainty associated with future program area staffing needs at this time. The 2013 projections reflect the full time equivalent of new employees who were projected to be hired but not employed a full year during 2012. The 2013 and 2014 contractor and consulting budget forecast were held level with 2012, with the exception of an increase of approximately $150k under the Reliability Assessment Program Area for additional modeling support using outside experts which was deferred until 2012, the reduction in IDC expenses associated with the termination of that contract in 2013, the elimination of further NASPI funding at the end of January 2012 and the addition of $500k as a place holder for funding of IT software and infrastructure to support process improvement initiatives. Other operating expense projections for both 2013 and 2014 reflect assumptions generally consistent with the 2012 budget. NERC will continue to refine these projections as 2011 and 2012 resource additions are integrated into current operations and the results of the various ERO efficiency initiatives undertaken by and between NERC and the Regional Entities become available.

Statement of Activities and Capital Expenditures
2011 Budget & Projected 2012 and 2013 Budgets

	2012 Budget	2013 Projection	$ Change 13 v 12	% Change 13 v 12	2014 Projection	$ Change 14 v 13	% Change 14 v 13
Funding							
ERO Funding							
ERO Assessments	$ 50,661,272	$ 52,807,117	$ 2,145,845	4.24%	$ 52,045,477	$ (761,640)	-1.5%
Penalty Sanctions	-	-	-		-	-	
Total ERO Funding	**$ 50,661,272**	**$ 52,807,117**	**$ 2,145,845**	**4.2%**	**$ 52,045,477**	**$ (761,640)**	**-1.5%**
Membership Dues	-		-			-	
Testing Fees	2,061,000	2,115,000	54,000	2.62%	2,175,000	60,000	2.8%
Services & Software	250,000	250,000	-	0.00%	250,000	-	0.0%
Workshops	120,000	120,000	-	0.00%	120,000	-	0.0%
Interest	20,000	12,000	(8,000)	-40.00%	12,000	-	0.0%
Miscellaneous	-		-			-	
Total Funding	**$ 53,112,272**	**$ 55,304,117**	**$ 2,191,845**	**4.1%**	**$ 54,602,477**	**$ (701,640)**	**-1.3%**
Expenses							
Personnel Expenses							
Salaries	$ 24,800,833	$ 25,685,985	$ 885,152	3.6%	$ 26,456,564	$ 770,580	3.0%
Payroll Taxes	1,524,935	1,641,125	116,190	7.6%	1,723,181	82,056	5.0%
Benefits	3,190,308	3,546,519	356,211	11.2%	3,892,371	345,852	9.8%
Retirement Costs	3,489,736	3,644,636	154,900	4.4%	3,865,042	220,406	6.0%
Total Personnel Expenses	**$ 33,005,811**	**$ 34,518,264**	**$ 1,512,454**	**4.6%**	**$ 35,937,158**	**$ 1,418,894**	**4.1%**
Meeting Expenses							
Meetings	$ 736,000	$ 800,000	$ 64,000	8.7%	$ 800,000	-	0.0%
Travel	2,787,870	2,927,264	139,394	5.0%	3,015,081	87,818	3.0%
Conference Calls	348,910	366,356	17,446	5.0%	384,673	18,318	5.0%
Total Meeting Expenses	**$ 3,872,780**	**$ 4,093,619**	**$ 220,839**	**5.7%**	**$ 4,199,755**	**$ 106,136**	**2.6%**
Operating Expenses							
Consultants & Contracts	$ 8,287,314	$ 8,266,872	(20,442)	-0.2%	$ 6,119,151	(2,147,721)	-26.0%
Office Rent	2,304,257	2,666,775	362,518	15.7%	2,413,789	(252,986)	-9.5%
Office Costs	2,838,819	2,980,760	141,941	5.0%	3,129,798	149,038	5.0%
Professional Services	2,005,000	2,080,000	75,000	3.7%	2,105,000	25,000	1.2%
Miscellaneous	26,200	26,200	-	0.0%	26,200	-	0.0%
Depreciation	1,900,717	1,634,421	(266,295)	-14.0%	915,571	(718,851)	-44.0%
Total Operating Expenses	**$ 17,362,307**	**$ 17,655,029**	**$ 292,722**	**1.7%**	**$ 14,709,510**	**$ (2,945,520)**	**-16.7%**
Total Direct Expenses	**$ 54,240,898**	**$ 56,266,913**	**$ 2,026,014**	**3.7%**	**$ 54,846,423**	**$ (1,420,490)**	**-2.5%**
Indirect Expenses	**$ -**	**$ -**			**$ -**	**$ -**	
Other Non-Operating Expenses	**$ -**		**$ -**			**-**	
Total Expenses	**$ 54,240,898**	**$ 56,266,913**	**$ 2,026,014**	**3.7%**	**$ 54,846,423**	**(1,420,490)**	**-2.5%**
Change in Assets	**$ (1,128,627)**	**$ (962,796)**	**$ 165,830**	**-14.7%**	**$ (243,946)**	**$ 718,851**	**-74.7%**
Fixed Assets					-		
Depreciation	$ (1,900,717)	$ (1,634,421)	$ 266,295	-14.0%	$ (915,571)	$ 718,851	-44.0%
Computer & Software CapEx	772,090	671,625	(100,465)	-13.0%	671,625	-	0.0%
Furniture & Fixtures CapEx	-		-			-	
Equipment CapEx	-		-			-	
Leasehold Improvements	-		-			-	
(Incr)Dec in Fixed Assets	**$ 1,128,627**	**$ 962,796**	**$ (165,830)**	**-14.7%**	**$ 243,946**	**$ (718,851)**	**-74.7%**
TOTAL CHANGE IN NET ASSETS	**$ (0)**	**$ (0)**	**$ 0**	**-58.1%**	**$ (0)**	**$ 0**	**0.0%**
FTEs	176.75	179.00			179.00		

Section C — Non-Statutory Activity

NERC has no non-statutory activities.

Section D — Supplemental Financial Statements

Statement of Financial Position
2009 Audited, 2010 Projection, and 2011 Budget

STATUTORY

	(Per Audit) 31-Dec-10	Projected 31-Dec-11	Budget 31-Dec-12
ASSETS			
Cash	27,401,407	19,826,775	21,388,704
Trade Accounts receivable, net of allowance for uncollectible accounts of $152,323 (2009)	2,890,791	2,890,791	2,890,791
Other Receivables	293,086	293,086	293,086
Prepaid expenses and other current assets	243,435	243,435	243,435
Security deposit	100,549	114,903	114,903
Cash value of insurance policies	252,309	252,309	252,309
Property and equipment	2,004,118	6,271,332	5,142,705
Total Assets	**33,185,695**	**29,892,631**	**30,325,934**
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	1,469,644	2,193,983	3,073,919
Deferred income	4,219,531	4,219,531	4,219,531
Deferred penalty income	10,175,000	-	
Regional assessments	9,748,633	9,748,633	9,748,633
Deferred compensation	620,961	620,961	620,961
Accrued retirement liabilities	1,474,913	1,975,601	2,197,675
Accrued incentive compensation	2,683,034	3,064,013	3,523,932
Total Liabilities	**30,391,715**	**21,822,721**	**23,384,650**
Net Assets - unrestricted	2,793,980	8,069,910	6,941,284
Total Liabilities and Net Assets	**33,185,695**	**29,892,631**	**30,325,934**

NORTH AMERICAN ELECTRIC RELIABILITY COPRORATION

Statement of Activities and Capital Expenditures by Program 2012 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Activities: Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding															
ERO Funding															
NERC Assessments	50,661,272	50,661,272	-	50,661,272	9,152,737	19,505,905	6,716,302	916,083	14,370,244	-	-	-	-	-	-
Penalty Sanctions	-	-	-	-	-	-	-	-	-				-		
Total NERC Funding	**50,661,272**	**50,661,272**	**-**	**50,661,272**	**9,152,737**	**19,505,905**	**6,716,302**	**916,083**	**14,370,244**	**-**	**-**	**-**	**-**	**-**	**-**
Membership Dues	-	-	-	-											
Testing Fees	2,061,000	2,061,000	-	2,061,000				2,061,000							
Services & Software	250,000	250,000	-	250,000			250,000								
Workshops	120,000	120,000	-	120,000				120,000							
Interest	20,000	20,000	-	20,000	3,864	8,629	2,558	1,047	3,902						
Miscellaneous	-	-	-	-											
Total Funding	**53,112,272**	**53,112,272**	**-**	**53,112,272**	**9,156,601**	**19,514,535**	**6,968,860**	**3,098,129**	**14,374,147**	**-**	**-**	**-**	**-**	**-**	**-**
Expenses															
Personnel Expenses															
Salaries	24,800,833	24,800,833	-	24,800,833	3,454,036	7,276,494	2,189,610	879,333	3,975,182		1,561,192	2,317,740	1,412,180	711,539	1,023,527
Payroll Taxes	1,524,935	1,524,935	-	1,524,935	222,559	476,089	141,720	57,024	238,666		67,331	118,966	100,329	37,353	64,896
Benefits	3,190,308	3,190,308	-	3,190,308	403,907	901,186	266,523	108,672	411,777		208,278	249,428	204,053	294,372	142,111
Retirement Costs	3,489,736	3,489,736	-	3,489,736	489,648	1,032,190	313,238	119,778	552,371		236,295	327,545	203,123	70,798	144,750
Total Personnel Expenses	33,005,811	33,005,811	-	33,005,811	4,570,151	9,685,959	2,911,090	1,164,808	5,177,996	-	2,073,097	3,013,679	1,919,685	1,114,062	1,375,285
Meeting Expenses															
Meetings	736,000	736,000	-	736,000	107,850	41,175	12,500	124,450	209,140		224,000	5,000		11,385	500
Travel	2,787,870	2,787,870	-	2,787,870	447,625	939,000	369,375	48,000	571,000		265,120	74,000	26,750	7,000	40,000
Conference Calls	348,910	348,910	-	348,910	108,500	34,235	31,950	58,100	48,175		57,500	3,200	4,800	600	1,850
Total Meeting Expenses	3,872,780	3,872,780	-	3,872,780	663,975	1,014,410	413,825	230,550	828,315	-	546,620	82,200	31,550	18,985	42,350
Operating Expenses															
Consultants & Contracts	8,287,314	8,287,314	-	8,287,314	15,000	120,000	998,000	596,448	4,383,116			141,750	1,418,000	290,000	325,000
Office Rent	2,304,257	2,304,257	-	2,304,257							2,304,257				
Office Costs	2,838,819	2,838,819	-	2,838,819	57,818	94,006	93,676	63,600	95,951		480,500	32,915	1,898,470	13,094	8,790
Professional Services	2,005,000	2,005,000	-	2,005,000							1,130,000	750,000		5,000	120,000
Miscellaneous	26,200	26,200	-	26,200	1,000	4,000	4,000	250	1,500		10,000	750	1,600	3,000	100
Depreciation	1,900,717	1,900,717	-	1,900,717		218,882	17,161		47,853		255,775		1,360,275		771
Total Operating Expenses	17,362,307	17,362,307	-	17,362,307	73,818	436,888	1,112,837	660,298	4,528,420	-	4,180,532	925,415	4,678,345	311,094	454,661
Total Direct Expenses	**54,240,898**	**54,240,898**	**-**	**54,240,898**	**5,307,943**	**11,137,257**	**4,437,753**	**2,055,656**	**10,534,732**	**-**	**6,800,249**	**4,021,294**	**6,629,579**	**1,444,141**	**1,872,296**
Indirect Expenses	(0)	(0)	-	(0)	4,011,842	8,960,638	2,656,316	1,086,675	4,052,089	-	(6,800,249)	(4,021,294)	(6,629,579)	(1,444,141)	(1,872,296)
Other Non-Operating Expenses	**-**	**-**	**-**	**-**	-	-	-	-	-		-	-	-	-	
Total Expenses	**54,240,898**	**54,240,898**	**-**	**54,240,898**	**9,319,785**	**20,097,895**	**7,094,068**	**3,142,330**	**14,586,820**	**-**	**-**	**-**	**-**	**-**	**-**
Change in Assets	**(1,128,627)**	**(1,128,627)**	**-**	**(1,128,627)**	**(163,184)**	**(583,360)**	**(125,208)**	**(44,201)**	**(212,674)**	**-**	**-**	**-**	**-**	**-**	**-**
Fixed Assets															
Depreciation	(1,900,717)	(1,900,717)	-	(1,900,717)	-	(218,882)	(17,161)	-	(47,853)	-	(255,775)	-	(1,360,275)	-	(771)
Computer & Software CapEx	772,090	772,090	-	772,090									772,090		
Furniture & Fixtures CapEx	-	-	-	-											
Equipment CapEx	-	-	-	-											
Leasehold Improvements	-	-	-	-											
(Inc)Dec in Fixed Assets	**1,128,627**	**1,128,627**	**-**	**1,128,627**	**-**	**218,882**	**17,161**	**-**	**47,853**	**-**	**255,775**	**-**	**588,185**	**-**	**771**
Allocation of Fixed Assets	(0)	(0)	-	(0)	163,184	364,478	108,047	44,201	164,821	-	(255,775)	-	(588,185)	-	(771)
Change in Fixed Assets	**1,128,627**	**1,128,627**	**-**	**1,128,627**	**163,184**	**583,360**	**125,208**	**44,201**	**212,674**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**(0)**	**(0)**	**-**	**(0)**	**(0)**	**-**	**-**	**-**	**0**	**-**	**-**	**-**	**-**	**-**	**-**
FTEs	**176.75**	**176.75**	**-**	**176.75**	**24.92**	**55.66**	**16.50**	**6.75**	**25.17**	**-**	**7.00**	**13.00**	**12.75**	**6.00**	**9.00**

2012-2015 SHARED BUSINESS PLANNING AND BUDGET ASSUMPTIONS

PURPOSE AND SCOPE

Between January and March 2011, NERC and the eight Regional Entities collaborated in the development of a common set of business planning assumptions. The results from that effort are contained in this document. These assumptions are based on the ERO goals and objectives [ERO Enterprise Strategic Direction].

The document will be used by NERC and each of the Regional Entities as an input to each organization's 2012 business plans and budgets and longer term business and budget planning, recognizing there may be unique factors that drive differences in each organization's final business plans and budgets subject to the approval of their respective governing bodies.

Where additional Program Area resource needs are anticipated or specific Program Area undertakings are anticipated, it is the intention that this document will also address the allocation of those resource requirements and needs between NERC and the Regional Entities, as well as identify assumptions with respect to industry resource support with respect to particular programs (e.g., standards development).

OVERVIEW OF BUSINESS ENVIRONMENT

LEGAL CONTEXT

NERC and the Regional Entities will continue to work under the regulatory framework governing the establishment and enforcement of reliability standards for the bulk electric system established by applicable governmental authorities in the United States and Canada.

NERC and the Regional Entities do not at this time anticipate substantive generic amendments to the terms of their existing delegation agreements, which will not expire during the planning period, or changes to Regional affiliations, but individual amendments may be necessitated by changes in certain Regional Entities' rules documents. NERC and the Regional Entities, will, however, make significant strides toward implementing the ERO Enterprise model for the benefit of stakeholders.
Although the scope of each Regional Entity's delegated authorities and responsibilities will remain relatively constant and incremental process improvements and efficiency gains are expected throughout the planning period, workload associated with the

delegated authorities is expected to increase in a manner that offsets and exceeds the efficiency gains.

NERC and its Regional Entities will continue to work in a collaborative way with the North American Transmission Forum, Inc. and North American Generator Forum (collectively Forums) and anticipates the Forums will also provide public lessons learned, industry training, and opportunities for the industry to further advance reliability. Additionally, NERC and the six Regional Entities comprising the Eastern Interconnection will work in closer collaboration on reliability issues that impact the Interconnection.

BUSINESS ENVIRONMENT

Economic conditions will continue to place cost pressures on NERC and the Regional Entities to work as efficiently as possible and leverage overall ERO resources. Cost pressures on the electric utility industry may affect stakeholder resources available to participate in NERC and Regional Entity activities.

Since NERC and the Regional Entities business plans, budgets, and resource requirements were and will continue to be established based upon the assumption of continued industry participation in support of key program areas, including but not limited to event analysis, reliability assessments, and standards development, any significant change in the quality or availability of industry resources will increase NERC's resource and funding requirements.

NERC COMMITTEES

There will be increased coordination with respect to resource and workload planning between and among NERC management and NERC's committees, including, but not limited to the Operating Committee, Planning Committee, Critical Infrastructure Protection Committee, Standards Committee, and Compliance and Certification Committee. The coordination is expected to result in improved identification of incremental resource needs, more effective resource management, and increased efficiency in resource allocation.

RELIABILITY STANDARDS PROGRAM

1. Over the planning period, NERC will implement a results-based standards program based on a NERC Board of Trustees endorsed prioritization process with regular consideration of substantive standards developments and FERC rulings containing standards directives. The program deliverables will focus on revisions to existing reliability standards and development of new reliability standards that are expected to lead to the greatest improvement in bulk electric system reliability. Training materials will be developed, training will be provided, and the results-based approach will be applied to applicable existing and future standards projects. Additional NERC resources will be required to support this effort. At the NERC level technical personnel with training skills either in training department or within standards will be needed to assure training is available for drafting teams as their membership changes due to attrition or when new teams are created. At the Regional level resource allocation of time to receive training will be necessary, at a minimum.

2. NERC will modify the standards development process to improve speed and quality, and to explicitly address cost-effectiveness, while maintaining ANSI accreditation for those standards which qualify as ANSI standards. Examination of equivalent registration in Canada will be undertaken. The process modifications will involve the use of pilot programs in 2012 and possibly additional pilot programs in later years.

3. NERC and the Regions will address and appropriately prioritize all fill-in-the-blank standards over the planning period. NERC standards development staff is expected to provide increased coordination of regional standards development by becoming more involved earlier in the regional standard development efforts to help assure consistency in regional and continent-wide standard technical content, format, and quality. Depending on the number of regional standards, additional NERC resources beyond those currently dedicated to supporting the regional programs may be required.

4. NERC and the Regional Entities continue to expect cyber and critical asset security to be a priority in the United States and Canada, with significant oversight by applicable government authorities. CIP-002 through CIP-009 (or other applicable designation), version 4, is targeted for submittal to the NERC board and filing in 2012, with regulatory response expected in 2012 and expected implementation in 2013 at the earliest.

5. NERC and the Regional Entities will lead the development of a revised definition of adequate level of reliability (ALR) of the bulk electric system. This will be accomplished through the efforts of the NERC Member Representatives Committee, and the Operating and Planning Committees. The revised definition will be delivered to the Board of Trustee's for consideration in February 2012. In

the event the ALR revision process results in a need for standards revisions or additions, additional resources may be required at NERC, as well as from the Regional Entities and industry.

6. Assumptions with respect to highly specialized technical resource requirements associated with critical infrastructure standards development are addressed under the Critical Infrastructure Protection Program Area.
7. Assumptions regarding additional Compliance Program Area resources to support standards development are addressed under the Compliance Area.
8. A decrease in workload is expected in the later years of the planning period, based on the results-based standards initiative and improved standards development process due to improvements in standards. The number of projects contained in the Reliability Standards Development Plan is expected to increase over the planning period as the results-based standards initiative is fully implemented, work necessary to complete the response to FERC Order 693 directives is finalized, and the existing requirement to review each standard every five years is implemented. However, the scope of these projects is generally expected to be narrower than would otherwise potentially exist in the absence of the Results-Based Standards initiative. NERC will need more expertise in the project management, and technical writing disciplines in the Standard Department, along with additional standards process administrator support to manage the standards development governance and stakeholder interface. Additional analyst resources for website content are anticipated over the period to aid in fulfilling the ERO obligation to provide a comprehensive status of standards (effective dates, implementation plans) in the US and the Canadian Provincial regulatory jurisdictions.
9. NERC projects to continue its current development and regulatory filing activity level in 2012-2015 in accordance with the prioritization process of the Standards Committee. Generally, NERC will plan on a one year timeline to respond to future FERC directives on standards development while addressing the directives backlog over the next five years. This will require additional NERC resources to support regulatory coordination. No regional impacts are expected.
10. NERC projects to develop and process 12-15 substantive NERC standards related filings per year, conduct approximately 25 ballots, and provide 25 commenting rounds under the successive balloting process for standards or interpretations.
11. The Regional Entities expect to work with NERC to limit the number of Regional Standards submitted during the planning period by focusing on international solutions where possible. Less than 10 Regional Standards are expected to be submitted during the planning period.
12. Regional Standards Development processes will be periodically reviewed and updated as necessary to keep pace with similar changes with the NERC process.

This may have an impact on Regional Entity resource requirements. NERC will provide increased standard drafting team training to enable all drafting team members to understand their roles in the standards development process. This added training will require additional resources at the NERC level in the near term.

13. NERC and the Regional Entities will:

    - Increase communication and outreach opportunities with stakeholders and NERC standing committees;
    - Increase project level communications, education, and training for new or revised standards;
    - Continue to improve the standards portion of the NERC and Regional Entity Websites;
    - Work with stakeholders to jointly identify needs for new or revised standards or standards products; and
    - Provide the necessary information and background to allow the industry stakeholders to perform a cost effectiveness analysis.

    These efforts will require additional resources to provide management oversight and accountability for these key standards interface and communication activities. At the NERC level this requires additional resources in Standards Information to support website content and regulatory coordination.

14. NERC will continue to transform its standards organization to sustain a higher level of activity, output and quality. It is anticipated that this effort will require additional Regional Entity and Industry resources and will require an increase in NERC resources including:

    - Increased technical resources to support drafting teams in the development of results-based standards and associated training;
    - Increased resources to support greater stakeholder outreach in the Standards information function;
    - Dedicated support for standards database development and maintenance in support of the ERO compliance and standards information system; and
    - Additional project management support for North American standards development activity.

COMPLIANCE MONITORING AND ENFORCEMENT AND ORGANIZATION REGISTRATION AND CERTIFICATION PROGRAM

1. Assumptions with respect to highly specialized technical resource requirements associated with compliance monitoring and enforcement of critical infrastructure protection standards are addressed under the Critical Infrastructure Protection Program Area.
2. The Technical Feasibility Exception (TFE) program will continue to require significant staffing resources within NERC and across the industry as Regional Entities perform reviews and gauge compensating measures. TFE development, review and approval will result in additional compensating measure validation checks, quarterly reporting tracking, and change management. Experiences gained through existing operations will be utilized to guide the development of resource recommendations.
3. The number of interpretation and guidance requests is assumed to remain constant in the near term. CANs, case notes and industry-trial implementation periods are expected to continue, as are formal interpretation requests.
4. Continue refinement of risk-based methodologies to support more effective and efficient compliance monitoring activities such as: appropriately focused Annual Implementation Plan and Actively Monitored List (AML), audit scoping and various enforcement activities. This refinement, while improving the reliability enhancement component of the compliance program, is not anticipated to require additional NERC, Regional Entity, or Industry resources and will be accomplished by making use of standard auditing practices.
5. NERC and the Regional Entities will coordinate development of a risk-based approach to compliance monitoring. The first step will be to develop appropriate risk profile determination for registered entities as a pilot in 2011 with further expansion throughout the planning period.
6. NERC and regional staff will continue to collaborate to define ongoing training needs, priorities and implementation schedules for NERC and Regional Entity auditors, enforcement, and investigation staff. The Regional Entities should assume that NERC will include in its budget the cost of these training programs, other than Regional Entity costs (e.g., labor, travel, and lodging) to participate and attend.
7. NERC and Regional Entity staff should be provided the time to maintain critical industry certifications, such as NERC System Operator Certification. Additionally, blending in the appropriate audit and investigative skills must be provided. Budgets and long term work plans should reflect recertification and training time for NERC and Regional Entity staff.

8. NERC will conduct semi-annual three day ERO auditor workshops to provide auditors with updates on compliance policies, actions and requirements in order to promote consistency of audit practices and procedures. Goal is to have 100 percent of auditors, including CIP auditors as their schedules permit, attend at least one of the semiannual three day workshops which will be scheduled for the third week of February and September. The Regional Entities should assume that NERC will be responsible for the cost of these training programs, other than Regional Entity costs (e.g., labor, travel, and lodging) to attend.
9. Increase the number of spot checks over the next three years in conjunction with a risk-based approach to compliance monitoring. While this will initially increase auditor preparation time and resources, appropriately scoped audits based on entity risk and performance profiles should lead to efficiencies in the audit program. Notwithstanding these improvements in efficiency Regional Entities may be required to increase their audit resources in the near term.
10. Audits, which will continue under a schedule to complete BA, TOP, and RC audits each three years and other entities each six years in the first few years of the planning period, will transition to a periodicity more reflective of the risk profile of registered entities as the planning period progresses. Compliance monitoring will be based on a risk and performance review of the individual entity; where necessary audits will have an increase in depth and complexity, including an increased number of unscheduled audits or spot checks. While some audits will be more in-depth and of greater complexity, other audits may require less resources based on the risk and performance based assessment of each entity and all audits will become more focused and perhaps reduced in scope. Regional Entities may nevertheless find it necessary to increase their audit resources to satisfy these workload requirements. It is reasonable to expect that entities having a higher risk profile will be audited more often, while those with a lower one will be subjected to audits more infrequently.
11. Changes to the Rules of Procedures affecting the Compliance Monitoring and Enforcement Program will continue to be made as appropriate in order to enhance efficiency in compliance operations and enforcement. However, it is not possible at this time to predict the impact of these yet to be identified improvements on the need for further resource additions in the ERO compliance and enforcement areas.
12. In addition to the regular schedule of workshops and other communications, NERC and Regional Entities will also continue to collaborate and provide special industry communications, focusing on both the most-violated, as well as recently adopted, standards and those most critical to reliability. It is anticipated that additional Regional Entity resources will be needed to support this effort.
13. NERC and the Regional Entities' compliance and standards program area management will work collaboratively to provide more compliance guidance to

support industry's efforts to achieve compliance prior to the effective date of new and revised standards. This increased collaboration is expected to mitigate the need for additional resources to support compliance application notices. However additional resources are required at NERC in the near term to support dedicated compliance input to standards and conduct field testing of standards approved by the NERC BOT or approved by FERC and still in the implementation phase.

14. NERC and Regional Entities will coordinate and expand registered entity training in the application of reliability standards in order to better prepare registered entities, improve compliance and reduce the number of erroneous self reports and self-certifications. NERC's and the Regional Entities' compliance program area will require resource additions in 2012 to provide more input and support to facilitate standards development and forward looking guidance to assist industry in meeting compliance deadlines. These additional resources will also be used to conduct webinars of revised and new standards' implementation plans.

15. NERC and Regional Entities will refine audit guidance for all new Reliability Standards. NERC and Regional entity compliance staffs will need to conduct semiannual workshops to improve guidance and instruction on certain standards in 2012 and 2013. Given the complexity and number of number of standards and requirements NERC will require additional resources in the near term to develop guidance and training to industry on MOD standards. These additional resources will also consider linkages between the modeling and planning standards to assist NERC and the Regional Entities in providing overall compliance guidance. Regional Entities estimate that the auditing of these standards will be accomplished with existing resources.

16. NERC and the Regional Entities estimate that, with the introduction of a robust, registered entity focused Event Analysis process, approximately 40 CI's per year are probable and will require additional resources.

ENFORCEMENT

1. NERC and the Regional Entities will continue to establish streamlined mechanisms to expedite the disposition of minor, administrative violations and look to gain more discretion to handle minor violations before they enter the enforcement process to better focus existing resources on significant violations.
2. NERC and Regional Entity resources will be required to develop and implement an enforcement process that encourages "good" self-reporting, one that results from a systematic compliance "culture" to detect, report, and correct problems, and obtains adequate recognition in the enforcement processes.
3. Utilizing existing resources, follow-up to NERC's education of the industry on lessons learned from violations that pose the most risk to the bulk electric system with "targeted aggressive enforcement" for further instances of non-compliance.
4. The current trend of alleged violations is expected to continue during the planning period.

5. Through efficiency gains and limited additional resources, NERC and Regions will strive to achieve a 12-month total average processing time for alleged violations over the planning period.

REGISTRATION

1. The number of registered entity functions may increase as a result of the possible expansion of the Bulk Electric System definition. However, this may be mitigated (in part) through increases in joint registration and the application of the Multi-Region Registered Entity (MRRE) process, alleviating the need for resource additions.
2. It is assumed that a uniform BES definition will be implemented in 2012 and it will result in increased workload for the Regions as they deal with exclusion requests in 2012 and 2013. The program area resource impacts will vary by Regional Entity, as will the Program Area under which this work is performed.
3. NERC does not expect significant number of registration challenges, with efforts in registration focusing on refining the current registries across the Regional Entities.
4. The number of certifications of BA, RC, and TOP may increase as entities adjust footprints and responsibilities. At present no major additional resources are envisioned.
5. The number of Joint Registration Organization and Coordinated Functional Registrations will likely increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness through better alignment of responsibilities and compliance liabilities.
6. Over the planning period, NERC will review its registration criteria to enhance its joint and coordinated functional registration to better approximate registration by requirement or by asset.

RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS PROGRAM

1. NERC and the Regional Entities will lead the development of a revised definition of adequate level of reliability (ALR) of the bulk electric system. This will be accomplished through the efforts of the NERC Member Representatives Committee, and the Operating and Planning Committees. The revised definition will be delivered to the Board of Trustees for consideration in February 2012. NERC will continue to incrementally refine data reporting requirements from registered entities, and review adequate level of reliability related metrics used in reliability assessments.

2. NERC and Regional Entities will gather data or complete analysis in support of U.S. Federal or Canadian Provincial initiatives. For example, the following reliability considerations are being or may be reviewed:
   a. High impact/low frequency events such as geomagnetic disturbances
   b. System frequency response analysis
   c. Analysis of low-inertia operations of the bulk power system
   d. Climate change
   e. Environmental regulations
   f. New technology integration such as renewable energy, smart grid, energy storage, and/or electric vehicles
3. NERC will continue to require resources to analyze TADS data and support the TADS system. NERC will also publish an annual report assessing trends once sufficient data is collected.
4. Generator Availability Data System (GADS) and Spare Equipment Database (SED) collection may become mandatory in 2012 and, together with Demand Response Availability Data System (DADS) collection which becomes mandatory in 2011, will require Regional Entity resources support, similar to the current TADS process. NERC will provide industry training regarding the mandatory submittal of SED, DADS and GADS data. Additionally, NERC staff will be required to provide both administrative and analysis support to the SED, DADS, and GADS system.
5. NERC and the Regional Entities will continue to provide independent reviews of assessments to assure a high level of technical rigor.
6. Resources in this program area will continue to provide subject matter expertise to support standards development and improvements, respond to requests for determinations of exceptions to bulk electric system, as well as support other program area technical needs.
7. Resources will be required to support the development and validation of models, mitigation strategies, studies and education related to geomagnetic disturbance events.
8. NERC will continue to develop analysis of TADS data in 2012. Additionally, NERC staff will be required to provide both administrative and analysis support to the TADS system, resulting in an annual report assessing trends once sufficient data is collected.
9. To meet NERC's Three-Year Performance Assessment commitments, NERC will continue to:

a. Vet proposed and future metric development, collection, and analysis with industry stakeholders through the Reliability Metrics Working Group (RMWG).

b. Identify and spotlight system and equipment trends through assessments of the availability data systems and metrics (e.g., TADS, GADS, TADS, reliability metrics, etc.)

c. Two limited focus post-seasonal overviews will be completed annually (Summer and Winter). NERC and the Regional Entities will prioritize and budget for two reliability assessment initiatives (scenario and special reliability assessments) per year. Specialized contractors may be used to complete detailed analysis to support scenario assessments. Three special assessments are currently scheduled to be completed between 2011 and 2014 (change in resource mix, gas dependency, delays in transmission development).

10. To meet NERC's Three-Year Performance Assessment commitments, NERC may be required to add resources to:

a. Provide quarterly updates of metric analysis results through NERC's website, NERC News, and via Webinars and an annual report assessing the State-of-Reliability in North America based on this analysis.

b. Develop a centralized data collection, reporting and validation process, and calculation tools in 2012 and beyond for reliability assessments (electricity supply and demand database), metric development and availability data systems such as TADS, GADS, DADS, and SED.

i. Develop integrated database to support the collection, validation, and distribution of reliability assessment information including generation, transmission, and demand data in 2011 through 2012. NERC may need to develop information system enhancements for the Regional Entities to support automation. The requirements for any such enhancement at NERC would be developed by the RAPA Program Area, procured by the NERC's IT department and budgeted as a RAPA Program area cost. It is anticipated that Regional Entity resources will be needed to support this effort.

ii. Support increased coordination and data collection, analysis to support tracking and data analysis to calculate associated risks to reliability identified in future NERC alerts (advisories, recommendations, and essential actions).

c. Increased coordination with event analysis, lesson learned, and model validation activities. Specialized contractors may be used to complete detailed analysis to support model data collection and validation. Resources will be required to administer and monitor data quality and model validation, as well as develop and maintain associated training materials.

d. Complete work plans supporting reliability assessment and input into NERC's reliability standards process for technology integration and high-impact, low-frequency event risks.

   i. NERC will implement probabilistic assessments into the Long-Term Reliability Assessment with a trial run in 2012. A common regional set of probabilistic reliability indices and probabilistic-based work products will be used to supplement NERC's Long-Term Reliability Assessment. Information system enhancements and modeling support may be required by Regional Entities to support this effort. By 2013, the Regional Entities may be required to work with stakeholders to generate suitable probabilistic indices which may include composite (generation and transmission) reliability comparisons for future year trending.

   ii. Probabilistic energy and high-risk hours analysis to be included in seasonal and long-term reliability assessments to supplement capacity assessment with trials in 2013.

TRAINING, EDUCATION, AND OPERATOR CERTIFICATION PROGRAM

1. NERC and the Regional Entities will coordinate the delivery of educational materials to registered entities through NERC's development and implementation of a centralized, robust learning management system (LMS). The LMS is expected to provide standards technical guidance, compliance guidance, lessons learned, examples of excellence, best practices, alerts, and other technical resource information. To maintain support for this system, NERC will require the addition of staff.
2. In 2012, NERC and the Regional Entities will begin to implement a compliance auditor training program that will require staff and contractor resources to implement. The priority of implementing training programs for additional technical functions (i.e., CIP Auditors, Investigators, Root Cause Analysts, Training Instructors, etc.) will be determined. NERC and the Regional Entities will continue to support core ERO function training courses (e.g., auditors, root cause analysis, CIP auditing) throughout this development.
3. NERC and the Regional Entities will place priority on developing educational materials for Registered Entities regarding expectations for new and existing reliability standards, and for supporting a culture of reliability excellence.
4. NERC will continue to provide training to NERC and Regional Entity standards development staff and drafting teams on results-based standard development.
5. In 2012, NERC will centralize the coordination and management of all internal and external training. This will include development and management of an overall budget for internal and external training and education activities for all program areas. The functional requirements for particular training and education programs will be developed by the Program Area(s) with the relevant subject

matter expertise (e.g., Standards Program Area for standards training, Compliance Program Area for auditor training, Human Resources department for code of conduct training, etc.) The Training, Education, and Operator Certification Program Area will manage and be staffed with resources necessary to support the organization, planning and execution of, and registration for, specific training activities within the parameters of the overall training and education budget, with individual program areas providing subject matters experts as required to support particular activities. The applicable portion of the overall budgets, as well as costs, associated with specific program area training (e.g., standards, compliance, etc.) will continue to be allocated and charged to those program areas (e.g., standards training costs will be reflected in the standards budget, compliance training in the compliance budget, etc.). Operator training and certification programs will continue to be organized, managed, budgeted and funded consistent with the requirements of the rules of procedure. Additional resources requirements will be needed at NERC in 2012 to implement this approach and support Program Area training activities. Notwithstanding these resource additions, the centralized management of these activities is expected to enhance overall coordination, efficiency and quality of training and education activities. The Regional Entities are planning to manage this effort within existing budgeted training resources.

6. Each Regional Entity will host a minimum of two different compliance workshops each year.
7. NERC standards and compliance staff will conduct at least one joint workshop for industry each year; focusing on inter-relationships and feedback mechanisms.
8. In the case of NERC, the incremental costs of hosting workshops and other educational activities where stakeholders attend in person will be recovered through attendance fees in most cases.
9. NERC will contract for professional training for NERC and Regional Entity staffs to improve their effectiveness, including training in facilitation, negotiation, project management, and leadership.
10. No significant changes are expected in system operator certification (CEH) requirements through 2013.

SITUATION AWARENESS AND INFRASTRUCTURE SECURITY PROGRAM

1. NERC and the Regional Entities will continue to evaluate and coordinate their differing and complementary roles in CIP and Situation Awareness for budgeting and/or operational purposes.
2. During 2011 NERC made a significant investment to support the implementation of a situation awareness tool for FERC, NERC, and Regional Entities. NERC will incur ongoing licensing, maintenance, and support services fees for SAFNR

within its budget with no attendant impact on the Reliability Coordinator budgets and may seek FERC funding support. Regional Entities will be responsible for costs associated with establishing and maintaining monitoring displays.

3. NERC will fund and implement a new alerts system in 2012 that provides increased functionality to satisfy NERC's business needs in alerts development and processing and ensure the alerts are issued to the appropriate parties.
4. During 2012, NERC will continue to undertake significant activities and funding to facilitate third party development and management of North American Phasor Concentration System (NASCON) software and regional node communication integration. Commencing in 2013, NERC anticipates a reduced need for a direct NERC funding role related to NASPI development, with any NERC funding tied to NERC's internal situation awareness capabilities.
5. NERC will evaluate and implement steps during 2012-14 to transfer some or all of its reliability tools and functions to third parties, including but not necessarily limited to the Interchange Distribution Calculator, SDX and Book of Flowgates. One of the key challenges continues to be the development of an alternative funding mechanism with the users of the tools providing direct funding for the development, operation, and maintenance of the tools. Prior to implementation of these steps NERC will seek input from the Regional Entities, appropriate NERC committees and working groups, and other affected parties.

CRITICAL INFRASTRUCTURE PROTECTION

It is anticipated that major incidents, events, threats, or vulnerabilities may result in re-prioritization of CIP initiatives through 2015.

1. NERC's Critical Infrastructure Protection Program Area will have responsibility for the identification and management of the specialized critical infrastructure protection resources needed to support overall ERO CIP goals and objectives, as well as the specialized CIP resources needs of the other program areas (e.g., Standards, Compliance, Situation Awareness)
2. NERC and the Regional Entities will face increased competition in attracting well-qualified staff to address expanding CIP challenges, particularly in cyber security.
3. CIP activities will continue to increase significantly across the electricity sector. Risk analysis, incident response, CIP compliance requirements, information sharing and intelligence, CIP standards oversight, security training and awareness, and other functions are expected to increase NERC CIP resource requirements throughout the planning period. In light of these resources pressures, throughout the planning period, NERC and Regional Entities will need to establish strategic priorities and CIP resource allocations to support those priorities.
4. NERC will strengthen CIP partnership with U.S. and Canadian Government authorities to facilitate two-way information exchanges that enhance and expand

knowledge of critical infrastructure threats and risk. NERC will promote CIP incident reporting and work with the Regional Entities to conduct security event and incident analysis and improve security practices in conjunction with the ES-ISAC.

5. In support of the Compliance program, the Technical Feasibility Exception (TFE) program will continue to require significant staffing resources within NERC and across the industry as Regional Entities perform reviews and gauge compensating measures. TFE development, review and approval will result in additional compensating measure validation checks, quarterly reporting tracking, and change management. Experiences gained through existing operations will be utilized to guide the development of resource recommendations.
6. Staff resources necessary to effectively conduct industry-wide CIP audits will continue to be a challenge. There are too few auditors with the necessary skill and experience to monitor compliance with all CIP requirements. Active training and recruitment will be critical to success of the ERO CIP audit program.
7. The new CIP-002 V4 standard is expected to result in a substantial increase in the number of entities and critical assets required to be monitored for CIP compliance in 2012-2015.
8. NERC and the Regional Entities will develop and support a training and implementation program for registered entities to successfully implement CIP-002 V4. The training and implementation program will be based on a well developed audit plan and provide technical application guidance.
9. NERC will develop a robust ES-ISAC and Threat and Vulnerability Management Program (TVMP) with the following organic capabilities:
    a. Bi-directional sharing of sanitized information and other intelligence products with government and federal law enforcement agencies;
    b. A secure communications portal for information sharing with electricity sector stakeholders;
    c. ERO-wide visibility and situational awareness of network infrastructure to monitor for cybersecurity threats and identify ICS/EMS/SCADA control system protocols and signature vulnerabilities and provide reporting to potentially affected entities in near real time;
    d. Industry-wide awareness of emerging threats and risks;
    e. Security incident analysis and lessons-learned that enhance the electricity sector security posture.
10. More comprehensive understanding of confidential and time sensitive standards development processes is necessary. In the event of a national security emergency the NERC board may direct development of a standard in response to

the emergency that is deemed confidential with information that can only be shared on a "need to know" basis. This will require resources to develop an infrastructure capable of accommodating these obligations.

11. The Cyber Risk Preparedness Assessment (CRPA) program is designed to assess the current cyber resiliency capabilities of BPS entities and the adequacy of existing reliability mechanisms related to the highly unique nature of cyber threats. This sustaining program is a valuable resource to both NERC and industry and is expected to expand considerably through 2015 as more entities take advantage of the opportunity provided by the CRPA experience.
12. The NERC Sufficiency Review Program will be re-architected to address CIP-002 Version 4.
13. NERC will collaborate with governmental organizations including federal agencies, law enforcement, and DOE national laboratories to:
    a. Develop case studies at government determined critical facilities to further understanding regarding requirements for "flow of power."
    b. Develop certification guidelines for the Smart Grid Cybersecurity Operator.
    c. Partner with the Industrial Control Systems Cyber Emergency Response Team (ICS-CERT) to share threat, vulnerability, and security incident information.
    d. Investigate benchmarking of vendor products and systems that improve cybersecurity protection.
    e. Develop joint security Advisory products.
    f. Develop a comprehensive Cybersecurity Risk Management Process Guideline for the enterprise electricity sector.
    g. Integrate security event analysis from government agencies and national laboratories.
14. The ERO will implement requirements of the ESCC Roadmap and Coordinated Action Plan in coordination with the Critical Infrastructure Protection Committee (CIPC) and industry volunteers to support the:
    a. Severe Impact Resilience Task Force (SIR TF)
    b. Cyber Attack Task Force (CA TF)
    c. Smart Grid/Cyber Security Task Force (SGCS TF)
    d. GeoMagnetic Disturbance Task Force (GMD TF)
    e. Spare Equipment Database Task Force (SED TF)
    f. NERC Crisis Response Plan

15. CIP Compliance Application Notice (CAN) guidance is expected to be provided in greater volume and with increased frequency to registered entities.
16. National level security exercises will be conducted to examine industry's cybersecurity and physical security preparedness and response capabilities through simulation of coordinated cyber and physical attacks on industrial control system, SCADA, and information technology assets.
17. NERC will develop comprehensive cyber security training program that validates knowledge and technical competency.

EVENT ANALYSIS

1. NERC and the Regional Entities will define clear, uniform criteria/ranking for reporting and categorizing of system events and security incidents.
2. NERC and the Regional Entities will work together to develop joint processes and resourcing for triage, analysis, and reporting of system events to the regulators and will coordinate with regulators regarding these issues.
3. NERC and the Regional Entities will provide timely publication of lessons learned and recommendations and track responses to recommendations.
4. NERC and the Regional Entities will refine the criteria and process to require prompt and complete self-analysis of events and disturbances to promote continuous improvement and information sharing.
5. NERC will work with the Regional Entities to develop and provide root cause analysis training for NERC, Regional Entity staffs and the industry at large and subject matter experts who participate in event analysis and investigation teams.
6. The number of events requiring review and analysis will increase, with approximately 175 of those events qualify for review per year. The bulk of the work for review of these events will be at the registered entity and Regional Entity levels – they will need to be logged and tracked and reviewed by NERC and regional staff to verify that all parts of the review are completed, including compliance reviews.

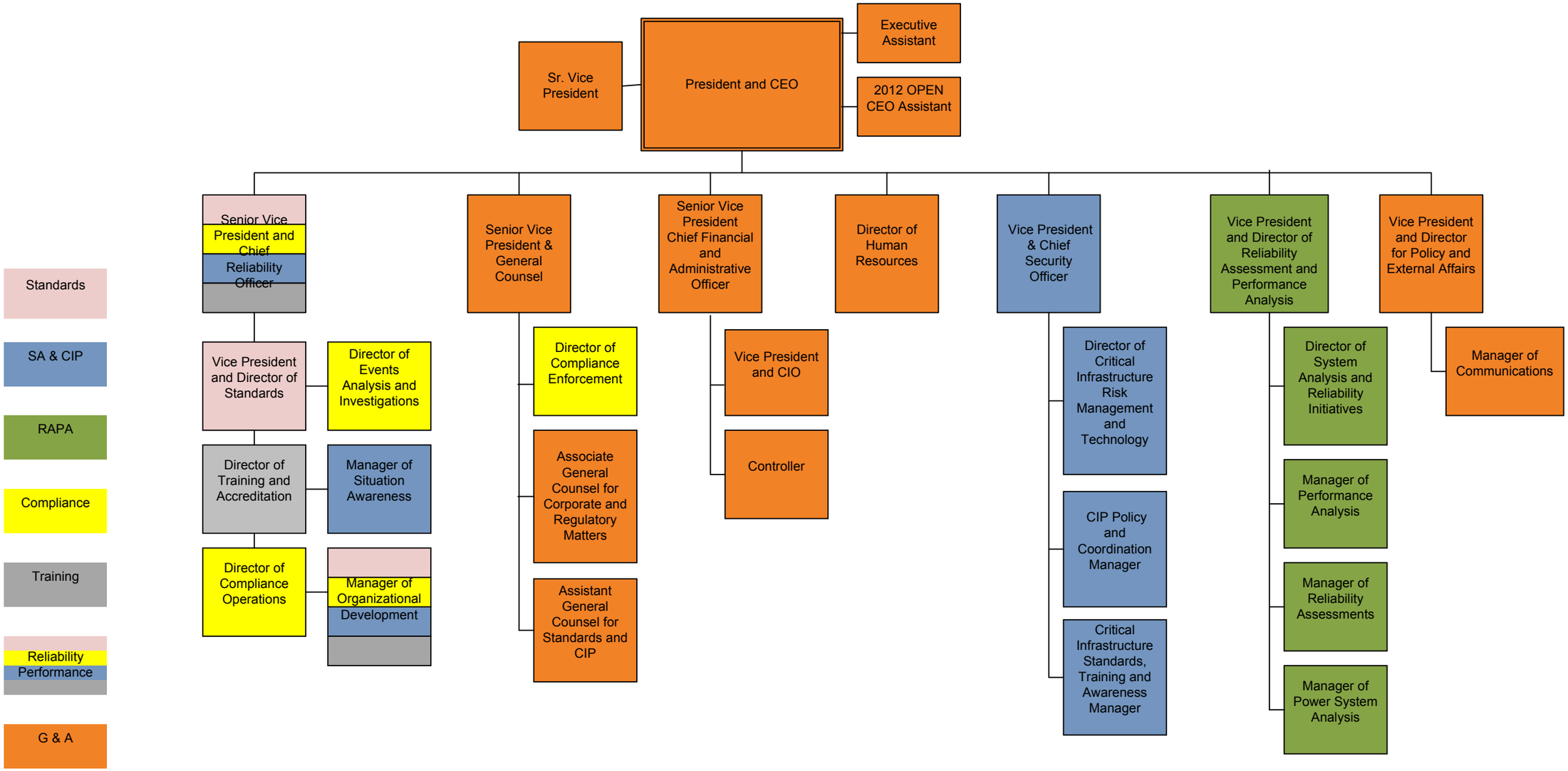
CORPORATE SUPPORT FUNCTIONS

1. In 2012, NERC will establish an ERO-wide risk assessment framework. This function will include internal audit capabilities with respect to NERC's compliance with the Rules of Procedure and other legal requirements, as well as the compliance by Regional Entities with the Regional Delegation Agreement. This framework will also address the roles and responsibilities of the NERC Board of Trustees, Board committees and the various standing committees.

2. NERC and the Regional Entities will continue to work collaboratively to improve the efficiency and effectiveness of ERO processes, taking into consideration the results and recommendations of NERC's business process improvement initiative.
3. As part of its business process initiative, NERC is conducting a detailed and structured assessment of the technology platforms that support each of the major business processes including such factors as the inventory of users, capability of the tools for supporting the existing processes, opportunities to enhance program and process efficiency, the cross-process support provided by the tools, the support provided by the tools for regional entity and other stakeholder input processes, etc. NERC will seek input and feedback from the Regional Entities as part of this initiative. The intent of this assessment is to establish a baseline view of the tools and capabilities that are available to support NERC and ERO business process needs, as well as identify the IT needs that are not being met by the existing infrastructure that could be satisfied with other tools, such as SharePoint. Taking into consideration the outputs of this initiative, NERC and the Regional Entities will collaborate to develop and implement the most effective and efficient protocols and tools for the exchange of data and information between and among the Regions and NERC while optimizing organizational efficiencies as contemplated by the delegation agreements. Funding responsibility will be addressed based on specific organizational needs taking into account agreed upon common objectives and requirements for the applicable budget year.
4. NERC and the Regional Entities will continue to make improvements to their individual and collective business planning and budgeting processes, as well as cash flow forecasting and budget management practices.
5. NERC and the Regional Entities will maximize the cost effective use of conferencing facilities for hosting ERO meetings and conferences.
6. NERC and the Regional Entities will work together to evaluate and implement, where practical, joint purchasing activities and cost control measures to reduce costs of common operating expenses.
7. NERC and the Regional Entities will continue to maintain reserves and/or lines of credit to assure adequate funding resources, including the ability to request supplemental funding, for extended, major investigations and contested proceedings. NERC and the Regional Entities should plan to have short-term and intermediate term internal means to handle funding of hearings to permit effective due process for registered entities.
8. NERC and the Regional Entities will continue to face challenges and will require resources and programs to support the hiring and retention of qualified personnel.
9. Increased support services resources may be required to facilitate and support operations requirements and achievement of objectives.

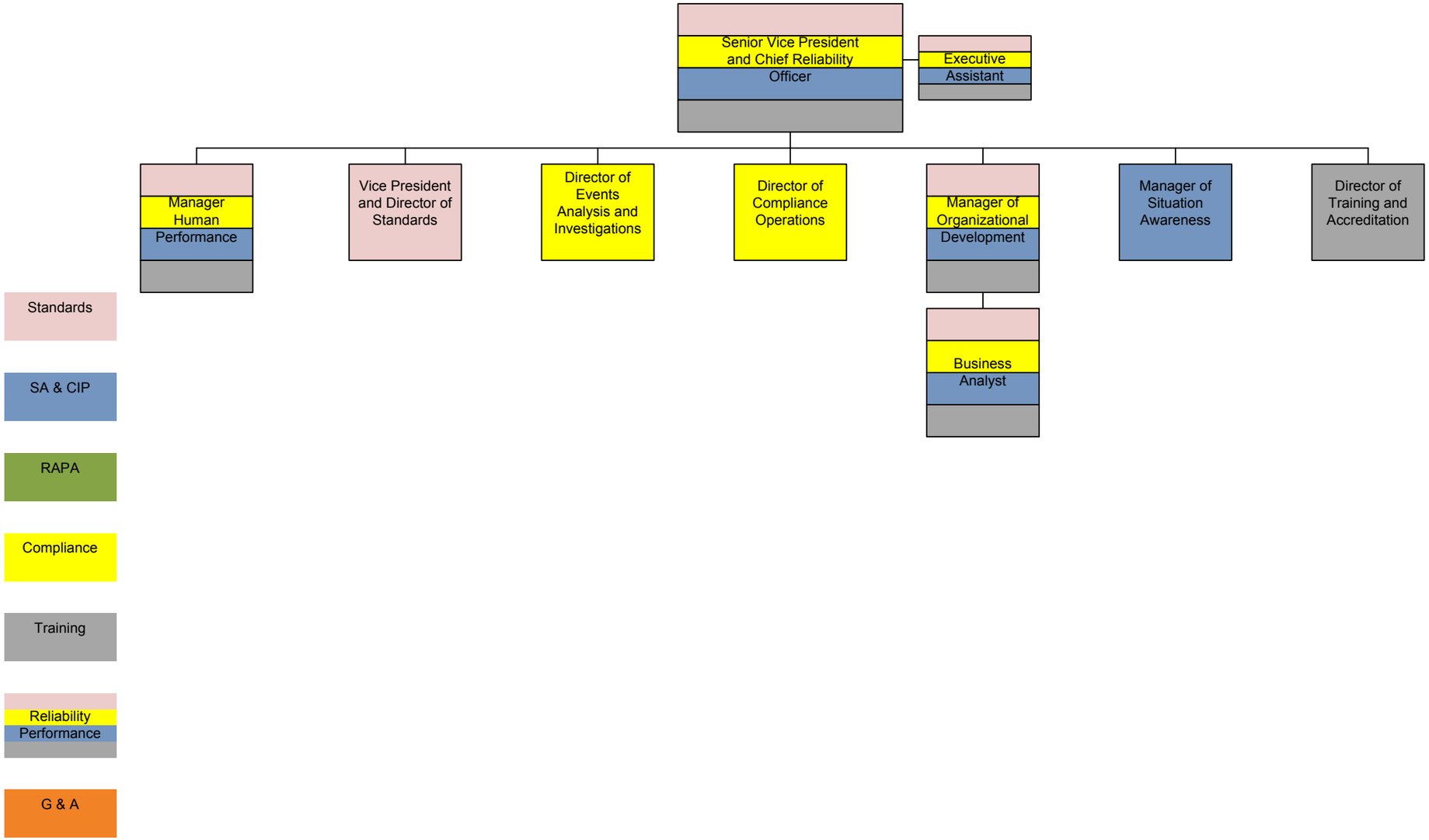
10. Technology (software and hardware) investments will be required to support accounting, human resources and communications requirements and objectives.
11. Health care premiums, liability insurance and leasehold operating costs will likely continue to increase during the planning period.

NERC 2012 BP&B
Mapping of Staff to Program Areas
NERC Staff Organization Chart 2011-2012



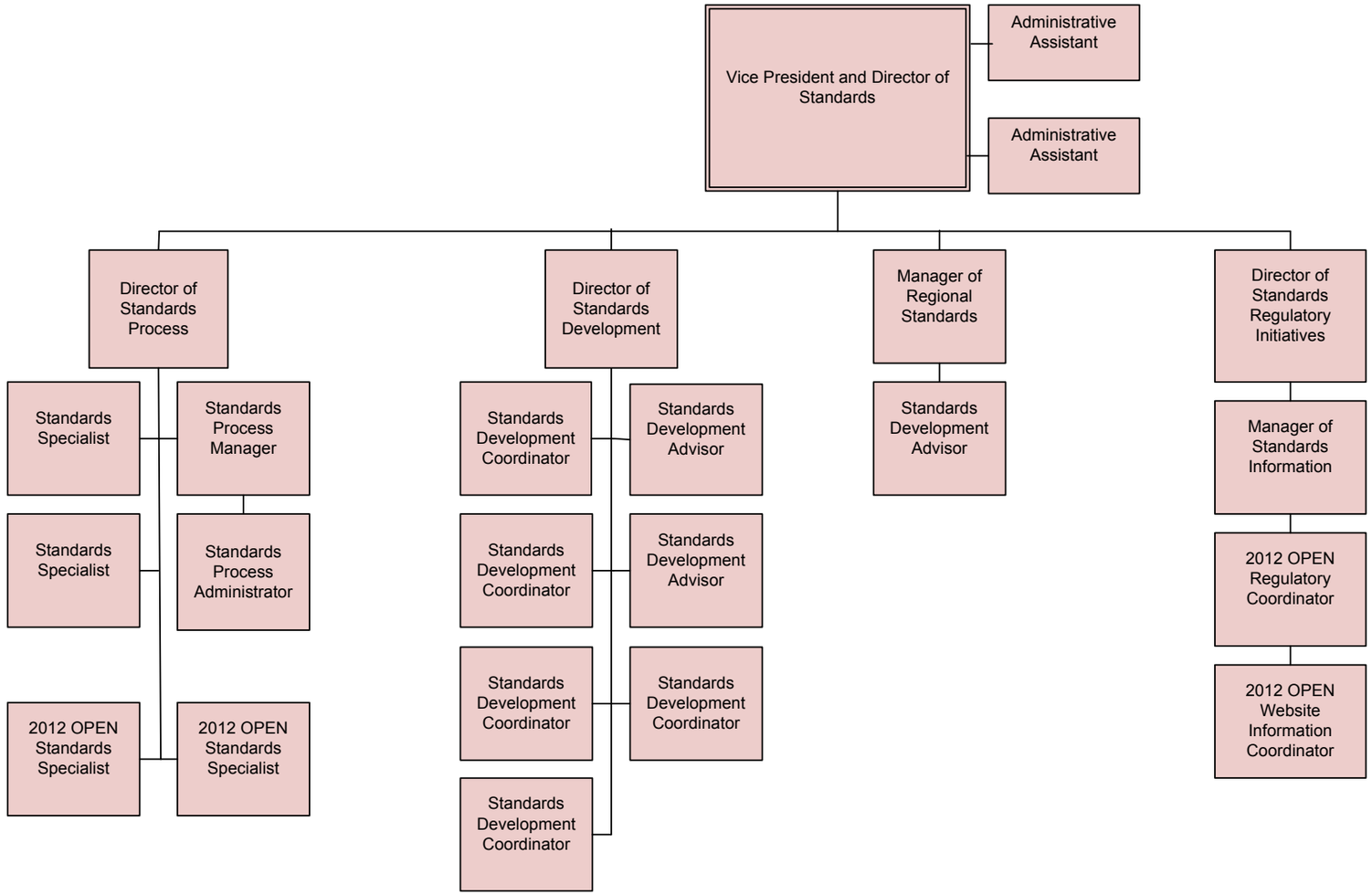
NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Reliability Performance 2011-2012



NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Standards 2011-2012



Standards

SA & CIP

RAPA

Compliance

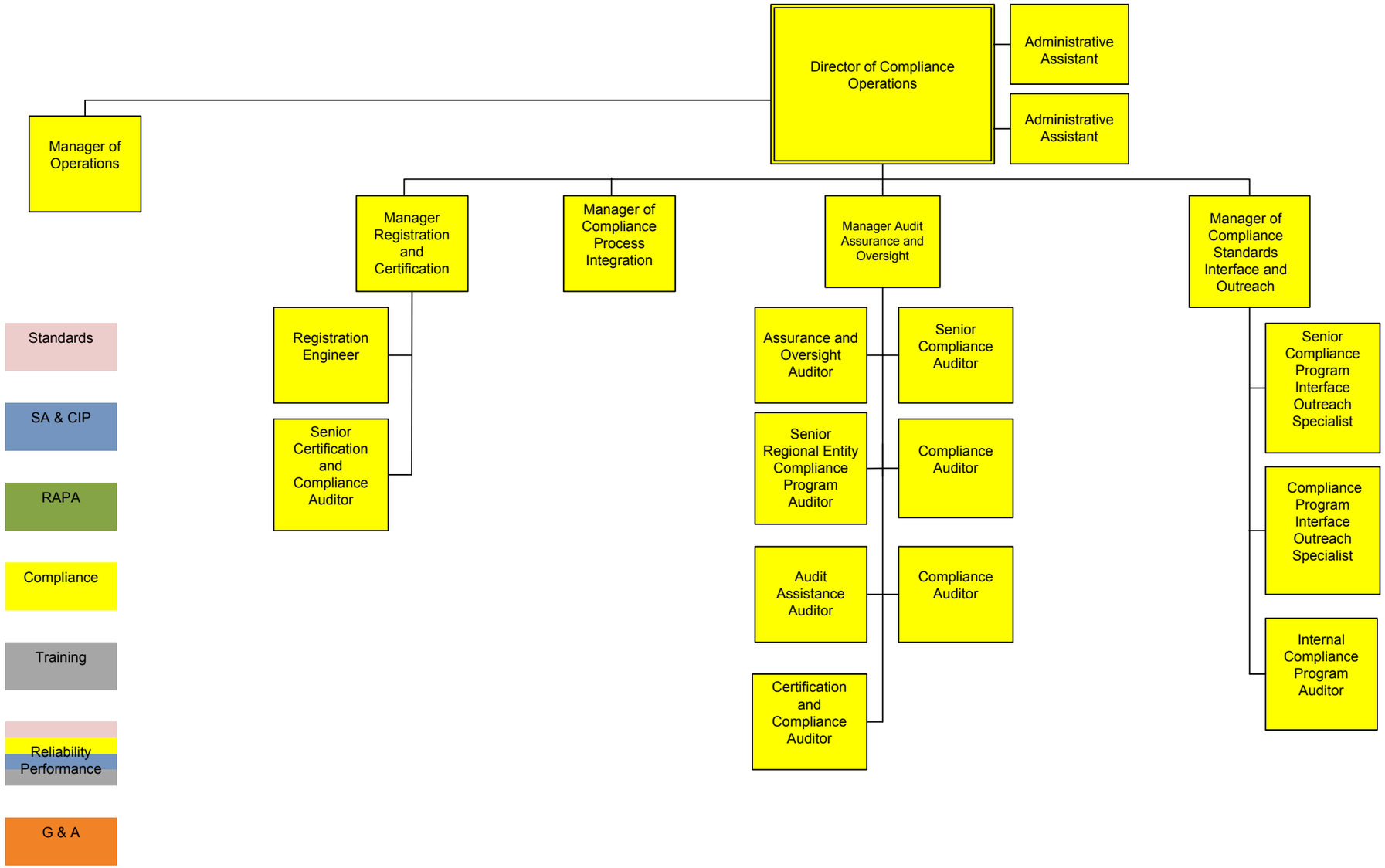
Training

Reliability
Performance

G & A

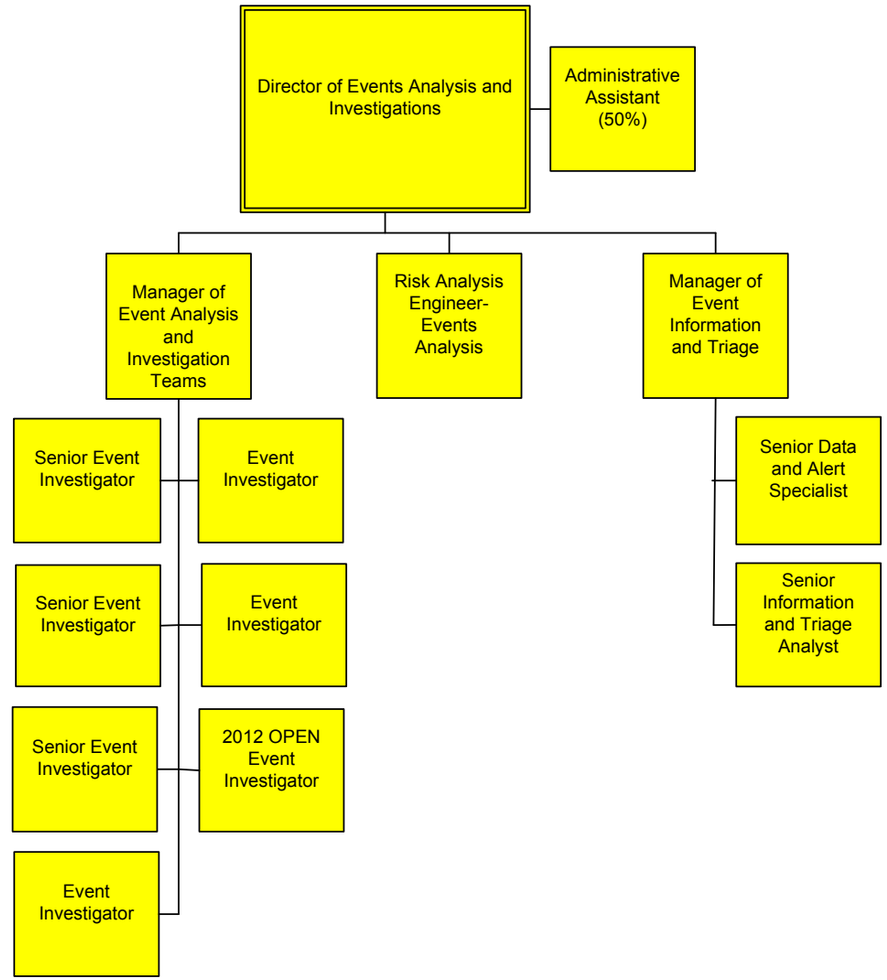
NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Compliance Operations 2011-2012



NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Events Analysis and Investigations 2011-2012



Standards

SA & CIP

RAPA

Compliance

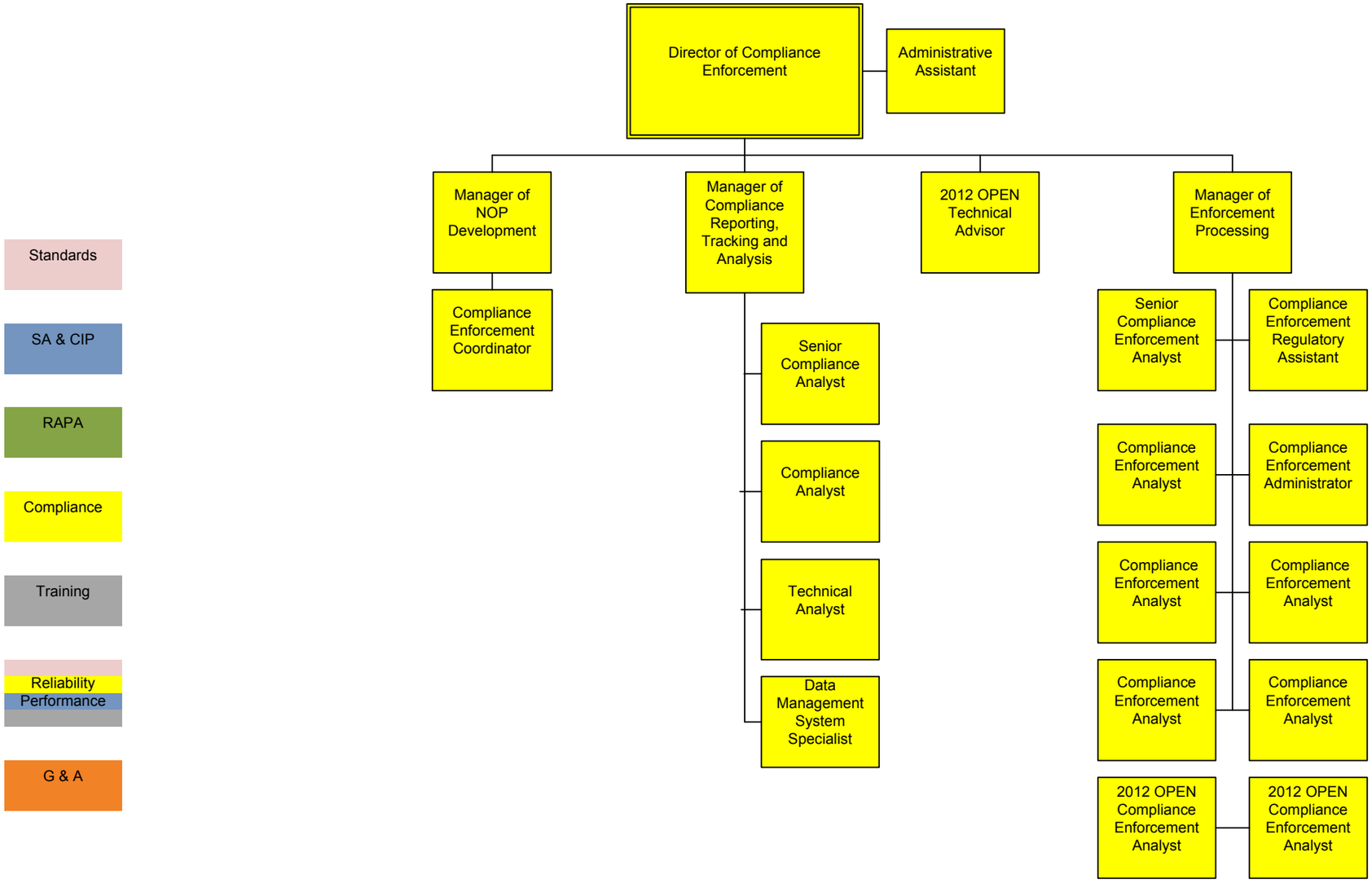
Training

Reliability
Performance

G & A

NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Compliance Enforcement 2011-2012



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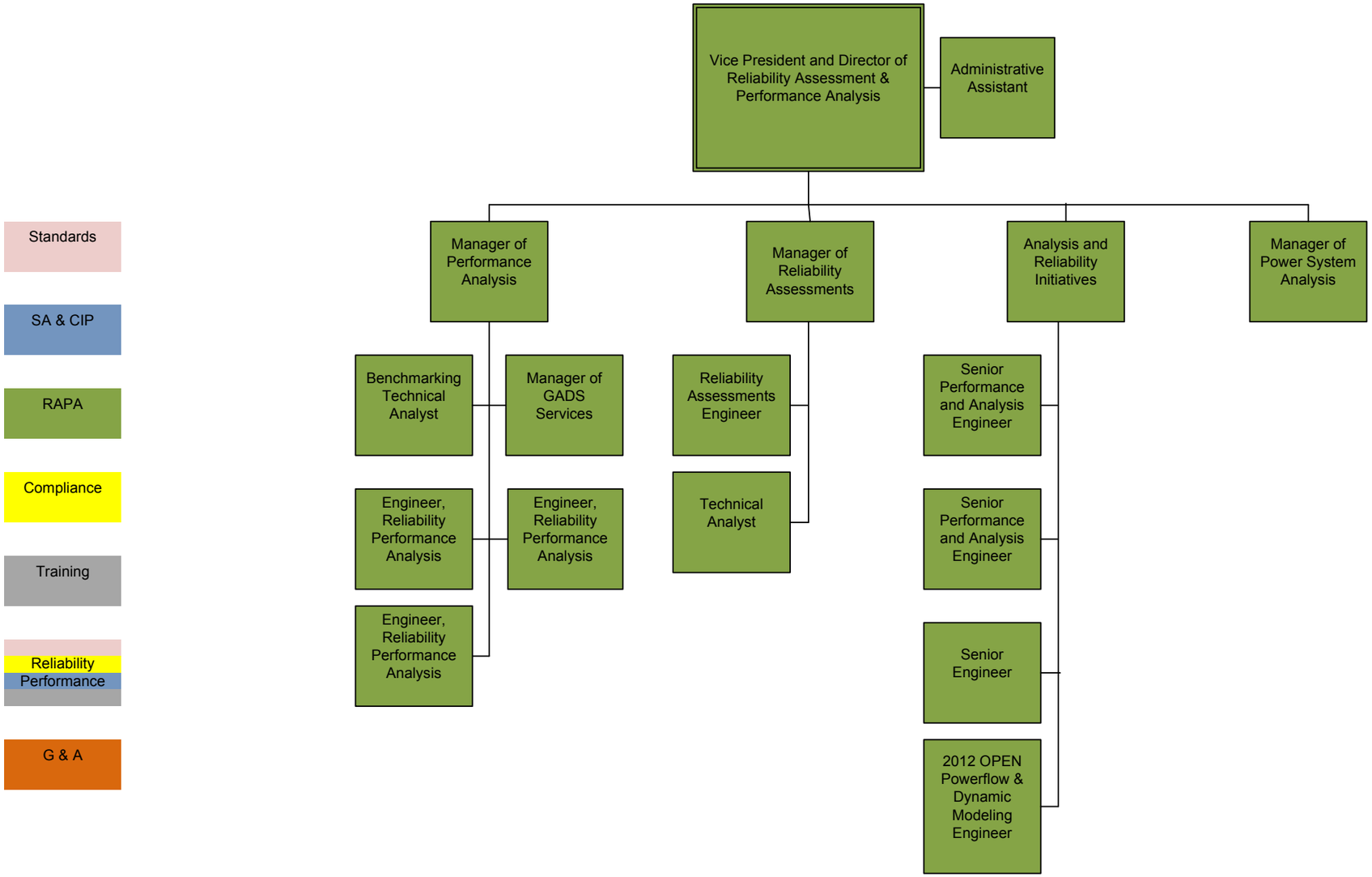
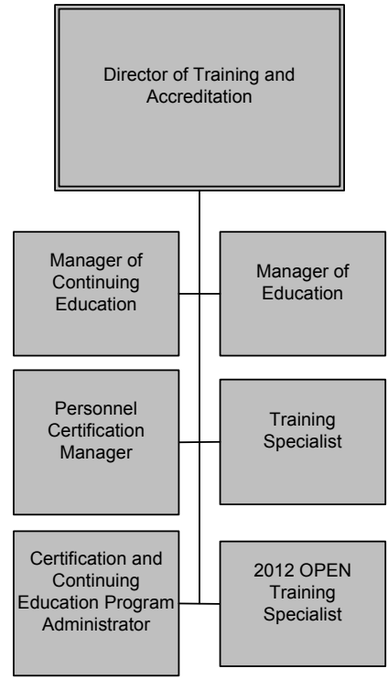
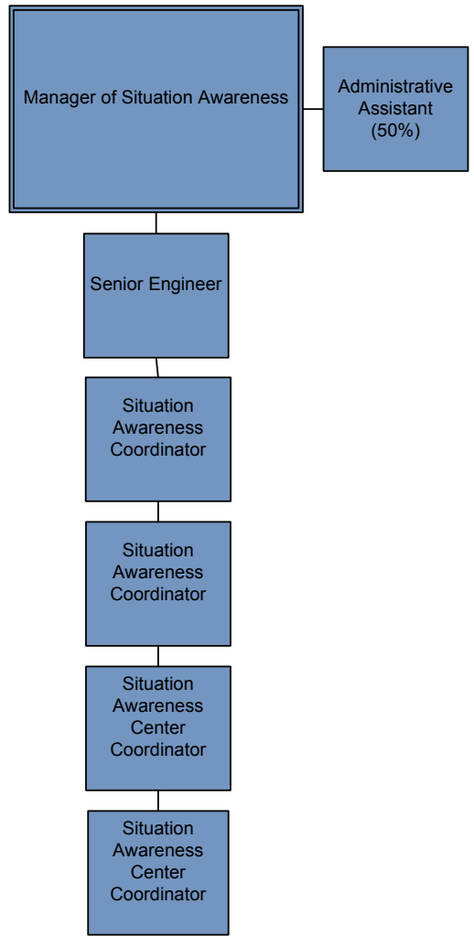
Reliability Assessment & Performance Analysis 2011-2012



Training 2011-2012



Situation Awareness 2011-2012



Standards

SA & CIP

RAPA

Compliance

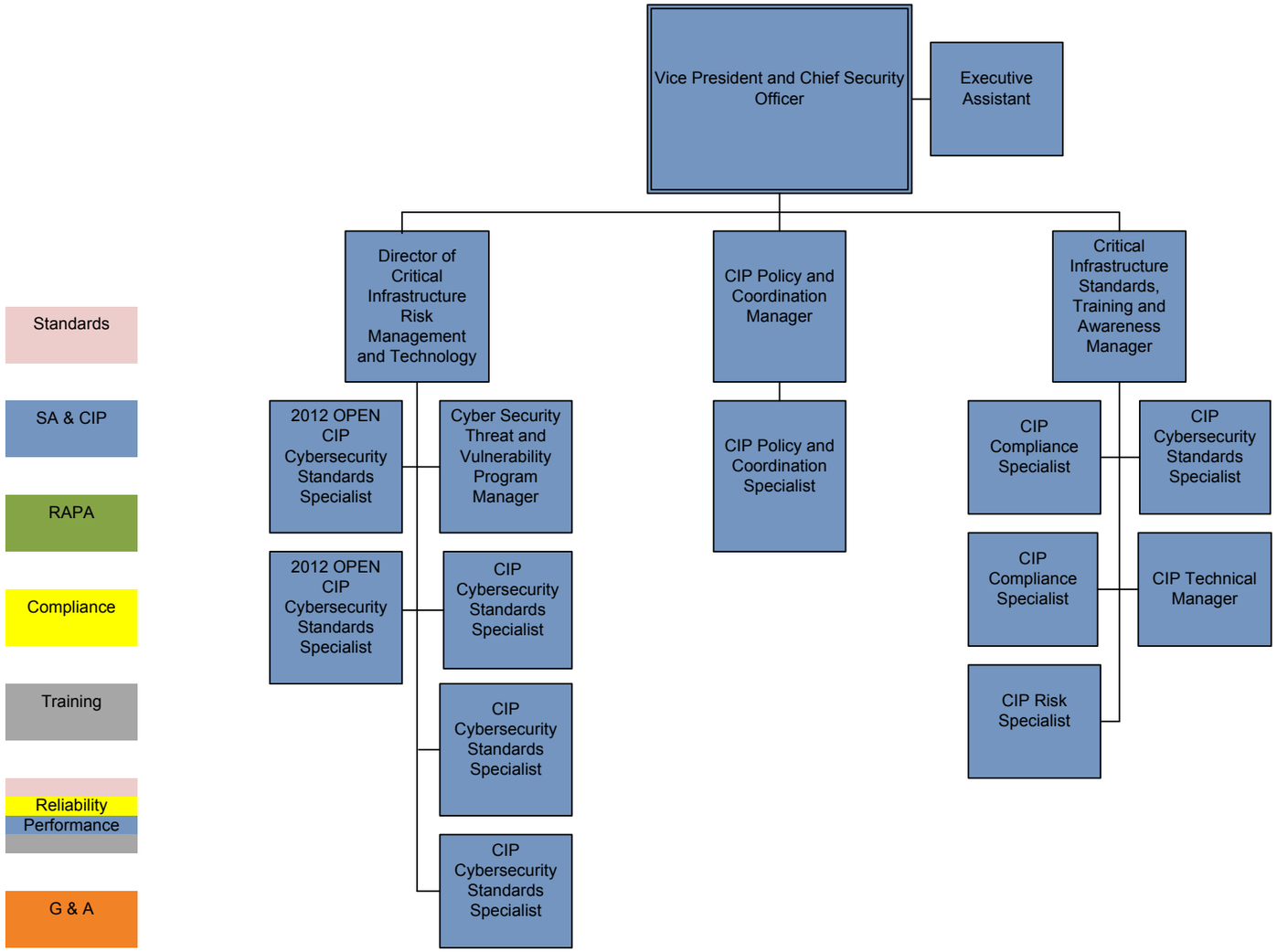
Training

Reliability
Performance

G & A

NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Critical Infrastructure Protection 2011-2012

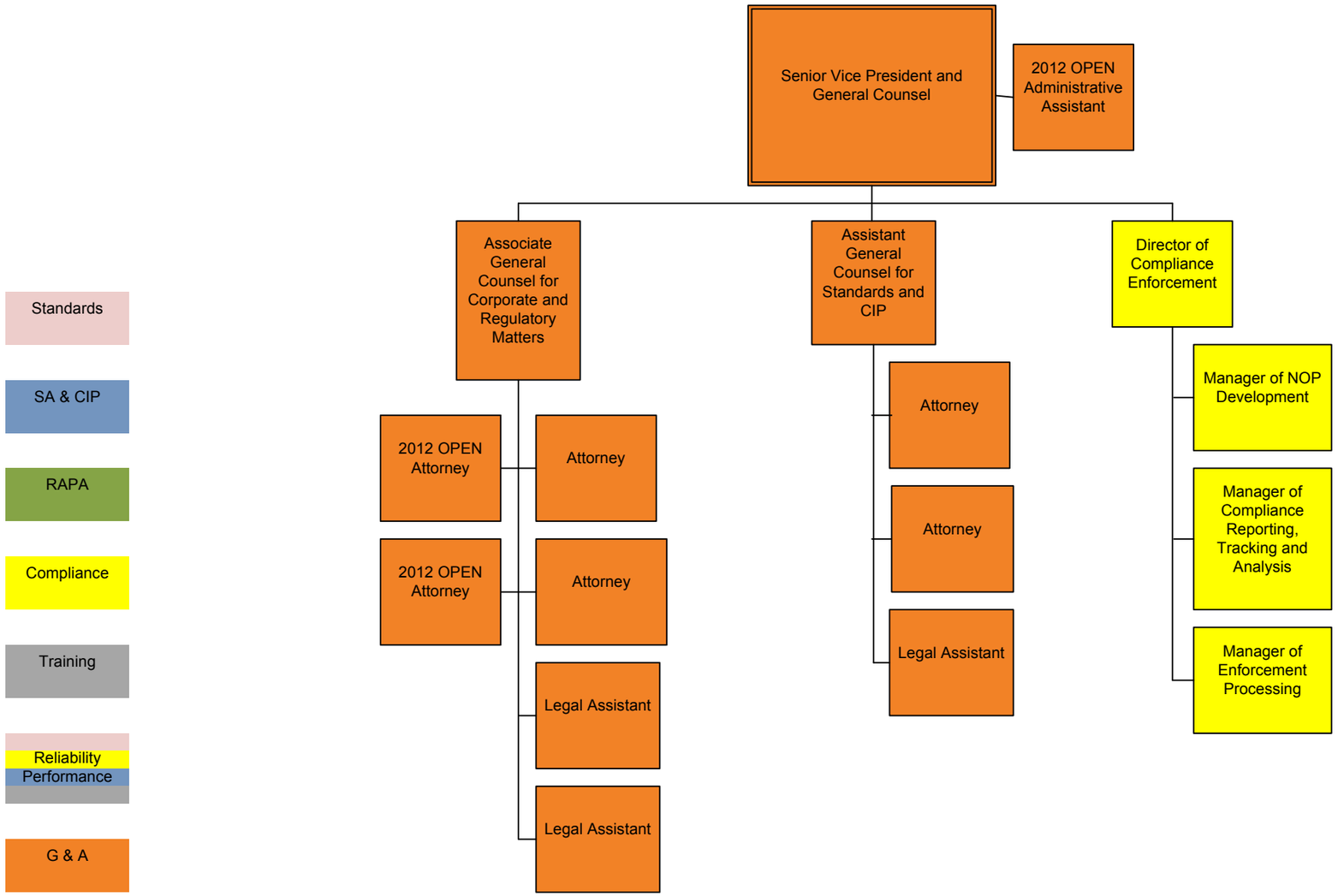


NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Governmental Relations 2011-2012

NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Legal and Compliance Enforcement 2011-2012



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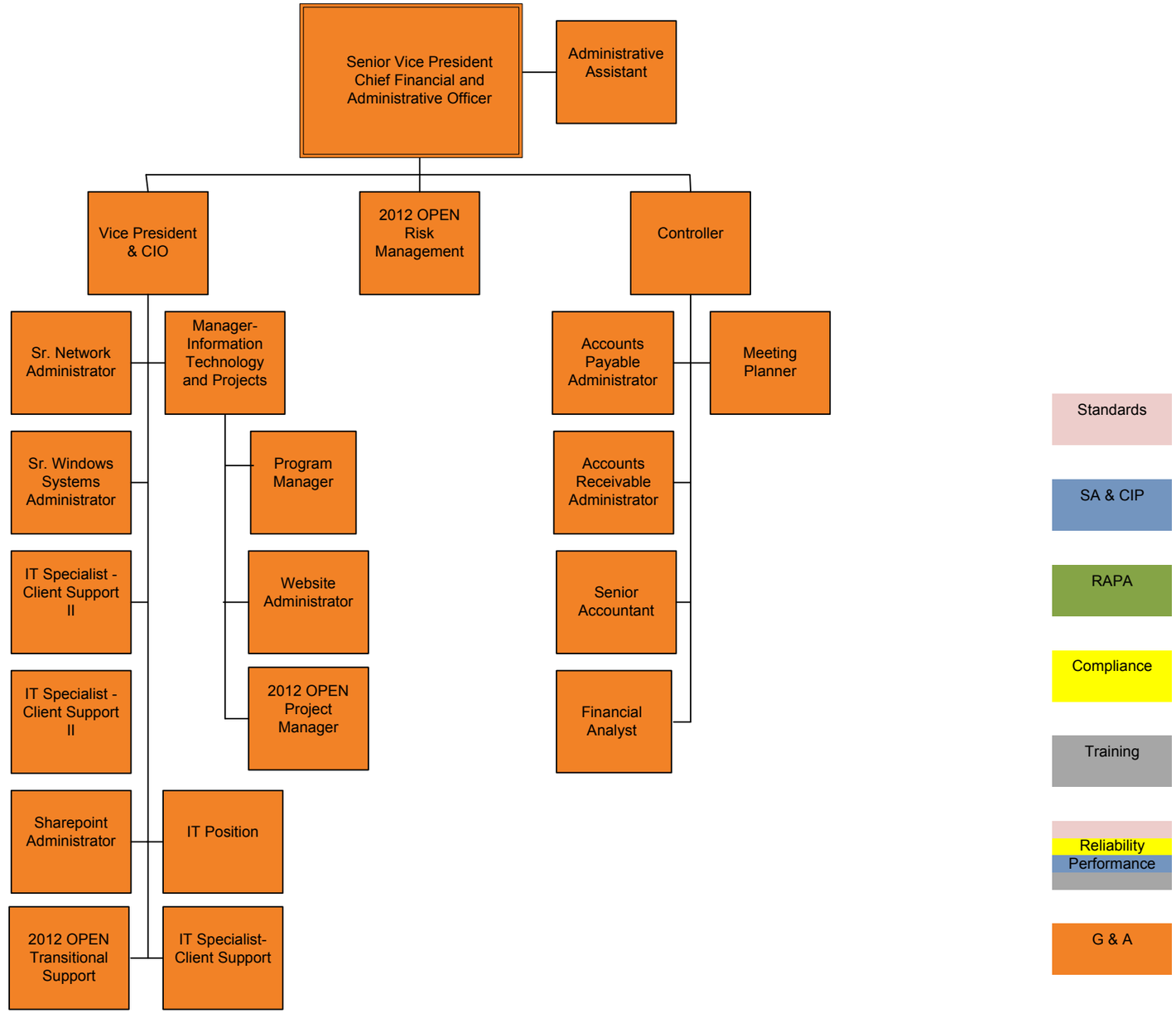
Finance and Information Technology 2011-2012



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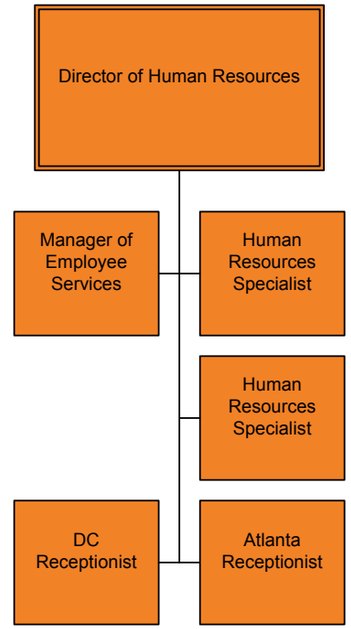
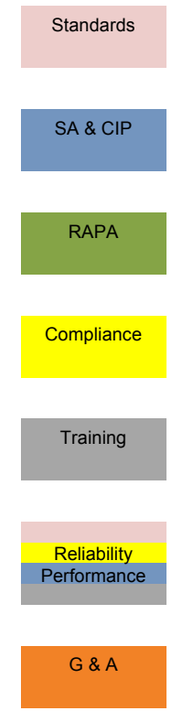
NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Human Resources 2011-2012





2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2010	FRCC	1074	Alachua, City of	U.S.	129,000	129,000			0.055%	0.055%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	FRCC	1075	Bartow, City of	U.S.	311,400	311,400			0.134%	0.134%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	FRCC	1076	Chattahoochee, City of	U.S.	48,000	48,000			0.021%	0.021%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	684,000	684,000			0.294%	0.294%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2010	FRCC	1078	Florida Power & Light Co.	U.S.	112,321,000	112,321,000			48.211%	48.211%	0.000%	0.000%	2.479%	2.479%	0.000%	0.000%	2.798%
2010	FRCC	1079	Florida Public Utilities Company	U.S.	402,000	402,000			0.173%	0.173%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2010	FRCC	1080	Gainesville Regional Utilities	U.S.	2,012,000	2,012,000			0.864%	0.864%	0.000%	0.000%	0.044%	0.044%	0.000%	0.000%	0.050%
2010	FRCC	1081	Homestead, City of	U.S.	486,000	486,000			0.209%	0.209%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2010	FRCC	1082	JEA	U.S.	13,440,000	13,440,000			5.769%	5.769%	0.000%	0.000%	0.297%	0.297%	0.000%	0.000%	0.335%
2010	FRCC	1083	Lakeland Electric	U.S.	3,117,000	3,117,000			1.338%	1.338%	0.000%	0.000%	0.069%	0.069%	0.000%	0.000%	0.078%
2010	FRCC		Lee County Electric Cooperative	U.S.	1,210,530	1,210,530			0.520%	0.520%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.030%
2010	FRCC	1084	Mount Dora, City of	U.S.	101,000	101,000			0.043%	0.043%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2010	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	416,000	416,000			0.179%	0.179%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2010	FRCC	1086	Orlando Utilities Commission	U.S.	5,788,000	5,788,000			2.484%	2.484%	0.000%	0.000%	0.128%	0.128%	0.000%	0.000%	0.144%
2010	FRCC	1087	Progress Energy Florida	U.S.	42,454,700	42,454,700			18.223%	18.223%	0.000%	0.000%	0.937%	0.937%	0.000%	0.000%	1.058%
2010	FRCC	1088	Quincy, City of	U.S.	154,100	154,100			0.066%	0.066%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2010	FRCC	1089	Reedy Creek Improvement District	U.S.	1,230,000	1,230,000			0.528%	0.528%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.031%
2010	FRCC	1090	St. Cloud, City of (OUC)	U.S.	621,000	621,000			0.267%	0.267%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.015%
2010	FRCC	1091	Tallahassee, City of	U.S.	2,931,000	2,931,000			1.258%	1.258%	0.000%	0.000%	0.065%	0.065%	0.000%	0.000%	0.073%
2010	FRCC	1092	Tampa Electric Company	U.S.	20,362,300	20,362,300			8.740%	8.740%	0.000%	0.000%	0.449%	0.449%	0.000%	0.000%	0.507%
2010	FRCC	1603	Vero Beach, City of	U.S.	786,000	786,000			0.337%	0.337%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.020%
2010	FRCC	1093	Wauchula, City of	U.S.	68,500	68,500			0.029%	0.029%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	FRCC	1094	Williston, City of	U.S.	36,400	36,400			0.016%	0.016%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	FRCC	1095	Winter Park, City of	U.S.	468,400	468,400			0.201%	0.201%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2010	FRCC	1072	Florida Municipal Power Agency	U.S.	6,298,980	6,298,980			2.704%	2.704%	0.000%	0.000%	0.139%	0.139%	0.000%	0.000%	0.157%
2010	FRCC	1073	Seminole Electric Cooperative	U.S.	17,098,708	17,098,708			7.339%	7.339%	0.000%	0.000%	0.377%	0.377%	0.000%	0.000%	0.426%
			TOTAL FRCC		232,976,018	232,976,018	-	-	100.000%	100.000%	0.000%	0.000%	5.141%	5.141%	0.000%	0.000%	5.805%
2010	MRO	1199	Basin Electric Power Cooperative	U.S.	12,494,116	12,494,116	-		4.538%	4.538%	0.000%	0.000%	0.276%	0.276%	0.000%	0.000%	0.311%
2010	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	2,704,716	2,704,716	-		0.982%	0.982%	0.000%	0.000%	0.060%	0.060%	0.000%	0.000%	0.067%
2010	MRO	1204	Corn Belt Power Cooperative	U.S.	1,842,591	1,842,591	-		0.669%	0.669%	0.000%	0.000%	0.041%	0.041%	0.000%	0.000%	0.046%
2010	MRO	1207	Dairyland Power Cooperative	U.S.	5,254,500	5,254,500	-		1.909%	1.909%	0.000%	0.000%	0.116%	0.116%	0.000%	0.000%	0.131%
2010	MRO	1210	Great River Energy	U.S.	13,382,174	13,382,174	-		4.861%	4.861%	0.000%	0.000%	0.295%	0.295%	0.000%	0.000%	0.333%
2010	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	3,705,628	3,705,628	-		1.346%	1.346%	0.000%	0.000%	0.082%	0.082%	0.000%	0.000%	0.092%
2010	MRO	1230	Nebraska Public Power District	U.S.	12,990,246	12,990,246	-		4.718%	4.718%	0.000%	0.000%	0.287%	0.287%	0.000%	0.000%	0.324%
2010	MRO	1232	Omaha Public Power District	U.S.	11,491,990	11,491,990	-		4.174%	4.174%	0.000%	0.000%	0.254%	0.254%	0.000%	0.000%	0.286%
2010	MRO	1237	Southern Montana Generation and Transmission	U.S.	3,976	3,976	-		0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	MRO	1240	Western Area Power Administration (UM)	U.S.	8,954,085	8,954,085	-		3.252%	3.252%	0.000%	0.000%	0.198%	0.198%	0.000%	0.000%	0.223%
2010	MRO	1239	Western Area Power Administration (LM)	U.S.	121,526	121,526	-		0.044%	0.044%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	MRO	1217	Manitoba Hydro	CAN	21,912,471		21,912,471		7.959%	0.000%	7.959%	0.000%	0.484%	0.000%	0.484%	0.000%	0.000%
2010	MRO	1235	SaskPower	CAN	20,623,400		20,623,400		7.491%	0.000%	7.491%	0.000%	0.455%	0.000%	0.455%	0.000%	0.000%
2010	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	28,611,892	28,611,892	-		10.392%	10.392%	0.000%	0.000%	0.631%	0.631%	0.000%	0.000%	0.713%
2010	MRO	1216	Madison, Gas and Electric	U.S.	3,458,072	3,458,072	-		1.256%	1.256%	0.000%	0.000%	0.076%	0.076%	0.000%	0.000%	0.086%
2010	MRO	1220	MidAmerican Energy Company	U.S.	22,832,407	22,832,407	-		8.293%	8.293%	0.000%	0.000%	0.504%	0.504%	0.000%	0.000%	0.569%
2010	MRO	1221	Minnesota Power	U.S.	12,528,641	12,528,641	-		4.551%	4.551%	0.000%	0.000%	0.276%	0.276%	0.000%	0.000%	0.312%
2010	MRO	1226	Montana-Dakota Utilities Co.	U.S.	2,718,192	2,718,192	-		0.987%	0.987%	0.000%	0.000%	0.060%	0.060%	0.000%	0.000%	0.068%
2010	MRO	1231	NorthWestern Energy	U.S.	1,494,721	1,494,721	-		0.543%	0.543%	0.000%	0.000%	0.033%	0.033%	0.000%	0.000%	0.037%
2010	MRO	1233	Otter Tail Power Company	U.S.	4,341,035	4,341,035	-		1.577%	1.577%	0.000%	0.000%	0.096%	0.096%	0.000%	0.000%	0.108%
2010	MRO	1243	Integrys Energy Group (WPS and UPPCO)	U.S.	13,744,609	13,744,609	-		4.992%	4.992%	0.000%	0.000%	0.303%	0.303%	0.000%	0.000%	0.342%
2010	MRO	1244	Xcel Energy Company (NSP)	U.S.	46,183,699	46,183,699	-		16.775%	16.775%	0.000%	0.000%	1.019%	1.019%	0.000%	0.000%	1.151%
2010	MRO	1196	Ames Municipal Electric System	U.S.	792,395	792,395	-		0.288%	0.288%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.020%
2010	MRO	1604	Atlantic Municipal Utilities	U.S.	81,131	81,131			0.029%	0.029%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	MRO	1476	Badger Power Marketing Authority of Wisconsin, Inc.	U.S.	381,502	381,502	-		0.139%	0.139%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.010%
2010	MRO	1200	Cedar Falls Municipal Utilities	U.S.	522,924	522,924	-		0.190%	0.190%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2010	MRO	1477	Central Minnesota Municipal Power Agency (CMMPA)	U.S.	467,115	467,115	-		0.170%	0.170%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2010	MRO	1605	City of Pella	U.S.	187,892	187,892			0.068%	0.068%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2010	MRO	1203	Escanaba Municipal Electric Utility	U.S.	151,484	151,484	-		0.055%	0.055%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2010	MRO	1205	Falls City Water & Light Department	U.S.	56,579	56,579	-		0.021%	0.021%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	MRO	1206	Fremont Department of Utilities	U.S.	443,502	443,502	-		0.161%	0.161%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2010	MRO	1208	Geneseo Municipal Utilities	U.S.	67,033	67,033	-		0.024%	0.024%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2010	MRO	1209	Grand Island Utilities Department	U.S.	744,672	744,672	-		0.270%	0.270%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.019%

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2010	MRO	1606	Harlan Municipal Utilities	U.S.	18,994	18,994			0.007%	0.007%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	MRO	1211	Hastings Utilities	U.S.	412,227	412,227	-		0.150%	0.150%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2010	MRO	1212	Heartland Consumers Power District	U.S.	837,691	837,691	-		0.304%	0.304%	0.000%	0.000%	0.018%	0.018%	0.000%	0.000%	0.021%
2010	MRO	1213	Hutchinson Utilities Commission	U.S.	306,063	306,063	-		0.111%	0.111%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	MRO	1215	Lincoln Electric System	U.S.	3,247,871	3,247,871	-		1.180%	1.180%	0.000%	0.000%	0.072%	0.072%	0.000%	0.000%	0.081%
2010	MRO	1218	Manitowoc Public Utilities	U.S.	515,154	515,154	-		0.187%	0.187%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2010	MRO	1223	Missouri River Energy Services	U.S.	2,344,051	2,344,051	-		0.851%	0.851%	0.000%	0.000%	0.052%	0.052%	0.000%	0.000%	0.058%
2010	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	1,454,647	1,454,647	-		0.528%	0.528%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.036%
2010	MRO	1607	Montezuma Municipal Light & Power	U.S.	33,092	33,092			0.012%	0.012%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	1,141,304	1,141,304	-		0.415%	0.415%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.028%
2010	MRO	1228	Muscatine Power and Water	U.S.	877,323	877,323	-		0.319%	0.319%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2010	MRO	1229	Nebraska City Utilities	U.S.	174,162	174,162	-		0.063%	0.063%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2010	MRO	1234	Rochester Public Utilities	U.S.	6,314	6,314	-		0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	2,955,851	2,955,851	-		1.074%	1.074%	0.000%	0.000%	0.065%	0.065%	0.000%	0.000%	0.074%
2010	MRO	1241	Willmar Municipal Utilities	U.S.	261,109	261,109	-		0.095%	0.095%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2010	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	5,440,002	5,440,002	-		1.976%	1.976%	0.000%	0.000%	0.120%	0.120%	0.000%	0.000%	0.136%
			TOTAL MRO		275,316,771	232,780,900	42,535,871	-	100.00%	84.550%	15.450%	0.000%	6.075%	5.137%	0.939%	0.000%	5.800%
2010	NPCC	1336	New England	U.S.	131,182,000	131,182,000			20.521%	20.521%	0.000%	0.000%	2.895%	2.895%	0.000%	0.000%	3.268%
2010	NPCC	1339	New York	U.S.	160,358,000	160,358,000			25.085%	25.085%	0.000%	0.000%	3.539%	3.539%	0.000%	0.000%	3.995%
2010	NPCC	1337	Ontario	Canada	141,309,000		141,309,000		22.105%	0.000%	22.105%	0.000%	3.118%	0.000%	3.118%	0.000%	
2010	NPCC	1341	Quebec	Canada	180,740,000		180,740,000		28.273%	0.000%	28.273%	0.000%	3.988%	0.000%	3.988%	0.000%	
		1341	Quebec														
		1572	Regie														
2010	NPCC	1338	New Brunswick	Canada	13,523,000		13,523,000		2.115%	0.000%	2.115%	0.000%	0.298%	0.000%	0.298%	0.000%	
2010	NPCC	1340	Nova Scotia	Canada	12,158,000		12,158,000		1.902%	0.000%	1.902%	0.000%	0.268%	0.000%	0.268%	0.000%	
			TOTAL NPCC		639,270,000	291,540,000	347,730,000	-	100.000%	45.605%	54.395%	0.000%	14.107%	6.433%	7.673%	0.000%	7.264%
2010	RFC	1104	Bay City	U.S.	339,272	339,272			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	RFC	1102	Cannelton Utilities	U.S.	17,265	17,265			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	RFC	1105	City of Chelsea	U.S.	96,343	96,343			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	RFC	1106	City of Croswell	U.S.	38,553	38,553			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	RFC	1108	City of Eaton Rapids	U.S.	91,036	91,036			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	RFC	1111	City of Hart	U.S.	42,350	42,350			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	RFC	1490	City of Lansing	U.S.	2,225,241	2,225,241			0.239%	0.239%	0.000%	0.000%	0.049%	0.049%	0.000%	0.000%	0.055%
2010	RFC	1112	City of Marquette Board of Light & Power	U.S.	336,071	336,071			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	RFC	1114	City of Portland	U.S.	36,705	36,705			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	RFC	1116	City of St. Louis	U.S.	39,909	39,909			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	RFC	1118	City of Wyandotte	U.S.	127,677	127,677			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	RFC	1120	Cloverland Electric Cooperative	U.S.	880,388	880,388			0.094%	0.094%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2010	RFC	1122	CMS ERM Michigan LLC	U.S.	196,192	196,192			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2010	RFC	1124	Constellation New Energy (MECS-CONS)	U.S.	1,389,867	1,389,867			0.149%	0.149%	0.000%	0.000%	0.031%	0.031%	0.000%	0.000%	0.035%
2010	RFC	1123	Constellation New Energy (MECS-DET)	U.S.	1,191,247	1,191,247			0.128%	0.128%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.030%
2010	RFC	1126	Consumers Energy Company	U.S.	33,290,120	33,290,120			3.571%	3.571%	0.000%	0.000%	0.735%	0.735%	0.000%	0.000%	0.829%
2010	RFC	1128	Detroit Edison Company	U.S.	45,299,421	45,299,421			4.859%	4.859%	0.000%	0.000%	1.000%	1.000%	0.000%	0.000%	1.129%
2010	RFC	1166	Duke Energy Indiana	U.S.	30,806,279	30,806,279			3.304%	3.304%	0.000%	0.000%	0.680%	0.680%	0.000%	0.000%	0.768%
2010	RFC	1135	Ferdinand Municipal Light & Water	U.S.	41,682	41,682			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	RFC	1549	FirstEnergy Solutions (MECS-DET)	U.S.	1,518,457	1,518,457			0.163%	0.163%	0.000%	0.000%	0.034%	0.034%	0.000%	0.000%	0.038%
2010	RFC	1612	Glacial Energy (MECS-DET)	U.S.	561,463	561,463			0.060%	0.060%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2010	RFC	1144	Holland Board of Public Works	U.S.	728,937	728,937			0.078%	0.078%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2010	RFC	1145	Hoosier Energy	U.S.	7,169,555	7,169,555			0.769%	0.769%	0.000%	0.000%	0.158%	0.158%	0.000%	0.000%	0.179%
2010	RFC	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	2,925,028	2,925,028			0.314%	0.314%	0.000%	0.000%	0.065%	0.065%	0.000%	0.000%	0.073%
2010	RFC	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	412,675	412,675			0.044%	0.044%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2010	RFC	1486	Indiana Municipal Power Agency (SIGE)	U.S.	609,543	609,543			0.065%	0.065%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.015%
2010	RFC	1149	Indianapolis Power & Light Co.	U.S.	15,441,183	15,441,183			1.656%	1.656%	0.000%	0.000%	0.341%	0.341%	0.000%	0.000%	0.385%
2010	RFC	1553	Integrys Energy Services (MECS-CONS)	U.S.	440,859	440,859			0.047%	0.047%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2010	RFC	1554	Integrys Energy Services (MECS-DET)	U.S.	336,680	336,680			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	RFC	1614	Just Energy (MECS-DET)	U.S.	21,197	21,197			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2010	RFC	1154	Michigan Public Power Agency	U.S.	1,208,872	1,208,872			0.130%	0.130%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.030%
2010	RFC	1155	Michigan South Central Power Agency	U.S.	577,793	577,793			0.062%	0.062%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.014%
2010	RFC	1158	MidAmerican Energy Company Retail	U.S.	100,508	100,508			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2010	RFC	1163	Northern Indiana Public Service Co.	U.S.	17,045,645	17,045,645			1.828%	1.828%	0.000%	0.000%	0.376%	0.376%	0.000%	0.000%	0.425%
2010	RFC	1164	Ontonagon County Rural Electrification Assoc.	U.S.	27,747	27,747			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	RFC	1265	PJM Interconnnection, LLC	U.S.	720,373,129	720,373,129			77.269%	77.269%	0.000%	0.000%	15.897%	15.897%	0.000%	0.000%	17.948%
2010	RFC	1172	Sempra Energy Solutions (MECS-CONS)	U.S.	1,122,609	1,122,609			0.120%	0.120%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.028%
2010	RFC	1171	Sempra Energy Solutions (MECS-DET)	U.S.	959,102	959,102			0.103%	0.103%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.024%
2010	RFC	1176	Direct Energy (fka:Strategic Energy,LLC) (MECS-CONS)	U.S.	11,055	11,055			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	RFC	1174	Direct Energy (fka:Strategic Energy,LLC) (MECS-DET)	U.S.	298,896	298,896			0.032%	0.032%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.007%
2010	RFC	1581	Spartan Renewable Energy	U.S.	66,191	66,191			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2010	RFC	1180	Thumb Electric Cooperative	U.S.	166,275	166,275			0.018%	0.018%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2010	RFC		US Department of Energy	U.S.	251,849	251,849			0.027%	0.027%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2010	RFC	1181	Vectren Energy Delivery of IN	U.S.	5,940,152	5,940,152			0.637%	0.637%	0.000%	0.000%	0.131%	0.131%	0.000%	0.000%	0.148%
2010	RFC	1183	Village of Sebewaing	U.S.	41,630	41,630			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	RFC	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	2,739,717	2,739,717			0.294%	0.294%	0.000%	0.000%	0.060%	0.060%	0.000%	0.000%	0.068%
2010	RFC	1487	Wabash Valley Power Association Inc. (MECS CONS)	U.S.	159,801	159,801			0.017%	0.017%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2010	RFC	1488	Wabash Valley Power Association Inc.(NIPSCO)	U.S.	1,633,067	1,633,067			0.175%	0.175%	0.000%	0.000%	0.036%	0.036%	0.000%	0.000%	0.041%
2010	RFC	1185	Wisconsin Electric Power Co.	U.S.	29,220,718	29,220,718			3.134%	3.134%	0.000%	0.000%	0.645%	0.645%	0.000%	0.000%	0.728%
2010	RFC	1189	Wolverine Power Marketing Cooperative	U.S.	1,107,543	1,107,543			0.119%	0.119%	0.000%	0.000%	0.024%	0.024%	0.000%	0.000%	0.028%
2010	RFC	1191	Wolverine Power Supply Cooperative	U.S.	2,482,542	2,482,542			0.266%	0.266%	0.000%	0.000%	0.055%	0.055%	0.000%	0.000%	0.062%
2010	RFC	1190	Wolverine Power Marketing Cooperative	U.S.	106,387	106,387			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
			TOTAL RELIABILITYFIRST		932,292,423	932,292,423	-	-	100.000%	100.000%	0.000%	0.000%	20.573%	20.573%	0.000%	0.000%	23.228%
						-											
2010	SERC	1267	Alabama Municipal Electric Authority	U.S.	3,810,000	3,810,000	-		0.354%	0.354%	0.000%	0.000%	0.084%	0.084%	0.000%	0.000%	0.095%
2010	SERC	1268	Alabama Power Company	U.S.	62,117,232	62,117,232	-		5.776%	5.776%	0.000%	0.000%	1.371%	1.371%	0.000%	0.000%	1.548%
2010	SERC	1269	Ameren - Illinois	U.S.	43,027,438	43,027,438	-		4.001%	4.001%	0.000%	0.000%	0.949%	0.949%	0.000%	0.000%	1.072%
2010	SERC	1271	Ameren - Missouri	U.S.	43,471,969	43,471,969	-		4.042%	4.042%	0.000%	0.000%	0.959%	0.959%	0.000%	0.000%	1.083%
2010	SERC	1272	APGI - Yadkin Division	U.S.	30,708	30,708	-		0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SERC	1273	Associated Electric Cooperative Inc.	U.S.	20,077,502	20,077,502			1.867%	1.867%	0.000%	0.000%	0.443%	0.443%	0.000%	0.000%	0.500%
2010	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	1,111,831	1,111,831			0.103%	0.103%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.028%
2010	SERC	1462	Benton Utility District	U.S.	301,263	301,263	-		0.028%	0.028%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	SERC	1274	Big Rivers Electric Corporation	U.S.	10,241,842	10,241,842	-		0.952%	0.952%	0.000%	0.000%	0.226%	0.226%	0.000%	0.000%	0.255%
2010	SERC	1275	Black Warrior EMC	U.S.	471,662	471,662	-		0.044%	0.044%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2010	SERC	1276	Blue Ridge EMC	U.S.	1,231,540	1,231,540	-		0.115%	0.115%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.031%
2010	SERC		Brazos Electric Power Cooperative, Inc.	U.S.	404,569	404,569			0.038%	0.038%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2010	SERC	1463	Canton, MS	U.S.	130,248	130,248	-		0.012%	0.012%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	16,815,864	16,815,864	-		1.564%	1.564%	0.000%	0.000%	0.371%	0.371%	0.000%	0.000%	0.419%
2010	SERC	1278	City of Blountstown FL	U.S.	44,057	44,057			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SERC	1279	City of Camden SC	U.S.	214,410	214,410	-		0.020%	0.020%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2010	SERC	1280	City of Collins MS	U.S.	57,542	57,542	-		0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SERC	1281	City of Columbia MO	U.S.	1,198,128	1,198,128	-		0.111%	0.111%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.030%
2010	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	1,028,052	1,028,052	-		0.096%	0.096%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2010	SERC	1284	City of Evergreen AL	U.S.	68,485	68,485	-		0.006%	0.006%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	SERC	1285	City of Hampton GA	U.S.	27,542	27,542	-		0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SERC	1286	City of Hartford AL	U.S.	36,321	36,321	-		0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	643,103	643,103	-		0.060%	0.060%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2010	SERC	1288	City of North Little Rock AR (DENL)	U.S.	959,312	959,312	-		0.089%	0.089%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.024%
2010	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	750,267	750,267	-		0.070%	0.070%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2010	SERC	1290	City of Robertsdale AL	U.S.	90,769	90,769	-		0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	SERC	1291	City of Ruston LA (DERS)	U.S.	292,071	292,071	-		0.027%	0.027%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2010	SERC	1292	City of Seneca SC	U.S.	167,239	167,239	-		0.016%	0.016%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2010	SERC	1115	City of Springfield (CWLP)	U.S.	1,924,423	1,924,423	-		0.179%	0.179%	0.000%	0.000%	0.042%	0.042%	0.000%	0.000%	0.048%
2010	SERC	1465	City of Thayer, MO	U.S.	21,768	21,768	-		0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2010	SERC	1293	City of Troy AL	U.S.	431,443	431,443	-		0.040%	0.040%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2010	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	426,341	426,341	-		0.040%	0.040%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2010	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	695,721	695,721			0.065%	0.065%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2010	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	274,983	274,983			0.026%	0.026%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2010	SERC	1283	Dalton Utilities	U.S.	1,598,954	1,598,954	-		0.149%	0.149%	0.000%	0.000%	0.035%	0.035%	0.000%	0.000%	0.040%
2010	SERC	1585	Dixie Electric Membership Corporation	U.S.	2,398,621	2,398,621			0.223%	0.223%	0.000%	0.000%	0.053%	0.053%	0.000%	0.000%	0.060%
2010	SERC	1295	Dominion Virginia Power	U.S.	87,539,955	87,539,955	-		8.140%	8.140%	0.000%	0.000%	1.932%	1.932%	0.000%	0.000%	2.181%
2010	SERC	1296	Duke Energy Carolinas, LLC	U.S.	86,248,428	86,248,428	-		8.020%	8.020%	0.000%	0.000%	1.903%	1.903%	0.000%	0.000%	2.149%
2010	SERC	1466	Durant, MS	U.S.	29,148	29,148	-		0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SERC	1478	E.ON U.S. Services Inc.	U.S.	36,636,457	36,636,457	-		3.407%	3.407%	0.000%	0.000%	0.808%	0.808%	0.000%	0.000%	0.913%

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2010	SERC	1297	East Kentucky Power Cooperative	U.S.	13,376,292	13,376,292	-		1.244%	1.244%	0.000%	0.000%	0.295%	0.295%	0.000%	0.000%	0.333%
2010	SERC	1298	East Mississippi Electric Power Association	U.S.	506,130	506,130	-		0.047%	0.047%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2010	SERC		East Texas Electric Cooperative Inc	U.S.	2,111,602	2,111,602			0.196%	0.196%	0.000%	0.000%	0.047%	0.047%	0.000%	0.000%	0.053%
2010	SERC	1299	Electric Energy Inc.	U.S.	1,340,460	1,340,460	-		0.125%	0.125%	0.000%	0.000%	0.030%	0.030%	0.000%	0.000%	0.033%
2010	SERC	1300	EnergyUnited EMC	U.S.	2,671,416	2,671,416	-		0.248%	0.248%	0.000%	0.000%	0.059%	0.059%	0.000%	0.000%	0.067%
2010	SERC	1301	Entergy	U.S.	116,906,085	116,906,085			10.871%	10.871%	0.000%	0.000%	2.580%	2.580%	0.000%	0.000%	2.913%
2010	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	2,370,341	2,370,341	-		0.220%	0.220%	0.000%	0.000%	0.052%	0.052%	0.000%	0.000%	0.059%
2010	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	367,396	367,396	-		0.034%	0.034%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2010	SERC	1304	French Broad EMC	U.S.	574,333	574,333	-		0.053%	0.053%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.014%
2010	SERC	1305	Georgia Power Company	U.S.	94,958,745	94,958,745	-		8.830%	8.830%	0.000%	0.000%	2.095%	2.095%	0.000%	0.000%	2.366%
2010	SERC	1306	Georgia System Optns Corporation	U.S.	41,361,729	41,361,729	-		3.846%	3.846%	0.000%	0.000%	0.913%	0.913%	0.000%	0.000%	1.031%
2010	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	292,749	292,749	-		0.027%	0.027%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2010	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	284,948	284,948	-		0.026%	0.026%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2010	SERC	1308	Gulf Power Company	U.S.	12,678,619	12,678,619	-		1.179%	1.179%	0.000%	0.000%	0.280%	0.280%	0.000%	0.000%	0.316%
2010	SERC	1586	Haywood EMC	U.S.	335,864	335,864			0.031%	0.031%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	SERC	1309	Illinois Municipal Electric Agency	U.S.	1,940,000	1,940,000	-		0.180%	0.180%	0.000%	0.000%	0.043%	0.043%	0.000%	0.000%	0.048%
2010	SERC	1480	Itta Bena, MS	U.S.	17,297	17,297	-		0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	275,760	275,760	-		0.026%	0.026%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2010	SERC	1617	Kentucky Municipal Power	U.S.	683,000	683,000	-		0.064%	0.064%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2010	SERC	1481	Kosciusko, MS	U.S.	78,581	78,581	-		0.007%	0.007%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	SERC	1482	Leland, MS	U.S.	35,773	35,773	-		0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SERC	1313	McCormick Commission of Public Works	U.S.	19,739	19,739	-		0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	SERC	1314	Mississippi Power Company	U.S.	10,790,986	10,790,986	-		1.003%	1.003%	0.000%	0.000%	0.238%	0.238%	0.000%	0.000%	0.269%
2010	SERC		Mt. Carmel Public Utility	U.S.	114,678	114,678			0.011%	0.011%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	SERC	1315	Municipal Electric Authority of Georgia	U.S.	11,319,000	11,319,000	-		1.053%	1.053%	0.000%	0.000%	0.250%	0.250%	0.000%	0.000%	0.282%
2010	SERC	1316	N.C. Electric Membership Corp.	U.S.	13,535,342	13,535,342	-		1.259%	1.259%	0.000%	0.000%	0.299%	0.299%	0.000%	0.000%	0.337%
2010	SERC	1317	North Carolina Eastern Municipal Power Agency	U.S.	7,102,853	7,102,853	-		0.660%	0.660%	0.000%	0.000%	0.157%	0.157%	0.000%	0.000%	0.177%
2010	SERC	1318	North Carolina Municipal Power Agency #1	U.S.	4,920,563	4,920,563	-		0.458%	0.458%	0.000%	0.000%	0.109%	0.109%	0.000%	0.000%	0.123%
2010	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	307,432	307,432			0.029%	0.029%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	SERC	1574	Northern Virginia Electric Cooperative	U.S.	3,744,220	3,744,220			0.348%	0.348%	0.000%	0.000%	0.083%	0.083%	0.000%	0.000%	0.093%
2010	SERC	1319	Old Dominion Electric Cooperative	U.S.	5,926,800	5,926,800	-		0.551%	0.551%	0.000%	0.000%	0.131%	0.131%	0.000%	0.000%	0.148%
2010	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	191,262	191,262			0.018%	0.018%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2010	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	946,849	946,849	-		0.088%	0.088%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.024%
2010	SERC	1321	Piedmont EMC in Duke and Progress Areas	U.S.	546,584	546,584	-		0.051%	0.051%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2010	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	2,446,655	2,446,655	-		0.228%	0.228%	0.000%	0.000%	0.054%	0.054%	0.000%	0.000%	0.061%
2010	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	279,721	279,721			0.026%	0.026%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2010	SERC	1266	PowerSouth Energy	U.S.	9,060,986	9,060,986	-		0.843%	0.843%	0.000%	0.000%	0.200%	0.200%	0.000%	0.000%	0.226%
2010	SERC	1330	Prairie Power, Inc.	U.S.	1,585,201	1,585,201	-		0.147%	0.147%	0.000%	0.000%	0.035%	0.035%	0.000%	0.000%	0.039%
2010	SERC	1324	Progress Energy Carolinas	U.S.	48,522,000	48,522,000	-		4.512%	4.512%	0.000%	0.000%	1.071%	1.071%	0.000%	0.000%	1.209%
2010	SERC	1325	Rutherford EMC	U.S.	1,378,068	1,378,068	-		0.128%	0.128%	0.000%	0.000%	0.030%	0.030%	0.000%	0.000%	0.034%
2010	SERC		Sam Rayburn G&T Electric Cooperative Inc.	U.S.	1,902,670	1,902,670			0.177%	0.177%	0.000%	0.000%	0.042%	0.042%	0.000%	0.000%	0.047%
2010	SERC	1326	South Carolina Electric & Gas Company	U.S.	24,025,569	24,025,569	-		2.234%	2.234%	0.000%	0.000%	0.530%	0.530%	0.000%	0.000%	0.599%
2010	SERC	1327	South Carolina Public Service Authority	U.S.	10,957,798	10,957,798	-		1.019%	1.019%	0.000%	0.000%	0.242%	0.242%	0.000%	0.000%	0.273%
2010	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	637,653	637,653			0.059%	0.059%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2010	SERC	1328	South Mississippi Electric Power Association	U.S.	10,811,750	10,811,750	-		1.005%	1.005%	0.000%	0.000%	0.239%	0.239%	0.000%	0.000%	0.269%
2010	SERC	1329	Southern Illinois Power Cooperative	U.S.	1,709,000	1,709,000	-		0.159%	0.159%	0.000%	0.000%	0.038%	0.038%	0.000%	0.000%	0.043%
2010	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	2,611,836	2,611,836			0.243%	0.243%	0.000%	0.000%	0.058%	0.058%	0.000%	0.000%	0.065%
2010	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	449,216	449,216			0.042%	0.042%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2010	SERC	1331	Tennessee Valley Authority	U.S.	177,512,072	177,512,072	-		16.507%	16.507%	0.000%	0.000%	3.917%	3.917%	0.000%	0.000%	4.423%
2010	SERC		Tex-La Electric Cooperative of Texas, Inc	U.S.	208,932	208,932			0.019%	0.019%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2010	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	148,118	148,118	-		0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2010	SERC	1592	Town of Black Creek, N.C.	U.S.	14,000	14,000			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	SERC	1593	Town of Lucama, N.C.	U.S.	24,000	24,000			0.002%	0.002%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SERC	1594	Town of Sharpsburg, N.C.	U.S.	21,947	21,947			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2010	SERC	1595	Town of Stantonsburg, N.C.	U.S.	26,570	26,570			0.002%	0.002%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SERC	1333	Town of Waynesville NC	U.S.	97,000	97,000	-		0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	SERC	1334	Town of Winnsboro SC	U.S.	59,696	59,696	-		0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SERC	1335	Town of Winterville NC	U.S.	57,341	57,341	-		0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SERC	1596	Valley Electric Membership Corporation, Inc	U.S.	-	-			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	SERC	1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	1,174,442	1,174,442			0.109%	0.109%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.029%
			TOTAL SERC		1,075,402,877	1,075,402,877	-	-	100.000%	100.000%	0.000%	0.000%	23.731%	23.731%	0.000%	0.000%	26.794%

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
					-												
2010	SPP	1246	American Electric Power	U.S.	37,192,209	37,192,209			17.179%	17.179%	0.000%	0.000%	0.821%	0.821%	0.000%	0.000%	0.927%
2010	SPP	1435	Arkansas Electric Cooperative Corporation (AEP)	U.S.	4,155,018	4,155,018			1.919%	1.919%	0.000%	0.000%	0.092%	0.092%	0.000%	0.000%	0.104%
2010	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	2,551,199	2,551,199			1.178%	1.178%	0.000%	0.000%	0.056%	0.056%	0.000%	0.000%	0.064%
2010	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	884,843	884,843			0.409%	0.409%	0.000%	0.000%	0.020%	0.020%	0.000%	0.000%	0.022%
2010	SPP	1468	Cap Rock Energy	U.S.	-	-			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	SPP	1469	Central Valley Electric Cooperative	U.S.	745,589	745,589			0.344%	0.344%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.019%
2010	SPP	1556	City of Bentonville	U.S.	615,891	615,891			0.284%	0.284%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.015%
2010	SPP	1557	City of Clarksdale, Mississippi	U.S.	181,247	181,247			0.084%	0.084%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2010	SPP		City of Lindsboro	U.S.	30,565	30,565			0.014%	0.014%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SPP	1558	Hope Water & Light (HWL)	U.S.	288,002	288,002			0.133%	0.133%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2010	SPP	1559	City of Minden	U.S.	182,260	182,260			0.084%	0.084%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2010	SPP		City of Mulvane	U.S.	43,444	43,444			0.020%	0.020%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SPP		The City of Osage City	U.S.	39,049	39,049			0.018%	0.018%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	SPP		City of Prescott	U.S.	87,675	87,675			0.040%	0.040%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	993,751	993,751			0.459%	0.459%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2010	SPP	1436	City Utilities of Springfield, MO	U.S.	3,144,282	3,144,282			1.452%	1.452%	0.000%	0.000%	0.069%	0.069%	0.000%	0.000%	0.078%
2010	SPP	1249	Cleco Power LLC	U.S.	11,944,365	11,944,365			5.517%	5.517%	0.000%	0.000%	0.264%	0.264%	0.000%	0.000%	0.298%
2010	SPP	1437	East Texas Electric Coop, Inc.	U.S.	446,460	446,460			0.206%	0.206%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2010	SPP	1250	The Empire District Electric Company	U.S.	5,584,282	5,584,282			2.579%	2.579%	0.000%	0.000%	0.123%	0.123%	0.000%	0.000%	0.139%
2010	SPP	1470	Farmers' Electric Coop	U.S.	415,141	415,141			0.192%	0.192%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2010	SPP	1438	Golden Spread Electric Coop	U.S.	4,281,708	4,281,708			1.978%	1.978%	0.000%	0.000%	0.094%	0.094%	0.000%	0.000%	0.107%
2010	SPP	1251	Grand River Dam Authority	U.S.	4,587,907	4,587,907			2.119%	2.119%	0.000%	0.000%	0.101%	0.101%	0.000%	0.000%	0.114%
2010	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	16,511,852	16,511,852			7.627%	7.627%	0.000%	0.000%	0.364%	0.364%	0.000%	0.000%	0.411%
2010	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	2,173,249	2,173,249			1.004%	1.004%	0.000%	0.000%	0.048%	0.048%	0.000%	0.000%	0.054%
2010	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	770,384	770,384			0.356%	0.356%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2010	SPP		Kansas Power Pool	U.S.	1,397,677	1,397,677			0.646%	0.646%	0.000%	0.000%	0.031%	0.031%	0.000%	0.000%	0.035%
2010	SPP	1560	Kaw Valley Electric Cooperative, Inc.	U.S.	167,571	167,571			0.077%	0.077%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2010	SPP	1598	KCP&L GMOC (Greater Missouri Operations Company)	U.S.	9,049,883	9,049,883			4.180%	4.180%	0.000%	0.000%	0.200%	0.200%	0.000%	0.000%	0.225%
2010	SPP	1471	Lafayette Utilities System	U.S.	2,178,030	2,178,030			1.006%	1.006%	0.000%	0.000%	0.048%	0.048%	0.000%	0.000%	0.054%
2010	SPP	1472	Lea County Electric Coop	U.S.	1,251,613	1,251,613			0.578%	0.578%	0.000%	0.000%	0.028%	0.028%	0.000%	0.000%	0.031%
2010	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	1,034,080	1,034,080			0.478%	0.478%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2010	SPP	1441	Midwest Energy Inc.	U.S.	1,718,288	1,718,288			0.794%	0.794%	0.000%	0.000%	0.038%	0.038%	0.000%	0.000%	0.043%
2010	SPP	1443	Missouri Joint Municipal Electric Utility Commission	U.S.	2,592,340	2,592,340			1.197%	1.197%	0.000%	0.000%	0.057%	0.057%	0.000%	0.000%	0.065%
2010	SPP		Nemaha Marshall Electric Cooperative (NMEC)	U.S.	60,592	60,592			0.028%	0.028%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2010	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.	3,382,284	3,382,284			1.562%	1.562%	0.000%	0.000%	0.075%	0.075%	0.000%	0.000%	0.084%
2010	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	29,542,836	29,542,836			13.645%	13.645%	0.000%	0.000%	0.652%	0.652%	0.000%	0.000%	0.736%
2010	SPP	1444	Oklahoma Municipal Power Authority	U.S.	2,768,513	2,768,513			1.279%	1.279%	0.000%	0.000%	0.061%	0.061%	0.000%	0.000%	0.069%
2010	SPP		OzMo Ozark Missouri, West Plains MO	U.S.	212,564	212,564			0.098%	0.098%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2010	SPP	1561	Public Service Commission of Yazoo City of Mississippi	U.S.	131,800	131,800			0.061%	0.061%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	SPP	1473	Roosevelt County Electric Coop	U.S.	203,702	203,702			0.094%	0.094%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2010	SPP	1468	Sharyland Utilities, LP	U.S.	959,423	959,423			0.443%	0.443%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.024%
2010	SPP	1258	Southwestern Power Administration (SPA)	U.S.	4,613,330	4,613,330			2.131%	2.131%	0.000%	0.000%	0.102%	0.102%	0.000%	0.000%	0.115%
2010	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.	20,080,642	20,080,642			9.275%	9.275%	0.000%	0.000%	0.443%	0.443%	0.000%	0.000%	0.500%
2010	SPP	1256	Sunflower Electric Cooperative (SECI)	U.S.	4,602,829	4,602,829			2.126%	2.126%	0.000%	0.000%	0.102%	0.102%	0.000%	0.000%	0.115%
2010	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	530,691	530,691			0.245%	0.245%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2010	SPP	1475	Tri County Electric Coop	U.S.	418,197	418,197			0.193%	0.193%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2010	SPP	1260	Westar Energy, Inc.	U.S.	22,046,985	22,046,985			10.183%	10.183%	0.000%	0.000%	0.487%	0.487%	0.000%	0.000%	0.549%
2010	SPP	1259	Western Farmers Electric Cooperative	U.S.	7,594,092	7,594,092			3.508%	3.508%	0.000%	0.000%	0.168%	0.168%	0.000%	0.000%	0.189%
2010	SPP	1501	West Texas Municipal Power Agency	U.S.	2,115,506	2,115,506			0.977%	0.977%	0.000%	0.000%	0.047%	0.047%	0.000%	0.000%	0.053%
			TOTAL SPP		216,503,840	216,503,840	-	-	100.000%	100.000%	0.000%	0.000%	4.778%	4.778%	0.000%	0.000%	5.394%
2010	TRE	1019	ERCOT	U.S.	319,925,589	319,925,589			100.000%	100.000%	0.000%	0.000%	7.060%	7.060%	0.000%	0.000%	7.971%
					319,925,589	319,925,589	-	-	100.000%	100.000%	0.000%	0.000%	7.060%	7.060%	0.000%	0.000%	7.971%
2010	WECC		Alberta Electric System Operator	Canada	57,455,494		57,455,494		6.841%	0.000%	6.841%	0.000%	1.268%	0.000%	1.268%	0.000%	0.000%
2010	WECC		British Columbia Hydro & Power Authority	Canada	59,632,794		59,632,794		7.100%	0.000%	7.100%	0.000%	1.316%	0.000%	1.316%	0.000%	0.000%
2010	WECC		Arizona Public Service Company	Mexico	254			254	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Comision Federal de Electricidad	Mexico	10,574,700			10,574,700	1.259%	0.000%	0.000%	1.259%	0.233%	0.000%	0.000%	0.233%	0.000%
2010	WECC		Aguila Irrigation District	U.S.	26,674	26,674			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Aha Macav Power Service	U.S.	27,804	27,804			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2010	WECC		Ajo Improvement District	U.S.	14,103	14,103			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Ak-Chin	U.S.	30,407	30,407			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Alcoa Inc	U.S.	2,653,998	2,653,998			0.316%	0.316%	0.000%	0.000%	0.059%	0.059%	0.000%	0.000%	0.066%
2010	WECC		Arizona Public Service Company	U.S.	30,185,062	30,185,062			3.594%	3.594%	0.000%	0.000%	0.666%	0.666%	0.000%	0.000%	0.752%
2010	WECC		Arkansas River Power Authority (ARPA)	U.S.	208,506	208,506			0.025%	0.025%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2010	WECC		Avista Corporation	U.S.	9,404,399	9,404,399			1.120%	1.120%	0.000%	0.000%	0.208%	0.208%	0.000%	0.000%	0.234%
2010	WECC		Avista Corporation	U.S.	219,874	219,874			0.026%	0.026%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2010	WECC		Barrick Goldstrike Mines Inc.	U.S.	1,150,913	1,150,913			0.137%	0.137%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.029%
2010	WECC		Basin Electric Power Cooperative	U.S.	3,386,429	3,386,429			0.403%	0.403%	0.000%	0.000%	0.075%	0.075%	0.000%	0.000%	0.084%
2010	WECC		Basin Electric Power Cooperative	U.S.	47,649	47,649			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Benton REA	U.S.	527,723	527,723			0.063%	0.063%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2010	WECC		Big Bend Electric Cooperative, Inc.	U.S.	135,992	135,992			0.016%	0.016%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	WECC		Big Bend Electric Cooperative, Inc.	U.S.	334,002	334,002			0.040%	0.040%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	WECC		Big Bend Electric Cooperative, Inc.	U.S.	33,993	33,993			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Blachly-Lane	U.S.	140,715	140,715			0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2010	WECC		Black Hills Power	U.S.	1,922,468	1,922,468			0.229%	0.229%	0.000%	0.000%	0.042%	0.042%	0.000%	0.000%	0.048%
2010	WECC		Black Hills Wyoming, Inc.	U.S.	3,498,327	3,498,327			0.417%	0.417%	0.000%	0.000%	0.077%	0.077%	0.000%	0.000%	0.087%
2010	WECC		Bonneville Power Administration	U.S.	3,591,730	3,591,730			0.428%	0.428%	0.000%	0.000%	0.079%	0.079%	0.000%	0.000%	0.089%
2010	WECC		Bonneville Power Administration	U.S.	202,815	202,815			0.024%	0.024%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2010	WECC		Bonneville Power Administration	U.S.	35,315	35,315			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Bonneville Power Administration	U.S.	5,534	5,534			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Bonneville Power Administration	U.S.	17,186	17,186			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		BPA - USBR Load	U.S.	138,043	138,043			0.016%	0.016%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	WECC		Buckeye Water Conservation and Drainage District	U.S.	15,072	15,072			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		California Independent System Operator	U.S.	228,089,942	228,089,942			27.156%	27.156%	0.000%	0.000%	5.033%	5.033%	0.000%	0.000%	5.683%
2010	WECC		Canby Public Utility Board	U.S.	171,965	171,965			0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2010	WECC		Central Arizona Water Conservation District	U.S.	2,651,241	2,651,241			0.316%	0.316%	0.000%	0.000%	0.059%	0.059%	0.000%	0.000%	0.066%
2010	WECC		Central Electric Cooperative	U.S.	685,832	685,832			0.082%	0.082%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2010	WECC		Central Lincoln PUD	U.S.	1,325,849	1,325,849			0.158%	0.158%	0.000%	0.000%	0.029%	0.029%	0.000%	0.000%	0.033%
2010	WECC		Central Montana Electric Power Cooperative	U.S.	64,613	64,613			0.008%	0.008%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2010	WECC		Central Montana Electric Power Cooperative	U.S.	63,319	63,319			0.008%	0.008%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2010	WECC		City of Albion	U.S.	3,400	3,400			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		City of Aztec Electric Dept	U.S.	38,118	38,118			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		City of Bandon	U.S.	65,609	65,609			0.008%	0.008%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2010	WECC		City of Blaine	U.S.	74,707	74,707			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	WECC		City of Bonners Ferry	U.S.	68,929	68,929			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	WECC		City of Boulder City	U.S.	170,780	170,780			0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2010	WECC		City of Burley	U.S.	119,580	119,580			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	WECC		City of Burlington	U.S.	32,300	32,300			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		City of Cascade Locks	U.S.	19,625	19,625			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		City of Centralia	U.S.	270,005	270,005			0.032%	0.032%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2010	WECC		City of Cheney	U.S.	139,552	139,552			0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	WECC		City of Chewelah	U.S.	24,023	24,023			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		City of Declo	U.S.	3,016	3,016			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		City of Drain	U.S.	15,525	15,525			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		City of Ellensburg	U.S.	217,216	217,216			0.026%	0.026%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2010	WECC		City of Fallon	U.S.	115,385	115,385			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	WECC		City of Forest Grove	U.S.	234,085	234,085			0.028%	0.028%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2010	WECC		City of Gallup	U.S.	229,527	229,527			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2010	WECC		City of Hermiston, DBA Hermiston Energy Services	U.S.	108,527	108,527			0.013%	0.013%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2010	WECC		City of Heyburn	U.S.	41,721	41,721			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		City of Las Vegas	U.S.	50,246	50,246			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		City of McCleary	U.S.	30,693	30,693			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		City of McMinnville	U.S.	708,811	708,811			0.084%	0.084%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2010	WECC		City of Mesa	U.S.	250,701	250,701			0.030%	0.030%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2010	WECC		City of Milton	U.S.	62,678	62,678			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2010	WECC		City of Milton-Freewater	U.S.	108,725	108,725			0.013%	0.013%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2010	WECC		City of Minidoka	U.S.	1,009	1,009			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		City of Monmouth	U.S.	68,946	68,946			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	WECC		City of Needles	U.S.	7,448	7,448			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		City of Needles	U.S.	31,068	31,068			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2010	WECC		City of Plummer	U.S.	34,520	34,520			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		City of Port Angeles	U.S.	749,530	749,530			0.089%	0.089%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2010	WECC		City of Redding	U.S.	805,918	805,918			0.096%	0.096%	0.000%	0.000%	0.018%	0.018%	0.000%	0.000%	0.020%
2010	WECC		City of Richland	U.S.	843,342	843,342			0.100%	0.100%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.021%
2010	WECC		City of Roseville	U.S.	1,211,401	1,211,401			0.144%	0.144%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.030%
2010	WECC		City of Rupert	U.S.	79,879	79,879			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	WECC		City of Shasta Lake	U.S.	169,688	169,688			0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2010	WECC		City of Sumas	U.S.	30,902	30,902			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		City of Tacoma DBA Tacoma Power	U.S.	359	359			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		City of Tacoma DBA Tacoma Power	U.S.	4,884,011	4,884,011			0.581%	0.581%	0.000%	0.000%	0.108%	0.108%	0.000%	0.000%	0.122%
2010	WECC		City of Troy	U.S.	17,415	17,415			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		City of Weiser	U.S.	53,674	53,674			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		City of Williams	U.S.	39,554	39,554			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Clark Public Utilities	U.S.	4,399,630	4,399,630			0.524%	0.524%	0.000%	0.000%	0.097%	0.097%	0.000%	0.000%	0.110%
2010	WECC		Clatskanie PUD	U.S.	786,263	786,263			0.094%	0.094%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.020%
2010	WECC		Clearwater Cooperative, Inc	U.S.	157,065	157,065			0.019%	0.019%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2010	WECC		Clearwater Cooperative, Inc	U.S.	39,242	39,242			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	8,197	8,197			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Colorado River Commission of Nevada	U.S.	709,403	709,403			0.084%	0.084%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2010	WECC		Colorado Springs Utilities	U.S.	59,342	59,342			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Colorado Springs Utilities	U.S.	4,391,411	4,391,411			0.523%	0.523%	0.000%	0.000%	0.097%	0.097%	0.000%	0.000%	0.109%
2010	WECC		Columbia Basin Electric Cooperative, Inc.	U.S.	102,455	102,455			0.012%	0.012%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2010	WECC		Columbia Falls Aluminum Company	U.S.	4,621	4,621			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Columbia Power Cooperative Association	U.S.	20,776	20,776			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2010	WECC		Columbia River PUD	U.S.	161,835	161,835			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2010	WECC		Columbia River PUD	U.S.	308,424	308,424			0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	WECC		Columbia Rural Electric Association (REA)	U.S.	294,427	294,427			0.035%	0.035%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2010	WECC		Consolidated Irrigation District No. 19	U.S.	5,828	5,828			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Constellation New Energy, Inc.	U.S.	21,082	21,082			0.003%	0.003%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2010	WECC		Consumers Power, Inc.	U.S.	405,111	405,111			0.048%	0.048%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2010	WECC		Coos-Curry Electric Cooperative, Inc	U.S.	355,574	355,574			0.042%	0.042%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2010	WECC		CP Energy Marketing (US) Inc.	U.S.	71,105	71,105			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	WECC		Deseret Generation & Transmission Cooperative	U.S.	25,494	25,494			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Deseret Generation & Transmission Cooperative	U.S.	157,398	157,398			0.019%	0.019%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2010	WECC		Douglas Electric Cooperative, Inc.	U.S.	93,457	93,457			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	WECC		Douglas Palisades	U.S.	17,595	17,595			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		East End Mutual Electric Company, LTD	U.S.	22,337	22,337			0.003%	0.003%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2010	WECC		El Paso Electric Company	U.S.	8,047,770	8,047,770			0.958%	0.958%	0.000%	0.000%	0.178%	0.178%	0.000%	0.000%	0.201%
2010	WECC		Electrical District #2	U.S.	173,640	173,640			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2010	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	1,701	1,701			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Electrical District No. 6 of Pinal County	U.S.	1,247	1,247			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Electrical District No. 7 of Maricopa County	U.S.	50,311	50,311			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Electrical District No. 8 of Maricopa County	U.S.	231,553	231,553			0.028%	0.028%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2010	WECC		Electrical Districts 1 & 3	U.S.	556,283	556,283			0.066%	0.066%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2010	WECC		Elmhurst Mutual Power & Light Company	U.S.	268,993	268,993			0.032%	0.032%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2010	WECC		Emerald PUD	U.S.	499,204	499,204			0.059%	0.059%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2010	WECC		Energy Northwest	U.S.	48,845	48,845			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Eugene Water & Electric Board	U.S.	2,463,573	2,463,573			0.293%	0.293%	0.000%	0.000%	0.054%	0.054%	0.000%	0.000%	0.061%
2010	WECC		Farmers Electric Company, LTD	U.S.	4,373	4,373			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Farmington Electric Utility System	U.S.	1,074,719	1,074,719			0.128%	0.128%	0.000%	0.000%	0.024%	0.024%	0.000%	0.000%	0.027%
2010	WECC		Flathead Electric Cooperative, Inc	U.S.	1,424,063	1,424,063			0.170%	0.170%	0.000%	0.000%	0.031%	0.031%	0.000%	0.000%	0.035%
2010	WECC		Frederickson Power LP	U.S.	3,478	3,478			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Glacier Electric Cooperative, Inc.	U.S.	180,253	180,253			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2010	WECC		Grand Valley Power	U.S.	233,647	233,647			0.028%	0.028%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2010	WECC		Harney Electric Cooperative, Inc.	U.S.	110,277	110,277			0.013%	0.013%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2010	WECC		Harney Electric Cooperative, Inc.	U.S.	69,849	69,849			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	WECC		Harquahala Valley Power District	U.S.	60,666	60,666			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2010	WECC		Hermiston Power LLC	U.S.	2,152	2,152			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Holy Cross Energy	U.S.	844,342	844,342			0.101%	0.101%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.021%
2010	WECC		Hood River Electric Cooperative	U.S.	39,732	39,732			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Idaho County Light and Power Cooperative Association, Inc.	U.S.	54,964	54,964			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2010	WECC		Idaho Power Company	U.S.	14,635,491	14,635,491			1.743%	1.743%	0.000%	0.000%	0.323%	0.323%	0.000%	0.000%	0.365%
2010	WECC		Idaho Power Company - BPA	U.S.	18,714	18,714			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Imperial Irrigation District	U.S.	3,553,086	3,553,086			0.423%	0.423%	0.000%	0.000%	0.078%	0.078%	0.000%	0.000%	0.089%
2010	WECC		Inland Power and Light Company	U.S.	444,653	444,653			0.053%	0.053%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2010	WECC		Inland Power and Light Company	U.S.	461,791	461,791			0.055%	0.055%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2010	WECC		Intermountain Rural Electric Association	U.S.	1,272,007	1,272,007			0.151%	0.151%	0.000%	0.000%	0.028%	0.028%	0.000%	0.000%	0.032%
2010	WECC		Kirtland AFB	U.S.	438,147	438,147			0.052%	0.052%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2010	WECC		Kootenai Electric Cooperative, Inc.	U.S.	454,374	454,374			0.054%	0.054%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2010	WECC		Lakeview Light & Power	U.S.	275,882	275,882			0.033%	0.033%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2010	WECC		Lane Electric Cooperative, Inc.	U.S.	221,720	221,720			0.026%	0.026%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2010	WECC		Las Vegas Valley Water District	U.S.	94,116	94,116			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	WECC		Lincoln County Power District No. 1	U.S.	66,797	66,797			0.008%	0.008%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2010	WECC		Lincoln Electric Cooperative, Inc.	U.S.	116,306	116,306			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	WECC		Los Angeles Department of Water and Power	U.S.	28,275,942	28,275,942			3.367%	3.367%	0.000%	0.000%	0.624%	0.624%	0.000%	0.000%	0.704%
2010	WECC		Maricopa County Municipal Water Conservation District No. 1	U.S.	42,450	42,450			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		McMullen Valley Water Conservation & Drainage District	U.S.	64,136	64,136			0.008%	0.008%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2010	WECC		Merced Irrigation District	U.S.	439,174	439,174			0.052%	0.052%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2010	WECC		Midstate Electric Cooperative, Inc.	U.S.	398,069	398,069			0.047%	0.047%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2010	WECC		Mission Valley Power	U.S.	391,766	391,766			0.047%	0.047%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2010	WECC		Missoula Electric Cooperative, Inc.	U.S.	226,419	226,419			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2010	WECC		Modern Electric Water Company	U.S.	231,953	231,953			0.028%	0.028%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2010	WECC		Modesto Irrigation District	U.S.	2,490,407	2,490,407			0.297%	0.297%	0.000%	0.000%	0.055%	0.055%	0.000%	0.000%	0.062%
2010	WECC		Montana-Dakota Utilities Co.	U.S.	21,619	21,619			0.003%	0.003%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2010	WECC		Mt. Wheeler Power	U.S.	433,662	433,662			0.052%	0.052%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2010	WECC		Municipal Energy Agency of Nebraska	U.S.	377,375	377,375			0.045%	0.045%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2010	WECC		Municipal Energy Agency of Nebraska	U.S.	634,772	634,772			0.076%	0.076%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2010	WECC		Navajo Tribal Utility Authority	U.S.	38,946	38,946			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Navajo Tribal Utility Authority	U.S.	302,857	302,857			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	WECC		Navopache Electric Cooperative, Inc.	U.S.	423,531	423,531			0.050%	0.050%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2010	WECC		Nebraska Public Power Marketing	U.S.	3,626	3,626			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Nespelem Valley Electric Cooperative, Inc.	U.S.	50,300	50,300			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Nevada Power Company dba NV Energy	U.S.	21,704,680	21,704,680			2.584%	2.584%	0.000%	0.000%	0.479%	0.479%	0.000%	0.000%	0.541%
2010	WECC		Noble Americas Energy Solutions, LLC	U.S.	983,372	983,372			0.117%	0.117%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2010	WECC		Northern Lights, Inc.	U.S.	26,986	26,986			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Northern Lights, Inc.	U.S.	327,218	327,218			0.039%	0.039%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	WECC		Northern Lights, Inc.	U.S.	10,201	10,201			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Northern Wasco County PUD	U.S.	585,360	585,360			0.070%	0.070%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.015%
2010	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	8,778,518	8,778,518			1.045%	1.045%	0.000%	0.000%	0.194%	0.194%	0.000%	0.000%	0.219%
2010	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	302,042	302,042			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	WECC		Ohop Mutual Light Company	U.S.	84,237	84,237			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	WECC		Orcas Power and Light Cooperative	U.S.	205,272	205,272			0.024%	0.024%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2010	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	328,612	328,612			0.039%	0.039%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	316,957	316,957			0.038%	0.038%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	WECC		Overton Power District No. 5	U.S.	375,442	375,442			0.045%	0.045%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2010	WECC		PacifiCorp	U.S.	53,240	53,240			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		PacifiCorp	U.S.	46,409,303	46,409,303			5.526%	5.526%	0.000%	0.000%	1.024%	1.024%	0.000%	0.000%	1.156%
2010	WECC		PacifiCorp	U.S.	1,787	1,787			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		PacifiCorp	U.S.	226,089	226,089			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2010	WECC		PacifiCorp West (PACW)	U.S.	20,653,985	20,653,985			2.459%	2.459%	0.000%	0.000%	0.456%	0.456%	0.000%	0.000%	0.515%
2010	WECC		Page Electric Utility	U.S.	16,111	16,111			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Parkland Light and Water Company	U.S.	118,115	118,115			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	WECC		Pend Oreille County PUD No. 1	U.S.	978,480	978,480			0.116%	0.116%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.024%
2010	WECC		Peninsula Light Company, Inc.	U.S.	597,758	597,758			0.071%	0.071%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.015%
2010	WECC		Platte River Power Authority	U.S.	3,178,402	3,178,402			0.378%	0.378%	0.000%	0.000%	0.070%	0.070%	0.000%	0.000%	0.079%
2010	WECC		Port of Seattle - Seattle-Tacoma International Airport	U.S.	145,135	145,135			0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2010	WECC		Port Townsend Paper Corporation	U.S.	207,729	207,729			0.025%	0.025%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2010	WECC		Portland General Electric Company	U.S.	45,109	45,109			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Portland General Electric Company	U.S.	18,525,037	18,525,037			2.206%	2.206%	0.000%	0.000%	0.409%	0.409%	0.000%	0.000%	0.462%
2010	WECC		Public Service Company of Colorado (Xcel)	U.S.	30,906,071	30,906,071			3.680%	3.680%	0.000%	0.000%	0.682%	0.682%	0.000%	0.000%	0.770%
2010	WECC		Public Service Company of Colorado (Xcel)	U.S.	33,381	33,381			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Public Service Company of New Mexico	U.S.	10,524,714	10,524,714			1.253%	1.253%	0.000%	0.000%	0.232%	0.232%	0.000%	0.000%	0.262%

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2010	WECC		Public Utility District No. 1 of Chelan County	U.S.	3,150,671	3,150,671			0.375%	0.375%	0.000%	0.000%	0.070%	0.070%	0.000%	0.000%	0.078%
2010	WECC		PUD No. 1 of Asotin County	U.S.	4,539	4,539			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		PUD No. 1 of Asotin County	U.S.	344	344			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		PUD No. 1 of Benton County	U.S.	1,654,504	1,654,504			0.197%	0.197%	0.000%	0.000%	0.037%	0.037%	0.000%	0.000%	0.041%
2010	WECC		PUD No. 1 of Clallam County	U.S.	659,196	659,196			0.078%	0.078%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.016%
2010	WECC		PUD No. 1 of Cowlitz County	U.S.	5,041,629	5,041,629			0.600%	0.600%	0.000%	0.000%	0.111%	0.111%	0.000%	0.000%	0.126%
2010	WECC		PUD No. 1 of Douglas County	U.S.	8,873	8,873			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		PUD No. 1 of Douglas County	U.S.	1,344,172	1,344,172			0.160%	0.160%	0.000%	0.000%	0.030%	0.030%	0.000%	0.000%	0.033%
2010	WECC		PUD No. 1 of Ferry County	U.S.	99,744	99,744			0.012%	0.012%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	WECC		PUD No. 1 of Franklin County	U.S.	994,979	994,979			0.118%	0.118%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2010	WECC		PUD No. 1 of Grays Harbor	U.S.	1,077,057	1,077,057			0.128%	0.128%	0.000%	0.000%	0.024%	0.024%	0.000%	0.000%	0.027%
2010	WECC		PUD No. 1 of Kittitas County	U.S.	57,365	57,365			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		PUD No. 1 of Kittitas County	U.S.	7,349	7,349			0.001%	0.000%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		PUD No. 1 of Kittitas County	U.S.	16,218	16,218			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		PUD No. 1 of Klickitat County	U.S.	268,852	268,852			0.032%	0.000%	0.000%	0.032%	0.006%	0.006%	0.000%	0.000%	0.007%
2010	WECC		PUD No. 1 of Lewis County	U.S.	937,620	937,620			0.112%	0.112%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.023%
2010	WECC		PUD No. 1 of Mason County	U.S.	75,825	75,825			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	WECC		PUD No. 1 of Skamania County	U.S.	132,991	132,991			0.016%	0.016%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2010	WECC		PUD No. 1 of Snohomish County	U.S.	6,890,415	6,890,415			0.820%	0.820%	0.000%	0.000%	0.152%	0.152%	0.000%	0.000%	0.172%
2010	WECC		PUD No. 1 of Wahkiakum County	U.S.	42,304	42,304			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		PUD No. 1 of Whatcom County	U.S.	213,757	213,757			0.025%	0.000%	0.025%	0.000%	0.005%	0.000%	0.005%	0.000%	0.005%
2010	WECC		PUD No. 1 of Whatcom County	U.S.	12,895	12,895			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		PUD No. 2 of Grant County	U.S.	82,801	82,801			0.010%	0.000%	0.000%	0.010%	0.002%	0.000%	0.000%	0.002%	0.002%
2010	WECC		PUD No. 2 of Grant County	U.S.	44,937	44,937			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		PUD No. 2 of Grant County	U.S.	3,785,624	3,785,624			0.451%	0.451%	0.000%	0.000%	0.084%	0.084%	0.000%	0.000%	0.094%
2010	WECC		PUD No. 2 of Pacific County	U.S.	297,251	297,251			0.035%	0.035%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.007%
2010	WECC		PUD No. 3 of Mason County	U.S.	680,091	680,091			0.081%	0.081%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2010	WECC		Puget Sound Energy, Inc.	U.S.	24,161,934	24,161,934			2.877%	2.877%	0.000%	0.000%	0.533%	0.533%	0.000%	0.000%	0.602%
2010	WECC		Raft River Electric Cooperative	U.S.	235,186	235,186			0.028%	0.028%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2010	WECC		Ravalli County Electric Cooperative, Inc.	U.S.	154,252	154,252			0.018%	0.018%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2010	WECC		Riverside Electric Copmpany, Ltd	U.S.	19,530	19,530			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Rocky Mountain Generation Cooperative, Inc.	U.S.	42,742	42,742			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Roosevelt Irrigation District	U.S.	29,005	29,005			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Sacramento Municipal Utility District	U.S.	11,087,210	11,087,210			1.320%	1.320%	0.000%	0.000%	0.245%	0.245%	0.000%	0.000%	0.276%
2010	WECC		Salem Electric	U.S.	321,191	321,191			0.038%	0.038%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2010	WECC		Salt River Project	U.S.	27,938,279	27,938,279			3.326%	3.326%	0.000%	0.000%	0.617%	0.617%	0.000%	0.000%	0.696%
2010	WECC		San Carlos Indian Irrigation Project	U.S.	137	137			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Seattle City Light	U.S.	9,897,796	9,897,796			1.178%	1.178%	0.000%	0.000%	0.218%	0.218%	0.000%	0.000%	0.247%
2010	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	8,784,168	8,784,168			1.046%	1.046%	0.000%	0.000%	0.194%	0.194%	0.000%	0.000%	0.219%
2010	WECC		South Side Electric, Inc	U.S.	55,781	55,781			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Southern Montana Electric Generation & Transmission	U.S.	749,606	749,606			0.089%	0.089%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2010	WECC		Southern Nevada Water Authority	U.S.	819,191	819,191			0.098%	0.098%	0.000%	0.000%	0.018%	0.018%	0.000%	0.000%	0.020%
2010	WECC		Southwest Transmission Cooperative, Inc.	U.S.	2,648,001	2,648,001			0.315%	0.315%	0.000%	0.000%	0.058%	0.058%	0.000%	0.000%	0.066%
2010	WECC		Springfield Utility Board	U.S.	831,407	831,407			0.099%	0.099%	0.000%	0.000%	0.018%	0.018%	0.000%	0.000%	0.021%
2010	WECC		Surprise Valley Electrification Corporation	U.S.	32,828	32,828			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Tanner Electric Cooperative	U.S.	93,242	93,242			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	WECC		The Incorporated County of Los Alamos	U.S.	357,749	357,749			0.043%	0.043%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2010	WECC		Tillamook People's Utility District	U.S.	365,675	365,675			0.044%	0.044%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2010	WECC		Tohono O'Odham Utility Authority	U.S.	66,469	66,469			0.008%	0.008%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2010	WECC		Tonopah Irrigation District	U.S.	21,035	21,035			0.003%	0.003%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2010	WECC		Town of Center	U.S.	12,614	12,614			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Town of Coulee	U.S.	14,592	14,592			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Town of Eatonville	U.S.	28,398	28,398			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Town of Fredonia	U.S.	1,341	1,341			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Town of Steilacoom	U.S.	40,290	40,290			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Town of Wickenburg	U.S.	27,931	27,931			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	1,935,702	1,935,702			0.230%	0.230%	0.000%	0.000%	0.043%	0.043%	0.000%	0.000%	0.048%
2010	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	7,430,199	7,430,199			0.885%	0.885%	0.000%	0.000%	0.164%	0.164%	0.000%	0.000%	0.185%
2010	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	32,240	32,240			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	2,606,522	2,606,522			0.310%	0.310%	0.000%	0.000%	0.058%	0.058%	0.000%	0.000%	0.065%
2010	WECC		Truckee Donner Public Utility District	U.S.	152,684	152,684			0.018%	0.018%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2010	WECC		Tucson Electric Power Company	U.S.	13,635,349	13,635,349			1.623%	1.623%	0.000%	0.000%	0.301%	0.301%	0.000%	0.000%	0.340%
2010	WECC		Turlock Irrigation District	U.S.	2,004,440	2,004,440			0.239%	0.239%	0.000%	0.000%	0.044%	0.044%	0.000%	0.000%	0.050%
2010	WECC		U.S. Army Yuma Proving Ground	U.S.	18,826	18,826			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		U.S. Boia Wapato Irrigation Project	U.S.	17,708	17,708			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	3,104	3,104			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		U.S. Bor Spokane Indian Development`	U.S.	2,482	2,482			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		U.S. DOE National Energy Technology Laboratory	U.S.	4,048	4,048			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		U.S. DOE Richland Operations Office	U.S.	195,343	195,343			0.023%	0.023%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2010	WECC		Umatilla Electric Cooperative Association	U.S.	926,052	926,052			0.110%	0.110%	0.000%	0.000%	0.020%	0.020%	0.000%	0.000%	0.023%
2010	WECC		Unit B Irrigation District	U.S.	21	21			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		United Electric Cooperative	U.S.	258,998	258,998			0.031%	0.031%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2010	WECC		US Air Force Base, Fairchild	U.S.	54,101	54,101			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		USN Naval Station, Bremerton	U.S.	235,242	235,242			0.028%	0.028%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2010	WECC		USN Naval Station, Everett	U.S.	13,041	13,041			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		USN Submarine Base, Bangor	U.S.	170,076	170,076			0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2010	WECC		Valley Electric Association, Inc.	U.S.	503,654	503,654			0.060%	0.060%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2010	WECC		Vera Water and Power	U.S.	226,448	226,448			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2010	WECC		Vigilante Electric Cooperative, Inc.	U.S.	140,843	140,843			0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2010	WECC		Wasco Electric Cooperative	U.S.	94,646	94,646			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2010	WECC		Wells Rural Electric Cooperative	U.S.	202,403	202,403			0.024%	0.024%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2010	WECC		Wells Rural Electric Cooperative	U.S.	637,951	637,951			0.076%	0.076%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2010	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	739	739			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		West Oregon Electric Cooperative, Inc.	U.S.	55,905	55,905			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2010	WECC		West Oregon Electric Cooperative, Inc.	U.S.	12,623	12,623			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Western Area Power - Loveland, CO	U.S.	368,155	368,155			0.044%	0.044%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2010	WECC		Western Area Power - Loveland, CO	U.S.	1,667,215	1,667,215			0.198%	0.198%	0.000%	0.000%	0.037%	0.037%	0.000%	0.000%	0.042%
2010	WECC		Western Area Power Administration - CRSP	U.S.	1,396,521	1,396,521			0.166%	0.166%	0.000%	0.000%	0.031%	0.031%	0.000%	0.000%	0.035%
2010	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	1,395,876	1,395,876			0.166%	0.166%	0.000%	0.000%	0.031%	0.031%	0.000%	0.000%	0.035%
2010	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	2,323,639	2,323,639			0.277%	0.277%	0.000%	0.000%	0.051%	0.051%	0.000%	0.000%	0.058%
2010	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	186,371	186,371			0.022%	0.022%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2010	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	19,075	19,075			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	248,876	248,876			0.030%	0.030%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2010	WECC		Wyoming Municipal Power Agency	U.S.	212,186	212,186			0.025%	0.025%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2010	WECC		Yampa Valley Electric Association	U.S.	581,432	581,432			0.069%	0.069%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.014%
2010	WECC		Yuma Irrigation District	U.S.	3,166	3,166			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2010	WECC		Yuma-Mesa Irrigation District	U.S.	160	160			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
			TOTAL WECC		839,909,667	712,246,425	117,088,288	10,574,954	100.000%	84.732%	13.967%	1.301%	18.535%	15.711%	2.589%	0.235%	17.746%
					-												
	TOTAL ERO				4,531,597,185	4,013,668,072	507,354,159	10,574,954	800.000%	714.888%	83.812%	1.301%	100.000%	88.564%	11.201%	0.235%	100.000%

Summary by Regional Entity		Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL									
2010	FRCC	232,976,018	232,976,018	-	-	100.000%	100.000%	0.000%	0.000%	5.141%	5.141%	0.000%	0.000%	5.805%
2010	MRO	275,316,771	232,780,900	42,535,871	-	100.000%	84.550%	15.450%	0.000%	6.075%	5.137%	0.939%	0.000%	5.800%
2010	NPCC	639,270,000	291,540,000	347,730,000	-	100.000%	45.605%	54.395%	0.000%	14.107%	6.433%	7.673%	0.000%	7.264%
2010	RFC	932,292,423	932,292,423	-	-	100.000%	100.000%	0.000%	0.000%	20.573%	20.573%	0.000%	0.000%	23.228%
2010	SERC	1,075,402,877	1,075,402,877	-	-	100.000%	100.000%	0.000%	0.000%	23.731%	23.731%	0.000%	0.000%	26.794%
2010	SPP	216,503,840	216,503,840	-	-	100.000%	100.000%	0.000%	0.000%	4.778%	4.778%	0.000%	0.000%	5.394%
2010	TRE	319,925,589	319,925,589	-	-	100.000%	100.000%	0.000%	0.000%	7.060%	7.060%	0.000%	0.000%	7.971%
2010	WECC	839,909,667	712,246,425	117,088,288	10,574,954	100.000%	84.732%	13.967%	1.301%	18.535%	15.711%	2.589%	0.235%	17.746%
Total		4,531,597,185	4,013,668,072	507,354,159	10,574,954	800.000%	714.888%	83.812%	1.301%	100.000%	88.564%	11.201%	0.235%	100.000%

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	FRCC	1074	Alachua, City of	U.S.	3,947	3,947	-	-	1,497	1,497	-	-	2,450	2,450	-	-
2010	FRCC	1075	Bartow, City of	U.S.	9,527	9,527	-	-	3,613	3,613	-	-	5,914	5,914	-	-
2010	FRCC	1076	Chattahoochee, City of	U.S.	1,469	1,469	-	-	557	557	-	-	912	912	-	-
2010	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	20,927	20,927	-	-	7,936	7,936	-	-	12,991	12,991	-	-
2010	FRCC	1078	Florida Power & Light Co.	U.S.	3,436,445	3,436,445	-	-	1,303,163	1,303,163	-	-	2,133,282	2,133,282	-	-
2010	FRCC	1079	Florida Public Utilities Company	U.S.	12,299	12,299	-	-	4,664	4,664	-	-	7,635	7,635	-	-
2010	FRCC	1080	Gainesville Regional Utilities	U.S.	61,557	61,557	-	-	23,343	23,343	-	-	38,213	38,213	-	-
2010	FRCC	1081	Homestead, City of	U.S.	14,869	14,869	-	-	5,639	5,639	-	-	9,230	9,230	-	-
2010	FRCC	1082	JEA	U.S.	411,195	411,195	-	-	155,933	155,933	-	-	255,262	255,262	-	-
2010	FRCC	1083	Lakeland Electric	U.S.	95,364	95,364	-	-	36,164	36,164	-	-	59,200	59,200	-	-
2010	FRCC		Lee County Electric Cooperative	U.S.	37,036	37,036	-	-	14,045	14,045	-	-	22,991	22,991	-	-
2010	FRCC	1084	Mount Dora, City of	U.S.	3,090	3,090	-	-	1,172	1,172	-	-	1,918	1,918	-	-
2010	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	12,727	12,727	-	-	4,826	4,826	-	-	7,901	7,901	-	-
2010	FRCC	1086	Orlando Utilities Commission	U.S.	177,083	177,083	-	-	67,153	67,153	-	-	109,930	109,930	-	-
2010	FRCC	1087	Progress Energy Florida	U.S.	1,298,896	1,298,896	-	-	492,565	492,565	-	-	806,331	806,331	-	-
2010	FRCC	1088	Quincy, City of	U.S.	4,715	4,715	-	-	1,788	1,788	-	-	2,927	2,927	-	-
2010	FRCC	1089	Reedy Creek Improvement District	U.S.	37,632	37,632	-	-	14,271	14,271	-	-	23,361	23,361	-	-
2010	FRCC	1090	St. Cloud, City of (OUC)	U.S.	18,999	18,999	-	-	7,205	7,205	-	-	11,794	11,794	-	-
2010	FRCC	1091	Tallahassee, City of	U.S.	89,674	89,674	-	-	34,006	34,006	-	-	55,668	55,668	-	-
2010	FRCC	1092	Tampa Electric Company	U.S.	622,982	622,982	-	-	236,246	236,246	-	-	386,736	386,736	-	-
2010	FRCC	1603	Vero Beach, City of	U.S.	24,048	24,048	-	-	9,119	9,119	-	-	14,928	14,928	-	-
2010	FRCC	1093	Wauchula, City of	U.S.	2,096	2,096	-	-	795	795	-	-	1,301	1,301	-	-
2010	FRCC	1094	Williston, City of	U.S.	1,114	1,114	-	-	422	422	-	-	691	691	-	-
2010	FRCC	1095	Winter Park, City of	U.S.	14,331	14,331	-	-	5,434	5,434	-	-	8,896	8,896	-	-
2010	FRCC	1072	Florida Municipal Power Agency	U.S.	192,716	192,716	-	-	73,082	73,082	-	-	119,635	119,635	-	-
2010	FRCC	1073	Seminole Electric Cooperative	U.S.	523,133	523,133	-	-	198,381	198,381	-	-	324,751	324,751	-	-
			TOTAL FRCC		7,127,869	7,127,869	-	-	2,703,019	2,703,019	-	-	4,424,850	4,424,850	-	-
									-							
2010	MRO	1199	Basin Electric Power Cooperative	U.S.	527,021	527,021	-	-	151,606	151,606	-	-	375,416	375,416	-	-
2010	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	114,089	114,089	-	-	32,819	32,819	-	-	81,270	81,270	-	-
2010	MRO	1204	Corn Belt Power Cooperative	U.S.	77,723	77,723	-	-	22,358	22,358	-	-	55,365	55,365	-	-
2010	MRO	1207	Dairyland Power Cooperative	U.S.	221,643	221,643	-	-	63,759	63,759	-	-	157,884	157,884	-	-
2010	MRO	1210	Great River Energy	U.S.	564,481	564,481	-	-	162,381	162,381	-	-	402,100	402,100	-	-
2010	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	156,309	156,309	-	-	44,965	44,965	-	-	111,345	111,345	-	-
2010	MRO	1230	Nebraska Public Power District	U.S.	547,949	547,949	-	-	157,626	157,626	-	-	390,323	390,323	-	-
2010	MRO	1232	Omaha Public Power District	U.S.	484,750	484,750	-	-	139,446	139,446	-	-	345,305	345,305	-	-
2010	MRO	1237	Southern Montana Generation and Transmission	U.S.	168	168	-	-	48	48	-	-	119	119	-	-
2010	MRO	1240	Western Area Power Administration (UM)	U.S.	377,697	377,697	-	-	108,650	108,650	-	-	269,047	269,047	-	-
2010	MRO	1239	Western Area Power Administration (LM)	U.S.	5,126	5,126	-	-	1,475	1,475	-	-	3,652	3,652	-	-
2010	MRO	1217	Manitoba Hydro	CAN	963,697	-	963,697	-	265,889	-	265,889	-	697,808	-	697,808	-
2010	MRO	1235	SaskPower	CAN	907,005	-	907,005	-	250,248	-	250,248	-	656,757	-	656,757	-
2010	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	1,206,894	1,206,894	-	-	347,181	347,181	-	-	859,713	859,713	-	-
2010	MRO	1216	Madison, Gas and Electric	U.S.	145,867	145,867	-	-	41,961	41,961	-	-	103,906	103,906	-	-
2010	MRO	1220	MidAmerican Energy Company	U.S.	963,107	963,107	-	-	277,052	277,052	-	-	686,055	686,055	-	-
2010	MRO	1221	Minnesota Power	U.S.	528,478	528,478	-	-	152,024	152,024	-	-	376,453	376,453	-	-
2010	MRO	1226	Montana-Dakota Utilities Co.	U.S.	114,658	114,658	-	-	32,983	32,983	-	-	81,675	81,675	-	-
2010	MRO	1231	NorthWestern Energy	U.S.	63,050	63,050	-	-	18,137	18,137	-	-	44,912	44,912	-	-
2010	MRO	1233	Otter Tail Power Company	U.S.	183,112	183,112	-	-	52,675	52,675	-	-	130,437	130,437	-	-
2010	MRO	1243	Integrys Energy Group (WPS and UPPCO)	U.S.	579,769	579,769	-	-	166,779	166,779	-	-	412,990	412,990	-	-
2010	MRO	1244	Xcel Energy Company (NSP)	U.S.	1,948,101	1,948,101	-	-	560,400	560,400	-	-	1,387,701	1,387,701	-	-
2010	MRO	1196	Ames Municipal Electric System	U.S.	33,424	33,424	-	-	9,615	9,615	-	-	23,809	23,809	-	-
2010	MRO	1604	Atlantic Municipal Utilities	U.S.	3,422	3,422	-	-	984	984	-	-	2,438	2,438	-	-
2010	MRO	1476	Badger Power Marketing Authority of Wisconsin, Inc.	U.S.	16,092	16,092	-	-	4,629	4,629	-	-	11,463	11,463	-	-
2010	MRO	1200	Cedar Falls Municipal Utilities	U.S.	22,058	22,058	-	-	6,345	6,345	-	-	15,713	15,713	-	-
2010	MRO	1477	Central Minnesota Municipal Power Agency (CMMPA)	U.S.	19,704	19,704	-	-	5,668	5,668	-	-	14,036	14,036	-	-
2010	MRO	1605	City of Pella	U.S.	7,926	7,926	-	-	2,280	2,280	-	-	5,646	5,646	-	-
2010	MRO	1203	Escanaba Municipal Electric Utility	U.S.	6,390	6,390	-	-	1,838	1,838	-	-	4,552	4,552	-	-
2010	MRO	1205	Falls City Water & Light Department	U.S.	2,387	2,387	-	-	687	687	-	-	1,700	1,700	-	-
2010	MRO	1206	Fremont Department of Utilities	U.S.	18,708	18,708	-	-	5,382	5,382	-	-	13,326	13,326	-	-
2010	MRO	1208	Geneseo Municipal Utilities	U.S.	2,828	2,828	-	-	813	813	-	-	2,014	2,014	-	-
2010	MRO	1209	Grand Island Utilities Department	U.S.	31,411	31,411	-	-	9,036	9,036	-	-	22,375	22,375	-	-
2010	MRO	1606	Harlan Municipal Utilities	U.S.	801	801	-	-	230	230	-	-	571	571	-	-
2010	MRO	1211	Hastings Utilities	U.S.	17,388	17,388	-	-	5,002	5,002	-	-	12,386	12,386	-	-
2010	MRO	1212	Heartland Consumers Power District	U.S.	35,335	35,335	-	-	10,165	10,165	-	-	25,170	25,170	-	-
2010	MRO	1213	Hutchinson Utilities Commission	U.S.	12,910	12,910	-	-	3,714	3,714	-	-	9,196	9,196	-	-
2010	MRO	1215	Lincoln Electric System	U.S.	137,000	137,000	-	-	39,410	39,410	-	-	97,590	97,590	-	-
2010	MRO	1218	Manitowoc Public Utilities	U.S.	21,730	21,730	-	-	6,251	6,251	-	-	15,479	15,479	-	-
2010	MRO	1223	Missouri River Energy Services	U.S.	98,876	98,876	-	-	28,443	28,443	-	-	70,433	70,433	-	-
2010	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	61,359	61,359	-	-	17,651	17,651	-	-	43,708	43,708	-	-

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	MRO	1607	Montezuma Municipal Light & Power	U.S.	1,396	1,396	-	-	402	402	-	-	994	994	-	-
2010	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	48,142	48,142	-	-	13,849	13,849	-	-	34,293	34,293	-	-
2010	MRO	1228	Muscatine Power and Water	U.S.	37,007	37,007	-	-	10,646	10,646	-	-	26,361	26,361	-	-
2010	MRO	1229	Nebraska City Utilities	U.S.	7,346	7,346	-	-	2,113	2,113	-	-	5,233	5,233	-	-
2010	MRO	1234	Rochester Public Utilities	U.S.	266	266	-	-	77	77	-	-	190	190	-	-
2010	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	124,682	124,682	-	-	35,867	35,867	-	-	88,816	88,816	-	-
2010	MRO	1241	Willmar Municipal Utilities	U.S.	11,014	11,014	-	-	3,168	3,168	-	-	7,846	7,846	-	-
2010	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	229,468	229,468	-	-	66,010	66,010	-	-	163,458	163,458	-	-
			TOTAL MRO		11,689,766	9,819,064	1,870,702	-	3,340,737	2,824,600	516,137	-	8,349,029	6,994,464	1,354,565	-
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2010	NPCC	1336	New England	U.S.	4,752,689	4,752,689	-	-	1,491,644	1,491,644	-	-	3,261,045	3,261,045	-	-
2010	NPCC	1339	New York	U.S.	5,870,516	5,870,516	-	-	1,823,398	1,823,398	-	-	4,047,118	4,047,118	-	-
2010	NPCC	1337	Ontario	Canada	2,947,787	-	2,947,787	-	1,028,513	-	1,028,513	-	1,919,273	-	1,919,273	-
2010	NPCC	1341	Quebec	Canada	4,399,013	-	4,399,013	-	1,506,632	-	1,506,632	-	2,892,381	-	2,892,381	-
		1341	Quebec													
		1572	Regie													
2010	NPCC	1338	New Brunswick	Canada	282,098	-	282,098	-	98,427	-	98,427	-	183,671	-	183,671	-
2010	NPCC	1340	Nova Scotia	Canada	386,325	-	386,325	-	138,246	-	138,246	-	248,079	-	248,079	-
			TOTAL NPCC		18,638,428	10,623,205	8,015,223	-	6,086,861	3,315,043	2,771,818	-	12,551,567	7,308,162	5,243,405	-
									-							
2010	RFC	1104	Bay City	U.S.	8,856	8,856	-	-	3,931	3,931	-	-	4,925	4,925	-	-
2010	RFC	1102	Cannelton Utilities	U.S.	451	451	-	-	200	200	-	-	251	251	-	-
2010	RFC	1105	City of Chelsea	U.S.	2,515	2,515	-	-	1,116	1,116	-	-	1,399	1,399	-	-
2010	RFC	1106	City of Croswell	U.S.	1,006	1,006	-	-	447	447	-	-	560	560	-	-
2010	RFC	1108	City of Eaton Rapids	U.S.	2,376	2,376	-	-	1,055	1,055	-	-	1,322	1,322	-	-
2010	RFC	1111	City of Hart	U.S.	1,105	1,105	-	-	491	491	-	-	615	615	-	-
2010	RFC	1490	City of Lansing	U.S.	58,087	58,087	-	-	25,782	25,782	-	-	32,304	32,304	-	-
2010	RFC	1112	City of Marquette Board of Light & Power	U.S.	8,773	8,773	-	-	3,894	3,894	-	-	4,879	4,879	-	-
2010	RFC	1114	City of Portland	U.S.	958	958	-	-	425	425	-	-	533	533	-	-
2010	RFC	1116	City of St. Louis	U.S.	1,042	1,042	-	-	462	462	-	-	579	579	-	-
2010	RFC	1118	City of Wyandotte	U.S.	3,333	3,333	-	-	1,479	1,479	-	-	1,854	1,854	-	-
2010	RFC	1120	Cloverland Electric Cooperative	U.S.	22,981	22,981	-	-	10,200	10,200	-	-	12,781	12,781	-	-
2010	RFC	1122	CMS ERM Michigan LLC	U.S.	5,121	5,121	-	-	2,273	2,273	-	-	2,848	2,848	-	-
2010	RFC	1124	Constellation New Energy (MECS-CONS)	U.S.	36,280	36,280	-	-	16,103	16,103	-	-	20,177	20,177	-	-
2010	RFC	1123	Constellation New Energy (MECS-DET)	U.S.	31,096	31,096	-	-	13,802	13,802	-	-	17,294	17,294	-	-
2010	RFC	1126	Consumers Energy Company	U.S.	868,989	868,989	-	-	385,709	385,709	-	-	483,279	483,279	-	-
2010	RFC	1128	Detroit Edison Company	U.S.	1,182,473	1,182,473	-	-	524,853	524,853	-	-	657,621	657,621	-	-
2010	RFC	1166	Duke Energy Indiana	U.S.	804,152	804,152	-	-	356,931	356,931	-	-	447,221	447,221	-	-
2010	RFC	1135	Ferdinand Municipal Light & Water	U.S.	1,088	1,088	-	-	483	483	-	-	605	605	-	-
2010	RFC	1549	FirstEnergy Solutions (MECS-DET)	U.S.	39,637	39,637	-	-	17,593	17,593	-	-	22,044	22,044	-	-
2010	RFC	1612	Glacial Energy (MECS-DET)	U.S.	14,656	14,656	-	-	6,505	6,505	-	-	8,151	8,151	-	-
2010	RFC	1144	Holland Board of Public Works	U.S.	19,028	19,028	-	-	8,446	8,446	-	-	10,582	10,582	-	-
2010	RFC	1145	Hoosier Energy	U.S.	187,150	187,150	-	-	83,069	83,069	-	-	104,082	104,082	-	-
2010	RFC	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	76,353	76,353	-	-	33,890	33,890	-	-	42,463	42,463	-	-
2010	RFC	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	10,772	10,772	-	-	4,781	4,781	-	-	5,991	5,991	-	-
2010	RFC	1486	Indiana Municipal Power Agency (SIGE)	U.S.	15,911	15,911	-	-	7,062	7,062	-	-	8,849	8,849	-	-
2010	RFC	1149	Indianapolis Power & Light Co.	U.S.	403,069	403,069	-	-	178,906	178,906	-	-	224,163	224,163	-	-
2010	RFC	1553	Integrys Energy Services (MECS-CONS)	U.S.	11,508	11,508	-	-	5,108	5,108	-	-	6,400	6,400	-	-
2010	RFC	1554	Integrys Energy Services (MECS-DET)	U.S.	8,789	8,789	-	-	3,901	3,901	-	-	4,888	4,888	-	-
2010	RFC	1614	Just Energy (MECS-DET)	U.S.	553	553	-	-	246	246	-	-	308	308	-	-
2010	RFC	1154	Michigan Public Power Agency	U.S.	31,556	31,556	-	-	14,006	14,006	-	-	17,549	17,549	-	-
2010	RFC	1155	Michigan South Central Power Agency	U.S.	15,082	15,082	-	-	6,694	6,694	-	-	8,388	8,388	-	-
2010	RFC	1158	MidAmerican Energy Company Retail	U.S.	2,624	2,624	-	-	1,165	1,165	-	-	1,459	1,459	-	-
2010	RFC	1163	Northern Indiana Public Service Co.	U.S.	444,951	444,951	-	-	197,496	197,496	-	-	247,455	247,455	-	-
2010	RFC	1164	Ontonagon County Rural Electrification Assoc.	U.S.	724	724	-	-	321	321	-	-	403	403	-	-
2010	RFC	1265	PJM Interconnnection, LLC	U.S.	18,804,259	18,804,259	-	-	8,346,461	8,346,461	-	-	10,457,798	10,457,798	-	-
2010	RFC	1172	Sempra Energy Solutions (MECS-CONS)	U.S.	29,304	29,304	-	-	13,007	13,007	-	-	16,297	16,297	-	-
2010	RFC	1171	Sempra Energy Solutions (MECS-DET)	U.S.	25,036	25,036	-	-	11,112	11,112	-	-	13,923	13,923	-	-
2010	RFC	1176	Direct Energy (fka:Strategic Energy,LLC) (MECS-CONS)	U.S.	289	289	-	-	128	128	-	-	160	160	-	-
2010	RFC	1174	Direct Energy (fka:Strategic Energy,LLC) (MECS-DET)	U.S.	7,802	7,802	-	-	3,463	3,463	-	-	4,339	4,339	-	-
2010	RFC	1581	Spartan Renewable Energy	U.S.	1,728	1,728	-	-	767	767	-	-	961	961	-	-
2010	RFC	1180	Thumb Electric Cooperative	U.S.	4,340	4,340	-	-	1,927	1,927	-	-	2,414	2,414	-	-
2010	RFC		US Department of Energy	U.S.	6,574	6,574	-	-	2,918	2,918	-	-	3,656	3,656	-	-
2010	RFC	1181	Vectren Energy Delivery of IN	U.S.	155,059	155,059	-	-	68,824	68,824	-	-	86,234	86,234	-	-
2010	RFC	1183	Village of Sebewaing	U.S.	1,087	1,087	-	-	482	482	-	-	604	604	-	-
2010	RFC	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	71,516	71,516	-	-	31,743	31,743	-	-	39,773	39,773	-	-
2010	RFC	1487	Wabash Valley Power Association Inc. (MECS CONS)	U.S.	4,171	4,171	-	-	1,852	1,852	-	-	2,320	2,320	-	-
2010	RFC	1488	Wabash Valley Power Association Inc.(NIPSCO)	U.S.	42,629	42,629	-	-	18,921	18,921	-	-	23,708	23,708	-	-
2010	RFC	1185	Wisconsin Electric Power Co.	U.S.	762,763	762,763	-	-	338,560	338,560	-	-	424,203	424,203	-	-

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	RFC	1189	Wolverine Power Marketing Cooperative	U.S.	28,911	28,911	-	-	12,832	12,832	-	-	16,078	16,078	-	-
2010	RFC	1191	Wolverine Power Supply Cooperative	U.S.	64,803	64,803	-	-	28,763	28,763	-	-	36,040	36,040	-	-
2010	RFC	1190	Wolverine Power Marketing Cooperative	U.S.	2,777	2,777	-	-	1,233	1,233	-	-	1,544	1,544	-	-
			TOTAL RELIABILITYFIRST		24,336,094	24,336,094	-	-	10,801,822	10,801,822	-	-	13,534,272	13,534,272	-	-
									-							
2010	SERC	1267	Alabama Municipal Electric Authority	U.S.	96,423	96,423	-	-	43,828	43,828	-	-	52,595	52,595	-	-
2010	SERC	1268	Alabama Power Company	U.S.	1,572,056	1,572,056	-	-	714,566	714,566	-	-	857,490	857,490	-	-
2010	SERC	1269	Ameren - Illinois	U.S.	1,088,934	1,088,934	-	-	494,967	494,967	-	-	593,967	593,967	-	-
2010	SERC	1271	Ameren - Missouri	U.S.	1,100,184	1,100,184	-	-	500,080	500,080	-	-	600,104	600,104	-	-
2010	SERC	1272	APGI - Yadkin Division	U.S.	777	777	-	-	353	353	-	-	424	424	-	-
2010	SERC	1273	Associated Electric Cooperative Inc.	U.S.	508,119	508,119	-	-	230,962	230,962	-	-	277,158	277,158	-	-
2010	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	28,138	28,138	-	-	12,790	12,790	-	-	15,348	15,348	-	-
2010	SERC	1462	Benton Utility District	U.S.	7,624	7,624	-	-	3,466	3,466	-	-	4,159	4,159	-	-
2010	SERC	1274	Big Rivers Electric Corporation	U.S.	259,199	259,199	-	-	117,817	117,817	-	-	141,382	141,382	-	-
2010	SERC	1275	Black Warrior EMC	U.S.	11,937	11,937	-	-	5,426	5,426	-	-	6,511	6,511	-	-
2010	SERC	1276	Blue Ridge EMC	U.S.	31,168	31,168	-	-	14,167	14,167	-	-	17,001	17,001	-	-
2010	SERC		Brazos Electric Power Cooperative, Inc.	U.S.	10,239	10,239	-	-	4,654	4,654	-	-	5,585	5,585	-	-
2010	SERC	1463	Canton, MS	U.S.	3,296	3,296	-	-	1,498	1,498	-	-	1,798	1,798	-	-
2010	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	425,574	425,574	-	-	193,441	193,441	-	-	232,133	232,133	-	-
2010	SERC	1278	City of Blountstown FL	U.S.	1,115	1,115	-	-	507	507	-	-	608	608	-	-
2010	SERC	1279	City of Camden SC	U.S.	5,426	5,426	-	-	2,466	2,466	-	-	2,960	2,960	-	-
2010	SERC	1280	City of Collins MS	U.S.	1,456	1,456	-	-	662	662	-	-	794	794	-	-
2010	SERC	1281	City of Columbia MO	U.S.	30,322	30,322	-	-	13,783	13,783	-	-	16,539	16,539	-	-
2010	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	26,018	26,018	-	-	11,826	11,826	-	-	14,192	14,192	-	-
2010	SERC	1284	City of Evergreen AL	U.S.	1,733	1,733	-	-	788	788	-	-	945	945	-	-
2010	SERC	1285	City of Hampton GA	U.S.	697	697	-	-	317	317	-	-	380	380	-	-
2010	SERC	1286	City of Hartford AL	U.S.	919	919	-	-	418	418	-	-	501	501	-	-
2010	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	16,276	16,276	-	-	7,398	7,398	-	-	8,878	8,878	-	-
2010	SERC	1288	City of North Little Rock AR (DENL)	U.S.	24,278	24,278	-	-	11,035	11,035	-	-	13,243	13,243	-	-
2010	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	18,988	18,988	-	-	8,631	8,631	-	-	10,357	10,357	-	-
2010	SERC	1290	City of Robertsdale AL	U.S.	2,297	2,297	-	-	1,044	1,044	-	-	1,253	1,253	-	-
2010	SERC	1291	City of Ruston LA (DERS)	U.S.	7,392	7,392	-	-	3,360	3,360	-	-	4,032	4,032	-	-
2010	SERC	1292	City of Seneca SC	U.S.	4,232	4,232	-	-	1,924	1,924	-	-	2,309	2,309	-	-
2010	SERC	1115	City of Springfield (CWLP)	U.S.	48,703	48,703	-	-	22,138	22,138	-	-	26,565	26,565	-	-
2010	SERC	1465	City of Thayer, MO	U.S.	551	551	-	-	250	250	-	-	300	300	-	-
2010	SERC	1293	City of Troy AL	U.S.	10,919	10,919	-	-	4,963	4,963	-	-	5,956	5,956	-	-
2010	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	10,790	10,790	-	-	4,904	4,904	-	-	5,885	5,885	-	-
2010	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	17,607	17,607	-	-	8,003	8,003	-	-	9,604	9,604	-	-
2010	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	6,959	6,959	-	-	3,163	3,163	-	-	3,796	3,796	-	-
2010	SERC	1283	Dalton Utilities	U.S.	40,466	40,466	-	-	18,394	18,394	-	-	22,073	22,073	-	-
2010	SERC	1585	Dixie Electric Membership Corporation	U.S.	60,704	60,704	-	-	27,593	27,593	-	-	33,111	33,111	-	-
2010	SERC	1295	Dominion Virginia Power	U.S.	2,215,452	2,215,452	-	-	1,007,017	1,007,017	-	-	1,208,435	1,208,435	-	-
2010	SERC	1296	Duke Energy Carolinas, LLC	U.S.	2,182,766	2,182,766	-	-	992,160	992,160	-	-	1,190,606	1,190,606	-	-
2010	SERC	1466	Durant, MS	U.S.	738	738	-	-	335	335	-	-	402	402	-	-
2010	SERC	1478	E.ON U.S. Services Inc.	U.S.	927,192	927,192	-	-	421,448	421,448	-	-	505,744	505,744	-	-
2010	SERC	1297	East Kentucky Power Cooperative	U.S.	338,526	338,526	-	-	153,874	153,874	-	-	184,651	184,651	-	-
2010	SERC	1298	East Mississippi Electric Power Association	U.S.	12,809	12,809	-	-	5,822	5,822	-	-	6,987	6,987	-	-
2010	SERC		East Texas Electric Cooperative Inc	U.S.	53,440	53,440	-	-	24,291	24,291	-	-	29,149	29,149	-	-
2010	SERC	1299	Electric Energy Inc.	U.S.	33,924	33,924	-	-	15,420	15,420	-	-	18,504	18,504	-	-
2010	SERC	1300	EnergyUnited EMC	U.S.	67,608	67,608	-	-	30,731	30,731	-	-	36,877	36,877	-	-
2010	SERC	1301	Entergy	U.S.	2,958,647	2,958,647	-	-	1,344,830	1,344,830	-	-	1,613,817	1,613,817	-	-
2010	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	59,988	59,988	-	-	27,267	27,267	-	-	32,721	32,721	-	-
2010	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	9,298	9,298	-	-	4,226	4,226	-	-	5,072	5,072	-	-
2010	SERC	1304	French Broad EMC	U.S.	14,535	14,535	-	-	6,607	6,607	-	-	7,928	7,928	-	-
2010	SERC	1305	Georgia Power Company	U.S.	2,403,206	2,403,206	-	-	1,092,359	1,092,359	-	-	1,310,847	1,310,847	-	-
2010	SERC	1306	Georgia System Optns Corporation	U.S.	1,046,778	1,046,778	-	-	475,805	475,805	-	-	570,973	570,973	-	-
2010	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	7,409	7,409	-	-	3,368	3,368	-	-	4,041	4,041	-	-
2010	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	7,211	7,211	-	-	3,278	3,278	-	-	3,934	3,934	-	-
2010	SERC	1308	Gulf Power Company	U.S.	320,869	320,869	-	-	145,849	145,849	-	-	175,021	175,021	-	-
2010	SERC	1586	Haywood EMC	U.S.	8,500	8,500	-	-	3,864	3,864	-	-	4,636	4,636	-	-
2010	SERC	1309	Illinois Municipal Electric Agency	U.S.	49,097	49,097	-	-	22,317	22,317	-	-	26,781	26,781	-	-
2010	SERC	1480	Itta Bena, MS	U.S.	438	438	-	-	199	199	-	-	239	239	-	-
2010	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	6,979	6,979	-	-	3,172	3,172	-	-	3,807	3,807	-	-
2010	SERC	1617	Kentucky Municipal Power	U.S.	17,285	17,285	-	-	7,857	7,857	-	-	9,428	9,428	-	-
2010	SERC	1481	Kosciusko, MS	U.S.	1,989	1,989	-	-	904	904	-	-	1,085	1,085	-	-
2010	SERC	1482	Leland, MS	U.S.	905	905	-	-	412	412	-	-	494	494	-	-
2010	SERC	1313	McCormick Commission of Public Works	U.S.	500	500	-	-	227	227	-	-	272	272	-	-
2010	SERC	1314	Mississippi Power Company	U.S.	273,097	273,097	-	-	124,134	124,134	-	-	148,963	148,963	-	-
2010	SERC		Mt. Carmel Public Utility	U.S.	2,902	2,902	-	-	1,319	1,319	-	-	1,583	1,583	-	-

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	SERC	1315	Municipal Electric Authority of Georgia	U.S.	286,460	286,460	-	-	130,208	130,208	-	-	156,252	156,252	-	-
2010	SERC	1316	N.C. Electric Membership Corp.	U.S.	342,551	342,551	-	-	155,704	155,704	-	-	186,847	186,847	-	-
2010	SERC	1317	North Carolina Eastern Municipal Power Agency	U.S.	179,758	179,758	-	-	81,708	81,708	-	-	98,051	98,051	-	-
2010	SERC	1318	North Carolina Municipal Power Agency #1	U.S.	124,529	124,529	-	-	56,604	56,604	-	-	67,925	67,925	-	-
2010	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	7,780	7,780	-	-	3,537	3,537	-	-	4,244	4,244	-	-
2010	SERC	1574	Northern Virginia Electric Cooperative	U.S.	94,758	94,758	-	-	43,072	43,072	-	-	51,687	51,687	-	-
2010	SERC	1319	Old Dominion Electric Cooperative	U.S.	149,995	149,995	-	-	68,179	68,179	-	-	81,816	81,816	-	-
2010	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	4,840	4,840	-	-	2,200	2,200	-	-	2,640	2,640	-	-
2010	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	23,963	23,963	-	-	10,892	10,892	-	-	13,071	13,071	-	-
2010	SERC	1321	Piedmont EMC in Duke and Progress Areas	U.S.	13,833	13,833	-	-	6,288	6,288	-	-	7,545	7,545	-	-
2010	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	61,920	61,920	-	-	28,145	28,145	-	-	33,775	33,775	-	-
2010	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	7,079	7,079	-	-	3,218	3,218	-	-	3,861	3,861	-	-
2010	SERC	1266	PowerSouth Energy	U.S.	229,314	229,314	-	-	104,233	104,233	-	-	125,081	125,081	-	-
2010	SERC	1330	Prairie Power, Inc.	U.S.	40,118	40,118	-	-	18,235	18,235	-	-	21,883	21,883	-	-
2010	SERC	1324	Progress Energy Carolinas	U.S.	1,227,990	1,227,990	-	-	558,173	558,173	-	-	669,816	669,816	-	-
2010	SERC	1325	Rutherford EMC	U.S.	34,876	34,876	-	-	15,853	15,853	-	-	19,023	19,023	-	-
2010	SERC		Sam Rayburn G&T Electric Cooperative Inc.	U.S.	48,153	48,153	-	-	21,887	21,887	-	-	26,265	26,265	-	-
2010	SERC	1326	South Carolina Electric & Gas Company	U.S.	608,037	608,037	-	-	276,378	276,378	-	-	331,658	331,658	-	-
2010	SERC	1327	South Carolina Public Service Authority	U.S.	277,319	277,319	-	-	126,053	126,053	-	-	151,266	151,266	-	-
2010	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	16,138	16,138	-	-	7,335	7,335	-	-	8,802	8,802	-	-
2010	SERC	1328	South Mississippi Electric Power Association	U.S.	273,623	273,623	-	-	124,373	124,373	-	-	149,250	149,250	-	-
2010	SERC	1329	Southern Illinois Power Cooperative	U.S.	43,251	43,251	-	-	19,660	19,660	-	-	23,592	23,592	-	-
2010	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	66,100	66,100	-	-	30,045	30,045	-	-	36,055	36,055	-	-
2010	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	11,369	11,369	-	-	5,168	5,168	-	-	6,201	6,201	-	-
2010	SERC	1331	Tennessee Valley Authority	U.S.	4,492,457	4,492,457	-	-	2,042,012	2,042,012	-	-	2,450,445	2,450,445	-	-
2010	SERC		Tex-La Electric Cooperative of Texas, Inc	U.S.	5,288	5,288	-	-	2,403	2,403	-	-	2,884	2,884	-	-
2010	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	3,749	3,749	-	-	1,704	1,704	-	-	2,045	2,045	-	-
2010	SERC	1592	Town of Black Creek, N.C.	U.S.	354	354	-	-	161	161	-	-	193	193	-	-
2010	SERC	1593	Town of Lucama, N.C.	U.S.	607	607	-	-	276	276	-	-	331	331	-	-
2010	SERC	1594	Town of Sharpsburg, N.C.	U.S.	555	555	-	-	252	252	-	-	303	303	-	-
2010	SERC	1595	Town of Stantonsburg, N.C.	U.S.	672	672	-	-	306	306	-	-	367	367	-	-
2010	SERC	1333	Town of Waynesville NC	U.S.	2,455	2,455	-	-	1,116	1,116	-	-	1,339	1,339	-	-
2010	SERC	1334	Town of Winnsboro SC	U.S.	1,511	1,511	-	-	687	687	-	-	824	824	-	-
2010	SERC	1335	Town of Winterville NC	U.S.	1,451	1,451	-	-	660	660	-	-	792	792	-	-
2010	SERC	1596	Valley Electric Membership Corporation, Inc	U.S.	-	-	-	-	-	-	-	-	-	-	-	-
2010	SERC	1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	29,723	29,723	-	-	13,510	13,510	-	-	16,212	16,212	-	-
			TOTAL SERC		27,216,184	27,216,184	-	-	12,370,909	12,370,909	-	-	14,845,275	14,845,275	-	-
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2010	SPP	1246	American Electric Power	U.S.	2,146,723	2,146,723	-	-	452,893	452,893	-	-	1,693,829	1,693,829	-	-
2010	SPP	1435	Arkansas Electric Cooperative Corporation (AEP)	U.S.	239,821	239,821	-	-	50,596	50,596	-	-	189,225	189,225	-	-
2010	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	147,255	147,255	-	-	31,066	31,066	-	-	116,188	116,188	-	-
2010	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	51,335	51,335	-	-	10,775	10,775	-	-	40,560	40,560	-	-
2010	SPP	1468	Cap Rock Energy	U.S.	34	34	-	-	-	-	-	-	34	34	-	-
2010	SPP	1469	Central Valley Electric Cooperative	U.S.	43,038	43,038	-	-	9,079	9,079	-	-	33,959	33,959	-	-
2010	SPP	1556	City of Bentonville	U.S.	35,549	35,549	-	-	7,500	7,500	-	-	28,049	28,049	-	-
2010	SPP	1557	City of Clarksdale, Mississippi	U.S.	10,462	10,462	-	-	2,207	2,207	-	-	8,255	8,255	-	-
2010	SPP		City of Lindsboro	U.S.	1,763	1,763	-	-	372	372	-	-	1,391	1,391	-	-
2010	SPP	1558	Hope Water & Light (HWL)	U.S.	16,624	16,624	-	-	3,507	3,507	-	-	13,117	13,117	-	-
2010	SPP	1559	City of Minden	U.S.	10,520	10,520	-	-	2,219	2,219	-	-	8,301	8,301	-	-
2010	SPP		City of Mulvane	U.S.	2,506	2,506	-	-	529	529	-	-	1,977	1,977	-	-
2010	SPP		The City of Osage City	U.S.	2,252	2,252	-	-	476	476	-	-	1,777	1,777	-	-
2010	SPP		City of Prescott	U.S.	5,057	5,057	-	-	1,068	1,068	-	-	3,990	3,990	-	-
2010	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	57,366	57,366	-	-	12,101	12,101	-	-	45,265	45,265	-	-
2010	SPP	1436	City Utilities of Springfield, MO	U.S.	181,494	181,494	-	-	38,288	38,288	-	-	143,206	143,206	-	-
2010	SPP	1249	Cleco Power LLC	U.S.	689,421	689,421	-	-	145,448	145,448	-	-	543,974	543,974	-	-
2010	SPP	1437	East Texas Electric Coop, Inc.	U.S.	25,769	25,769	-	-	5,437	5,437	-	-	20,332	20,332	-	-
2010	SPP	1250	The Empire District Electric Company	U.S.	322,326	322,326	-	-	68,000	68,000	-	-	254,326	254,326	-	-
2010	SPP	1470	Farmers' Electric Coop	U.S.	23,963	23,963	-	-	5,055	5,055	-	-	18,908	18,908	-	-
2010	SPP	1438	Golden Spread Electric Coop	U.S.	247,159	247,159	-	-	52,139	52,139	-	-	195,021	195,021	-	-
2010	SPP	1251	Grand River Dam Authority	U.S.	264,813	264,813	-	-	55,867	55,867	-	-	208,946	208,946	-	-
2010	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	953,070	953,070	-	-	201,067	201,067	-	-	752,004	752,004	-	-
2010	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	125,440	125,440	-	-	26,464	26,464	-	-	98,976	98,976	-	-
2010	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	44,467	44,467	-	-	9,381	9,381	-	-	35,086	35,086	-	-
2010	SPP		Kansas Power Pool	U.S.	80,619	80,619	-	-	17,020	17,020	-	-	63,599	63,599	-	-
2010	SPP	1560	Kaw Valley Electric Cooperative, Inc.	U.S.	9,666	9,666	-	-	2,041	2,041	-	-	7,625	7,625	-	-
2010	SPP	1598	KCP&L GMOC (Greater Missouri Operations Company)	U.S.	522,357	522,357	-	-	110,201	110,201	-	-	412,156	412,156	-	-
2010	SPP	1471	Lafayette Utilities System	U.S.	125,718	125,718	-	-	26,522	26,522	-	-	99,195	99,195	-	-
2010	SPP	1472	Lea County Electric Coop	U.S.	72,246	72,246	-	-	15,241	15,241	-	-	57,005	57,005	-	-
2010	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	59,688	59,688	-	-	12,592	12,592	-	-	47,096	47,096	-	-

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	SPP	1441	Midwest Energy Inc.	U.S.	99,179	99,179	-	-	20,924	20,924	-	-	78,256	78,256	-	-
2010	SPP	1443	Missouri Joint Municipal Electric Utility Commission	U.S.	149,620	149,620	-	-	31,567	31,567	-	-	118,053	118,053	-	-
2010	SPP		Nemaha Marshall Electric Cooperative (NMEC)	U.S.	3,495	3,495	-	-	738	738	-	-	2,757	2,757	-	-
2010	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.	195,218	195,218	-	-	41,186	41,186	-	-	154,032	154,032	-	-
2010	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	1,705,212	1,705,212	-	-	359,746	359,746	-	-	1,345,466	1,345,466	-	-
2010	SPP	1444	Oklahoma Municipal Power Authority	U.S.	159,795	159,795	-	-	33,712	33,712	-	-	126,082	126,082	-	-
2010	SPP		OzMo Ozark Missouri, West Plains MO	U.S.	12,261	12,261	-	-	2,588	2,588	-	-	9,672	9,672	-	-
2010	SPP	1561	Public Service Commission of Yazoo City of Mississippi	U.S.	7,607	7,607	-	-	1,605	1,605	-	-	6,002	6,002	-	-
2010	SPP	1473	Roosevelt County Electric Coop	U.S.	11,759	11,759	-	-	2,481	2,481	-	-	9,278	9,278	-	-
2010	SPP	1468	Sharyland Utilities, LP	U.S.	55,340	55,340	-	-	11,683	11,683	-	-	43,657	43,657	-	-
2010	SPP	1258	Southwestern Power Administration (SPA)	U.S.	266,268	266,268	-	-	56,177	56,177	-	-	210,091	210,091	-	-
2010	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.	1,159,086	1,159,086	-	-	244,524	244,524	-	-	914,562	914,562	-	-
2010	SPP	1256	Sunflower Electric Cooperative (SECI)	U.S.	265,719	265,719	-	-	56,049	56,049	-	-	209,669	209,669	-	-
2010	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	30,630	30,630	-	-	6,462	6,462	-	-	24,168	24,168	-	-
2010	SPP	1475	Tri County Electric Coop	U.S.	24,139	24,139	-	-	5,092	5,092	-	-	19,046	19,046	-	-
2010	SPP	1260	Westar Energy, Inc.	U.S.	1,263,743	1,263,743	-	-	268,468	268,468	-	-	995,275	995,275	-	-
2010	SPP	1259	Western Farmers Electric Cooperative	U.S.	438,343	438,343	-	-	92,474	92,474	-	-	345,869	345,869	-	-
2010	SPP	1501	West Texas Municipal Power Agency	U.S.	122,104	122,104	-	-	25,761	25,761	-	-	96,343	96,343	-	-
			TOTAL SPP		12,488,037	12,488,037	-	-	2,636,390	2,636,390	-	-	9,851,647	9,851,647	-	-
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2010	TRE	1019	ERCOT	U.S.	13,062,261	13,062,261	-	-	3,558,395	3,558,395	-	-	9,503,866	9,503,866	-	-
					13,062,261	13,062,261	-	-	3,558,395	3,558,395	-	-	9,503,866	9,503,866	-	-
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2010	WECC		Alberta Electric System Operator	Canada	2,844,739	-	2,844,739	-	460,237	-	460,237	-	2,384,502	-	2,384,502	-
2010	WECC		British Columbia Hydro & Power Authority	Canada	3,490,134	-	3,490,134	-	663,270	-	663,270	-	2,826,864	-	2,826,864	-
2010	WECC		Arizona Public Service Company	Mexico	15	-	-	15	3	-	-	3	12	-	-	12
2010	WECC		Comision Federal de Electricidad	Mexico	618,906	-	-	618,906	117,618	-	-	117,618	501,289	-	-	501,289
2010	WECC		Aguila Irrigation District	U.S.	1,477	1,477	-	-	297	297	-	-	1,180	1,180	-	-
2010	WECC		Aha Macav Power Service	U.S.	1,539	1,539	-	-	309	309	-	-	1,230	1,230	-	-
2010	WECC		Ajo Improvement District	U.S.	781	781	-	-	157	157	-	-	624	624	-	-
2010	WECC		Ak-Chin	U.S.	1,683	1,683	-	-	338	338	-	-	1,345	1,345	-	-
2010	WECC		Alcoa Inc	U.S.	146,924	146,924	-	-	29,519	29,519	-	-	117,405	117,405	-	-
2010	WECC		Arizona Public Service Company	U.S.	1,671,033	1,671,033	-	-	335,736	335,736	-	-	1,335,298	1,335,298	-	-
2010	WECC		Arkansas River Power Authority (ARPA)	U.S.	11,543	11,543	-	-	2,319	2,319	-	-	9,224	9,224	-	-
2010	WECC		Avista Corporation	U.S.	520,624	520,624	-	-	104,601	104,601	-	-	416,023	416,023	-	-
2010	WECC		Avista Corporation	U.S.	12,172	12,172	-	-	2,446	2,446	-	-	9,727	9,727	-	-
2010	WECC		Barrick Goldstrike Mines Inc.	U.S.	63,714	63,714	-	-	12,801	12,801	-	-	50,913	50,913	-	-
2010	WECC		Basin Electric Power Cooperative	U.S.	192,798	192,798	-	-	37,666	37,666	-	-	155,132	155,132	-	-
2010	WECC		Basin Electric Power Cooperative	U.S.	2,638	2,638	-	-	530	530	-	-	2,108	2,108	-	-
2010	WECC		Benton REA	U.S.	29,215	29,215	-	-	5,870	5,870	-	-	23,345	23,345	-	-
2010	WECC		Big Bend Electric Cooperative, Inc.	U.S.	7,528	7,528	-	-	1,513	1,513	-	-	6,016	6,016	-	-
2010	WECC		Big Bend Electric Cooperative, Inc.	U.S.	18,490	18,490	-	-	3,715	3,715	-	-	14,775	14,775	-	-
2010	WECC		Big Bend Electric Cooperative, Inc.	U.S.	1,882	1,882	-	-	378	378	-	-	1,504	1,504	-	-
2010	WECC		Blachly-Lane	U.S.	7,790	7,790	-	-	1,565	1,565	-	-	6,225	6,225	-	-
2010	WECC		Black Hills Power	U.S.	106,427	106,427	-	-	21,383	21,383	-	-	85,044	85,044	-	-
2010	WECC		Black Hills Wyoming, Inc.	U.S.	144,219	144,219	-	-	38,910	38,910	-	-	105,309	105,309	-	-
2010	WECC		Bonneville Power Administration	U.S.	198,837	198,837	-	-	39,949	39,949	-	-	158,888	158,888	-	-
2010	WECC		Bonneville Power Administration	U.S.	11,228	11,228	-	-	2,256	2,256	-	-	8,972	8,972	-	-
2010	WECC		Bonneville Power Administration	U.S.	1,955	1,955	-	-	393	393	-	-	1,562	1,562	-	-
2010	WECC		Bonneville Power Administration	U.S.	306	306	-	-	62	62	-	-	245	245	-	-
2010	WECC		Bonneville Power Administration	U.S.	951	951	-	-	191	191	-	-	760	760	-	-
2010	WECC		BPA - USBR Load	U.S.	7,642	7,642	-	-	1,535	1,535	-	-	6,107	6,107	-	-
2010	WECC		Buckeye Water Conservation and Drainage District	U.S.	834	834	-	-	168	168	-	-	667	667	-	-
2010	WECC		California Independent System Operator	U.S.	12,626,971	12,626,971	-	-	2,536,947	2,536,947	-	-	10,090,024	10,090,024	-	-
2010	WECC		Canby Public Utility Board	U.S.	9,520	9,520	-	-	1,913	1,913	-	-	7,607	7,607	-	-
2010	WECC		Central Arizona Water Conservation District	U.S.	146,772	146,772	-	-	29,489	29,489	-	-	117,283	117,283	-	-
2010	WECC		Central Electric Cooperative	U.S.	37,967	37,967	-	-	7,628	7,628	-	-	30,339	30,339	-	-
2010	WECC		Central Lincoln PUD	U.S.	73,398	73,398	-	-	14,747	14,747	-	-	58,652	58,652	-	-
2010	WECC		Central Montana Electric Power Cooperative	U.S.	3,577	3,577	-	-	719	719	-	-	2,858	2,858	-	-
2010	WECC		Central Montana Electric Power Cooperative	U.S.	3,505	3,505	-	-	704	704	-	-	2,801	2,801	-	-
2010	WECC		City of Albion	U.S.	188	188	-	-	38	38	-	-	150	150	-	-
2010	WECC		City of Aztec Electric Dept	U.S.	2,110	2,110	-	-	424	424	-	-	1,686	1,686	-	-
2010	WECC		City of Bandon	U.S.	3,632	3,632	-	-	730	730	-	-	2,902	2,902	-	-
2010	WECC		City of Blaine	U.S.	4,136	4,136	-	-	831	831	-	-	3,305	3,305	-	-
2010	WECC		City of Bonners Ferry	U.S.	3,816	3,816	-	-	767	767	-	-	3,049	3,049	-	-
2010	WECC		City of Boulder City	U.S.	9,454	9,454	-	-	1,900	1,900	-	-	7,555	7,555	-	-
2010	WECC		City of Burley	U.S.	6,620	6,620	-	-	1,330	1,330	-	-	5,290	5,290	-	-
2010	WECC		City of Burlington	U.S.	1,788	1,788	-	-	359	359	-	-	1,429	1,429	-	-
2010	WECC		City of Cascade Locks	U.S.	1,086	1,086	-	-	218	218	-	-	868	868	-	-

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	WECC		City of Centralia	U.S.	14,947	14,947	-	-	3,003	3,003	-	-	11,944	11,944	-	-
2010	WECC		City of Cheney	U.S.	7,726	7,726	-	-	1,552	1,552	-	-	6,173	6,173	-	-
2010	WECC		City of Chewelah	U.S.	1,330	1,330	-	-	267	267	-	-	1,063	1,063	-	-
2010	WECC		City of Declo	U.S.	167	167	-	-	34	34	-	-	133	133	-	-
2010	WECC		City of Drain	U.S.	859	859	-	-	173	173	-	-	687	687	-	-
2010	WECC		City of Ellensburg	U.S.	12,025	12,025	-	-	2,416	2,416	-	-	9,609	9,609	-	-
2010	WECC		City of Fallon	U.S.	6,388	6,388	-	-	1,283	1,283	-	-	5,104	5,104	-	-
2010	WECC		City of Forest Grove	U.S.	12,959	12,959	-	-	2,604	2,604	-	-	10,355	10,355	-	-
2010	WECC		City of Gallup	U.S.	12,707	12,707	-	-	2,553	2,553	-	-	10,154	10,154	-	-
2010	WECC		City of Hermiston, DBA Hermiston Energy Services	U.S.	6,008	6,008	-	-	1,207	1,207	-	-	4,801	4,801	-	-
2010	WECC		City of Heyburn	U.S.	2,310	2,310	-	-	464	464	-	-	1,846	1,846	-	-
2010	WECC		City of Las Vegas	U.S.	2,782	2,782	-	-	559	559	-	-	2,223	2,223	-	-
2010	WECC		City of McCleary	U.S.	1,699	1,699	-	-	341	341	-	-	1,358	1,358	-	-
2010	WECC		City of McMinnville	U.S.	39,240	39,240	-	-	7,884	7,884	-	-	31,356	31,356	-	-
2010	WECC		City of Mesa	U.S.	13,879	13,879	-	-	2,788	2,788	-	-	11,090	11,090	-	-
2010	WECC		City of Milton	U.S.	3,470	3,470	-	-	697	697	-	-	2,773	2,773	-	-
2010	WECC		City of Milton-Freewater	U.S.	6,019	6,019	-	-	1,209	1,209	-	-	4,810	4,810	-	-
2010	WECC		City of Minidoka	U.S.	56	56	-	-	11	11	-	-	45	45	-	-
2010	WECC		City of Monmouth	U.S.	3,817	3,817	-	-	767	767	-	-	3,050	3,050	-	-
2010	WECC		City of Needles	U.S.	412	412	-	-	83	83	-	-	329	329	-	-
2010	WECC		City of Needles	U.S.	1,720	1,720	-	-	346	346	-	-	1,374	1,374	-	-
2010	WECC		City of Plummer	U.S.	1,911	1,911	-	-	384	384	-	-	1,527	1,527	-	-
2010	WECC		City of Port Angeles	U.S.	41,494	41,494	-	-	8,337	8,337	-	-	33,157	33,157	-	-
2010	WECC		City of Redding	U.S.	44,615	44,615	-	-	8,964	8,964	-	-	35,651	35,651	-	-
2010	WECC		City of Richland	U.S.	46,687	46,687	-	-	9,380	9,380	-	-	37,307	37,307	-	-
2010	WECC		City of Roseville	U.S.	67,063	67,063	-	-	13,474	13,474	-	-	53,589	53,589	-	-
2010	WECC		City of Rupert	U.S.	4,422	4,422	-	-	888	888	-	-	3,534	3,534	-	-
2010	WECC		City of Shasta Lake	U.S.	9,394	9,394	-	-	1,887	1,887	-	-	7,506	7,506	-	-
2010	WECC		City of Sumas	U.S.	1,711	1,711	-	-	344	344	-	-	1,367	1,367	-	-
2010	WECC		City of Tacoma DBA Tacoma Power	U.S.	20	20	-	-	4	4	-	-	16	16	-	-
2010	WECC		City of Tacoma DBA Tacoma Power	U.S.	270,377	270,377	-	-	54,323	54,323	-	-	216,054	216,054	-	-
2010	WECC		City of Troy	U.S.	964	964	-	-	194	194	-	-	770	770	-	-
2010	WECC		City of Weiser	U.S.	2,971	2,971	-	-	597	597	-	-	2,374	2,374	-	-
2010	WECC		City of Williams	U.S.	2,190	2,190	-	-	440	440	-	-	1,750	1,750	-	-
2010	WECC		Clark Public Utilities	U.S.	243,562	243,562	-	-	48,935	48,935	-	-	194,627	194,627	-	-
2010	WECC		Clatskanie PUD	U.S.	43,527	43,527	-	-	8,745	8,745	-	-	34,782	34,782	-	-
2010	WECC		Clearwater Cooperative, Inc	U.S.	8,695	8,695	-	-	1,747	1,747	-	-	6,948	6,948	-	-
2010	WECC		Clearwater Cooperative, Inc	U.S.	2,172	2,172	-	-	436	436	-	-	1,736	1,736	-	-
2010	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	454	454	-	-	91	91	-	-	363	363	-	-
2010	WECC		Colorado River Commission of Nevada	U.S.	39,272	39,272	-	-	7,890	7,890	-	-	31,382	31,382	-	-
2010	WECC		Colorado Springs Utilities	U.S.	3,285	3,285	-	-	660	660	-	-	2,625	2,625	-	-
2010	WECC		Colorado Springs Utilities	U.S.	250,428	250,428	-	-	48,844	48,844	-	-	201,584	201,584	-	-
2010	WECC		Columbia Basin Electric Cooperative, Inc.	U.S.	5,672	5,672	-	-	1,140	1,140	-	-	4,532	4,532	-	-
2010	WECC		Columbia Falls Aluminum Company	U.S.	256	256	-	-	51	51	-	-	204	204	-	-
2010	WECC		Columbia Power Cooperative Association	U.S.	1,150	1,150	-	-	231	231	-	-	919	919	-	-
2010	WECC		Columbia River PUD	U.S.	8,959	8,959	-	-	1,800	1,800	-	-	7,159	7,159	-	-
2010	WECC		Columbia River PUD	U.S.	17,074	17,074	-	-	3,430	3,430	-	-	13,644	13,644	-	-
2010	WECC		Columbia Rural Electric Association (REA)	U.S.	16,299	16,299	-	-	3,275	3,275	-	-	13,025	13,025	-	-
2010	WECC		Consolidated Irrigation District No. 19	U.S.	323	323	-	-	65	65	-	-	258	258	-	-
2010	WECC		Constellation New Energy, Inc.	U.S.	1,167	1,167	-	-	234	234	-	-	933	933	-	-
2010	WECC		Consumers Power, Inc.	U.S.	22,427	22,427	-	-	4,506	4,506	-	-	17,921	17,921	-	-
2010	WECC		Coos-Curry Electric Cooperative, Inc	U.S.	19,684	19,684	-	-	3,955	3,955	-	-	15,730	15,730	-	-
2010	WECC		CP Energy Marketing (US) Inc.	U.S.	3,936	3,936	-	-	791	791	-	-	3,145	3,145	-	-
2010	WECC		Deseret Generation & Transmission Cooperative	U.S.	1,411	1,411	-	-	284	284	-	-	1,128	1,128	-	-
2010	WECC		Deseret Generation & Transmission Cooperative	U.S.	9,836	9,836	-	-	1,751	1,751	-	-	8,086	8,086	-	-
2010	WECC		Douglas Electric Cooperative, Inc.	U.S.	5,174	5,174	-	-	1,039	1,039	-	-	4,134	4,134	-	-
2010	WECC		Douglas Palisades	U.S.	974	974	-	-	196	196	-	-	778	778	-	-
2010	WECC		East End Mutual Electric Company, LTD	U.S.	1,237	1,237	-	-	248	248	-	-	988	988	-	-
2010	WECC		El Paso Electric Company	U.S.	445,521	445,521	-	-	89,512	89,512	-	-	356,010	356,010	-	-
2010	WECC		Electrical District #2	U.S.	9,613	9,613	-	-	1,931	1,931	-	-	7,681	7,681	-	-
2010	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	94	94	-	-	19	19	-	-	75	75	-	-
2010	WECC		Electrical District No. 6 of Pinal County	U.S.	69	69	-	-	14	14	-	-	55	55	-	-
2010	WECC		Electrical District No. 7 of Maricopa County	U.S.	2,785	2,785	-	-	560	560	-	-	2,226	2,226	-	-
2010	WECC		Electrical District No. 8 of Maricopa County	U.S.	12,819	12,819	-	-	2,575	2,575	-	-	10,243	10,243	-	-
2010	WECC		Electrical Districts 1 & 3	U.S.	30,796	30,796	-	-	6,187	6,187	-	-	24,608	24,608	-	-
2010	WECC		Elmhurst Mutual Power & Light Company	U.S.	14,891	14,891	-	-	2,992	2,992	-	-	11,899	11,899	-	-
2010	WECC		Emerald PUD	U.S.	27,636	27,636	-	-	5,552	5,552	-	-	22,083	22,083	-	-
2010	WECC		Energy Northwest	U.S.	2,704	2,704	-	-	543	543	-	-	2,161	2,161	-	-
2010	WECC		Eugene Water & Electric Board	U.S.	136,382	136,382	-	-	27,401	27,401	-	-	108,981	108,981	-	-

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	WECC		Farmers Electric Company, LTD	U.S.	242	242	-	-	49	49	-	-	193	193	-	-
2010	WECC		Farmington Electric Utility System	U.S.	59,496	59,496	-	-	11,954	11,954	-	-	47,542	47,542	-	-
2010	WECC		Flathead Electric Cooperative, Inc	U.S.	78,836	78,836	-	-	15,839	15,839	-	-	62,996	62,996	-	-
2010	WECC		Frederickson Power LP	U.S.	193	193	-	-	39	39	-	-	154	154	-	-
2010	WECC		Glacier Electric Cooperative, Inc.	U.S.	9,979	9,979	-	-	2,005	2,005	-	-	7,974	7,974	-	-
2010	WECC		Grand Valley Power	U.S.	12,935	12,935	-	-	2,599	2,599	-	-	10,336	10,336	-	-
2010	WECC		Harney Electric Cooperative, Inc.	U.S.	6,105	6,105	-	-	1,227	1,227	-	-	4,878	4,878	-	-
2010	WECC		Harney Electric Cooperative, Inc.	U.S.	3,867	3,867	-	-	777	777	-	-	3,090	3,090	-	-
2010	WECC		Harquahala Valley Power District	U.S.	3,358	3,358	-	-	675	675	-	-	2,684	2,684	-	-
2010	WECC		Hermiston Power LLC	U.S.	119	119	-	-	24	24	-	-	95	95	-	-
2010	WECC		Holy Cross Energy	U.S.	46,742	46,742	-	-	9,391	9,391	-	-	37,351	37,351	-	-
2010	WECC		Hood River Electric Cooperative	U.S.	2,200	2,200	-	-	442	442	-	-	1,758	1,758	-	-
2010	WECC		Idaho County Light and Power Cooperative Association, Inc.	U.S.	3,043	3,043	-	-	611	611	-	-	2,431	2,431	-	-
2010	WECC		Idaho Power Company	U.S.	810,215	810,215	-	-	162,784	162,784	-	-	647,431	647,431	-	-
2010	WECC		Idaho Power Company - BPA	U.S.	1,036	1,036	-	-	208	208	-	-	828	828	-	-
2010	WECC		Imperial Irrigation District	U.S.	196,697	196,697	-	-	39,519	39,519	-	-	157,178	157,178	-	-
2010	WECC		Inland Power and Light Company	U.S.	24,616	24,616	-	-	4,946	4,946	-	-	19,670	19,670	-	-
2010	WECC		Inland Power and Light Company	U.S.	25,565	25,565	-	-	5,136	5,136	-	-	20,428	20,428	-	-
2010	WECC		Intermountain Rural Electric Association	U.S.	70,418	70,418	-	-	14,148	14,148	-	-	56,270	56,270	-	-
2010	WECC		Kirtland AFB	U.S.	24,256	24,256	-	-	4,873	4,873	-	-	19,382	19,382	-	-
2010	WECC		Kootenai Electric Cooperative, Inc.	U.S.	25,154	25,154	-	-	5,054	5,054	-	-	20,100	20,100	-	-
2010	WECC		Lakeview Light & Power	U.S.	15,273	15,273	-	-	3,069	3,069	-	-	12,204	12,204	-	-
2010	WECC		Lane Electric Cooperative, Inc.	U.S.	12,274	12,274	-	-	2,466	2,466	-	-	9,808	9,808	-	-
2010	WECC		Las Vegas Valley Water District	U.S.	5,210	5,210	-	-	1,047	1,047	-	-	4,163	4,163	-	-
2010	WECC		Lincoln County Power District No. 1	U.S.	3,698	3,698	-	-	743	743	-	-	2,955	2,955	-	-
2010	WECC		Lincoln Electric Cooperative, Inc.	U.S.	6,439	6,439	-	-	1,294	1,294	-	-	5,145	5,145	-	-
2010	WECC		Los Angeles Department of Water and Power	U.S.	1,565,345	1,565,345	-	-	314,501	314,501	-	-	1,250,844	1,250,844	-	-
2010	WECC		Maricopa County Municipal Water Conservation District No. 1	U.S.	2,350	2,350	-	-	472	472	-	-	1,878	1,878	-	-
2010	WECC		McMullen Valley Water Conservation & Drainage District	U.S.	3,551	3,551	-	-	713	713	-	-	2,837	2,837	-	-
2010	WECC		Merced Irrigation District	U.S.	24,313	24,313	-	-	4,885	4,885	-	-	19,428	19,428	-	-
2010	WECC		Midstate Electric Cooperative, Inc.	U.S.	22,037	22,037	-	-	4,428	4,428	-	-	17,609	17,609	-	-
2010	WECC		Mission Valley Power	U.S.	21,688	21,688	-	-	4,357	4,357	-	-	17,331	17,331	-	-
2010	WECC		Missoula Electric Cooperative, Inc.	U.S.	12,534	12,534	-	-	2,518	2,518	-	-	10,016	10,016	-	-
2010	WECC		Modern Electric Water Company	U.S.	12,841	12,841	-	-	2,580	2,580	-	-	10,261	10,261	-	-
2010	WECC		Modesto Irrigation District	U.S.	137,868	137,868	-	-	27,700	27,700	-	-	110,168	110,168	-	-
2010	WECC		Montana-Dakota Utilities Co.	U.S.	1,197	1,197	-	-	240	240	-	-	956	956	-	-
2010	WECC		Mt. Wheeler Power	U.S.	24,007	24,007	-	-	4,823	4,823	-	-	19,184	19,184	-	-
2010	WECC		Municipal Energy Agency of Nebraska	U.S.	20,891	20,891	-	-	4,197	4,197	-	-	16,694	16,694	-	-
2010	WECC		Municipal Energy Agency of Nebraska	U.S.	36,332	36,332	-	-	7,060	7,060	-	-	29,272	29,272	-	-
2010	WECC		Navajo Tribal Utility Authority	U.S.	2,156	2,156	-	-	433	433	-	-	1,723	1,723	-	-
2010	WECC		Navajo Tribal Utility Authority	U.S.	16,766	16,766	-	-	3,369	3,369	-	-	13,397	13,397	-	-
2010	WECC		Navopache Electric Cooperative, Inc.	U.S.	23,447	23,447	-	-	4,711	4,711	-	-	18,736	18,736	-	-
2010	WECC		Nebraska Public Power Marketing	U.S.	207	207	-	-	40	40	-	-	166	166	-	-
2010	WECC		Nespelem Valley Electric Cooperative, Inc.	U.S.	2,785	2,785	-	-	559	559	-	-	2,225	2,225	-	-
2010	WECC		Nevada Power Company dba NV Energy	U.S.	1,201,563	1,201,563	-	-	241,412	241,412	-	-	960,151	960,151	-	-
2010	WECC		Noble Americas Energy Solutions, LLC	U.S.	54,439	54,439	-	-	10,938	10,938	-	-	43,501	43,501	-	-
2010	WECC		Northern Lights, Inc.	U.S.	1,494	1,494	-	-	300	300	-	-	1,194	1,194	-	-
2010	WECC		Northern Lights, Inc.	U.S.	18,115	18,115	-	-	3,640	3,640	-	-	14,475	14,475	-	-
2010	WECC		Northern Lights, Inc.	U.S.	565	565	-	-	113	113	-	-	451	451	-	-
2010	WECC		Northern Wasco County PUD	U.S.	32,405	32,405	-	-	6,511	6,511	-	-	25,895	25,895	-	-
2010	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	485,975	485,975	-	-	97,640	97,640	-	-	388,336	388,336	-	-
2010	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	16,721	16,721	-	-	3,359	3,359	-	-	13,361	13,361	-	-
2010	WECC		Ohop Mutual Light Company	U.S.	4,663	4,663	-	-	937	937	-	-	3,726	3,726	-	-
2010	WECC		Orcas Power and Light Cooperative	U.S.	11,364	11,364	-	-	2,283	2,283	-	-	9,081	9,081	-	-
2010	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	18,192	18,192	-	-	3,655	3,655	-	-	14,537	14,537	-	-
2010	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	17,547	17,547	-	-	3,525	3,525	-	-	14,021	14,021	-	-
2010	WECC		Overton Power District No. 5	U.S.	20,784	20,784	-	-	4,176	4,176	-	-	16,608	16,608	-	-
2010	WECC		PacifiCorp	U.S.	2,947	2,947	-	-	592	592	-	-	2,355	2,355	-	-
2010	WECC		PacifiCorp	U.S.	2,569,201	2,569,201	-	-	516,191	516,191	-	-	2,053,010	2,053,010	-	-
2010	WECC		PacifiCorp	U.S.	99	99	-	-	20	20	-	-	79	79	-	-
2010	WECC		PacifiCorp	U.S.	12,876	12,876	-	-	2,515	2,515	-	-	10,361	10,361	-	-
2010	WECC		PacifiCorp West (PACW)	U.S.	1,143,397	1,143,397	-	-	229,725	229,725	-	-	913,671	913,671	-	-
2010	WECC		Page Electric Utility	U.S.	892	892	-	-	179	179	-	-	713	713	-	-
2010	WECC		Parkland Light and Water Company	U.S.	6,539	6,539	-	-	1,314	1,314	-	-	5,225	5,225	-	-
2010	WECC		Pend Oreille County PUD No. 1	U.S.	54,168	54,168	-	-	10,883	10,883	-	-	43,285	43,285	-	-
2010	WECC		Peninsula Light Company, Inc.	U.S.	33,092	33,092	-	-	6,649	6,649	-	-	26,443	26,443	-	-
2010	WECC		Platte River Power Authority	U.S.	175,955	175,955	-	-	35,352	35,352	-	-	140,603	140,603	-	-
2010	WECC		Port of Seattle - Seattle-Tacoma International Airport	U.S.	8,035	8,035	-	-	1,614	1,614	-	-	6,420	6,420	-	-
2010	WECC		Port Townsend Paper Corporation	U.S.	11,500	11,500	-	-	2,310	2,310	-	-	9,189	9,189	-	-

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	WECC		Portland General Electric Company	U.S.	2,497	2,497	-	-	502	502	-	-	1,995	1,995	-	-
2010	WECC		Portland General Electric Company	U.S.	1,025,539	1,025,539	-	-	206,046	206,046	-	-	819,493	819,493	-	-
2010	WECC		Public Service Company of Colorado (Xcel)	U.S.	1,710,948	1,710,948	-	-	343,755	343,755	-	-	1,367,193	1,367,193	-	-
2010	WECC		Public Service Company of Colorado (Xcel)	U.S.	1,905	1,905	-	-	371	371	-	-	1,533	1,533	-	-
2010	WECC		Public Service Company of New Mexico	U.S.	582,644	582,644	-	-	117,062	117,062	-	-	465,582	465,582	-	-
2010	WECC		Public Utility District No. 1 of Chelan County	U.S.	174,420	174,420	-	-	35,044	35,044	-	-	139,376	139,376	-	-
2010	WECC		PUD No. 1 of Asotin County	U.S.	251	251	-	-	50	50	-	-	201	201	-	-
2010	WECC		PUD No. 1 of Asotin County	U.S.	19	19	-	-	4	4	-	-	15	15	-	-
2010	WECC		PUD No. 1 of Benton County	U.S.	91,593	91,593	-	-	18,402	18,402	-	-	73,190	73,190	-	-
2010	WECC		PUD No. 1 of Clallam County	U.S.	36,493	36,493	-	-	7,332	7,332	-	-	29,161	29,161	-	-
2010	WECC		PUD No. 1 of Cowlitz County	U.S.	279,103	279,103	-	-	56,076	56,076	-	-	223,027	223,027	-	-
2010	WECC		PUD No. 1 of Douglas County	U.S.	491	491	-	-	99	99	-	-	393	393	-	-
2010	WECC		PUD No. 1 of Douglas County	U.S.	74,413	74,413	-	-	14,951	14,951	-	-	59,462	59,462	-	-
2010	WECC		PUD No. 1 of Ferry County	U.S.	5,522	5,522	-	-	1,109	1,109	-	-	4,412	4,412	-	-
2010	WECC		PUD No. 1 of Franklin County	U.S.	55,082	55,082	-	-	11,067	11,067	-	-	44,015	44,015	-	-
2010	WECC		PUD No. 1 of Grays Harbor	U.S.	59,625	59,625	-	-	11,980	11,980	-	-	47,646	47,646	-	-
2010	WECC		PUD No. 1 of Kittitas County	U.S.	3,176	3,176	-	-	638	638	-	-	2,538	2,538	-	-
2010	WECC		PUD No. 1 of Kittitas County	U.S.	407	407	-	-	82	82	-	-	325	325	-	-
2010	WECC		PUD No. 1 of Kittitas County	U.S.	898	898	-	-	180	180	-	-	717	717	-	-
2010	WECC		PUD No. 1 of Klickitat County	U.S.	14,884	14,884	-	-	2,990	2,990	-	-	11,893	11,893	-	-
2010	WECC		PUD No. 1 of Lewis County	U.S.	51,906	51,906	-	-	10,429	10,429	-	-	41,478	41,478	-	-
2010	WECC		PUD No. 1 of Mason County	U.S.	4,198	4,198	-	-	843	843	-	-	3,354	3,354	-	-
2010	WECC		PUD No. 1 of Skamania County	U.S.	7,362	7,362	-	-	1,479	1,479	-	-	5,883	5,883	-	-
2010	WECC		PUD No. 1 of Snohomish County	U.S.	381,451	381,451	-	-	76,639	76,639	-	-	304,812	304,812	-	-
2010	WECC		PUD No. 1 of Wahkiakum County	U.S.	2,342	2,342	-	-	471	471	-	-	1,871	1,871	-	-
2010	WECC		PUD No. 1 of Whatcom County	U.S.	11,834	11,834	-	-	2,378	2,378	-	-	9,456	9,456	-	-
2010	WECC		PUD No. 1 of Whatcom County	U.S.	714	714	-	-	143	143	-	-	570	570	-	-
2010	WECC		PUD No. 2 of Grant County	U.S.	4,584	4,584	-	-	921	921	-	-	3,663	3,663	-	-
2010	WECC		PUD No. 2 of Grant County	U.S.	2,488	2,488	-	-	500	500	-	-	1,988	1,988	-	-
2010	WECC		PUD No. 2 of Grant County	U.S.	209,571	209,571	-	-	42,106	42,106	-	-	167,465	167,465	-	-
2010	WECC		PUD No. 2 of Pacific County	U.S.	16,456	16,456	-	-	3,306	3,306	-	-	13,150	13,150	-	-
2010	WECC		PUD No. 3 of Mason County	U.S.	37,650	37,650	-	-	7,564	7,564	-	-	30,085	30,085	-	-
2010	WECC		Puget Sound Energy, Inc.	U.S.	1,337,595	1,337,595	-	-	268,743	268,743	-	-	1,068,852	1,068,852	-	-
2010	WECC		Raft River Electric Cooperative	U.S.	13,020	13,020	-	-	2,616	2,616	-	-	10,404	10,404	-	-
2010	WECC		Ravalli County Electric Cooperative, Inc.	U.S.	8,539	8,539	-	-	1,716	1,716	-	-	6,824	6,824	-	-
2010	WECC		Riverside Electric Copmpany, Ltd	U.S.	1,081	1,081	-	-	217	217	-	-	864	864	-	-
2010	WECC		Rocky Mountain Generation Cooperative, Inc.	U.S.	2,435	2,435	-	-	475	475	-	-	1,960	1,960	-	-
2010	WECC		Roosevelt Irrigation District	U.S.	1,606	1,606	-	-	323	323	-	-	1,283	1,283	-	-
2010	WECC		Sacramento Municipal Utility District	U.S.	613,784	613,784	-	-	123,318	123,318	-	-	490,465	490,465	-	-
2010	WECC		Salem Electric	U.S.	17,781	17,781	-	-	3,572	3,572	-	-	14,209	14,209	-	-
2010	WECC		Salt River Project	U.S.	1,546,652	1,546,652	-	-	310,746	310,746	-	-	1,235,907	1,235,907	-	-
2010	WECC		San Carlos Indian Irrigation Project	U.S.	8	8	-	-	2	2	-	-	6	6	-	-
2010	WECC		Seattle City Light	U.S.	547,938	547,938	-	-	110,089	110,089	-	-	437,849	437,849	-	-
2010	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	486,288	486,288	-	-	97,703	97,703	-	-	388,586	388,586	-	-
2010	WECC		South Side Electric, Inc	U.S.	3,088	3,088	-	-	620	620	-	-	2,468	2,468	-	-
2010	WECC		Southern Montana Electric Generation & Transmission	U.S.	41,498	41,498	-	-	8,338	8,338	-	-	33,160	33,160	-	-
2010	WECC		Southern Nevada Water Authority	U.S.	45,350	45,350	-	-	9,112	9,112	-	-	36,239	36,239	-	-
2010	WECC		Southwest Transmission Cooperative, Inc.	U.S.	146,592	146,592	-	-	29,453	29,453	-	-	117,140	117,140	-	-
2010	WECC		Springfield Utility Board	U.S.	46,026	46,026	-	-	9,247	9,247	-	-	36,779	36,779	-	-
2010	WECC		Surprise Valley Electrification Corporation	U.S.	1,817	1,817	-	-	365	365	-	-	1,452	1,452	-	-
2010	WECC		Tanner Electric Cooperative	U.S.	5,162	5,162	-	-	1,037	1,037	-	-	4,125	4,125	-	-
2010	WECC		The Incorporated County of Los Alamos	U.S.	19,805	19,805	-	-	3,979	3,979	-	-	15,826	15,826	-	-
2010	WECC		Tillamook People's Utility District	U.S.	20,244	20,244	-	-	4,067	4,067	-	-	16,176	16,176	-	-
2010	WECC		Tohono O'Odham Utility Authority	U.S.	3,680	3,680	-	-	739	739	-	-	2,940	2,940	-	-
2010	WECC		Tonopah Irrigation District	U.S.	1,164	1,164	-	-	234	234	-	-	931	931	-	-
2010	WECC		Town of Center	U.S.	698	698	-	-	140	140	-	-	558	558	-	-
2010	WECC		Town of Coulee	U.S.	808	808	-	-	162	162	-	-	646	646	-	-
2010	WECC		Town of Eatonville	U.S.	1,572	1,572	-	-	316	316	-	-	1,256	1,256	-	-
2010	WECC		Town of Fredonia	U.S.	74	74	-	-	15	15	-	-	59	59	-	-
2010	WECC		Town of Steilacoom	U.S.	2,230	2,230	-	-	448	448	-	-	1,782	1,782	-	-
2010	WECC		Town of Wickenburg	U.S.	1,546	1,546	-	-	311	311	-	-	1,236	1,236	-	-
2010	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	107,160	107,160	-	-	21,530	21,530	-	-	85,630	85,630	-	-
2010	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	422,889	422,889	-	-	82,643	82,643	-	-	340,246	340,246	-	-
2010	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	1,785	1,785	-	-	359	359	-	-	1,426	1,426	-	-
2010	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	144,296	144,296	-	-	28,991	28,991	-	-	115,305	115,305	-	-
2010	WECC		Truckee Donner Public Utility District	U.S.	8,453	8,453	-	-	1,698	1,698	-	-	6,754	6,754	-	-
2010	WECC		Tucson Electric Power Company	U.S.	754,848	754,848	-	-	151,660	151,660	-	-	603,188	603,188	-	-
2010	WECC		Turlock Irrigation District	U.S.	110,965	110,965	-	-	22,295	22,295	-	-	88,670	88,670	-	-
2010	WECC		U.S. Army Yuma Proving Ground	U.S.	1,042	1,042	-	-	209	209	-	-	833	833	-	-

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	WECC		U.S. Boia Wapato Irrigation Project	U.S.	980	980	-	-	197	197	-	-	783	783	-	-
2010	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	172	172	-	-	35	35	-	-	137	137	-	-
2010	WECC		U.S. Bor Spokane Indian Development`	U.S.	137	137	-	-	28	28	-	-	110	110	-	-
2010	WECC		U.S. DOE National Energy Technology Laboratory	U.S.	224	224	-	-	45	45	-	-	179	179	-	-
2010	WECC		U.S. DOE Richland Operations Office	U.S.	10,814	10,814	-	-	2,173	2,173	-	-	8,641	8,641	-	-
2010	WECC		Umatilla Electric Cooperative Association	U.S.	51,266	51,266	-	-	10,300	10,300	-	-	40,966	40,966	-	-
2010	WECC		Unit B Irrigation District	U.S.	1	1	-	-	0	0	-	-	1	1	-	-
2010	WECC		United Electric Cooperative	U.S.	14,338	14,338	-	-	2,881	2,881	-	-	11,457	11,457	-	-
2010	WECC		US Air Force Base, Fairchild	U.S.	2,995	2,995	-	-	602	602	-	-	2,393	2,393	-	-
2010	WECC		USN Naval Station, Bremerton	U.S.	13,023	13,023	-	-	2,616	2,616	-	-	10,406	10,406	-	-
2010	WECC		USN Naval Station, Everett	U.S.	722	722	-	-	145	145	-	-	577	577	-	-
2010	WECC		USN Submarine Base, Bangor	U.S.	9,415	9,415	-	-	1,892	1,892	-	-	7,524	7,524	-	-
2010	WECC		Valley Electric Association, Inc.	U.S.	27,882	27,882	-	-	5,602	5,602	-	-	22,280	22,280	-	-
2010	WECC		Vera Water and Power	U.S.	12,536	12,536	-	-	2,519	2,519	-	-	10,017	10,017	-	-
2010	WECC		Vigilante Electric Cooperative, Inc.	U.S.	7,797	7,797	-	-	1,567	1,567	-	-	6,230	6,230	-	-
2010	WECC		Wasco Electric Cooperative	U.S.	5,240	5,240	-	-	1,053	1,053	-	-	4,187	4,187	-	-
2010	WECC		Wells Rural Electric Cooperative	U.S.	11,205	11,205	-	-	2,251	2,251	-	-	8,954	8,954	-	-
2010	WECC		Wells Rural Electric Cooperative	U.S.	35,317	35,317	-	-	7,096	7,096	-	-	28,221	28,221	-	-
2010	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	41	41	-	-	8	8	-	-	33	33	-	-
2010	WECC		West Oregon Electric Cooperative, Inc.	U.S.	3,095	3,095	-	-	622	622	-	-	2,473	2,473	-	-
2010	WECC		West Oregon Electric Cooperative, Inc.	U.S.	699	699	-	-	140	140	-	-	558	558	-	-
2010	WECC		Western Area Power - Loveland, CO	U.S.	20,381	20,381	-	-	4,095	4,095	-	-	16,286	16,286	-	-
2010	WECC		Western Area Power - Loveland, CO	U.S.	93,182	93,182	-	-	18,544	18,544	-	-	74,638	74,638	-	-
2010	WECC		Western Area Power Administration - CRSP	U.S.	98,486	98,486	-	-	15,533	15,533	-	-	82,953	82,953	-	-
2010	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	77,275	77,275	-	-	15,526	15,526	-	-	61,749	61,749	-	-
2010	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	128,636	128,636	-	-	25,845	25,845	-	-	102,791	102,791	-	-
2010	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	10,317	10,317	-	-	2,073	2,073	-	-	8,245	8,245	-	-
2010	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	1,087	1,087	-	-	212	212	-	-	875	875	-	-
2010	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	13,778	13,778	-	-	2,768	2,768	-	-	11,010	11,010	-	-
2010	WECC		Wyoming Municipal Power Agency	U.S.	12,093	12,093	-	-	2,360	2,360	-	-	9,732	9,732	-	-
2010	WECC		Yampa Valley Electric Association	U.S.	32,188	32,188	-	-	6,467	6,467	-	-	25,721	25,721	-	-
2010	WECC		Yuma Irrigation District	U.S.	175	175	-	-	35	35	-	-	140	140	-	-
2010	WECC		Yuma-Mesa Irrigation District	U.S.	9	9	-	-	2	2	-	-	7	7	-	-
			TOTAL WECC		46,383,481	39,429,687	6,334,873	618,921	9,163,140	7,922,012	1,123,507	117,621	37,220,341	31,507,675	5,211,366	501,301
									-							
	TOTAL ERO				160,942,119	144,102,400	16,220,798	618,921	50,661,272	46,132,189	4,411,462	117,621	110,280,847	97,970,211	11,809,335	501,301

Summary by Regional Entity													
2010	FRCC	7,127,869	7,127,869	-	-	2,703,019	2,703,019	-	-	4,424,850	4,424,850	-	-
2010	MRO	11,689,766	9,819,064	1,870,702	-	3,340,737	2,824,600	516,137	-	8,349,029	6,994,464	1,354,565	-
2010	NPCC	18,638,428	10,623,205	8,015,223	-	6,086,861	3,315,043	2,771,818	-	12,551,567	7,308,162	5,243,405	-
2010	RFC	24,336,094	24,336,094	-	-	10,801,822	10,801,822	-	-	13,534,272	13,534,272	-	-
2010	SERC	27,216,184	27,216,184	-	-	12,370,909	12,370,909	-	-	14,845,275	14,845,275	-	-
2010	SPP	12,488,037	12,488,037	-	-	2,636,390	2,636,390	-	-	9,851,647	9,851,647	-	-
2010	TRE	13,062,261	13,062,261	-	-	3,558,395	3,558,395	-	-	9,503,866	9,503,866	-	-
2010	WECC	46,383,481	39,429,687	6,334,873	618,921	9,163,140	7,922,012	1,123,507	117,621	37,220,341	31,507,675	5,211,366	501,301
Total		160,942,119	144,102,400	16,220,798	618,921	50,661,272	46,132,189	4,411,462	117,621	110,280,847	97,970,211	11,809,335	501,301

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				NERC IDC Assessments		
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total
2010	FRCC	1074	Alachua, City of	U.S.	1,497	1,497	-	-	1,396	1,396	-	-	-	-	39	39	-	-	62	62	-
2010	FRCC	1075	Bartow, City of	U.S.	3,613	3,613	-	-	3,370	3,370	-	-	-	-	94	94	-	-	149	149	-
2010	FRCC	1076	Chattahoochee, City of	U.S.	557	557	-	-	519	519	-	-	-	-	14	14	-	-	23	23	-
2010	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	7,936	7,936	-	-	7,402	7,402	-	-	-	-	205	205	-	-	328	328	-
2010	FRCC	1078	Florida Power & Light Co.	U.S.	1,303,163	1,303,163	-	-	1,215,565	1,215,565	-	-	-	-	33,733	33,733	-	-	53,865	53,865	-
2010	FRCC	1079	Florida Public Utilities Company	U.S.	4,664	4,664	-	-	4,351	4,351	-	-	-	-	121	121	-	-	193	193	-
2010	FRCC	1080	Gainesville Regional Utilities	U.S.	23,343	23,343	-	-	21,774	21,774	-	-	-	-	604	604	-	-	965	965	-
2010	FRCC	1081	Homestead, City of	U.S.	5,639	5,639	-	-	5,260	5,260	-	-	-	-	146	146	-	-	233	233	-
2010	FRCC	1082	JEA	U.S.	155,933	155,933	-	-	145,451	145,451	-	-	-	-	4,036	4,036	-	-	6,445	6,445	-
2010	FRCC	1083	Lakeland Electric	U.S.	36,164	36,164	-	-	33,733	33,733	-	-	-	-	936	936	-	-	1,495	1,495	-
2010	FRCC		Lee County Electric Cooperative	U.S.	14,045	14,045	-	-	13,101	13,101	-	-	-	-	364	364	-	-	581	581	-
2010	FRCC	1084	Mount Dora, City of	U.S.	1,172	1,172	-	-	1,093	1,093	-	-	-	-	30	30	-	-	48	48	-
2010	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	4,826	4,826	-	-	4,502	4,502	-	-	-	-	125	125	-	-	199	199	-
2010	FRCC	1086	Orlando Utilities Commission	U.S.	67,153	67,153	-	-	62,639	62,639	-	-	-	-	1,738	1,738	-	-	2,776	2,776	-
2010	FRCC	1087	Progress Energy Florida	U.S.	492,565	492,565	-	-	459,455	459,455	-	-	-	-	12,750	12,750	-	-	20,360	20,360	-
2010	FRCC	1088	Quincy, City of	U.S.	1,788	1,788	-	-	1,668	1,668	-	-	-	-	46	46	-	-	74	74	-
2010	FRCC	1089	Reedy Creek Improvement District	U.S.	14,271	14,271	-	-	13,311	13,311	-	-	-	-	369	369	-	-	590	590	-
2010	FRCC	1090	St. Cloud, City of (OUC)	U.S.	7,205	7,205	-	-	6,721	6,721	-	-	-	-	187	187	-	-	298	298	-
2010	FRCC	1091	Tallahassee, City of	U.S.	34,006	34,006	-	-	31,720	31,720	-	-	-	-	880	880	-	-	1,406	1,406	-
2010	FRCC	1092	Tampa Electric Company	U.S.	236,246	236,246	-	-	220,366	220,366	-	-	-	-	6,115	6,115	-	-	9,765	9,765	-
2010	FRCC	1603	Vero Beach, City of	U.S.	9,119	9,119	-	-	8,506	8,506	-	-	-	-	236	236	-	-	377	377	-
2010	FRCC	1093	Wauchula, City of	U.S.	795	795	-	-	741	741	-	-	-	-	21	21	-	-	33	33	-
2010	FRCC	1094	Williston, City of	U.S.	422	422	-	-	394	394	-	-	-	-	11	11	-	-	17	17	-
2010	FRCC	1095	Winter Park, City of	U.S.	5,434	5,434	-	-	5,069	5,069	-	-	-	-	141	141	-	-	225	225	-
2010	FRCC	1072	Florida Municipal Power Agency	U.S.	73,082	73,082	-	-	68,169	68,169	-	-	-	-	1,892	1,892	-	-	3,021	3,021	-
2010	FRCC	1073	Seminole Electric Cooperative	U.S.	198,381	198,381	-	-	185,046	185,046	-	-	-	-	5,135	5,135	-	-	8,200	8,200	-
			TOTAL FRCC		2,703,019	2,703,019	-	-	2,521,323	2,521,323	-	-	-	-	69,969	69,969	-	-	111,726	111,726	-
					-																
2010	MRO	1199	Basin Electric Power Cooperative	U.S.	151,606	151,606	-	-	135,214	135,214	-	-	-	-	3,752	3,752	-	-	12,639	12,639	
2010	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	32,819	32,819	-	-	29,271	29,271	-	-	-	-	812	812	-	-	2,736	2,736	
2010	MRO	1204	Corn Belt Power Cooperative	U.S.	22,358	22,358	-	-	19,941	19,941	-	-	-	-	553	553	-	-	1,864	1,864	
2010	MRO	1207	Dairyland Power Cooperative	U.S.	63,759	63,759	-	-	56,865	56,865	-	-	-	-	1,578	1,578	-	-	5,315	5,315	
2010	MRO	1210	Great River Energy	U.S.	162,381	162,381	-	-	144,825	144,825	-	-	-	-	4,019	4,019	-	-	13,537	13,537	
2010	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	44,965	44,965	-	-	40,103	40,103	-	-	-	-	1,113	1,113	-	-	3,749	3,749	
2010	MRO	1230	Nebraska Public Power District	U.S.	157,626	157,626	-	-	140,584	140,584	-	-	-	-	3,901	3,901	-	-	13,141	13,141	
2010	MRO	1232	Omaha Public Power District	U.S.	139,446	139,446	-	-	124,369	124,369	-	-	-	-	3,451	3,451	-	-	11,625	11,625	
2010	MRO	1237	Southern Montana Generation and Transmission	U.S.	48	48	-	-	43	43	-	-	-	-	1	1	-	-	4	4	
2010	MRO	1240	Western Area Power Administration (UM)	U.S.	108,650	108,650	-	-	96,903	96,903	-	-	-	-	2,689	2,689	-	-	9,058	9,058	
2010	MRO	1239	Western Area Power Administration (LM)	U.S.	1,475	1,475	-	-	1,315	1,315	-	-	-	-	36	36	-	-	123	123	
2010	MRO	1217	Manitoba Hydro	CAN	265,889	-	265,889	-	237,142	-	237,142	-	-	-	6,581	-	6,581	-	22,166	-	22,166
2010	MRO	1235	SaskPower	CAN	250,248	-	250,248	-	223,191	-	223,191	-	-	-	6,194	-	6,194	-	20,862	-	20,862
2010	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	347,181	347,181	-	-	309,645	309,645	-	-	-	-	8,593	8,593	-	-	28,943	28,943	
2010	MRO	1216	Madison, Gas and Electric	U.S.	41,961	41,961	-	-	37,424	37,424	-	-	-	-	1,039	1,039	-	-	3,498	3,498	
2010	MRO	1220	MidAmerican Energy Company	U.S.	277,052	277,052	-	-	247,098	247,098	-	-	-	-	6,857	6,857	-	-	23,097	23,097	
2010	MRO	1221	Minnesota Power	U.S.	152,024	152,024	-	-	135,588	135,588	-	-	-	-	3,763	3,763	-	-	12,674	12,674	
2010	MRO	1226	Montana-Dakota Utilities Co.	U.S.	32,983	32,983	-	-	29,417	29,417	-	-	-	-	816	816	-	-	2,750	2,750	
2010	MRO	1231	NorthWestern Energy	U.S.	18,137	18,137	-	-	16,176	16,176	-	-	-	-	449	449	-	-	1,512	1,512	
2010	MRO	1233	Otter Tail Power Company	U.S.	52,675	52,675	-	-	46,980	46,980	-	-	-	-	1,304	1,304	-	-	4,391	4,391	
2010	MRO	1243	Integrys Energy Group (WPS and UPPCO)	U.S.	166,779	166,779	-	-	148,748	148,748	-	-	-	-	4,128	4,128	-	-	13,904	13,904	
2010	MRO	1244	Xcel Energy Company (NSP)	U.S.	560,400	560,400	-	-	499,811	499,811	-	-	-	-	13,870	13,870	-	-	46,719	46,719	
2010	MRO	1196	Ames Municipal Electric System	U.S.	9,615	9,615	-	-	8,575	8,575	-	-	-	-	238	238	-	-	802	802	
2010	MRO	1604	Atlantic Municipal Utilities	U.S.	984	984	-	-	878	878	-	-	-	-	24	24	-	-	82	82	
2010	MRO	1476	Badger Power Marketing Authority of Wisconsin, Inc.	U.S.	4,629	4,629	-	-	4,129	4,129	-	-	-	-	115	115	-	-	386	386	
2010	MRO	1200	Cedar Falls Municipal Utilities	U.S.	6,345	6,345	-	-	5,659	5,659	-	-	-	-	157	157	-	-	529	529	
2010	MRO	1477	Central Minnesota Municipal Power Agency (CMMPA)	U.S.	5,668	5,668	-	-	5,055	5,055	-	-	-	-	140	140	-	-	473	473	
2010	MRO	1605	City of Pella	U.S.	2,280	2,280	-	-	2,033	2,033	-	-	-	-	56	56	-	-	190	190	
2010	MRO	1203	Escanaba Municipal Electric Utility	U.S.	1,838	1,838	-	-	1,639	1,639	-	-	-	-	45	45	-	-	153	153	
2010	MRO	1205	Falls City Water & Light Department	U.S.	687	687	-	-	612	612	-	-	-	-	17	17	-	-	57	57	
2010	MRO	1206	Fremont Department of Utilities	U.S.	5,382	5,382	-	-	4,800	4,800	-	-	-	-	133	133	-	-	449	449	
2010	MRO	1208	Geneseo Municipal Utilities	U.S.	813	813	-	-	725	725	-	-	-	-	20	20	-	-	68	68	
2010	MRO	1209	Grand Island Utilities Department	U.S.	9,036	9,036	-	-	8,059	8,059	-	-	-	-	224	224	-	-	753	753	
2010	MRO	1606	Harlan Municipal Utilities	U.S.	230	230	-	-	206	206	-	-	-	-	6	6	-	-	19	19	
2010	MRO	1211	Hastings Utilities	U.S.	5,002	5,002	-	-	4,461	4,461	-	-	-	-	124	124	-	-	417	417	
2010	MRO	1212	Heartland Consumers Power District	U.S.	10,165	10,165	-	-	9,066	9,066	-	-	-	-	252	252	-	-	847	847	
2010	MRO	1213	Hutchinson Utilities Commission	U.S.	3,714	3,714	-	-	3,312	3,312	-	-	-	-	92	92	-	-	310	310	
2010	MRO	1215	Lincoln Electric System	U.S.	39,410	39,410	-	-	35,149	35,149	-	-	-	-	975	975	-	-	3,285	3,285	
2010	MRO	1218	Manitowoc Public Utilities	U.S.	6,251	6,251	-	-	5,575	5,575	-	-	-	-	155	155	-	-	521	521	
2010	MRO	1223	Missouri River Energy Services	U.S.	28,443	28,443	-	-	25,368	25,368	-	-	-	-	704	704	-	-	2,371	2,371	
2010	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	17,651	17,651	-	-	15,743	15,743	-	-	-	-	437	437	-	-	1,471	1,471	
2010	MRO	1607	Montezuma Municipal Light & Power	U.S.	402	402	-	-	358	358	-	-	-	-	10	10	-	-	33	33	
2010	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	13,849	13,849	-	-	12,351	12,351	-	-	-	-	343	343	-	-	1,155	1,155	
2010	MRO	1228	Muscatine Power and Water	U.S.	10,646	10,646	-	-	9,495	9,495	-	-	-	-	263	263	-	-	887	887	
2010	MRO	1229	Nebraska City Utilities	U.S.	2,113	2,113	-	-	1,885	1,885	-	-	-	-	52	52	-	-	176	176	
2010	MRO	1234	Rochester Public Utilities	U.S.	77	77	-	-	68	68	-	-	-	-	2	2	-	-	6	6	
2010	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	35,867	35,867	-	-	31,989	31,989	-	-	-	-	888	888	-	-	2,990	2,990	
2010	MRO	1241	Willmar Municipal Utilities	U.S.	3,168	3,168	-	-	2,826	2,826	-	-	-	-	78	78	-	-	264	264	
2010	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	66,010	66,010	-	-	58,873	58,873	-	-	-	-	1,634	1,634	-	-	5,503	5,503	
			TOTAL MRO		3,340,737	2,824,600	516,137	-	2,979,545	2,519,212	460,334	-	-	-	82,685	69,911	12,775	-	278,506	235,477	43,029
					-																
2010	NPCC	1336	New England	U.S.	1,491,644	1,491,644	-	-	1,419,684	1,419,684	-	-	-	-	39,398	39,398	-	-	32,563	32,563	
2010	NPCC	1339	New York	U.S.	1,823,398	1,823,398	-	-	1,735,433	1,735,433	-	-	-	-	48,160	48,160	-	-	39,805	39,805	
2010	NPCC	1337	Ontario	Canada	1,028,513	-	1,028,513	-	1,529,281	-	1,529,281	-	-	-	(535,844)	-	(535,844)	-	35,077		35,077

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				NERC IDC Assessments		
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total
2010	NPCC	1341	Quebec	Canada	1,506,632	-	1,506,632	-	1,956,012	-	1,956,012	-	-	-	(494,245)	-	(494,245)	-	44,864		44,864
		1341	Quebec																		
		1572	Regie																		
2010	NPCC	1338	New Brunswick	Canada	98,427	-	98,427	-	146,349	-	146,349	-	-	-	(51,279)	-	(51,279)	-	3,357		3,357
2010	NPCC	1340	Nova Scotia	Canada	138,246	-	138,246	-	131,577	-	131,577	-	-	-	3,651	-	3,651	-	3,018		3,018
			TOTAL NPCC		6,086,861	3,315,043	2,771,818	-	6,918,336	3,155,117	3,763,219	-	-	-	(990,159)	87,558	(1,077,717)	-	158,684	72,368	86,316
					-																
2010	RFC	1104	Bay City	U.S.	3,931	3,931	-	-	3,672	3,672	-	-	-	-	102	102	-	-	157	157	
2010	RFC	1102	Cannelton Utilities	U.S.	200	200	-	-	187	187	-	-	-	-	5	5	-	-	8	8	
2010	RFC	1105	City of Chelsea	U.S.	1,116	1,116	-	-	1,043	1,043	-	-	-	-	29	29	-	-	45	45	
2010	RFC	1106	City of Croswell	U.S.	447	447	-	-	417	417	-	-	-	-	12	12	-	-	18	18	
2010	RFC	1108	City of Eaton Rapids	U.S.	1,055	1,055	-	-	985	985	-	-	-	-	27	27	-	-	42	42	
2010	RFC	1111	City of Hart	U.S.	491	491	-	-	458	458	-	-	-	-	13	13	-	-	20	20	
2010	RFC	1490	City of Lansing	U.S.	25,782	25,782	-	-	24,082	24,082	-	-	-	-	668	668	-	-	1,032	1,032	
2010	RFC	1112	City of Marquette Board of Light & Power	U.S.	3,894	3,894	-	-	3,637	3,637	-	-	-	-	101	101	-	-	156	156	
2010	RFC	1114	City of Portland	U.S.	425	425	-	-	397	397	-	-	-	-	11	11	-	-	17	17	
2010	RFC	1116	City of St. Louis	U.S.	462	462	-	-	432	432	-	-	-	-	12	12	-	-	19	19	
2010	RFC	1118	City of Wyandotte	U.S.	1,479	1,479	-	-	1,382	1,382	-	-	-	-	38	38	-	-	59	59	
2010	RFC	1120	Cloverland Electric Cooperative	U.S.	10,200	10,200	-	-	9,528	9,528	-	-	-	-	264	264	-	-	408	408	
2010	RFC	1122	CMS ERM Michigan LLC	U.S.	2,273	2,273	-	-	2,123	2,123	-	-	-	-	59	59	-	-	91	91	
2010	RFC	1124	Constellation New Energy (MECS-CONS)	U.S.	16,103	16,103	-	-	15,041	15,041	-	-	-	-	417	417	-	-	645	645	
2010	RFC	1123	Constellation New Energy (MECS-DET)	U.S.	13,802	13,802	-	-	12,892	12,892	-	-	-	-	358	358	-	-	552	552	
2010	RFC	1126	Consumers Energy Company	U.S.	385,709	385,709	-	-	360,274	360,274	-	-	-	-	9,998	9,998	-	-	15,438	15,438	
2010	RFC	1128	Detroit Edison Company	U.S.	524,853	524,853	-	-	490,241	490,241	-	-	-	-	13,605	13,605	-	-	21,007	21,007	
2010	RFC	1166	Duke Energy Indiana	U.S.	356,931	356,931	-	-	333,393	333,393	-	-	-	-	9,252	9,252	-	-	14,286	14,286	
2010	RFC	1135	Ferdinand Municipal Light & Water	U.S.	483	483	-	-	451	451	-	-	-	-	13	13	-	-	19	19	
2010	RFC	1549	FirstEnergy Solutions (MECS-DET)	U.S.	17,593	17,593	-	-	16,433	16,433	-	-	-	-	456	456	-	-	704	704	
2010	RFC	1612	Glacial Energy (MECS-DET)	U.S.	6,505	6,505	-	-	6,076	6,076	-	-	-	-	169	169	-	-	260	260	
2010	RFC	1144	Holland Board of Public Works	U.S.	8,446	8,446	-	-	7,889	7,889	-	-	-	-	219	219	-	-	338	338	
2010	RFC	1145	Hoosier Energy	U.S.	83,069	83,069	-	-	77,591	77,591	-	-	-	-	2,153	2,153	-	-	3,325	3,325	
2010	RFC	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	33,890	33,890	-	-	31,655	31,655	-	-	-	-	878	878	-	-	1,356	1,356	
2010	RFC	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	4,781	4,781	-	-	4,466	4,466	-	-	-	-	124	124	-	-	191	191	
2010	RFC	1486	Indiana Municipal Power Agency (SIGE)	U.S.	7,062	7,062	-	-	6,597	6,597	-	-	-	-	183	183	-	-	283	283	
2010	RFC	1149	Indianapolis Power & Light Co.	U.S.	178,906	178,906	-	-	167,108	167,108	-	-	-	-	4,637	4,637	-	-	7,161	7,161	
2010	RFC	1553	Integrys Energy Services (MECS-CONS)	U.S.	5,108	5,108	-	-	4,771	4,771	-	-	-	-	132	132	-	-	204	204	
2010	RFC	1554	Integrys Energy Services (MECS-DET)	U.S.	3,901	3,901	-	-	3,644	3,644	-	-	-	-	101	101	-	-	156	156	
2010	RFC	1614	Just Energy (MECS-DET)	U.S.	246	246	-	-	229	229	-	-	-	-	6	6	-	-	10	10	
2010	RFC	1154	Michigan Public Power Agency	U.S.	14,006	14,006	-	-	13,083	13,083	-	-	-	-	363	363	-	-	561	561	
2010	RFC	1155	Michigan South Central Power Agency	U.S.	6,694	6,694	-	-	6,253	6,253	-	-	-	-	174	174	-	-	268	268	
2010	RFC	1158	MidAmerican Energy Company Retail	U.S.	1,165	1,165	-	-	1,088	1,088	-	-	-	-	30	30	-	-	47	47	
2010	RFC	1163	Northern Indiana Public Service Co.	U.S.	197,496	197,496	-	-	184,472	184,472	-	-	-	-	5,119	5,119	-	-	7,905	7,905	
2010	RFC	1164	Ontonagon County Rural Electrification Assoc.	U.S.	321	321	-	-	300	300	-	-	-	-	8	8	-	-	13	13	
2010	RFC	1265	PJM Interconnnection, LLC	U.S.	8,346,461	8,346,461	-	-	7,796,054	7,796,054	-	-	-	-	216,348	216,348	-	-	334,058	334,058	
2010	RFC	1172	Sempra Energy Solutions (MECS-CONS)	U.S.	13,007	13,007	-	-	12,149	12,149	-	-	-	-	337	337	-	-	521	521	
2010	RFC	1171	Sempra Energy Solutions (MECS-DET)	U.S.	11,112	11,112	-	-	10,380	10,380	-	-	-	-	288	288	-	-	445	445	
2010	RFC	1176	Direct Energy (fka:Strategic Energy,LLC) (MECS-CONS)	U.S.	128	128	-	-	120	120	-	-	-	-	3	3	-	-	5	5	
2010	RFC	1174	Direct Energy (fka:Strategic Energy,LLC) (MECS-DET)	U.S.	3,463	3,463	-	-	3,235	3,235	-	-	-	-	90	90	-	-	139	139	
2010	RFC	1581	Spartan Renewable Energy	U.S.	767	767	-	-	716	716	-	-	-	-	20	20	-	-	31	31	
2010	RFC	1180	Thumb Electric Cooperative	U.S.	1,927	1,927	-	-	1,799	1,799	-	-	-	-	50	50	-	-	77	77	
2010	RFC		US Department of Energy	U.S.	2,918	2,918	-	-	2,726	2,726	-	-	-	-	76	76	-	-	117	117	
2010	RFC	1181	Vectren Energy Delivery of IN	U.S.	68,824	68,824	-	-	64,286	64,286	-	-	-	-	1,784	1,784	-	-	2,755	2,755	
2010	RFC	1183	Village of Sebewaing	U.S.	482	482	-	-	451	451	-	-	-	-	13	13	-	-	19	19	
2010	RFC	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	31,743	31,743	-	-	29,650	29,650	-	-	-	-	823	823	-	-	1,270	1,270	
2010	RFC	1487	Wabash Valley Power Association Inc. (MECS CONS)	U.S.	1,852	1,852	-	-	1,729	1,729	-	-	-	-	48	48	-	-	74	74	
2010	RFC	1488	Wabash Valley Power Association Inc.(NIPSCO)	U.S.	18,921	18,921	-	-	17,673	17,673	-	-	-	-	490	490	-	-	757	757	
2010	RFC	1185	Wisconsin Electric Power Co.	U.S.	338,560	338,560	-	-	316,234	316,234	-	-	-	-	8,776	8,776	-	-	13,551	13,551	
2010	RFC	1189	Wolverine Power Marketing Cooperative	U.S.	12,832	12,832	-	-	11,986	11,986	-	-	-	-	333	333	-	-	514	514	
2010	RFC	1191	Wolverine Power Supply Cooperative	U.S.	28,763	28,763	-	-	26,867	26,867	-	-	-	-	746	746	-	-	1,151	1,151	
2010	RFC	1190	Wolverine Power Marketing Cooperative	U.S.	1,233	1,233	-	-	1,151	1,151	-	-	-	-	32	32	-	-	49	49	
			TOTAL RELIABILITYFIRST		10,801,822	10,801,822	-	-	10,089,496	10,089,496	-	-	-	-	279,993	279,993	-	-	432,332	432,332	-
					-																
2010	SERC	1267	Alabama Municipal Electric Authority	U.S.	43,828	43,828	-	-	41,233	41,233	-	-	-	-	1,144	1,144	-	-	1,451	1,451	
2010	SERC	1268	Alabama Power Company	U.S.	714,566	714,566	-	-	672,248	672,248	-	-	-	-	18,656	18,656	-	-	23,663	23,663	
2010	SERC	1269	Ameren - Illinois	U.S.	494,967	494,967	-	-	465,653	465,653	-	-	-	-	12,922	12,922	-	-	16,391	16,391	
2010	SERC	1271	Ameren - Missouri	U.S.	500,080	500,080	-	-	470,464	470,464	-	-	-	-	13,056	13,056	-	-	16,560	16,560	
2010	SERC	1272	APGI - Yadkin Division	U.S.	353	353	-	-	332	332	-	-	-	-	9	9	-	-	12	12	
2010	SERC	1273	Associated Electric Cooperative Inc.	U.S.	230,962	230,962	-	-	217,284	217,284	-	-	-	-	6,030	6,030			7,648	7,648	
2010	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	12,790	12,790	-	-	12,033	12,033	-	-	-	-	334	334			424	424	
2010	SERC	1462	Benton Utility District	U.S.	3,466	3,466	-	-	3,260	3,260	-	-	-	-	90	90			115	115	
2010	SERC	1274	Big Rivers Electric Corporation	U.S.	117,817	117,817	-	-	110,840	110,840	-	-	-	-	3,076	3,076			3,902	3,902	
2010	SERC	1275	Black Warrior EMC	U.S.	5,426	5,426	-	-	5,104	5,104	-	-	-	-	142	142			180	180	
2010	SERC	1276	Blue Ridge EMC	U.S.	14,167	14,167	-	-	13,328	13,328	-	-	-	-	370	370			469	469	
2010	SERC		Brazos Electric Power Cooperative, Inc.	U.S.	4,654	4,654	-	-	4,378	4,378	-	-	-	-	122	122			154	154	
2010	SERC	1463	Canton, MS	U.S.	1,498	1,498	-	-	1,410	1,410	-	-	-	-	39	39			50	50	
2010	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	193,441	193,441	-	-	181,985	181,985	-	-	-	-	5,050	5,050			6,406	6,406	
2010	SERC	1278	City of Blountstown FL	U.S.	507	507	-	-	477	477	-	-	-	-	13	13			17	17	
2010	SERC	1279	City of Camden SC	U.S.	2,466	2,466	-	-	2,320	2,320	-	-	-	-	64	64			82	82	
2010	SERC	1280	City of Collins MS	U.S.	662	662	-	-	623	623	-	-	-	-	17	17			22	22	
2010	SERC	1281	City of Columbia MO	U.S.	13,783	13,783	-	-	12,966	12,966	-	-	-	-	360	360			456	456	
2010	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	11,826	11,826	-	-	11,126	11,126	-	-	-	-	309	309			392	392	
2010	SERC	1284	City of Evergreen AL	U.S.	788	788	-	-	741	741	-	-	-	-	21	21			26	26	
2010	SERC	1285	City of Hampton GA	U.S.	317	317	-	-	298	298	-	-	-	-	8	8			10	10	

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				NERC IDC Assessments		
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total
2010	SERC	1286	City of Hartford AL	U.S.	418	418	-	-	393	393	-	-	-	-	11	11			14	14	
2010	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	7,398	7,398	-	-	6,960	6,960	-	-	-	-	193	193			245	245	
2010	SERC	1288	City of North Little Rock AR (DENL)	U.S.	11,035	11,035	-	-	10,382	10,382	-	-	-	-	288	288			365	365	
2010	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	8,631	8,631	-	-	8,120	8,120	-	-	-	-	225	225			286	286	
2010	SERC	1290	City of Robertsdale AL	U.S.	1,044	1,044	-	-	982	982	-	-	-	-	27	27			35	35	
2010	SERC	1291	City of Ruston LA (DERS)	U.S.	3,360	3,360	-	-	3,161	3,161	-	-	-	-	88	88			111	111	
2010	SERC	1292	City of Seneca SC	U.S.	1,924	1,924	-	-	1,810	1,810	-	-	-	-	50	50			64	64	
2010	SERC	1115	City of Springfield (CWLP)	U.S.	22,138	22,138	-	-	20,827	20,827	-	-	-	-	578	578			733	733	
2010	SERC	1465	City of Thayer, MO	U.S.	250	250	-	-	236	236	-	-	-	-	7	7			8	8	
2010	SERC	1293	City of Troy AL	U.S.	4,963	4,963	-	-	4,669	4,669	-	-	-	-	130	130			164	164	
2010	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	4,904	4,904	-	-	4,614	4,614	-	-	-	-	128	128			162	162	
2010	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	8,003	8,003	-	-	7,529	7,529	-	-	-	-	209	209			265	265	
2010	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	3,163	3,163	-	-	2,976	2,976	-	-	-	-	83	83			105	105	
2010	SERC	1283	Dalton Utilities	U.S.	18,394	18,394	-	-	17,304	17,304	-	-	-	-	480	480			609	609	
2010	SERC	1585	Dixie Electric Membership Corporation	U.S.	27,593	27,593	-	-	25,958	25,958	-	-	-	-	720	720			914	914	
2010	SERC	1295	Dominion Virginia Power	U.S.	1,007,017	1,007,017	-	-	947,379	947,379	-	-	-	-	26,291	26,291			33,347	33,347	
2010	SERC	1296	Duke Energy Carolinas, LLC	U.S.	992,160	992,160	-	-	933,402	933,402	-	-	-	-	25,903	25,903			32,855	32,855	
2010	SERC	1466	Durant, MS	U.S.	335	335	-	-	315	315	-	-	-	-	9	9			11	11	
2010	SERC	1478	E.ON U.S. Services Inc.	U.S.	421,448	421,448	-	-	396,489	396,489	-	-	-	-	11,003	11,003			13,956	13,956	
2010	SERC	1297	East Kentucky Power Cooperative	U.S.	153,874	153,874	-	-	144,762	144,762	-	-	-	-	4,017	4,017			5,096	5,096	
2010	SERC	1298	East Mississippi Electric Power Association	U.S.	5,822	5,822	-	-	5,477	5,477	-	-	-	-	152	152			193	193	
2010	SERC		East Texas Electric Cooperative Inc	U.S.	24,291	24,291	-	-	22,852	22,852	-	-	-	-	634	634			804	804	
2010	SERC	1299	Electric Energy Inc.	U.S.	15,420	15,420	-	-	14,507	14,507	-	-	-	-	403	403			511	511	
2010	SERC	1300	EnergyUnited EMC	U.S.	30,731	30,731	-	-	28,911	28,911	-	-	-	-	802	802			1,018	1,018	
2010	SERC	1301	Entergy	U.S.	1,344,830	1,344,830	-	-	1,265,186	1,265,186	-	-	-	-	35,110	35,110			44,534	44,534	
2010	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	27,267	27,267	-	-	25,652	25,652	-	-	-	-	712	712			903	903	
2010	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	4,226	4,226	-	-	3,976	3,976	-	-	-	-	110	110			140	140	
2010	SERC	1304	French Broad EMC	U.S.	6,607	6,607	-	-	6,216	6,216	-	-	-	-	172	172			219	219	
2010	SERC	1305	Georgia Power Company	U.S.	1,092,359	1,092,359	-	-	1,027,667	1,027,667	-	-	-	-	28,519	28,519			36,173	36,173	
2010	SERC	1306	Georgia System Optns Corporation	U.S.	475,805	475,805	-	-	447,627	447,627	-	-	-	-	12,422	12,422			15,756	15,756	
2010	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	3,368	3,368	-	-	3,168	3,168	-	-	-	-	88	88			112	112	
2010	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	3,278	3,278	-	-	3,084	3,084	-	-	-	-	86	86			109	109	
2010	SERC	1308	Gulf Power Company	U.S.	145,849	145,849	-	-	137,211	137,211	-	-	-	-	3,808	3,808			4,830	4,830	
2010	SERC	1586	Haywood EMC	U.S.	3,864	3,864	-	-	3,635	3,635	-	-	-	-	101	101			128	128	
2010	SERC	1309	Illinois Municipal Electric Agency	U.S.	22,317	22,317	-	-	20,995	20,995	-	-	-	-	583	583			739	739	
2010	SERC	1480	Itta Bena, MS	U.S.	199	199	-	-	187	187	-	-	-	-	5	5			7	7	
2010	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	3,172	3,172	-	-	2,984	2,984	-	-	-	-	83	83			105	105	
2010	SERC	1617	Kentucky Municipal Power	U.S.	7,857	7,857	-	-	7,392	7,392	-	-	-	-	205	205			260	260	
2010	SERC	1481	Kosciusko, MS	U.S.	904	904	-	-	850	850	-	-	-	-	24	24			30	30	
2010	SERC	1482	Leland, MS	U.S.	412	412	-	-	387	387	-	-	-	-	11	11			14	14	
2010	SERC	1313	McCormick Commission of Public Works	U.S.	227	227	-	-	214	214	-	-	-	-	6	6			8	8	
2010	SERC	1314	Mississippi Power Company	U.S.	124,134	124,134	-	-	116,783	116,783	-	-	-	-	3,241	3,241			4,111	4,111	
2010	SERC		Mt. Carmel Public Utility	U.S.	1,319	1,319	-	-	1,241	1,241	-	-	-	-	34	34			44	44	
2010	SERC	1315	Municipal Electric Authority of Georgia	U.S.	130,208	130,208	-	-	122,497	122,497	-	-	-	-	3,399	3,399			4,312	4,312	
2010	SERC	1316	N.C. Electric Membership Corp.	U.S.	155,704	155,704	-	-	146,483	146,483	-	-	-	-	4,065	4,065			5,156	5,156	
2010	SERC	1317	North Carolina Eastern Municipal Power Agency	U.S.	81,708	81,708	-	-	76,869	76,869	-	-	-	-	2,133	2,133			2,706	2,706	
2010	SERC	1318	North Carolina Municipal Power Agency #1	U.S.	56,604	56,604	-	-	53,252	53,252	-	-	-	-	1,478	1,478			1,874	1,874	
2010	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	3,537	3,537	-	-	3,327	3,327	-	-	-	-	92	92			117	117	
2010	SERC	1574	Northern Virginia Electric Cooperative	U.S.	43,072	43,072	-	-	40,521	40,521	-	-	-	-	1,124	1,124			1,426	1,426	
2010	SERC	1319	Old Dominion Electric Cooperative	U.S.	68,179	68,179	-	-	64,141	64,141	-	-	-	-	1,780	1,780			2,258	2,258	
2010	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	2,200	2,200	-	-	2,070	2,070	-	-	-	-	57	57			73	73	
2010	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	10,892	10,892	-	-	10,247	10,247	-	-	-	-	284	284			361	361	
2010	SERC	1321	Piedmont EMC in Duke and Progress Areas	U.S.	6,288	6,288	-	-	5,915	5,915	-	-	-	-	164	164			208	208	
2010	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	28,145	28,145	-	-	26,478	26,478	-	-	-	-	735	735			932	932	
2010	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	3,218	3,218	-	-	3,027	3,027	-	-	-	-	84	84			107	107	
2010	SERC	1266	PowerSouth Energy	U.S.	104,233	104,233	-	-	98,060	98,060	-	-	-	-	2,721	2,721			3,452	3,452	
2010	SERC	1330	Prairie Power, Inc.	U.S.	18,235	18,235	-	-	17,155	17,155	-	-	-	-	476	476			604	604	
2010	SERC	1324	Progress Energy Carolinas	U.S.	558,173	558,173	-	-	525,117	525,117	-	-	-	-	14,573	14,573			18,484	18,484	
2010	SERC	1325	Rutherford EMC	U.S.	15,853	15,853	-	-	14,914	14,914	-	-	-	-	414	414			525	525	
2010	SERC		Sam Rayburn G&T Electric Cooperative Inc.	U.S.	21,887	21,887	-	-	20,591	20,591	-	-	-	-	571	571			725	725	
2010	SERC	1326	South Carolina Electric & Gas Company	U.S.	276,378	276,378	-	-	260,011	260,011	-	-	-	-	7,216	7,216			9,152	9,152	
2010	SERC	1327	South Carolina Public Service Authority	U.S.	126,053	126,053	-	-	118,588	118,588	-	-	-	-	3,291	3,291			4,174	4,174	
2010	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	7,335	7,335	-	-	6,901	6,901	-	-	-	-	192	192			243	243	
2010	SERC	1328	South Mississippi Electric Power Association	U.S.	124,373	124,373	-	-	117,007	117,007	-	-	-	-	3,247	3,247			4,119	4,119	
2010	SERC	1329	Southern Illinois Power Cooperative	U.S.	19,660	19,660	-	-	18,495	18,495	-	-	-	-	513	513			651	651	
2010	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	30,045	30,045	-	-	28,266	28,266	-	-	-	-	784	784			995	995	
2010	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	5,168	5,168	-	-	4,862	4,862	-	-	-	-	135	135			171	171	
2010	SERC	1331	Tennessee Valley Authority	U.S.	2,042,012	2,042,012	-	-	1,921,079	1,921,079	-	-	-	-	53,312	53,312			67,621	67,621	
2010	SERC		Tex-La Electric Cooperative of Texas, Inc	U.S.	2,403	2,403	-	-	2,261	2,261	-	-	-	-	63	63			80	80	
2010	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	1,704	1,704	-	-	1,603	1,603	-	-	-	-	44	44			56	56	
2010	SERC	1592	Town of Black Creek, N.C.	U.S.	161	161	-	-	152	152	-	-	-	-	4	4			5	5	
2010	SERC	1593	Town of Lucama, N.C.	U.S.	276	276	-	-	260	260	-	-	-	-	7	7			9	9	
2010	SERC	1594	Town of Sharpsburg, N.C.	U.S.	252	252	-	-	238	238	-	-	-	-	7	7			8	8	
2010	SERC	1595	Town of Stantonsburg, N.C.	U.S.	306	306	-	-	288	288	-	-	-	-	8	8			10	10	
2010	SERC	1333	Town of Waynesville NC	U.S.	1,116	1,116	-	-	1,050	1,050	-	-	-	-	29	29			37	37	
2010	SERC	1334	Town of Winnsboro SC	U.S.	687	687	-	-	646	646	-	-	-	-	18	18			23	23	
2010	SERC	1335	Town of Winterville NC	U.S.	660	660	-	-	621	621	-	-	-	-	17	17			22	22	
2010	SERC	1596	Valley Electric Membership Corporation, Inc	U.S.	-	-	-	-	-	-	-	-	-	-	-	-			-	-	
2010	SERC	1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	13,510	13,510	-	-	12,710	12,710	-	-	-	-	353	353			447	447	
			TOTAL SERC		12,370,909	12,370,909	-	-	11,638,273	11,638,273	-	-	-	-	322,974	322,974	-	-	409,663	409,663	-
					-																
2010	SPP	1246	American Electric Power	U.S.	452,893	452,893	-	-	402,503	402,503	-	-	-	-	11,170	11,170	-	-	39,220	39,220	

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				NERC IDC Assessments		
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total
2010	SPP	1435	Arkansas Electric Cooperative Corporation (AEP)	U.S.	50,596	50,596	-	-	44,967	44,967	-	-	-	-	1,248	1,248	-	-	4,382	4,382	
2010	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	31,066	31,066	-	-	27,610	27,610	-	-	-	-	766	766	-	-	2,690	2,690	
2010	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	10,775	10,775	-	-	9,576	9,576	-	-	-	-	266	266	-	-	933	933	
2010	SPP	1468	Cap Rock Energy	U.S.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2010	SPP	1469	Central Valley Electric Cooperative	U.S.	9,079	9,079	-	-	8,069	8,069	-	-	-	-	224	224	-	-	786	786	
2010	SPP	1556	City of Bentonville	U.S.	7,500	7,500	-	-	6,665	6,665	-	-	-	-	185	185	-	-	649	649	
2010	SPP	1557	City of Clarksdale, Mississippi	U.S.	2,207	2,207	-	-	1,961	1,961	-	-	-	-	54	54	-	-	191	191	
2010	SPP		City of Lindsboro	U.S.	372	372	-	-	331	331	-	-	-	-	9	9	-	-	32	32	
2010	SPP	1558	Hope Water & Light (HWL)	U.S.	3,507	3,507	-	-	3,117	3,117	-	-	-	-	86	86	-	-	304	304	
2010	SPP	1559	City of Minden	U.S.	2,219	2,219	-	-	1,972	1,972	-	-	-	-	55	55	-	-	192	192	
2010	SPP		City of Mulvane	U.S.	529	529	-	-	470	470	-	-	-	-	13	13	-	-	46	46	
2010	SPP		The City of Osage City	U.S.	476	476	-	-	423	423	-	-	-	-	12	12	-	-	41	41	
2010	SPP		City of Prescott	U.S.	1,068	1,068	-	-	949	949	-	-	-	-	26	26	-	-	92	92	
2010	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	12,101	12,101	-	-	10,755	10,755	-	-	-	-	298	298	-	-	1,048	1,048	
2010	SPP	1436	City Utilities of Springfield, MO	U.S.	38,288	38,288	-	-	34,028	34,028	-	-	-	-	944	944	-	-	3,316	3,316	
2010	SPP	1249	Cleco Power LLC	U.S.	145,448	145,448	-	-	129,265	129,265	-	-	-	-	3,587	3,587	-	-	12,596	12,596	
2010	SPP	1437	East Texas Electric Coop, Inc.	U.S.	5,437	5,437	-	-	4,832	4,832	-	-	-	-	134	134	-	-	471	471	
2010	SPP	1250	The Empire District Electric Company	U.S.	68,000	68,000	-	-	60,434	60,434	-	-	-	-	1,677	1,677	-	-	5,889	5,889	
2010	SPP	1470	Farmers' Electric Coop	U.S.	5,055	5,055	-	-	4,493	4,493	-	-	-	-	125	125	-	-	438	438	
2010	SPP	1438	Golden Spread Electric Coop	U.S.	52,139	52,139	-	-	46,338	46,338	-	-	-	-	1,286	1,286	-	-	4,515	4,515	
2010	SPP	1251	Grand River Dam Authority	U.S.	55,867	55,867	-	-	49,651	49,651	-	-	-	-	1,378	1,378	-	-	4,838	4,838	
2010	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	201,067	201,067	-	-	178,695	178,695	-	-	-	-	4,959	4,959	-	-	17,412	17,412	
2010	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	26,464	26,464	-	-	23,519	23,519	-	-	-	-	653	653	-	-	2,292	2,292	
2010	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	9,381	9,381	-	-	8,337	8,337	-	-	-	-	231	231	-	-	812	812	
2010	SPP		Kansas Power Pool	U.S.	17,020	17,020	-	-	15,126	15,126	-	-	-	-	420	420	-	-	1,474	1,474	
2010	SPP	1560	Kaw Valley Electric Cooperative, Inc.	U.S.	2,041	2,041	-	-	1,813	1,813	-	-	-	-	50	50	-	-	177	177	
2010	SPP	1598	KCP&L GMOC (Greater Missouri Operations Company)	U.S.	110,201	110,201	-	-	97,940	97,940	-	-	-	-	2,718	2,718	-	-	9,543	9,543	
2010	SPP	1471	Lafayette Utilities System	U.S.	26,522	26,522	-	-	23,571	23,571	-	-	-	-	654	654	-	-	2,297	2,297	
2010	SPP	1472	Lea County Electric Coop	U.S.	15,241	15,241	-	-	13,545	13,545	-	-	-	-	376	376	-	-	1,320	1,320	
2010	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	12,592	12,592	-	-	11,191	11,191	-	-	-	-	311	311	-	-	1,090	1,090	
2010	SPP	1441	Midwest Energy Inc.	U.S.	20,924	20,924	-	-	18,596	18,596	-	-	-	-	516	516	-	-	1,812	1,812	
2010	SPP	1443	Missouri Joint Municipal Electric Utility Commission	U.S.	31,567	31,567	-	-	28,055	28,055	-	-	-	-	779	779	-	-	2,734	2,734	
2010	SPP		Nemaha Marshall Electric Cooperative (NMEC)	U.S.	738	738	-	-	656	656	-	-	-	-	18	18	-	-	64	64	
2010	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.	41,186	41,186	-	-	36,604	36,604	-	-	-	-	1,016	1,016	-	-	3,567	3,567	
2010	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	359,746	359,746	-	-	319,720	319,720	-	-	-	-	8,873	8,873	-	-	31,154	31,154	
2010	SPP	1444	Oklahoma Municipal Power Authority	U.S.	33,712	33,712	-	-	29,962	29,962	-	-	-	-	831	831	-	-	2,919	2,919	
2010	SPP		OzMo Ozark Missouri, West Plains MO	U.S.	2,588	2,588	-	-	2,300	2,300	-	-	-	-	64	64	-	-	224	224	
2010	SPP	1561	Public Service Commission of Yazoo City of Mississippi	U.S.	1,605	1,605	-	-	1,426	1,426	-	-	-	-	40	40	-	-	139	139	
2010	SPP	1473	Roosevelt County Electric Coop	U.S.	2,481	2,481	-	-	2,205	2,205	-	-	-	-	61	61	-	-	215	215	
2010	SPP	1468	Sharyland Utilities, LP	U.S.	11,683	11,683	-	-	10,383	10,383	-	-	-	-	288	288	-	-	1,012	1,012	
2010	SPP	1258	Southwestern Power Administration (SPA)	U.S.	56,177	56,177	-	-	49,927	49,927	-	-	-	-	1,386	1,386	-	-	4,865	4,865	
2010	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.	244,524	244,524	-	-	217,318	217,318	-	-	-	-	6,031	6,031	-	-	21,176	21,176	
2010	SPP	1256	Sunflower Electric Cooperative (SECI)	U.S.	56,049	56,049	-	-	49,813	49,813	-	-	-	-	1,382	1,382	-	-	4,854	4,854	
2010	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	6,462	6,462	-	-	5,743	5,743	-	-	-	-	159	159	-	-	560	560	
2010	SPP	1475	Tri County Electric Coop	U.S.	5,092	5,092	-	-	4,526	4,526	-	-	-	-	126	126	-	-	441	441	
2010	SPP	1260	Westar Energy, Inc.	U.S.	268,468	268,468	-	-	238,598	238,598	-	-	-	-	6,621	6,621	-	-	23,249	23,249	
2010	SPP	1259	Western Farmers Electric Cooperative	U.S.	92,474	92,474	-	-	82,185	82,185	-	-	-	-	2,281	2,281	-	-	8,008	8,008	
2010	SPP	1501	West Texas Municipal Power Agency	U.S.	25,761	25,761	-	-	22,895	22,895	-	-	-	-	635	635	-	-	2,231	2,231	
			TOTAL SPP		2,636,390	2,636,390	-	-	2,343,057	2,343,057	-	-	-	-	65,022	65,022	-	-	228,310	228,310	-
					-																
2010	TRE	1019	ERCOT	U.S.	3,558,395	3,558,395	-	-	3,462,313	3,462,313	-	-	-	-	96,083	96,083	-	-	-	-	-
					3,558,395	3,558,395	-	-	3,462,313	3,462,313	-	-	-	-	96,083	96,083	-	-	-	-	-
					-																
2010	WECC		Alberta Electric System Operator	Canada	460,237	-	460,237	-	621,797	-	621,797	-	-	-	(161,560)	-	(161,560)	-	-	-	-
2010	WECC		British Columbia Hydro & Power Authority	Canada	663,270	-	663,270	-	645,361	-	645,361	-	-	-	17,909		17,909		-	-	-
2010	WECC		Arizona Public Service Company	Mexico	3	-	-	3	3	-	-	3	-	-	0	-	-	0	-	-	-
2010	WECC		Comision Federal de Electricidad	Mexico	117,618	-	-	117,618	114,442	-	-	114,442	-	-	3,176	-	-	3,176	-	-	-
2010	WECC		Aguila Irrigation District	U.S.	297	297	-	-	289	289	-	-	-	-	8	8	-	-	-	-	-
2010	WECC		Aha Macav Power Service	U.S.	309	309	-	-	301	301	-	-	-	-	8	8	-	-	-	-	-
2010	WECC		Ajo Improvement District	U.S.	157	157	-	-	153	153	-	-	-	-	4	4	-	-	-	-	-
2010	WECC		Ak-Chin	U.S.	338	338	-	-	329	329	-	-	-	-	9	9	-	-	-	-	-
2010	WECC		Alcoa Inc	U.S.	29,519	29,519	-	-	28,722	28,722	-	-	-	-	797	797	-	-	-	-	-
2010	WECC		Arizona Public Service Company	U.S.	335,736	335,736	-	-	326,670	326,670	-	-	-	-	9,065	9,065	-	-	-	-	-
2010	WECC		Arkansas River Power Authority (ARPA)	U.S.	2,319	2,319	-	-	2,257	2,257	-	-	-	-	63	63	-	-	-	-	-
2010	WECC		Avista Corporation	U.S.	104,601	104,601	-	-	101,777	101,777	-	-	-	-	2,824	2,824	-	-	-	-	-
2010	WECC		Avista Corporation	U.S.	2,446	2,446	-	-	2,380	2,380	-	-	-	-	66	66	-	-	-	-	-
2010	WECC		Barrick Goldstrike Mines Inc.	U.S.	12,801	12,801	-	-	12,455	12,455	-	-	-	-	346	346	-	-	-	-	-
2010	WECC		Basin Electric Power Cooperative	U.S.	37,666	37,666	-	-	36,649	36,649	-	-	-	-	1,017	1,017	-	-	-	-	-
2010	WECC		Basin Electric Power Cooperative	U.S.	530	530	-	-	516	516	-	-	-	-	14	14	-	-	-	-	-
2010	WECC		Benton REA	U.S.	5,870	5,870	-	-	5,711	5,711	-	-	-	-	158	158	-	-	-	-	-
2010	WECC		Big Bend Electric Cooperative, Inc.	U.S.	1,513	1,513	-	-	1,472	1,472	-	-	-	-	41	41	-	-	-	-	-
2010	WECC		Big Bend Electric Cooperative, Inc.	U.S.	3,715	3,715	-	-	3,615	3,615	-	-	-	-	100	100	-	-	-	-	-
2010	WECC		Big Bend Electric Cooperative, Inc.	U.S.	378	378	-	-	368	368	-	-	-	-	10	10	-	-	-	-	-
2010	WECC		Blachly-Lane	U.S.	1,565	1,565	-	-	1,523	1,523	-	-	-	-	42	42	-	-	-	-	-
2010	WECC		Black Hills Power	U.S.	21,383	21,383	-	-	20,805	20,805	-	-	-	-	577	577	-	-	-	-	-
2010	WECC		Black Hills Wyoming, Inc.	U.S.	38,910	38,910	-	-	37,860	37,860	-	-	-	-	1,051	1,051	-	-	-	-	-
2010	WECC		Bonneville Power Administration	U.S.	39,949	39,949	-	-	38,871	38,871	-	-	-	-	1,079	1,079	-	-	-	-	-
2010	WECC		Bonneville Power Administration	U.S.	2,256	2,256	-	-	2,195	2,195	-	-	-	-	61	61	-	-	-	-	-
2010	WECC		Bonneville Power Administration	U.S.	393	393	-	-	382	382	-	-	-	-	11	11	-	-	-	-	-
2010	WECC		Bonneville Power Administration	U.S.	62	62	-	-	60	60	-	-	-	-	2	2	-	-	-	-	-
2010	WECC		Bonneville Power Administration	U.S.	191	191	-	-	186	186	-	-	-	-	5	5	-	-	-	-	-
2010	WECC		BPA - USBR Load	U.S.	1,535	1,535	-	-	1,494	1,494	-	-	-	-	41	41	-	-	-	-	-

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				NERC IDC Assessments		
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total
2010	WECC		Buckeye Water Conservation and Drainage District	U.S.	168	168	-	-	163	163	-	-	-	-	5	5	-	-	-	-	-
2010	WECC		California Independent System Operator	U.S.	2,536,947	2,536,947	-	-	2,468,445	2,468,445	-	-	-	-	68,502	68,502	-	-	-	-	-
2010	WECC		Canby Public Utility Board	U.S.	1,913	1,913	-	-	1,861	1,861	-	-	-	-	52	52	-	-	-	-	-
2010	WECC		Central Arizona Water Conservation District	U.S.	29,489	29,489	-	-	28,692	28,692	-	-	-	-	796	796	-	-	-	-	-
2010	WECC		Central Electric Cooperative	U.S.	7,628	7,628	-	-	7,422	7,422	-	-	-	-	206	206	-	-	-	-	-
2010	WECC		Central Lincoln PUD	U.S.	14,747	14,747	-	-	14,349	14,349	-	-	-	-	398	398	-	-	-	-	-
2010	WECC		Central Montana Electric Power Cooperative	U.S.	719	719	-	-	699	699	-	-	-	-	19	19	-	-	-	-	-
2010	WECC		Central Montana Electric Power Cooperative	U.S.	704	704	-	-	685	685	-	-	-	-	19	19	-	-	-	-	-
2010	WECC		City of Albion	U.S.	38	38	-	-	37	37	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		City of Aztec Electric Dept	U.S.	424	424	-	-	413	413	-	-	-	-	11	11	-	-	-	-	-
2010	WECC		City of Bandon	U.S.	730	730	-	-	710	710	-	-	-	-	20	20	-	-	-	-	-
2010	WECC		City of Blaine	U.S.	831	831	-	-	808	808	-	-	-	-	22	22	-	-	-	-	-
2010	WECC		City of Bonners Ferry	U.S.	767	767	-	-	746	746	-	-	-	-	21	21	-	-	-	-	-
2010	WECC		City of Boulder City	U.S.	1,900	1,900	-	-	1,848	1,848	-	-	-	-	51	51	-	-	-	-	-
2010	WECC		City of Burley	U.S.	1,330	1,330	-	-	1,294	1,294	-	-	-	-	36	36	-	-	-	-	-
2010	WECC		City of Burlington	U.S.	359	359	-	-	350	350	-	-	-	-	10	10	-	-	-	-	-
2010	WECC		City of Cascade Locks	U.S.	218	218	-	-	212	212	-	-	-	-	6	6	-	-	-	-	-
2010	WECC		City of Centralia	U.S.	3,003	3,003	-	-	2,922	2,922	-	-	-	-	81	81	-	-	-	-	-
2010	WECC		City of Cheney	U.S.	1,552	1,552	-	-	1,510	1,510	-	-	-	-	42	42	-	-	-	-	-
2010	WECC		City of Chewelah	U.S.	267	267	-	-	260	260	-	-	-	-	7	7	-	-	-	-	-
2010	WECC		City of Declo	U.S.	34	34	-	-	33	33	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		City of Drain	U.S.	173	173	-	-	168	168	-	-	-	-	5	5	-	-	-	-	-
2010	WECC		City of Ellensburg	U.S.	2,416	2,416	-	-	2,351	2,351	-	-	-	-	65	65	-	-	-	-	-
2010	WECC		City of Fallon	U.S.	1,283	1,283	-	-	1,249	1,249	-	-	-	-	35	35	-	-	-	-	-
2010	WECC		City of Forest Grove	U.S.	2,604	2,604	-	-	2,533	2,533	-	-	-	-	70	70	-	-	-	-	-
2010	WECC		City of Gallup	U.S.	2,553	2,553	-	-	2,484	2,484	-	-	-	-	69	69	-	-	-	-	-
2010	WECC		City of Hermiston, DBA Hermiston Energy Services	U.S.	1,207	1,207	-	-	1,175	1,175	-	-	-	-	33	33	-	-	-	-	-
2010	WECC		City of Heyburn	U.S.	464	464	-	-	452	452	-	-	-	-	13	13	-	-	-	-	-
2010	WECC		City of Las Vegas	U.S.	559	559	-	-	544	544	-	-	-	-	15	15	-	-	-	-	-
2010	WECC		City of McCleary	U.S.	341	341	-	-	332	332	-	-	-	-	9	9	-	-	-	-	-
2010	WECC		City of McMinnville	U.S.	7,884	7,884	-	-	7,671	7,671	-	-	-	-	213	213	-	-	-	-	-
2010	WECC		City of Mesa	U.S.	2,788	2,788	-	-	2,713	2,713	-	-	-	-	75	75	-	-	-	-	-
2010	WECC		City of Milton	U.S.	697	697	-	-	678	678	-	-	-	-	19	19	-	-	-	-	-
2010	WECC		City of Milton-Freewater	U.S.	1,209	1,209	-	-	1,177	1,177	-	-	-	-	33	33	-	-	-	-	-
2010	WECC		City of Minidoka	U.S.	11	11	-	-	11	11	-	-	-	-	0	0	-	-	-	-	-
2010	WECC		City of Monmouth	U.S.	767	767	-	-	746	746	-	-	-	-	21	21	-	-	-	-	-
2010	WECC		City of Needles	U.S.	83	83	-	-	81	81	-	-	-	-	2	2	-	-	-	-	-
2010	WECC		City of Needles	U.S.	346	346	-	-	336	336	-	-	-	-	9	9	-	-	-	-	-
2010	WECC		City of Plummer	U.S.	384	384	-	-	374	374	-	-	-	-	10	10	-	-	-	-	-
2010	WECC		City of Port Angeles	U.S.	8,337	8,337	-	-	8,112	8,112	-	-	-	-	225	225	-	-	-	-	-
2010	WECC		City of Redding	U.S.	8,964	8,964	-	-	8,722	8,722	-	-	-	-	242	242	-	-	-	-	-
2010	WECC		City of Richland	U.S.	9,380	9,380	-	-	9,127	9,127	-	-	-	-	253	253	-	-	-	-	-
2010	WECC		City of Roseville	U.S.	13,474	13,474	-	-	13,110	13,110	-	-	-	-	364	364	-	-	-	-	-
2010	WECC		City of Rupert	U.S.	888	888	-	-	864	864	-	-	-	-	24	24	-	-	-	-	-
2010	WECC		City of Shasta Lake	U.S.	1,887	1,887	-	-	1,836	1,836	-	-	-	-	51	51	-	-	-	-	-
2010	WECC		City of Sumas	U.S.	344	344	-	-	334	334	-	-	-	-	9	9	-	-	-	-	-
2010	WECC		City of Tacoma DBA Tacoma Power	U.S.	4	4	-	-	4	4	-	-	-	-	0	0	-	-	-	-	-
2010	WECC		City of Tacoma DBA Tacoma Power	U.S.	54,323	54,323	-	-	52,856	52,856	-	-	-	-	1,467	1,467	-	-	-	-	-
2010	WECC		City of Troy	U.S.	194	194	-	-	188	188	-	-	-	-	5	5	-	-	-	-	-
2010	WECC		City of Weiser	U.S.	597	597	-	-	581	581	-	-	-	-	16	16	-	-	-	-	-
2010	WECC		City of Williams	U.S.	440	440	-	-	428	428	-	-	-	-	12	12	-	-	-	-	-
2010	WECC		Clark Public Utilities	U.S.	48,935	48,935	-	-	47,614	47,614	-	-	-	-	1,321	1,321	-	-	-	-	-
2010	WECC		Clatskanie PUD	U.S.	8,745	8,745	-	-	8,509	8,509	-	-	-	-	236	236	-	-	-	-	-
2010	WECC		Clearwater Cooperative, Inc	U.S.	1,747	1,747	-	-	1,700	1,700	-	-	-	-	47	47	-	-	-	-	-
2010	WECC		Clearwater Cooperative, Inc	U.S.	436	436	-	-	425	425	-	-	-	-	12	12	-	-	-	-	-
2010	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	91	91	-	-	89	89	-	-	-	-	2	2	-	-	-	-	-
2010	WECC		Colorado River Commission of Nevada	U.S.	7,890	7,890	-	-	7,677	7,677	-	-	-	-	213	213	-	-	-	-	-
2010	WECC		Colorado Springs Utilities	U.S.	660	660	-	-	642	642	-	-	-	-	18	18	-	-	-	-	-
2010	WECC		Colorado Springs Utilities	U.S.	48,844	48,844	-	-	47,525	47,525	-	-	-	-	1,319	1,319	-	-	-	-	-
2010	WECC		Columbia Basin Electric Cooperative, Inc.	U.S.	1,140	1,140	-	-	1,109	1,109	-	-	-	-	31	31	-	-	-	-	-
2010	WECC		Columbia Falls Aluminum Company	U.S.	51	51	-	-	50	50	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		Columbia Power Cooperative Association	U.S.	231	231	-	-	225	225	-	-	-	-	6	6	-	-	-	-	-
2010	WECC		Columbia River PUD	U.S.	1,800	1,800	-	-	1,751	1,751	-	-	-	-	49	49	-	-	-	-	-
2010	WECC		Columbia River PUD	U.S.	3,430	3,430	-	-	3,338	3,338	-	-	-	-	93	93	-	-	-	-	-
2010	WECC		Columbia Rural Electric Association (REA)	U.S.	3,275	3,275	-	-	3,186	3,186	-	-	-	-	88	88	-	-	-	-	-
2010	WECC		Consolidated Irrigation District No. 19	U.S.	65	65	-	-	63	63	-	-	-	-	2	2	-	-	-	-	-
2010	WECC		Constellation New Energy, Inc.	U.S.	234	234	-	-	228	228	-	-	-	-	6	6	-	-	-	-	-
2010	WECC		Consumers Power, Inc.	U.S.	4,506	4,506	-	-	4,384	4,384	-	-	-	-	122	122	-	-	-	-	-
2010	WECC		Coos-Curry Electric Cooperative, Inc	U.S.	3,955	3,955	-	-	3,848	3,848	-	-	-	-	107	107	-	-	-	-	-
2010	WECC		CP Energy Marketing (US) Inc.	U.S.	791	791	-	-	770	770	-	-	-	-	21	21	-	-	-	-	-
2010	WECC		Deseret Generation & Transmission Cooperative	U.S.	284	284	-	-	276	276	-	-	-	-	8	8	-	-	-	-	-
2010	WECC		Deseret Generation & Transmission Cooperative	U.S.	1,751	1,751	-	-	1,703	1,703	-	-	-	-	47	47	-	-	-	-	-
2010	WECC		Douglas Electric Cooperative, Inc.	U.S.	1,039	1,039	-	-	1,011	1,011	-	-	-	-	28	28	-	-	-	-	-
2010	WECC		Douglas Palisades	U.S.	196	196	-	-	190	190	-	-	-	-	5	5	-	-	-	-	-
2010	WECC		East End Mutual Electric Company, LTD	U.S.	248	248	-	-	242	242	-	-	-	-	7	7	-	-	-	-	-
2010	WECC		El Paso Electric Company	U.S.	89,512	89,512	-	-	87,095	87,095	-	-	-	-	2,417	2,417	-	-	-	-	-
2010	WECC		Electrical District #2	U.S.	1,931	1,931	-	-	1,879	1,879	-	-	-	-	52	52	-	-	-	-	-
2010	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	19	19	-	-	18	18	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		Electrical District No. 6 of Pinal County	U.S.	14	14	-	-	13	13	-	-	-	-	0	0	-	-	-	-	-
2010	WECC		Electrical District No. 7 of Maricopa County	U.S.	560	560	-	-	544	544	-	-	-	-	15	15	-	-	-	-	-
2010	WECC		Electrical District No. 8 of Maricopa County	U.S.	2,575	2,575	-	-	2,506	2,506	-	-	-	-	70	70	-	-	-	-	-
2010	WECC		Electrical Districts 1 & 3	U.S.	6,187	6,187	-	-	6,020	6,020	-	-	-	-	167	167	-	-	-	-	-

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				NERC IDC Assessments		
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total
2010	WECC		Elmhurst Mutual Power & Light Company	U.S.	2,992	2,992	-	-	2,911	2,911	-	-	-	-	81	81	-	-	-	-	-
2010	WECC		Emerald PUD	U.S.	5,552	5,552	-	-	5,403	5,403	-	-	-	-	150	150	-	-	-	-	-
2010	WECC		Energy Northwest	U.S.	543	543	-	-	529	529	-	-	-	-	15	15	-	-	-	-	-
2010	WECC		Eugene Water & Electric Board	U.S.	27,401	27,401	-	-	26,661	26,661	-	-	-	-	740	740	-	-	-	-	-
2010	WECC		Farmers Electric Company, LTD	U.S.	49	49	-	-	47	47	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		Farmington Electric Utility System	U.S.	11,954	11,954	-	-	11,631	11,631	-	-	-	-	323	323	-	-	-	-	-
2010	WECC		Flathead Electric Cooperative, Inc	U.S.	15,839	15,839	-	-	15,412	15,412	-	-	-	-	428	428	-	-	-	-	-
2010	WECC		Frederickson Power LP	U.S.	39	39	-	-	38	38	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		Glacier Electric Cooperative, Inc.	U.S.	2,005	2,005	-	-	1,951	1,951	-	-	-	-	54	54	-	-	-	-	-
2010	WECC		Grand Valley Power	U.S.	2,599	2,599	-	-	2,529	2,529	-	-	-	-	70	70	-	-	-	-	-
2010	WECC		Harney Electric Cooperative, Inc.	U.S.	1,227	1,227	-	-	1,193	1,193	-	-	-	-	33	33	-	-	-	-	-
2010	WECC		Harney Electric Cooperative, Inc.	U.S.	777	777	-	-	756	756	-	-	-	-	21	21	-	-	-	-	-
2010	WECC		Harquahala Valley Power District	U.S.	675	675	-	-	657	657	-	-	-	-	18	18	-	-	-	-	-
2010	WECC		Hermiston Power LLC	U.S.	24	24	-	-	23	23	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		Holy Cross Energy	U.S.	9,391	9,391	-	-	9,138	9,138	-	-	-	-	254	254	-	-	-	-	-
2010	WECC		Hood River Electric Cooperative	U.S.	442	442	-	-	430	430	-	-	-	-	12	12	-	-	-	-	-
2010	WECC		Idaho County Light and Power Cooperative Association, Inc.	U.S.	611	611	-	-	595	595	-	-	-	-	17	17	-	-	-	-	-
2010	WECC		Idaho Power Company	U.S.	162,784	162,784	-	-	158,389	158,389	-	-	-	-	4,395	4,395	-	-	-	-	-
2010	WECC		Idaho Power Company - BPA	U.S.	208	208	-	-	203	203	-	-	-	-	6	6	-	-	-	-	-
2010	WECC		Imperial Irrigation District	U.S.	39,519	39,519	-	-	38,452	38,452	-	-	-	-	1,067	1,067	-	-	-	-	-
2010	WECC		Inland Power and Light Company	U.S.	4,946	4,946	-	-	4,812	4,812	-	-	-	-	134	134	-	-	-	-	-
2010	WECC		Inland Power and Light Company	U.S.	5,136	5,136	-	-	4,998	4,998	-	-	-	-	139	139	-	-	-	-	-
2010	WECC		Intermountain Rural Electric Association	U.S.	14,148	14,148	-	-	13,766	13,766	-	-	-	-	382	382	-	-	-	-	-
2010	WECC		Kirtland AFB	U.S.	4,873	4,873	-	-	4,742	4,742	-	-	-	-	132	132	-	-	-	-	-
2010	WECC		Kootenai Electric Cooperative, Inc.	U.S.	5,054	5,054	-	-	4,917	4,917	-	-	-	-	136	136	-	-	-	-	-
2010	WECC		Lakeview Light & Power	U.S.	3,069	3,069	-	-	2,986	2,986	-	-	-	-	83	83	-	-	-	-	-
2010	WECC		Lane Electric Cooperative, Inc.	U.S.	2,466	2,466	-	-	2,400	2,400	-	-	-	-	67	67	-	-	-	-	-
2010	WECC		Las Vegas Valley Water District	U.S.	1,047	1,047	-	-	1,019	1,019	-	-	-	-	28	28	-	-	-	-	-
2010	WECC		Lincoln County Power District No. 1	U.S.	743	743	-	-	723	723	-	-	-	-	20	20	-	-	-	-	-
2010	WECC		Lincoln Electric Cooperative, Inc.	U.S.	1,294	1,294	-	-	1,259	1,259	-	-	-	-	35	35	-	-	-	-	-
2010	WECC		Los Angeles Department of Water and Power	U.S.	314,501	314,501	-	-	306,009	306,009	-	-	-	-	8,492	8,492	-	-	-	-	-
2010	WECC		Maricopa County Municipal Water Conservation District No. 1	U.S.	472	472	-	-	459	459	-	-	-	-	13	13	-	-	-	-	-
2010	WECC		McMullen Valley Water Conservation & Drainage District	U.S.	713	713	-	-	694	694	-	-	-	-	19	19	-	-	-	-	-
2010	WECC		Merced Irrigation District	U.S.	4,885	4,885	-	-	4,753	4,753	-	-	-	-	132	132	-	-	-	-	-
2010	WECC		Midstate Electric Cooperative, Inc.	U.S.	4,428	4,428	-	-	4,308	4,308	-	-	-	-	120	120	-	-	-	-	-
2010	WECC		Mission Valley Power	U.S.	4,357	4,357	-	-	4,240	4,240	-	-	-	-	118	118	-	-	-	-	-
2010	WECC		Missoula Electric Cooperative, Inc.	U.S.	2,518	2,518	-	-	2,450	2,450	-	-	-	-	68	68	-	-	-	-	-
2010	WECC		Modern Electric Water Company	U.S.	2,580	2,580	-	-	2,510	2,510	-	-	-	-	70	70	-	-	-	-	-
2010	WECC		Modesto Irrigation District	U.S.	27,700	27,700	-	-	26,952	26,952	-	-	-	-	748	748	-	-	-	-	-
2010	WECC		Montana-Dakota Utilities Co.	U.S.	240	240	-	-	234	234	-	-	-	-	6	6	-	-	-	-	-
2010	WECC		Mt. Wheeler Power	U.S.	4,823	4,823	-	-	4,693	4,693	-	-	-	-	130	130	-	-	-	-	-
2010	WECC		Municipal Energy Agency of Nebraska	U.S.	4,197	4,197	-	-	4,084	4,084	-	-	-	-	113	113	-	-	-	-	-
2010	WECC		Municipal Energy Agency of Nebraska	U.S.	7,060	7,060	-	-	6,870	6,870	-	-	-	-	191	191	-	-	-	-	-
2010	WECC		Navajo Tribal Utility Authority	U.S.	433	433	-	-	421	421	-	-	-	-	12	12	-	-	-	-	-
2010	WECC		Navajo Tribal Utility Authority	U.S.	3,369	3,369	-	-	3,278	3,278	-	-	-	-	91	91	-	-	-	-	-
2010	WECC		Navopache Electric Cooperative, Inc.	U.S.	4,711	4,711	-	-	4,584	4,584	-	-	-	-	127	127	-	-	-	-	-
2010	WECC		Nebraska Public Power Marketing	U.S.	40	40	-	-	39	39	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		Nespelem Valley Electric Cooperative, Inc.	U.S.	559	559	-	-	544	544	-	-	-	-	15	15	-	-	-	-	-
2010	WECC		Nevada Power Company dba NV Energy	U.S.	241,412	241,412	-	-	234,893	234,893	-	-	-	-	6,519	6,519	-	-	-	-	-
2010	WECC		Noble Americas Energy Solutions, LLC	U.S.	10,938	10,938	-	-	10,642	10,642	-	-	-	-	295	295	-	-	-	-	-
2010	WECC		Northern Lights, Inc.	U.S.	300	300	-	-	292	292	-	-	-	-	8	8	-	-	-	-	-
2010	WECC		Northern Lights, Inc.	U.S.	3,640	3,640	-	-	3,541	3,541	-	-	-	-	98	98	-	-	-	-	-
2010	WECC		Northern Lights, Inc.	U.S.	113	113	-	-	110	110	-	-	-	-	3	3	-	-	-	-	-
2010	WECC		Northern Wasco County PUD	U.S.	6,511	6,511	-	-	6,335	6,335	-	-	-	-	176	176	-	-	-	-	-
2010	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	97,640	97,640	-	-	95,003	95,003	-	-	-	-	2,636	2,636	-	-	-	-	-
2010	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	3,359	3,359	-	-	3,269	3,269	-	-	-	-	91	91	-	-	-	-	-
2010	WECC		Ohop Mutual Light Company	U.S.	937	937	-	-	912	912	-	-	-	-	25	25	-	-	-	-	-
2010	WECC		Orcas Power and Light Cooperative	U.S.	2,283	2,283	-	-	2,222	2,222	-	-	-	-	62	62	-	-	-	-	-
2010	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	3,655	3,655	-	-	3,556	3,556	-	-	-	-	99	99	-	-	-	-	-
2010	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	3,525	3,525	-	-	3,430	3,430	-	-	-	-	95	95	-	-	-	-	-
2010	WECC		Overton Power District No. 5	U.S.	4,176	4,176	-	-	4,063	4,063	-	-	-	-	113	113	-	-	-	-	-
2010	WECC		PacifiCorp	U.S.	592	592	-	-	576	576	-	-	-	-	16	16	-	-	-	-	-
2010	WECC		PacifiCorp	U.S.	516,191	516,191	-	-	502,253	502,253	-	-	-	-	13,938	13,938	-	-	-	-	-
2010	WECC		PacifiCorp	U.S.	20	20	-	-	19	19	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		PacifiCorp	U.S.	2,515	2,515	-	-	2,447	2,447	-	-	-	-	68	68	-	-	-	-	-
2010	WECC		PacifiCorp West (PACW)	U.S.	229,725	229,725	-	-	223,522	223,522	-	-	-	-	6,203	6,203	-	-	-	-	-
2010	WECC		Page Electric Utility	U.S.	179	179	-	-	174	174	-	-	-	-	5	5	-	-	-	-	-
2010	WECC		Parkland Light and Water Company	U.S.	1,314	1,314	-	-	1,278	1,278	-	-	-	-	35	35	-	-	-	-	-
2010	WECC		Pend Oreille County PUD No. 1	U.S.	10,883	10,883	-	-	10,589	10,589	-	-	-	-	294	294	-	-	-	-	-
2010	WECC		Peninsula Light Company, Inc.	U.S.	6,649	6,649	-	-	6,469	6,469	-	-	-	-	180	180	-	-	-	-	-
2010	WECC		Platte River Power Authority	U.S.	35,352	35,352	-	-	34,397	34,397	-	-	-	-	955	955	-	-	-	-	-
2010	WECC		Port of Seattle - Seattle-Tacoma International Airport	U.S.	1,614	1,614	-	-	1,571	1,571	-	-	-	-	44	44	-	-	-	-	-
2010	WECC		Port Townsend Paper Corporation	U.S.	2,310	2,310	-	-	2,248	2,248	-	-	-	-	62	62	-	-	-	-	-
2010	WECC		Portland General Electric Company	U.S.	502	502	-	-	488	488	-	-	-	-	14	14	-	-	-	-	-
2010	WECC		Portland General Electric Company	U.S.	206,046	206,046	-	-	200,482	200,482	-	-	-	-	5,564	5,564	-	-	-	-	-
2010	WECC		Public Service Company of Colorado (Xcel)	U.S.	343,755	343,755	-	-	334,473	334,473	-	-	-	-	9,282	9,282	-	-	-	-	-
2010	WECC		Public Service Company of Colorado (Xcel)	U.S.	371	371	-	-	361	361	-	-	-	-	10	10	-	-	-	-	-
2010	WECC		Public Service Company of New Mexico	U.S.	117,062	117,062	-	-	113,901	113,901	-	-	-	-	3,161	3,161	-	-	-	-	-
2010	WECC		Public Utility District No. 1 of Chelan County	U.S.	35,044	35,044	-	-	34,097	34,097	-	-	-	-	946	946	-	-	-	-	-
2010	WECC		PUD No. 1 of Asotin County	U.S.	50	50	-	-	49	49	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		PUD No. 1 of Asotin County	U.S.	4	4	-	-	4	4	-	-	-	-	0	0	-	-	-	-	-
2010	WECC		PUD No. 1 of Benton County	U.S.	18,402	18,402	-	-	17,905	17,905	-	-	-	-	497	497	-	-	-	-	-

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				NERC IDC Assessments		
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total
2010	WECC		PUD No. 1 of Clallam County	U.S.	7,332	7,332	-	-	7,134	7,134	-	-	-	-	198	198	-	-	-	-	-
2010	WECC		PUD No. 1 of Cowlitz County	U.S.	56,076	56,076	-	-	54,562	54,562	-	-	-	-	1,514	1,514	-	-	-	-	-
2010	WECC		PUD No. 1 of Douglas County	U.S.	99	99	-	-	96	96	-	-	-	-	3	3	-	-	-	-	-
2010	WECC		PUD No. 1 of Douglas County	U.S.	14,951	14,951	-	-	14,547	14,547	-	-	-	-	404	404	-	-	-	-	-
2010	WECC		PUD No. 1 of Ferry County	U.S.	1,109	1,109	-	-	1,079	1,079	-	-	-	-	30	30	-	-	-	-	-
2010	WECC		PUD No. 1 of Franklin County	U.S.	11,067	11,067	-	-	10,768	10,768	-	-	-	-	299	299	-	-	-	-	-
2010	WECC		PUD No. 1 of Grays Harbor	U.S.	11,980	11,980	-	-	11,656	11,656	-	-	-	-	323	323	-	-	-	-	-
2010	WECC		PUD No. 1 of Kittitas County	U.S.	638	638	-	-	621	621	-	-	-	-	17	17	-	-	-	-	-
2010	WECC		PUD No. 1 of Kittitas County	U.S.	82	82	-	-	80	80	-	-	-	-	2	2	-	-	-	-	-
2010	WECC		PUD No. 1 of Kittitas County	U.S.	180	180	-	-	176	176	-	-	-	-	5	5	-	-	-	-	-
2010	WECC		PUD No. 1 of Klickitat County	U.S.	2,990	2,990	-	-	2,910	2,910	-	-	-	-	81	81	-	-	-	-	-
2010	WECC		PUD No. 1 of Lewis County	U.S.	10,429	10,429	-	-	10,147	10,147	-	-	-	-	282	282	-	-	-	-	-
2010	WECC		PUD No. 1 of Mason County	U.S.	843	843	-	-	821	821	-	-	-	-	23	23	-	-	-	-	-
2010	WECC		PUD No. 1 of Skamania County	U.S.	1,479	1,479	-	-	1,439	1,439	-	-	-	-	40	40	-	-	-	-	-
2010	WECC		PUD No. 1 of Snohomish County	U.S.	76,639	76,639	-	-	74,570	74,570	-	-	-	-	2,069	2,069	-	-	-	-	-
2010	WECC		PUD No. 1 of Wahkiakum County	U.S.	471	471	-	-	458	458	-	-	-	-	13	13	-	-	-	-	-
2010	WECC		PUD No. 1 of Whatcom County	U.S.	2,378	2,378	-	-	2,313	2,313	-	-	-	-	64	64	-	-	-	-	-
2010	WECC		PUD No. 1 of Whatcom County	U.S.	143	143	-	-	140	140	-	-	-	-	4	4	-	-	-	-	-
2010	WECC		PUD No. 2 of Grant County	U.S.	921	921	-	-	896	896	-	-	-	-	25	25	-	-	-	-	-
2010	WECC		PUD No. 2 of Grant County	U.S.	500	500	-	-	486	486	-	-	-	-	13	13	-	-	-	-	-
2010	WECC		PUD No. 2 of Grant County	U.S.	42,106	42,106	-	-	40,969	40,969	-	-	-	-	1,137	1,137	-	-	-	-	-
2010	WECC		PUD No. 2 of Pacific County	U.S.	3,306	3,306	-	-	3,217	3,217	-	-	-	-	89	89	-	-	-	-	-
2010	WECC		PUD No. 3 of Mason County	U.S.	7,564	7,564	-	-	7,360	7,360	-	-	-	-	204	204	-	-	-	-	-
2010	WECC		Puget Sound Energy, Inc.	U.S.	268,743	268,743	-	-	261,486	261,486	-	-	-	-	7,257	7,257	-	-	-	-	-
2010	WECC		Raft River Electric Cooperative	U.S.	2,616	2,616	-	-	2,545	2,545	-	-	-	-	71	71	-	-	-	-	-
2010	WECC		Ravalli County Electric Cooperative, Inc.	U.S.	1,716	1,716	-	-	1,669	1,669	-	-	-	-	46	46	-	-	-	-	-
2010	WECC		Riverside Electric Copmpany, Ltd	U.S.	217	217	-	-	211	211	-	-	-	-	6	6	-	-	-	-	-
2010	WECC		Rocky Mountain Generation Cooperative, Inc.	U.S.	475	475	-	-	463	463	-	-	-	-	13	13	-	-	-	-	-
2010	WECC		Roosevelt Irrigation District	U.S.	323	323	-	-	314	314	-	-	-	-	9	9	-	-	-	-	-
2010	WECC		Sacramento Municipal Utility District	U.S.	123,318	123,318	-	-	119,988	119,988	-	-	-	-	3,330	3,330	-	-	-	-	-
2010	WECC		Salem Electric	U.S.	3,572	3,572	-	-	3,476	3,476	-	-	-	-	96	96	-	-	-	-	-
2010	WECC		Salt River Project	U.S.	310,746	310,746	-	-	302,355	302,355	-	-	-	-	8,391	8,391	-	-	-	-	-
2010	WECC		San Carlos Indian Irrigation Project	U.S.	2	2	-	-	1	1	-	-	-	-	0	0	-	-	-	-	-
2010	WECC		Seattle City Light	U.S.	110,089	110,089	-	-	107,116	107,116	-	-	-	-	2,973	2,973	-	-	-	-	-
2010	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	97,703	97,703	-	-	95,064	95,064	-	-	-	-	2,638	2,638	-	-	-	-	-
2010	WECC		South Side Electric, Inc	U.S.	620	620	-	-	604	604	-	-	-	-	17	17	-	-	-	-	-
2010	WECC		Southern Montana Electric Generation & Transmission	U.S.	8,338	8,338	-	-	8,112	8,112	-	-	-	-	225	225	-	-	-	-	-
2010	WECC		Southern Nevada Water Authority	U.S.	9,112	9,112	-	-	8,865	8,865	-	-	-	-	246	246	-	-	-	-	-
2010	WECC		Southwest Transmission Cooperative, Inc.	U.S.	29,453	29,453	-	-	28,657	28,657	-	-	-	-	795	795	-	-	-	-	-
2010	WECC		Springfield Utility Board	U.S.	9,247	9,247	-	-	8,998	8,998	-	-	-	-	250	250	-	-	-	-	-
2010	WECC		Surprise Valley Electrification Corporation	U.S.	365	365	-	-	355	355	-	-	-	-	10	10	-	-	-	-	-
2010	WECC		Tanner Electric Cooperative	U.S.	1,037	1,037	-	-	1,009	1,009	-	-	-	-	28	28	-	-	-	-	-
2010	WECC		The Incorporated County of Los Alamos	U.S.	3,979	3,979	-	-	3,872	3,872	-	-	-	-	107	107	-	-	-	-	-
2010	WECC		Tillamook People's Utility District	U.S.	4,067	4,067	-	-	3,957	3,957	-	-	-	-	110	110	-	-	-	-	-
2010	WECC		Tohono O'Odham Utility Authority	U.S.	739	739	-	-	719	719	-	-	-	-	20	20	-	-	-	-	-
2010	WECC		Tonopah Irrigation District	U.S.	234	234	-	-	228	228	-	-	-	-	6	6	-	-	-	-	-
2010	WECC		Town of Center	U.S.	140	140	-	-	137	137	-	-	-	-	4	4	-	-	-	-	-
2010	WECC		Town of Coulee	U.S.	162	162	-	-	158	158	-	-	-	-	4	4	-	-	-	-	-
2010	WECC		Town of Eatonville	U.S.	316	316	-	-	307	307	-	-	-	-	9	9	-	-	-	-	-
2010	WECC		Town of Fredonia	U.S.	15	15	-	-	15	15	-	-	-	-	0	0	-	-	-	-	-
2010	WECC		Town of Steilacoom	U.S.	448	448	-	-	436	436	-	-	-	-	12	12	-	-	-	-	-
2010	WECC		Town of Wickenburg	U.S.	311	311	-	-	302	302	-	-	-	-	8	8	-	-	-	-	-
2010	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	21,530	21,530	-	-	20,949	20,949	-	-	-	-	581	581	-	-	-	-	-
2010	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	82,643	82,643	-	-	80,411	80,411	-	-	-	-	2,231	2,231	-	-	-	-	-
2010	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	359	359	-	-	349	349	-	-	-	-	10	10	-	-	-	-	-
2010	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	28,991	28,991	-	-	28,208	28,208	-	-	-	-	783	783	-	-	-	-	-
2010	WECC		Truckee Donner Public Utility District	U.S.	1,698	1,698	-	-	1,652	1,652	-	-	-	-	46	46	-	-	-	-	-
2010	WECC		Tucson Electric Power Company	U.S.	151,660	151,660	-	-	147,565	147,565	-	-	-	-	4,095	4,095	-	-	-	-	-
2010	WECC		Turlock Irrigation District	U.S.	22,295	22,295	-	-	21,693	21,693	-	-	-	-	602	602	-	-	-	-	-
2010	WECC		U.S. Army Yuma Proving Ground	U.S.	209	209	-	-	204	204	-	-	-	-	6	6	-	-	-	-	-
2010	WECC		U.S. Boia Wapato Irrigation Project	U.S.	197	197	-	-	192	192	-	-	-	-	5	5	-	-	-	-	-
2010	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	35	35	-	-	34	34	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		U.S. Bor Spokane Indian Development`	U.S.	28	28	-	-	27	27	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		U.S. DOE National Energy Technology Laboratory	U.S.	45	45	-	-	44	44	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		U.S. DOE Richland Operations Office	U.S.	2,173	2,173	-	-	2,114	2,114	-	-	-	-	59	59	-	-	-	-	-
2010	WECC		Umatilla Electric Cooperative Association	U.S.	10,300	10,300	-	-	10,022	10,022	-	-	-	-	278	278	-	-	-	-	-
2010	WECC		Unit B Irrigation District	U.S.	0	0	-	-	0	0	-	-	-	-	0	0	-	-	-	-	-
2010	WECC		United Electric Cooperative	U.S.	2,881	2,881	-	-	2,803	2,803	-	-	-	-	78	78	-	-	-	-	-
2010	WECC		US Air Force Base, Fairchild	U.S.	602	602	-	-	585	585	-	-	-	-	16	16	-	-	-	-	-
2010	WECC		USN Naval Station, Bremerton	U.S.	2,616	2,616	-	-	2,546	2,546	-	-	-	-	71	71	-	-	-	-	-
2010	WECC		USN Naval Station, Everett	U.S.	145	145	-	-	141	141	-	-	-	-	4	4	-	-	-	-	-
2010	WECC		USN Submarine Base, Bangor	U.S.	1,892	1,892	-	-	1,841	1,841	-	-	-	-	51	51	-	-	-	-	-
2010	WECC		Valley Electric Association, Inc.	U.S.	5,602	5,602	-	-	5,451	5,451	-	-	-	-	151	151	-	-	-	-	-
2010	WECC		Vera Water and Power	U.S.	2,519	2,519	-	-	2,451	2,451	-	-	-	-	68	68	-	-	-	-	-
2010	WECC		Vigilante Electric Cooperative, Inc.	U.S.	1,567	1,567	-	-	1,524	1,524	-	-	-	-	42	42	-	-	-	-	-
2010	WECC		Wasco Electric Cooperative	U.S.	1,053	1,053	-	-	1,024	1,024	-	-	-	-	28	28	-	-	-	-	-
2010	WECC		Wells Rural Electric Cooperative	U.S.	2,251	2,251	-	-	2,190	2,190	-	-	-	-	61	61	-	-	-	-	-
2010	WECC		Wells Rural Electric Cooperative	U.S.	7,096	7,096	-	-	6,904	6,904	-	-	-	-	192	192	-	-	-	-	-
2010	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	8	8	-	-	8	8	-	-	-	-	0	0	-	-	-	-	-
2010	WECC		West Oregon Electric Cooperative, Inc.	U.S.	622	622	-	-	605	605	-	-	-	-	17	17	-	-	-	-	-
2010	WECC		West Oregon Electric Cooperative, Inc.	U.S.	140	140	-	-	137	137	-	-	-	-	4	4	-	-	-	-	-
2010	WECC		Western Area Power - Loveland, CO	U.S.	4,095	4,095	-	-	3,984	3,984	-	-	-	-	111	111	-	-	-	-	-

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				NERC IDC Assessments		
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total
2010	WECC		Western Area Power - Loveland, CO	U.S.	18,544	18,544	-	-	18,043	18,043	-	-	-	-	501	501	-	-	-	-	-
2010	WECC		Western Area Power Administration - CRSP	U.S.	15,533	15,533	-	-	15,113	15,113	-	-	-	-	419	419	-	-	-	-	-
2010	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	15,526	15,526	-	-	15,107	15,107	-	-	-	-	419	419	-	-	-	-	-
2010	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	25,845	25,845	-	-	25,147	25,147	-	-	-	-	698	698	-	-	-	-	-
2010	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	2,073	2,073	-	-	2,017	2,017	-	-	-	-	56	56	-	-	-	-	-
2010	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	212	212	-	-	206	206	-	-	-	-	6	6	-	-	-	-	-
2010	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	2,768	2,768	-	-	2,693	2,693	-	-	-	-	75	75	-	-	-	-	-
2010	WECC		Wyoming Municipal Power Agency	U.S.	2,360	2,360	-	-	2,296	2,296	-	-	-	-	64	64	-	-	-	-	-
2010	WECC		Yampa Valley Electric Association	U.S.	6,467	6,467	-	-	6,292	6,292	-	-	-	-	175	175	-	-	-	-	-
2010	WECC		Yuma Irrigation District	U.S.	35	35	-	-	34	34	-	-	-	-	1	1	-	-	-	-	-
2010	WECC		Yuma-Mesa Irrigation District	U.S.	2	2	-	-	2	2	-	-	-	-	0	0	-	-	-	-	-
			TOTAL WECC		9,163,140	7,922,012	1,123,507	117,621	9,089,708	7,708,105	1,267,158	114,445	-	-	73,433	213,907	(143,651)	3,176	-	-	-
					-																
	TOTAL ERO				50,661,272	46,132,189	4,411,462	117,621	49,042,052	43,436,897	5,490,711	114,445	-	-	0	1,205,417	(1,208,593)	3,176	1,619,220	1,489,876	129,344

Summary by Regional Entity																				
2010	FRCC	2,703,019	2,703,019	-	-	2,521,323	2,521,323	-	-	-	-	69,969	69,969	-	-	111,726	111,726	-
2010	MRO	3,340,737	2,824,600	516,137	-	2,979,545	2,519,212	460,334	-	-	-	82,685	69,911	12,775	-	278,506	235,477	43,029
2010	NPCC	6,086,861	3,315,043	2,771,818	-	6,918,336	3,155,117	3,763,219	-	-	-	(990,159)	87,558	(1,077,717)	-	158,684	72,368	86,316
2010	RFC	10,801,822	10,801,822	-	-	10,089,496	10,089,496	-	-	-	-	279,993	279,993	-	-	432,332	432,332	-
2010	SERC	12,370,909	12,370,909	-	-	11,638,273	11,638,273	-	-	-	-	322,974	322,974	-	-	409,663	409,663	-
2010	SPP	2,636,390	2,636,390	-	-	2,343,057	2,343,057	-	-	-	-	65,022	65,022	-	-	228,310	228,310	-
2010	TRE	3,558,395	3,558,395	-	-	3,462,313	3,462,313	-	-	-	-	96,083	96,083	-	-	-	-	-
2010	WECC	9,163,140	7,922,012	1,123,507	117,621	9,089,708	7,708,105	1,267,158	114,445	-	-	73,433	213,907	(143,651)	3,176	-	-	-
Total		50,661,272	46,132,189	4,411,462	117,621	49,042,052	43,436,897	5,490,711	114,445	-	-	0	1,205,417	(1,208,593)	3,176	1,619,220	1,489,876	129,344

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		2011 RE Assessment Corrections		NPCC 40% CORC excluding US Only Staff			NPCC 60% CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	FRCC	1074	Alachua, City of	U.S.	2,450	2,450	-	-	2,934	2,934	-	-	(484)	(484)																
2010	FRCC	1075	Bartow, City of	U.S.	5,914	5,914	-	-	7,083	7,083	-	-	(1,169)	(1,169)																
2010	FRCC	1076	Chattahoochee, City of	U.S.	912	912	-	-	1,092	1,092	-	-	(180)	(180)																
2010	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	12,991	12,991	-	-	15,559	15,559	-	-	(2,568)	(2,568)																
2010	FRCC	1078	Florida Power & Light Co.	U.S.	2,133,282	2,133,282	-	-	2,554,987	2,554,987	-	-	(421,705)	(421,705)																
2010	FRCC	1079	Florida Public Utilities Company	U.S.	7,635	7,635	-	-	9,144	9,144	-	-	(1,509)	(1,509)																
2010	FRCC	1080	Gainesville Regional Utilities	U.S.	38,213	38,213	-	-	45,767	45,767	-	-	(7,554)	(7,554)																
2010	FRCC	1081	Homestead, City of	U.S.	9,230	9,230	-	-	11,055	11,055	-	-	(1,825)	(1,825)																
2010	FRCC	1082	JEA	U.S.	255,262	255,262	-	-	305,722	305,722	-	-	(50,460)	(50,460)																
2010	FRCC	1083	Lakeland Electric	U.S.	59,200	59,200	-	-	70,903	70,903	-	-	(11,703)	(11,703)																
2010	FRCC		Lee County Electric Cooperative	U.S.	22,991	22,991	-	-	27,536	27,536	-	-	(4,545)	(4,545)																
2010	FRCC	1084	Mount Dora, City of	U.S.	1,918	1,918	-	-	2,297	2,297	-	-	(379)	(379)																
2010	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	7,901	7,901	-	-	9,463	9,463	-	-	(1,562)	(1,562)																
2010	FRCC	1086	Orlando Utilities Commission	U.S.	109,930	109,930	-	-	131,661	131,661	-	-	(21,731)	(21,731)																
2010	FRCC	1087	Progress Energy Florida	U.S.	806,331	806,331	-	-	965,725	965,725	-	-	(159,395)	(159,395)																
2010	FRCC	1088	Quincy, City of	U.S.	2,927	2,927	-	-	3,505	3,505	-	-	(579)	(579)																
2010	FRCC	1089	Reedy Creek Improvement District	U.S.	23,361	23,361	-	-	27,979	27,979	-	-	(4,618)	(4,618)																
2010	FRCC	1090	St. Cloud, City of (OUC)	U.S.	11,794	11,794	-	-	14,126	14,126	-	-	(2,332)	(2,332)																
2010	FRCC	1091	Tallahassee, City of	U.S.	55,668	55,668	-	-	66,672	66,672	-	-	(11,004)	(11,004)																
2010	FRCC	1092	Tampa Electric Company	U.S.	386,736	386,736	-	-	463,185	463,185	-	-	(76,450)	(76,450)																
2010	FRCC	1603	Vero Beach, City of	U.S.	14,928	14,928	-	-	17,879	17,879	-	-	(2,951)	(2,951)																
2010	FRCC	1093	Wauchula, City of	U.S.	1,301	1,301	-	-	1,558	1,558	-	-	(257)	(257)																
2010	FRCC	1094	Williston, City of	U.S.	691	691	-	-	828	828	-	-	(137)	(137)																
2010	FRCC	1095	Winter Park, City of	U.S.	8,896	8,896	-	-	10,655	10,655	-	-	(1,759)	(1,759)																
2010	FRCC	1072	Florida Municipal Power Agency	U.S.	119,635	119,635	-	-	143,284	143,284	-	-	(23,649)	(23,649)																
2010	FRCC	1073	Seminole Electric Cooperative	U.S.	324,751	324,751	-	-	388,948	388,948	-	-	(64,196)	(64,196)																
			TOTAL FRCC		4,424,850	4,424,850	-	-	5,299,550	5,299,550	-	-	(874,700)	(874,700)																
2010	MRO	1199	Basin Electric Power Cooperative	U.S.	375,416	375,416	-	-	397,878	397,878	-	-	(22,462)	(22,462)																
2010	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	81,270	81,270	-	-	86,132	86,132	-	-	(4,863)	(4,863)																
2010	MRO	1204	Corn Belt Power Cooperative	U.S.	55,365	55,365	-	-	58,678	58,678	-	-	(3,313)	(3,313)																
2010	MRO	1207	Dairyland Power Cooperative	U.S.	157,884	157,884	-	-	167,331	167,331	-	-	(9,447)	(9,447)																
2010	MRO	1210	Great River Energy	U.S.	402,100	402,100	-	-	426,159	426,159	-	-	(24,059)	(24,059)																
2010	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	111,345	111,345	-	-	118,007	118,007	-	-	(6,662)	(6,662)																
2010	MRO	1230	Nebraska Public Power District	U.S.	390,323	390,323	-	-	413,678	413,678	-	-	(23,354)	(23,354)																
2010	MRO	1232	Omaha Public Power District	U.S.	345,305	345,305	-	-	365,965	365,965	-	-	(20,661)	(20,661)																
2010	MRO	1237	Southern Montana Generation and Transmission	U.S.	119	119	-	-	127	127	-	-	(7)	(7)																
2010	MRO	1240	Western Area Power Administration (UM)	U.S.	269,047	269,047	-	-	285,145	285,145	-	-	(16,098)	(16,098)																
2010	MRO	1239	Western Area Power Administration (LM)	U.S.	3,652	3,652	-	-	3,870	3,870	-	-	(218)	(218)																
2010	MRO	1217	Manitoba Hydro	CAN	697,808	-	697,808	-	697,808	-	697,808	-	-	-																
2010	MRO	1235	SaskPower	CAN	656,757	-	656,757	-	656,757	-	656,757	-	-	-																
2010	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	859,713	859,713	-	-	911,153	911,153	-	-	(51,439)	(51,439)																
2010	MRO	1216	Madison, Gas and Electric	U.S.	103,906	103,906	-	-	110,123	110,123	-	-	(6,217)	(6,217)																
2010	MRO	1220	MidAmerican Energy Company	U.S.	686,055	686,055	-	-	727,104	727,104	-	-	(41,049)	(41,049)																
2010	MRO	1221	Minnesota Power	U.S.	376,453	376,453	-	-	398,978	398,978	-	-	(22,524)	(22,524)																
2010	MRO	1226	Montana-Dakota Utilities Co.	U.S.	81,675	81,675	-	-	86,561	86,561	-	-	(4,887)	(4,887)																
2010	MRO	1231	NorthWestern Energy	U.S.	44,912	44,912	-	-	47,600	47,600	-	-	(2,687)	(2,687)																
2010	MRO	1233	Otter Tail Power Company	U.S.	130,437	130,437	-	-	138,241	138,241	-	-	(7,804)	(7,804)																
2010	MRO	1243	Integrys Energy Group (WPS and UPPCO)	U.S.	412,990	412,990	-	-	437,700	437,700	-	-	(24,710)	(24,710)																
2010	MRO	1244	Xcel Energy Company (NSP)	U.S.	1,387,701	1,387,701	-	-	1,470,731	1,470,731	-	-	(83,030)	(83,030)																
2010	MRO	1196	Ames Municipal Electric System	U.S.	23,809	23,809	-	-	25,234	25,234	-	-	(1,425)	(1,425)																
2010	MRO	1604	Atlantic Municipal Utilities	U.S.	2,438	2,438	-	-	2,584	2,584	-	-	(146)	(146)																
2010	MRO	1476	Badger Power Marketing Authority of Wisconsin, Inc.	U.S.	11,463	11,463	-	-	12,149	12,149	-	-	(686)	(686)																
2010	MRO	1200	Cedar Falls Municipal Utilities	U.S.	15,713	15,713	-	-	16,653	16,653	-	-	(940)	(940)																
2010	MRO	1477	Central Minnesota Municipal Power Agency (CMMPA)	U.S.	14,036	14,036	-	-	14,875	14,875	-	-	(840)	(840)																
2010	MRO	1605	City of Pella	U.S.	5,646	5,646	-	-	5,983	5,983	-	-	(338)	(338)																
2010	MRO	1203	Escanaba Municipal Electric Utility	U.S.	4,552	4,552	-	-	4,824	4,824	-	-	(272)	(272)																
2010	MRO	1205	Falls City Water & Light Department	U.S.	1,700	1,700	-	-	1,802	1,802	-	-	(102)	(102)																
2010	MRO	1206	Fremont Department of Utilities	U.S.	13,326	13,326	-	-	14,123	14,123	-	-	(797)	(797)																
2010	MRO	1208	Geneseo Municipal Utilities	U.S.	2,014	2,014	-	-	2,135	2,135	-	-	(121)	(121)																
2010	MRO	1209	Grand Island Utilities Department	U.S.	22,375	22,375	-	-	23,714	23,714	-	-	(1,339)	(1,339)																
2010	MRO	1606	Harlan Municipal Utilities	U.S.	571	571	-	-	605	605	-	-	(34)	(34)																
2010	MRO	1211	Hastings Utilities	U.S.	12,386	12,386	-	-	13,127	13,127	-	-	(741)	(741)																
2010	MRO	1212	Heartland Consumers Power District	U.S.	25,170	25,170	-	-	26,676	26,676	-	-	(1,506)	(1,506)																
2010	MRO	1213	Hutchinson Utilities Commission	U.S.	9,196	9,196	-	-	9,747	9,747	-	-	(550)	(550)																
2010	MRO	1215	Lincoln Electric System	U.S.	97,590	97,590	-	-	103,429	103,429	-	-	(5,839)	(5,839)																
2010	MRO	1218	Manitowoc Public Utilities	U.S.	15,479	15,479	-	-	16,405	16,405	-	-	(926)	(926)																
2010	MRO	1223	Missouri River Energy Services	U.S.	70,433	70,433	-	-	74,647	74,647	-	-	(4,214)	(4,214)																
2010	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	43,708	43,708	-	-	46,324	46,324	-	-	(2,615)	(2,615)																
2010	MRO	1607	Montezuma Municipal Light & Power	U.S.	994	994	-	-	1,054	1,054	-	-	(59)	(59)																
2010	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	34,293	34,293	-	-	36,345	36,345	-	-	(2,052)	(2,052)																
2010	MRO	1228	Muscatine Power and Water	U.S.	26,361	26,361	-	-	27,939	27,939	-	-	(1,577)	(1,577)																
2010	MRO	1229	Nebraska City Utilities	U.S.	5,233	5,233	-	-	5,546	5,546	-	-	(313)	(313)																
2010	MRO	1234	Rochester Public Utilities	U.S.	190	190	-	-	201	201	-	-	(11)	(11)																
2010	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	88,816	88,816	-	-	94,130	94,130	-	-	(5,314)	(5,314)																
2010	MRO	1241	Willmar Municipal Utilities	U.S.	7,846	7,846	-	-	8,315	8,315	-	-	(469)	(469)																
2010	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	163,458	163,458	-	-	173,238	173,238	-	-	(9,780)	(9,780)																
			TOTAL MRO		8,349,029	6,994,464	1,354,565	-	8,767,529	7,412,964	1,354,565	-	(418,500)	(418,500)																
2010	NPCC	1336	New England	U.S.	3,261,045	3,261,045	-	-	1,168,444	1,168,444	-	-	(276,277)	(276,277)			613,283	613,283		1,755,594	1,755,594	-								
2010	NPCC	1339	New York	U.S.	4,047,118	4,047,118	-	-	1,428,316	1,428,316	-	-	(337,723)	(337,723)			749,683	749,683		2,206,842	2,206,842	-								
2010	NPCC	1337	Ontario	Canada	1,919,273	-	1,919,273	-	1,258,646	-	1,258,646	-					660,628		660,628	-	-	-								
2010	NPCC	1341	Quebec	Canada	2,892,381	-	2,892,381	-	1,609,859	-	1,609,859	-					844,970		844,970	437,552	-	437,552								
		1341	Quebec																											
		1572	Regie																											
2010	NPCC	1338	New Brunswick	Canada	183,671	-	183,671	-	120,450	-	120,450	-					63,221		63,221	-	-	-								
2010	NPCC	1340	Nova Scotia	Canada	248,079	-	248,079	-	108,292	-	108,292	-					56,839		56,839	82,948	-	82,948								
			TOTAL NPCC		12,551,567	7,308,162	5,243,405	-	5,694,007	2,596,760	3,097,247	-	(614,000)	(614,000)			2,988,624	1,362,966	1,625,658	4,482,936	3,962,436	520,500	-	-	-	-	-	-	-	-
2010	RFC	1104	Bay City	U.S.	4,925	4,925	-	-	5,214	5,214	-	-	(288)	(288)																
2010	RFC	1102	Cannelton Utilities	U.S.	251	251	-	-	265	265	-	-	(15)	(15)																
2010	RFC	1105	City of Chelsea	U.S.	1,399	1,399	-	-	1,480	1,480	-	-	(82)	(82)																
2010	RFC	1106	City of Croswell	U.S.	560	560	-	-	592	592	-	-	(33)	(33)																
2010	RFC	1108	City of Eaton Rapids	U.S.	1,322	1,322	-	-	1,399	1,399	-	-	(77)	(77)																
2010	RFC	1111	City of Hart	U.S.	615	615	-	-	651	651	-	-	(36)	(36)																
2010	RFC	1490	City of Lansing	U.S.	32,304	32,304	-	-	34,195	34,195	-	-	(1,891)	(1,891)																
2010	RFC	1112	City of Marquette Board of Light & Power	U.S.	4,879	4,879	-	-	5,164	5,164	-	-	(286)	(286)																
2010	RFC	1114	City of Portland	U.S.	533	533	-	-	564	564	-	-	(31)	(31)																
2010	RFC	1116	City of St. Louis	U.S.	579	579	-	-	613	613	-	-	(34)	(34)																
2010	RFC	1118	City of Wyandotte	U.S.	1,854	1,854	-	-	1,962	1,962	-	-	(108)	(108)																
2010	RFC	1120	Cloverland Electric Cooperative	U.S.	12,781	12,781	-	-	13,529	13,529	-	-	(748)	(748)																
2010	RFC	1122	CMS ERM Michigan LLC	U.S.	2,848	2,848	-	-	3,015	3,015	-	-	(167)	(167)																
2010	RFC	1124	Constellation New Energy (MECS-CONS)	U.S.	20,177	20,177	-	-	21,358	21,358	-	-	(1,181)	(1,181)																

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		2011 RE Assessment Corrections		NPCC 40% CORC excluding US Only Staff			NPCC 60% CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	RFC	1123	Constellation New Energy (MECS-DET)	U.S.	17,294	17,294	-	-	18,306	18,306	-	-	(1,012)	(1,012)																
2010	RFC	1126	Consumers Energy Company	U.S.	483,279	483,279	-	-	511,563	511,563	-	-	(28,284)	(28,284)																
2010	RFC	1128	Detroit Edison Company	U.S.	657,621	657,621	-	-	696,108	696,108	-	-	(38,488)	(38,488)																
2010	RFC	1166	Duke Energy Indiana	U.S.	447,221	447,221	-	-	473,395	473,395	-	-	(26,174)	(26,174)																
2010	RFC	1135	Ferdinand Municipal Light & Water	U.S.	605	605	-	-	641	641	-	-	(35)	(35)																
2010	RFC	1549	FirstEnergy Solutions (MECS-DET)	U.S.	22,044	22,044	-	-	23,334	23,334	-	-	(1,290)	(1,290)																
2010	RFC	1612	Glacial Energy (MECS-DET)	U.S.	8,151	8,151	-	-	8,628	8,628	-	-	(477)	(477)																
2010	RFC	1144	Holland Board of Public Works	U.S.	10,582	10,582	-	-	11,201	11,201	-	-	(619)	(619)																
2010	RFC	1145	Hoosier Energy	U.S.	104,082	104,082	-	-	110,173	110,173	-	-	(6,091)	(6,091)																
2010	RFC	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	42,463	42,463	-	-	44,948	44,948	-	-	(2,485)	(2,485)																
2010	RFC	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	5,991	5,991	-	-	6,342	6,342	-	-	(351)	(351)																
2010	RFC	1486	Indiana Municipal Power Agency (SIGE)	U.S.	8,849	8,849	-	-	9,367	9,367	-	-	(518)	(518)																
2010	RFC	1149	Indianapolis Power & Light Co.	U.S.	224,163	224,163	-	-	237,282	237,282	-	-	(13,119)	(13,119)																
2010	RFC	1553	Integrys Energy Services (MECS-CONS)	U.S.	6,400	6,400	-	-	6,775	6,775	-	-	(375)	(375)																
2010	RFC	1554	Integrys Energy Services (MECS-DET)	U.S.	4,888	4,888	-	-	5,174	5,174	-	-	(286)	(286)																
2010	RFC	1614	Just Energy (MECS-DET)	U.S.	308	308	-	-	326	326	-	-	(18)	(18)																
2010	RFC	1154	Michigan Public Power Agency	U.S.	17,549	17,549	-	-	18,577	18,577	-	-	(1,027)	(1,027)																
2010	RFC	1155	Michigan South Central Power Agency	U.S.	8,388	8,388	-	-	8,879	8,879	-	-	(491)	(491)																
2010	RFC	1158	MidAmerican Energy Company Retail	U.S.	1,459	1,459	-	-	1,544	1,544	-	-	(85)	(85)																
2010	RFC	1163	Northern Indiana Public Service Co.	U.S.	247,455	247,455	-	-	261,937	261,937	-	-	(14,482)	(14,482)																
2010	RFC	1164	Ontonagon County Rural Electrification Assoc.	U.S.	403	403	-	-	426	426	-	-	(24)	(24)																
2010	RFC	1265	PJM Interconnnection, LLC	U.S.	10,457,798	10,457,798	-	-	11,069,846	11,069,846	-	-	(612,048)	(612,048)																
2010	RFC	1172	Sempra Energy Solutions (MECS-CONS)	U.S.	16,297	16,297	-	-	17,251	17,251	-	-	(954)	(954)																
2010	RFC	1171	Sempra Energy Solutions (MECS-DET)	U.S.	13,923	13,923	-	-	14,738	14,738	-	-	(815)	(815)																
2010	RFC	1176	Direct Energy (fka:Strategic Energy,LLC) (MECS-CONS)	U.S.	160	160	-	-	170	170	-	-	(9)	(9)																
2010	RFC	1174	Direct Energy (fka:Strategic Energy,LLC) (MECS-DET)	U.S.	4,339	4,339	-	-	4,593	4,593	-	-	(254)	(254)																
2010	RFC	1581	Spartan Renewable Energy	U.S.	961	961	-	-	1,017	1,017	-	-	(56)	(56)																
2010	RFC	1180	Thumb Electric Cooperative	U.S.	2,414	2,414	-	-	2,555	2,555	-	-	(141)	(141)																
2010	RFC		US Department of Energy	U.S.	3,656	3,656	-	-	3,870	3,870	-	-	(214)	(214)																
2010	RFC	1181	Vectren Energy Delivery of IN	U.S.	86,234	86,234	-	-	91,281	91,281	-	-	(5,047)	(5,047)																
2010	RFC	1183	Village of Sebewaing	U.S.	604	604	-	-	640	640	-	-	(35)	(35)																
2010	RFC	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	39,773	39,773	-	-	42,101	42,101	-	-	(2,328)	(2,328)																
2010	RFC	1487	Wabash Valley Power Association Inc. (MECS CONS)	U.S.	2,320	2,320	-	-	2,456	2,456	-	-	(136)	(136)																
2010	RFC	1488	Wabash Valley Power Association Inc.(NIPSCO)	U.S.	23,708	23,708	-	-	25,095	25,095	-	-	(1,387)	(1,387)																
2010	RFC	1185	Wisconsin Electric Power Co.	U.S.	424,203	424,203	-	-	449,030	449,030	-	-	(24,827)	(24,827)																
2010	RFC	1189	Wolverine Power Marketing Cooperative	U.S.	16,078	16,078	-	-	17,019	17,019	-	-	(941)	(941)																
2010	RFC	1191	Wolverine Power Supply Cooperative	U.S.	36,040	36,040	-	-	38,149	38,149	-	-	(2,109)	(2,109)																
2010	RFC	1190	Wolverine Power Marketing Cooperative	U.S.	1,544	1,544	-	-	1,635	1,635	-	-	(90)	(90)																
			TOTAL RELIABILITYFIRST		13,534,272	13,534,272	-	-	14,326,372	14,326,372	-	-	(792,100)	(792,100)																
2010	SERC	1267	Alabama Municipal Electric Authority	U.S.	52,595	52,595	-	-	54,134	54,134	-	-	(1,539)	(1,539)																
2010	SERC	1268	Alabama Power Company	U.S.	857,490	857,490	-	-	882,588	882,588	-	-	(25,098)	(25,098)																
2010	SERC	1269	Ameren - Illinois	U.S.	593,967	593,967	-	-	611,352	611,352	-	-	(17,385)	(17,385)																
2010	SERC	1271	Ameren - Missouri	U.S.	600,104	600,104	-	-	617,668	617,668	-	-	(17,564)	(17,564)																
2010	SERC	1272	APGI - Yadkin Division	U.S.	424	424	-	-	436	436	-	-	(12)	(12)																
2010	SERC	1273	Associated Electric Cooperative Inc.	U.S.	277,158	277,158	-	-	285,270	285,270	-	-	(8,112)	(8,112)																
2010	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	15,348	15,348	-	-	15,797	15,797			(449)	(449)																
2010	SERC	1462	Benton Utility District	U.S.	4,159	4,159	-	-	4,280	4,280	-	-	(122)	(122)																
2010	SERC	1274	Big Rivers Electric Corporation	U.S.	141,382	141,382	-	-	145,520	145,520	-	-	(4,138)	(4,138)																
2010	SERC	1275	Black Warrior EMC	U.S.	6,511	6,511	-	-	6,702	6,702	-	-	(191)	(191)																
2010	SERC	1276	Blue Ridge EMC	U.S.	17,001	17,001	-	-	17,498	17,498	-	-	(498)	(498)																
2010	SERC		Brazos Electric Power Cooperative, Inc.	U.S.	5,585	5,585	-	-	5,748	5,748	-	-	(163)	(163)																
2010	SERC	1463	Canton, MS	U.S.	1,798	1,798	-	-	1,851	1,851	-	-	(53)	(53)																
2010	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	232,133	232,133	-	-	238,927	238,927	-	-	(6,794)	(6,794)																
2010	SERC	1278	City of Blountstown FL	U.S.	608	608	-	-	626	626	-	-	(18)	(18)																
2010	SERC	1279	City of Camden SC	U.S.	2,960	2,960	-	-	3,046	3,046	-	-	(87)	(87)																
2010	SERC	1280	City of Collins MS	U.S.	794	794	-	-	818	818	-	-	(23)	(23)																
2010	SERC	1281	City of Columbia MO	U.S.	16,539	16,539	-	-	17,024	17,024	-	-	(484)	(484)																
2010	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	14,192	14,192	-	-	14,607	14,607	-	-	(415)	(415)																
2010	SERC	1284	City of Evergreen AL	U.S.	945	945	-	-	973	973	-	-	(28)	(28)																
2010	SERC	1285	City of Hampton GA	U.S.	380	380	-	-	391	391	-	-	(11)	(11)																
2010	SERC	1286	City of Hartford AL	U.S.	501	501	-	-	516	516	-	-	(15)	(15)																
2010	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	8,878	8,878	-	-	9,137	9,137	-	-	(260)	(260)																
2010	SERC	1288	City of North Little Rock AR (DENL)	U.S.	13,243	13,243	-	-	13,630	13,630	-	-	(388)	(388)																
2010	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	10,357	10,357	-	-	10,660	10,660	-	-	(303)	(303)																
2010	SERC	1290	City of Robertsdale AL	U.S.	1,253	1,253	-	-	1,290	1,290	-	-	(37)	(37)																
2010	SERC	1291	City of Ruston LA (DERS)	U.S.	4,032	4,032	-	-	4,150	4,150	-	-	(118)	(118)																
2010	SERC	1292	City of Seneca SC	U.S.	2,309	2,309	-	-	2,376	2,376	-	-	(68)	(68)																
2010	SERC	1115	City of Springfield (CWLP)	U.S.	26,565	26,565	-	-	27,343	27,343	-	-	(778)	(778)																
2010	SERC	1465	City of Thayer, MO	U.S.	300	300	-	-	309	309	-	-	(9)	(9)																
2010	SERC	1293	City of Troy AL	U.S.	5,956	5,956	-	-	6,130	6,130	-	-	(174)	(174)																
2010	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	5,885	5,885	-	-	6,058	6,058	-	-	(172)	(172)																
2010	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	9,604	9,604	-	-	9,885	9,885			(281)	(281)																
2010	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	3,796	3,796	-	-	3,907	3,907			(111)	(111)																
2010	SERC	1283	Dalton Utilities	U.S.	22,073	22,073	-	-	22,719	22,719	-	-	(646)	(646)																
2010	SERC	1585	Dixie Electric Membership Corporation	U.S.	33,111	33,111	-	-	34,081	34,081			(969)	(969)																
2010	SERC	1295	Dominion Virginia Power	U.S.	1,208,435	1,208,435	-	-	1,243,804	1,243,804	-	-	(35,369)	(35,369)																
2010	SERC	1296	Duke Energy Carolinas, LLC	U.S.	1,190,606	1,190,606	-	-	1,225,454	1,225,454	-	-	(34,847)	(34,847)																
2010	SERC	1466	Durant, MS	U.S.	402	402	-	-	414	414	-	-	(12)	(12)																
2010	SERC	1478	E.ON U.S. Services Inc.	U.S.	505,744	505,744	-	-	520,546	520,546	-	-	(14,802)	(14,802)																
2010	SERC	1297	East Kentucky Power Cooperative	U.S.	184,651	184,651	-	-	190,056	190,056	-	-	(5,404)	(5,404)																
2010	SERC	1298	East Mississippi Electric Power Association	U.S.	6,987	6,987	-	-	7,191	7,191	-	-	(204)	(204)																
2010	SERC		East Texas Electric Cooperative Inc	U.S.	29,149	29,149	-	-	30,003	30,003	-	-	(853)	(853)																
2010	SERC	1299	Electric Energy Inc.	U.S.	18,504	18,504	-	-	19,046	19,046	-	-	(542)	(542)																
2010	SERC	1300	EnergyUnited EMC	U.S.	36,877	36,877	-	-	37,957	37,957	-	-	(1,079)	(1,079)																
2010	SERC	1301	Entergy	U.S.	1,613,817	1,613,817	-	-	1,661,051	1,661,051	-	-	(47,234)	(47,234)																
2010	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	32,721	32,721	-	-	33,679	33,679	-	-	(958)	(958)																
2010	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	5,072	5,072	-	-	5,220	5,220	-	-	(148)	(148)																
2010	SERC	1304	French Broad EMC	U.S.	7,928	7,928	-	-	8,160	8,160	-	-	(232)	(232)																
2010	SERC	1305	Georgia Power Company	U.S.	1,310,847	1,310,847	-	-	1,349,214	1,349,214	-	-	(38,367)	(38,367)																
2010	SERC	1306	Georgia System Optns Corporation	U.S.	570,973	570,973	-	-	587,685	587,685	-	-	(16,712)	(16,712)																
2010	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	4,041	4,041	-	-	4,160	4,160	-	-	(118)	(118)																
2010	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	3,934	3,934	-	-	4,049	4,049	-	-	(115)	(115)																
2010	SERC	1308	Gulf Power Company	U.S.	175,021	175,021	-	-	180,143	180,143	-	-	(5,123)	(5,123)																
2010	SERC	1586	Haywood EMC	U.S.	4,636	4,636	-	-	4,772	4,772			(136)	(136)																
2010	SERC	1309	Illinois Municipal Electric Agency	U.S.	26,781	26,781	-	-	27,564	27,564	-	-	(784)	(784)																
2010	SERC	1480	Itta Bena, MS	U.S.	239	239	-	-	246	246	-	-	(7)	(7)																
2010	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	3,807	3,807	-	-	3,918	3,918	-	-	(111)	(111)																
2010	SERC	1617	Kentucky Municipal Power	U.S.	9,428	9,428	-	-	9,704	9,704	-	-	(276)	(276)																
2010	SERC	1481	Kosciusko, MS	U.S.	1,085	1,085	-	-	1,117	1,117	-	-	(32)	(32)																
2010	SERC	1482	Leland, MS	U.S.	494	494	-	-	508	508	-	-	(14)	(14)																
2010	SERC	1313	McCormick Commission of Public Works	U.S.	272	272	-	-	280	280	-	-	(8)	(8)																
2010	SERC	1314	Mississippi Power Company	U.S.	148,963	148,963	-	-	153,323	153,323	-	-	(4,360)	(4,360)																

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

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Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	SERC		Mt. Carmel Public Utility	U.S.	1,583	1,583	-	-	1,629	1,629	-	-	(46)	(46)																
2010	SERC	1315	Municipal Electric Authority of Georgia	U.S.	156,252	156,252	-	-	160,825	160,825	-	-	(4,573)	(4,573)																
2010	SERC	1316	N.C. Electric Membership Corp.	U.S.	186,847	186,847	-	-	192,316	192,316	-	-	(5,469)	(5,469)																
2010	SERC	1317	North Carolina Eastern Municipal Power Agency	U.S.	98,051	98,051	-	-	100,920	100,920	-	-	(2,870)	(2,870)																
2010	SERC	1318	North Carolina Municipal Power Agency #1	U.S.	67,925	67,925	-	-	69,913	69,913	-	-	(1,988)	(1,988)																
2010	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	4,244	4,244	-	-	4,368	4,368			(124)	(124)																
2010	SERC	1574	Northern Virginia Electric Cooperative	U.S.	51,687	51,687	-	-	53,199	53,199			(1,513)	(1,513)																
2010	SERC	1319	Old Dominion Electric Cooperative	U.S.	81,816	81,816	-	-	84,210	84,210	-	-	(2,395)	(2,395)																
2010	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	2,640	2,640	-	-	2,718	2,718	-	-	(77)	(77)																
2010	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	13,071	13,071	-	-	13,453	13,453	-	-	(383)	(383)																
2010	SERC	1321	Piedmont EMC in Duke and Progress Areas	U.S.	7,545	7,545	-	-	7,766	7,766	-	-	(221)	(221)																
2010	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	33,775	33,775	-	-	34,763	34,763	-	-	(989)	(989)																
2010	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	3,861	3,861	-	-	3,974	3,974	-	-	(113)	(113)																
2010	SERC	1266	PowerSouth Energy	U.S.	125,081	125,081	-	-	128,742	128,742	-	-	(3,661)	(3,661)																
2010	SERC	1330	Prairie Power, Inc.	U.S.	21,883	21,883	-	-	22,523	22,523	-	-	(640)	(640)																
2010	SERC	1324	Progress Energy Carolinas	U.S.	669,816	669,816	-	-	689,421	689,421	-	-	(19,605)	(19,605)																
2010	SERC	1325	Rutherford EMC	U.S.	19,023	19,023	-	-	19,580	19,580	-	-	(557)	(557)																
2010	SERC		Sam Rayburn G&T Electric Cooperative Inc.	U.S.	26,265	26,265	-	-	27,034	27,034	-	-	(769)	(769)																
2010	SERC	1326	South Carolina Electric & Gas Company	U.S.	331,658	331,658	-	-	341,365	341,365	-	-	(9,707)	(9,707)																
2010	SERC	1327	South Carolina Public Service Authority	U.S.	151,266	151,266	-	-	155,693	155,693	-	-	(4,427)	(4,427)																
2010	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	8,802	8,802	-	-	9,060	9,060	-	-	(258)	(258)																
2010	SERC	1328	South Mississippi Electric Power Association	U.S.	149,250	149,250	-	-	153,618	153,618	-	-	(4,368)	(4,368)																
2010	SERC	1329	Southern Illinois Power Cooperative	U.S.	23,592	23,592	-	-	24,282	24,282	-	-	(690)	(690)																
2010	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	36,055	36,055	-	-	37,110	37,110	-	-	(1,055)	(1,055)																
2010	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	6,201	6,201	-	-	6,383	6,383	-	-	(181)	(181)																
2010	SERC	1331	Tennessee Valley Authority	U.S.	2,450,445	2,450,445	-	-	2,522,166	2,522,166	-	-	(71,721)	(71,721)																
2010	SERC		Tex-La Electric Cooperative of Texas, Inc	U.S.	2,884	2,884	-	-	2,969	2,969	-	-	(84)	(84)																
2010	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	2,045	2,045	-	-	2,105	2,105	-	-	(60)	(60)																
2010	SERC	1592	Town of Black Creek, N.C.	U.S.	193	193	-	-	199	199	-	-	(6)	(6)																
2010	SERC	1593	Town of Lucama, N.C.	U.S.	331	331	-	-	341	341	-	-	(10)	(10)																
2010	SERC	1594	Town of Sharpsburg, N.C.	U.S.	303	303	-	-	312	312	-	-	(9)	(9)																
2010	SERC	1595	Town of Stantonsburg, N.C.	U.S.	367	367	-	-	378	378	-	-	(11)	(11)																
2010	SERC	1333	Town of Waynesville NC	U.S.	1,339	1,339	-	-	1,378	1,378	-	-	(39)	(39)																
2010	SERC	1334	Town of Winnsboro SC	U.S.	824	824	-	-	848	848	-	-	(24)	(24)																
2010	SERC	1335	Town of Winterville NC	U.S.	792	792	-	-	815	815	-	-	(23)	(23)																
2010	SERC	1596	Valley Electric Membership Corporation, Inc	U.S.	-	-	-	-	-	-	-	-	-	-																
2010	SERC	1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	16,212	16,212	-	-	16,687	16,687	-	-	(475)	(475)																
			TOTAL SERC		14,845,275	14,845,275	-	-	15,279,775	15,279,775	-	-	(434,500)	(434,500)																
2010	SPP	1246	American Electric Power	U.S.	1,693,829	1,693,829	-	-	1,726,885	1,726,885	-	-	(34,515)	(34,515)	1,460	1,460														
2010	SPP	1435	Arkansas Electric Cooperative Corporation (AEP)	U.S.	189,225	189,225	-	-	192,923	192,923	-	-	(3,856)	(3,856)	158	158														
2010	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	116,188	116,188	-	-	118,456	118,456	-	-	(2,368)	(2,368)	100	100														
2010	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	40,560	40,560	-	-	41,084	41,084	-	-	(821)	(821)	296	296														
2010	SPP	1468	Cap Rock Energy	U.S.	34	34	-	-	-	-	-	-	-	-	34	34														
2010	SPP	1469	Central Valley Electric Cooperative	U.S.	33,959	33,959	-	-	34,619	34,619	-	-	(692)	(692)	32	32														
2010	SPP	1556	City of Bentonville	U.S.	28,049	28,049	-	-	28,597	28,597	-	-	(572)	(572)	24	24														
2010	SPP	1557	City of Clarksdale, Mississippi	U.S.	8,255	8,255	-	-	8,416	8,416	-	-	(168)	(168)	7	7														
2010	SPP		City of Lindsboro	U.S.	1,391	1,391	-	-	1,419	1,419	-	-	(28)	(28)	-	-														
2010	SPP	1558	Hope Water & Light (HWL)	U.S.	13,117	13,117	-	-	13,372	13,372	-	-	(267)	(267)	12	12														
2010	SPP	1559	City of Minden	U.S.	8,301	8,301	-	-	8,463	8,463	-	-	(169)	(169)	7	7														
2010	SPP		City of Mulvane	U.S.	1,977	1,977	-	-	2,017	2,017	-	-	(40)	(40)	-	-														
2010	SPP		The City of Osage City	U.S.	1,777	1,777	-	-	1,813	1,813	-	-	(36)	(36)	-	-														
2010	SPP		City of Prescott	U.S.	3,990	3,990	-	-	4,071	4,071	-	-	(81)	(81)	-	-														
2010	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	45,265	45,265	-	-	46,141	46,141	-	-	(922)	(922)	46	46														
2010	SPP	1436	City Utilities of Springfield, MO	U.S.	143,206	143,206	-	-	145,993	145,993	-	-	(2,918)	(2,918)	130	130														
2010	SPP	1249	Cleco Power LLC	U.S.	543,974	543,974	-	-	554,593	554,593	-	-	(11,085)	(11,085)	465	465														
2010	SPP	1437	East Texas Electric Coop, Inc.	U.S.	20,332	20,332	-	-	20,730	20,730	-	-	(414)	(414)	17	17														
2010	SPP	1250	The Empire District Electric Company	U.S.	254,326	254,326	-	-	259,286	259,286	-	-	(5,182)	(5,182)	222	222														
2010	SPP	1470	Farmers' Electric Coop	U.S.	18,908	18,908	-	-	19,276	19,276	-	-	(385)	(385)	17	17														
2010	SPP	1438	Golden Spread Electric Coop	U.S.	195,021	195,021	-	-	198,806	198,806	-	-	(3,974)	(3,974)	189	189														
2010	SPP	1251	Grand River Dam Authority	U.S.	208,946	208,946	-	-	213,023	213,023	-	-	(4,258)	(4,258)	181	181														
2010	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	752,004	752,004	-	-	766,668	766,668	-	-	(15,323)	(15,323)	659	659														
2010	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	98,976	98,976	-	-	100,907	100,907	-	-	(2,017)	(2,017)	86	86														
2010	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	35,086	35,086	-	-	35,770	35,770	-	-	(715)	(715)	31	31														
2010	SPP		Kansas Power Pool	U.S.	63,599	63,599	-	-	64,896	64,896	-	-	(1,297)	(1,297)	-	-														
2010	SPP	1560	Kaw Valley Electric Cooperative, Inc.	U.S.	7,625	7,625	-	-	7,781	7,781	-	-	(156)	(156)	-	-														
2010	SPP	1598	KCP&L GMOC (Greater Missouri Operations Company)	U.S.	412,156	412,156	-	-	420,198	420,198	-	-	(8,398)	(8,398)	356	356														
2010	SPP	1471	Lafayette Utilities System	U.S.	99,195	99,195	-	-	101,129	101,129	-	-	(2,021)	(2,021)	88	88														
2010	SPP	1472	Lea County Electric Coop	U.S.	57,005	57,005	-	-	58,114	58,114	-	-	(1,162)	(1,162)	52	52														
2010	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	47,096	47,096	-	-	48,014	48,014	-	-	(960)	(960)	42	42														
2010	SPP	1441	Midwest Energy Inc.	U.S.	78,256	78,256	-	-	79,782	79,782	-	-	(1,595)	(1,595)	68	68														
2010	SPP	1443	Missouri Joint Municipal Electric Utility Commission	U.S.	118,053	118,053	-	-	120,366	120,366	-	-	(2,406)	(2,406)	93	93														
2010	SPP		Nemaha Marshall Electric Cooperative (NMEC)	U.S.	2,757	2,757	-	-	2,813	2,813	-	-	(56)	(56)	-	-														
2010	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.	154,032	154,032	-	-	157,044	157,044	-	-	(3,139)	(3,139)	127	127														
2010	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	1,345,466	1,345,466	-	-	1,371,714	1,371,714	-	-	(27,416)	(27,416)	1,168	1,168														
2010	SPP	1444	Oklahoma Municipal Power Authority	U.S.	126,082	126,082	-	-	128,546	128,546	-	-	(2,569)	(2,569)	106	106														
2010	SPP		OzMo Ozark Missouri, West Plains MO	U.S.	9,672	9,672	-	-	9,870	9,870	-	-	(197)	(197)	-	-														
2010	SPP	1561	Public Service Commission of Yazoo City of Mississippi	U.S.	6,002	6,002	-	-	6,120	6,120	-	-	(122)	(122)	5	5														
2010	SPP	1473	Roosevelt County Electric Coop	U.S.	9,278	9,278	-	-	9,458	9,458	-	-	(189)	(189)	9	9														
2010	SPP	1468	Sharyland Utilities, LP	U.S.	43,657	43,657	-	-	44,547	44,547	-	-	(890)	(890)	-	-														
2010	SPP	1258	Southwestern Power Administration (SPA)	U.S.	210,091	210,091	-	-	214,203	214,203	-	-	(4,281)	(4,281)	169	169														
2010	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.	914,562	914,562	-	-	932,371	932,371	-	-	(18,635)	(18,635)	826	826														
2010	SPP	1256	Sunflower Electric Cooperative (SECI)	U.S.	209,669	209,669	-	-	213,716	213,716	-	-	(4,272)	(4,272)	225	225														
2010	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	24,168	24,168	-	-	24,641	24,641	-	-	(492)	(492)	19	19														
2010	SPP	1475	Tri County Electric Coop	U.S.	19,046	19,046	-	-	19,417	19,417	-	-	(388)	(388)	17	17														
2010	SPP	1260	Westar Energy, Inc.	U.S.	995,275	995,275	-	-	1,023,671	1,023,671	-	-	(20,460)	(20,460)	(7,937)	(7,937)														
2010	SPP	1259	Western Farmers Electric Cooperative	U.S.	345,869	345,869	-	-	352,604	352,604	-	-	(7,047)	(7,047)	312	312														
2010	SPP	1501	West Texas Municipal Power Agency	U.S.	96,343	96,343	-	-	98,226	98,226	-	-	(1,963)	(1,963)	81	81														
			TOTAL SPP		9,851,647	9,851,647	-	-	10,052,567	10,052,567	-	-	(200,920)	(200,920)	0	0														
2010	TRE	1019	ERCOT	U.S.	9,503,866	9,503,866	-	-	10,076,696	10,076,696	-	-	(572,830)	(572,830)																
					9,503,866	9,503,866	-	-	10,076,696	10,076,696	-	-	(572,830)	(572,830)																
2010	WECC		Alberta Electric System Operator	Canada	2,384,502	-	2,384,502	-	2,683,837	-	2,683,837	-	-	-									(315,948)		(315,948)		16,613		16,613	
2010	WECC		British Columbia Hydro & Power Authority	Canada	2,826,864	-	2,826,864	-	2,785,543	-	2,785,543	-	-	-									24,079		24,079		17,242		17,242	
2010	WECC		Arizona Public Service Company	Mexico	12	-	-	12	12	-	-	12	-	-									0	-	-	0	0	-	-	0
2010	WECC		Comision Federal de Electricidad	Mexico	501,289	-	-	501,289	493,961	-	-	493,961	-	-									4,270	-	-	4,270	3,058	-	-	3,058
2010	WECC		Aguila Irrigation District	U.S.	1,180	1,180	-	-	1,246	1,246	-	-	(84)	(84)									11	11			8	8		
2010	WECC		Aha Macav Power Service	U.S.	1,230	1,230	-	-	1,299	1,299	-	-	(88)	(88)									11	11			8	8		
2010	WECC		Ajo Improvement District	U.S.	624	624	-	-	659	659	-	-	(45)	(45)									6	6			4	4		
2010	WECC		Ak-Chin	U.S.	1,345	1,345	-	-	1,420	1,420	-	-	(96)	(96)									12	12			9	9		
2010	WECC		Alcoa Inc	U.S.	117,405	117,405	-	-	123,972	123,972	-	-	(8,406)	(8,406)									1,072	1,072			767	767		
2010	WECC		Arizona Public Service Company	U.S.	1,335,298	1,335,298	-	-	1,409,992	1,409,992	-	-	(95,610)	(95,610)									12,188	12,188			8,728	8,728		

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		2011 RE Assessment Corrections		NPCC 40% CORC excluding US Only Staff			NPCC 60% CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	WECC		Arkansas River Power Authority (ARPA)	U.S.	9,224	9,224	-	-	9,740	9,740	-	-	(660)	(660)									84	84			60	60		
2010	WECC		Avista Corporation	U.S.	416,023	416,023	-	-	439,294	439,294	-	-	(29,788)	(29,788)									3,797	3,797			2,719	2,719		
2010	WECC		Avista Corporation	U.S.	9,727	9,727	-	-	10,271	10,271	-	-	(696)	(696)									89	89			64	64		
2010	WECC		Barrick Goldstrike Mines Inc.	U.S.	50,913	50,913	-	-	53,761	53,761	-	-	(3,645)	(3,645)									465	465			333	333		
2010	WECC		Basin Electric Power Cooperative	U.S.	155,132	155,132	-	-	158,185	158,185	-	-	(10,726)	(10,726)	5,327	5,327							1,367	1,367			979	979		
2010	WECC		Basin Electric Power Cooperative	U.S.	2,108	2,108	-	-	2,226	2,226	-	-	(151)	(151)									19	19			14	14		
2010	WECC		Benton REA	U.S.	23,345	23,345	-	-	24,651	24,651	-	-	(1,672)	(1,672)									213	213			153	153		
2010	WECC		Big Bend Electric Cooperative, Inc.	U.S.	6,016	6,016	-	-	6,352	6,352	-	-	(431)	(431)									55	55			39	39		
2010	WECC		Big Bend Electric Cooperative, Inc.	U.S.	14,775	14,775	-	-	15,602	15,602	-	-	(1,058)	(1,058)									135	135			97	97		
2010	WECC		Big Bend Electric Cooperative, Inc.	U.S.	1,504	1,504	-	-	1,588	1,588	-	-	(108)	(108)									14	14			10	10		
2010	WECC		Blachly-Lane	U.S.	6,225	6,225	-	-	6,573	6,573	-	-	(446)	(446)									57	57			41	41		
2010	WECC		Black Hills Power	U.S.	85,044	85,044	-	-	89,802	89,802	-	-	(6,089)	(6,089)									776	776			556	556		
2010	WECC		Black Hills Wyoming, Inc.	U.S.	105,309	105,309	-	-	163,412	163,412	-	-	(11,081)	(11,081)	(49,447)	(49,447)							1,413	1,413			1,011	1,011		
2010	WECC		Bonneville Power Administration	U.S.	158,888	158,888	-	-	167,775	167,775	-	-	(11,377)	(11,377)									1,450	1,450			1,039	1,039		
2010	WECC		Bonneville Power Administration	U.S.	8,972	8,972	-	-	9,474	9,474	-	-	(642)	(642)									82	82			59	59		
2010	WECC		Bonneville Power Administration	U.S.	1,562	1,562	-	-	1,650	1,650	-	-	(112)	(112)									14	14			10	10		
2010	WECC		Bonneville Power Administration	U.S.	245	245	-	-	259	259	-	-	(18)	(18)									2	2			2	2		
2010	WECC		Bonneville Power Administration	U.S.	760	760	-	-	803	803	-	-	(54)	(54)									7	7			5	5		
2010	WECC		BPA - USBR Load	U.S.	6,107	6,107	-	-	6,448	6,448	-	-	(437)	(437)									56	56			40	40		
2010	WECC		Buckeye Water Conservation and Drainage District	U.S.	667	667	-	-	704	704	-	-	(48)	(48)									6	6			4	4		
2010	WECC		California Independent System Operator	U.S.	10,090,024	10,090,024	-	-	10,654,444	10,654,444	-	-	(722,469)	(722,469)									92,101	92,101			65,949	65,949		
2010	WECC		Canby Public Utility Board	U.S.	7,607	7,607	-	-	8,033	8,033	-	-	(545)	(545)									69	69			50	50		
2010	WECC		Central Arizona Water Conservation District	U.S.	117,283	117,283	-	-	123,844	123,844	-	-	(8,398)	(8,398)									1,071	1,071			767	767		
2010	WECC		Central Electric Cooperative	U.S.	30,339	30,339	-	-	32,036	32,036	-	-	(2,172)	(2,172)									277	277			198	198		
2010	WECC		Central Lincoln PUD	U.S.	58,652	58,652	-	-	61,933	61,933	-	-	(4,200)	(4,200)									535	535			383	383		
2010	WECC		Central Montana Electric Power Cooperative	U.S.	2,858	2,858	-	-	3,018	3,018	-	-	(205)	(205)									26	26			19	19		
2010	WECC		Central Montana Electric Power Cooperative	U.S.	2,801	2,801	-	-	2,958	2,958	-	-	(201)	(201)									26	26			18	18		
2010	WECC		City of Albion	U.S.	150	150	-	-	159	159	-	-	(11)	(11)									1	1			1	1		
2010	WECC		City of Aztec Electric Dept	U.S.	1,686	1,686	-	-	1,781	1,781	-	-	(121)	(121)									15	15			11	11		
2010	WECC		City of Bandon	U.S.	2,902	2,902	-	-	3,065	3,065	-	-	(208)	(208)									26	26			19	19		
2010	WECC		City of Blaine	U.S.	3,305	3,305	-	-	3,490	3,490	-	-	(237)	(237)									30	30			22	22		
2010	WECC		City of Bonners Ferry	U.S.	3,049	3,049	-	-	3,220	3,220	-	-	(218)	(218)									28	28			20	20		
2010	WECC		City of Boulder City	U.S.	7,555	7,555	-	-	7,977	7,977	-	-	(541)	(541)									69	69			49	49		
2010	WECC		City of Burley	U.S.	5,290	5,290	-	-	5,586	5,586	-	-	(379)	(379)									48	48			35	35		
2010	WECC		City of Burlington	U.S.	1,429	1,429	-	-	1,509	1,509	-	-	(102)	(102)									13	13			9	9		
2010	WECC		City of Cascade Locks	U.S.	868	868	-	-	917	917	-	-	(62)	(62)									8	8			6	6		
2010	WECC		City of Centralia	U.S.	11,944	11,944	-	-	12,612	12,612	-	-	(855)	(855)									109	109			78	78		
2010	WECC		City of Cheney	U.S.	6,173	6,173	-	-	6,519	6,519	-	-	(442)	(442)									56	56			40	40		
2010	WECC		City of Chewelah	U.S.	1,063	1,063	-	-	1,122	1,122	-	-	(76)	(76)									10	10			7	7		
2010	WECC		City of Declo	U.S.	133	133	-	-	141	141	-	-	(10)	(10)									1	1			1	1		
2010	WECC		City of Drain	U.S.	687	687	-	-	725	725	-	-	(49)	(49)									6	6			4	4		
2010	WECC		City of Ellensburg	U.S.	9,609	9,609	-	-	10,147	10,147	-	-	(688)	(688)									88	88			63	63		
2010	WECC		City of Fallon	U.S.	5,104	5,104	-	-	5,390	5,390	-	-	(365)	(365)									47	47			33	33		
2010	WECC		City of Forest Grove	U.S.	10,355	10,355	-	-	10,934	10,934	-	-	(741)	(741)									95	95			68	68		
2010	WECC		City of Gallup	U.S.	10,154	10,154	-	-	10,722	10,722	-	-	(727)	(727)									93	93			66	66		
2010	WECC		City of Hermiston, DBA Hermiston Energy Services	U.S.	4,801	4,801	-	-	5,069	5,069	-	-	(344)	(344)									44	44			31	31		
2010	WECC		City of Heyburn	U.S.	1,846	1,846	-	-	1,949	1,949	-	-	(132)	(132)									17	17			12	12		
2010	WECC		City of Las Vegas	U.S.	2,223	2,223	-	-	2,347	2,347	-	-	(159)	(159)									20	20			15	15		
2010	WECC		City of McCleary	U.S.	1,358	1,358	-	-	1,434	1,434	-	-	(97)	(97)									12	12			9	9		
2010	WECC		City of McMinnville	U.S.	31,356	31,356	-	-	33,110	33,110	-	-	(2,245)	(2,245)									286	286			205	205		
2010	WECC		City of Mesa	U.S.	11,090	11,090	-	-	11,711	11,711	-	-	(794)	(794)									101	101			72	72		
2010	WECC		City of Milton	U.S.	2,773	2,773	-	-	2,928	2,928	-	-	(199)	(199)									25	25			18	18		
2010	WECC		City of Milton-Freewater	U.S.	4,810	4,810	-	-	5,079	5,079	-	-	(344)	(344)									44	44			31	31		
2010	WECC		City of Minidoka	U.S.	45	45	-	-	47	47	-	-	(3)	(3)									0	0			0	0		
2010	WECC		City of Monmouth	U.S.	3,050	3,050	-	-	3,221	3,221	-	-	(218)	(218)									28	28			20	20		
2010	WECC		City of Needles	U.S.	329	329	-	-	348	348	-	-	(24)	(24)									3	3			2	2		
2010	WECC		City of Needles	U.S.	1,374	1,374	-	-	1,451	1,451	-	-	(98)	(98)									13	13			9	9		
2010	WECC		City of Plummer	U.S.	1,527	1,527	-	-	1,612	1,612	-	-	(109)	(109)									14	14			10	10		
2010	WECC		City of Port Angeles	U.S.	33,157	33,157	-	-	35,012	35,012	-	-	(2,374)	(2,374)									303	303			217	217		
2010	WECC		City of Redding	U.S.	35,651	35,651	-	-	37,646	37,646	-	-	(2,553)	(2,553)									325	325			233	233		
2010	WECC		City of Richland	U.S.	37,307	37,307	-	-	39,394	39,394	-	-	(2,671)	(2,671)									341	341			244	244		
2010	WECC		City of Roseville	U.S.	53,589	53,589	-	-	56,586	56,586	-	-	(3,837)	(3,837)									489	489			350	350		
2010	WECC		City of Rupert	U.S.	3,534	3,534	-	-	3,731	3,731	-	-	(253)	(253)									32	32			23	23		
2010	WECC		City of Shasta Lake	U.S.	7,506	7,506	-	-	7,926	7,926	-	-	(537)	(537)									69	69			49	49		
2010	WECC		City of Sumas	U.S.	1,367	1,367	-	-	1,443	1,443	-	-	(98)	(98)									12	12			9	9		
2010	WECC		City of Tacoma DBA Tacoma Power	U.S.	16	16	-	-	17	17	-	-	(1)	(1)									0	0			0	0		
2010	WECC		City of Tacoma DBA Tacoma Power	U.S.	216,054	216,054	-	-	228,140	228,140	-	-	(15,470)	(15,470)									1,972	1,972			1,412	1,412		
2010	WECC		City of Troy	U.S.	770	770	-	-	813	813	-	-	(55)	(55)									7	7			5	5		
2010	WECC		City of Weiser	U.S.	2,374	2,374	-	-	2,507	2,507	-	-	(170)	(170)									22	22			16	16		
2010	WECC		City of Williams	U.S.	1,750	1,750	-	-	1,848	1,848	-	-	(125)	(125)									16	16			11	11		
2010	WECC		Clark Public Utilities	U.S.	194,627	194,627	-	-	205,514	205,514	-	-	(13,936)	(13,936)									1,777	1,777			1,272	1,272		
2010	WECC		Clatskanie PUD	U.S.	34,782	34,782	-	-	36,728	36,728	-	-	(2,490)	(2,490)									317	317			227	227		
2010	WECC		Clearwater Cooperative, Inc	U.S.	6,948	6,948	-	-	7,337	7,337	-	-	(497)	(497)									63	63			45	45		
2010	WECC		Clearwater Cooperative, Inc	U.S.	1,736	1,736	-	-	1,833	1,833	-	-	(124)	(124)									16	16			11	11		
2010	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	363	363	-	-	383	383	-	-	(26)	(26)									3	3			2	2		
2010	WECC		Colorado River Commission of Nevada	U.S.	31,382	31,382	-	-	33,137	33,137	-	-	(2,247)	(2,247)									286	286			205	205		
2010	WECC		Colorado Springs Utilities	U.S.	2,625	2,625	-	-	2,772	2,772	-	-	(188)	(188)									24	24			17	17		
2010	WECC		Colorado Springs Utilities	U.S.	201,584	201,584	-	-	205,130	205,130	-	-	(13,910)	(13,910)	7,321	7,321							1,773	1,773			1,270	1,270		
2010	WECC		Columbia Basin Electric Cooperative, Inc.	U.S.	4,532	4,532	-	-	4,786	4,786	-	-	(325)	(325)									41	41			30	30		
2010	WECC		Columbia Falls Aluminum Company	U.S.	204	204	-	-	216	216	-	-	(15)	(15)									2	2			1	1		
2010	WECC		Columbia Power Cooperative Association	U.S.	919	919	-	-	970	970	-	-	(66)	(66)									8	8			6	6		
2010	WECC		Columbia River PUD	U.S.	7,159	7,159	-	-	7,560	7,560	-	-	(513)	(513)									65	65			47	47		
2010	WECC		Columbia River PUD	U.S.	13,644	13,644	-	-	14,407	14,407	-	-	(977)	(977)									125	125			89	89		
2010	WECC		Columbia Rural Electric Association (REA)	U.S.	13,025	13,025	-	-	13,753	13,753	-	-	(933)	(933)									119	119			85	85		
2010	WECC		Consolidated Irrigation District No. 19	U.S.	258	258	-	-	272	272	-	-	(18)	(18)									2	2			2	2		
2010	WECC		Constellation New Energy, Inc.	U.S.	933	933	-	-	985	985	-	-	(67)	(67)									9	9			6	6		
2010	WECC		Consumers Power, Inc.	U.S.	17,921	17,921	-	-	18,923	18,923	-	-	(1,283)	(1,283)									164	164			117	117		
2010	WECC		Coos-Curry Electric Cooperative, Inc	U.S.	15,730	15,730	-	-	16,609	16,609	-	-	(1,126)	(1,126)									144	144			103	103		
2010	WECC		CP Energy Marketing (US) Inc	U.S.	3,145	3,145	-	-	3,321	3,321	-	-	(225)	(225)									29	29			21	21		
2010	WECC		Deseret Generation & Transmission Cooperative	U.S.	1,128	1,128	-	-	1,191	1,191	-	-	(81)	(81)									10	10			7	7		
2010	WECC		Deseret Generation & Transmission Cooperative	U.S.	8,086	8,086	-	-	7,352	7,352	-	-	(499)	(499)	1,123	1,123							64	64			46	46		
2010	WECC		Douglas Electric Cooperative, Inc.	U.S.	4,134	4,134	-	-	4,366	4,366	-	-	(296)	(296)									38	38			27	27		
2010	WECC		Douglas Palisades	U.S.	778	778	-	-	822	822	-	-	(56)	(56)									7	7			5	5		
2010	WECC		East End Mutual Electric Company, LTD	U.S.	988	988	-	-	1,043	1,043	-	-	(71)	(71)									9	9			6	6		
2010	WECC		El Paso Electric Company	U.S.	356,010	356,010	-	-	375,924	375,924	-	-	(25,491)	(25,491)									3,250	3,250			2,327	2,327		
2010	WECC		Electrical District #2	U.S.	7,681	7,681	-	-	8,111	8,111	-	-	(550)	(550)									70	70			50	50		
2010	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	75	75	-	-	79	79	-	-	(5)	(5)									1	1			0	0		
2010	WECC		Electrical District No. 6 of Pinal County	U.S.	55	55	-	-	58	58	-	-	(4)	(4)									1	1			0	0		
2010	WECC		Electrical District No. 7 of Maricopa County	U.S.	2,226	2,226	-	-	2,350	2,350	-	-	(159)	(159)									20	20			15	15		
2010	WECC		Electrical District No. 8 of Maricopa County	U.S.	10,243	10,243	-	-	10,816	10,816	-	-	(733)	(733)									93	93			67	67		
2010	WECC		Electrical Districts 1 & 3	U.S.	24,608	24,608	-	-	25,985	25,985	-	-	(1,762)	(1,762)									225	225			161	161		
2010	WECC		Elmhurst Mutual Power & Light Company	U.S.	11,899	11,899	-	-	12,565	12,565	-	-	(852)	(852)									109	109			78	78		
2010	WECC		Emerald PUD	U.S.	22,083	22,083	-	-	23,319	23,319	-	-	(1,581)	(1,581)									202	202			144	144		

					Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		2011 RE Assessment Corrections		NPCC 40% CORC excluding US Only Staff			NPCC 60% CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	WECC		Energy Northwest	U.S.	2,161	2,161	-	-	2,282	2,282	-	-	(155)	(155)									20	20			14	14		
2010	WECC		Eugene Water & Electric Board	U.S.	108,981	108,981	-	-	115,077	115,077	-	-	(7,803)	(7,803)									995	995			712	712		
2010	WECC		Farmers Electric Company, LTD	U.S.	193	193	-	-	204	204	-	-	(14)	(14)									2	2			1	1		
2010	WECC		Farmington Electric Utility System	U.S.	47,542	47,542	-	-	50,202	50,202	-	-	(3,404)	(3,404)									434	434			311	311		
2010	WECC		Flathead Electric Cooperative, Inc	U.S.	62,996	62,996	-	-	66,520	66,520	-	-	(4,511)	(4,511)									575	575			412	412		
2010	WECC		Frederickson Power LP	U.S.	154	154	-	-	162	162	-	-	(11)	(11)									1	1			1	1		
2010	WECC		Glacier Electric Cooperative, Inc.	U.S.	7,974	7,974	-	-	8,420	8,420	-	-	(571)	(571)									73	73			52	52		
2010	WECC		Grand Valley Power	U.S.	10,336	10,336	-	-	10,914	10,914	-	-	(740)	(740)									94	94			68	68		
2010	WECC		Harney Electric Cooperative, Inc.	U.S.	4,878	4,878	-	-	5,151	5,151	-	-	(349)	(349)									45	45			32	32		
2010	WECC		Harney Electric Cooperative, Inc.	U.S.	3,090	3,090	-	-	3,263	3,263	-	-	(221)	(221)									28	28			20	20		
2010	WECC		Harquahala Valley Power District	U.S.	2,684	2,684	-	-	2,834	2,834	-	-	(192)	(192)									24	24			18	18		
2010	WECC		Hermiston Power LLC	U.S.	95	95	-	-	101	101	-	-	(7)	(7)									1	1			1	1		
2010	WECC		Holy Cross Energy	U.S.	37,351	37,351	-	-	39,441	39,441	-	-	(2,674)	(2,674)									341	341			244	244		
2010	WECC		Hood River Electric Cooperative	U.S.	1,758	1,758	-	-	1,856	1,856	-	-	(126)	(126)									16	16			11	11		
2010	WECC		Idaho County Light and Power Cooperative Association, Inc.	U.S.	2,431	2,431	-	-	2,567	2,567	-	-	(174)	(174)									22	22			16	16		
2010	WECC		Idaho Power Company	U.S.	647,431	647,431	-	-	683,647	683,647	-	-	(46,358)	(46,358)									5,910	5,910			4,232	4,232		
2010	WECC		Idaho Power Company - BPA	U.S.	828	828	-	-	874	874	-	-	(59)	(59)									8	8			5	5		
2010	WECC		Imperial Irrigation District	U.S.	157,178	157,178	-	-	165,970	165,970	-	-	(11,254)	(11,254)									1,435	1,435			1,027	1,027		
2010	WECC		Inland Power and Light Company	U.S.	19,670	19,670	-	-	20,770	20,770	-	-	(1,408)	(1,408)									180	180			129	129		
2010	WECC		Inland Power and Light Company	U.S.	20,428	20,428	-	-	21,571	21,571	-	-	(1,463)	(1,463)									186	186			134	134		
2010	WECC		Intermountain Rural Electric Association	U.S.	56,270	56,270	-	-	59,417	59,417	-	-	(4,029)	(4,029)									514	514			368	368		
2010	WECC		Kirtland AFB	U.S.	19,382	19,382	-	-	20,467	20,467	-	-	(1,388)	(1,388)									177	177			127	127		
2010	WECC		Kootenai Electric Cooperative, Inc.	U.S.	20,100	20,100	-	-	21,225	21,225	-	-	(1,439)	(1,439)									183	183			131	131		
2010	WECC		Lakeview Light & Power	U.S.	12,204	12,204	-	-	12,887	12,887	-	-	(874)	(874)									111	111			80	80		
2010	WECC		Lane Electric Cooperative, Inc.	U.S.	9,808	9,808	-	-	10,357	10,357	-	-	(702)	(702)									90	90			64	64		
2010	WECC		Las Vegas Valley Water District	U.S.	4,163	4,163	-	-	4,396	4,396	-	-	(298)	(298)									38	38			27	27		
2010	WECC		Lincoln County Power District No. 1	U.S.	2,955	2,955	-	-	3,120	3,120	-	-	(212)	(212)									27	27			19	19		
2010	WECC		Lincoln Electric Cooperative, Inc.	U.S.	5,145	5,145	-	-	5,433	5,433	-	-	(368)	(368)									47	47			34	34		
2010	WECC		Los Angeles Department of Water and Power	U.S.	1,250,844	1,250,844	-	-	1,320,814	1,320,814	-	-	(89,563)	(89,563)									11,418	11,418			8,176	8,176		
2010	WECC		Maricopa County Municipal Water Conservation District No. 1	U.S.	1,878	1,878	-	-	1,983	1,983	-	-	(134)	(134)									17	17			12	12		
2010	WECC		McMullen Valley Water Conservation & Drainage District	U.S.	2,837	2,837	-	-	2,996	2,996	-	-	(203)	(203)									26	26			19	19		
2010	WECC		Merced Irrigation District	U.S.	19,428	19,428	-	-	20,515	20,515	-	-	(1,391)	(1,391)									177	177			127	127		
2010	WECC		Midstate Electric Cooperative, Inc.	U.S.	17,609	17,609	-	-	18,594	18,594	-	-	(1,261)	(1,261)									161	161			115	115		
2010	WECC		Mission Valley Power	U.S.	17,331	17,331	-	-	18,300	18,300	-	-	(1,241)	(1,241)									158	158			113	113		
2010	WECC		Missoula Electric Cooperative, Inc.	U.S.	10,016	10,016	-	-	10,576	10,576	-	-	(717)	(717)									91	91			65	65		
2010	WECC		Modern Electric Water Company	U.S.	10,261	10,261	-	-	10,835	10,835	-	-	(735)	(735)									94	94			67	67		
2010	WECC		Modesto Irrigation District	U.S.	110,168	110,168	-	-	116,331	116,331	-	-	(7,888)	(7,888)									1,006	1,006			720	720		
2010	WECC		Montana-Dakota Utilities Co.	U.S.	956	956	-	-	1,010	1,010	-	-	(68)	(68)									9	9			6	6		
2010	WECC		Mt. Wheeler Power	U.S.	19,184	19,184	-	-	20,257	20,257	-	-	(1,374)	(1,374)									175	175			125	125		
2010	WECC		Municipal Energy Agency of Nebraska	U.S.	16,694	16,694	-	-	17,628	17,628	-	-	(1,195)	(1,195)									152	152			109	109		
2010	WECC		Municipal Energy Agency of Nebraska	U.S.	29,272	29,272	-	-	29,651	29,651	-	-	(2,011)	(2,011)	1,192	1,192							256	256			184	184		
2010	WECC		Navajo Tribal Utility Authority	U.S.	1,723	1,723	-	-	1,819	1,819	-	-	(123)	(123)									16	16			11	11		
2010	WECC		Navajo Tribal Utility Authority	U.S.	13,397	13,397	-	-	14,147	14,147	-	-	(959)	(959)									122	122			88	88		
2010	WECC		Navopache Electric Cooperative, Inc.	U.S.	18,736	18,736	-	-	19,784	19,784	-	-	(1,342)	(1,342)									171	171			122	122		
2010	WECC		Nebraska Public Power Marketing	U.S.	166	166	-	-	169	169	-	-	(11)	(11)	6	6							1	1			1	1		
2010	WECC		Nespelem Valley Electric Cooperative, Inc.	U.S.	2,225	2,225	-	-	2,350	2,350	-	-	(159)	(159)									20	20			15	15		
2010	WECC		Nevada Power Company dba NV Energy	U.S.	960,151	960,151	-	-	1,013,860	1,013,860	-	-	(68,749)	(68,749)									8,764	8,764	-	-	6,276	6,276	-	-
2010	WECC		Noble Americas Energy Solutions, LLC	U.S.	43,501	43,501	-	-	45,935	45,935	-	-	(3,115)	(3,115)									397	397			284	284		
2010	WECC		Northern Lights, Inc.	U.S.	1,194	1,194	-	-	1,261	1,261	-	-	(85)	(85)									11	11			8	8		
2010	WECC		Northern Lights, Inc.	U.S.	14,475	14,475	-	-	15,285	15,285	-	-	(1,036)	(1,036)									132	132			95	95		
2010	WECC		Northern Lights, Inc.	U.S.	451	451	-	-	477	477	-	-	(32)	(32)									4	4			3	3		
2010	WECC		Northern Wasco County PUD	U.S.	25,895	25,895	-	-	27,343	27,343	-	-	(1,854)	(1,854)									236	236			169	169		
2010	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	388,336	388,336	-	-	410,059	410,059	-	-	(27,806)	(27,806)									3,545	3,545			2,538	2,538		
2010	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	13,361	13,361	-	-	14,109	14,109	-	-	(957)	(957)									122	122			87	87		
2010	WECC		Ohop Mutual Light Company	U.S.	3,726	3,726	-	-	3,935	3,935	-	-	(267)	(267)									34	34			24	24		
2010	WECC		Orcas Power and Light Cooperative	U.S.	9,081	9,081	-	-	9,589	9,589	-	-	(650)	(650)									83	83			59	59		
2010	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	14,537	14,537	-	-	15,350	15,350	-	-	(1,041)	(1,041)									133	133			95	95		
2010	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	14,021	14,021	-	-	14,806	14,806	-	-	(1,004)	(1,004)									128	128			92	92		
2010	WECC		Overton Power District No. 5	U.S.	16,608	16,608	-	-	17,537	17,537	-	-	(1,189)	(1,189)									152	152			109	109		
2010	WECC		PacifiCorp	U.S.	2,355	2,355	-	-	2,487	2,487	-	-	(169)	(169)									21	21			15	15		
2010	WECC		PacifiCorp	U.S.	2,053,010	2,053,010	-	-	2,167,852	2,167,852	-	-	(147,000)	(147,000)									18,740	18,740			13,419	13,419		
2010	WECC		PacifiCorp	U.S.	79	79	-	-	83	83	-	-	(6)	(6)									1	1			1	1		
2010	WECC		PacifiCorp	U.S.	10,361	10,361	-	-	10,561	10,561	-	-	(716)	(716)	360	360							91	91			65	65		
2010	WECC		PacifiCorp West (PACW)	U.S.	913,671	913,671	-	-	964,780	964,780	-	-	(65,421)	(65,421)									8,340	8,340			5,972	5,972		
2010	WECC		Page Electric Utility	U.S.	713	713	-	-	753	753	-	-	(51)	(51)									7	7			5	5		
2010	WECC		Parkland Light and Water Company	U.S.	5,225	5,225	-	-	5,517	5,517	-	-	(374)	(374)									48	48			34	34		
2010	WECC		Pend Oreille County PUD No. 1	U.S.	43,285	43,285	-	-	45,706	45,706	-	-	(3,099)	(3,099)									395	395			283	283		
2010	WECC		Peninsula Light Company, Inc.	U.S.	26,443	26,443	-	-	27,922	27,922	-	-	(1,893)	(1,893)									241	241			173	173		
2010	WECC		Platte River Power Authority	U.S.	140,603	140,603	-	-	148,468	148,468	-	-	(10,068)	(10,068)									1,283	1,283			919	919		
2010	WECC		Port of Seattle - Seattle-Tacoma International Airport	U.S.	6,420	6,420	-	-	6,779	6,779	-	-	(460)	(460)									59	59			42	42		
2010	WECC		Port Townsend Paper Corporation	U.S.	9,189	9,189	-	-	9,703	9,703	-	-	(658)	(658)									84	84			60	60		
2010	WECC		Portland General Electric Company	U.S.	1,995	1,995	-	-	2,107	2,107	-	-	(143)	(143)									18	18			13	13		
2010	WECC		Portland General Electric Company	U.S.	819,493	819,493	-	-	865,334	865,334	-	-	(58,678)	(58,678)									7,480	7,480			5,356	5,356		
2010	WECC		Public Service Company of Colorado (Xcel)	U.S.	1,367,193	1,367,193	-	-	1,443,672	1,443,672	-	-	(97,894)	(97,894)									12,480	12,480			8,936	8,936		
2010	WECC		Public Service Company of Colorado (Xcel)	U.S.	1,533	1,533	-	-	1,559	1,559	-	-	(106)	(106)	57	57							13	13			10	10		
2010	WECC		Public Service Company of New Mexico	U.S.	465,582	465,582	-	-	491,626	491,626	-	-	(33,337)	(33,337)									4,250	4,250			3,043	3,043		
2010	WECC		Public Utility District No. 1 of Chelan County	U.S.	139,376	139,376	-	-	147,173	147,173	-	-	(9,980)	(9,980)									1,272	1,272			911	911		
2010	WECC		PUD No. 1 of Asotin County	U.S.	201	201	-	-	212	212	-	-	(14)	(14)									2	2			1	1		
2010	WECC		PUD No. 1 of Asotin County	U.S.	15	15	-	-	16	16	-	-	(1)	(1)									0	0			0	0		
2010	WECC		PUD No. 1 of Benton County	U.S.	73,190	73,190	-	-	77,285	77,285	-	-	(5,241)	(5,241)									668	668			478	478		
2010	WECC		PUD No. 1 of Clallam County	U.S.	29,161	29,161	-	-	30,792	30,792	-	-	(2,088)	(2,088)									266	266			191	191		
2010	WECC		PUD No. 1 of Cowlitz County	U.S.	223,027	223,027	-	-	235,503	235,503	-	-	(15,969)	(15,969)									2,036	2,036			1,458	1,458		
2010	WECC		PUD No. 1 of Douglas County	U.S.	393	393	-	-	414	414	-	-	(28)	(28)									4	4			3	3		
2010	WECC		PUD No. 1 of Douglas County	U.S.	59,462	59,462	-	-	62,788	62,788	-	-	(4,258)	(4,258)									543	543			389	389		
2010	WECC		PUD No. 1 of Ferry County	U.S.	4,412	4,412	-	-	4,659	4,659	-	-	(316)	(316)									40	40			29	29		
2010	WECC		PUD No. 1 of Franklin County	U.S.	44,015	44,015	-	-	46,477	46,477	-	-	(3,152)	(3,152)									402	402			288	288		
2010	WECC		PUD No. 1 of Grays Harbor	U.S.	47,646	47,646	-	-	50,311	50,311	-	-	(3,412)	(3,412)									435	435			311	311		
2010	WECC		PUD No. 1 of Kittitas County	U.S.	2,538	2,538	-	-	2,680	2,680	-	-	(182)	(182)									23	23			17	17		
2010	WECC		PUD No. 1 of Kittitas County	U.S.	325	325	-	-	343	343	-	-	(23)	(23)									3	3			2	2		
2010	WECC		PUD No. 1 of Kittitas County	U.S.	717	717	-	-	758	758	-	-	(51)	(51)									7	7			5	5		
2010	WECC		PUD No. 1 of Klickitat County	U.S.	11,893	11,893	-	-	12,559	12,559	-	-	(852)	(852)									109	109			78	78		
2010	WECC		PUD No. 1 of Lewis County	U.S.	41,478	41,478	-	-	43,798	43,798	-	-	(2,970)	(2,970)									379	379			271	271		
2010	WECC		PUD No. 1 of Mason County	U.S.	3,354	3,354	-	-	3,542	3,542	-	-	(240)	(240)									31	31			22	22		
2010	WECC		PUD No. 1 of Skamania County	U.S.	5,883	5,883	-	-	6,212	6,212	-	-	(421)	(421)									54	54			38	38		
2010	WECC		PUD No. 1 of Snohomish County	U.S.	304,812	304,812	-	-	321,862	321,862	-	-	(21,825)	(21,825)									2,782	2,782			1,992	1,992		
2010	WECC		PUD No. 1 of Wahkiakum County	U.S.	1,871	1,871	-	-	1,976	1,976	-	-	(134)	(134)									17	17			12	12		
2010	WECC		PUD No. 1 of Whatcom County	U.S.	9,456	9,456	-	-	9,985	9,985	-	-	(677)	(677)									86	86			62	62		
2010	WECC		PUD No. 1 of Whatcom County	U.S.	570	570	-	-	602	602	-	-	(41)	(41)									5	5			4	4		
2010	WECC		PUD No. 2 of Grant County	U.S.	3,663	3,663	-	-	3,868	3,868	-	-	(262)	(262)									33	33			24	24		
2010	WECC		PUD No. 2 of Grant County	U.S.	1,988	1,988	-	-	2,099	2,099	-	-	(142)	(142)									18	18			13	13		
2010	WECC		PUD No. 2 of Grant County	U.S.	167,465	167,465	-	-	176,833	176,833	-	-	(11,991)	(11,991)									1,529	1,529			1,095	1,095		
2010	WECC		PUD No. 2 of Pacific County	U.S.	13,150	13,150	-	-	13,885	13,885	-	-	(942)	(942)									120	120			86	86		
2010	WECC		PUD No. 3 of Mason County	U.S.	30,085	30,085	-	-	31,768	31,768	-	-	(2,154)	(2,154)									275	275			197	197		

2010 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2012 NERC and RE Assessments

					Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		2011 RE Assessment Corrections		NPCC 40% CORC excluding US Only Staff			NPCC 60% CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
Data Year	Regional Entity	ID	Entity	Country	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2010	WECC		Puget Sound Energy, Inc.	U.S.	1,068,852	1,068,852	-	-	1,128,642	1,128,642	-	-	(76,532)	(76,532)									9,756	9,756			6,986	6,986		
2010	WECC		Raft River Electric Cooperative	U.S.	10,404	10,404	-	-	10,986	10,986	-	-	(745)	(745)									95	95			68	68		
2010	WECC		Ravalli County Electric Cooperative, Inc.	U.S.	6,824	6,824	-	-	7,205	7,205	-	-	(489)	(489)									62	62			45	45		
2010	WECC		Riverside Electric Copmpany, Ltd	U.S.	864	864	-	-	912	912	-	-	(62)	(62)									8	8			6	6		
2010	WECC		Rocky Mountain Generation Cooperative, Inc.	U.S.	1,960	1,960	-	-	1,997	1,997	-	-	(135)	(135)	69	69							17	17			12	12		
2010	WECC		Roosevelt Irrigation District	U.S.	1,283	1,283	-	-	1,355	1,355	-	-	(92)	(92)									12	12			8	8		
2010	WECC		Sacramento Municipal Utility District	U.S.	490,465	490,465	-	-	517,901	517,901	-	-	(35,118)	(35,118)									4,477	4,477			3,206	3,206		
2010	WECC		Salem Electric	U.S.	14,209	14,209	-	-	15,003	15,003	-	-	(1,017)	(1,017)									130	130			93	93		
2010	WECC		Salt River Project	U.S.	1,235,907	1,235,907	-	-	1,305,041	1,305,041	-	-	(88,494)	(88,494)									11,281	11,281			8,078	8,078		
2010	WECC		San Carlos Indian Irrigation Project	U.S.	6	6	-	-	6	6	-	-	(0)	(0)									0	0			0	0		
2010	WECC		Seattle City Light	U.S.	437,849	437,849	-	-	462,342	462,342	-	-	(31,351)	(31,351)									3,997	3,997			2,862	2,862		
2010	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	388,586	388,586	-	-	410,322	410,322	-	-	(27,824)	(27,824)									3,547	3,547			2,540	2,540		
2010	WECC		South Side Electric, Inc	U.S.	2,468	2,468	-	-	2,606	2,606	-	-	(177)	(177)									23	23			16	16		
2010	WECC		Southern Montana Electric Generation & Transmission	U.S.	33,160	33,160	-	-	35,015	35,015	-	-	(2,374)	(2,374)									303	303			217	217		
2010	WECC		Southern Nevada Water Authority	U.S.	36,239	36,239	-	-	38,266	38,266	-	-	(2,595)	(2,595)									331	331			237	237		
2010	WECC		Southwest Transmission Cooperative, Inc.	U.S.	117,140	117,140	-	-	123,692	123,692	-	-	(8,387)	(8,387)									1,069	1,069			766	766		
2010	WECC		Springfield Utility Board	U.S.	36,779	36,779	-	-	38,836	38,836	-	-	(2,633)	(2,633)									336	336			240	240		
2010	WECC		Surprise Valley Electrification Corporation	U.S.	1,452	1,452	-	-	1,533	1,533	-	-	(104)	(104)									13	13			9	9		
2010	WECC		Tanner Electric Cooperative	U.S.	4,125	4,125	-	-	4,355	4,355	-	-	(295)	(295)									38	38			27	27		
2010	WECC		The Incorporated County of Los Alamos	U.S.	15,826	15,826	-	-	16,711	16,711	-	-	(1,133)	(1,133)									144	144			103	103		
2010	WECC		Tillamook People's Utility District	U.S.	16,176	16,176	-	-	17,081	17,081	-	-	(1,158)	(1,158)									148	148			106	106		
2010	WECC		Tohono O'Odham Utility Authority	U.S.	2,940	2,940	-	-	3,105	3,105	-	-	(211)	(211)									27	27			19	19		
2010	WECC		Tonopah Irrigation District	U.S.	931	931	-	-	983	983	-	-	(67)	(67)									8	8			6	6		
2010	WECC		Town of Center	U.S.	558	558	-	-	589	589	-	-	(40)	(40)									5	5			4	4		
2010	WECC		Town of Coulee	U.S.	646	646	-	-	682	682	-	-	(46)	(46)									6	6			4	4		
2010	WECC		Town of Eatonville	U.S.	1,256	1,256	-	-	1,327	1,327	-	-	(90)	(90)									11	11			8	8		
2010	WECC		Town of Fredonia	U.S.	59	59	-	-	63	63	-	-	(4)	(4)									1	1			0	0		
2010	WECC		Town of Steilacoom	U.S.	1,782	1,782	-	-	1,882	1,882	-	-	(128)	(128)									16	16			12	12		
2010	WECC		Town of Wickenburg	U.S.	1,236	1,236	-	-	1,305	1,305	-	-	(88)	(88)									11	11			8	8		
2010	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	85,630	85,630	-	-	90,420	90,420	-	-	(6,131)	(6,131)									782	782			560	560		
2010	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	340,246	340,246	-	-	347,076	347,076	-	-	(23,535)	(23,535)	11,556	11,556							3,000	3,000			2,148	2,148		
2010	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	1,426	1,426	-	-	1,506	1,506	-	-	(102)	(102)									13	13			9	9		
2010	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	115,305	115,305	-	-	121,755	121,755	-	-	(8,256)	(8,256)									1,052	1,052			754	754		
2010	WECC		Truckee Donner Public Utility District	U.S.	6,754	6,754	-	-	7,132	7,132	-	-	(484)	(484)									62	62			44	44		
2010	WECC		Tucson Electric Power Company	U.S.	603,188	603,188	-	-	636,929	636,929	-	-	(43,190)	(43,190)									5,506	5,506			3,942	3,942		
2010	WECC		Turlock Irrigation District	U.S.	88,670	88,670	-	-	93,631	93,631	-	-	(6,349)	(6,349)									809	809			580	580		
2010	WECC		U.S. Army Yuma Proving Ground	U.S.	833	833	-	-	879	879	-	-	(60)	(60)									8	8			5	5		
2010	WECC		U.S. Boia Wapato Irrigation Project	U.S.	783	783	-	-	827	827	-	-	(56)	(56)									7	7			5	5		
2010	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	137	137	-	-	145	145	-	-	(10)	(10)									1	1			1	1		
2010	WECC		U.S. Bor Spokane Indian Development`	U.S.	110	110	-	-	116	116	-	-	(8)	(8)									1	1			1	1		
2010	WECC		U.S. DOE National Energy Technology Laboratory	U.S.	179	179	-	-	189	189	-	-	(13)	(13)									2	2			1	1		
2010	WECC		U.S. DOE Richland Operations Office	U.S.	8,641	8,641	-	-	9,125	9,125	-	-	(619)	(619)									79	79			56	56		
2010	WECC		Umatilla Electric Cooperative Association	U.S.	40,966	40,966	-	-	43,257	43,257	-	-	(2,933)	(2,933)									374	374			268	268		
2010	WECC		Unit B Irrigation District	U.S.	1	1	-	-	1	1	-	-	(0)	(0)									0	0			0	0		
2010	WECC		United Electric Cooperative	U.S.	11,457	11,457	-	-	12,098	12,098	-	-	(820)	(820)									105	105			75	75		
2010	WECC		US Air Force Base, Fairchild	U.S.	2,393	2,393	-	-	2,527	2,527	-	-	(171)	(171)									22	22			16	16		
2010	WECC		USN Naval Station, Bremerton	U.S.	10,406	10,406	-	-	10,989	10,989	-	-	(745)	(745)									95	95			68	68		
2010	WECC		USN Naval Station, Everett	U.S.	577	577	-	-	609	609	-	-	(41)	(41)									5	5			4	4		
2010	WECC		USN Submarine Base, Bangor	U.S.	7,524	7,524	-	-	7,945	7,945	-	-	(539)	(539)									69	69			49	49		
2010	WECC		Valley Electric Association, Inc.	U.S.	22,280	22,280	-	-	23,526	23,526	-	-	(1,595)	(1,595)									203	203			146	146		
2010	WECC		Vera Water and Power	U.S.	10,017	10,017	-	-	10,578	10,578	-	-	(717)	(717)									91	91			65	65		
2010	WECC		Vigilante Electric Cooperative, Inc.	U.S.	6,230	6,230	-	-	6,579	6,579	-	-	(446)	(446)									57	57			41	41		
2010	WECC		Wasco Electric Cooperative	U.S.	4,187	4,187	-	-	4,421	4,421	-	-	(300)	(300)									38	38			27	27		
2010	WECC		Wells Rural Electric Cooperative	U.S.	8,954	8,954	-	-	9,455	9,455	-	-	(641)	(641)									82	82			59	59		
2010	WECC		Wells Rural Electric Cooperative	U.S.	28,221	28,221	-	-	29,800	29,800	-	-	(2,021)	(2,021)									258	258			184	184		
2010	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	33	33	-	-	35	35	-	-	(2)	(2)									0	0			0	0		
2010	WECC		West Oregon Electric Cooperative, Inc.	U.S.	2,473	2,473	-	-	2,611	2,611	-	-	(177)	(177)									23	23			16	16		
2010	WECC		West Oregon Electric Cooperative, Inc.	U.S.	558	558	-	-	590	590	-	-	(40)	(40)									5	5			4	4		
2010	WECC		Western Area Power - Loveland, CO	U.S.	16,286	16,286	-	-	17,197	17,197	-	-	(1,166)	(1,166)									149	149			106	106		
2010	WECC		Western Area Power - Loveland, CO	U.S.	74,638	74,638	-	-	77,878	77,878	-	-	(5,281)	(5,281)	886	886							673	673			482	482		
2010	WECC		Western Area Power Administration - CRSP	U.S.	82,953	82,953	-	-	65,234	65,234	-	-	(4,423)	(4,423)	21,175	21,175							564	564			404	404		
2010	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	61,749	61,749	-	-	65,204	65,204	-	-	(4,421)	(4,421)									564	564			404	404		
2010	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	102,791	102,791	-	-	108,541	108,541	-	-	(7,360)	(7,360)									938	938			672	672		
2010	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	8,245	8,245	-	-	8,706	8,706	-	-	(590)	(590)									75	75			54	54		
2010	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	875	875	-	-	891	891	-	-	(60)	(60)	31	31							8	8			6	6		
2010	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	11,010	11,010	-	-	11,625	11,625	-	-	(788)	(788)									100	100			72	72		
2010	WECC		Wyoming Municipal Power Agency	U.S.	9,732	9,732	-	-	9,912	9,912	-	-	(672)	(672)	346	346							86	86			61	61		
2010	WECC		Yampa Valley Electric Association	U.S.	25,721	25,721	-	-	27,160	27,160	-	-	(1,842)	(1,842)									235	235			168	168		
2010	WECC		Yuma Irrigation District	U.S.	140	140	-	-	148	148	-	-	(10)	(10)									1	1			1	1		
2010	WECC		Yuma-Mesa Irrigation District	U.S.	7	7	-	-	7	7	-	-	(1)	(1)									0	0			0	0		
			TOTAL WECC		37,220,341	31,507,675	5,211,366	501,301	39,233,515	33,270,162	5,469,380	493,973	(2,256,023)	(2,256,023)	(0)	(0)							0	287,599	(291,869)	4,270	242,849	205,937	33,855	3,058
	TOTAL ERO				110,280,847	97,970,211	11,809,335	501,301	108,730,011	98,314,846	9,921,192	493,973	(6,163,573)	(6,163,573)			2,988,624	1,362,966		4,482,936	3,962,436	520,500	0	287,599	(291,869)	4,270	242,849	205,937	33,855	3,058

Summary by Regional Entity																													
2010	FRCC	4,424,850	4,424,850	-	-	5,299,550	5,299,550	-	-	(874,700)	(874,700)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010	MRO	8,349,029	6,994,464	1,354,565	-	8,767,529	7,412,964	1,354,565	-	(418,500)	(418,500)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010	NPCC	12,551,567	7,308,162	5,243,405	-	5,694,007	2,596,760	3,097,247	-	(614,000)	(614,000)	-	-	2,988,624	1,362,966	1,625,658	4,482,936	3,962,436	520,500	-	-	-	-	-	-	-	-	-	-
2010	RFC	13,534,272	13,534,272	-	-	14,326,372	14,326,372	-	-	(792,100)	(792,100)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010	SERC	14,845,275	14,845,275	-	-	15,279,775	15,279,775	-	-	(434,500)	(434,500)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010	SPP	9,851,647	9,851,647	-	-	10,052,567	10,052,567	-	-	(200,920)	(200,920)	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010	TRE	9,503,866	9,503,866	-	-	10,076,696	10,076,696	-	-	(572,830)	(572,830)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010	WECC	37,220,341	31,507,675	5,211,366	501,301	39,233,515	33,270,162	5,469,380	493,973	(2,256,023)	(2,256,023)	(0)	(0)	-	-	-	-	-	-	0	287,599	(291,869)	4,270	242,849	205,937	33,855	3,058		
Total		110,280,847	97,970,211	11,809,335	501,301	108,730,011	98,314,846	9,921,192	493,973	(6,163,573)	(6,163,573)	(0)	(0)	2,988,624	1,362,966	1,625,658	4,482,936	3,962,436	520,500	0	287,599	(291,869)	4,270	242,849	205,937	33,855	3,058		

DOCKET NO. RR11-__-000

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 3

FLORIDA RELIABILITY COORDINATING COUNCIL

PROPOSED 2012 BUSINESS PLAN AND BUDGET

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.
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2012 Business Plan and Budget

Florida Reliability Coordinating Council, Inc.

Approved by: FRCC Board of Directors

DATE: June 30, 2011

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Introduction

TOTAL RESOURCES (in whole dollars)	2012 Budget	U.S.	Canada	Mexico
Statutory FTEs	30.7			
Non-statutory FTEs	14.2			
Total FTEs	44.9			
Statutory Expenses	$ 6,440,593			
Non-Statutory Expenses	$ 5,904,029			
Total Expenses	$ 12,344,622			
Statutory Inc(Dec) in Fixed Assets	$ (46,139)			
Non-Statutory Inc(Dec) in Fixed Assets	$ 90,946			
Total Inc(Dec) in Fixed Assets	$ 44,807			
Statutory Working Capital Requirement*	**(993,474)**			
Non-Statutory Working Capital Requirement**	**(82,798)**			
Total Working Capital Requirement	**(1,076,272)**			
Total Statutory Funding Requirement	$ 5,400,980			
Total Non-Statutory Funding Requirement	$ 5,912,177			
Total Funding Requirement	$ 11,313,157			
Statutory Funding Assessments	$ 4,424,850	$ 4,424,850		
Non-Statutory Fees	$ 5,674,177	$ 5,674,177		
NEL	232,676	232,976		
NEL%				

*Refer to Table B-1 on page 41 in Section B.
**Refer to the Reserve Analysis on page 57 in Section C.

Organizational Overview

The Florida Reliability Coordinating Council (FRCC) is a Florida not-for-profit corporation that was formed in 1996 and is one of the eight regions of the North American Electric Reliability Corporation (NERC). The FRCC's mission is to ensure and enhance the reliability and adequacy of the Bulk Electric System (BES) in Florida now and into the future. The FRCC's Web site is www.frcc.com. The FRCC Region is comprised of all of Florida east of the Apalachicola River. Florida's unique geography and its highly integrated transmission system coupled with its single interface boundary to the rest of the Eastern Interconnection required the development of a reliability focus in the FRCC Region. Membership in the FRCC's Regional Entity Division is open to any entity, without cost, that has a material interest in the reliability of the BES in the FRCC Region. Currently there are 72 Registered Entities within the FRCC Region. The FRCC is governed by a balanced stakeholder Board of Directors, and accomplishes

its activities through qualified professional staff and standing committees which also have balanced stakeholder governance.

The FRCC provides the statutory functions and services for the FRCC Region through its Regional Entity Division. Non-statutory services for the FRCC Region are provided through its Member Services Division. This divisional structure provides an efficient and effective means of clearly separating statutory and non-statutory activities and related funding for each. The revised FRCC bylaws, creating this divisional structure, were approved by the Federal Energy Regulatory Commission ("FERC") on March 21, 2008.

The FRCC Regional Entity Division works to enhance the reliability of the BES in the FRCC Region pursuant to the approved Regional Delegation Agreement with the Electric Reliability Organization ("ERO") under the authority of the FERC. The functions performed by the FRCC Regional Entity Division include regional reliability standards development, compliance monitoring and enforcement of reliability standards, reliability assessment and performance analysis, event analysis and reliability improvement, training and education, situation awareness and infrastructure security.

The FRCC Member Services Division also promotes the reliable and efficient operation of the BES in the FRCC Region through establishment of regionally-specific criteria, coordination of system planning, design and operations, and monitoring compliance with such non-mandatory criteria.

The FRCC standing committees actively participate in the development and approval of their committee's budget. The budgets reflect activities of each committee's responsibilities, such as reliability coordination, resource adequacy, stability studies, transmission studies, reliability assessments, operations tools, system operator training, telecommunications infrastructure and tools. Each year, the total FRCC budget is presented to the FRCC Board of Directors in the second quarter of each year for informational purposes prior to final approval in June. This process gives all FRCC members advanced indication of the funding level, both statutory and non-statutory, which will be required for the coming fiscal year (January 1 – December 31). This allows for a timely inclusion of each member's funding responsibility in their individual budgeting process. The final budget is presented for approval to the FRCC Board of Directors in June of each year and is then submitted to NERC for approval by the NERC Board of Trustees and then by FERC.

Membership and Governance

The FRCC's members (in both divisions) include investor-owned utilities, cooperative utilities, municipal utilities, power marketers, independent power producers and others. Membership is currently 30 FRCC members in the Regional Entity Division and 24 FRCC members in the Member Services Division.

The FRCC has six (6) membership sectors which include the following:

- Non-Investor Owned Utility Wholesale
- Load Serving Entity
- Generating Load Serving Entity

- Investor Owned Utility
- Suppliers
- General

There are currently two (2) members in the General Sector of the Regional Entity Division and no members in the General Sector of the Member Services Division.

The activities of FRCC are governed by its Board of Directors. The Board is comprised of senior level executives from members of FRCC.

As part of its responsibilities, NERC, as the ERO, delegates its authority to Regional Entities to perform certain functions through delegation agreements. On October 21, 2010, FERC approved revised delegation agreements between NERC and the eight (8) Regional Entities. These delegation agreements describe the responsibility and authority delegated to the Regional Entities. NERC and the Regional Entities revised the delegation agreements in 2010 to improve the efficiency, transparency, quality and effectiveness of the combined NERC and Regional Entity operations. The funding for Regional Entities is approved separately with each Regional Entity submitting its own business plan and budget for consideration by NERC and FERC.

Statutory Functional Scope

The FRCC carries out its delegated functions as outlined in the delegation agreement and detailed in Exhibits A, B, C, D and E of the delegation agreement. These delegated functions as defined by the NERC Rules of Procedures include:

- Reliability Standards Development (Section 300)
- Compliance Monitoring and Enforcement (Section 400)
- Organization Registration and Certification (Section 500) – This program budget has been combined with the Compliance Monitoring and Enforcement function budget.
- Reliability Assessment and Performance Analysis (Section 800) (including necessary data gathering activities and Events Analysis)
- Training, Education and Operator Certification (Section 900)
- Situation Awareness and Infrastructure Security (Section 1000)

2012 Goals and Key Deliverables (Regional Entity Division)

- Continued implementation of the FRCC Regional Reliability Standards Development Process with focus on results-based standards development.
- Address and appropriately prioritize all fill-in-the-blank standards.
- Working with NERC and the other seven (7) Regional Entities, to develop further refinements of the Compliance Monitoring and Enforcement Program ("CMEP") to streamline the process, increase transparency and ensure consistency among the Regions.
- Facilitating a learning environment in the region that continuously improves reliability performance through event causal analysis, communication of lessons learned, and tracking of recommendations.

- Promoting a strong culture of performance excellence and compliance with mandatory reliability standards across the region.
- Performing delegated functions with independence, without conflict of interest, with objectivity and fairness, while ensuring compliance with mandatory standards.
- Continuing to improve transparency, consistency, quality and timeliness of NERC and Regional Entity results through process improvements and more effective coordination and collaboration.
- Working closely with the other Regional Entities and NERC to ensure that the delegated functions are implemented consistently and rationally and to promote the success of the ERO self regulatory model.
- Working closely with NERC and the industry to develop clear, results-based mandatory reliability standards that establish threshold requirements for ensuring the BES is designed, planned, maintained, and operated in a manner that minimizes risks of cascading failures or interruptions of bulk power supply.
- Conducting workshops and training seminars for Registered Entities to assist them in correctly understanding expectations of reliability standard requirements and for demonstrating compliance with reliability standards.

2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions (see Exhibit A of the 2012 NERC Business Plan and Budget) developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The significant assumptions underlying FRCC's 2012 business plan include:

1. The international, industry-based Self Regulatory Organization (SRO)[1] model continues to be used with no material changes to the SRO model.
2. The framework for delegation to Regional Entities is expected to remain relatively constant over the next three (3) years, while incremental gains improving the efficiency, transparency, consistency, effectiveness, and quality of NERC and the Regional Entity processes is anticipated, workload of the delegated authorities is expected to increase in a manner that offsets and exceeds the efficiency gains.
3. Cost pressures continue to strain stakeholder participation in NERC and Regional Entity activities.
4. In order to enhance reliability and the overall effectiveness of the ERO, improvements to improve speed and quality in standards development and implementation will be initiated in 2012 and beyond.
5. Standards development activities will face increased demands as the number of projects contained in the Reliability Standards Development Plan is expected to increase over the next three (3) years as the results-based standards initiative is fully implemented and work to complete FERC Order 693 directives is finalized.

[1] Also referred to as "audited self-regulation."

6. A new uniform definition of BES will be implemented in 2012 resulting in increased registered entity functions and increased workload for the regions as they implement processes for exclusion requests.
7. NERC and Regional Entities will continue to gather data and perform analysis regarding the BES, including but not limited to, supporting key federal and industry initiatives.
8. NERC will need to make significant investments in 2012 to support the implementation of a situation awareness tool for FERC, NERC, Regional Entities and stakeholder needs, as well as to meet both near and long-term ERO technology requirements.
9. The number of events requiring review, analysis, and reporting will increase.
10. CIP activities will continue to increase significantly on all fronts, including compliance and other activities; expectations are that resource requirements will be significantly impacted over the next three years as the number of critical assets and entities required to be monitored increases due to the approval of CIP-002-4; the TFE program will continue to require significant resources to perform reviews and gauge compensating measures.
11. NERC and the Regional Entities will develop a risk-based approach to compliance monitoring with associated increases in the number of spot checks over the next three years which will require additional resources.
12. An increased focus on auditor training began in 2011 and will continue over the next three years which will improve auditor skills and promote consistency of audit practices. NERC will provide this training, however it may require additional resources to allow sufficient training time for all auditors.

2012 Overview of Cost Impacts

The FRCC's proposed 2012 Statutory Budget is $6,440,593, which is a $775,155 or 13.6% increase over the 2011 budget. The major drivers of this increase are:

- Addition of one (1) FTE to support Compliance Monitoring
- Addition of three (3) FTEs to support Compliance Enforcement
- Addition of one (1) FTE to support Compliance Monitoring and Enforcement Administration
- Addition of one (1) FTE to support Reliability Assessment
- Addition of one-half (.5) FTE to augment Event Analysis, Situational Awareness and NERC Alerts

Statutory Accounting Methodology

The FRCC, in order to be consistent with all the regions, has modified its accounting reporting as follows:

- ERO assessments needed to fund working capital are reflected in the General and Administrative Program within Administrative Services.

- The majority of the Operating Expenses are accounted for within their related department's budget. If an expense cannot be specifically linked to a department, it is included in the General and Administrative Program, within Administrative Services.
- All expenses for the Administrative Services Programs, referred to as indirect expenses for 2012, are allocated to the delegated program areas by their respective FTEs and are shown on one line of each delegated program area as "Indirect Expenses".
- Capital expenditures are broken out as fixed assets at the end of each statement of activities rather than being included in their related lines in the operating expenses section.
- Expenses include depreciation, but since funding is not being requested for depreciation expense, it has been deducted from the funding requirement for capital expenditures.

2012 Key Deliverables

In 2012, FRCC will achieve the following key deliverables:

- **Reliability Standards Development** — Continue support of NERC in its efforts to transition to results based reliability standards over a five-year period, utilizing a NERC Board of Trustee endorsed prioritization process with consideration of FERC directives to address those projects with the most positive impact for reliability of the BES. Support NERC in its efforts to modify the standards development procedure to streamline the development and approval process. Develop regional reliability standards as needed to support NERC's prioritized work plan and provide increased coordination of regional standards development activities. Based on compliance program results, system events, trends analysis and a revised definition of an adequate level of reliability, identify key areas needing improvement, educational programs and other technical assistance programs to improve education and understanding for new or revised standards.
- **Compliance Monitoring and Enforcement** — Continue to monitor Registered Entities for compliance with mandatory reliability standards, in accordance with the established periodicity identified in the Compliance Monitoring and Enforcement Program (CMEP) and NERC Rules of Procedure (ROP) for the near term while working with NERC and the other Regional Entities to transition to a more risk-based approach to compliance monitoring. Enforce compliance with mandatory reliability standards by Registered Entities, in accordance with the CMEP and ROP while improving quality and timeliness. NERC and the Regional Entities will strive to achieve a 12-month total average processing time for alleged violations over the next three to five years. Ensure timely and thorough mitigation of all violations of mandatory reliability standards. Work with NERC and the other Regional Entities to modify compliance procedures to promote greater process transparency to registered entities and greater consistency in the determination of violations and penalties. Promote a strong culture of compliance excellence, reliability improvement, and risk-based methods among all registered entities in the FRCC Region. Work with NERC and the other Regional Entities to establish alternative, streamlined procedures for minor administrative violations to better focus resources on the more significant violations. Promote a culture of compliance excellence through education, transparency, information sharing, and incentives.

- **Event Analysis** — Continue to support NERC's initiatives to define clear and uniform criteria/ranking for the purpose of reporting and categorizing system events and security incidents. Refine the criteria and process to require prompt and complete self-analysis of events and disturbances. Develop joint processes and resourcing for triage, analysis and reporting of system events. Provide timely publication of lessons learned and recommendations. Work with NERC to develop and provide root cause analysis training.
- **Cyber Security** — Facilitate a proactive action plan by industry that demonstrates effective identification and mitigation of security risks, including safeguarding of assets, developing mitigation alternatives, and preparing and testing recovery plans. Establish minimum bright-line criteria for identification of critical BES assets.
- **Reliability Assessments** — Provide annual, seasonal, post-seasonal, probabilistic, scenario and special reliability assessments of the future reliability of the FRCC BES in accordance with definitions and requirements. Develop a revised definition of adequate level of reliability (ALR) of the bulk electric system. Work with NERC and the other Regional Entities to develop and demonstrate BES performance metrics for the purpose of analyzing and trending reliability improvements and benefits, as well as risk/severity based methods.
- **Situation Awareness** — Continue to support NERC in maintaining and enhancing the current and future situation awareness capabilities that include near real-time information and communications protocols that meet the needs of FERC, NERC, and applicable Registered Entities. Share information learned in Situation Awareness with the Events Analysis program to develop relevant lessons learned.
- **Critical Infrastructure Protection** — Facilitate, educate, and support Registered Entities in complying with CIP reliability standards, and responding to cyber security alerts.
- **Effective Financial Controls** — Provide rigorous cost controls and efficient management of resources to remain an efficient provider of ERO delegated functions.

Long Term Business Planning

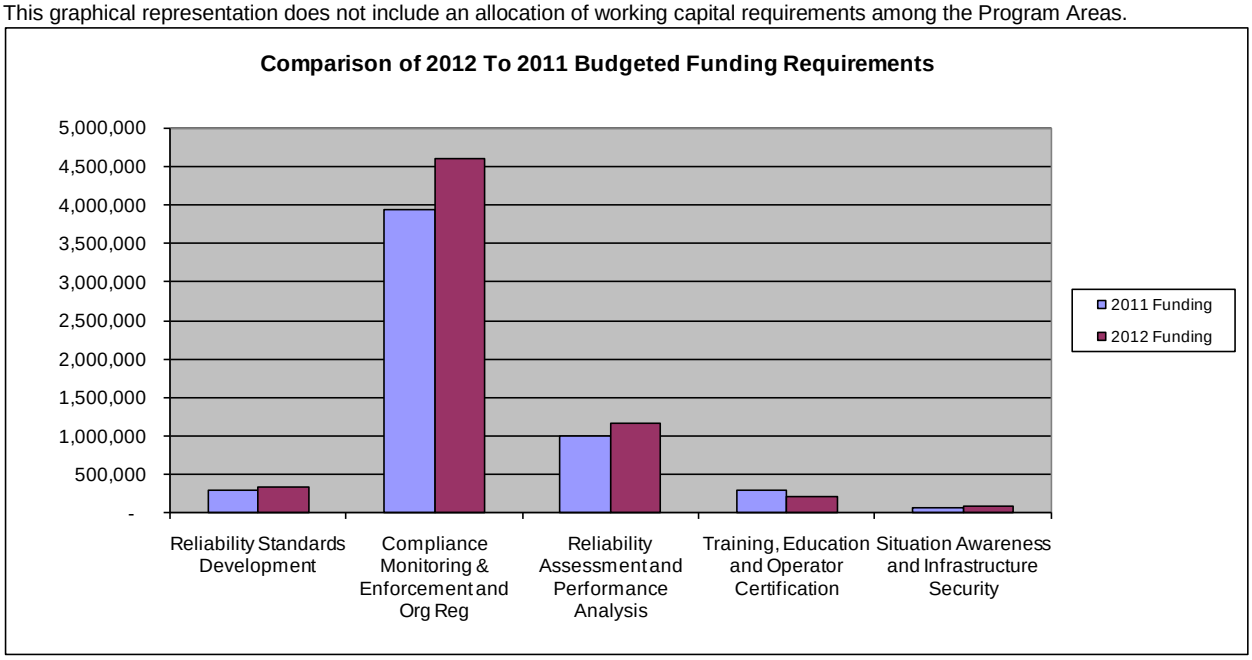
NERC and the Regional Entities are actively working together to improve the overall ERO business planning and budgeting process, including long-term resource and financial planning. The 2012 Business Plan and Budget process built upon the improvements made in the process in 2011 and includes face-to-face meetings, conference calls and exchanges of documentation among senior management and staff of NERC and Regional Entities regarding budget assumptions, resource requirements, and opportunities to improve operational efficiency and effectiveness. As an important first step in the development of a long-term business plan and budgeting process, the Common Business Plan and Budget Assumptions attached as Exhibit A of the 2012 NERC Business Plan and Budget incorporate assumptions affecting resource demands through the 2015 planning horizon. NERC and the Regional Entities continue to work together to develop, strengthen and improve an integrated long term ERO business plan and budget that leverages and builds on the combined strengths and resources of NERC and the Regional Entities to improve the overall effectiveness and efficiency of ERO operations and improve the reliability of the BES of North America.

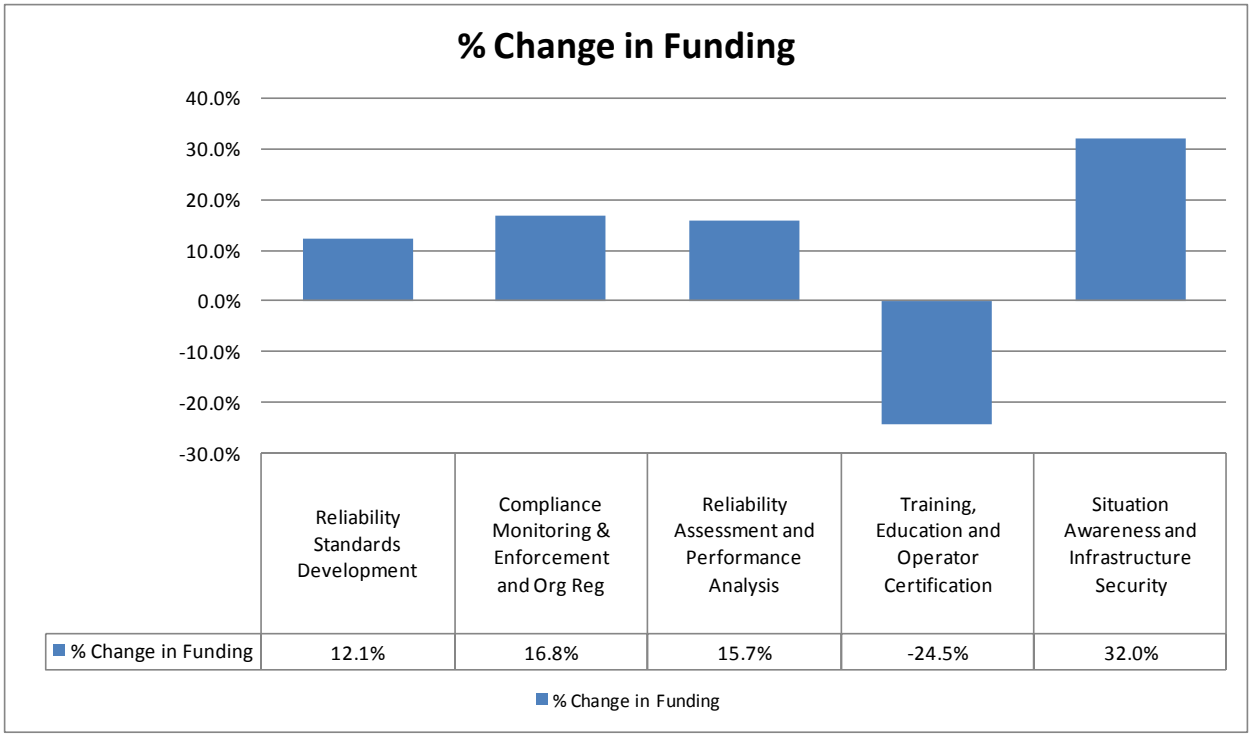
Detailed Business Plans and Budgets by Program

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. Below is an overall summary of the changes by program area.

Program	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Reliability Standards Development	291,714	291,714	327,091	35,378	12.1%
Compliance Monitoring & Enforcement and Org Reg	3,947,216	3,947,216	4,608,999	661,783	16.8%
Reliability Assessment and Performance Analysis	995,972	991,932	1,152,785	156,813	15.7%
Training, Education and Operator Certification	285,436	281,436	215,487	(69,950)	-24.5%
Situation Awareness and Infrastructure Security	68,272	68,272	90,092	21,820	32.0%
Total Funding All Sources	5,588,610	5,580,570	6,394,454	805,844	14.4%

This graphical representation does not include an allocation of working capital requirements among the Program Areas.





Total FTE's by Program Area	Budget 2011	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs[1] 2012 Budget	Total FTEs 2012 Budget	Change from 2011 Budget
STATUTORY						
Operational Programs						
Reliability Standards Development	1.15	1.50		1.34	1.34	0.19
Compliance Monitoring & Enforcement and Org Reg	16.59	15.39	19.94		19.94	3.35
Reliability Assessment and Performance Analysis	3.77	3.30		4.56	4.56	0.79
Training, Education and Operator Certification	0.88	0.78		0.49	0.49	-0.39
Situation Awareness and Infrastructure Security	0.24	0.20		0.34	0.34	0.10
Total FTEs Operational Programs	**22.63**	**21.17**	**19.94**	**6.73**	**26.67**	**4.04**
Administrative Programs						
General & Administrative	3.82	3.99		4.02	4.02	0.20
Total FTEs Administrative Programs	**3.82**	**3.99**	**0.00**	**4.02**	**4.02**	**0.20**
Total FTEs	**26.45**	**25.16**	**19.94**	**10.75**	**30.69**	**4.24**

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

2011 Statutory Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
STATUTORY

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 4,967,060	$ 4,967,060	$ -	4,424,850	$ (542,210)
Penalty Sanctions	50,000	50,000	-	874,700	824,700
Total ERO Funding	**$ 5,017,060**	**$ 5,017,060**	**$ -**	**$ 5,299,550**	**$ 282,490**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Testing Fees	-	-	-	-	-
Services & Software	24,200	20,160	(4,040)	22,000	(2,200)
Workshops	79,430	75,430	(4,000)	79,430	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 5,120,690**	**$ 5,112,650**	**$ (8,040)**	**$ 5,400,980**	**$ 280,290**
Expenses					
Personnel Expenses					
Salaries	$ 3,151,751	3,066,160	$ (85,591)	$ 3,667,708	$ 515,957
Payroll Taxes	192,546	212,446	19,900	246,785	54,239
Benefits	384,080	304,780	(79,300)	550,278	166,198
Retirement Costs	456,201	394,301	(61,900)	501,111	44,910
Total Personnel Expenses	**$ 4,184,578**	**$ 3,977,687**	**$ (206,891)**	**$ 4,965,882**	**$ 781,304**
Meeting Expenses					
Meetings	$ 97,972	$ 105,972	$ 8,000	$ 111,638	$ 13,666
Travel	219,986	211,086	(8,900)	239,180	19,194
Conference Calls	20,745	17,745	(3,000)	19,858	(887)
Total Meeting Expenses	**$ 338,703**	**$ 334,803**	**$ (3,900)**	**$ 370,676**	**$ 31,973**
Operating Expenses					
Consultants & Contracts	$ 202,110	$ 169,710	$ (32,400)	$ 154,154	$ (47,956)
Office Rent	373,086	422,886	49,800	437,647	64,561
Office Costs	131,001	141,001	10,000	183,959	52,958
Professional Services	178,047	131,947	(46,100)	177,376	(671)
Miscellaneous	-	-	-	-	-
Depreciation	257,913	155,013	(102,900)	150,899	(107,014)
Total Operating Expenses	**$ 1,142,157**	**$ 1,020,557**	**$ (121,600)**	**$ 1,104,035**	**$ (38,122)**
Total Direct Expenses	**$ 5,665,438**	**$ 5,333,047**	**$ (332,391)**	**$ 6,440,593**	**$ 775,155**
Indirect Expenses	**$ 0**	**$ -**	**$ 62,000**	**$ 0**	**$ (0)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 5,665,438**	**$ 5,333,047**	**$ (270,391)**	**$ 6,440,593**	**$ 775,155**
Change in Assets	**$ (544,748)**	**$ (220,397)**	**$ 262,351**	**$ (1,039,613)**	**$ (494,865)**
Fixed Assets					
Depreciation	$ (257,913)	$ (155,013)	$ 102,900	$ (150,899)	$ 107,014
Total Fixed Asset Purchases	181,085	181,085	-	104,760	(76,325)
Change in Fixed Assets	**$ 76,828**	**$ (26,072)**	**$ (102,900)**	**$ 46,139**	**$ (30,689)**
TOTAL CHANGE IN NET ASSETS	**$ (467,920)**	**$ (246,469)**	**$ 159,451**	**$ (993,474)**	**$ (525,554)**

Section A – Statutory Programs
2012 Business Plan and Budget

Reliability Standards Development Program

Reliability Standards Development Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.15	1.34	0.19
Direct Expenses	$ 262,129	$ 293,116	$ 30,987
Indirect Expenses	$ 34,092	$ 35,028	$ 937
Inc(Dec) in Fixed Assets	$ (4,507)	$ (1,053)	$ 3,454
Total Funding Requirement	$ 291,714	$ 327,091	$ 35,378

Program Scope and Functional Description

The FRCC may develop, through the FRCC Regional Reliability Standard Development Process, separate Regional Reliability Standards that are specific to the FRCC Region and go beyond, add detail to, or implement NERC Reliability Standards. FRCC Regional Reliability Standards will not be inconsistent with or less stringent than NERC Reliability Standards.

The FRCC Regional Reliability Standard Development Process is an open, balanced and fair process that ensures all interested and affected parties have an opportunity to participate in the development of FRCC Regional Reliability Standards for the FRCC Region and has the following characteristics:

- **Due Process –** Any interested party, or any entity that is directly and materially affected by the reliability of the FRCC BES has a right to participate in this process.
- **Openness** – Participation is open to any interested party or any entity that is directly and materially affected by the reliability of the FRCC BES. Participation shall not be conditional upon membership in the FRCC. All FRCC Regional Reliability Standards development meetings will be open and noticed on the FRCC website.
- **Balance –** The FRCC Regional Reliability Standard Development Process shall balance the interests of its membership. In this regard, no two interest categories of members can, on their own, approve a matter brought to a vote, and no single interest category of members can, on its own, defeat a matter brought to a vote.

FRCC Regional Reliability Standards uphold NERC's Reliability Principles and Market Interface Principles. Each FRCC Regional Reliability Standard shall enable or support one or more of NERC's Reliability Principles and must accommodate competitive electricity markets by being consistent with NERC's Market Interface Principles.

Standards Process

The FRCC Regional Reliability Standard Development Process is overseen by the FRCC RE Division Operating Committee (OC) and the FRCC RE Division Planning Committee (PC) whose purpose, in addition to other activities, is to ensure that all stakeholder interests are fairly represented in the development of Regional Reliability Standards. The RE Division OC and RE

Division PC are balanced stakeholder committees consisting of members from each of the six (6) FRCC sectors. Membership is open to any entity that has a material interest in the reliability of the BES in the FRCC region.

The FRCC RE Division OC and RE Division PC will review all requests submitted to develop, modify or withdraw a FRCC Regional Reliability Standard to determine if the request will be accepted or rejected. If the standard request is accepted, the RE Division OC and/or the RE Division PC will assign and direct a Standard Drafting Team (SDT) to develop the draft Regional Reliability Standard. The SDT will consist of technical experts, such as members of FRCC Subcommittees, Working Groups, Task Forces, Industry Volunteers and/or the FRCC Staff. The SDT will develop the details of the FRCC Regional Reliability Standard, consider and respond to industry comments and assist in the implementation of approved standards.

Development of each Regional Reliability Standard will provide at least one opportunity for the submission of stakeholder comments prior to a voting activity.

The Registered Ballot Body (RBB) comprises potential ballot participants for the voting on standards. FRCC membership is not a requirement to participate in the development of and voting on FRCC Regional Reliability Standards. Any entity or person that has a material interest in the reliability of the FRCC BES shall be allowed to register as potential ballot participants in the RBB. A separate ballot pool for each voting activity will be established to allow RBB members to register and participate in the vote.

The FRCC Board of Directors considers for adoption as FRCC Regional Reliability Standards, those standards that have been developed and approved by this process. Upon adoption by the Board of Directors, such standards are submitted to NERC for approval. When approved by NERC, they will be submitted to FERC for approval.

The FRCC Regional Reliability Standard Development Process shall be administered by the FRCC Manager of Reliability Standards. The FRCC Manager of Reliability Standards will ensure the integrity of the process and the consistency of quality and completeness of the FRCC Regional Reliability Standards. The FRCC Manager of Reliability Standards will facilitate all steps in this process.

2012 Key Assumptions

The key assumptions included in the Common Business Plan and Budget Assumptions, Exhibit A, affecting the Reliability Standards Program include:

1. NERC will continue to implement the Results-Based Standards initiative, which will be based on a NERC Board of Trustees endorsed prioritization process which will focus on revisions to existing reliability standards and new reliability standards development that lead to the greatest improvement in BES reliability. Training materials will be developed, training will be provided and the results-based approach will be applied to existing and future standards projects. NERC projects to continue its current development and regulatory filing activity level in 2012-2015 and expects to address future FERC directives on a one year timeline and eliminate the backlog of FERC directives over the planning period.

2. NERC projects to develop and process 12-15 substantive NERC standards related filings per year, conduct approximately 25 ballots and provide 25 commenting rounds under the successive balloting process for standards or interpretations.

3. NERC and the Regions will address and appropriately prioritize all fill-in-the-blank standards.

4. NERC and the Regional Entities will lead the development of a revised definition of adequate level of reliability (ALR) of the BES.

5. NERC will modify the standards development process to improve speed and quality, and to explicitly address cost-effectiveness while maintaining ANSI accreditation.

6. The FRCC Regional Reliability Standards Development Process will be reviewed and updated as necessary to keep pace with similar changes in the NERC standards development process.

7. NERC and the Regional Entities will continue communication and outreach opportunities with stakeholders, continue project level communications and continue education and training for new or revised standards. Along with this effort, improvements in the NERC and FRCC Reliability Standards portions of the websites will be made.

The number of projects contained in the Reliability Standards Development Plan is expected to increase in the next five years as the results-based standards initiative is fully implemented and the requirement to review each standard every five years is incorporated into the plan. The prioritization of these projects will be essential to deliver those that are most important to the reliability of the BES in the most effective manner.

2012 Goals and Key Deliverables

The Standards Program objectives for 2012 are outlined below:

- Continue to follow and participate in NERC's Standards Development Process. This includes FRCC standards staff participation in the NERC Standards Committee, the NERC Standards Committee Process Subcommittee, ERO Regional Standards Group and NERC standards drafting teams as appropriate.
- Continue the development of Regional Reliability Standards that are required by NERC Reliability Standards or are needed for reliability within the FRCC region.
- Participate in the development and approval of NERC Reliability Standards.
- Expand FRCC Standards organization involvement in FRCC registered entity outreach programs by:
    - Development and presentation at Standards Workshops and Webinars to address continent-wide and regional reliability issues.
    - Develop and deliver project level communications, education and training for new or revised reliability standards.
    - Development of standards reports which provide a global view of the NERC and FRCC standards development activities for FRCC committees.

Section 215 Regional Entity Reliability Standards Development

The FRCC currently has under development the following Regional Reliability Standards:

- PRC-006-FRCC-01 FRCC Automatic Under-frequency Load Shedding Program
- MOD-024-FRCC-01: Verification of Generator Gross and Net Real (MWs) Power Capability
- MOD-025-FRCC-01: Verification of Generator Gross and Net Reactive (MVAR) Power Capability
- PRC-024-FRCC-01 FRCC Regional Generator Performance During Frequency and Voltage Excursions

These projects will be reviewed to determine the most efficient means of serving the FRCC reliability needs, i.e. to continue with individual standard development or incorporate as a variance to the applicable NERC continent-wide Reliability Standard.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Personnel Expenses – More time will be spent in order to accomplish the 2012 Goals and Deliverables.

Meeting Expenses – More travel will be necessary for drafting team participation.

Reliability Standards Development Program

Funding sources and related expenses for the reliability standards section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Standards Development

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 289,173	$ 289,173	$ -	$ 283,143	$ (6,030)
Penalty Sanctions	$ 2,541	$ 2,541		43,948	41,407
Total ERO Funding	**$ 291,714**	**$ 291,714**	**$ -**	**$ 327,091**	**$ 35,378**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 291,714**	**$ 291,714**	**$ -**	**$ 327,091**	**$ 35,378**
Expenses					
Personnel Expenses					
Salaries	$ 137,033	$ 171,033	$ 34,000	$ 160,141	$ 23,108
Payroll Taxes	8,372	13,372	5,000	10,775	2,403
Benefits	22,316	22,316	-	27,479	5,163
Retirement Costs	19,835	23,435	3,600	21,880	2,045
Total Personnel Expenses	**$ 187,556**	**$ 230,156**	**$ 42,600**	**$ 220,275**	**$ 32,719**
Meeting Expenses					
Meetings	$ 1,832	$ 1,832	$ -	$ 2,814	$ 982
Travel	40,832	40,832	-	45,423	4,591
Conference Calls	1,580	1,580	-	118	(1,462)
Total Meeting Expenses	**$ 44,244**	**$ 44,244**	**$ -**	**$ 48,355**	**$ 4,111**
Operating Expenses					
Consultants & Contracts	$ 84	$ 884	$ 800	$ 86	$ 2
Office Rent	10,116	10,116	-	9,018	(1,098)
Office Costs	7,530	7,530	-	6,585	(945)
Professional Services	7,741	10,241	2,500	7,744	3
Miscellaneous	-	-	-	-	-
Depreciation	4,858	3,158	(1,700)	1,053	(3,805)
Total Operating Expenses	**$ 30,329**	**$ 31,929**	**$ 1,600**	**$ 24,486**	**$ (5,843)**
Total Direct Expenses	**$ 262,129**	**$ 306,329**	**$ 44,200**	**$ 293,116**	**$ 30,987**
Indirect Expenses	**$ 34,092**	**$ 58,092**	**$ 24,000**	**$ 35,028**	**$ 937**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 296,221**	**$ 364,421**	**$ 68,200**	**$ 328,144**	**$ 31,924**
Change in Assets	**$ (4,507)**	**$ (72,707)**	**$ (68,200)**	**$ (1,053)**	**$ 3,454**
Fixed Assets					
Depreciation	$ (4,858)	$ (3,158)	$ 1,700	$ (1,053)	$ 3,805
Total Fixed Asset Purchases	351	351	-	-	(351)
Change in Fixed Assets	**$ 4,507**	**$ 2,807**	**$ (1,700)**	**$ 1,053**	**$ (3,454)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ (69,900)**	**$ (69,900)**	**$ -**	**$ 0**

Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	16.59	19.94	3.35
Direct Expenses	$ 3,460,617	$ 4,116,882	$ 656,265
Indirect Expenses	$ 491,807	$ 521,241	$ 29,434
Inc(Dec) in Fixed Assets	$ (5,208)	$ (29,124)	$ (23,916)
Total Funding Requirement	$ 3,947,216	$ 4,608,999	$ 661,783

Program Scope and Functional Description

Monitoring, evaluating, investigating and enforcing compliance with Reliability Standards by owners, operators and users of the BES, as well as the development and adoption of the reliability standards themselves, are at the core of FRCC's mission. Compliance and Enforcement activities are carried out by the FRCC compliance staff and are independent of all users, owners and operators of the BES. Compliance activities are governed by the delegation agreement between the North American Electric Reliability Corporation (NERC) and the FRCC. Portions of NERC's authority as the Electric Reliability Organization (ERO) have been delegated under Section 215 of the Federal Power Act, to FRCC (the "FRCC/NERC Delegation Agreement").

Through a rigorous program of monitoring, evaluating and enforcing, and if necessary, the imposition of penalties and sanctions for noncompliance with Reliability Standards, FRCC will strive to increase the level of reliable operation of the BES in the FRCC Region. Reliable operation of the BES is in the public interest, because it will benefit all owners, operators and users of the BES, and, ultimately, all users and consumers of electric power in the FRCC Region.

The NERC Compliance Monitoring and Enforcement Program (CMEP) is the program used by the FRCC to monitor, assess, and enforce compliance with Reliability Standards within the FRCC Region. The FRCC compliance staff works with the compliance staff of the other Regional Entities and with NERC to achieve as much consistency as possible in the implementation of the CMEP.

The 2011 staffing of the compliance function consists of: the Director of Compliance, the Manager of Compliance Enforcement, the Manager of Compliance Audits, two compliance program administrators, four compliance engineers/auditors, three CIP compliance auditors, one legal assistant and two enforcement specialists. There will be a significant increase in workload resulting from the additional monitoring and enforcement activities including a growing number of settlement requests that are necessary to meet the obligations under the delegation agreement. The workload related to the Critical Infrastructure Protection Standards continues to require significant resources, both in monitoring and in enforcement. As NERC and the Regional Entities move towards risk-based compliance monitoring it will take additional effort to develop

reliability risk profiles of the 72 registered entities along with the workload increase due to additional spot checks anticipated. There is an expectation for more outreach and education of registered entities and increased training of compliance auditors and enforcement personnel. The move to achieve a 12 month total average processing time for alleged violations over the planning period is a goal that will require additional manpower to accomplish. To be able to meet the expectations and assumptions identified in the NERC 2012-2015 Shared Business Planning and Budget Assumptions, FRCC has included additional positions to perform the compliance program functions. The 2012 budget includes the addition of five (5) compliance positions.

In 2012, FRCC expects to complete thirteen (13) on-site Non-CIP compliance audits, eleven (11) on-site CIP audits, seventy-two (72) self-certifications, fifty-nine (59) NERC mandated spot checks and over one thousand (1,000) periodic data submittals. In addition, the FRCC anticipates detailed compliance review of twelve (12) Category 2 events as part of the NERC events analysis and investigation process.

2012 Highlights Compliance Monitoring and Enforcement Processes

The FRCC will monitor, assess and enforce compliance with Reliability Standards using eight (8) monitoring processes (Compliance Audits, Self-Certifications, Spot Checking, Compliance Investigations, Self-Reporting, Periodic Data Submittals, Exception Reporting, and Complaints) to collect information in order to make assessments of compliance to Reliability Standards.

Registration and Certification

The FRCC has registered the organizations responsible for complying with Reliability Standards in accordance with Section 500 of the NERC Rules of Procedure. Maintaining a complete and accurate database will be an ongoing activity. The FRCC will develop, maintain and provide to NERC accurate information on entity registration within the FRCC Region with updates as changes occur.

Enforcement and Mitigation

Enforcement actions taken by FRCC through the CMEP may include the imposition of remedial action directives, sanctions and penalties, when applicable, which shall be based on the schedule of penalties and sanctions approved for implementation by FERC. Mitigation of violations of the approved Reliability Standards remains central to the FRCC's CMEP. Registered Entities found in violation of a Reliability Standard will be required to fully mitigate the violation regardless of any enforcement actions taken.

2012 Key Assumptions

- The number of registered entity functions may increase as a result of the possible expansion of the BES definition. In addition the number of Joint Registration Organization and Coordinated Functional Registrations is likely to increase as entities better delineate shared responsibilities. Audits will continue under the schedule to complete BA, TOP, and RC audits every three years and other entities every six years in the first few years of the planning period as NERC and the Regional Entities transition to a more risk-based approach to compliance monitoring. Reliability risk profiles for all registered entities will be developed and audit scopes will be tailored to the risk profiles which may increase the depth and complexity of some audits and require an increased

number of unscheduled audits or spot checks. Entities with a higher risk profile will be audited more often while an entity with a lower one will be audited less often.

- The new CIP-002 V4 Reliability Standard is expected to result in a substantial increase in the number of entities and critical assets required to be monitored for compliance over the planning period.
- The Technical Feasibility Exception (TFE) program will continue to require significant staffing resources at NERC and across the industry as the Regional Entities perform reviews and gauge compensating measures.
- Efforts will continue to improve the efficiency and effectiveness of the regional compliance delegation model through active collaboration with NERC and the other Regional Entities to improve uniformity and consistency of compliance process and procedures.
- The current trend of alleged violations is expected to continue during the planning period.
- NERC and the Regional Entities will continue to establish streamlined mechanisms to expedite the disposition of minor, administrative violations and look to gain more discretion to handle minor violations before they enter the enforcement process.
- NERC will provide increased training for auditors to increase understanding and promote consistency of audit practices and procedures. NERC and the Regional Entities will coordinate and expand registered entity training in the application of Reliability Standards in order to better prepare registered entities and improve compliance. Increased communications focusing on the most-violated Reliability Standards and those most critical to reliability will be provided by NERC and the Regional Entities.

2012 Goals and Key Deliverables

The Compliance Monitoring and Enforcement Program objectives for 2012 are outlined below:

- Continue to assess and update entity registration and certification. The FRCC will maintain an accurate registration of all owners, operators, and users of the BES in the FRCC Region for compliance monitoring purposes.
- Implement the NERC CMEP as approved by FERC as part of the FRCC Delegation Agreement. Develop and maintain reliability risk profiles of all registered entities in the FRCC Region for use in the transition to risk-based compliance monitoring.
- Work with NERC Compliance staff and other Regional Entity Compliance staff to increase understanding and promote consistency with other regional compliance programs.
- Report and process all alleged violations as described in the NERC Compliance Monitoring and Enforcement Program. The FRCC will improve processes to achieve a twelve (12) month total average processing time for alleged violations over the planning period.
- Conduct periodic audits, spot checks, self-certifications, and compliance investigations as required by the NERC Compliance Monitoring and Enforcement Program.
- Develop and enhance processes, databases, and reporting tools to allow for seamless, uniform reporting of alleged and confirmed violations of Reliability Standards, proposed penalty and sanctions actions and disposition of all violations.

- Track the mitigation of identified possible or alleged violations of standards. Perform due diligence to ensure that mitigation plans that are reported by Registered Entities as complete are completed to FRCC's expectations. Appropriately address mitigation plans that are not completed by the due date.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Personnel Expenses– This increase is due to the hiring of five (5) additional Compliance personnel in order to accomplish the goals and objectives identified. Two new Compliance Enforcement Specialist FTEs are needed to process the growing number of settlement agreements and the rising expectation of detail by NERC and FERC for the official record. An additional Legal Assistant is budgeted to ensure the high level of accuracy and detail that is demanded in the enforcement processes. One additional Compliance Auditor/Engineer is needed to support the monitoring activities and the development of reliability risk profiles and customized scopes for each audit based on that risk profile. Finally, one additional compliance program administrator is needed to support the additional monitoring efforts along with the increased outreach and education activities for registered entities.

Operating Expenses – This increase is primarily the result of the new space necessary to house the Compliance personnel and the costs associated with the additions to staff.

Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Compliance Monitoring & Enforcement and Organization Registration & Certification

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 3,910,561	$ 3,910,561	$ -	$ 3,955,024	$ 44,463
Penalty Sanctions	36,655	36,655		653,975	617,320
Total ERO Funding	**$ 3,947,216**	**$ 3,947,216**	**$ -**	**$ 4,608,999**	**$ 661,783**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 3,947,216**	**$ 3,947,216**	**$ -**	**$ 4,608,999**	**$ 661,783**
Expenses					
Personnel Expenses					
Salaries	$ 1,976,844	$ 1,868,253	$ (108,591)	$ 2,382,994	$ 406,150
Payroll Taxes	120,769	124,769	4,000	160,342	39,573
Benefits	256,740	186,740	(70,000)	382,775	126,035
Retirement Costs	286,139	251,139	(35,000)	325,583	39,444
Total Personnel Expenses	**$ 2,640,492**	**$ 2,430,901**	**$ (209,591)**	**$ 3,251,694**	**$ 611,202**
Meeting Expenses					
Meetings	$ 5,059	$ 13,059	$ 8,000	$ 5,849	$ 790
Travel	131,418	126,418	(5,000)	131,240	(178)
Conference Calls	8,128	9,128	1,000	4,053	(4,075)
Total Meeting Expenses	**$ 144,605**	**$ 148,605**	**$ 4,000**	**$ 141,142**	**$ (3,463)**
Operating Expenses					
Consultants & Contracts	$ 23,214	$ 39,214	$ 16,000	$ 28,284	$ 5,070
Office Rent	286,354	351,354	65,000	365,307	78,953
Office Costs	74,790	82,790	8,000	84,535	9,745
Professional Services	111,675	86,675	(25,000)	115,246	3,571
Miscellaneous	-	-	-	-	-
Depreciation	179,487	119,487	(60,000)	130,674	(48,813)
Total Operating Expenses	**$ 675,520**	**$ 679,520**	**$ 4,000**	**$ 724,046**	**$ 48,526**
Total Direct Expenses	**$ 3,460,617**	**$ 3,259,026**	**$ (201,591)**	**$ 4,116,882**	**$ 656,265**
Indirect Expenses	**$ 491,807**	**$ 531,807**	**$ 40,000**	**$ 521,241**	**$ 29,434**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 3,952,424**	**$ 3,790,833**	**$ (161,591)**	**$ 4,638,123**	**$ 685,699**
Change in Assets	**$ (5,208)**	**$ 156,383**	**$ 161,591**	**$ (29,124)**	**$ (23,916)**
Fixed Assets					
Depreciation	$ (179,487)	$ (119,487)	60,000	(130,674)	48,813
Total Fixed Asset Purchases	174,279	174,279	-	101,550	(72,729)
Change in Fixed Assets	**$ 5,208**	**$ (54,792)**	**$ (60,000)**	**$ 29,124**	**$ 23,916**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 101,591**	**$ 101,591**	**$ -**	**$ (0)**

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	3.77	4.56	0.79
Direct Expenses	$ 935,692	$ 1,035,173	$ 99,481
Indirect Expenses	$ 111,761	$ 119,201	$ 7,440
Inc(Dec) in Fixed Assets	$ (51,481)	$ (1,589)	$ 49,892
Total Funding Requirement	$ 995,972	$ 1,152,785	$ 156,813

Program Scope and Functional Description

The FRCC will assess the reliability of the BES in the FRCC region and will continue to ensure that the system is robust, reliable and stable. The FRCC will participate in Event Analysis Teams to analyze any disturbances that occur within the FRCC region and lead the Event Analysis Teams when disturbances occur within the FRCC region that do not impact an adjacent region(s).

The FRCC performs transmission reliability studies in order to provide an assessment to NERC for their periodic NERC Reliability Assessments. These studies include regional and inter-regional studies. The FRCC prepares a minimum of six reliability assessments each year:

- A long-term reliability assessment report
- A summer assessment report
- A winter assessment report
- Two (2) post seasonal assessment overviews
- A probabilistic long-term reliability assessment

These reports analyze electricity demand, the adequacy of supply and its deliverability, fuel reliability and the adequacy of the transmission system within the FRCC. The FRCC will prepare special reliability assessment reports as conditions warrant.

The FRCC Reliability Assessment and Performance Analysis Program (RA) will support NERC's efforts for metric development, including collection and analysis of data, as well as support any of NERC's special reliability assessments and the efforts related to the collection of data via the Generation Availability Data System (GADS), Transmission Availability Data System (TADS) and Demand Response Availability Data System (DADS). In addition, the FRCC will work with NERC to gather data and/or complete analysis in support of U.S. Federal initiatives, including high impact/low frequency events such as geomagnetic disturbances, system frequency response analysis, climate change and other environmental regulations.

The FRCC is an active participant in the Eastern Interconnection Reliability Assessment Group (ERAG) which is responsible for the Eastern Interconnection transmission models and inter-regional studies. The FRCC will support NERC's and ERAG's efforts to improve the data quality of the Eastern Interconnection (EI) transmission models and validate the performance of these models compared to system events. The FRCC is an active participant on the NERC Reliability Assessment Subcommittee which is responsible for performing an independent review of reliability assessments.

The FRCC Events Analysis Program will analyze or support the analysis of significant events that occur in the BES within the FRCC Region. The FRCC will facilitate the identification of root causes of such events and any identified lessons learned as well as assess past reliability performance to identify trends and disseminate the findings of such analyses.

The FRCC will support NERC to 1) define clear and uniform criteria/ranking for the purpose of reporting and categorizing system events and security incidents, 2) develop joint processes for triage, analysis, and reporting of system events to the regulators, 3) provide timely publication of lessons learned and recommendations, 4) develop and provide root cause analysis training and 5) refine the criteria and process to require prompt and complete self-analysis of events and disturbances.

In addition to the new tasks, the number of events requiring review and analysis will increase and the work required by FRCC staff will increase. New activities include logging, reviewing and tracking reports and analysis of events in accordance with NERC's new event analysis initiatives.

2012 Key Assumptions

- NERC will continue to incrementally improve the definitions, refine data reporting requirements from Registered Entities and review adequate level of reliability related metrics used in reliability assessments.
- NERC and Regional Entities will be requested to gather data or perform analysis in support of federal initiatives related to critical infrastructure protection including high impact/low frequency, climate change, environmental regulations, and/or renewable energy initiatives. Generation Availability Data System (GADS), Spare Equipment Database (SED) and Demand Response Data System (DADS) collection will be mandatory in 2012. The data collection systems are being designed and require FRCC involvement. At this time, the FRCC involvement and support is expected to be similar to the way TADS currently works.
- NERC and the Regional Entities are expected to provide independent reviews of assessments to assure a high level of technical rigor.
- To meet NERC's 3-year assessment commitments:
  - NERC will continue to vet metric development, collection and analysis with industry stakeholders through the Reliability Metrics Working Group (RMWG).
  - NERC will provide quarterly updates of metric analysis results through NERC's website, NERC News, and via Webinars and an annual report assessing the State-of-Reliability in North America based on this analysis.

  - NERC will develop a centralized automated data collection, reporting and validation process and calculation tools to support reliability metrics.
- NERC will issue reliability assessment reports:
  - One 10-year long-term reliability assessment
  - Two seasonal assessments: summer and winter
  - Two post-seasonal operational assessments: winter and summer
  - Up to two additional special assessments or scenario analysis addressing key reliability issues
  - Additional reports addressing industry reliability concepts and emerging issues
- NERC will build and sustain a reliability assessment and performance analysis team with representatives from the Regional Entities to review regional reliability assessment processes, criteria and methods improving consistency and leveraging practices.
- NERC will re-launch the Spare Equipment Database ("SED") to enumerate the availability of equipment during emergencies, such as Geomagnetic Disturbance (GMD), and support NERC's situation awareness activities. NERC will continue to lead the study and analysis of the declining frequency performance in the Eastern Interconnection and determine possible corrective actions as necessary.

2012 Goals and Key Deliverables

The Reliability Assessment and Performance Analysis Objectives for 2012 are outlined below:

- Conduct comprehensive transmission planning studies of the BES within the FRCC Region to ensure that the planned system meets the existing and future needs of all users of the transmission system (e.g., utility generation, network generation, network loads, merchant generation, Independent Power Producers (IPPs) and Load Serving Entities (LSEs).
- Conduct inter-regional studies with the southeastern sub-region of SERC to ensure that 'seams' issues are properly coordinated in order to maintain system reliability.
- Support NERC in preparing its reliability assessment reports.
- Evaluate, track and assess severity/risk and reliability metrics and risk indices – including providing support to update reliability metrics and risk indices.
- Support data gathering and reporting efforts for the Generating Availability Data System (GADS), the Transmission Availability Data System (TADS), Spare Equipment Database (SED) and Demand Response Availability Data System (DADS).
- Strengthen data collection and validation processes by designing, creating, testing and implementing data checking systems to accommodate the increasing amount of data NERC collects for its long-term, seasonal, operational, scenarios and special reliability assessments along with the databases supporting reliability performance assessments.
- Review, investigate and/or analyze significant events on the FRCC BES and work with NERC to identify the root causes of events that may be precursors of potentially more serious events.

- Assess past reliability performance for potential lessons learned.
- Maintain relationships with NERC, regulatory and governmental organizations involved with BES reliability (e.g., FPSC, DOE, FERC, EIA, etc.).
- Develop new and enhance existing regional reliability assessment processes, regional criteria, and methodologies to ensure BES reliability.
- Develop new and enhance existing regional event analysis coordination processes, procedures and methodologies to support NERC's event analysis initiatives.
- Develop methods of sharing best practice for transmission planning to ensure reliability.
- Maintain a databank of power flow models, including dynamic models, to use in planning and evaluating future systems and current operating conditions.
- Work with ERAG Multi-Area Modeling Working Group (MMWG) to develop Eastern Interconnection steady-state and dynamics models and develop model validation processes.
- Conduct Loss of Load Probability and the Scenario Analysis studies as needed.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Personnel Expenses – The goals and deliverables outlined above represent a significant increase in the Reliability Assessment workload. The major areas requiring additional manpower are mandatory data collection, scenario analysis, additional assessments and increased event analysis activities. Based on a review of the existing and new activities expected in 2012, an additional 1.5 FTEs are required to support the RA program functions. A dedicated FTE will be added in the Planning area to support these activities and the .5 FTE will be in the Operations area to primarily support RA but will also to support Situation Awareness (SA), another Statutory function.

Meeting Expenses – This increase is the primary result of travel necessary to achieve the 2012 Goals and Key Deliverables.

Operating Expenses – This decrease is primarily the result of Contracts reducing in 2012 from 2011, Office Costs as the result of the budgeted increase of 1.02 in FTE's and Depreciation of fixed assets being fully written off.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Assessment and Performance Analysis

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 963,442	$ 963,442	$ -	$ 981,230	$ 17,787
Penalty Sanctions	8,330	8,330		149,555	141,225
Total ERO Funding	**$ 971,772**	**$ 971,772**	**$ -**	**$ 1,130,785**	**$ 159,013**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Testing Fees	-	-	-	-	-
Services & Software	24,200	20,160	(4,040)	22,000	(2,200)
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 995,972**	**$ 991,932**	**$ (4,040)**	**$ 1,152,785**	**$ 156,813**
Expenses					
Personnel Expenses					
Salaries	$ 449,229	$ 399,229	$ (50,000)	$ 544,958	$ 95,729
Payroll Taxes	27,444	28,444	1,000	36,668	9,224
Benefits	45,458	37,458	(8,000)	74,167	28,709
Retirement Costs	65,024	45,024	(20,000)	74,456	9,432
Total Personnel Expenses	**$ 587,155**	**$ 510,155**	**$ (77,000)**	**$ 730,249**	**$ 143,094**
Meeting Expenses					
Meetings	$ 5,542	$ 3,542	$ (2,000)	$ 4,548	$ (994)
Travel	32,965	31,465	(1,500)	48,214	15,249
Conference Calls	10,300	6,300	(4,000)	10,847	547
Total Meeting Expenses	**$ 48,807**	**$ 41,307**	**$ (7,500)**	**$ 63,609**	**$ 14,802**
Operating Expenses					
Consultants & Contracts	$ 168,450	$ 118,450	$ (50,000)	$ 115,471	$ (52,979)
Office Rent	33,162	25,162	(8,000)	30,685	(2,477)
Office Costs	16,310	14,310	(2,000)	64,005	47,695
Professional Services	25,378	22,378	(3,000)	26,355	977
Miscellaneous	-	-	-	-	-
Depreciation	56,430	12,430	(44,000)	4,799	(51,631)
Total Operating Expenses	**$ 299,730**	**$ 192,730**	**$ (107,000)**	**$ 241,315**	**$ (58,415)**
Total Direct Expenses	**$ 935,692**	**$ 744,192**	**$ (191,500)**	**$ 1,035,173**	**$ 99,481**
Indirect Expenses	**$ 111,761**	**$ 123,761**	**$ 12,000**	**$ 119,201**	**$ 7,440**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 1,047,453**	**$ 867,953**	**$ (179,500)**	**$ 1,154,374**	**$ 106,921**
Change in Assets	**$ (51,481)**	**$ 123,979**	**$ 175,460**	**$ (1,589)**	**$ 49,892**
Fixed Assets					
Depreciation	$ (56,430)	$ (12,430)	44,000	(4,799)	51,631
Total Fixed Asset Purchases	4,949	4,949	-	3,210	(1,739)
Change in Fixed Assets	**$ 51,481**	**$ 7,481**	**$ (44,000)**	**$ 1,589**	**$ (49,892)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 131,460**	**$ 131,460**	**$ -**	**$ (0)**

Training, Education, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.88	0.49	(0.39)
Direct Expenses	$ 260,167	$ 203,593	$ (56,574)
Indirect Expenses	$ 26,087	$ 12,809	$ (13,279)
Inc(Dec) in Fixed Assets	$ (818)	$ (915)	$ (97)
Total Funding Requirement	$ 285,436	$ 215,487	$ (69,950)

Program Scope and Functional Description

The FRCC is a NERC-approved Continuing Education (CE) Provider. The FRCC System Operator Subcommittee (SOS) develops and delivers training in which FRCC grants NERC CE hours to those individuals who successfully complete a course. FRCC will utilize the NERC database to accommodate the recordkeeping requirements for the continuing education program. Maintaining the reliability of the BES requires informed and trained personnel. The FRCC supports training activities through its staff and its System Operator Subcommittee which reports to the FRCC Operating Committee.

System Operator Certification Program

The FRCC SOS identifies and manages annual training activities for the FRCC System Operators and provides information to FRCC members regarding the NERC training standards and any issues they may have related to system operators obtaining/retaining required NERC Certification.

The training and education program activities are carried out by FRCC's professional/technical staff and SOS members possessing the appropriate technical knowledge and competencies. In addition, vendors that specialize in System Operator training are also used. Providing the FRCC training and education programs helps to achieve a high level of knowledge and competence among the operating personnel in the performance of their reliability-related functions.

Compliance Workshops

Compliance workshops will be held in the spring and fall of 2012 consisting of five (5) sessions each. These workshops will be aimed at providing updates to the Registered Entities on compliance procedures, instructions on changes to FRCC compliance website, lessons learned for previous violations and providing sufficient and appropriate evidence in a compliance audit. The entities will also be appraised of changes in rules and expectations of NERC and FERC with regard to the CMEP. The effect on compliance monitoring as a result of on-going changes in the NERC and Regional Reliability Standards will also be addressed.

In addition, there will be at least one (1) CIP Compliance Workshop that will address technical aspects of the Reliability Standards, including, providing quality evidence, lessons learned and compliance processes specific to the monitoring and enforcement of the CIP standards.

In addition to the face to face venues, in 2012 FRCC compliance staff projects holding six (6) webinars that will address specific topics that may be identified by registered entities or by emerging trends within the FRCC.

Standards Workshops

The FRCC Standards Department will be supporting and participating in various FRCC sponsored workshops (e.g., FRCC Compliance Workshops and FRCC SOS seminars) throughout 2012. The Standards Department contribution to the workshops will be designed to promote stakeholder awareness of continent wide and Regional Reliability Standards activities as well as education and training for new or revised Reliability Standards. Additionally the workshops will educate stakeholders on the NERC Reliability Standards Development Procedure, changes to the FRCC Regional Reliability Standard Development Process and the FRCC Registered Ballot Body System and Process. To encourage stakeholder participation at the continent-wide and regional levels, the workshops will provide stakeholders with updates on the progress of Regional Standards Development Projects and the associated NERC Reliability Standards Development Projects, while identifying areas that are in need of industry support.

Critical Infrastructure Protection Workshops

The FRCC will be conducting an annual Critical Infrastructure Protection (CIP) informational workshop during 2012. The workshop will be designed to inform Registered Entities about current issues and expected changes related to protecting critical infrastructure by concentrating on lessons learned by Registered Entities within the region.

2012 Key Assumptions

- No significant changes are expected in System Operator Certification CEH requirements through 2013.
- The System Operator Certification Program and Continuing Education Program will continue to be self-funded through a fee based structure for the exams and applications for approval of continuing education activities.
- Continued improvements will be made to the SOS database in 2012. The costs of these improvements by FRCC will be recovered through the fees received by the System Operator Certification Program and the Continuing Education Program.

2012 Goals and Key Deliverables

The training, education and operator certification program objectives for 2012 are outlined below:

- Provide assistance to Regional Entity members in any issues they may have related to System Operator Certification.
- Conduct the annual training seminars over a five (5) week period, with two (2) days each for the training. The training seminars involve from two (2) to four (4) FRCC staff

members, as well as industry volunteers who participate as presenters. This activity is funded primarily through registration fees.

- Host a FRCC Critical Infrastructure Protection Workshop open to all interested industry participants to promote understanding and consistent implementation of the NERC CIP standards.
- Host FRCC Compliance Workshops open to all interested industry participants aimed at providing updates to the Registered Entities on compliance procedures, instructions on changes to website submittal of self-certification, self-reports and periodic data and guidance on the providing of appropriate and sufficient evidence in a compliance audit.
- Conduct FRCC Reliability Standards Department presentations to support multiple training objectives (i.e., FRCC Compliance Workshops and FRCC SOS Seminars) to promote stakeholder awareness of continent wide and regional standards activities.

Funding Sources and Requirements — Explanation of Increase (Decrease)

- The System Operator Certification program is funded primarily by the attendees.
- **Personnel Expenses** – Less time is required to prepare for the seminars.
- **Meeting Expenses** – This increase is primarily the result of Meeting costs and the use of Webinars to conduct certain seminars.
- **Operating Expenses** – This decrease is primarily the result of training materials being presented via Webinar.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Training, Education and Operator Certification

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 204,062	$ 204,062	$ -	$ 119,986	$ (84,076)
Penalty Sanctions	1,944	$ 1,944		16,071	14,126
Total ERO Funding	**$ 206,006**	**$ 206,006**	**$ -**	**$ 136,057**	**$ (69,950)**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	79,430	75,430	(4,000)	79,430	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 285,436**	**$ 281,436**	**$ (4,000)**	**$ 215,487**	**$ (69,950)**
Expenses					
Personnel Expenses					
Salaries	$ 104,860	$ 86,860	$ (18,000)	$ 58,559	$ (46,301)
Payroll Taxes	6,406	5,406	(1,000)	3,940	(2,466)
Benefits	10,611	7,611	(3,000)	6,617	(3,994)
Retirement Costs	15,178	9,178	(6,000)	8,001	(7,177)
Total Personnel Expenses	**$ 137,055**	**$ 109,055**	**$ (28,000)**	**$ 77,117**	**$ (59,938)**
Meeting Expenses					
Meetings	$ 84,792	$ 86,792	$ 2,000	$ 97,725	$ 12,933
Travel	10,964	8,864	(2,100)	10,327	(637)
Conference Calls	444	444	-	4,771	4,327
Total Meeting Expenses	**$ 96,200**	**$ 96,100**	**$ (100)**	**$ 112,823**	**$ 16,623**
Operating Expenses					
Consultants & Contracts	$ 64	$ 564	$ 500	$ 32	$ (32)
Office Rent	7,741	3,741	(4,000)	3,297	(4,444)
Office Costs	12,097	12,097	-	6,577	(5,520)
Professional Services	5,924	1,924	(4,000)	2,832	(3,092)
Miscellaneous	-	-	-	-	-
Depreciation	1,086	1,486	400	915	(171)
Total Operating Expenses	**$ 26,912**	**$ 19,812**	**$ (7,100)**	**$ 13,653**	**$ (13,259)**
Total Direct Expenses	**$ 260,167**	**$ 224,967**	**$ (35,200)**	**$ 203,593**	**$ (56,574)**
Indirect Expenses	**$ 26,087**	**$ 14,087**	**$ (12,000)**	**$ 12,809**	**$ (13,279)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 286,254**	**$ 239,054**	**$ (47,200)**	**$ 216,402**	**$ (69,853)**
Change in Assets	**$ (818)**	**$ 42,382**	**$ 43,200**	**$ (915)**	**$ (97)**
Fixed Assets					
Depreciation	$ (1,086)	$ (1,486)	$ (400)	$ (915)	$ 171
Total Fixed Asset Purchases	268	268		-	(268)
Change in Fixed Assets	**$ 818**	**$ 1,218**	**$ 400**	**$ 915**	**$ 97**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 43,600**	**$ 43,600**	**$ -**	**$ 0**

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.24	0.34	0.10
Direct Expenses	$ 76,903	$ 92,655	$ 15,752
Indirect Expenses	$ 7,115	$ 8,888	$ 1,773
Inc(Dec) in Fixed Assets	$ (15,746)	$ (11,451)	$ 4,295
Total Funding Requirement	$ 68,272	$ 90,092	$ 21,820

Program Scope and Functional Description

The FRCC Operating Committee (OC), which develops and monitors a budget made up of both statutory and non-statutory functions, relies on a hierarchy of subordinate committees, working groups and agents to achieve its regional reliability goals. The various reliability roles and functions are coordinated and monitored in accordance with the Reliability Process for the FRCC Bulk Electric System document and through established FRCC organizational processes and procedures. Two of the primary reliability goals of the FRCC OC are continuous improvement of the situation awareness of the operators within the FRCC and ensuring that adequate physical, operational and cyber security objectives are in place for the Regions shared communications networks.

The statutory functions are: FRCC support of NERC's situation awareness/event analysis coordination conference calls, FRCC support for the Situation Awareness for FERC, NERC and the Regions (SAFNR) project, FRCC SAFNR Version 2 project and the FRCC satellite phone for situation awareness. In 2011, NERC began to implement a common platform tool for the collection and display of system information from the Reliability Coordinators. This platform will replace the current SAFNR tools developed by the Reliability Coordinators and allow NERC, the Regional Entities and governmental authorities to collect and display information in common forms and formats. The single approach will help the industry by establishing a single data sharing process and protocol as opposed to multiple processes and protocols for NERC, Regions and Governmental Authorities thereby eliminating duplication of efforts.

The NERC Rules of Procedure, Section 1000, requires that NERC monitor present conditions on the BES and provide leadership coordination, technical expertise and assistance to the industry in responding to events as necessary.

The Situation Awareness process will be used to support NERC and FERC's efforts for situation awareness of current system conditions.

2012 Key Assumptions

- During 2012, NERC will continue to undertake significant activities and funding to facilitate third party development and management of North American Phasor Concentration System (NASCON) software and regional node communication integration.

- NERC will evaluate and implement steps during 2012-2014 to transfer some or all of its reliability tools and functions to third parties, including but not necessarily limited to the Interchange Distribution Calculator.

- NERC's Critical Infrastructure Protection Program Area will have responsibility for the identification and management of the specialized critical infrastructure protection resources needed to support overall ERO CIP goals and objectives, as well as the specialized CIP resources needs of the other program areas (e.g., Standards, Compliance, Situation Awareness)

- NERC and the Regional Entities will face increased competition in attracting well-qualified staff to address expanding CIP challenges, particularly in cyber security.

- CIP activities will continue to increase significantly across the electricity sector. Risk analysis, incident response, CIP compliance requirements, information sharing and intelligence, CIP standards oversight, security training and awareness, and other functions are expected to increase NERC CIP resource requirements throughout the planning period.

- There will be increased need and demand for CIP-related training and workshops. CIP compliance activities are budgeted within compliance. FRCC will continue to support and facilitate the development of NERC's secure portal for the management of alerts and infrastructure security information.

- There will be an increased focus on detecting off-normal events to be analyzed by the responsible entity, FRCC or NERC.

2012 Goals and Key Deliverables

- Continue FRCC support for development of the NERC SAFNR Version 2 project. Ensure FRCC goals support the project mission to provide FERC, NERC and the staffs from the eight REs a visualization tool that enables the appropriate level of situation awareness regarding the near real-time conditions on the BES. Work with the FRCC Reliability Coordinator to ensure the project mission is fulfilled and that appropriate hardware and software resources are allocated. Continue to support future development of the project capabilities.

Funding Sources and Requirements — Explanation of Increase (Decrease)

- **Operating Expenses** – This is the result of a decrease in depreciation due to assets being completely depreciated.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Situation Awareness and Infrastructure Security

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 67,741	$ 67,741	$ -	$ 78,941	$ 11,199
Penalty Sanctions	530	$ 530	$ -	11,151	10,621
Total ERO Funding	**$ 68,272**	**$ 68,272**	**$ -**	**$ 90,092**	**$ 21,820**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 68,272**	**$ 68,272**	**$ -**	**$ 90,092**	**$ 21,820**
Expenses					
Personnel Expenses					
Salaries	$ 28,598	$ 25,598	$ (3,000)	$ 40,633	$ 12,035
Payroll Taxes	1,747	1,647	(100)	2,734	987
Benefits	2,894	2,594	(300)	4,955	2,061
Retirement Costs	4,139	3,639	(500)	5,552	1,413
Total Personnel Expenses	**$ 37,378**	**$ 33,478**	**$ (3,900)**	**$ 53,874**	**$ 16,496**
Meeting Expenses					
Meetings	$ 44	$ 44	$ -	$ 331	$ 287
Travel	1,552	1,252	(300)	3,976	2,424
Conference Calls	17	17	-	5	(12)
Total Meeting Expenses	**$ 1,613**	**$ 1,313**	**$ (300)**	**$ 4,312**	**$ 2,699**
Operating Expenses					
Consultants & Contracts	$ 10,018	$ 7,518	$ (2,500)	$ 10,022	$ 4
Office Rent	2,111	1,311	(800)	2,288	177
Office Costs	8,349	8,349	-	8,743	394
Professional Services	1,615	1,015	(600)	1,965	350
Miscellaneous	-		-	-	-
Depreciation	15,819	15,819	-	11,451	(4,368)
Total Operating Expenses	**$ 37,912**	**$ 34,012**	**$ (3,900)**	**$ 34,469**	**$ (3,443)**
Total Direct Expenses	**$ 76,903**	**$ 68,803**	**$ (8,100)**	**$ 92,655**	**$ 15,752**
Indirect Expenses	**$ 7,115**	**$ 5,115**	**$ (2,000)**	**$ 8,888**	**$ 1,773**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 84,018**	**$ 73,918**	**$ (10,100)**	**$ 101,543**	**$ 17,525**
Change in Assets	**$ (15,746)**	**$ (5,646)**	**$ 10,100**	**$ (11,451)**	**$ 4,295**
Fixed Assets					
Depreciation	$ (15,819)	$ (15,819)	-	(11,451)	4,368
Total Fixed Asset Purchases	73	73		-	(73)
Change in Fixed Assets	**$ 15,746**	**$ 15,746**	**$ -**	**$ 11,451**	**$ (4,295)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 10,100**	**$ 10,100**	**$ -**	**$ 0**

General and Administrative

General and Administrative (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	3.82	4.02	0.20
Expenses	$ 669,930	$ 699,174	$ 29,244
Inc(Dec) in Fixed Assets	$ 932	$ (2,007)	$ (2,939)
Total Allocation to Statutory Programs	$ 670,862	$ 697,167	$ 26,305
Working Capital Requirement	$ (240,500)	$ (993,474)	$ (752,974)

Program Scope and Functional Description Background

Charges included in General and Administrative are general legal expenses, executive time and expenses, human resources, information technology and accounting and finance. Every effort is made to charge items and time directly to activities and to designate as statutory or non-statutory. Undesignated items are shared costs between the Regional Entity Division and the Member Services Division and are allocated based on actual labor hours charged. The costs of General and Administrative have been included within the functional budgets as indirect costs for both 2011 and 2012 in order to present a full picture of the actual costs of each functional program.

Legal and Regulatory Background

The FRCC has retained outside counsel in Washington DC to assist the FRCC in carrying out its delegated responsibilities. These attorneys will serve as chief legal advisor to the President and CEO, Board of Directors, staff and stakeholders on all legal and regulatory matters affecting the FRCC. Outside counsel may review items filed with governmental agencies for legal sufficiency and impact to FRCC.

2012 Goals and Key Deliverables

- Assist the FRCC in carrying out its delegated responsibilities for mandatory compliance and enforcement of Reliability Standards.
- Assist the FRCC in carrying out its delegated responsibilities for development of Reliability Standards.
- Serve as legal counsel to the FRCC on FERC related matters.

Information Technology Background

The FRCC maintains a number of tools and other support services for the benefit of its members, Registered Entities, Reliability Coordinator agent(s) and other system operators. These services include the FRCC Hotline, Florida Transaction Management System (FTMS), Reliability Data Link (RDL), FRCCNet, FRCC satellite phone and the FRCC Load and Resource Database (LRDB) as well as other systems for collaboration, communication, data gathering and analysis.

2012 Goals and Key Deliverables

- Provide additional IT and telecommunications resources for additional FRCC personnel.
- Evaluate the existing communications tools and develop a roadmap for the transition of those tools to more up-to-date technologies.
- Catalog FRCC business processes to aid in the identification of areas where automation may bring increased efficiency.
- Develop and enhance tools to automate and improve FRCC data collection and analysis processes.
- Redesign the LRDB user interface to provide a more precise and time effective end user experience.
- Expand IT support of the FRCC CMEP and provide additional metrics to improve accuracy and tracking within the CMEP processes.

Human Resources Background

The FRCC has assembled an exceptional team of highly qualified employees to carry out the activities of the FRCC. The human resources department, in adherence with applicable federal and state laws, develops plans, and implements human resources policies and procedures, including staffing, compensation, benefits, employee relations, and training and development.

2012 Goals and Key Deliverables

- Recruit successful employees
- Improve human resource policies and procedures
- Provide management and training programs
- Ensure competitive employee compensation and benefits

Finance and Accounting Background

The FRCC will submit its annual budget for statutory and non-statutory activities to the FRCC Board of Directors for approval and then file the approved annual budget for statutory and non-statutory activities to NERC. This includes supporting materials such as a complete business plan and organizational chart (which can be found on the Company's website: www.frcc.com), and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures.

The Finance and Accounting Department will: direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget preparation and reporting, tax, and audit activities; and oversee financial and accounting system controls and standards.

2012 Goals and Key Deliverables

- Prepare the 2012 statutory and non-statutory budgets
- Report budget variances to the FRCC Board and to NERC on a quarterly basis
- Evaluate and advise on the impact of long-range planning
- Provide on-going training to employees to ensure employees charge their time correctly

Non Operating Expense – Cash Reserve Requirement

According to the delegation agreement, the FRCC is required to set a cash reserve. The FRCC Board of Directors accepts the recommendation of the FRCC staff that a reserve equal to 5% of Statutory Assessment is sufficient to be held for a cash reserve.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Personnel Expenses – This increase is due to less time being directly charged to the specific program area.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
General and Administrative

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ (467,920)	$ (467,920)	$ -	$ (993,474)	$ (525,554)
Penalty Sanctions	-	-		-	
Total ERO Funding	**$ (467,920)**	**$ (467,920)**	**$ -**	**$ (993,474)**	**$ (525,554)**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ (467,920)**	**$ (467,920)**	**$ -**	**$ (993,474)**	**$ (525,554)**
Expenses					
Personnel Expenses					
Salaries	$ 455,187	$ 515,187	$ 60,000	$ 480,423	$ 25,236
Payroll Taxes	27,808	38,808	11,000	32,326	4,518
Benefits	46,061	48,061	2,000	54,285	8,224
Retirement Costs	65,886	61,886	(4,000)	65,639	(247)
Total Personnel Expenses	**$ 594,942**	**$ 663,942**	**$ 69,000**	**$ 632,673**	**$ 37,731**
Meeting Expenses					
Meetings	$ 703	$ 703	$ -	$ 371	$ (332)
Travel	2,255	2,255	-	-	(2,255)
Conference Calls	276	276	-	64	(212)
Total Meeting Expenses	**$ 3,234**	**$ 3,234**	**$ -**	**$ 435**	**$ (2,799)**
Operating Expenses					
Consultants & Contracts	$ 280	$ 3,080	$ 2,800	$ 259	$ (21)
Office Rent	33,602	31,202	(2,400)	27,052	(6,550)
Office Costs	11,925	15,925	4,000	13,514	1,589
Professional Services	25,714	9,714	(16,000)	23,234	(2,480)
Miscellaneous	-	-	-	-	-
Depreciation	233	2,633	2,400	2,007	1,774
Total Operating Expenses	**$ 71,754**	**$ 62,554**	**$ (9,200)**	**$ 66,066**	**$ (5,688)**
Total Direct Expenses	**$ 669,930**	**$ 729,730**	**$ 59,800**	**$ 699,174**	**$ 29,244**
Indirect Expenses	**$ (670,862)**	**$ (732,862)**		**$ (697,167)**	**$ (26,305)**
Other Non-Operating Expenses	$ -	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ (932)**	**$ (3,132)**	**$ 59,800**	**$ 2,007**	**$ 2,939**
Change in Assets	**$ (466,988)**	**$ (464,788)**	**$ (59,800)**	**$ (995,481)**	**$ (528,493)**
Fixed Assets					
Depreciation	$ (233)	$ (2,633)	$ (2,400)	$ (2,007)	(1,774)
Total Fixed Asset Purchases	1,165	1,165	-	-	(1,165)
Change in Fixed Assets	**$ (932)**	**$ 1,468**	**$ 2,400**	**$ 2,007**	**$ 2,939**
TOTAL CHANGE IN NET ASSETS	**$ (467,920)**	**$ (463,320)**	**$ (57,400)**	**$ (993,474)**	**$ (525,554)**

Section B – Supplemental Financial Information
2012 Business Plan and Budget

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2011-2012		
STATUTORY		
Beginning Working Capital Reserve (Deficit), December 31, 2010		2,434,366
Less: Penalty sanctions being held to be used as offset to 2012 assessments	[1]	**(874,700)**
Plus: 2011 ERO Funding (from LSEs or designees)		4,967,060
Plus: Projected 2011 Other funding sources		95,590
Plus: Penalty Sanctions Applied		50,000
Less: 2011 Projected expenses & capital expenditures		**(5,359,119)**
Projected Working Capital Reserve Surplus/(Deficit), December 31, 2011		**1,313,197**
Desired Working Capital Reserve, December 31, 2012	[2]	319,723
Less: Projected Working Capital Reserve, December 31, 2011		**(1,313,197)**
Increase(decrease) in assessments to achieve desired Working Capital Reserve		**(993,474)**
2012 Assessment for Expenses and Capital Expenditures		6,394,454
Less: Penalty Sanctions	[1]	**(874,700)**
Less: Other Funding Sources		**(101,430)**
Adjustment to achieve desired Working Capital Reserve		**(993,474)**
2012 Assessment		4,424,850

[1] Represents collections prior to June 30, 2011.

[2] As documented in the June 30, 2011 minutes, the FRCC Board of Directors has approved the establishment of a funding reserve equal to 5% of its budgeted annual statutory expenses, with the understanding that should it become necessary to spend any of the reserve funds, the President shall provide a report detailing such expenditures at the next regular meeting of the Board of Directors.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Table on page 12, of the 2012 FRCC Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2011 are to be used to offset assessments in the 2012 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2010 through June 30, 2011 will be used to offset assessments in the 2012 Budget.

All penalties received prior to June 30, 2011 are detailed below.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-2

Penalty Sanctions Received On or Prior to June 30, 2011	Date Received	Amount Received
Penalty #1	9/20/2010	$ 5,000
Penalty #2	10/8/2010	13,500
Penalty #3	11/16/2010	25,000
Penalty #4	11/17/2010	60,500
Penalty #5	12/9/2010	250,000
Penalty #6	12/15/2010	30,000
Penalty #7	12/30/2010	15,000
Penalty #8	2/2/2011	4,500
Penalty #9	2/2/2011	13,600
Penalty #10	2/7/2011	15,000
Penalty #11	2/7/2011	1,000
Penalty #12	2/16/2011	4,500
Penalty #13	2/16/2011	1,000
Penalty #14	3/7/2011	4,500
Penalty #15	3/17/2011	7,500
Penalty #16	3/29/2011	100,000
Penalty #17	4/7/2011	5,000
Penalty #18	4/8/2011	75,000
Penalty #19	4/8/2011	23,000
Penalty #20	4/8/2011	46,000
Penalty #21	4/12/2011	55,000
Penalty #22	4/18/2011	1,800
Penalty #23	4/19/2011	4,500
Penalty #24	4/27/2011	45,000
Penalty #25	5/13/2011	2,800
Penalty #26	6/10/2011	6,000
Penalty #27	6/14/2011	34,000
Penalty #28	6/22/2011	25,000
Penalty #29	6/27/2011	1,000
Total Penalties Received		$ 874,700

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Reliability Standards Development				
Total	$ -	$ -	$ -	$ -
Compliance Monitoring, Enforcement & Org. Registration	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Reliability Assessment and Performance Analysis				
Services & Software Fees	$ 24,200	$ 20,160	$ 22,000	$ (2,200)
	-	-	-	-
Total	$ 24,200	$ 20,160	$ 22,000	$ (2,200)
Training, Education and Operator Certification				
Workshops	$ 79,430	$ 75,430	$ 79,430	$ -
Total	$ 79,430	$ 75,430	$ 79,430	$ -
Situation Awareness and Infrastructure Security	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
General and Administrative*				
Interest	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Total Outside Funding	$ 103,630	$ 95,590	$ 101,430	$ (2,200)

Assumes that no appreciable excess cash will be in the Bank Accounts and due to current low interest rates, no Interst is being budgeted.

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Salaries					
Total Salaries	$ 3,151,751	$ 3,066,160	$ 3,667,708	$ 515,957	16.37%
Total Payroll Taxes	$ 192,546	$ 212,446	$ 246,785	$ 54,239	28.17%
Benefits					
Workers Compensation	$ 9,457	$ 9,457	$ 9,168	$ (289)	-3.06%
Medical, LTD, STD Insurances	290,958	290,958	384,586	93,628	32.18%
Employment Fees	16,000	16,000	30,500	14,500	90.63%
Education	19,150	19,150	45,006	25,856	135.02%
Employee Welfare	18,515	18,515	20,018	1,503	8.12%
Relocation	30,000	30,000	61,000	31,000	103.33%
Total Benefits	$ 384,079	$ 384,080	$ 550,278	$ 166,198	43.27%
Retirement					
Retirement Costs	$ 456,201	$ 394,301	$ 501,111	$ 44,910	9.84%
	-	-		-	
Total Retirement	$ 456,201	$ 394,301	$ 501,111	$ 44,910	9.84%
Total Personnel Costs	$ 4,184,577	$ 4,056,987	$ 4,965,882	$ 781,304	18.67%
FTEs	26.45	26.45	30.69	4.2	16.03%
Cost per FTE					
Salaries	$ 119,159	$ 115,923	$ 119,508	349	0.29%
Payroll Taxes	7,280	8,032	8,041	762	10.46%
Benefits	14,521	14,521	17,930	3,409	23.48%
Retirement	17,248	14,907	16,328	(920)	-5.33%
Total Cost per FTE	**$ 158,207**	**$ 153,383**	**$ 161,808**	**$ 3,601**	**2.28%**

Consultants and Contracts

Table B-5

Consultants and Contracts	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Consultants					
Reliability Standards Development	$ 84	$ 884	$ 86	$ 2	2.38%
Compliance Monitoring & Enforcement and Org Reg	23,214	39,214	28,284	5,070	21.84%
Reliability Assessment and Performance Analysis	168,450	118,450	115,471	(52,979)	-31.45%
Training, Education and Operator Certification	64	564	32	(32)	-50.00%
Situation Awareness and Infrastructure Security	10,018	7,518	10,022	4	0.04%
General and Administrative	280	3,080	259	(21)	-7.50%
Total Consulting and Contracts	$ 202,110	$ 169,710	$ 154,154	$ (47,956)	-23.73%

Office Rent

Table B-6

Office Rent	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Office Rent	$ 373,086	$ 422,886	$ 437,647	$ 64,561	17.30%
Total Office Rent	**$ 373,086**	**$ 422,886**	**$ 437,647**	**$ 64,561**	**17.30%**

Office Costs

Table B-7

Office Costs	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Telephone	$ 33,058	$ 33,058	$ 47,363	$ 14,305	43.27%
Internet	7,096	7,096	7,247	$ 151	2.13%
Office Supplies	15,482	15,482	2,964	$ (12,518)	-80.86%
Computer Supplies	5,161	5,161	36,850	$ 31,689	614.01%
Publications, Subscriptions & Dues	3,338	3,338	2,081	$ (1,257)	-37.66%
Postage	2,194	2,194	2,241	$ 47	2.14%
Equipment Maintenance	20,950	20,950	46,805	$ 25,855	123.41%
Copying	11,253	11,253	11,347	$ 94	0.84%
Printing	19,568	19,568	15,201	$ (4,367)	-22.32%
Stationary Forms		-		$ -	
Commerical Insurance	12,901	12,901	11,860	$ (1,041)	-8.07%
Miscellaneous		-		$ -	
Total Office Costs	**$ 131,001**	**$ 131,001**	**$ 183,959**	**$ 52,958**	**40.43%**

Professional Services

Table B-8

Professional Services	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Outside Legal	$ 161,275	$ 161,275	$ 164,725	$ 3,450	2.14%
Accounting & Auditing Fees	16,772	16,772	12,651	$ (4,121)	-24.57%
Total Services	**$ 178,047**	**$ 178,047**	**$ 177,376**	**$ (671)**	**-0.38%**

Other Non-Operating Expenses

Table B-9

Other Non-Operating Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Interest Expense	$ -	$ -		$ -	
Office Relocation	-	-		$ -	
Total Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	

2012, 2013 and 2014 Projections

Table B-10

Statement of Activities and Capital Expenditures
2012, 2013 and 2014 Projections
STATUTORY

	2011 Budget	2012 Budget	$ Change 2011 vs 2012 Over(Under)	% Chg 2011 vs 2012 Over(Under)	2013 Projection	$ Change 2012 vs 2013 Over(Under)	% Chg 2012 vs 2013 Over(Under)	2014 Projection	$ Change 2013 vs 2014 Over(Under)
Funding									
ERO Funding									
ERO Assessments	$ 4,967,060	$ 4,424,850	$ (542,210)	-10.92%	$ 6,801,464	$ 2,376,615	53.71%	$ 7,486,963	$ 685,499
Penalty Sanctions	50,000	874,700	824,700	0.00%	-		-100.00%	-	-
Total ERO Funding	**$ 5,017,060**	**$ 5,299,550**	**$ 282,490**	5.63%	**$ 6,801,464**	**$ 2,376,615**	28.34%	**$ 7,486,963**	**$ 685,499**
Membership Dues	$ -	$ -	$ -		$ -	$ -		$ -	$ -
Testing Fees	-	-	-		-	-		-	-
Services & Software	24,200	22,000	(2,200)	-9.09%	22,000	-	0.00%	22,000	-
Workshops	79,430	79,430	-	0.00%	79,430	-	0.00%	79,430	-
Interest	-	-	-		-	-		-	-
Miscellaneous	-	-	-		-	-		-	-
Total Funding	**$ 5,120,690**	**$ 5,400,980**	**$ 280,290**	5.47%	**$ 6,902,894**	**$ 2,376,615**	27.81%	**$ 7,588,393**	**$ 685,499**
Expenses									
Personnel Expenses									
Salaries	$ 3,151,751	$ 3,667,708	$ 515,957	16.37%	$ 4,012,708	$ 345,000	9.41%	$ 4,357,708	$ 345,000
Payroll Taxes	192,546	246,785	54,239	28.17%	283,803	37,018	15.00%	340,563	56,761
Benefits	384,080	550,278	166,198	43.27%	632,820	82,542	15.00%	759,384	126,564
Retirement Costs	456,201	501,111	44,910	9.84%	576,278	75,167	15.00%	691,533	115,256
Total Personnel Expenses	**$ 4,184,578**	**$ 4,965,882**	**$ 781,304**	18.67%	**$ 5,505,608**	**$ 539,726**	10.87%	**$ 6,149,188**	**$ 643,580**
Meeting Expenses									
Meetings	$ 97,972	$ 111,638	$ 13,666	13.95%	$ 114,987	$ 3,349	3.00%	$ 118,437	$ 3,450
Travel	219,986	239,180	19,194	8.73%	246,355	7,175	3.00%	253,746	7,391
Conference Calls	20,745	19,858	(887)	-4.28%	20,454	596	3.00%	21,067	614
Total Meeting Expenses	**$ 338,703**	**$ 370,676**	**$ 31,973**	9.44%	**$ 381,796**	**$ 11,120**	3.00%	**$ 393,250**	**$ 11,454**
Operating Expenses									
Consultants & Contracts	$ 202,110	$ 154,154	$ (47,956)	-23.73%	$ 158,779	$ 4,625	3.00%	$ 163,542	$ 4,763
Office Rent	373,086	437,647	64,561	17.30%	450,776	13,129	3.00%	464,300	13,523
Office Costs	131,001	183,959	52,958	40.43%	189,478	5,519	3.00%	195,162	5,684
Professional Services	178,047	177,376	(671)	-0.38%	182,697	5,321	3.00%	188,178	5,481
Miscellaneous	-	-	-		-	-		-	-
Depreciation	257,913	150,899	(107,014)	-41.49%	155,426	4,527	3.00%	160,089	4,663
Total Operating Expenses	**$ 1,142,157**	**$ 1,104,035**	**$ (38,122)**	-3.34%	**$ 1,137,156**	**$ 33,121**	3.00%	**$ 1,171,271**	**$ 34,115**
Total Direct Expenses	**$ 5,665,438**	**$ 6,440,593**	**$ 775,155**	13.68%	**$ 7,024,560**	**$ 583,967**	9.07%	**$ 7,713,709**	**$ 689,149**
Indirect Expenses	**$ 0**	$ 0	$ (0)		**$ 0**	**$ -**	0.00%	**$ -**	**$ -**
Other Non-Operating Expenses	**$ -**	$ -	$ -		**$ -**	**$ -**		**$ -**	**$ -**
Total Expenses	**$ 5,665,438**	**$ 6,440,593**	**$ 775,155**	13.68%	**$ 7,024,560**	**$ 583,967**	9.07%	**$ 7,713,709**	**$ 689,149**
Change in Assets	**$ (544,748)**	**$ (1,039,613)**	**$ (494,865)**	90.84%	**$ (121,666)**	**$ 1,792,647**	-88.30%	**$ (125,316)**	**$ (3,650)**
Fixed Assets									
Depreciation	$ (257,913)	$ (150,899)	$ 107,014	-41.49%	$ (155,426)	$ (4,527)	3.00%	$ (160,089)	$ (4,663)
Total Fixed Asset Purchases	181,085	104,760	(76,325)	-42.15%	33,760	(71,000)	-67.77%	34,773	1,013
								-	-
Change in Fixed Assets	**$ 76,828**	**$ 46,139**	**$ (30,689)**	-39.95%	**$ 121,666**	**$ 75,527**	163.69%	**$ 125,316**	**$ 3,650**
TOTAL CHANGE IN NET ASSETS	**$ (467,920)**	**$ (993,474)**	**$ (525,554)**	112.32%	**$ 0**	**$ 1,868,174**	-100.00%	**$ 0**	**$ (0)**

Section C – Non-Statutory Activities
2012 Business Plan and Budget

Member Services Activities (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	12.4	14.2	1.7
Direct Expenses	5,486,005	5,821,231	335,226
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	(35,942)	90,946	126,888
Total Funding Requirement	5,450,063	5,912,177	462,114

Non-Statutory Functional Scope Background

The Member Services division of the FRCC provides, coordinates or administers a variety of services relating to the reliable planning and operation of the BES within the FRCC Region. These services are carried out by the FRCC Member Services Planning Committee (MS-PC) and the FRCC Member Services Operating Committee (MS-OC), the FRCC Member Services Compliance Committee (MS-CC), various subcommittees, task forces and working groups, as well as FRCC Staff.

Members' Services Objectives

- Ensure the reliability of the BES in the FRCC region.
- Coordination, planning, operation and maintenance of reliable bulk electricity supply in the FRCC region.

Membership and Governance

The FRCC's Members in the Member Services Division include investor-owned utilities, cooperative utilities, municipal utilities, power marketers and independent power producers. Current membership is 24 FRCC Members in 2012.

The activities of FRCC are directed by its Board of Directors. The Board is comprised of senior level executives from the FRCC membership.

Planning Committee (MS-PC) Functional Scope

The MS-PC promotes the reliability of the BES in the FRCC Region, assesses and encourages generation and transmission adequacy. The MS-PC assesses generation adequacy by performing a reliability assessment taking into account projected load and resources. The MS-PC, through the FRCC Regional Transmission Planning Process, provides a vehicle for ensuring that transmission planning within the FRCC will provide for the development of a robust transmission network within the FRCC Region. The Regional Transmission Planning Process is a coordinated transmission planning process that evaluates all transmission facilities and sub-transmission facilities with voltages 69kV and above. The major goal of this process is to ensure

that the planning of transmission facilities will meet the needs of all market participants in a coordinated, open and transparent transmission planning environment.

The FRCC will continue to develop, on an annual basis, a Regional Transmission Plan using this planning process. The Regional Plan is based on the Ten Year Site Plans that are required to be submitted to the Florida Public Service Commission (FPSC) on April 1st of each year. The FRCC participates in an annual Ten Year Site Plan Workshop held by the FPSC where the results of resource and transmission adequacy assessments are presented.

The FRCC MS-PC relies on the following subordinate groups to achieve its goals: Resource Working Group (RWG), Stability Working Group (SWG), and the Transmission Working Group (TWG).

Resource Working Group

The RWG performs reliability assessments of FRCC resource adequacy for the future 10-year period for peninsular Florida based on individual utility information that was the basis of their respective EIA-411 and Ten Year Site Plan filings with the Florida Public Service Commission. These reliability assessments are based upon the FRCC resource adequacy criteria.

Stability Working Group

The SWG is responsible for assessing the dynamic performance of the FRCC BES under various credible system conditions. In addition, the SWG performs the following assessments: Coordination and performance of Special Protection Systems, the effectiveness of FRCC under-frequency load shedding program and coordination with other protection and control systems, and other assessments in support of the FRCC Regional Transmission Planning Process.

Transmission Working Group

The TWG engages in active coordination of transmission planning within the FRCC Region under the direction of the FRCC Planning Committee in support of the FRCC Regional Transmission Planning Process. The TWG annually performs a FRCC Long Range Study, sensitivity studies as directed by the PC, evaluates Transmission Service Requests and evaluates Generator Interconnection Service Requests. In addition, the TWG develops a FRCC Transmission Map on an annual basis.

Operating Committee (MS-OC) Functional Scope

The primary goal of the MS-OC is to promote the reliability of the BES within the FRCC Region. The MS-OC is responsible for the coordination, operations planning, operation and maintenance of the interconnected systems operating in the Region. The MS-OC's primary reliability goals include effective implementation of the Regional Reliability Plan (*Reliability Process for the FRCC Bulk Electric System*), continuous improvement of operator awareness and communications and ensuring that adequate physical, operational and cyber security objectives are in place for the Region's shared communications network. The MS-OC subordinate groups include the Operating Reliability Subcommittee (ORS), Data Exchange Working Group (DEWG), Fuel Reliability Working Group (FRWG), System Operator Subcommittee (SOS), Telecommunications Subcommittee (TS), System Protection and Control Subcommittee (SPCS) and the Critical Infrastructure Protection Subcommittee (CIPS). As part of the Regional Reliability Plan, the MS-OC ensures reliable operations are maintained through the

implementation and oversight of the FRCC Reliability Coordinator (RC) functions as established by the Reliability Process for the FRCC Bulk Electric System.

The FRCC RC responsibilities include the real-time operating function and the next-day operations planning function. The primary RC tasks are performed by an agent of the FRCC with oversight by FRCC committees and support staff. The agent currently performs the role of real-time Reliability Coordinator (RC). FRCC staff supports Regional reliability by performing the roles of the Operations Planning Coordinator (OPC), and State Capacity Emergency Coordinator (SCEC) as defined in the Reliability Process for the FRCC Bulk Electric System. The FRCC reliability functions including the RC function are accountable to the FRCC Operating Committee with primary oversight performed by the Operating Reliability Subcommittee (ORS).

Efforts by the FRCC are to continue to develop a more robust FRCC RC compliance management program under the Member Services Division and to continue to improve and enhance the RC functional capabilities based on the evolving regulatory requirements. With FRCC staff's increased responsibility for oversight of RC Operations, a dedicated Regulatory Manager for the FRCC registered entity functions is needed to demonstrate independence between the operation function and compliance. This position will be responsible for all FRCC regulatory activities that are now performed by member volunteers and Planning and Operations staff. This position will be responsible for the day to day management of the FRCC Internal Compliance Program. Another responsibility for this position is staying abreast of the changes being proposed to the NERC Reliability Standards and identifying changes that may be required to the FRCC policies and procedures. In addition, this position will monitor other NERC Reliability Standards for the members and coordinate and compile consensus MS comments on the proposed changes to these Reliability Standards.

Operating Reliability Subcommittee (ORS)

The ORS provides overall administration for the development and implementation of operating procedures and other reliability matters including the oversight of the FRCC RC function. The ORS reviews and assesses regional import and export limits, scheduled transmission outages, real-time system reliability, events analysis, information and data exchange and other reliability issues. The ORS provides formal oversight and implementation of the Reliability Process for the FRCC Bulk Electric System which establishes the reliability responsibilities of the various entities within the Region and specifically monitors the agent responsible for performing the Reliability Coordinator functions.

Data Exchange Working Group (DEWG)

The DEWG, subordinate to the ORS, supports the real-time data needs of the FRCC Reliability Coordinator and other entities identified by the FRCC ORS. It is also responsible for developing methodologies to facilitate the exchange of real-time, modeling and other operational data to help ensure reliable electric power system operations. Accurate modeling of the FRCC BES is essential to maintaining situation awareness and ensuring reliability. Within the FRCC, operating entities provide system data via the FRCC Reliability Data Link (RDL). The FRCC RDL receives electric system reliability data from the operating entities on a real-time basis and allows the data to be made available.

Fuel Reliability Working Group (FRWG)

The FRWG, also subordinate to the ORS, has been established to deal with matters relating to fuel and impacts to BES reliability. Specifically, the FRWG provides the administrative oversight of a Regional fuel reliability forum that studies the interdependencies of fuel availability and electric reliability and supports coordinated Regional responses to fuel issues and fuel emergencies.

FRCC Telecommunications Subcommittee (TS)

The TS provides formal oversight for the TS budget which is included in the OC budget. The primary purpose of the TS is to ensure that adequate and redundant communications facilities are made available to the operating entities within the FRCC, including the FRCC Reliability Coordinator. The TS administers the FRCC Hotline program, Satellite phone program, FRCCNet program and also ensures that reliable and redundant communications are maintained with NERCNet, from a regional communications perspective. All TS programs are —non-statutory and support the Reliability Coordinator functions; with the exception of the FRCC satellite phone (located at the FRCC office) which is clearly a tool used by the Regional Entity to perform situation awareness and thus is budgeted as statutory.

FRCC System Protection and Control Subcommittee (SPCS)

The FRCC System Protection and Control Subcommittee (SPCS) has primary responsibility for the coordination of protection and control systems within the FRCC region, including regional disturbance monitoring equipment, review of protective mis-operations, protection related disturbance analysis and implementation of specific regional programs and procedures including the assessments of the FRCC Under-frequency Load Shedding Program. The SPCS also reviews and coordinates system protection and control equipment installations, settings, protection philosophies and testing criteria within the region, when installations impact multiple entities. The SPCS serves as an important forum for sharing subject matter expert guidance and lessons learned / best practices for equipment issues and protection coordination.

FRCC Critical Infrastructure Protection Subcommittee (CIPS)

The purpose of the FRCC CIPS is to enhance the physical and cyber security of the critical BES infrastructure in the FRCC Region, with an emphasis on protecting, preventing, limiting and recovering from malicious activities directed at the FRCC critical energy infrastructure. The CIPS provides guidance to the OC on matters of critical energy infrastructure security, including cyber and physical security.

Member Services Compliance Committee (MS-CC) Functional Scope

The MS-CC responsibilities include serving as a forum for members to share, review and coordinate activities related to complying with Reliability Standards, identifying best practices for complying with Reliability Standards and monitoring the functions performed by the FRCC as a registered entity for compliance with Reliability Standards.

Member Services Compliance Monitoring & Training Subcommittee (MS-CMTS)

The Member Services Compliance Monitoring & Training Subcommittee (MS-CMTS) will monitor, track and report for the FRCC Reliability Coordinator (RC) and Planning Authority

(PA) functions. The CMTS will be responsible for the FRCC Internal Compliance Program (ICP) as well as the Member Services compliance training activities.

Entity Evidence Working Group (EEWG)

The Entity Evidence Working Group (EEWG) will create and maintain evidence to support its members' compliance for their registered functions (e.g., Transmission Planner, Transmission Owner, Transmission Operator, Resource Planner, Generation Owner, Generation Operator, etc.). The EEWG will leverage the activities necessary to ensure compliance for the FRCC RC and PA functions to maximize its benefits to members by creating evidence to support member entity compliance.

Standards Review Subcommittee (SRSC)

The Standards Review Subcommittee (SRSC) will act as a forum to share ideas, comments and recommendations among FRCC Member Entities concerning NERC Reliability Standards and Reliability Standards under development, interpretations, Rules of Procedure (ROP), Compliance Application Notices (CANs), FERC Notices and FERC Orders regarding NERC activities and other NERC activities. In addition, the SRSC will pursue other avenues to influence reliability related regulation from a FRCC regional perspective.

Major 2012 Cost Impacts

The FRCC's proposed 2012 Members Services Budget is $5,821,231, which is a $335,226 or 6.1% increase over the 2011 budget. The cost impacts by function of this increase are:

Member Services Planning Committee (MS-PC)

The Member Services Planning Committee (MS-PC) expenses for 2012 are made up of the MS-PC Committee budget, as well as the administrative costs to provide support personnel for implementation of the FRCC Planning Authority functions and all other Member Services PC activities.

The 2012 MS-PC budget is developed based on the activities of the Resource Working Group (RWG), the Stability Working Group (SWG) and the Transmission Working Group (TWG). These budgets are primarily for the labor involved in coordination activities performed by member representatives, software and meeting costs.

Member Services Operating Committee (MS-OC)

The Member Services Operating Committee (MS-OC) expenses for 2012 are made up of a 2012 MS-OC budget as well as the administrative costs to provide support personnel for implementation of the FRCC Reliability Coordinator (RC) functions and other Member Services OC activities.

The 2012 MS-OC budget is developed based primarily on the activities of the Operating Reliability Subcommittee (ORS), the System Operator Subcommittee (SOS), the Telecommunications Subcommittee (TS), the Fuel Reliability Working Group (FRWG) and the Critical Infrastructure Protection Subcommittee (CIPS). These budgets are related to, or in support of, the FRCC Reliability Coordinator (RC) functions and include consulting costs,

contract costs, computer software purchases and expenses to support the associated activities. These budgets do not include FRCC staff salaries or associated personnel costs.

The administrative costs associated with the FRCC MS-OC support personnel include FRCC staff that support implementation of the FRCC RC functions and staff that support overall OC activities. The staff includes dedicated employees as well as shared employees.

Member Services Compliance Committee (MS-CC)

The Member Services Compliance Committee (MS-CC) expenses for 2012 are primarily made up of the administrative costs to provide support personnel for coordination activities and meeting costs. These costs are split between and accounted for in the Planning Committee and the Operating Committee. In addition, the MS-CC has formed three groups to support MS Compliance Activities. These groups are the Member Services Compliance Monitoring & Training Subcommittee (MS-CMTS), the Entity Evidence Working Group (EEWG) and the Standards Review Subcommittee (SRSC).

Non Operating Expense – Cash Reserve Requirement

The FRCC Board of Directors accepts the recommendation of the FRCC staff that a reserve equal to one (1) month of working capital is sufficient to be held for a cash reserve.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Personnel Expenses –The Member Services personnel expense increase is the addition of a new position, the MS Regulatory Manager, to provide compliance oversight for the FRCC registered entity functions (RC and PA). With FRCC's staff increased responsibility for oversight of the RC Operations, a dedicated MS Regulatory Manager for the FRCC registered entity functions will demonstrate independence between the operations function and compliance. This position will be responsible for all FRCC compliance activities of the RC and OC functions that are now performed by member volunteers and Planning and Operations staff. This position will be responsible for the FRCC Internal Compliance Program.

As such, this position will be responsible for developing detailed compliance training for FRCC Planning and Operations staff, and overview awareness training for standing committees, sub-groups and non-technical support staff. In addition, this position will be responsible for the planning and development of the internal self-auditing program for the FRCC registered entity functions.

Day to day activities will include working with FRCC Planning and Operations staff and the RC Agent to ensure that processes and procedures are in place and being utilized to ensure that NERC Reliability Standards are being met. In addition, this position will be responsible for self-reporting possible violations, developing mitigation plans, submitting self-certifications and identifying opportunities for improvements to the FRCC Operations and Planning policies and procedures. Another responsibility is staying abreast of the changes being proposed to the NERC Reliability Standards and identifying changes that may be required to the FRCC Operations and Planning policies and procedures. This position will also monitor NERC Reliability Standards for the members and to coordinate and compile consensus MS comments on the proposed changes to these Reliability Standards.

Additionally, the increased focus by NERC on the Reliability Assessment and Situation Awareness has increased the workload for MS members. Additional MS staff time is necessary to support the registered entity functions of Event Analysis, NERC Alerts and more activities on the System Protection and Control Subcommittee. An addition of .5 FTE is required to handle this increased MS workload.

Operating Costs – This increase is primarily due to the increased regulatory and compliance pressure on the FRCC Reliability Coordinator from the reliability enhancement measure from the Stipulation and Consent Agreement for the February 26, 2008 event, and the increased cost estimates of $200,000 by the RC agent, FPL. Additionally, the CIPS committee is recommending that a Geomagnetic Disturbance Vulnerability Study (at a cost of $30,000) be conducted to see the effects, if any, that would need to be addressed if such an event ever (or if such an occurrence could ever happen) happened in Florida.

2011 Member Services Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
NON-STATUTORY MEMBER SERVICES

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	$ 5,212,063	5,212,063	$ -	$ 5,674,177	$ 462,114
Testing Fees	-	-	-	-	-
Services & Software	234,000	226,000	(8,000)	234,000	-
Workshops	4,000	-	(4,000)	4,000	-
Interest	-	4,400	4,400	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 5,450,063**	**$ 5,442,463**	**$ (7,600)**	**$ 5,912,177**	**$ 462,114**
Expenses					
Personnel Expenses					
Salaries	$ 1,480,849	$ 1,472,849	$ (8,000)	$ 1,694,972	$ 214,123
Payroll Taxes	90,468	101,268	10,800	114,048	23,580
Benefits	179,384	159,384	(20,000)	240,923	61,539
Retirement Costs	214,346	196,346	(18,000)	231,580	17,234
Total Personnel Expenses	**$ 1,965,047**	**$ 1,929,847**	**$ (35,200)**	**$ 2,281,523**	**$ 316,476**
Meeting Expenses					
Meetings	$ 47,702	$ 12,902	$ (34,800)	$ 17,162	$ (30,540)
Travel	65,830	44,830	(21,000)	62,941	(2,889)
Conference Calls	21,195	15,195	(6,000)	22,392	1,197
Total Meeting Expenses	**$ 134,727**	**$ 72,927**	**$ (61,800)**	**$ 102,495**	**$ (32,232)**
Operating Expenses					
Consultants & Contracts	$ 2,664,816	$ 2,724,816	$ 60,000	$ 2,906,982	$ 242,166
Office Rent	109,316	71,316	(38,000)	95,440	(13,876)
Office Costs	383,045	375,045	(8,000)	406,391	23,346
Professional Services	97,952	99,952	2,000	91,824	(6,128)
Miscellaneous	-	-	-	-	-
Depreciation	59,298	39,298	(20,000)	19,374	(39,924)
Total Operating Expenses	**$ 3,314,427**	**$ 3,310,427**	**$ (4,000)**	**$ 3,520,011**	**$ 205,584**
Total Direct Expenses	**$ 5,414,201**	**$ 5,313,201**	**$ (101,000)**	**$ 5,904,029**	**$ 489,828**
Indirect Expenses	**$ (0)**	**$ (0)**	**$ -**	**$ -**	**$ 0**
Other Non-Operating Expenses	$ 71,804	**$ -**	**$ (71,804)**	**$ (82,798)**	**$ (154,602)**
Total Expenses	**$ 5,486,005**	**$ 5,313,201**	**$ (172,804)**	**$ 5,821,231**	**$ 335,226**
Change in Assets	**$ (35,942)**	**$ 129,262**	**$ 165,204**	**$ 90,946**	**$ 797,340**
Fixed Assets					
Depreciation	$ (59,298)	$ (39,298)	$ 20,000	$ (19,374)	$ 39,924
Total Fixed Asset Purchases	23,356	27,356	4,000	110,320	86,964
		-			
Change in Fixed Assets	**$ 35,942**	**$ 11,942**	**$ (24,000)**	**$ (90,946)**	**$ (126,888)**
TOTAL CHANGE IN NET ASSETS	**$ 0**	**$ 141,204**	**$ 141,204**	**$ -**	**$ 670,452**

Personnel Analysis

Total FTE's by Program Area	Budget 2011	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs[1] 2012 Budget	Total FTEs 2012 Budget	Change from 2011 Budget
	NON-STATUTORY					
Operational Programs						
Operations Committee	6.59	6.08		8.20	8.20	1.61
Planning Committee	2.14	3.73		2.44	2.44	0.30
Total FTEs Operational Programs	**8.73**	**9.81**	**0.00**	**10.64**	**10.64**	**1.91**
Administrative Programs						
General & Administrative	3.71	3.71		3.55	3.55	-0.16
Total FTEs Administrative Programs	**3.71**	**3.71**	**0.00**	**3.55**	**3.55**	**-0.16**
Total FTEs	**12.44**	**13.52**	**0.00**	**14.19**	**14.19**	**1.75**

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

Member Services Reserve Analysis — 2011–2012

Working Capital Reserve Analysis 2011-2012 NON-STATUTORY MEMBER SERVICES		
Beginning Working Capital Reserve (Deficit), December 31, 2010		
		441,175
	2011 Funding (from members)	5,212,063
	2011 Projected Other funding sources	230,400
	Total Cash Available 2011	5,883,638
Cash Needed 2011		
	Less: '2011 Projected expenses & capital expenditures	**(5,301,259)**
	Projected Working Capital Reserve Surplus/(Deficit), December 31, 2011	**582,379**
Desired Working Capital Reserve, December 31, 2012	[1]	499,581
	Less: Projected Working Capital Reserve, December 31, 2011	**(582,379)**
	Increase(decrease) in assessments to achieve desired Working Capital Reserve	**(82,798)**
	2012 Funding for Expenses and Capital Expenditures	5,912,177
	Less: Other Funding Sources	**(238,000)**
	Adjustment to achieve desired Working Capital Reserve	**(82,798)**
	2012 Funding (reserve adjustment)	5,591,380

[1] As documented in the June 27, 2008 minutes, the FRCC Board of Directors has approved the establishment of a cash reserve equal to 1 month of of working capital.

Section D – Additional Consolidated Financial Statements

2012 Business Plan and Budget

Section D — 2012 Additional Consolidated Financial Information

Statement of Activities and Capital Expenditures by Program 2012 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement: Statutory Total	Reliability Standards Development (Section 300)	Compliance Monitoring and Org Reg % Cert(Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	General and Administrative	Non-Statutory Functions: Non-Statutory Total	Operating Committee	Planning Committee
Funding													
ERO Funding													
ERO Assessments	$ 4,424,850	$ 4,424,850	$ -	$ 4,424,850	$ 283,143	$ 3,955,024	$ 981,230	$ 119,986	$ 78,941	$ (993,474)	$ -	$ -	$ -
Penalty Sanctions	874,700	874,700	-	874,700	43,948	653,975	149,555	16,071	11,151		-	-	-
Total ERO Funding	**5,299,550**	**5,299,550**	**-**	**5,299,550**	**327,091**	**4,608,999**	**1,130,785**	**136,057**	**90,092**	**(993,474)**	**-**	**-**	**-**
Membership Dues	$ 5,674,177	$ -	$ 5,674,177	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,674,177	$ 5,004,946	$ 669,232
Testing Fees	-	-	-	-							-		
Services & Software	256,000	22,000	234,000	22,000			22,000				234,000	234,000	
Workshops	83,430	79,430	4,000	79,430				79,430			4,000	4,000	
Interest	-	-	-	-							-		
Miscellaneous	-	-	-	-							-		
Total Funding	**$ 11,313,157**	**$ 5,400,980**	**$ 5,912,177**	**$ 5,400,980**	**$ 327,091**	**$ 4,608,999**	**$ 1,152,785**	**$ 215,487**	**$ 90,092**	**$ (993,474)**	**$ 5,912,177**	**$ 5,242,946**	**$ 669,232**
Expenses													
Personnel Expenses													
Salaries	$ 5,362,680	$ 3,667,708	$ 1,694,972	$ 3,667,708	$ 160,141	$ 2,382,994	$ 544,958	$ 58,559	$ 40,633	$ 480,423	$ 1,694,972	$ 1,316,456	$ 378,516
Payroll Taxes	360,833	246,785	114,048	246,785	10,775	160,342	36,668	3,940	2,734	32,326	114,048	88,579	25,469
Benefits	791,201	550,278	240,923	550,278	27,479	382,775	74,167	6,617	4,955	54,285	240,923	174,452	66,471
Retirement Costs	732,691	501,111	231,580	501,111	21,880	325,583	74,456	8,001	5,552	65,639	231,580	179,864	51,716
Total Personnel Expenses	$ 7,247,405	$ 4,965,882	$ 2,281,523	$ 4,965,882	**$ 220,275**	**$ 3,251,694**	**$ 730,249**	**$ 77,117**	**$ 53,874**	**$ 632,673**	$ 2,281,523	$ 1,759,351	$ 522,172
Meeting Expenses													
Meetings	$ 128,800	$ 111,638	$ 17,162	$ 111,638	$ 2,814	$ 5,849	$ 4,548	$ 97,725	$ 331	$ 371	$ 17,162	$ 13,370	$ 3,792
Travel	302,121	239,180	62,941	239,180	45,423	131,240	48,214	10,327	3,976		62,941	50,937	12,004
Conference Calls	42,250	19,858	22,392	19,858	118	4,053	10,847	4,771	5	64	22,392	17,622	4,770
Total Meeting Expenses	$ 473,171	$ 370,676	$ 102,495	$ 370,676	**$ 48,355**	**$ 141,142**	**$ 63,609**	**$ 112,823**	**$ 4,312**	**$ 435**	$ 102,495	$ 81,929	$ 20,566
Operating Expenses													
Consultants & Contracts	$ 3,061,136	$ 154,154	$ 2,906,982	$ 154,154	$ 86	$ 28,284	$ 115,471	$ 32	$ 10,022	$ 259	$ 2,906,982	$ 2,874,503	$ 32,479
Office Rent	533,087	437,647	95,440	437,647	9,018	365,307	30,685	3,297	2,288	27,052	95,440	74,127	21,313
Office Costs	590,350	183,959	406,391	183,959	6,585	84,535	64,005	6,577	8,743	13,514	406,391	373,424	32,967
Professional Services	269,200	177,376	91,824	177,376	7,744	115,246	26,355	2,832	1,965	23,234	91,824	68,592	23,232
Miscellaneous	-	-	-	-							-		
Depreciation	170,273	150,899	19,374	150,899	1,053	130,674	4,799	915	11,451	2,007	19,374	12,557	6,817
Total Operating Expenses	$ 4,624,046	$ 1,104,035	$ 3,520,011	$ 1,104,035	**$ 24,486**	**$ 724,046**	**$ 241,315**	**$ 13,653**	**$ 34,469**	**$ 66,066**	$ 3,520,011	$ 3,403,203	$ 116,808
Total Direct Expenses	**$ 12,344,622**	**$ 6,440,593**	**$ 5,904,029**	**$ 6,440,593**	**$ 293,116**	**$ 4,116,882**	**$ 1,035,173**	**$ 203,593**	**$ 92,655**	**$ 699,174**	**$ 5,904,029**	**$ 5,244,483**	**$ 659,546**
Indirect Expenses	-	-	-	-	**35,028**	**521,241**	**119,201**	**12,809**	**8,888**	**(697,167)**			
Other Non-Operating Expenses	**(82,798)**	**-**	**(82,798)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(82,798)	(64,333)	(18,464)
Total Expenses	**$ 12,261,824**	**$ 6,440,593**	**$ 5,821,231**	**$ 6,440,593**	**$ 328,144**	**$ 4,638,123**	**$ 1,154,374**	**$ 216,402**	**$ 101,543**	**$ 2,007**	**$ 5,821,231**	**$ 5,180,150**	**$ 641,082**
Change in Assets	**$ (948,667)**	**$ (1,039,613)**	**$ 90,946**	**$ (1,039,613)**	**$ (1,053)**	**$ (29,124)**	**$ (1,589)**	**$ (915)**	**$ (11,451)**	**$ (995,481)**	**$ 90,946**	**$ 62,796**	**$ 28,150**
Fixed Assets													
Depreciation	$ (170,273)	$ (150,899)	$ (19,374)	$ (150,899)	$ (1,053)	$ (130,674)	$ (4,799)	$ (915)	$ (11,451)	$ (2,007)	$ (19,374)	$ (12,557)	$ (6,817)
Total Fixed Asset Purchases	215,080	104,760	110,320	104,760		101,550	3,210				110,320	75,353	34,967
Change in Fixed Assets	**$ (44,807)**	**$ 46,139**	**$ (90,946)**	**$ 46,139**	**$ 1,053**	**$ 29,124**	**$ 1,589**	**$ 915**	**$ 11,451**	**$ 2,007**	**$ (90,946)**	**$ (62,796)**	**$ (28,150)**
TOTAL CHANGE IN NET ASSETS	**$ (993,474)**	**$ (993,474)**	**$ -**	**$ (993,474)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (993,474)**	**$ -**	**$ -**	**$ -**

Statement of Financial Position

Statement of Financial Position
2010 Audited, 2011 Projection, and 2012 Budget

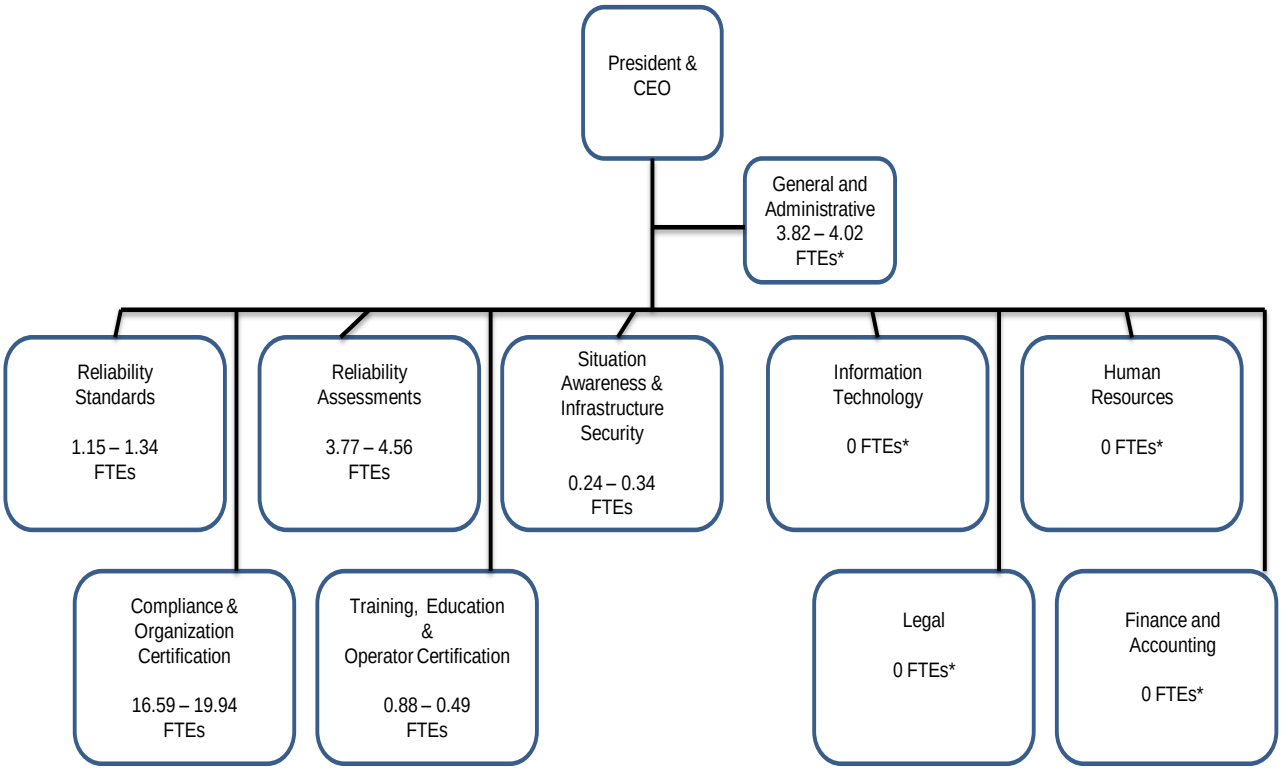
STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-10	Projected 31-Dec-11	Budget 31-Dec-12
ASSETS			
Cash	4,329,540	3,200,000	3,000,000
Accounts receivable	2,214,745	2,524,757	2,724,726
Other receivables	24,722	23,000	23,000
Prepaid expenses and other current assets	15,145	16,000	16,000
Other Assets	76,210	76,210	76,210
Property and equipment (net of depreciation)	383,540	320,000	398,000
Total Assets	**7,043,902**	**6,159,967**	**6,237,936**
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	1,356,349	1,751,275	1,800,000
Deferred income	2,548,531	2,524,757	2,724,726
Compliance Penalty Assessment	449,000	-	-
Accrued postretirement benefits obligation	623,181	650,000	650,000
Total Liabilities	**4,977,061**	**4,926,032**	**5,174,726**
Net Assets - unrestricted	2,066,841	1,233,935	1,063,210
Total Liabilities and Net Assets	**7,043,902**	**6,159,967**	**6,237,936**

Statutory Organizational Chart

Florida Reliability Coordinating Council, Inc.
Statutory Organization Chart

2011 Budgeted FTEs 26.45
2012 Budgeted FTEs 30.69



*All FTEs for Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative

DOCKET NO. RR11-__-000

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 4

MIDWEST RELIABILITY ORGANIZATION

PROPOSED 2012 BUSINESS PLAN AND BUDGET

MIDWEST RELIABILITY ORGANIZATION

2012 Business Plan and Budget

Approved by:
MRO Board of Directors

Date
June 16 , 2011

2774 Cleveland Avenue N • Roseville, MN 55113 • Phone (651) 855-1760 • Fax (651) 855-1712
www.midwestreliability.org

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2011 to 2012 FTE Comparison Organization Chart *78*

Summary of Financials and Resources

TOTAL RESOURCES (in whole dollars)	2012 Budget	U.S.	Canada	Mexico
Statutory FTEs	37.0			
Non-statutory FTEs	-			
Total FTEs	37.0			
Statutory Expenses	$ 8,884,291			
Non-Statutory Expenses	$ -			
Total Expenses	$ 8,884,291			
Statutory Inc(Dec) in Fixed Assets	$ 172,937			
Non-Statutory Inc(Dec) in Fixed Assets	$ -			
Total Inc(Dec) in Fixed Assets	$ 172,937			
Statutory Working Capital Requirement*	$ (289,699)			
Non-Statutory Working Capital Requirement**	$ -			
Total Working Capital Requirement	$ (289,699)			
Total Statutory Funding Requirement	$ 8,767,529			
Total Non-Statutory Funding Requirement	$ -			
Total Funding Requirement	$ 8,767,529			
Statutory Funding Assessments	$ 8,767,529	$ 7,412,946	$ 1,354,583	$ -
Non-Statutory Fees	$ -	$ -	$ -	$ -
NEL	275,316,771	254,671,459	20,645,312	-
NEL%	100.00%	84.55%	15.45%	-

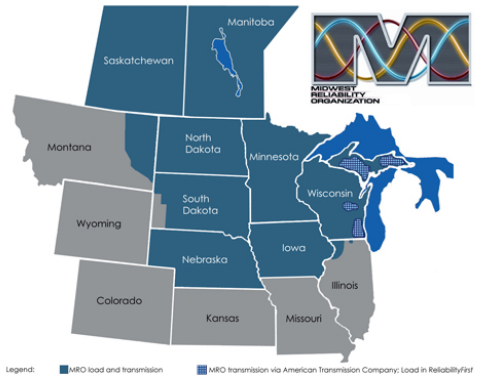
*Refer to Table B-1 on page 61 in Section B.

Midwest Reliability Organization ("MRO") 2012 Business Plan and Budget has been developed by MRO staff. The plan and budget are subject to MRO Board of Directors ("Board") approval and stakeholder review.

1. Organizational Overview

MRO is a cross border Regional Entity (or "Region") in North America operating under authority from regulators in the United States through a delegation agreement with the North American Electric Reliability Corporation ("NERC") and through other arrangements in Canada. In the United States, MRO operates under the authority found in Section 215 of the Federal Power Act, through the Federal Energy Regulatory Commission ("FERC" or "Commission") and through other arrangements in Manitoba and Saskatchewan. The

primary focus of MRO is assessing compliance with Reliability Standards on entities that own, operate or use the Bulk Electric System[1] ("BES"), performing assessments of the BES, and technical analysis of matters impacting the reliability of the BES in the north central part of North America. For more information on MRO, please refer to www.midwestreliability.org.



MRO is a non-profit corporation registered in Delaware and has a 501(c) 6 designation by the Internal Revenue Service. MRO is licensed and registered to conduct business and operate in all the states and two Canadian provinces within its region. The MRO Region is comprised of municipal utilities, cooperatives, investor owned utilities, a federal power marketing agency, Canadian Crown Corporations, large and small end-use load organizations, transmission system operators, regional planning authorities, and independent power producers. The MRO Region spans eight states and two Canadian provinces covering roughly one million square miles. MRO is independent of bulk electric owners, users, and operators of the BES, is not an operator, owner, or user of the BES, and has no shared employees with a third or related party. MRO performs only those responsibilities under Section 215 of the Federal Power Act and similar functions through arrangements with Saskatchewan and Manitoba.

The committees, subcommittees, working groups and task forces of MRO provide recommendations, advice, and counsel to the Board. The Board has the decision-making authority and is balanced in its representation. The Board is comprised of the following sectors:

- Canadian Utility (2)
- Cooperative (2)
- Federal Power Marketing Agency (1)
- Generator and/or Power Marketer (2)
- Investor Owned Utility – Large (3)
- Investor Owned Utility – Small (2)
- Large End-Use Electricity Customer (1)
- Municipal Utility (2)

[1] See the Compliance Registry Listing by Regional Entity posted on NERC's website at http://www.nerc.com/page.php?cid=3|25

- Small End-Use Electricity Customer (1)
- Transmission System Operator (3)

Regulators are eligible to be members in MRO and share the same rights as other members but have no vote. All Board meetings are open, but the Board reserves the right to call a meeting into Executive Session.

2. *Governance*

Membership in MRO, which is voluntary and free, affords organizations the opportunity to participate in the technical activities and governance of the organization. The number of entities that are members of MRO is approximately 50.

The governance structure of MRO is a balanced stakeholder board whereby no two sectors can control a vote. The governance structure is permitted under the Energy Policy Act of 2005 for Regional Entities operating under delegated authority from the Electric Reliability Organization. The Board has five committees:

- Dispute Resolution Committee
- Finance and Audit Committee (FAC)
- Governance and Personnel Committee (GPC)
- Hearing Body
- Membership Committee

The Board's primary role is to assure the organization meets its requirements under the bylaws and performs its responsibilities with due care and in an efficient manner. The Board makes no determinations on compliance or enforcement matters. The Board has adopted procedures to assure they carry out their responsibilities free of conflicts. The Hearing Body of the Board fulfills the obligations in the conduct of hearings, a mandated function under the Rules of Procedure ("ROP" or "Rules") found in the Compliance Monitoring and Enforcement Program ("CMEP").

In addition, MRO has four standing committees:

- Compliance Committee
- Operating Committee
- Planning Committee
- Standards Committee

The charters for these standing committees are defined in Policy and Procedure 3 (Establishment, Responsibilities, and Procedures of Organizational Groups).[2]

[2] See Policy and Procedure 3 (Establishment, Responsibilities, and Procedures of Organizational Groups) on MRO's website at http://www.midwestreliability.org/01_about_mro/overview/policies_procedures/2010/PP3_%20Organizational%20Groups_Revised%20PC%20&%20OC_032510.pdf

3. Statutory Functional Scope

The primary purposes of MRO are:

1. Develop, propose, and/or adopt Reliability Standards.
2. Determine compliance with those standards, including enforcement mechanisms in a non-discriminatory manner consistent with the Rules.
3. Perform seasonal, long-term, and other assessments of reliability.
4. Other services consistent with its reliability charter, delegation agreement and the Rules.

MRO provides a transparent, effective, and efficient reliability organization across a broad geographic region with open meetings and an inclusive standard setting process:

1. MRO is an effective Regional Entity that has a long tradition of managing within and across complex, multiple seams including an interconnection seam, structured markets to bilateral market seams, and an international border.
2. MRO creates a common forum for the region without barriers to participation.
3. The MRO Region has a tradition of working successfully on reliability matters despite the complexities in seams, diverse constituencies, and jurisdictions. Approximately half of the load in MRO is public power, including Canada. MRO is a vital link to maintain and expand existing "reliability" relationships amongst regulators, bulk electric users, owners, and operators.
4. Because of the seams, unique power system technical configurations, such as very long distances between load and generator, stability-limited transmission, the large percentage of hydro generation, and the diversity of its constituency, the region must have the ability and means to represent its own regional reliability interests for the benefit of the users, owner, and operators of the bulk electric system and the public it serves as a Cross Border Regional Entity (CBRE) under the final reliability rule and consistent with the Bilateral Principles.

The 2012 Business Plan and Budget fulfill MRO's commitments related to the delegated functions, consistent with FERC and Canadian authorities:

- Implementation of compliance and enforcement programs to those subject to Reliability Standards.
- Non-discriminatory, consistent enforcement process to those subject to Reliability Standards.
- Adoption of Reliability Standards to ensure enforceability. Canadian enforceability has been sought through agreements with Saskatchewan and Manitoba.
- Ability to propose standards to benefit the reliability of the MRO Region, using an open, technically valid process.
- Provide education and resources for operators, users, and owners of the BES.
- Assess and report on regional BES reliability and adequacy.
- Analyze and report on regional BES events.

4. 2012 Changes in Account Methodology

2012 Changes in Personnel Costs

Budgeted FTEs per program are based on the projected time spent per employee per program. MRO staff tracks their time by program on a hourly basis in attempt to accurately reflect where actual time is spent to correctly align costs. A very limited number of MRO staff works in one program only. MRO believes that value is added by budgeting and tracking actual resources to correctly substantiate that MRO is putting their resources and time in the identified high priority areas.

In 2011,, payroll taxes, benefits, and retirement costs were budgeted based upon the estimated cost for each employee in the Program area where the employee worked. Payroll taxes and retirement costs vary by employee due to salary level and the cost of benefits varies due to the selected level of coverage. In 2012, the budget benefits are based on an average cost per employee, resulting in variances when comparing the 2012 Budget to the 2011 Budget in some of the Program areas that may seem to be inconsistent. Any inconsistencies should be reduced or eliminated in future years as the use of averages continues. Variances between budget years will be reflective of the average increase cost of these expenses and the number of FTEs budgeted in the Program.

The reader of the 2012 Budget should understand that MRO manages total organization-wide benefit costs rather than individual employee benefit costs. Therefore, the focus is on the overall "fringe" or benefit rate (%) and dollars to total payroll.

5. 2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process located in Exhibit A of NERC's 2012 Business Plan and Budget.

6. 2012 Goals and Key Deliverables

The mission for MRO is to be valued by those we serve as a recognized leader in promoting reliability and mitigating risks to the BES. MRO's operating principles are to identify opportunities for improvements through compliance and operational reviews, best practices and lessons learned. For more information on MRO's Benchmarks for Excellence and the MRO Creed, please refer to MRO's website at http://www.midwestreliability.org/.

MRO's business planning is driven by the following strategic initiatives adopted by the Board, which are used in conjunction with the organizational benchmarks for excellence:

1. Work to improve existing Reliability Standards and support results-based standard development to reduce unnecessary administrative requirements.
    a. Work to assign the 'fill in the blank' standards to those entities responsible for compliance.

   b. Work closely with neighboring Regions to ensure that any regional Reliability Standards that are developed are consistent and well understood.
2. Communicate meaningful lessons learned to the industry in a timely manner and encourage NERC to achieve more transparency, faster.
   a. Facilitate stakeholder engagement by leveraging their applicable expertise to:
      i. Identify and communicate improvements and recommendations from reviews of events and incidents. (Registered Entity is responsible for reporting, but MRO should act as facilitator to clarify the process and foster lessons learned to the industry)
   b. Work with NERC to develop a process for providing insights and communicating lessons from approved and filed enforcement actions across North America.
   c. Raise awareness and monitor compliance with guidelines and other directives and Reliability Standards important to reliability through informal and voluntarily means.
3. Expand training and education efforts in the MRO Region.
   a. Educate Registered Entities on how to effectively demonstrate compliance with Reliability Standards.
      i. Increase communication with regional stakeholders on compliance requirements and their applicability to the Reliability Standards based on violation trends and risk.
   b. Provide lessons learned from Event Analysis that will assist Registered Entities in preventing disturbances by addressing system risks.
   c. Create guidance that quantifies the consideration given for self-reporting based on the criteria for compliance excellence.
4. Work closely with NERC and the other Regions to establish reliability and performance metrics and provide reports.
5. Strengthen regional delegation model through NERC.
   a. Work with NERC to establish more support for the Regions to ensure consistency and uniformity where necessary; well designed controls in Regions.
   b. Address international matters in a collaborative, respectful manner to assure Reliability Standards are applicable in each jurisdiction within MRO.
6. Work with Registered Entities to improve regional BES resiliency.
   a. Work with Registered Entities to identify system-wide risks and help with practical, timely action plans to address those risks.
7. Seek closer collaboration with adjoining Regions.

Long-Term Business Planning

NERC and the Regional Entities are actively working together to improve the overall ERO business planning and budgeting process, including long-term resource and financial planning. The 2012 Business Plan and Budget process included numerous face-to-face meetings, conference calls and exchanges of documentation among senior management and staff of NERC and Regional Entities regarding budget assumptions, resource requirements, and opportunities to improve operational efficiency and effectiveness, including factors

affecting resource needs beyond the 2012 planning horizon. As an important first step in the development of a long-term business plan and budgeting process, the Common Business Plan and Budget Assumptions attached as Exhibit A in the NERC 2012 Business Plan and Budget incorporate assumptions affecting resource demands through the 2015 planning horizon. NERC and the Regional Entities continue to work together to develop, strengthen and improve an integrated long term ERO business plan and budget that leverages and builds on the combined strengths and resources of NERC and the Regional Entities to improve the overall effectiveness and efficiency of ERO operations.

7. 2012 Overview of Cost Impacts

MRO proposes to increase its operating budget from $8.13 million to $9.06 million, an increase of $ 0.93 million. Due to a budget under-run in 2010 and applicable penalty sanctions, funding assessments will increase by $88,526 or 1.1%.

Operational Programs

Funding Requirements — Explanation of Increase (Decrease)

Standards

For 2012, MRO will decrease the staffing level in the Standards area. MRO will attempt to involve staff from Registered Entities in drafting teams and in other forums to replace the staff involvement. While MRO does reimburse travel expenses for approved regional representation, there is a savings in not having full time staff represent the region on all teams.

Compliance

For 2012, the scope of the annual implementation plan for compliance monitoring is assumed to increase, due to the addition of new or emerging continent-wide Reliability Standards, the expanded scope of scheduled and unscheduled performance observations and field inspections, other system performance monitoring, the continuation of conducting CIP-002 Spot Checks, and preparedness for MRO to conduct compliance investigations as warranted.

Training and Education

MRO will provide training to Registered Entities through workshops, presentation opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to try to identify training options for Registered Entities in the MRO Region so that they can also accomplish the objectives of the NERC program through a third party. Through the MRO Standards Committee, Subject Matter Expert ("SME") teams have been established to provide training on best practices and model programs for compliance and operations.

Reliability Assessment and Performance Analysis

In 2012, MRO staff and representatives from Registered Entities will continue to participate in Eastern Interconnection modeling efforts through the Eastern Interconnection Reliability

Assessment Groups ("ERAG") and other stakeholder groups. MRO reimburses those individuals who represent MRO in the ERAG, and other stakeholders groups for approved travel expenses.

Situation Awareness & Infrastructure Security Program

Situation Awareness

MRO will participate in the development of the next phase of the Situation Awareness effort to monitor the BES across North America. In addition, staff will monitor and respond to events and incidents to insure timely reporting, effective communication of potential risks, and mitigation of the risks to the BES as a result of any events and incidents. Staff has emphasized the importance of Situation Awareness and the related Event Analysis process and sharing lessons learned with the industry.

Infrastructure Security Program

In recognition of the criticality of protection of cyber infrastructure and BES control systems, the 2012 Budget includes dollars for MRO representatives to participate in infrastructure security related activities and travel to attend security related meetings. Critical infrastructure compliance, training and education are budgeted in the applicable areas of the budget – these costs have increased due to the ramp up in this area over the last two years.

Administrative Programs

Technical Committees and Member Forums (Committees that meet for NERC business)

MRO staff and Registered Entity staff will continue to participate in NERC committees and working groups. By policy, MRO reimburses Registered Entities for approved regional representative travel expenses.

General and Administrative

The 2012 Budget includes a decrease in travel dollars reflecting a lowering trend of expense reimbursements for MRO Board of Directors. Travel relating to quarterly NERC Board of Trustees (NERC BOT) meetings is captured in the Technical Committees and Member Forums.

In the 2012 Budget, MRO included a reduction in dollars due to a budget under-run in 2010.

Information Technology

In 2012, MRO continues to provide increased security of its IT systems and information, along with addressing any annual audit recommendations. Also, MRO uses independent, third parties to provide periodic assessments of its infrastructure security. MRO outsources its compliance and standards applications to a third party vendor; these applications are subject to independent, third party audits and reside on a secured platform.

Legal and Regulatory

For 2012, MRO will remain relatively flat at .73 FTEs as compared with .65 FTEs in 2011.

Accounting / Human Resources

Personnel Costs - Employee Paid Benefits

In third quarter of 2010, MRO staff sought a comprehensive review of its medical benefits including a re-bid on its medical plans. MRO was successful in lowering benefit costs by a (35%) reduction year over year through this comprehensive review.

The 2012 Budget has an increase in the number of FTEs from 2.10 to 2.76. In addition, the budget includes an increase in Building, Rent and Facilities costs to reflect the anticipated higher new facility lease costs (a move to a different facility is planned in 2012.)

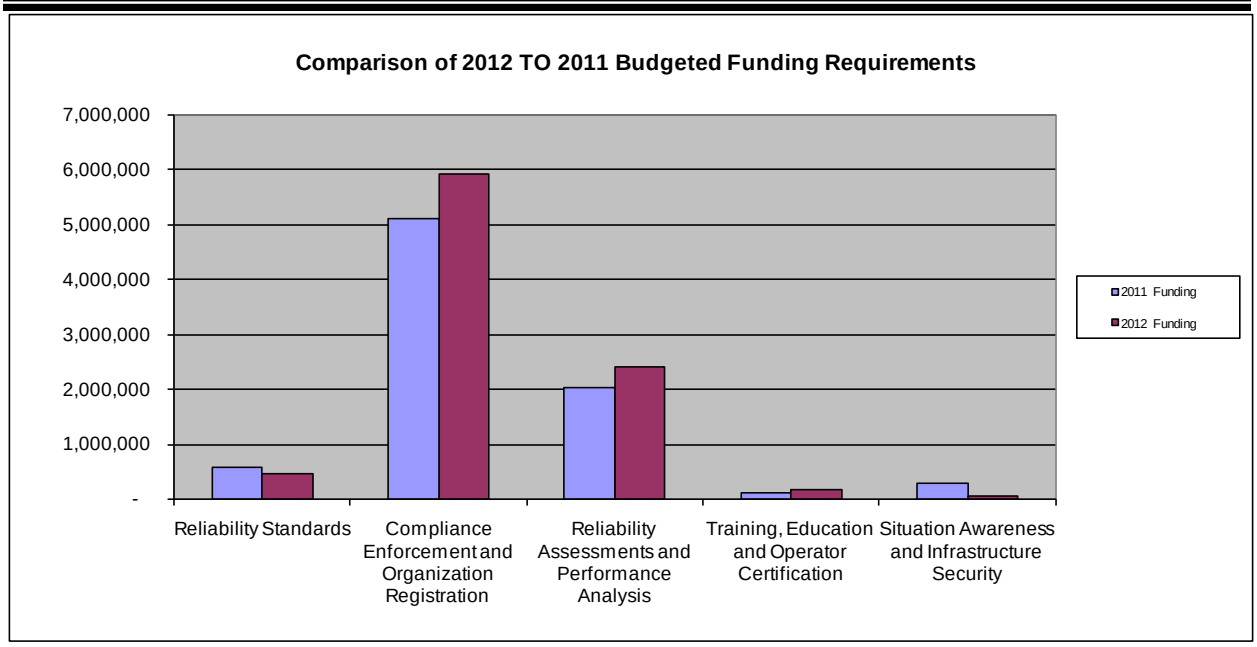
New Facility

The 2012 Budget includes budgeted Leasehold Improvements for a new facility. MRO staff was given the authority to seek alternative facilities to address MRO's growing need for more meeting facilities, and additional space for the higher number of FTEs.

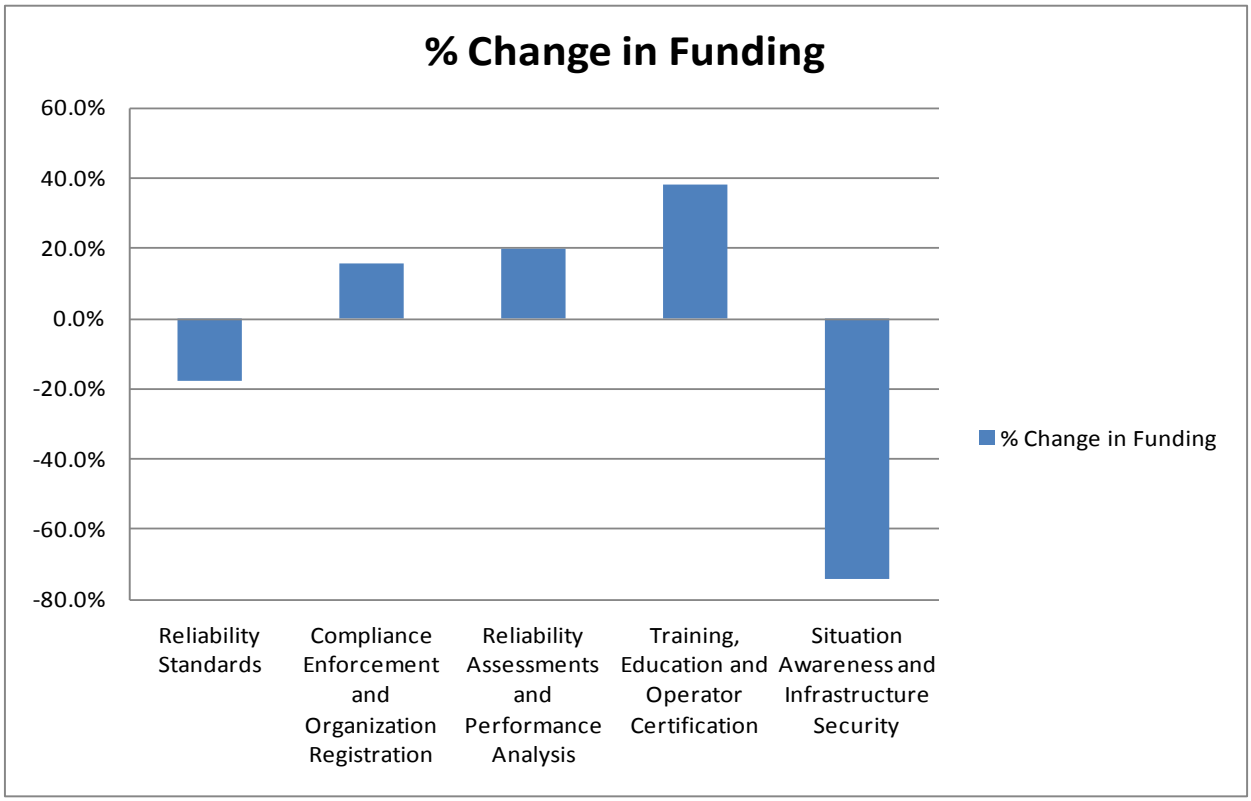
Other Non-Operating Expenses

The 2012 Budget includes a one-time relocation cost relating to a budgeted facility move of $77,484.

Program	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Reliability Standards	576,306	576,306	477,616	(98,690)	-17.1%
Compliance Enforcement and Organization Registration	5,118,968	5,118,968	5,898,704	779,736	15.2%
Reliability Assessments and Performance Analysis	2,023,081	2,023,081	2,434,989	411,908	20.4%
Training, Education and Operator Certification	126,737	126,737	173,787	47,050	100.0%
Situation Awareness and Infrastructure Security	285,733	285,733	72,131	(213,602)	-74.8%
	8,130,825	8,130,825	9,057,228	926,403	11.4%



*This graphical representation above does not include an allocation of working capital requirements among the Program Areas



Total FTE's by Program Area	Budget 2011	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs[1] 2012 Budget	Total FTEs 2012 Budget	Change from 2011 Budget
	STATUTORY					
Operational Programs						
Reliability Standards	2.08	2.08	1.59		1.59	(0.49)
Compliance and Organization Registration and Certification	17.47	17.47	19.16		19.16	1.69
Training and Education	0.15	0.15	0.18		0.18	0.03
Reliability Assessment and Performance Analysis	6.75	6.75	8.04		8.04	1.29
Situation Awareness and Infrastructure Security	0.90	0.90	0.18		0.18	(0.72)
Total FTEs Operational Programs	**27.35**	**27.35**	**29.15**	**-**	**29.15**	**1.80**
Administrative Programs						
Technical Committees and Member Forums	0.65	0.65	0.71		0.71	0.06
General & Administrative	1.35	1.35	1.53		1.53	0.18
Information Technology	2.40	2.40	2.12		2.12	(0.28)
Legal and Regulatory	0.65	0.65	0.73		0.73	0.08
Human Resources	-	-	-		-	-
Finance and Accounting	2.10	2.10	2.76		2.76	0.66
Total FTEs Administrative Programs	**7.15**	**7.15**	**7.85**	**-**	**7.85**	**0.70**
Total FTEs	**34.50**	**34.50**	**37.00**	**-**	**37.00**	**2.50**

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

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
STATUTORY

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
MRO Funding					
MRO Assessments	$ 8,260,503	$ 8,260,503	$ -	$ 8,349,029	$ 88,526
Penalty Sanctions	$ 137,000	$ 137,000	$ -	$ 418,500	$ 281,500
Total MRO Funding	**$ 8,397,503**	**$ 8,397,503**	**$ -**	**$ 8,767,529**	**$ 370,026**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	$ -	$ -	$ -	$ -	$ -
Services & Software	$ -	$ -	$ -	$ -	$ -
Workshops	$ -	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ 8,397,503**	**$ 8,397,503**	**$ -**	**$ 8,767,529**	**$ 370,026**
Expenses					
Personnel Expenses					
Salaries	$ 4,065,185	$ 4,065,185	$ -	$ 4,513,030	$ 447,845
Payroll Taxes	$ 305,215	$ 305,215	$ -	$ 300,538	$ (4,677)
Benefits	$ 632,490	$ 632,490	$ -	$ 412,899	$ (219,591)
Retirement Costs	$ 561,627	$ 561,627	$ -	$ 574,473	$ 12,846
Total Personnel Expenses	**$ 5,564,517**	**$ 5,564,517**	**$ -**	**$ 5,800,940**	**$ 236,423**
Meeting Expenses					
Meetings	$ 174,050	$ 174,050	$ -	$ 134,254	$ (39,796)
Travel	$ 610,409	$ 610,409	$ -	$ 578,440	$ (31,969)
Conference Calls	$ 41,680	$ 41,680	$ -	$ 50,500	$ 8,820
Total Meeting Expenses	**$ 826,139**	**$ 826,139**	**$ -**	**$ 763,194**	**$ (62,945)**
Operating Expenses					
Consultants & Contracts	$ 557,780	$ 557,780	$ -	$ 796,776	$ 238,996
Office Rent	$ 223,800	$ 223,800	$ -	$ 391,680	$ 167,880
Office Costs	$ 432,420	$ 432,420	$ -	$ 471,719	$ 39,299
Professional Services	$ 214,053	$ 214,053	$ -	$ 194,000	$ (20,053)
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Depreciation	$ 270,805	$ 270,805	$ -	$ 388,498	$ 117,693
Total Operating Expenses	**$ 1,698,858**	**$ 1,698,858**	**$ -**	**$ 2,242,673**	**$ 543,815**
Total Direct Expenses	**$ 8,089,514**	**$ 8,089,514**	**$ -**	**$ 8,806,807**	**$ 717,293**
Indirect Expenses	**$ (1)**	**$ (1)**	**$ -**	**$ -**	**$ 1**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ 77,484**	**$ 77,484**
Total Expenses	**$ 8,089,513**	**$ 8,089,513**	**$ -**	**$ 8,884,291**	**$ 794,778**
Change in Assets	**$ 307,990**	**$ 307,990**	**$ -**	**$ (116,762)**	**$ (424,752)**
Fixed Assets					
Depreciation	$ (270,805)	$ (270,805)	$ -	$ (388,498)	$ (117,693)
Computer & Software CapEx	$ 312,115	$ 312,115	$ -	$ 350,435	$ 38,320
Furniture & Fixtures CapEx	$ -	$ -	$ -	$ -	$ -
Equipment CapEx	$ -	$ -	$ -	$ -	$ -
Leasehold Improvements	$ -	$ -	$ -	$ 211,000	$ 211,000
(Incr)Dec in Fixed Assets	**$ (41,310)**	**$ (41,310)**	**$ -**	**$ (172,937)**	**$ (131,627)**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**$ (41,310)**	**$ (41,310)**	**$ -**	**$ (172,937)**	**$ (131,627)**
TOTAL CHANGE IN NET ASSETS	**$ 266,679**	**$ 266,679**	**$ -**	**$ (289,699)**	**$ (556,379)**

Section A – Statutory Programs

2012 Business Plan and Budget

Section A — 2012 Business Plan

1. Reliability Standards Program

Reliability Standards Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.08	1.59	(0.49)
Direct Expenses	$ 363,730	$ 291,042	$ (72,688)
Indirect Expenses	$ 209,171	$ 176,678	$ (32,493)
Inc(Dec) in Fixed Assets	$ 3,405	$ 9,896	$ 6,491
Total Funding Requirement	$ 576,306	$ 477,616	$ (98,690)

Program Scope and Functional Description

NERC uses stakeholder driven processes, consistent with the Rules, to develop and maintain Reliability Standards that apply to bulk electric system owners, operators, and users and that enable NERC and Regional Entities to measure the reliability performance of bulk electric system owners, operators, and users; and to hold them accountable for reliable operation of the bulk electric systems. The Reliability Standards must be technically excellent, timely, just, reasonable, not unduly discriminatory or preferential, in the public interest, and consistent with other applicable Standards of governmental authorities.

Regional Entities may propose regional Reliability Standards that set more stringent reliability requirements or cover matters not covered by existing continent-wide Reliability Standards. Such regional Reliability Standards shall, in all cases, be approved by NERC and FERC and shall be enforceable in accordance with the delegation agreement between NERC and the Regional Entity or other instrument granting authority over enforcement to the Regional Entity.

2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Standards Program can be located in the Key Assumptions section of Exhibit A in NERC's 2012 Business Plan and Budget.

MRO utilizes a balanced stakeholder Standards Committee ("SC") to administer the regional standards program, educate stakeholders about the application of Reliability Standards, and to provide regional input to NERC Standards development efforts and is charged with the following responsibilities:

- Recommend to the MRO Board, regional representatives for NERC standards development and drafting related working groups and committees
- Where necessary, assure regional Reliability Standards are consistent with continent-wide Reliability Standards
- Process all requests for new or modifications to Reliability Standards

- Maintain MRO Reliability Standards process documentation
- Present new or modifications to regional Reliability Standards for adoption by the MRO Board upon recommendation from the SC
- Assign the development of a regional Reliability Standard to a drafting team
- Promote coordination of MRO's efforts with other Regional Entities and NERC, including periodic review of Reliability Standards and their applicability to those subject to the Reliability Standards
- Provide non-binding assistance to stakeholders in understanding the application of continent-wide Reliability Standards and the types of evidence needed to demonstrate compliance through examples
- Identify pools of subject-matter experts ("SMEs") in the industry to assist in the development of application guides
- Oversee the development of application guides for Reliability Standards
- Review frequently occurring compliance violations to determine if there are any additional application guidelines that are needed or additional changes to standards or request interpretations
- Provide education and training on effectively demonstrating compliance to stakeholders through webinars, emails, conference calls, presentations, or workshops
- Provide recommendations to the NERC standing committees or other working groups as required
- Provide comments and voting positions on NERC proposed standards interpretations and compliance application notice from MRO stakeholders

In supporting the work of the SC, MRO staff monitors the NERC Standards development efforts and facilitates the efforts of the SC, drafting teams and commenting groups to provide input in a coordinated manner. Staff also ensures the regional processes are followed for regional standards development.

The SC is committed to developing and delivering training to industry stakeholders on meeting the obligations and requirements of existing, new, or emerging Reliability Standards. In support of the SC's commitment, MRO staff provides input to the SME teams in developing their training tools and reviews the Application Guidance documents and presentations. In addition, MRO staff helps manage all SME team projects and provides technical support. MRO staff appreciates the SME teams sharing their technical expertise and knowledge to improve power system reliability for all.

MRO staff and stakeholders provide technical advice and comment to NERC when developing Reliability Standards applicable across North America and the Eastern Interconnection. MRO staff and Registered Entities participate in NERC and MRO standards drafting teams, hold meetings and conferences to discuss standards, and actively work with NERC on their standards development plan.

For regional standards development, MRO uses a web-based standard voting system called Reliability Standards Voting Process ("RSVP"), which maintains the records of the comments and votes of each proposed standard. This system permits easy administration and convenience for those who participate in the standards process through the MRO Registered Ballot Body. There is no cost for participation.

NERC's Four Year Standards Development Plan included in NERC's 2012 Business Plan and Budget as Exhibit A supports the significant effort required by MRO to participate in standards development.

2012 Goals and Key Deliverables

- Completion of the "fill-in-the-blanks" project as outlined in the NERC four year plan.
- Develop and propose MRO Reliability Standards as appropriate.
- Provide comments and support to other NERC and MRO SC activities.
- Work with NERC to improve interpretation of existing Reliability Standards.
- Work with NERC to improve the process timeliness of Reliability Standards development.
- Comment on all NERC Standards Authorization Requests (SAR) and draft standards.
- Communicate with stakeholders and vote on all NERC Standards.
- Support and inform SC and Board of standards-related activities.
- Participate on various NERC groups and committees.
- MRO SME teams and staff train and educate Registered Entities on the application of standards by participating in MRO workshops (Costs are captured in Training and Education.)

Funding Sources and Requirements — Explanation of Increase (Decrease)

For 2012, MRO will reduce the staffing level in the Standards area. MRO will attempt to involve staff from Registered Entities in drafting teams and in other forums to replace staff involvement. While MRO does reimburse travel expenses for approved regional representation, there is a savings in not having full time staff represent the region on all teams.

Funding Sources (Other than ERO Assessments)

- Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO's Supplemental Financial Information section, Table B-2, page 63.

Personnel Expenses

- For 2012, MRO will decrease the staffing level in the Standards area. MRO has facilitated additional technical resources from the industry in drafting teams and in other areas to augment staff involvement, which has resulted in a slight decrease in the number of FTEs. MRO reimburses travel expenses for stakeholder participation.

- Personnel costs for Employee Paid Benefits – for details please refer to the 2012 Overview of Cost Impacts section, under Accounting, page 12. MRO was successful in lowering benefits costs by a (35%) reduction year over year.

Meeting Expenses

- 2012 Meeting expenses will remain at the same level as the 2011 Budget.

Operating Expenses

- 2012 Consultant and Contract costs will remain at the same level as the 2011 Budget.

- 2012 Office costs will decrease from $5,840 to $1,000.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2012. This method of accounting results in a decrease compared to 2011 based upon a reduction in FTEs in this program.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- 2012 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Standards

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
MRO Funding					
MRO Assessments	$ 565,887	$ 565,887	$ -	$ 454,789	$ (111,098)
Penalty Sanctions	$ 10,419	$ 10,419	$ -	$ 22,827	$ 12,408
Total MRO Funding	**$ 576,306**	**$ 576,306**	**$ -**	**$ 477,616**	**$ (98,690)**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	$ -	$ -	$ -	$ -	$ -
Services & Software	$ -	$ -	$ -	$ -	$ -
Workshops	$ -	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ 576,306**	**$ 576,306**	**$ -**	**$ 477,616**	**$ (98,690)**
Expenses					
Personnel Expenses					
Salaries	$ 206,345	$ 206,345	$ -	$ 153,497	$ (52,848)
Payroll Taxes	$ 15,596	$ 15,596	$ -	$ 12,655	$ (2,941)
Benefits	$ 23,968	$ 23,968	$ -	$ 18,238	$ (5,730)
Retirement Costs	$ 26,981	$ 26,981	$ -	$ 20,652	$ (6,329)
Total Personnel Expenses	**$ 272,890**	**$ 272,890**	**$ -**	**$ 205,042**	**$ (67,848)**
Meeting Expenses					
Meetings	$ 13,000	$ 13,000	$ -	$ 13,000	$ -
Travel	$ 42,000	$ 42,000	$ -	$ 42,000	$ -
Conference Calls	$ 18,000	$ 18,000	$ -	$ 18,000	$ -
Total Meeting Expenses	**$ 73,000**	**$ 73,000**	**$ -**	**$ 73,000**	**$ -**
Operating Expenses					
Consultants & Contracts	$ 12,000	$ 12,000	$ -	$ 12,000	$ -
Office Rent	$ -	$ -	$ -	$ -	$ -
Office Costs	$ 5,840	$ 5,840	$ -	$ 1,000	$ (4,840)
Professional Services	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Depreciation	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ 17,840**	**$ 17,840**	**$ -**	**$ 13,000**	**$ (4,840)**
Total Direct Expenses	**$ 363,730**	**$ 363,730**	**$ -**	**$ 291,042**	**$ (72,688)**
Indirect Expenses	**$ 209,171**	**$ 209,171**	**$ -**	**$ 176,678**	**$ (32,493)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 572,901**	**$ 572,901**	**$ -**	**$ 467,720**	**$ (105,181)**
Change in Assets	**$ 3,405**	**$ 3,405**	**$ -**	**$ 9,896**	**$ 6,491**
Fixed Assets					
Depreciation	$ -	$ -	$ -	$ -	$ -
Computer & Software CapEx	$ -	$ -	$ -	$ -	$ -
Furniture & Fixtures CapEx	$ -	$ -	$ -	$ -	$ -
Equipment CapEx	$ -	$ -	$ -	$ -	$ -
Leasehold Improvements	$ -	$ -	$ -	$ -	$ -
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ (3,405)	$ (3,405)	$ -	$ (9,896)	$ (6,491)
Change in Fixed Assets	**$ (3,405)**	**$ (3,405)**	**$ -**	**$ (9,896)**	**$ (6,491)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

2. Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	17.47	19.16	1.69
Direct Expenses	$ 3,333,537	$ 3,650,422	$ 316,886
Indirect Expenses	$ 1,756,832	$ 2,129,027	$ 372,195
Inc(Dec) in Fixed Assets	$ 28,600	$ 119,255	$ 90,655
Total Funding Requirement	$ 5,118,969	$ 5,898,704	$ 779,735

Program Scope and Functional Description

In 2012, the MRO Compliance Monitoring and Enforcement Program (CMEP) include performing CMEP activities with 130 Registered Entities in the MRO Region.

The 2011 compliance program strategy continues in 2012, which includes placing Registered Entities "on notice" for all applicable regulatory approved Reliability Standards, which sets the expectation that Registered Entities should be compliant with the applicable Standards at all times. There are about 130 Registered Entities participating in the compliance program, which includes various types of data submittals, monthly reporting, exception reporting, self-reporting, self-certification, spot checks, surveys, audits, and unscheduled (or random) spot checks and audits. All Registered Entities participate in compliance audits on a prescribed three and six-year schedule (or cycle). For 2012, there are a total of 21 compliance audits scheduled for the Operating, Planning, and CIP Reliability Standards.

In addition to the normal and ongoing compliance discovery activities under the NERC CMEP, MRO compliance staff will be prepared to conduct compliance investigations, system performance monitoring and assessment, and compliance reviews for all events in which the NERC Event Analysis and Compliance Review Process is initiated. These activities are included in the business plan for 2012.

Additional "planned" enhancements for 2012 include the implementation of a Registered Entity Corporate Compliance Program methodology, which will provide the ability to quantify the "effectiveness" of an entity's compliance program and their related controls. Conducting an entity assessment using an objective methodology and considering "significance" or "materiality" will result in an "entity specific" audit scope determination using risk as a key consideration. This added feature will advance and improve the program by aligning the audit scope determination with a performance-based approach for conducting audits more aligned with standardized audit practices such as the Government Accountability Office ("GAO") standards.

2012 Key Assumptions

NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Compliance Monitoring and Organization

Registration and Certification Program can be located in the Key Assumptions section of Exhibit A in NERC's 2012 Business Plan and Budget.

MRO will monitor compliance with Reliability Standards for each Registered Entity that has compliance responsibilities as defined in the Compliance Registry for MRO. In the United States, MRO monitors Reliability Standards according to Commission-approved Rules. In Saskatchewan and Manitoba, MRO carries out its compliance monitoring responsibilities according to agreements with the respective provincial authorities. It is anticipated that legislation will be fully implemented in Manitoba in 2012, which will alleviate the need for the current agreement for compliance monitoring.

Organization Registration criteria and requirements are approved by NERC and the Commission in the United States, and MRO staff carries out those responsibilities through its Delegation Agreement with NERC. Registration is documented by MRO and incorporated into the overall NERC Registry. MRO staff registers all known entities (owners, operators, and users) subject to the Reliability Standards and revises the Registered Entity list as required under the Rules.

MRO staff will conduct and assist NERC staff with Organization Certifications for the applicable functions determined by the NERC Compliance and Certification Committee (NERC CCC), and by following procedures developed by NERC and the NERC CCC.

2012 Compliance Monitoring Program Goals and Key Deliverables

- Implement program consistent with the Rules and initiatives related to performance based principles in the work.
- Maintain an accurate and up-to-date detailed Compliance Registry for MRO
- Assure professionally trained staff are available to perform the required activities under the Rules
- Deliver consistent results across all discovery methods
- Process initial compliance determinations of standards in a fair, uniform, systematic, and timely manner
- Maintain internal controls for "one-up, and next door" reviews to assure all determinations receive adequate "due care" and review
- Ensure an accurate and complete discovery record is created, maintained, and retained for each possible violation discovered and where there are no findings as well
- Continue to improve productivity by increasing the number of unscheduled spot checks or audits
- Conduct system performance compliance monitoring (such as due diligence review of misoperations, physical inspections, etc)
- Conduct scheduled and unscheduled performance observations as an added level of compliance assurance and internal control review
- Lead compliance investigations as warranted
- Continue to maintain information in a secured environment through webCDMS; expand webCDMS tool suite for staff to drive more efficiencies in the conduct of the work and make the work more meaningful to Registered Entities
- Continue to improve education and training initiatives for Registered Entities by providing training, lessons learned, tips and techniques, and by sharing other relevant information that assists entities in being compliant

- Participate in working groups where continent-wide compliance program processes and procedures will be developed to drive consistency

Funding Requirements — Explanation of Increase (Decrease)

Compliance Monitoring Explanation of Variances – 2012 Budget versus 2011 Budget

Entity (Organization) Registration

- 2012 Variance: no material changes
- Workload associated with maintaining the registry will continue
- Pre-June 18, 2007 voluntary program (28 participants/255 functions)
- June 18, 2007 mandatory implementation (110 Registered Entities/432 functions)
- March 8, 2011 (130 Registered Entities/462 functions)
- Registration is an ongoing assignment
  - Continue to inventory generator facilities and transmission elements that meet NERC Criteria of Registration
  - Joint Registration Organization (JRO) maintenance
  - Coordinated Registration Organization (CFR) development and maintenance
  - Modify registry if it's discovered an entity meets additional functional criteria through compliance monitoring processes
  - Continue to obtain and review system one-line diagrams, maps, and agreements used to identify owners and operators of the BES
  - Continue to manage overall registry by having a staff person directly assigned to this task

Entity (Organization) Certification

- 2012 Variance: no material changes.
- Work performed to certify additional functions with Registered Entities, and work performed to certify new Registered Entities, are expected to continue. The equivalent rate or amount of work is expected to "hold steady" in 2012 (no change).

Annual Implementation Plan

- 2012 Variance: increase of workload.
- The scope of the compliance program plan is assumed to increase in 2012 due to the addition of new Reliability Standards, the expanded scope of scheduled and unscheduled performance observations, the addition of system performance monitoring, and the continuation of MRO conducting CIP-002 expanded Spot Checks, which include R3.
  - Monitor compliance with all regulatory approved Reliability Standards as defined in the NERC Annual Implementation Plan.
  - Compliance monitoring through audit and annual self-certification will increase even though the "risk / performance based approach" concept will be expanded in 2012. The increase is due to the implementation of the new Reliability Standards, the expanded scope of scheduled and unscheduled performance observations, the addition of system performance monitoring, and the continuation of MRO conducting CIP-002 expanded Spot Checks, which include R3.

  - It is assumed that the NERC 2012 Implementation Plan will hold steady for the other monitoring methods including monthly self-certification, quarterly self-certification, periodic data submittal, exception report, and spot-check, when compared to the 2011 Implementation Plan.
  - Unscheduled spot-checks and/or audits are conducted if:
    - Entity registration changes (such as adding TOP, BA, RC function)
    - Evidence of compliance provided during an audit (or other method) is found to be non-compliant and the entity is using another entity's program or process
    - Follow-up from self-certification or event
    - Perform Joint Registration Organization and CFR type audits
- The number of entities participating in annual plan "required" spot checks is 15.

Planned Audits (Operating and Planning Standards)

- 2012 Variance: increase of workload.
- The number of audits to be performed in 2012 is 19, which is a slight increase compared to 2011. In addition, the scope of the audit is projected to expand by incorporating the anticipated new Reliability Standards and performance-based principles. Therefore, the hours required to conduct the audits will increase.

Planned Audits (CIP Standards)

- 2012 Variance: increase of workload.
- The number of audits to be performed in 2012 is 19, which is a slight increase compared to 2011. Therefore, the overall hours required to conduct the audits will increase. In addition, Technical Feasibility Exceptions (TFEs) will continue to be managed on an ongoing basis, and may at times be included in the audit.

Annual Self-Certification Requirement

- 2012 Variance: increase in workload.
- The number of entities participating in the annual self-certification is 130 for 2012.
- It is assumed that the NERC 2012 Implementation Plan, which identifies the Reliability Standard requirements to be monitored through annual self-certification, will increase in 2012 because of additional Reliability Standards in the scope of the work. The annual self-certification will continue to be "all-inclusive" to include all Operating, Planning, and CIP Standards.

Compliance Reviews

- 2012 Variance: increase in workload in 2012 from 2011.
- This work is in accordance with the NERC Event Analysis, which includes a compliance review of the internal compliance assessment done by the Registered Entity. Registered Entities have the responsibility of conducting a review pertaining to how the power system responded to an event to determine if changes to processes are needed and to identify lessons learned, etc. In addition, Registered Entities have the responsibility to conduct a compliance review and assessment on the event, and produce a report identifying conclusions and determinations as part of a strong, internal compliance program. The MRO compliance team conducts an independent review of the entity's compliance assessment, determines if there are questions or outstanding issues regarding

the event for follow-up, and produces a report describing the independent compliance review and assessment. If there are material "gaps" in the internal assessment conducted by the Registered Entity, MRO may conduct an audit, Spot Check, or investigation. Continuous monitoring through situational awareness can enhance, power system operation awareness resulting in additional reviews by MRO staff. This would not result in additional work for Registered Entities, since they conduct their own reviews. The difference is that MRO would anticipate receiving more of the internal reports to determine any trends or lessons learned to be shared across the Region.

Compliance Investigations (CIs)

- 2012 Variance: increase in workload.
- MRO compliance staff will assume the lead on investigations in the MRO Region.

Compliance Possible Violation Discovery

- 2012 Variance: increase of workload.
- For every possible violation, the MRO compliance staff performs a fact and circumstance review.
- An increase of workload in this area is assumed due to the expanded scope of compliance monitoring resulting from the new Reliability Standards and the expanded scope of system performance monitoring.

Compliance Possible Violation Record Development

- 2012 Variance: increase of workload in 2012 from 2011.
- A discovery record is developed for every possible violation. The discovery record and supplemental forms represent the initial development of the enforcement disposition record.
- The number of discovered violations is expected to increase as explained above, which will ultimately increase the number of required discovery records.

Compliance Enforcement Explanation of Variances – 2012 Budget versus 2011 Budget

2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for Enforcement can be located in the Key Assumptions section of Exhibit A in NERC's 2011 Business Plan and Budget.

Processing of Alleged Violations

- As the CMEP has matured, the number of alleged violations of the Operations and Planning Standards is anticipated to reach a relatively stable state in 2012, while the number of alleged violations of the Critical Infrastructure Protection Standards is expected to continue to increase in 2012. For every Possible Violation identified by MRO compliance staff or Registered Entity, MRO enforcement staff performs a preliminary screen to confirm its validity based on the criteria defined in the CMEP. For Possible Violations deemed valid, MRO enforcement staff prepares and issues a Notice of Possible Violation for each possible violation, and performs a facts and circumstances review to determine if the Registered Entity was or was not in violation of the Reliability

Standard(s). If the Registered Entity is in violation of a Standard, MRO enforcement staff prepares a Disposition Document and Notice of Alleged Violation for each alleged violation. This process includes the calculation of a proposed penalty, which is reviewed and considered by at least two MRO enforcement staff. Upon acceptance or lapse of the required time for response to the Notice of Alleged Violation, MRO enforcement staff prepares a Notice of Confirmed Violation (NOCV). The drafting of these notices is an iterative process and requires resources.

MRO enforcement staff anticipates a leveling of the number of settlement discussions requested by Registered Entities in 2012. With the introduction in 2011 of the Administrative Citation, many of the violations, which were the subject of settlement requests in the past, will be resolved through the Administrative Citation process.

Mitigation Plan Acceptance and Verification of Completion

- 2012 Variance: (increase of workload from 2011 to 2012)
- Assuming an increase in the number and frequency of violations discovered with the inclusion of the CIP Standards and 41 Requirements.
- Assuming an increase in time spent in developing mitigation plans and verification of completion, due to increase in CIP violations.
- For every Confirmed Violation identified by MRO enforcement staff, a mitigation plan must be submitted. In addition, Registered Entities often submit proposed mitigation plans for possible or alleged violations. MRO enforcement staff reviews each submitted mitigation plan to assess whether the proposed plan will mitigate the subject violation. Although the process of notifying the Registered Entity of the acceptance or rejection of the mitigation plan is automated, the review of each submitted plan is manual and may be time consuming. Often times, the development of the mitigation plan provides the information necessary to determine the potential risk and impact of a violation. Upon receiving notice from a Registered Entity certifying completion of the mitigation plan, MRO enforcement staff may need to request additional documentation from the Registered Entity and will validate or verify to determine if the mitigation has in fact been completed. Each of these steps requires time and resources, and in certain instances, involves significant efforts to complete the verification. MRO is assuming an increase in time spent in developing mitigation plans and verification of completion, due to increase in CIP violations.

Record Development and Maintenance

- Processes have been formalized and necessary documentation identified to complete the record. The webCDMS application provides for a central, highly secured repository accessible to each Registered Entity to submit and review its evidence.
- Assumes incorporation of the NERC Disposition Document, Abbreviated Notices, and adoption of the Administrative Citation process for minor violations.

Funding Sources and Requirements — Explanation of Increase (Decrease)

For 2012, the compliance monitoring workload will increase primarily due to the continued expansion of the overall program. This includes new emerging Reliability Standards, the expanded scope of scheduled and unscheduled performance observations, the addition of system performance monitoring, and the continuation of MRO conducting CIP-002 expanded Spot Checks, which include R3. The additional workload will primarily pertain to the expanded scope in the audit, self-certification, spot check, as well as in Enforcement and Mitigation activities.

Funding Sources (Other than ERO Assessments)

- Penalty Sanctions – Total penalty monies to be received (and currently in escrow) and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO's Supplemental Financial Information section, Table B-2, page 63.

Personnel Expenses

- The overall budgeted FTE count for Compliance will increase by 1.69 FTE over the 2011 budget but will "hold steady" in 2012 when compared to the FTE count at year-end 2011. Additional staffing was approved in 2011 beyond that specified in the 2011 budget. The increase resulted from MRO staff assuming more responsibility for investigations as a replacement for NERC staff previously assigned to investigations in the MRO region.

- Budgeted payroll taxes, benefits and retirement costs reflect an average cost per employee. Please refer to the 2011 Changes in Personnel Costs, section four, page 8, which explains MRO's benefit costs fluctuations.

Meeting Expenses

- Recognizing new facility savings in meeting costs due to hosting more meetings in the office versus renting a room. Expenditures in the "meeting expense" account will hold steady in 2012.

Travel Expense

- Expenditures in the "travel" account will increase in 2012 primarily due to the expanded scope of audit, which will require additional travel expenses for the auditors. The auditors will be on the road more nights in 2012, when compared with 2011 Budget. The Enforcement area's "travel" expenditures will remain flat within 2010.

Conference Calls

- Expenditures in conference calls in 2012 are expected to increase due to improved efficiency of pre-audits. These efficiencies are identified as improved communications with Registered Entities, as well as, reduced time spent on-site.

Operating Expenses

- **Consultants and Contracts**
  - Expenditures in contracts in 2012 are expected to increase due to enhancements to existing IT applications. Expenditures in Consultants are expected to decrease due to the additional staff hired in 2011.

- **Office Costs**
  - The "office costs" account for 2012 will increase due to the additional staff hired in 2011 and the associated expenses that will be recognized for the entire 2012 year. There also is an increase in training costs for the additional staff, as well as, existing staff.

Indirect Expenses

- The total indirect expenses for 2012 are budgeted at $3,191,180, which reflects an increase of $485,561 year over year. The increase includes new facility costs one time in nature, as well as, on-going higher lease costs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- 2012 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

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 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Compliance and Organization Registration and Certification

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
MRO Funding					
MRO Assessments	$ 5,031,458	$ 5,031,458	$ -	$ 5,623,628	$ 592,170
Penalty Sanctions	$ 87,510	$ 87,510	$ -	$ 275,076	187,566
Total MRO Funding	**$ 5,118,968**	**$ 5,118,968**	**$ -**	**$ 5,898,704**	**$ 779,736**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	$ -	$ -	$ -	$ -	$ -
Services & Software	$ -	$ -	$ -	$ -	$ -
Workshops	$ -	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ 5,118,968**	**$ 5,118,968**	**$ -**	**$ 5,898,704**	**$ 779,736**
Expenses					
Personnel Expenses					
Salaries	$ 2,131,397	$ 2,131,397	$ -	$ 2,393,502	$ 262,105
Payroll Taxes	$ 160,644	$ 160,644	$ -	$ 146,389	$ (14,255)
Benefits	$ 413,790	$ 413,790	$ -	$ 219,744	$ (194,046)
Retirement Costs	$ 299,838	$ 299,838	$ -	$ 285,616	$ (14,222)
Total Personnel Expenses	**$ 3,005,670**	**$ 3,005,670**	**$ -**	**$ 3,045,251**	**$ 39,582**
Meeting Expenses					
Meetings	$ 5,900	$ 5,900	$ -	$ 6,200	$ 300
Travel	$ 126,109	$ 126,109	$ -	$ 189,199	$ 63,090
Conference Calls	$ 1,580	$ 1,580	$ -	$ 9,200	$ 7,620
Total Meeting Expenses	**$ 133,589**	**$ 133,589**	**$ -**	**$ 204,599**	**$ 71,010**
Operating Expenses					
Consultants & Contracts	$ 146,000	$ 146,000	$ -	$ 302,000	$ 156,000
Office Rent	$ -	$ -	$ -	$ -	$ -
Office Costs	$ 48,278	$ 48,278	$ -	$ 83,572	$ 35,294
Professional Services	$ -	$ -	$ -	$ 15,000	$ 15,000
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Depreciation	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ 194,278**	**$ 194,278**	**$ -**	**$ 400,572**	**$ 206,294**
Total Direct Expenses	**$ 3,333,537**	**$ 3,333,537**	**$ -**	**$ 3,650,422**	**$ 316,886**
Indirect Expenses	**$ 1,756,832**	**$ 1,756,832**	**$ -**	**$ 2,129,027**	**$ 372,195**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 5,090,369**	**$ 5,090,369**	**$ -**	**$ 5,779,449**	**$ 689,081**
Change in Assets	**$ 28,599**	**$ 28,599**	**$ -**	**$ 119,255**	**$ 90,655**
Fixed Assets					
Depreciation	$ -	$ -	$ -	$ -	$ -
Computer & Software CapEx	$ -	$ -	$ -	$ -	$ -
Furniture & Fixtures CapEx	$ -	$ -	$ -	$ -	$ -
Equipment CapEx	$ -	$ -	$ -	$ -	$ -
Leasehold Improvements	$ -	$ -	$ -	$ -	$ -
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ (28,600)	$ (28,600)	$ -	$ (119,255)	$ (90,655)
Change in Fixed Assets	**$ (28,600)**	**$ (28,600)**	**$ -**	**$ (119,255)**	**$ (90,655)**
TOTAL CHANGE IN NET ASSETS	**$ (1)**	**$ (1)**	**$ -**	**$ -**	**$ -**

3. Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	6.75	8.04	1.29
Direct Expenses	$ 1,333,231	$ 1,491,556	$ 158,325
Indirect Expenses	$ 678,799	$ 893,391	$ 214,592
Inc(Dec) in Fixed Assets	$ 11,051	$ 50,042	$ 38,991
Total Funding Requirement	$ 2,023,081	$ 2,434,989	$ 411,908

Program Scope and Functional Description

The objectives of the Reliability Assessment and Performance Analysis Program are to

1. Review pre and post seasonal and long-term reliability assessments for the MRO Region in order to assess operating reliability and resource adequacy.
2. Review event analysis efforts to ensure causes are identified and corrected and that lessons learned are shared with industry.
3. Assemble modeling data and prepare models.
4. Perform legacy Regional Reliability Organization functions.
5. Support MRO stakeholder groups and participate in NERC efforts.

2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Assessment and Performance Analysis Program can be located in the Key Assumptions section of Exhibit A in NERC's 2012 Business Plan and Budget.

MRO analyzes, assesses, and reports on reliability and adequacy in the past, present, and future. This includes the long-term and seasonal assessments developed by the MRO Operating Committee ("OC"), and the Planning Committee ("PC"), and their subcommittees as required by the Delegation Agreement. In addition, specific possible scenarios may be evaluated.

The OC and PC have balanced stakeholder representation, work with MRO staff, and report to the MRO Board. The OC and PC review and consolidate the reports of the overall reliability of the MRO Region, both existing and planned. The OC and PC verify that assessments performed within the MRO Region conform to MRO and NERC Reliability Standards related to system performance.

In 2012, continued attention will be given to transmission adequacy and security, protection and control standards, special protection scheme reviews, resource adequacy, demand response, reliability metrics, integration of renewable generation per Renewable Portfolio Standards, operational issues and event analysis, Eastern Interconnection Reliability Assessment Group ("ERAG"), NERC and regulatory data requests, electric system modeling data, and reviews of regional reliability criteria and procedures. In addition, the collection and validation of generation availability data will add to MRO's workload.

2012 Goals and Key Deliverables

- Annually review the overall reliability of the MRO Region and interregional BES for near-term and long-term planning horizons and provide planning horizon ("LTRA") assessment reports to the Board and NERC
- Review the seasonal assessments (summer and winter) of the MRO Region and interregional BES from an operational perspective
- Review the post seasonal assessments (summer and winter) of the BES to determine if the system performed according to the preseason plans
- Review system disturbance reports and event analyses to assure the appropriate analysis is performed and that lessons learned are identified and shared with the industry
- Annually (or as often as required by NERC), assess the MRO Region for an emerging issue/scenario as determined by NERC
- Perform special reliability assessments on a Regional, Interregional, and Interconnection basis as conditions warrant, or as directed by the Board or NERC
- Coordinate with NERC on system event analyses on a Regional, Interregional, and Interconnection basis as conditions warrant
- Annually prepare an MRO set of electric system modeling data
- Perform legacy Regional Reliability Organization ("RRO") responsibilities associated with "fill in the blank" standards such as the PRC Standards, including mis-operations, review of special protection schemes, UFLS criteria, disturbance monitoring criteria, etc. until these responsibilies are transitioned to Registered Entities.
- Perform all regional responsibilities associated with the existing and future Reliability Standards, as they apply to MRO
- Participate in and represent the MRO Region in all ERAG and NERC groups, as required, that report to the ERAG Management Committee ("MC") and NERC Planning Committee ("PC") and Operating Committee ("OC")

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Penalty Sanctions – Total penalty monies to be received (and in escrow) and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO's Supplemental Financial Information section, Table B-2, page 63.

Personnel Expenses

- This item has increased in 2012 due to a staff addition to support the event analysis effort, specifically in the area of review of protection system operations.

Meeting Expenses

- Recognizing new facility savings in meeting costs due to hosting more meetings in the office versus renting a room. Expenditures in the "meeting expense" account will hold steady in 2012.

Operating Expenses

- 2012 Contracts expense, MRO staff in the Reliability Assessment and Performance Analysis Program will "hold steady" in 2012.

Indirect Expenses

- The total indirect expenses for 2012 are budgeted at $3,191,180, which reflects an increase of $485,561 year over year. The increase includes new facility costs one time in nature, as well as, on-going higher lease costs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- 2012 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Assessment and Performance Analysis

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
MRO Funding					
MRO Assessments	$ 1,989,269	$ 1,989,269	$ -	$ 2,319,561	$ 330,292
Penalty Sanctions	$ 33,812	$ 33,812	$ -	$ 115,428	$ 81,616
Total MRO Funding	**$ 2,023,081**	**$ 2,023,081**	**$ -**	**$ 2,434,989**	**$ 411,908**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	$ -	$ -	$ -	$ -	$ -
Services & Software	$ -	$ -	$ -	$ -	$ -
Workshops	$ -	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ 2,023,081**	**$ 2,023,081**	**$ -**	**$ 2,434,989**	**$ 411,908**
Expenses					
Personnel Expenses					
Salaries	$ 767,657	$ 767,657	$ -	$ 897,570	$ 129,913
Payroll Taxes	$ 57,732	$ 57,732	$ -	$ 70,021	$ 12,289
Benefits	$ 77,711	$ 77,711	$ -	$ 92,219	$ 14,508
Retirement Costs	$ 111,101	$ 111,101	$ -	$ 127,696	$ 16,595
Total Personnel Expenses	**$ 1,014,201**	**$ 1,014,201**	**$ -**	**$ 1,187,506**	**$ 173,305**
Meeting Expenses					
Meetings	$ 48,000	$ 48,000	$ -	$ 35,000	$ (13,000)
Travel	$ 103,000	$ 103,000	$ -	$ 96,500	$ (6,500)
Conference Calls	$ 6,000	$ 6,000	$ -	$ 7,500	$ 1,500
Total Meeting Expenses	**$ 157,000**	**$ 157,000**	**$ -**	**$ 139,000**	**$ (18,000)**
Operating Expenses					
Consultants & Contracts	$ 125,780	$ 125,780	$ -	$ 124,700	$ (1,080)
Office Rent	$ -	$ -	$ -	$ -	$ -
Office Costs	$ 36,250	$ 36,250	$ -	$ 40,350	$ 4,100
Professional Services	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Depreciation	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ 162,030**	**$ 162,030**	**$ -**	**$ 165,050**	**$ 3,020**
Total Direct Expenses	**$ 1,333,231**	**$ 1,333,231**	**$ -**	**$ 1,491,556**	**$ 158,325**
Indirect Expenses	**$ 678,799**	**$ 678,799**	**$ -**	**$ 893,391**	**$ 214,592**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 2,012,030**	**$ 2,012,030**	**$ -**	**$ 2,384,947**	**$ 372,917**
Change in Assets	**$ 11,051**	**$ 11,051**	**$ -**	**$ 50,042**	**$ 38,991**
Fixed Assets					
Depreciation	$ -	$ -	$ -	$ -	$ -
Computer & Software CapEx	$ -	$ -	$ -	$ -	$ -
Furniture & Fixtures CapEx	$ -	$ -	$ -	$ -	$ -
Equipment CapEx	$ -	$ -	$ -	$ -	$ -
Leasehold Improvements	$ -	$ -	$ -	$ -	$ -
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ (11,051)	$ (11,051)	$ -	$ (50,042)	$ (38,991)
Change in Fixed Assets	**$ (11,051)**	**$ (11,051)**	**$ -**	**$ (50,042)**	**$ (38,991)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

4. Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.15	0.18	0.03
Direct Expenses	$ 111,407	$ 152,666	$ 41,259
Indirect Expenses	$ 15,084	$ 20,001	$ 4,917
Inc(Dec) in Fixed Assets	$ 246	$ 1,120	$ 874
Total Funding Requirement	$ 126,737	$ 173,787	$ 47,050

Program Scope and Functional Description

Maintaining the reliability of the BES through implementation of the Reliability Standards requires informed and trained Regional and Registered Entity personnel. Education and training is one of the primary objectives of MRO. The education and training program specifically pertains to the implementation of the CMEP, the application of Reliability Standards, Reliability Assessment information, lessons learned from event analysis, expectations and responsibilities for the "fill in the blank" standards, and other related information pertinent to system reliability and compliance. The target audience for this program is Registered Entities.

MRO will provide training to Registered Entities through workshops, conferences, presentation opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to identify training opportunities for Registered Entities.

The objectives outlined in the key assumptions are intended to educate and train the industry on CMEP implementation, the requirements and application of the Standards, lessons learned, and elements of an effective compliance program.

2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Training, Education, and Operator Certification Program can be located in the Key Assumptions section of Exhibit A in NERC's 2012 Business Plan and Budget.

Registered Entities should have processes and procedures in place to ensure adherence with the Reliability Standards and address risks to reliability, which is why education and training is a key initiative for MRO. The MRO Compliance Committee assists and oversees the compliance and enforcement training and education initiatives for Registered Entities, including participation on CMEP workshops, and stakeholder forums and group training initiatives. The MRO Standards Committee assists and oversees the Reliability Standard requirement and application training for Registered Entities, including participation in Reliability Conferences. In addition, the stakeholder-only Mid-Continent Compliance Forum (MCCF) created in 2008, continues to be a forum for Registered Entities to share compliance information and procedures and processes used for the reliable operation of power systems, as well as evidence of compliance with the requirements in the Reliability Standards.

The MRO Hearing Body has a defined role in the implementation of the Compliance Enforcement portion of the program. MRO organizes and administers compliance enforcement training for Hearing Body participants.

2012 Goals and Key Deliverables

In addition to MRO management team participating in, and presenting at, various forum meetings (such as Transmission Forum, Generation Forum, MCCF, RTO/ISO, APDA, State Regulator meetings, etc.), MRO will provide four training forums (one CMEP workshop, one Reliability Conference, one CIP Conference, and one Hearing Body training conference).

Funding Sources and Requirements — Explanation of Increase (Decrease)

For 2012, MRO will provide training to Registered Entities through workshops, presentation opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to try to identify training options for Registered Entities in the MRO Region so that they can also accomplish the objectives of the NERC program through a third party.

Funding Sources (Other than ERO Assessments)

- Penalty Sanctions – Total penalty monies to be received (in escrow) and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO's Supplemental Financial Information section, Table B-2, page 63.

Personnel Expenses

- Budgeted payroll taxes, benefits and retirement costs reflect an average cost per employee. Please refer to the 2011 Changes in Personnel Costs, section four, page 8, which explains MRO's benefit costs fluctuations.

Meeting Expenses

- Expenditures in the "meeting expense" account will hold steady in 2012

Travel Expenses

- Expenditures in "travel expense" account will increase in 2012 partially due to member travel reimbursement for those subject matter experts speaking at technical conferences.

Operating Expenses

- Office Costs – "office costs" account will hold steady in 2012.

Indirect Expenses

- The total indirect expenses for 2012 are budgeted at $3,191,180, which reflects an increase of $485,561 year over year. The increase includes new facility costs one time in nature, as well as, on-going higher lease costs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- 2012 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Training and Education

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
MRO Funding					
MRO Assessments	$ 125,986	$ 125,986	$ -	$ 171,203	$ 45,217
Penalty Sanctions	$ 751	$ 751	$ -	$ 2,584	$ 1,833
Total MRO Funding	**$ 126,737**	**$ 126,737**	**$ -**	**$ 173,787**	**$ 47,050**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	$ -	$ -	$ -	$ -	$ -
Services & Software	$ -	$ -	$ -	$ -	$ -
Workshops	$ -	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ 126,737**	**$ 126,737**	**$ -**	**$ 173,787**	**$ 47,050**
Expenses					
Personnel Expenses					
Salaries	$ 23,749	$ 23,749	$ -	$ 35,852	$ 12,103
Payroll Taxes	$ 1,780	$ 1,780	$ -	$ 2,095	$ 315
Benefits	$ 305	$ 305	$ -	$ 2,065	$ 1,760
Retirement Costs	$ 4,073	$ 4,073	$ -	$ 6,154	$ 2,081
Total Personnel Expenses	**$ 29,907**	**$ 29,907**	**$ -**	**$ 46,166**	**$ 16,259**
Meeting Expenses					
Meetings	$ 47,500	$ 47,500	$ -	$ 48,500	$ 1,000
Travel	$ 14,000	$ 14,000	$ -	$ 38,000	$ 24,000
Conference Calls	$ 15,000	$ 15,000	$ -	$ 15,000	$ -
Total Meeting Expenses	**$ 76,500**	**$ 76,500**	**$ -**	**$ 101,500**	**$ 25,000**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	$ -	$ -	$ -	$ -	$ -
Office Costs	$ 5,000	$ 5,000	$ -	$ 5,000	$ -
Professional Services	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Depreciation	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ 5,000**	**$ 5,000**	**$ -**	**$ 5,000**	**$ -**
Total Direct Expenses	**$ 111,407**	**$ 111,407**	**$ -**	**$ 152,666**	**$ 41,259**
Indirect Expenses	**$ 15,084**	**$ 15,084**	**$ -**	**$ 20,001**	**$ 4,917**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 126,491**	**$ 126,491**	**$ -**	**$ 172,667**	**$ 46,176**
Change in Assets	**$ 246**	**$ 246**	**$ -**	**$ 1,120**	**$ 874**
Fixed Assets					
Depreciation	$ -	$ -	$ -	$ -	$ -
Computer & Software CapEx	$ -	$ -	$ -	$ -	$ -
Furniture & Fixtures CapEx	$ -	$ -	$ -	$ -	$ -
Equipment CapEx	$ -	$ -	$ -	$ -	$ -
Leasehold Improvements	$ -	$ -	$ -	$ -	$ -
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ (246)	$ (246)	$ -	$ (1,120)	$ (874)
Change in Fixed Assets	**$ (246)**	**$ (246)**	**$ -**	**$ (1,120)**	**$ (874)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

5. Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.90	0.18	(0.72)
Direct Expenses	$ 197,219	$ 59,508	$ (137,711)
Indirect Expenses	$ 90,507	$ 20,001	$ (70,506)
Inc(Dec) in Fixed Assets	$ (1,992)	$ (7,378)	$ (5,386)
Total Funding Requirement	$ 285,734	$ 72,131	$ (213,602)

Situation Awareness Program Scope and Functional Description

NERC and the Regions shall, through Reliability Coordinators and available tools, monitor present conditions on the bulk electric system and provide leadership coordination, technical expertise, and assistance to the industry in responding to events as necessary.

To accomplish these goals, NERC and the Regions will:

1. Maintain situation awareness of conditions on the bulk electric system;
2. Notify the industry of significant bulk electric system events that have occurred in one area, and which have the potential to impact reliability in other areas;
3. Maintain and strengthen high-level communication, coordination, and cooperation with governments and government agencies regarding real-time conditions; and
4. Enable the reliable operation of interconnected bulk electric systems by facilitating information exchange and coordination among reliability service organizations.

2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Situation Awareness and Infrastructure Security Program can be located in the Key Assumptions section of Exhibit A in NERC's 2012 Business Plan and Budget.

The Situation Awareness program includes costs and resources to review and respond to incidents and events that impact the reliability of the BES and respond to inquiries by NERC or others.

2012 Goals and Key Deliverables

The goal of the Situation Awareness program is to maintain awareness about the conditions of the BES and to respond to events by providing coordination assistance and communications between key parties. In 2012, staff will participate in the development of the second phase of the situation awareness tools and related processes.

Infrastructure Security Program Scope and Functional Description

NERC and the Regions coordinate electric industry activities to promote critical infrastructure protection of the BES in North America by taking a leadership role in critical infrastructure protection of the electricity sector to reduce vulnerability and improve mitigation and protection of the electricity sector's critical infrastructure.

2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for Critical Infrastructure Protection can be located in the Key Assumptions section of Exhibit A in NERC's 2012 Business Plan and Budget.

The Infrastructure Security Program is responsible for raising the awareness of security, promoting standard security practices, and aiding the Registered Entities in organizing and sharing security implementations specific to the electric utility sector.

The MRO Standards Committee will participate in the development of CIP standards, develop guidance on the application of standards, and provide opportunities for sharing security implementation approaches utilized by Registered Entities. The Standards Committee is comprised of MRO sector representatives and facilitated by MRO staff. Regional representatives also participate on the NERC Critical Infrastructure Protection Committee ("CIPC").

The Event Analysis, Compliance and Assessment areas within MRO have Situational Awareness responsibilities, which are budgeted in their respective areas.

2012 Goals and Key Deliverables

The goal is to provide effective communication, coordination and industry facilitation of all areas of security to ensure the region is prepared for cyber-related incidents.

Funding Requirements – Explanation of Increase (Decrease)

The 2012 Budget includes dollars for the MRO Standards Committee's travel to attend security related meetings and conferences.

Funding Sources (Other than ERO Assessments)

- Penalty Sanctions – Total penalty monies to be received (in escrow) and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO's Supplemental Financial Information section, Table B-2, page 63.

Personnel Expenses

- 2012 FTE has been reduced to reflect an increase in the stakeholder and NERC involvement.

- Personnel costs for Employee Paid Benefits – for details please refer to the 2012 Overview of Cost Impacts section, under Accounting, page 12. MRO was successful in lowering benefits costs by a (35%) reduction year over year.

Meeting Expenses

- Meeting expenses are decreased to reflect the re-allocation of Critical Infrastructure Protection SME team meeting costs to the Reliability Standards program, since the team reports to the MRO Standards Committee.

Operating Expenses

- Operating expenses are reduced slightly with the lower FTE.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2012. This method of accounting results in a decrease compared to 2011 based upon a reduction in FTEs in this program.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- 2012 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Situation Awareness and Infrastructure Security

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
MRO Funding					
MRO Assessments	$ 281,225	$ 281,225	$ -	$ 69,547	$ (211,678)
Penalty Sanctions	$ 4,508	$ 4,508	$ -	$ 2,584	$ (1,924)
Total MRO Funding	**$ 285,733**	**$ 285,733**	**$ -**	**$ 72,131**	**$ (213,602)**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	$ -	$ -	$ -	$ -	$ -
Services & Software	$ -	$ -	$ -	$ -	$ -
Workshops	$ -	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ 285,733**	**$ 285,733**	**$ -**	**$ 72,131**	**$ (213,602)**
Expenses					
Personnel Expenses					
Salaries	$ 102,680	$ 102,680	$ -	$ 30,779	$ (71,901)
Payroll Taxes	$ 7,674	$ 7,674	$ -	$ 2,031	$ (5,643)
Benefits	$ 13,771	$ 13,771	$ -	$ 2,065	$ (11,706)
Retirement Costs	$ 18,278	$ 18,278	$ -	$ 6,135	$ (12,143)
Total Personnel Expenses	**$ 142,404**	**$ 142,404**	**$ -**	**$ 41,010**	**$ (101,393)**
Meeting Expenses					
Meetings	$ 22,150	$ 22,150	$ -	$ -	$ (22,150)
Travel	$ 23,200	$ 23,200	$ -	$ 7,000	$ (16,200)
Conference Calls	$ -	$ -	$ -	$ -	$ -
Total Meeting Expenses	**$ 45,350**	**$ 45,350**	**$ -**	**$ 7,000**	**$ (38,350)**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	$ -	$ -	$ -	$ -	$ -
Office Costs	$ 6,000	$ 6,000	$ -	$ 3,000	$ (3,000)
Professional Services	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Depreciation	$ 3,465	$ 3,465	$ -	$ 8,498	$ 5,033
Total Operating Expenses	**$ 9,465**	**$ 9,465**	**$ -**	**$ 11,498**	**$ 2,033**
Total Direct Expenses	**$ 197,219**	**$ 197,219**	**$ -**	**$ 59,508**	**$ (137,710)**
Indirect Expenses	**$ 90,507**	**$ 90,507**	**$ -**	**$ 20,001**	**$ (70,506)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 287,726**	**$ 287,726**	**$ -**	**$ 79,509**	**$ (208,216)**
Change in Assets	**$ (1,992)**	**$ (1,993)**	**$ -**	**$ (7,378)**	**$ (5,386)**
Fixed Assets					
Depreciation	$ (3,465)	$ (3,465)	$ -	$ (8,498)	$ (5,033)
Computer & Software CapEx	$ -	$ -	$ -	$ -	$ -
Furniture & Fixtures CapEx	$ -	$ -	$ -	$ -	$ -
Equipment CapEx	$ -	$ -	$ -	$ -	$ -
Leasehold Improvements	$ -	$ -	$ -	$ -	$ -
(Incr)Dec in Fixed Assets	**$ 3,465**	**$ 3,465**	**$ -**	**$ 8,498**	**$ 5,033**
Allocation of Fixed Assets	$ (1,473)	$ (1,473)	$ -	$ (1,120)	$ 353
Change in Fixed Assets	**$ 1,992**	**$ 1,992**	**$ -**	**$ 7,378**	**$ 5,386**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ (1)**	**$ -**	**$ -**	**$ -**

6. Administrative Services

Administrative Services (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	7.15	7.85	0.70
Total Direct Expenses	$ 2,750,394	$ 3,161,615	$ 411,221
Inc(Dec) in Fixed Assets	$ (44,775)	$ 29,565	$ 74,340
Less: Other Funding Sources	$ -	$ -	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ 2,705,619	$ 3,191,180	$ 485,561
Funding Requirement for Working Capital	$ 266,678	$ (289,699)	$ (556,377)

Methodology for Allocation of Administrative Services Expenses to Programs

All expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated to the delegated program areas based on their respective number of FTEs. This allocation provides improved financial perspective for the delegated functions.

Program Scope and Functional Description

NERC's Administrative Services area includes all business and administrative functions of the organization, including technical committees and member forums, legal and regulatory, human resources, information technology, finance and accounting, and general expenses. Costs incurred for these services are allocated, as an indirect expense across NERC's other program areas.

6a. Technical Committees and Member Forums

Technical Committes and Member Forums (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.65	0.71	0.06
Expenses	$ 319,984	$ 295,946	$ (24,038)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

MRO staff and Registered Entities participate in various NERC committees, working groups and task forces. This participation provides for Regional Entity staff input as well as Registered Entity input into NERC governance and other activities.

2012 Key Assumptions

This budget item covers all travel costs for MRO staff participation in various NERC committees. It also covers MRO reimbursement of approved stakeholder travel costs for participation in the NERC committees as a representative of MRO.

2012 Goals and Key Deliverables

MRO's goal is to actively participate in NERC committees to best meet the goals of the Registered Entities in MRO.

Funding Sources and Requirements — Explanation of Increase (Decrease)

By policy, MRO reimburses approved regional stakeholder representatives for travel expenses.

Funding Sources (Other than ERO Assessments)

- In 2012, the expenses related to the indirect program areas are being allocated entirely to the direct programs, and therefore; have no ERO assessment revenue.

Personnel Expenses

- FTEs will hold steady in 2012.

- Budgeted payroll taxes, benefits and retirement costs reflect an average cost per employee. Please refer to the 2011 Changes in Personnel Costs, section four, page 8, which explains MRO's benefit costs fluctuations.

Meeting Expenses

- MRO does reimburse travel expenses for approved regional representatives. In previous budgets, MRO has budgeted member travel reimbursement based on the number of committees, working groups and standards drafting teams as though MRO will be attending at 100%, which has not been the case. The 2012 Budget has been projected as a more realistic attendance percentage.

Operating Expenses

- No operating expenses are budgeted in 2012.

Indirect Expenses

- Indirect program costs are allocated to the direct programs based on FTE count to the direct programs for 2012.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Technical Committees and Member Forums

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
MRO Funding					
MRO Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	$ -	$ -	$ -	$ -	$ -
Total MRO Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	$ -	$ -	$ -	$ -	$ -
Services & Software	$ -	$ -	$ -	$ -	$ -
Workshops	$ -	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 84,646	$ 84,646	$ -	$ 120,863	$ 36,217
Payroll Taxes	$ 6,272	$ 6,272	$ -	$ 7,352	$ 1,080
Benefits	$ 8,515	$ 8,515	$ -	$ 8,144	$ (371)
Retirement Costs	$ 14,450	$ 14,450	$ -	$ 19,587	$ 5,137
Total Personnel Expenses	**$ 113,884**	**$ 113,884**	**$ -**	**$ 155,946**	**$ 42,063**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	$ 206,100	$ 206,100	$ -	$ 140,000	$ (66,100)
Conference Calls	$ -	$ -	$ -	$ -	$ -
Total Meeting Expenses	**$ 206,100**	**$ 206,100**	**$ -**	**$ 140,000**	**$ (66,100)**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	$ -	$ -	$ -	$ -	$ -
Office Costs	$ -	$ -	$ -	$ -	$ -
Professional Services	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Depreciation	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Direct Expenses	**$ 319,984**	**$ 319,984**	**$ -**	**$ 295,946**	**$ (24,037)**
Indirect Expenses	**$ (319,984)**	**$ (319,984)**	**$ -**	**$ (295,946)**	**$ 24,038**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ (1)**
Fixed Assets					
Depreciation	$ -	$ -	$ -	$ -	$ -
Computer & Software CapEx	$ -	$ -	$ -	$ -	$ -
Furniture & Fixtures CapEx	$ -	$ -	$ -	$ -	$ -
Equipment CapEx	$ -	$ -	$ -	$ -	$ -
Leasehold Improvements	$ -	$ -	$ -	$ -	$ -
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ (1)**

6b. General and Administrative

General and Administrative (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.35	1.53	0.18
Expenses	$ 491,745	$ 532,968	$ 41,224
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ 266,678	$ (289,699)	$ (556,377)

Program Scope and Functional Description

The MRO General and Administrative function provides executive management of the corporation, management of the MRO office, and other administrative support programs.

2012 Key Assumptions

- The current economic downturn will continue into 2012 and adversely affect stakeholder travel budgets and resourcing for work in regional programs.
- MRO will continue the reimbursement of approved stakeholder travel costs for participation in the NERC committees.
- Any increase or decrease in assessments to achieve desired working capital reserve will be included in the General and Administrative area and to be allocated proportionately based on FTE to the direct programs.

2012 Goals and Key Deliverables

In the General and Administrative function, MRO will assure that there is adequate attention on the day-to-day management of the corporation that includes board governance, policies and procedures to maintain and enhance operation of the corporation, and proper record keeping and related responsibilities under regulations.

Funding Sources and Requirements — Explanation of Increase (Decrease)

The 2012 Budget includes increased travel dollars that reflect the trend of higher travel costs and reimbursement of expenses for the MRO Board of Directors.

Assessments

The Board approved a cash reserve policy to maintain 45 days of cash beginning in 2010 with funding increments of one-third each year, subject to periodic re-evaluation.

As documented in the April 2008 minutes, MRO staff recommended, and the Finance and Audit Committee approved, a cash reserve policy to maintain 45 days of cash. The MRO Board of Directors approved that the funding of the 45 day cash reserve begin in the 2010 budget with an initial funding amount of one-third of the projected requirements with other funding installments to follow in 2011 and 2012, subject to a re-evaluation of the reserves policy previously adopted by the MRO Finance and Audit Committee.

In March 2010, this policy was re-evaluated by the Finance and Audit Committee who recommended at the March 25, 2010 board meeting that no change be made to the current cash reserve policy. The board directed staff to apply the full 2009 budget underage of $583,678 to the reserves in 2010, and in 2011 assess the LSE's to the full 45 reserve days, thus reaching the current cash reserve policy in 2011.

At the June 16, 2011 board meeting, the Finance and Audit committee's recommendation to apply the 2010 budget under-run to the 2012 Assessment for G&A was approved by the MRO Board of Directors. The resulting impact on Working Capital reserve will be at the full 45 reserve days, thus meeting the current cash reserve policy in 2012.

Funding Sources (Other than ERO Assessments)

- In 2012, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Personnel Expenses

- Budgeted payroll taxes, benefits and retirement costs reflect an average cost per employee. Please refer to the 2011 Changes in Personnel Costs, section four, page 8, which explains MRO's benefit costs fluctuations.

Meeting Expenses

- The 2012 Budget includes decreased travel dollars that reflect the trend of lower travel costs and reimbursement of expenses for MRO Board of Directors members.

- MRO reimburses travel expenses for approved regional stakeholder representatives. In previous budgets, MRO has budgeted member travel reimbursement based on the number of committees, working groups and standards drafting teams as though MRO will be attending at 100%, which has not been the case. The 2012 Budget projects a more realistic attendance percentage.

Operating Expenses

- Other operating expenses are holding steady in 2012.

Indirect Expenses

- Indirect program costs are allocated to the direct programs based on FTE count to the direct programs for 2012.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
General and Administrative

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
MRO Funding					
MRO Assessments	$ 266,678	$ 266,678	$ -	$ (289,699)	$ (556,377)
Penalty Sanctions	$ -	$ -	$ -	$ -	$ -
Total MRO Funding	**$ 266,678**	**$ 266,678**	**$ -**	**$ (289,699)**	**$ (556,377)**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	$ -	$ -	$ -	$ -	$ -
Services & Software	$ -	$ -	$ -	$ -	$ -
Workshops	$ -	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ 266,678**	**$ 266,678**	**$ -**	**$ (289,699)**	**$ (556,377)**
Expenses					
Personnel Expenses					
Salaries	$ 188,293	$ 188,293	$ -	$ 253,887	$ 65,594
Payroll Taxes	$ 13,783	$ 13,783	$ -	$ 14,231	$ 448
Benefits	$ 15,525	$ 15,525	$ -	$ 17,549	$ 2,024
Retirement Costs	$ 22,791	$ 22,791	$ -	$ 32,554	$ 9,763
Total Personnel Expenses	**$ 240,393**	**$ 240,393**	**$ -**	**$ 318,221**	**$ 77,829**
Meeting Expenses					
Meetings	$ 35,000	$ 35,000	$ -	$ 31,554	$ (3,446)
Travel	$ 85,000	$ 85,000	$ -	$ 53,541	$ (31,459)
Conference Calls	$ 500	$ 500	$ -	$ 800	$ 300
Total Meeting Expenses	**$ 120,500**	**$ 120,500**	**$ -**	**$ 85,895**	**$ (34,605)**
Operating Expenses					
Consultants & Contracts	$ 60,000	$ 60,000	$ -	$ 60,000	$ -
Office Rent	$ -	$ -	$ -	$ -	$ -
Office Costs	$ 70,852	$ 70,852	$ -	$ 68,852	$ (2,000)
Professional Services	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Depreciation	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ 130,852**	**$ 130,852**	**$ -**	**$ 128,852**	**$ (2,000)**
Total Direct Expenses	**$ 491,745**	**$ 491,745**	**$ -**	**$ 532,968**	**$ 41,224**
Indirect Expenses	**$ (491,745)**	**$ (491,745)**	**$ -**	**$ (532,968)**	**$ (41,224)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1**
Change in Assets	**$ 266,678**	**$ 266,678**	**$ -**	**$ (289,699)**	**$ (556,378)**
Fixed Assets					
Depreciation	$ -	$ -	$ -	$ -	$ -
Computer & Software CapEx	$ -	$ -	$ -	$ -	$ -
Furniture & Fixtures CapEx	$ -	$ -	$ -	$ -	$ -
Equipment CapEx	$ -	$ -	$ -	$ -	$ -
Leasehold Improvements	$ -	$ -	$ -	$ -	$ -
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL CHANGE IN NET ASSETS	**$ 266,678**	**$ 266,678**	**$ -**	**$ (289,699)**	**$ (556,378)**

6c. Legal and Regulatory

Legal and Regulatory (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.65	0.73	0.08
Expenses	$ 361,309	$ 339,971	$ (21,338)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

MRO maintains 0.5 FTE corporate internal legal counsel to provide advice to the president, Board, and staff on legal and regulatory matters affecting MRO. MRO may use additional specialized legal resources on an as needed basis, for example; tax matters, employee benefit plan issues, and significant policy or FERC matters.

2012 Key Assumptions

- In the 2012 Budget, as in 2011, there are no specific funds for hearings under CMEP Rules, and MRO would use its current budget and reserves in the first instance.
- MRO has not budgeted any costs for significant changes in its Bylaws or related Rules in light of the significant amendments that went into effect on January 1, 2011.

2012 Goals and Key Deliverables

Legal and Regulatory functions are responsible for general corporate legal advice, timely and accurate filings to Regulatory authorities and external affairs. Outside legal will be used for any hearings.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- In 2012, the expenses related to the indirect program areas are allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Personnel Expenses

- Budgeted payroll taxes, benefits and retirement costs reflect an average cost per employee. Please refer to the 2011 Changes in Personnel Costs, section four, page 8, which explains MRO's benefit costs fluctuations.

Meeting Expenses

- For 2012, Meeting expenses decreased by eliminating 2011 budgeted meeting and conference call costs deemed as unnecessary expenditures in this program area. In addition, travel costs were slightly reduced.

Operating Expenses

- The 2012 Professional Services account was reduced to recognize the 0.5 FTE corporate internal legal counsel, which would reduce the need for outside counsel.

Indirect Expenses

- Indirect program costs are allocated to the direct programs based on FTE count to the direct programs for 2012.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Legal and Regulatory

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
MRO Funding					
MRO Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	$ -	$ -	$ -	$ -	$ -
Total MRO Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	$ -	$ -	$ -	$ -	$ -
Services & Software	$ -	$ -	$ -	$ -	$ -
Workshops	$ -	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 152,088	$ 152,088	$ -	$ 196,526	$ 44,438
Payroll Taxes	$ 11,607	$ 11,607	$ -	$ 11,569	$ (38)
Benefits	$ 7,475	$ 7,475	$ -	$ 2,638	$ (4,837)
Retirement Costs	$ 6,039	$ 6,039	$ -	$ 22,443	$ 16,404
Total Personnel Expenses	**$ 177,209**	**$ 177,209**	**$ -**	**$ 233,176**	**$ 55,967**
Meeting Expenses					
Meetings	$ 2,500	$ 2,500	$ -	$ -	$ (2,500)
Travel	$ 6,000	$ 6,000	$ -	$ 4,200	$ (1,800)
Conference Calls	$ 600	$ 600	$ -	$ -	$ (600)
Total Meeting Expenses	**$ 9,100**	**$ 9,100**	**$ -**	**$ 4,200**	**$ (4,900)**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	$ -	$ -	$ -	$ -	$ -
Office Costs	$ -	$ -	$ -	$ 2,595	$ 2,595
Professional Services	$ 175,000	$ 175,000	$ -	$ 100,000	$ (75,000)
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Depreciation	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ 175,000**	**$ 175,000**	**$ -**	**$ 102,595**	**$ (72,405)**
Total Direct Expenses	**$ 361,309**	**$ 361,309**	**$ -**	**$ 339,971**	**$ (21,338)**
Indirect Expenses	**$ (361,309)**	**$ (361,309)**	**$ -**	**$ (339,971)**	**$ 21,338**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets					
Depreciation	$ -	$ -	$ -	$ -	$ -
Computer & Software CapEx	$ -	$ -	$ -	$ -	$ -
Furniture & Fixtures CapEx	$ -	$ -	$ -	$ -	$ -
Equipment CapEx	$ -	$ -	$ -	$ -	$ -
Leasehold Improvements	$ -	$ -	$ -	$ -	$ -
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

6d. Information Technology

Information Technology (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.40	2.12	(0.28)
Expenses	$ 921,074	$ 1,100,652	$ 179,578
Inc(Dec) in Fixed Assets	$ (44,775)	$ 29,565	$ 74,340
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

MRO's Information Technology ("IT") department provides the systems and communications tools for staff to perform Regional Entity functions.

2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for Information Technology can be located in the Key Assumptions section of Exhibit A in NERC's 2012 Business Plan and Budget.

IT provides support and guidance for the technologies deployed at MRO. Technologies include office equipment such as copiers and faxes, servers to support connected and shared resources, printers, handheld devices, telephony, remote access and conference solutions as well as networking and security.

IT provides leadership in using technology effectively and securely. In doing so, users are more productive. The result is a keen focus on maintenance, investigation of issues, and deployment of new tools.

MRO IT department assesses patches, service packs, and upgrades in a semi-controlled environment, with select users, or within the department to assess whether or not the technology would provide an added benefit for the organization.

2012 Goals and Key Deliverables

The IT department's goal is 99.81% uptime on all systems.

Funding Sources and Requirements — Explanation of Increase (Decrease)

One significant annual expenditure is compliance with security requirements for MRO data and information. Much of the work involves tracking and documenting areas of authorization and access on a daily, weekly, monthly, quarterly, and annual basis. The coordination with other departments for quarterly security audits and training, as well as processes for adding and removing people, will increase the workload but create a clearer audit trail.

Funding Sources (Other than ERO Assessments)

- In 2012, the expenses related to indirect program areas are being allocated entirely to direct programs and therefore have no ERO assessment revenue.

Personnel Expenses

- Personnel costs for Employee Paid Benefits – for details please refer to the 2012 Overview of Cost Impacts section, under Accounting, page 12. MRO was successful in lowering benefits costs by a (35%) reduction year over year.

Meeting Expenses

- N/A

Operating Expenses

- 2012 Contracts increase is due to security requirements, and a higher number of FTEs requiring security licensing or credentials.

- 2012 Office costs are consistent with the higher number of FTEs requiring computer supplies and maintenance on an on-going basis, as well as, higher costs in training the IT staff in meeting the security requirements.

Indirect Expenses

- Indirect program costs are allocated to the direct programs based on FTE count to the direct programs for 2012.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- 2012 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs. The only negligible increase in Information Technology was a result of the addition of fixed assets related to normal business operations. A high percentage of capital equipment was purchased and placed in service in 2007 and will reach retirement in 2010 and 2012. Replacement equipment has been procured respectively, keeping asset levels steady.

Information Technology

Funding sources and related expenses for the Information Technology section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Information Technology

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
MRO Funding					
MRO Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	$ -	$ -	$ -	$ -	$ -
Total MRO Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	$ -	$ -	$ -	$ -	$ -
Services & Software	$ -	$ -	$ -	$ -	$ -
Workshops	$ -	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 212,173	$ 212,173	$ -	$ 178,051	$ (34,122)
Payroll Taxes	$ 15,674	$ 15,674	$ -	$ 14,134	$ (1,540)
Benefits	$ 41,930	$ 41,930	$ -	$ 24,316	$ (17,614)
Retirement Costs	$ 31,457	$ 31,457	$ -	$ 19,401	$ (12,056)
Total Personnel Expenses	**$ 301,234**	**$ 301,234**	**$ -**	**$ 235,902**	**$ (65,332)**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	$ -	$ -	$ -	$ 5,000	$ 5,000
Conference Calls	$ -	$ -	$ -	$ -	$ -
Total Meeting Expenses	**$ -**	**$ -**	**$ -**	**$ 5,000**	**$ 5,000**
Operating Expenses					
Consultants & Contracts	$ 157,800	$ 157,800	$ -	$ 278,500	$ 120,700
Office Rent	$ -	$ -	$ -	$ -	$ -
Office Costs	$ 194,700	$ 194,700	$ -	$ 201,250	$ 6,550
Professional Services	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Depreciation	$ 267,340	$ 267,340	$ -	$ 380,000	$ 112,660
Total Operating Expenses	**$ 619,840**	**$ 619,840**	**$ -**	**$ 859,750**	**$ 239,910**
Total Direct Expenses	**$ 921,074**	**$ 921,074**	**$ -**	**$ 1,100,652**	**$ 179,578**
Indirect Expenses	**$ (921,074)**	**$ (921,074)**	**$ -**	**$ (1,100,652)**	**$ (179,578)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets					
Depreciation	$ (267,340)	$ (267,340)	$ -	$ (380,000)	$ (112,660)
Computer & Software CapEx	$ 312,115	$ 312,115	$ -	$ 350,435	$ 38,320
Furniture & Fixtures CapEx	$ -	$ -	$ -	$ -	$ -
Equipment CapEx	$ -	$ -	$ -	$ -	$ -
Leasehold Improvements	$ -	$ -	$ -	$ -	$ -
(Incr)Dec in Fixed Assets	**$ (44,775)**	**$ (44,775)**	**$ -**	**$ 29,565**	**$ 74,340**
Allocation of Fixed Assets	$ 44,775	$ 44,775	$ -	$ (29,565)	$ (74,340)
Change in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

6e. Human Resources

Human Resources costs are included in Finance and Accounting.

6f. Human Resources, Finance, and Accounting

Accounting and Finance (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.10	2.76	0.66
Expenses	$ 656,283	$ 892,077	$ 235,795
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

Human Resources

The Human Resource function of MRO designs, plans, and implements Human Resource policies and procedures in adherence with applicable federal and state laws.

MRO has undertaken an in-depth approach to communicating its enterprise-wide corporate compliance and ethics program. MRO has increased its support of compliance and ethics through its improved employee screening and background check practices, enhanced employee on-board training, training and certification of compliance and ethics staff, and creating opportunities for additional employee training through meetings and workshops. MRO endeavors to continue to make opportunities for increased understanding of compliance and ethics throughout the organization by taking proactive measures to review and develop policies, continue the training and education of staff, and organize compliance and ethics awareness events.

Finance and Accounting

The Finance and Accounting function directs the overall financial plans and accounting practices of the organization; oversees treasury, accounting, budget, tax, and audit activities; oversees financial and accounting system controls and standards.

2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for Finance and Administrative can be located in the Key Assumptions section of Exhibit A in NERC's 2012 Business Plan and Budget.

2012 Goals and Key Deliverables

- Forecasts and projections
- Payroll and expense administration
- Preparation of Quarterly Financial Statements
- IRS Reporting - Form 990

- Review and improve fiscal controls
- Annual Independent Audit initiated by the Regional Entity
- Enterprise-wide Corporate Compliance and Ethics Program

Funding Sources and Requirements — Explanation of Increase (Decrease)

MRO efforts are not limited to, but include; maintenance of core employee benefits, offsets to non-core benefits when necessary, analysis of office and other operational costs, improving efficiencies, and establishing uniformity in methodologies of cost allocation. MRO staff further explores improved cost effectiveness of routine expenses, and pursues early detection and quick resolution of budget concerns, lessening the impact of cost adjustments. It is our intent to continuously detect and address any risks.

Funding Sources (Other than ERO Assessments)

- In 2012, the expenses related to indirect program areas are being allocated entirely to direct programs and therefore have no ERO assessment revenue.

Personnel Expenses

- Personnel expenses have increased in 2012 reflecting an increase of 0.66 FTEs.

- Personnel costs for Employee Paid Benefits – for details please refer to the 2012 Overview of Cost Impacts section, under Accounting, page 12. MRO was successful in lowering benefits costs by a (35%) reduction year over year.

Meeting Expenses

- The slight decrease in travel reflects cost management for attending the NERC and Regional budget groups.

Operating Expenses

- The 2012 Budget includes budgeted Leasehold Improvements, and a related increase in budgeted Office Rent, for a new facility. MRO staff was given the authority to seek alternative facilities, to address MRO's growing need for more meeting facilities, and additional space for the higher number of FTEs.
- A decrease in Consultant and Contracts costs are due to a flat FTE count in 2012 and no recruiting costs have been included.
- Professional Services expenses increased as a result of expanding our annual financial audit to include IT security.

Indirect Expenses

- Indirect program costs are allocated to the direct programs based on FTE count to the direct programs for 2012.

Other Non-Operating Expenses

- The 2012 Budget includes a one-time relocation cost relating to budgeted facility move of $77,484.

Fixed Asset Additions

- 2012 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Human Resources, Finance, and Accounting

Funding sources and related expenses for the Human Resources, Accounting, and Finance section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Finance and Accounting

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
MRO Funding					
MRO Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	$ -	$ -	$ -	$ -	$ -
Total MRO Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	$ -	$ -	$ -	$ -	$ -
Services & Software	$ -	$ -	$ -	$ -	$ -
Workshops	$ -	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 196,157	$ 196,157	$ -	$ 252,503	$ 56,346
Payroll Taxes	$ 14,453	$ 14,453	$ -	$ 20,061	$ 5,608
Benefits	$ 29,500	$ 29,500	$ -	$ 25,922	$ (3,578)
Retirement Costs	$ 26,619	$ 26,619	$ -	$ 34,235	$ 7,616
Total Personnel Expenses	**$ 266,730**	**$ 266,730**	**$ -**	**$ 332,721**	**$ 65,992**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	$ 5,000	$ 5,000	$ -	$ 3,000	$ (2,000)
Conference Calls	$ -	$ -	$ -	$ -	$ -
Total Meeting Expenses	**$ 5,000**	**$ 5,000**	**$ -**	**$ 3,000**	**$ (2,000)**
Operating Expenses					
Consultants & Contracts	$ 56,200	$ 56,200	$ -	$ 19,576	$ (36,624)
Office Rent	$ 223,800	$ 223,800	$ -	$ 391,680	$ 167,880
Office Costs	$ 65,500	$ 65,500	$ -	$ 66,100	$ 600
Professional Services	$ 39,053	$ 39,053	$ -	$ 79,000	$ 39,947
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Depreciation	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ 384,553**	**$ 384,553**	**$ -**	**$ 556,356**	**$ 171,803**
Total Direct Expenses	**$ 656,283**	**$ 656,283**	**$ -**	**$ 892,077**	**$ 235,795**
Indirect Expenses	**$ (656,283)**	**$ (656,283)**	**$ -**	**$ (969,561)**	**$ (313,279)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ 77,484**	**$ 77,484**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ (1)**
Fixed Assets					
Depreciation	$ -	$ -	$ -	$ -	$ -
Computer & Software CapEx	$ -	$ -	$ -	$ -	$ -
Furniture & Fixtures CapEx	$ -	$ -	$ -	$ -	$ -
Equipment CapEx	$ -	$ -	$ -	$ -	$ -
Leasehold Improvements	$ -	$ -	$ -	$ 211,000	$ 211,000
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ (211,000)**	**$ (211,000)**
Allocation of Fixed Assets	$ -	$ -	$ -	$ 211,000	$ 211,000
Change in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ (1)**

Section B – Supplemental Financial Information

2012 Business Plan and Budget

Section B — Supplemental Financial Information

1. Supplemental Financial Information Reserve Balance

Table B-1

Working Capital Reserve Analysis 2011-2012		
STATUTORY		
Beginning Working Capital Reserve (Deficit), December 31, 2010		1,139,666
Plus: 2011 MRO Funding (from LSEs or designees)		8,397,503
Less: 2011 Projected expenses & capital expenditures		(8,130,825)
Projected Working Capital Reserve (Deficit), December 31, 2011		**1,406,344**
Desired Working Capital[1] Reserve, December 31, 2012	[2]	1,116,645
Less: Projected Working Capital Reserve, December 31, 2011		(1,406,344)
Increase(decrease) in assessments to achieve desired Working Capital Reserve		(289,699)
2012 Expenses and Capital Expenditures		9,057,229
Less: Penalty Sanctions	[3]	(418,500)
Less: Other Funding Sources		0
Adjustment to achieve desired Working Capital Reserve		(289,699)
2012 MRO Assessment		8,349,030

[1] For the purpose of this schedule, the Working Capital Reserves are equivalent to cash reserves.

[2] On April 2008, the MRO Finance and Audit Committee approved a desired working capital reserve of 45 days of cash.

[3] Represents collections on or prior to June 30, 2011. See page 60 for full disclosure.

2. Explanation of Changes in Reserve Policy from Prior Years

The Board approved a cash reserve policy to maintain 45 days of cash beginning in 2010 with funding increments of one-third each year, subject to periodic re-evaluation.

As documented in the April 2008 minutes, MRO staff recommended, and the Finance and Audit Committee approved, a cash reserve policy to maintain 45 days of cash. The MRO Board of Directors approved that the funding of the 45 day cash reserve begin in the 2010 budget with an initial funding amount of one-third of the projected requirements with other funding installments to follow in 2011 and 2012, subject to a re-evaluation of the reserves policy previously adopted by the MRO Finance and Audit Committee.

In March 2010, this policy was re-evaluated by the Finance and Audit Committee who recommended at the March 25, 2010 board meeting that no change be made to the current cash

reserve policy. The board directed staff to apply the full 2009 budget underage of $583,678 to the reserves in 2010, and in 2011 assess the LSE's to the full 45 reserve days, thus reaching the current cash reserve policy in 2011.

At the June 16, 2011 board meeting, the Finance and Audit committee's recommendation to apply the 2010 budget under-run to the 2012 Assessment for G&A was approved by the MRO Board of Directors. The resulting impact on Working Capital reserve will be at the full 45 reserve days, thus meeting the current cash reserve policy in 2012.

3. Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities on page 15 of the 2012 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2011 are to be used to offset assessments in the 2012 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2011 through June 30, 2012 will be used to offset assessments in the 2013 Budget.

All penalties received prior to June 30, 2011 are listed below, including the amount and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-2

Penalty Sanctions Received On or Prior to June 30, 2011	Date Received	Amount Received
	7/19/2010	$ 125,000
	12/6/2010	$ 23,000
	12/15/2010	$ 6,000
	12/30/2010	$ 62,500
	2/1/2011	$ 25,000
	2/8/2011	$ 2,500
	2/24/2011	$ 2,500
	4/5/2011	$ 3,000
	4/11/2011	$ 120,000
	4/21/2011	$ 45,000
	6/3/2011	$ 4,000
Total Penalties Received		$ 418,500

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (excluding MRO Assessments & Penalty Sanctions)	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Reliability Standards				
Total	$ -	$ -	$ -	$ -
Compliance Monitoring, Enforcement & Org. Registration				
Workshops	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Reliability Assessment and Performance Analysis				
Miscellaneous	$ -	$ -	$ -	$ -
Federal Grants	-	-	-	-
Total	$ -	$ -	$ -	$ -
Training and Education				
Workshops	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Situation Awareness and Infrastructure Security				
Federal Grants	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Technical Committees and Member Forums				
Total	$ -	$ -	$ -	$ -
General and Administrative				
Miscellaneous	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Total Outside Funding	$ -	$ -	$ -	$ -

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

MRO does not earn interest income. Our general banking account offsets the bank charges with any earned interest.

4. Personnel Expenses

Table B-4

Personnel Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Salaries					
Total Salaries	$ 4,065,185	$ 4,065,185	$ 4,513,030	$ 447,845	11.0%
Total Payroll Taxes	$ 305,215	$ 305,215	$ 300,538	$ (4,677)	-1.5%
Total Benefits	$ 632,490	$ 632,490	$ 412,899	$ (219,591)	-34.7%
Total Retirement	$ 561,627	$ 561,627	$ 574,473	$ 12,846	2.3%
Total Personnel Costs	$ 5,564,517	$ 5,564,517	$ 5,800,940	$ 236,423	4.2%
FTEs	34.50	34.50	37.00	2.50	7.2%
Cost per FTE					
Salaries	$ 117,831	$ 117,831	$ 121,974	$ 4,142	3.5%
Payroll Taxes	$ 8,847	$ 8,847	$ 8,123	$ (724)	-8.2%
Benefits	$ 18,333	$ 18,333	$ 11,159	$ (7,174)	-39.1%
Retirement	$ 16,279	$ 16,279	$ 15,526	$ (753)	-4.6%
Total Cost per FTE	**$ 161,290**	**$ 161,290**	**$ 156,782**	**$ (4,508)**	**-2.8%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Please refer to the 2012 Overview of Cost Impacts on page 12 for Personnel costs of Employee Paid Benefits. MRO was successful in lowering benefit costs by a (35%) reduction year to year.

5. Consultants and Contracts

Table B-5

Consultants	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Consultants					
Reliability Standards	$ -	$ -	$ -	$ -	
Compliance and Organization Registration and Certification	$ 75,000	$ 75,000	$ 131,000	$ 56,000	75%
Reliability Assessment and Performance Analysis (Secure Portal Dev for Periodic Data Collection)	$ 50,000	$ 50,000	$ 40,000	$ (10,000)	-20%
Training and Education	$ -	$ -	$ -	$ -	
Situation Awareness and Infrastructure Security	$ -	$ -	$ -	$ -	
Committee and Member Forums	$ -	$ -	$ -	$ -	
General and Administrative	$ 60,000	$ 60,000	$ 60,000	$ -	0%
Legal and Regulatory	$ -	$ -		$ -	
Information Technology	$ 60,000	$ 60,000	$ 120,000	$ 60,000	100%
Human Resources	$ -	$ -	$ -	$ -	
Accounting and Finance	$ 11,000	$ 11,000	$ 5,000	$ (6,000)	-55%
Consultants Total	$ 256,000	$ 256,000	$ 356,000	$ 100,000	39%

Contracts	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Contracts					
Outsource Standards Tracking Software Applications	$ 12,000	$ 12,000	$ 12,000	$ -	0%
Subtotal - Reliability Standards Contracts	**$ 12,000**	**$ 12,000**	**$ 12,000**	$ -	0%
Outsource Compliance Information Tracking Applications				-	
Subtotal - Compliance and Organization Registration and Certification Contracts	$ 71,000	$ 71,000	$ 171,000	$ 100,000	141%
	$ 71,000	**$ 71,000**	**$ 171,000**	$ 100,000	141%
Model Series Development (MRO's portion of expenses of the MMWG/ERAG)	$ 21,920	$ 21,920	$ 24,000	$ 2,080	9%
Model Building	$ 31,360	$ 31,360	$ 38,000	$ 6,640	21%
PTI Software	$ 22,500	$ 22,500	$ 22,700	$ 200	1%
Subtotal - Reliability Assessments Contracts	**$ 75,780**	**$ 75,780**	**$ 84,700**	$ 8,920	12%
Cisco	$ 16,000	$ 16,000	$ 20,000	$ 4,000	25%
Barracuda	$ 8,000	$ 8,000	$ 8,000	$ -	0%
Facilities / Security	$ -	$ -	$ -	$ -	
Lyris	$ 16,000	$ 16,000	$ 2,000	$ (14,000)	-88%
DigiCert SSL	$ 2,000	$ 2,000	$ -	$ (2,000)	-100%
Verisign - Domain Renewal	$ 2,500	$ 2,500	$ 800	$ (1,700)	-68%
Great Plains	$ 800	$ 800	$ 8,500	$ 7,700	963%
Globalscape EFT	$ -	$ -	$ 6,500	$ 6,500	
Symantec Antivirus	$ 6,500	$ 6,500	$ 14,000	$ 7,500	115%
Varonis File Maintenance	$ 10,000	$ 10,000	$ 4,000	$ (6,000)	-60%
Net App Data Storage Maintenance	$ 4,000	$ 4,000	$ 38,000	$ 34,000	850%
Net App Shelves	$ 18,000	$ 18,000	$ 3,000	$ (15,000)	-83%
Net App 2050 & 2040	$ -	$ -	$ 15,000	$ 15,000	
VMWare	$ 14,000	$ 14,000	$ 14,000	$ -	0%
OCS Maintenance	$ -	$ -	$ 3,000	$ 3,000	
Sharepoint Maintenance	$ -	$ -	$ 17,000	$ 17,000	
SmartPhone Maintenance	$ -	$ -	$ 2,000	$ 2,000	
Server Support	$ -	$ -	$ 2,700	$ 2,700	
Subtotal - Information Technology Contracts	**$ 97,800**	**$ 97,800**	**$ 158,500**	**$ 60,700**	62%
401K / 457b, 457f 3rd Party Administrator	$ 3,200	$ 3,200	$ 5,000	$ 1,800	56%
FSA 3rd Party Administrator	$ 1,200	$ 1,200	$ 1,200	$ -	0%
Benefits 3rd Party Administrator	$ 3,200	$ 3,200	$ 2,376	$ (824)	-26%
CPI-457b 3rd Party Administrator	$ 1,500	$ 1,500	$ -	$ (1,500)	-100%
Payroll 3rd Party Administrator	$ 6,100	$ 6,100	$ 6,000	$ (100)	-2%
HR-Employment Costs	$ 30,000	$ 30,000	$ -	$ (30,000)	-100%
Subtotal - HR and Finance Contracts	**$ 45,200**	**$ 45,200**	**$ 14,576**	$ (30,624)	-68%
Contracts Total	$ 301,780	$ 301,780	$ 440,776	$ 138,996	46%
Total Consulting and Contracts	**$ 557,780**	**$ 557,780**	**$ 796,776**	**$ 238,996**	43%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Consulting Expenses

- Compliance and Organization Registration consulting expenses are budgeted to increase in 2012. Contractors are used to participate on audits and implement various compliance program projects and assignments.

- Reliability Assessments and Performance Analysis costs includes costs to administer the NERC Right of Way Clearance Alert.

- Information Technology uses outside consultants for new technology implementation.

Contract Expenses

- Compliance and Organization Registration costs increased for 2012 due to the CDMS change order contracts.

- Reliability Assessments and Performance Analysis costs increased for 2012 due to higher future costs for renewal or replacement of contracts reaching expiration.

- Information Technology costs increased due to CIP related requirements, and a higher FTE count requiring additional licensing.

- Human Resources and Finance costs decreased for 2012 due to a decrease in hiring costs. In addition, the FTE count will hold steady in 2012.

Table B-6

Office Rent	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Office Rent	$ 172,900	$ 172,900	$ 340,780	$ 167,880	97.10%
Utilities	$ 18,300	$ 18,300	$ 18,300	$ -	0.00%
Maintenance	$ 10,000	$ 10,000	$ 10,000	$ -	0.00%
Office Cleaning	$ 20,000	$ 20,000	$ 20,000	$ -	0.00%
Waste Management	$ 2,600	$ 2,600	$ 2,600	$ -	0.00%
Total Office Rent	**$ 223,800**	**$ 223,800**	**$ 391,680**	**$ 167,880**	**75.01%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Office Rent

- The 2012 Budget includes budgeted Leasehold Improvements and associated Office Rent for a new facility. MRO staff was given the authority to seek alternative facilities, to address MRO's growing need for more meeting facilities, and additional space for the higher number of FTEs.

Table B-7

Office Costs	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Phone Service					
Data Curciut (qmoe)	$ 20,400	$ 20,400	$ 20,000	$ (400)	-1.96%
Data Circuit (dsl)	$ -	$ -	$ -	$ -	
Inbound long distance	$ 8,400	$ 8,400	$ 8,400	$ -	0.00%
Voice Circuits	$ 12,000	$ 12,000	$ 12,000	$ -	0.00%
Business Cable	$ 3,300	$ 3,300	$ 3,300	$ -	0.00%
Sunguard 1/	$ 24,000	$ 24,000	$ -	$ (24,000)	-100.00%
Internet/Cell	$ 35,812	$ 35,812	$ 30,656	$ (5,156)	-14.40%
Office Supplies	$ 25,452	$ 25,452	$ 26,252	$ 800	3.14%
Employee Member Events	$ 17,000	$ 17,000	$ 17,800	$ 800	4.71%
Employee Related Expense (Drug Testing, Finder Fees Etc)	$ 7,000	$ 7,000	$ 8,500	$ 1,500	21.43%
Computer Supplies and Maintenance	$ 46,000	$ 46,000	$ 57,000	$ 11,000	23.91%
Publications & Subscriptions	$ 9,550	$ 9,550	$ 5,250	$ (4,300)	-45.03%
Professional Dues	$ 15,443	$ 15,443	$ 11,583	$ (3,860)	-25.00%
Postage	$ 1,800	$ 1,800	$ 2,000	$ 200	11.11%
Temporary Services	$ 1,500	$ 1,500	$ -	$ (1,500)	-100.00%
Finance-Filing/Reg Fees	$ 6,000	$ 6,000	$ 5,000	$ (1,000)	-16.67%
Equipment Repair/Service Contracts 1/	$ 48,000	$ 48,000	$ 92,350	$ 44,350	92.40%
Bank Charges	$ 6,000	$ 6,000	$ 12,400	$ 6,400	106.67%
Sales & Use Taxes	$ -	$ -	$ -	$ -	
Merchant Card Fees	$ -	$ -	$ -	$ -	
Presentation & Publicity & Supplies Promotional	$ 4,000	$ 4,000	$ 3,000	$ (1,000)	-25.00%
Departmental Functional Training	$ 100,763	$ 100,763	$ 121,228	$ 20,465	20.31%
Insurance Expense	$ 40,000	$ 40,000	$ 35,000	$ (5,000)	-12.50%
Total Office Costs	**$ 432,420**	**$ 432,420**	**$ 471,719**	**$ 39,299**	**9.09%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Office Costs

- Computer Supplies and Maintenance costs increased for 2012 due to a more accurate budgeted cost. Previous budgets understated the actual cost of Computer Supplies and related computer costs.

- Equipment Repair/Service Contract costs increased in 2012 partially by changing the account for additional data storage from the phone service account to equipment repair/service contracts account. The increase in 2012 is also attributable to existing service contracts, the copier maintenance contract and MRO's HVAC contract service.

Departmental Functional and Training Costs

- Compliance and Organization Registration costs increased for 2012 due to additional audit training with NERC. In addition, MRO budgeted training dollars in 2012 for a MRO staff achievement of a Master Degree in Security Technologies.

Table B-8

Professional Services	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Independent Trustee Fees	$ -	$ -	$ -	$ -	
Outside Legal	$ 175,000	$ 175,000	$ 115,000	$ (60,000)	-34.29%
Accounting & Auditing Fees	$ 23,000	$ 23,000	$ 53,000	$ 30,000	130.43%
Actuarial Fees	$ 16,053	$ 16,053	$ 26,000	$ 9,947	61.96%
Total Services	**$ 214,053**	**$ 214,053**	**$ 194,000**	**$ (20,053)**	**-9.37%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Outside legal was reduced to recognize the 0.5 FTE Corporate internal Legal Counsel.
- Accounting and Auditing fees were increased to address the additional audit scope of the IT security.
- Actuarial fees were increased in 2012 when MRO realized the 2010 Post Retirement Retiree Medical and Profit Sharing testing and valuation will continue at the same level as prior to the Pension Conversion. Savings are realized in the actual cost of the program, not by eliminating steps in testing and valuation.

Table B-9

Other Non-Operating Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Interest Expense	$ -	$ -	$ -	$ -	
Line of Credit Payment	$ -	$ -	$ -	$ -	
Office Relocation	$ -	$ -	$ -	$ 77,484	
Total Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ 77,484**	

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

The 2012 Budget includes a one-time relocation cost relating to budgeted facility move of $77,484.

Section C – Non-Statutory Activities

2012 Business Plan and Budget

Section C — 2011 Non-Statutory Business Plan and Budget

In the 2012 Business Plan and Budget, MRO will not have non-statutory functions.

Section D – Additional Consolidated Financial Statements

2012 Business Plan and Budget

Section D - Additional Financial Statements

1. 2012 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2012 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement: Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Functions: Non-Statutory Total
Funding																
MRO Funding																
MRO Assessments	8,349,029	8,349,029	-	8,349,029	454,789	5,623,628	2,319,561	171,203	69,547	-	(289,699)	-	-	-	-	-
Penalty Sanctions	418,500	418,500	-	418,500	22,827	275,076	115,428	2,584	2,584	-	-	-	-	-	-	-
Total MRO Funding	**8,767,529**	**8,767,529**	**-**	**8,767,529**	**477,616**	**5,898,704**	**2,434,989**	**173,787**	**72,131**	**-**	**(289,699)**	**-**	**-**	**-**	**-**	**-**
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	**8,767,529**	**8,767,529**	**-**	**8,767,529**	**477,616**	**5,898,704**	**2,434,989**	**173,787**	**72,131**	**-**	**(289,699)**	**-**	**-**	**-**	**-**	**-**
Expenses																
Personnel Expenses																
Salaries	4,513,030	4,513,030	-	4,513,030	153,497	2,393,502	897,570	35,852	30,779	120,863	253,887	196,526	178,051	-	252,503	-
Payroll Taxes	300,538	300,538	-	300,538	12,655	146,389	70,021	2,095	2,031	7,352	14,231	11,569	14,134	-	20,061	-
Benefits	412,899	412,899	-	412,899	18,238	219,744	92,219	2,065	2,065	8,144	17,549	2,638	24,316	-	25,922	-
Retirement Costs	574,473	574,473	-	574,473	20,652	285,616	127,696	6,154	6,135	19,587	32,554	22,443	19,401	-	34,235	-
Total Personnel Expenses	5,800,940	5,800,940	-	5,800,940	205,042	3,045,251	1,187,506	46,166	41,010	155,946	318,221	233,176	235,902	-	332,721	-
Meeting Expenses																
Meetings	134,254	134,254	-	134,254	13,000	6,200	35,000	48,500	-	-	31,554	-	-	-	-	-
Travel	578,440	578,440	-	578,440	42,000	189,199	96,500	38,000	7,000	140,000	53,541	4,200	5,000	-	3,000	-
Conference Calls	50,500	50,500	-	50,500	18,000	9,200	7,500	15,000	-	-	800	-	-	-	-	-
Total Meeting Expenses	763,194	763,194	-	763,194	73,000	204,599	139,000	101,500	7,000	140,000	85,895	4,200	5,000	-	3,000	-
Operating Expenses																
Consultants & Contracts	796,776	796,776	-	796,776	12,000	302,000	124,700	-	-	-	60,000	-	278,500	-	19,576	-
Office Rent	391,680	391,680	-	391,680	-	-	-	-	-	-	-	-	-	-	391,680	-
Office Costs	471,719	471,719	-	471,719	1,000	83,572	40,350	5,000	3,000	-	68,852	2,595	201,250	-	66,100	-
Professional Services	194,000	194,000	-	194,000	-	15,000	-	-	-	-	-	100,000	-	-	79,000	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	388,498	388,498	-	388,498	-	-	-	-	8,498	-	-	-	380,000	-	-	-
Total Operating Expenses	2,242,673	2,242,673	-	2,242,673	13,000	400,572	165,050	5,000	11,498	-	128,852	102,595	859,750	-	556,356	-
Total Direct Expenses	**8,806,807**	**8,806,807**	**-**	**8,806,807**	**291,042**	**3,650,422**	**1,491,556**	**152,666**	**59,508**	**295,946**	**532,968**	**339,971**	**1,100,652**	**-**	**892,077**	**-**
Indirect Expenses	-	-	-	-	176,678	2,129,027	893,391	20,001	20,001	(295,946)	(532,968)	(339,971)	(1,100,652)	-	(969,561)	-
Other Non-Operating Expenses	**77,484**	**77,484**	**-**	**77,484**	-	-	-	-	-	-	-	-	-	-	77,484	-
Total Expenses	**8,884,291**	**8,884,291**	**-**	**8,884,291**	**467,720**	**5,779,449**	**2,384,947**	**172,667**	**79,509**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Change in Assets	**(116,762)**	**(116,762)**	**-**	**(116,762)**	**9,896**	**119,255**	**50,042**	**1,120**	**(7,378)**	**-**	**(289,699)**	**-**	**-**	**-**	**-**	**-**
Fixed Assets																
Depreciation	(388,498)	(388,498)	-	(388,498)	-	-	-	-	(8,498)	-	-	-	(380,000)	-	-	-
Computer & Software CapEx	350,435	350,435	-	350,435	-	-	-	-	-	-	-	-	350,435	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	211,000	211,000	-	211,000	-	-	-	-	-	-	-	-	-	-	211,000	-
(Inc)Dec in Fixed Assets	**(172,937)**	**(172,937)**	**-**	**(172,937)**	**-**	**-**	**-**	**-**	**8,498**	**-**	**-**	**-**	**29,565**	**-**	**(211,000)**	**-**
Allocation of Fixed Assets	-	-	-	-	(9,896)	(119,255)	(50,042)	(1,120)	(1,120)	-	-	-	(29,565)	-	211,000	-
Change in Fixed Assets	**(172,937)**	**(172,937)**	**-**	**(172,937)**	**(9,896)**	**(119,255)**	**(50,042)**	**(1,120)**	**7,378**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**(289,699)**	**(289,699)**	**-**	**(289,699)**	**-**	**-**	**-**	**-**	**-**	**-**	**(289,699)**	**-**	**-**	**-**	**-**	**-**
FTEs	**37.0**	**37.0**	**-**	**37.0**	**1.6**	**19.2**	**8.0**	**0.2**	**0.2**	**0.7**	**1.5**	**0.7**	**2.1**	**-**	**2.8**	**-**

2. Statement of Financial Position

- As of December 31, 2010, per audit
- As of December 31, 2011, projected
- As of December 31, 2012, as budgeted

Statement of Financial Position
2010 Audited, 2011 Projection, and 2012 Budget
STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-10	Projected 31-Dec-11	Budget 31-Dec-12
ASSETS			
Cash	$ 2,315,809	$ 2,899,427	$ 2,584,586
Accounts receivable, net of allowance for uncollectible	$ -	$ -	$ -
Other receivables	$ -	$ -	$ -
Prepaid expenses and other current assets	$ 308,494	$ 350,000	$ 350,000
Property and equipment and capitalized software	$ 1,161,395	$ 1,202,705	$ 1,297,900
Total Assets	**$ 3,785,698**	**$ 4,452,132**	**$ 4,232,486**
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	$ 1,484,636	$ 1,442,746	$ 1,571,081
Deferred rent	$ 55,631	$ 30,000	$ -
Regional assessments collected in advance	$ 216,500	$ -	$ -
Deferred compensation	$ -	$ -	$ -
Accrued retirement liabilities	$ 220,902	$ 320,902	$ 420,902
Total Liabilities	**$ 1,977,669**	**$ 1,793,648**	**$ 1,991,983**
Net Assets - unrestricted	$ 1,808,029	$ 2,658,484	$ 2,240,503
Total Liabilities and Net Assets	**$ 3,785,698**	**$ 4,452,132**	**$ 4,232,486**

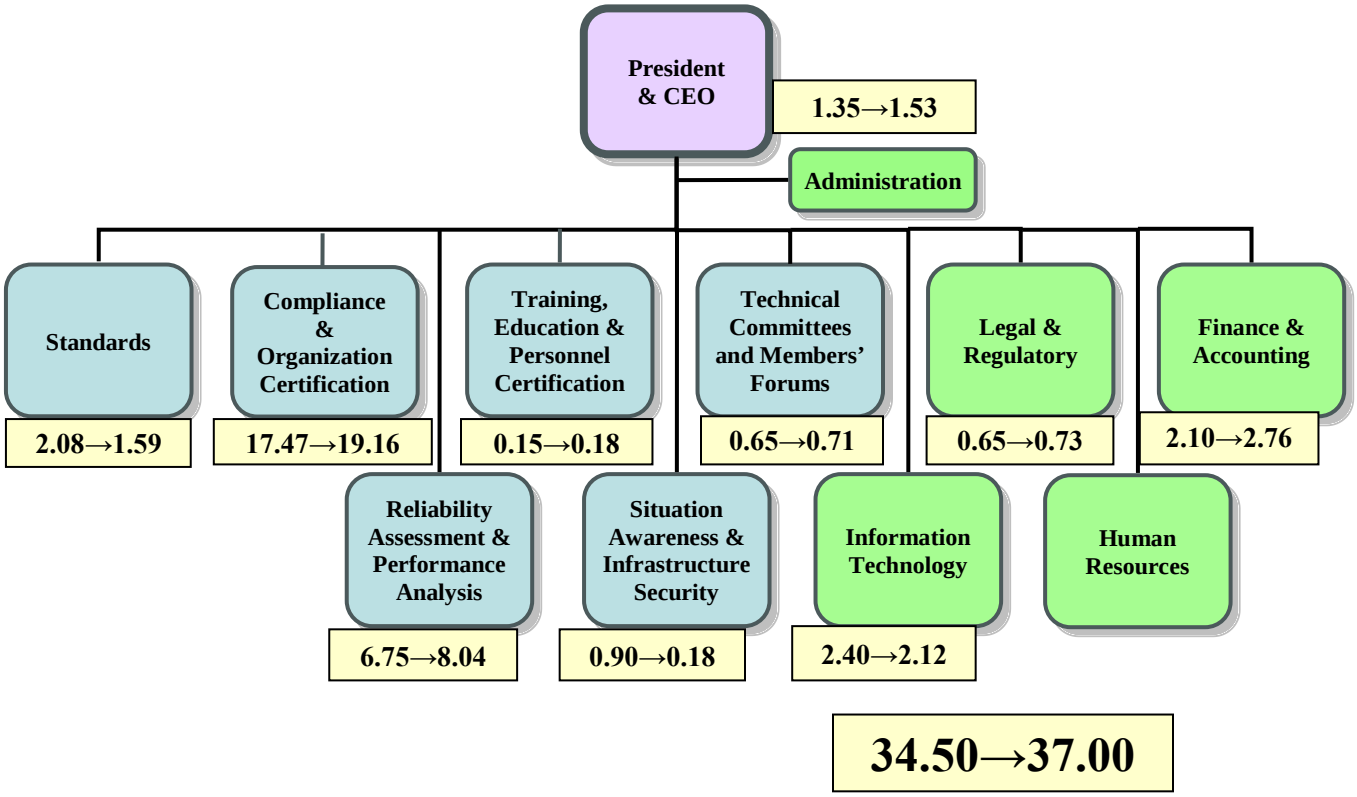
3. Statement of Activities and Capital Expenditures

Statement of Activities and Capital Expenditures
2012 Expenses and Capital Expenditures & Projected 2013 and 2014 Budgets

	2012 Budget	2013 Projection	$ Change 12 v 13	% Change 12 v 13	2014 Projection	$ Change 13 v 14	% Change 13 v 14
Funding							
ERO Funding							
ERO Assessments	$ -	$ -	$ -		$ -	$ -	
Penalty Sanctions	$ -	$ -	$ -		$ -	$ -	
Total ERO Funding	**$ -**	**$ -**	**$ -**		**$ -**	**$ -**	
Membership Dues	$ -	$ -	$ -		$ -	$ -	
Testing Fees	$ -	$ -	$ -		$ -	$ -	
Services & Software	$ -	$ -	$ -		$ -	$ -	
Workshops	$ -	$ -	$ -		$ -	$ -	
Interest	$ -	$ -	$ -		$ -	$ -	
Miscellaneous	$ -	$ -	$ -		$ -	$ -	
Total Funding	**$ 8,767,529**	**$ 9,313,106**	$ 545,577	**6.2%**	**$ 9,860,711**	$ 547,605	**5.9%**
Expenses							
Personnel Expenses							
Salaries	$ 4,513,030	$ 4,818,551	$ 305,521	6.8%	$ 5,136,293	$ 317,742	6.6%
Payroll Taxes	$ 300,538	$ 320,975	$ 20,437	6.8%	$ 342,159	$ 21,184	6.6%
Benefits	$ 412,899	$ 454,189	$ 41,290	10.0%	$ 476,898	$ 22,709	5.0%
Retirement Costs	$ 574,473	$ 603,197	$ 28,724	5.0%	$ 633,356	$ 30,160	5.0%
Total Personnel Expenses	**$ 5,800,940**	**$ 6,196,911**	**$ 395,971**	**6.8%**	**$ 6,588,707**	**$ 391,796**	**6.3%**
Meeting Expenses							
Meetings	$ 134,254	$ 140,967	$ 6,713	5.0%	$ 148,015	$ 7,048	5.0%
Travel	$ 578,440	$ 607,362	$ 28,922	5.0%	$ 637,730	$ 30,368	5.0%
Conference Calls	$ 50,500	$ 53,025	$ 2,525	5.0%	$ 55,676	$ 2,651	5.0%
Total Meeting Expenses	**$ 763,194**	**$ 801,354**	**$ 38,160**	**5.0%**	**$ 841,421**	**$ 40,068**	**5.0%**
Operating Expenses							
Consultants & Contracts	$ 796,776	$ 836,615	$ 39,839	5.0%	$ 878,446	$ 41,831	5.0%
Office Rent	$ 391,680	$ 411,264	$ 19,584	5.0%	$ 431,827	$ 20,563	5.0%
Office Costs	$ 471,719	$ 495,305	$ 23,586	5.0%	$ 520,070	$ 24,765	5.0%
Professional Services	$ 194,000	$ 203,700	$ 9,700	5.0%	$ 213,885	$ 10,185	5.0%
Miscellaneous	$ -	$ -	$ -		$ -	$ -	
Depreciation	$ 388,498	$ 407,923	$ 19,425	5.0%	$ 428,319	$ 20,396	5.0%
Total Operating Expenses	**$ 2,242,673**	**$ 2,354,807**	**$ 112,134**	**5.0%**	**$ 2,472,547**	**$ 117,740**	**5.0%**
Total Direct Expenses	**$ 8,806,807**	**$ 9,353,072**	**$ 546,265**	**6.2%**	**$ 9,902,675**	**$ 549,604**	**5.9%**
Indirect Expenses	**$ -**	**$ -**	**$ -**		**$ -**	**$ -**	
Other Non-Operating Expenses	**$ 77,484**	**$ -**	**$ (77,484)**	**-100.0%**	**$ -**	**$ -**	
Total Expenses	**$ 8,884,291**	**$ 9,353,072**	**$ 468,781**	**5.3%**	**$ 9,902,675**	**$ 549,604**	**5.9%**
Change in Assets	**$ (116,762)**	**$ (39,966)**	**$ 76,796**	**-65.8%**	**$ (41,964)**	**$ (1,999)**	**5.0%**
Fixed Assets					-		
Depreciation	$ (388,498)	$ (407,923)	$ (19,425)	5.0%	$ (428,319)	$ (20,396)	5.0%
Computer & Software CapEx	$ 350,435	$ 367,957	$ 17,522	5.0%	$ 386,355	$ 18,398	5.0%
Furniture & Fixtures CapEx	$ -	$ -	$ -		$ -	$ -	
Equipment CapEx	$ -	$ -	$ -		$ -	$ -	
Leasehold Improvements	$ 211,000	$ -	$ (211,000)	-100.0%	$ -	$ -	
(Incr)Dec in Fixed Assets	**$ (172,937)**	**$ 39,966**	**$ 212,903**	**-123.1%**	**$ 41,964**	**$ 1,998**	**5.0%**
TOTAL CHANGE IN NET ASSETS	**$ (289,699)**	**$ -**	**$ 289,699**	**-100.0%**	**$ -**	**$ -**	**0.0%**
FTEs	37	38	1		39	1	

Attachment A

2011 to 2012 FTE Comparison Organization Chart



FTE Projection from 2011 to 2015

2011	2012	2013	2014	2015
34.5	37.0	38.0	39.0	40.0

DOCKET NO. RR11-__-000

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 5

NORTHEAST POWER COORDINATING COUNCIL, INC.

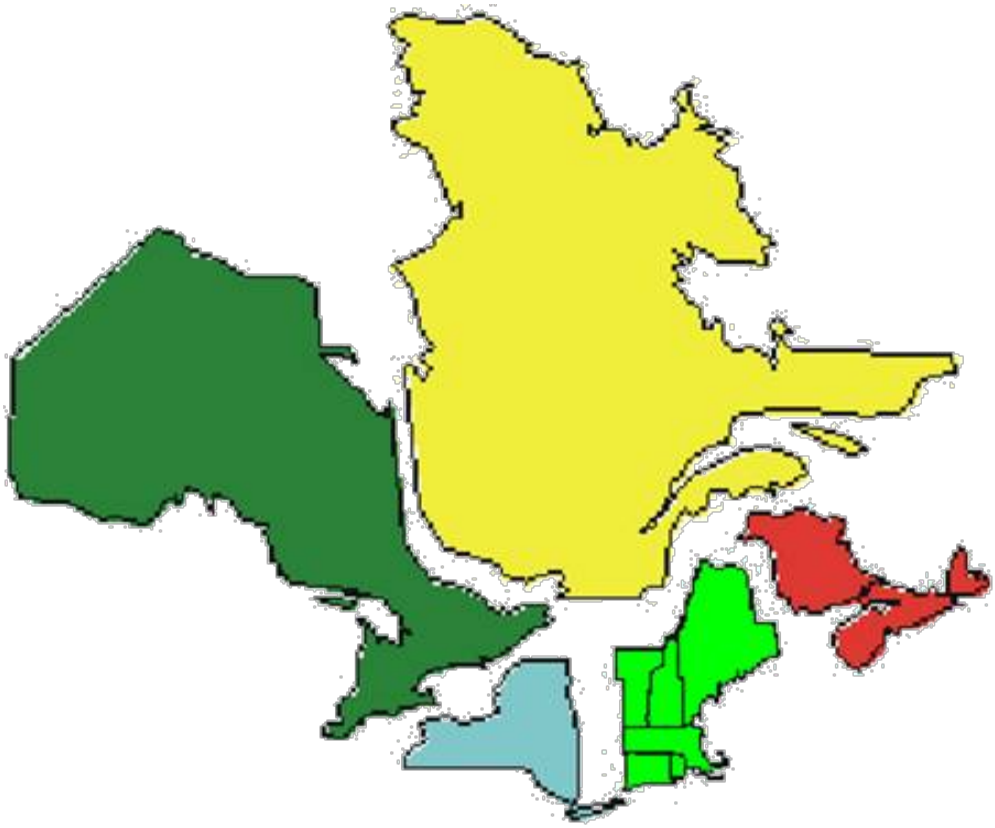
PROPOSED 2012 BUSINESS PLAN AND BUDGET

NPCC, Inc.

NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE OF THE AMERICAS, NEW YORK, NY 10018 TELEPHONE (212) 840-1070 FAX (212) 302-2782

Northeast Power Coordinating Council, Inc. (NPCC)

2012 Business Plan and Budget



Approved by
NPCC Board of Directors June 30, 2011
Resubmitted to NERC July 28, 2011

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Introduction

Total NPCC Resources (in whole dollars)	2012 Budget	U.S.	Canada	Mexico
Regional Entity Division FTEs	35.43			
Criteria Services Division FTEs	2.57			
Total FTEs	**38.0**			
Regional Entity Division Expenses	$13,752,342			
Criteria Services Division Expenses	$1,003,628			
Total Expenses	**$14,755,970**			
Regional Entity Division Inc(Dec) in Fixed Assets	**($73,564)**			
Criteria Services Division Inc(Dec) in Fixed Assets	**($5,336)**			
Total Inc(Dec) in Fixed Assets	**($78,900)**			
Regional Entity Division Working Capital Requirement**	**($323,075)**			
Criteria Services Division Working Capital Requirement***	**($41,528)**			
Total Working Capital Requirement	**($364,603)**			
Total Regional Entity Division Funding Requirement	$13,357,567			
Total Criteria Services Division Funding Requirement	$956,900			
Total Funding Requirement	**$14,314,467**			
Regional Entity Division Assessments	**$12,551,567**			
Regional Entity Division Assessments Percentage	**100.0%**			
Criteria Services Division Membership Fees	**$956,900**	**$436,396**	**$520,504**	
Total NPCC Assessments & Membership Fees	**$13,508,467**			
NEL	639,270,000	291,540,000	347,730,000	
NEL %	100%	45.61%	54.39%	

* Refer to Regional Entity Assessment Analysis on page 81 in Section A.
** Refer to Table B-1 on page 85 in Section B.
*** Refer to the Reserve Analysis on page 103 in Section C.

2012 Overview of Total NPCC Resource Requirements

Due to the international nature of NPCC, the total resource requirements including both Regional Entity division and Criteria Services division are identified above. The individual divisional explanations are contained in subsequent sections.

NPCC proposes to increase its total funding requirement from $13,430,711 to $14,314,467 in 2012, an increase of $883,756 or 6.6%. The proposed 2012 funding requirements will be satisfied by a Regional Entity division assessment of $12,551,567 and Criteria Services division fees of $956,900, an overall decrease of 1% compared to the 2011 total funding requirements of $13,430,711. NPCC believes that the Region remains an effective provider of Regional Entity and Criteria Services division functions. NPCC's corporate culture centers on consistent delivery of excellent results at a cost that is considerate of the longstanding tradition in the Northeast of affordable and reliable electricity.

Organizational Overview

Northeast Power Coordinating Council, Inc. (NPCC) is a 501(c)(6) not-for-profit corporation in the state of New York responsible for promoting and improving the reliability of the international, interconnected bulk power systems in Northeastern North America through (i) the development of Regional Reliability Standards and compliance assessment and enforcement of continent-wide and Regional Reliability Standards, coordination of system planning, design and

operations, and assessment of reliability (collectively, Regional Entity activities), and (ii) the establishment of Regionally-specific criteria, and monitoring and enforcement of compliance with such criteria (collectively, criteria services activities). NPCC provides the functions and services for Northeastern North America of a cross-border Regional Entity through a Regional Entity division, as well as Regionally-specific criteria services for Northeastern North America through a criteria services division. NPCC's website is www.npcc.org.

The NPCC Region covers nearly 1.2 million square miles and is populated by more than 55 million people. NPCC U.S. includes the six New England states and the state of New York. NPCC Canada includes the provinces of Ontario, Québec and the Maritime provinces of New Brunswick and Nova Scotia. In total, from a net energy for load perspective, NPCC is approximately 46% U.S. and 54% Canadian. With regard to Canada, approximately 70% of Canadian net energy for load is within the NPCC Region.

Effective January 1, 2011, NPCC executed an Amended and Restated Regional Delegation Agreement with the North American Electric Reliability Corporation (NERC) that delegates to NPCC certain responsibilities and authorities of a cross-border Regional Entity as defined by *Section 215* of the Federal Power Act in the U.S. In addition, NPCC has executed Memoranda of Understanding with Canadian provincial regulatory and/or governmental authorities in Ontario, Québec, New Brunswick and Nova Scotia.

In this 2012 business plan, NPCC has not included discretionary programs and has balanced the limited availability of funds with international reliability interests. The NPCC Board of Directors in its approval of the 2011 NPCC Business Plan and Budget tasked NPCC with establishing a base operating budget for 2012 reflecting the costs of efficient execution of existing operations and, in conjunction with NERC and other Regional Entities, developing justification for any necessary increases in resources to address identified additional requirements and proposing a long term strategy showing a measured growth approach in NPCC's Regional Entity division operations.

It is imperative that NPCC maintain its ability to carry out delegated authorities and responsibilities. NPCC has a 2012 targeted staffing level of 38 power industry professionals and support personnel. Details of the 2012 business plans and budget for each program area are included in Section A for the Regional Entity division. The 2012 Regional Entity division schedules are shown in Section B. Section C details the 2012 criteria services division business plan and budget.

Membership and Governance

NPCC monitors approximately 306 registered entities and some 614 functions in the Region for compliance with mandatory Reliability Standards. NPCC currently has approximately 79 members. There are two categories of membership, General and Full. The two categories distinguish between Regional Entity delegated services that are provided in support of the U.S. FERC and Canadian provincial MOUs or Agreements with regulatory and/or governmental authorities, and Criteria Services which FERC references as U.S. non-delegated activities.

General Membership is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the Electric Reliability Organization (ERO) that has an interest in the reliable operation of the Northeastern North American bulk power system. General Members which are also registered entities within the NPCC Region are subject to

compliance with Reliability Standards, consistent with their registration, and also receive additional services from the Regional Entity division of NPCC.

Full Membership is available to Members which are already General Members and participate in electricity markets in the Northeast. Independent system operators (ISOs), Regional transmission organizations (RTOs), Transcos and other organizations or entities that perform the Balancing Authority function operating in Northeastern North America are expected to be Full Members of NPCC. The New York State Reliability Council and any other sub-regional reliability councils which may be formed are also expected to be Full Members. Full Members are subject to compliance with Regionally-specific more stringent reliability criteria for their generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area and which are identified utilizing a reliability impact-based methodology, in addition to Reliability Standards, and receive additional services from the Criteria Services division of NPCC, which is not funded through the ERO.

The Corporate Governance and Nominating Committee performed significant examination of alternative corporate governance structures for NPCC culminating in unanimous Board of Directors endorsement of revisions to the Amended and Restated Bylaws of NPCC which were overwhelmingly approved by NPCC's Full and General Members. The NERC Board of Trustees at its May 11, 2011 meeting approved revisions as presented and in the weeks following filed petitions to obtain FERC approvals to facilitate NPCC implementation of the recommended board structure effective January 1, 2012. In summary, enhancements to the NPCC governance structure address trimming the relatively large size of the current Board structure, combining a sparsely populated stakeholder sector into another existing sector, introducing independent, outside perspectives from independent directors to be retained at the Board level creating a hybrid board structure, and establishing a mechanism for populating the hearing body to meet the requirement for impartial resolution of any contested compliance matters. The Hearing Body has been defined in the Bylaws as a group comprising the Hearing Officer (contracted by NPCC to preside over formal compliance hearings) and two Independent Directors (excluding the Board Chair).

Effective January 1, 2012 NPCC would be governed by a Board of Directors consisting of seven stakeholder voting sectors consisting of a maximum of two directors per sector, an independent sector consisting of two independent directors, an independent Board Chair with voting rights to preclude board deadlocks, and the President and CEO. Within NPCC, no two sectors can control and no one sector can block action. The voting sectors include:

Sector 1) Transmission Owners
Sector 2) Reliability Coordinators
Sector 3) Transmission Dependent Utilities, Distribution Companies, Load Serving Entities
Sector 4) Generator Owners
Sector 5) Marketers, Brokers and Aggregators
Sector 6) Regulators
Sector 7) Sub-Regional Reliability Councils, Customers, other Regional Entities and Interested Entities
Sector 8) Independent

A Finance and Audit Committee (FAC), a Pension Committee, a Corporate Governance and Nominating Committee (CGNC), and a Management Development and Compensation

Committee (MDCC) advise the Board on finance, governance, compensation and human resource matters. The Board endorses a non-employee, Certified Public Accountant for election by the NPCC Members as Treasurer of the corporation. The Treasurer chairs the FAC and works with the Chief Operating Officer who provides oversight of the finances of the corporation. The Treasurer reports to the Board on the corporation's financial position, on FAC activities, on tax code requirements, and on independent annual audit results and accounting practices.

The Regional Standards Committee (RSC), the Compliance Committee (CC), the Reliability Coordinating Committee (RCC), and the Public Information Committee, consistent with their approved scopes, are responsible for various reliability issues. The RSC, CC and RCC also provide technical policy recommendations to the Board. All General and Full Members are eligible for representation on the technical committees.

Industry technical experts from within the membership provide valuable input to the Board through various working groups and task forces as well as the committees. The *Amended and Restated Bylaws* will continue to establish NPCC's independence from users, owners and operators of the bulk power system through the enhanced governance structure while providing fair stakeholder representation in the selection of officers. The members, from each of the seven stakeholder voting sectors, vote to elect directors in their respective sector. The Amended and Restated Bylaws establish criteria for board service for both stakeholder and independent directors. Independent Directors will be drawn from diverse backgrounds and will possess a broad range of industry expertise, perspectives, experiences, skill sets and knowledge to contribute to the effective functioning of a hybrid board structure.

Compliance and enforcement activities are carried out by the NPCC compliance staff and are independent of all users, owners and operators of the international bulk power system and from the Hearing Officer. Compliance activities are governed in the United States by the *Amended and Restated Regional Delegation Agreement* between NERC and NPCC, delegating portions of NERC's authority as the ERO to NPCC. NPCC compliance activities in Canada are governed by an individual provincial Memorandum of Understanding (MOU) for each province providing the unique parameters for compliance and enforcement activities for each of the provinces. A MOU between the Independent Electricity System Operator in Ontario (IESO), NERC and NPCC establishes roles and responsibilities with regard to that province. NPCC, NERC and the New Brunswick System Operator are parties to a MOU that sets forth reliability activities for New Brunswick. The Régie de l'énergie, NERC and NPCC executed a MOU regarding the development of electric power transmission Reliability Standards and a program for the monitoring of the application of these standards for Québec. NPCC, NERC and Nova Scotia executed a MOU that sets forth the mutual understanding of the parties in relation to the approval and implementation of NERC Reliability Standards and NPCC Regional reliability criteria for the province of Nova Scotia.

The NPCC, Western Electricity Coordinating Council (WECC), and NERC Boards have each agreed, with required FERC approvals, that NPCC will become the Compliance Enforcement Authority (CEA) for WECC registered functions effective January 1, 2012 and will assume responsibility for the CMEP with respect to the WECC Reliability Coordinator (RC) and Interchange Authority (IA) registered functions. Thereafter, NPCC will perform for an initial period of three years ending December 31, 2014 all responsibilities of the CEA as specified in

the NERC uniform CMEP, Appendix 4C to the NERC Rules of Procedure with respect to the WECC registered functions.

WECC currently performs the RC function for the WECC Region, and is registered on the NERC *Compliance Registry* as the RC for the WECC Region. WECC also performs and is registered for the IA function. In an April, 2007 Order, FERC ruled that WECC's responsibility to enforce Reliability Standards applicable to WECC registered functions provides insufficient separation of functions, may result in a lack of independence in compliance monitoring and enforcement for WECC registered functions, and presents a deficiency in compliance monitoring and enforcement that should be remedied. In light of the Commission's directive, effective January 1, 2009 NERC and WECC entered into an agreement in which NERC has served as the CEA for WECC concerning compliance monitoring and enforcement of WECC RC and IA registered functions. Another Regional Entity by contractual agreement is currently serving as the CEA for two Regional Entities which also perform certain registered functions that require sufficient separation with regard to compliance monitoring and enforcement. Thus, there is precedent for one Regional Entity acting as the CEA with respect to reliability functions for which another Regional Entity is a registered entity.

WECC will compensate NPCC for all costs associated with the agreement. Based on mutual understanding an estimated $72,000 per year will be required to perform the CEA function for WECC such that WECC has included such funding in its 2012 Business Plan and Budget. The cost of the WECC CEA is excluded from the calculation of NPCC's assessments to Load Serving Entity designees and NPCC has included such income in its 2012 Business Plan and Budget.

NERC has filed a request for FERC's approval of an "Agreement Between Northeast Power Coordinating Council, Inc. and the Western Electricity Coordinating Council Concerning Compliance Monitoring and Enforcement of WECC Registered Functions" (NPCC-WECC-CEA Agreement). Currently, NERC acts as the Compliance Enforcement Authority ("CEA") for the WECC Registered Functions in the U.S. portion of the WECC Region, pursuant to an "Agreement Between North American Electric Reliability Corporation and Western Electricity Coordinating Council Concerning Compliance Monitoring and Enforcement of WECC Registered Functions" entered into effective January 1, 2009 (the "NERC-WECC CEA Agreement"). Additionally, NERC is requesting approval of an "Agreement Concerning Termination of 'Agreement Between North American Electric Reliability Corporation and Western Electricity Coordinating Council Concerning Compliance Monitoring and Enforcement of WECC Registered Functions'" (NERC-WECC Termination Agreement)

With FERC approvals, the transfer of Compliance Monitoring and Enforcement Program (CMEP) responsibilities for the WECC Registered Functions in the U.S. would transfer from NERC to NPCC and NPCC would assume responsibility effective January 1, 2012 for performing Regional Entity CMEP functions with respect to those reliability functions for which WECC is the registered entity within the United States portion of the WECC Region. Pursuant to the NPCC-WECC CEA Agreement and the NERC-WECC Termination Agreement, NPCC will succeed NERC as the CEA with respect to the WECC Registered Functions in the U.S portion of the WECC Region.

International Foundation

The Regional Entity functions and services differ according to particular regulatory backstop:

a) U.S. Foundation

The Federal Energy Regulatory Commission (FERC) certified NERC as the Electric Reliability Organization (ERO) on July 20, 2006. The ERO is responsible for developing and enforcing reliability standards within the United States. In executing part of its responsibilities, NERC delegates authority to the Regional Entities to perform certain functions through delegation agreements. Ensuring the reliability of the bulk power system in the state of New York and the six New England States was delegated from NERC to NPCC through the Amended and Restated Regional Delegation Agreement.

b) Ontario

On February 5, 2010, NERC, NPCC and the IESO amended and restated their earlier MOU, dated November 29, 2006, setting forth their mutual understanding as regards NERC's and NPCC's status in Ontario with respect to standard and criteria development, compliance enforcement, and other related matters. The IESO, whose statutory responsibilities include making and enforcing reliability standards, and making and enforcing Ontario market rules that govern the IESO-controlled grid and the wholesale electricity market, was established April 1, 1999 as the Independent Electricity Market Operator in Ontario under the *Electricity Act, 1998* (Ontario). The IESO is subject to the regulatory oversight of the Ontario Energy Board (OEB).

Among other things, the MOU recognizes that NERC and NPCC are standards authorities under the *Electricity Act, 1998* (Ontario). Additionally, under the authority of that same legislation, and as memorialized in the MOU, the NERC reliability standards and NPCC reliability criteria have effect in Ontario. However a 2008 amendment to the Electricity Act, 1998 (Ontario) allows the OEB to review these standards and criteria and issue orders preventing their implementation and remanding them back to NERC and NPCC.

The IESO is subject to compliance monitoring and enforcement by NPCC. The IESO is also subject to compliance monitoring and enforcement of the Ontario market rules by the IESO's Market Assessment and Compliance Division (MACD) that operates at arm's length from the IESO's business units. The MOU notes that where MACD, NERC, and NPCC engage in investigations pursuant to their respective mandates regarding compliance, MACD can request to take the lead. Moreover, of the three, MACD is the only entity that can assess financial penalties for any Ontario market participant's or the IESO's non-compliance with Ontario market rules, which includes non-compliance with NERC standards and NPCC criteria.

The MOU provides for a peer review process to promote the common compliance and enforcement objectives of NERC/NPCC and MACD. From the perspective of NPCC and NERC, this process, in part, is meant to assure registered entities outside of Ontario that the MACD program is rigorous, thorough and reliable.

The IESO is subject to NPCC assessments of compliance, including audits, as well as NPCC remedial action directives to correct non-compliance. In the event that the IESO disagrees with NPCC's finding of a violation or associated assessment of sanctions in connection with standards and criteria, the IESO has a right to a compliance hearing with NPCC.

c) Québec

The Régie de l'énergie, NERC and NPCC are parties to the May 8, 2009 *Agreement on the Development of Electric Power Transmission Reliability Standards and of Procedures and a Program for the Monitoring of the Application of These Standards for Québec* (the Agreement).

Under the terms of the Agreement, the Régie de l'énergie , which is charged with ensuring the reliability of the electric transmission in Québec, retained NPCC and NERC as experts to develop reliability standards and monitoring program procedures for the province. The Agreement contemplates the execution of a second agreement at a later date that will detail the mandates granted to NPCC and NERC by the Régie de l'énergie.

The Régie de l'énergie is a public body established by the *Act respecting the Régie de l'énergie* (the Act). Pursuant to its authority under the Act, the Régie de l'énergie issued its Decision D-2007- 95 of August 14, 2007, designating the Direction – Contrôle des mouvements d'énergie (System Control unit) of Hydro-Québec TransÉnergie (HQTE) as the Reliability Coordinator for Québec. In accordance with its mandate and as recognized in the Agreement, it is this entity that filed the application for approval of reliability standards and monitoring program procedures developed by NERC and NPCC for approval by the Régie de l'énergie.

At this time, while final regulatory approval of the implementing agreements is pending, NPCC is proceeding with its reliability assurance activities within Québec, including but not limited to events analysis, compliance audits and compliance investigations, consistent with the NPCC Amended and Restated Bylaws. The Régie de l'énergie, NERC and NPCC will execute a second agreement, which is currently being negotiated, to provide that NERC and NPCC will perform various processes including investigative functions and report their findings and any recommendations to the Régie de l'énergie. The investigative functions include, among other things, performing audits to determine if there is any basis for a violation of reliability standards. The Régie de l'énergie will handle reliability enforcement, including imposing any sanctions and penalties.

d) New Brunswick

The New Brunswick System Operator (NBSO), NPCC and NERC are parties to a November 19, 2008 MOU. The NBSO is a not-for-profit corporation which was established on October 1, 2004 under the Electricity Act (NB) and charged with developing and administering the wholesale electricity market and maintaining reliability of the integrated power system in New Brunswick. The Electricity Act (NB) also introduced mandatory reliability requirements for the bulk power system in the province. The NBSO is responsible under the Electricity Act (NB) to make and enforce the New Brunswick Electricity Market Rules ("Market Rules"), including developing, adopting and enforcing mandatory reliability requirements.

The MOU recognizes that both NERC and NPCC are "standards authorities" within the context of the Electricity Act (NB) and as defined in the Market Rules. Indeed, NERC and NPCC reliability standards are adopted under the Market Rules and are, therefore, currently in effect in New Brunswick.

The MOU provides that NPCC has responsibilities regarding compliance assessment and enforcement of NERC reliability standards that are applicable in New Brunswick. NPCC will monitor and assess NBSO compliance with standards and criteria that are applicable to the NBSO for its registered functions. NPCC will make recommendations to the New Brunswick Energy and Utilities Board regarding sanctions and penalties for any non-compliance as the MOU does not provide NPCC with that authority. The NBSO will be responsible for registering, monitoring, assessing and enforcing compliance for New Brunswick entities. To the extent that the NBSO imposes penalties on market participants for non-compliance, those monies will be dispensed in accordance with the provisions of the Market Rules.

Throughout the term of the MOU, NBSO and NPCC will work cooperatively in identifying ongoing opportunities to enhance NBSO's compliance program applicable to New Brunswick entities which may include periodic reviews by NPCC and the sharing of best practices.

e) Nova Scotia

Nova Scotia Power Incorporated (NSPI), NPCC and NERC are parties to a May 11, 2010 Memorandum of Understanding regarding the approval and implementation of mandatory NERC reliability standards and NPCC Regional reliability criteria. Pursuant to the MOU's terms, NERC and NPCC filed standards and criteria with the Nova Scotia Utility and Review Board (NSUARB) for approval on June 30, 2010. A decision from the NSUARB on both NERC and NPCC filings is anticipated by the end of August 2011. Once approved, the standards and criteria will become mandatory in Nova Scotia and NSPI will be subject to the NERC compliance monitoring and enforcement program, as implemented by NPCC.

NPCC will conduct compliance activities with respect to the standards and then forward any non-compliance information and recommendations to the NSUARB for use in enforcement proceedings. Enforcement will be administered by the NSUARB which will, among other things, determine whether a violation has occurred and, if so, what remedial measures or non-monetary penalties should be imposed.

Regional Entity Division Functional Scope

NPCC's Regional Entity division functions in support of the ERO include:

- 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 NPCC cross-border Regional Entity
- 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 of the bulk power system
- Operational coordination and situation awareness support
- Event analysis and identifying lessons learned to improve reliability
- Effective training and education of reliability personnel
- Promoting the protection of critical electric infrastructure

In recognition of the importance of the compliance role of Regional Entities, NPCC has designated a significant percentage of its staff resources to compliance monitoring and enforcement. NPCC has also developed and deployed a robust set of online tools for gathering data, analysis, and tracking of compliance information to support its ability to carry out its responsibilities in a cost effective manner.

NPCC has organized the remaining staff into program areas consistent with EPAct 2005 to address the other functions listed above. These experts in operations, planning and reliability analysis assist registered entities in assessing and improving reliability. It is in support of these areas that NPCC engages the majority of industry experts on its technical committees.

2012 Key Assumptions and 2012 Goals and Key Deliverables

NERC and the eight Regional Entities collaborated in the development of a common set of business planning assumptions, goals and key deliverables for the 2012 through 2015 period. The results from that collaboration are included as a set of common assumptions in Exhibit A to the NERC 2012 Business Plan and Budget and may be referenced by the users of this document.

2012 Overview of Regional Entity Division Cost Impacts

NPCC proposes to increase its Regional Entity division funding requirement from $13,081,110 to $13,357,567 in 2012, an increase of $276,457 or 2.1%. The proposed 2012 Regional Entity division assessment of $12,551,567 to support the budget is a decrease of 1% compared to the 2011 assessment of $12,652,610. The following is a list of targeted budget increases and offsetting decreases to allow NPCC to accomplish the specific objectives outlined in the business plan (dollars are stated as an increase in the 2012 budget compared to the 2011 budget). The most significant impacts on the budget are in the area of personnel expenses resulting in an increase of $875,363. This increase has two components:

- **Projected increase in cost of current operations** – With the existing staffing level, an increase in personnel costs of $171,203 or 2.3% is projected compared to the 2011 budget. This projection reflects a budgeted average increase in salary for existing staff of 3%, an increase in payroll tax rates, employee benefits, and savings plan contributions as compared to the 2011 budget.
- **Resource additions proposed in 2012** – The targeted staffing level for 2012 is 35.43 FTEs, an increase of an additional 4.01 FTEs compared to 2011 projection and to 2011 budget. The additional employees to be added are for compliance, standards, reliability assessment and performance analysis, and legal and regulatory. The remaining increase of FTEs is due to the allocation of the expense for NPCC's President and CEO between the Regional Entity and Criteria Services divisions shifting from a ratio of 92/8 to 93/7 as a result of the increase in Regional Entity division total FTEs.
    - For 2012, the budget impact of the staff additions is $704,160 including all personnel related costs.

Other notable changes in the proposed budget from year to year include the following:

- **Introduction of Independent Directors –** A total increase of $260,000 related to search activities, contractual agreements, retainers and per diems to integrate independent board directors.
- **Decrease in Contracts & Consultants –** Additional staff will offset some $366,947 in expanded workload that would have been performed by outside, independent providers.
- **U.S. Penalty Sanctions and Reserves –** A credit of some $614,000 will be applied due to application of U.S. penalty monies to U.S. load serving entity designees and application of excess reserves to all NPCC load serving entity designees.

Reliability Benefits of Resource Additions Proposed in 2012

In addition to NPCC's utilization of a cadre of independent, exclusive, subject-matter expert contractors to augment its compliance audit staff, NPCC has consistently retained contractors

and consultants for initial efforts supporting program area workload growth as a strategy in assessing whether workload increases are finite or ongoing. Once efforts have been identified as ongoing, NPCC judiciously adds staff in a very measured and conservative approach. For 2012 contracts and consultants decreases will offset some of the costs associated with adding four positions for the Regional Entity division. The greatest offset to contracts will be in the Compliance program area. NPCC developed Technical Feasibility Exception processing procedures that allow NPCC to effectively manage its workload reducing the need for additional outside contractors. Also, NPCC, along with the U.S. Independent System Operators, have developed and agreed upon "Corroborating Evidence Interpretations" that satisfy the requirements of applicable NERC Reliability Standards thereby eliminating repetitive requests which would require increased manpower resources. These and other such efficiencies allow NPCC to perform in-depth, complex compliance related activities in a cost effective manner.

Reliability Benefits from addition of Standards Engineer

A staff addition will be required in the standards program area. Increased efforts will be needed to support the following initiatives:

- NERC will be conducting a significant amount of standards development activities which will require Regional support with commenting, coordinating and facilitating member input.
- NPCC will be implementing a Cost Effectiveness Analysis Procedure which will require additional efforts and support.
- NPCC will address additional NERC standards development activities as outlined in the NERC Reliability Standards Process Manual. These new activities will increase the frequency of reviews, comments and ballot recommendations necessary for NPCC's members to remain informed, provide input and make decisions on standards.
- NPCC is revising the Regional standards development process and the new process, envisioned to be completed and approved by NERC and FERC will be in place in 2012 and is envisioned to have added functionality to include additional processes to be consistent with the ERO processes.
- NPCC will be conducting additional standard work in the form of Quality Reviews of Regional standards as they are developed and also will be supporting the ERO Quality Reviews of continent wide standards.
- As NERC continues to revise standards there will be an ongoing and increasing requirement to review the NPCC existing Regionally-specific criteria for consistency, remove duplication, and ensure it remains more stringent and specific as required by the NERC Rules of Procedure.

Reliability Benefits from addition of Compliance Engineer

A staff addition will be required in the compliance program area. Increased efforts will be needed to support the following initiatives:

- Meet the requirements established for the efficient processing of violations
- Meet the need for processing projected increase in settlements
- Meet increased responsibilities regarding implementation of compliance activities related to all Canadian MOUs.

- Meet the need for the processing of TFE's as NPCC performs reviews and gauges compensating measures. TFE development, review and approval will result in additional compensating measure validation checks, quarterly reporting tracking, spot checks and change management.
- Meet the requirement for reviewing registered entities internal compliance assessments as part of the new Event Analysis Program

Reliability Benefits from addition of Reliability Assessment and Performance Analysis Engineer

A staff addition will be required in the reliability assessment and performance analysis program area. Increased efforts will be needed to support the following initiatives:

- Developing NPCC guidelines for load modeling through review of past industry efforts to study dynamic load behavior, and contact others within the industry to benefit from their research. Focus on load behavior during large frequency and voltage excursions and the ability to model when load is tripped. Recommend whether to develop improved models for use in analysis of major disturbances or to develop appropriate models at the time of analyzing a disturbance.
- Classification of Bulk Power System Elements and NPCC review of BES Exception applications submitted through the NERC Rules of Procedure process
- Supporting Regional system studies to assess the integration of proposed large-scale renewable resources
- Provide support to NERC EACG (Event Analysis Coordinating Group) as needed
- Reviewing and assessing regulatory and industry concerns as they relate to identified system protection issues
- Providing related data used in reliability assessments in support of NERC's Adequate Level of Reliability (ALR) metrics.
- Supporting NPCC submittal of mandatory NERC Generator Availability Data Systems (GADS), Spare Equipment Database (SED), and Demand Response Availability Data System (DADS) data.
- Supporting the implementation of probabilistic assessments into the NERC Long-Term Reliability Assessment.

Reliability Benefits from addition of Legal Support

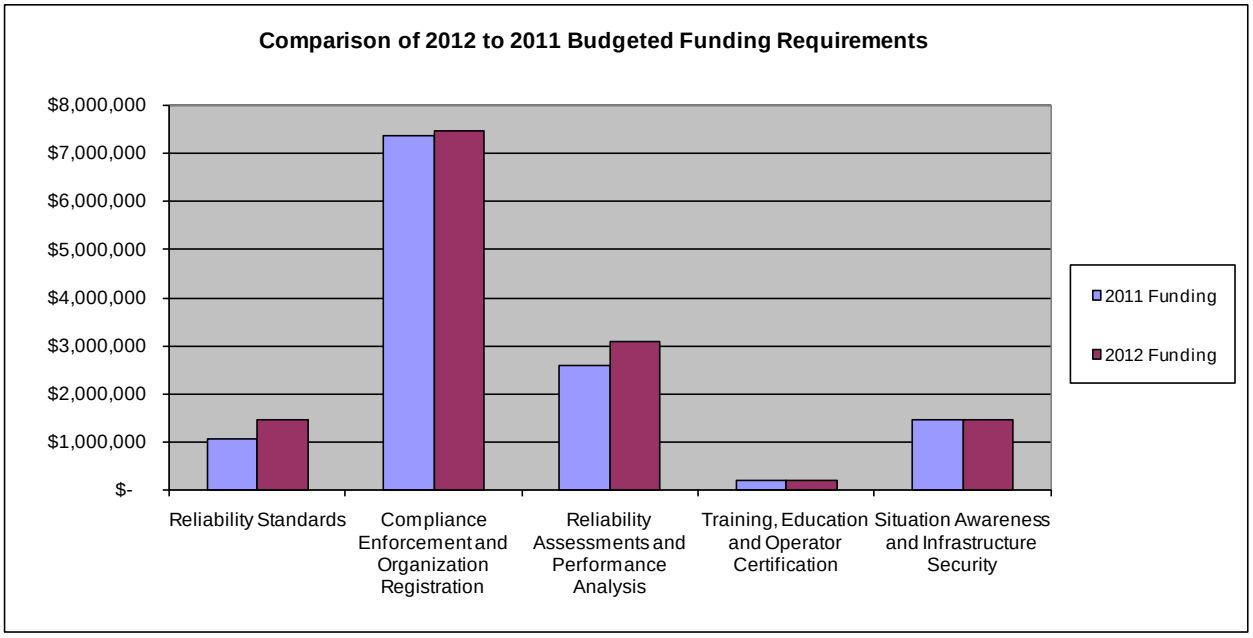
A staff addition will be required in the legal and regulatory program area. Increased efforts will be needed to support the following initiatives:

- Provide assistance to in-house legal counsel related to the development of Mitigation and Settlement Agreements.
- Monitor calendar of submissions to NERC, FERC and Canadian regulatory and/or governmental authorities as well as calendar of NERC submissions to FERC on behalf of Regional Entities, including NPCC, as regards matters pertinent to the CMEP.
- Provide summaries of FERC Orders for Compliance Staff.
- Provide miscellaneous administrative functions as required by legal staff.
- Provide support to legal staff during compliance negotiations and hearings.

Summary by Program

Program	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Reliability Standards	$ 1,065,714	$ 1,065,714	$ 1,451,091	$ 385,377	36.2%
Compliance Enforcement and Organization Registration	$ 7,378,977	$ 7,378,977	$ 7,471,560	$ 92,583	1.3%
Reliability Assessments and Performance Analysis	$ 2,604,231	$ 2,604,231	$ 3,104,388	$ 500,157	19.2%
Training, Education and Operator Certification	$ 198,551	$ 198,551	$ 200,278	$ 1,727	0.9%
Situation Awareness and Infrastructure Security	$ 1,469,336	$ 1,469,336	$ 1,453,326	$ (16,010)	-1.1%

This chart does not include allocation of working capital requirements among the Program Areas



This chart does not include allocation of working capital requirements among the Program Areas

Personnel Analysis

Total FTE's by Program Area	Budget 2011	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs[1] 2012 Budget	Total FTEs 2012 Budget	Change from 2011 Budget
REGIONAL ENTITY DIVISION						
Operational Programs						
Reliability Standards	2.00	2.00	3.00	0.00	3.00	1.00
Compliance Enforcement and Organization Registration and Certification	14.00	14.00	15.00	0.00	15.00	1.00
Training and Education	0.10	0.10	0.10	0.00	0.10	0.00
Reliability Assessment and Performance Analysis	4.90	4.90	5.90	0.00	5.90	1.00
Situation Awareness and Infrastructure Security	3.00	3.00	3.00	0.00	3.00	0.00
Total FTEs Operational Programs	**24.00**	**24.00**	**27.00**	**0.00**	**27.00**	**3.00**
Administrative Programs						
Member Forums	0.50	0.50	0.50	0.50	0.50	0.00
General and Administrative	1.92	1.92	1.93	0.93	1.93	0.01
Information Technology	3.00	3.00	3.00	0.00	3.00	0.00
Legal and Regulatory	0.00	0.00	1.00	0.00	1.00	1.00
Human Resources	1.00	1.00	1.00	0.00	1.00	0.00
Accounting and Finance	1.00	1.00	1.00	0.00	1.00	0.00
Total FTEs Administrative Programs	**7.42**	**7.42**	**8.43**	**1.43**	**8.43**	**1.01**
Total FTEs	**31.42**	**31.42**	**35.43**	**1.43**	**35.43**	**4.01**

[1]A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

2011Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget

REGIONAL ENTITY DIVISION

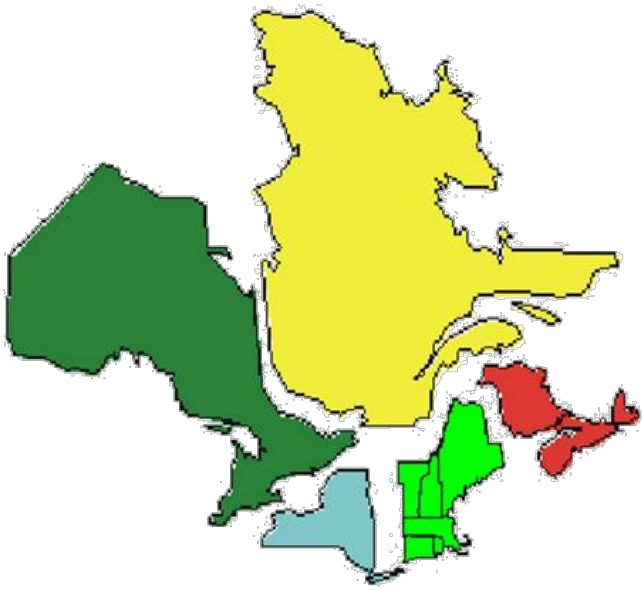
	2011 Budget	2011 Projection	Variance[2] 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 12,652,610	$ 12,652,610	$ -	$ 12,551,567	$ (101,043)
Penalty Sanctions[1]	308,500	308,500	-	614,000	305,500
Total ERO Funding	**$ 12,961,110**	**$ 12,961,110**	**$ -**	**$ 13,165,567**	**$ 204,457**
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	120,000	120,000	-	120,000	-
Interest	-	-	-	-	-
Miscellaneous*	-	-	-	72,000	72,000
Total Funding	**$ 13,081,110**	**$ 13,081,110**	**$ -**	**$ 13,357,567**	**$ 276,457**
Expenses					
Personnel Expenses					
Salaries	$ 5,055,070	$ 5,055,070	$ -	$ 5,582,337	$ 527,268
Payroll Taxes	291,508	291,508	-	358,772	67,264
Benefits	1,134,918	1,134,918	-	1,336,744	201,826
Retirement Costs	825,301	825,301	-	904,307	79,006
Total Personnel Expenses	**$ 7,306,797**	**$ 7,306,797**	**$ -**	**$ 8,182,160**	**$ 875,363**
Meeting Expenses					
Meetings	$ 269,325	$ 269,325	$ -	$ 288,000	$ 18,675
Travel	668,000	668,000	-	697,000	29,000
Conference Calls	96,571	96,571	-	86,935	(9,636)
Total Meeting Expenses	**$ 1,033,896**	**$ 1,033,896**	**$ -**	**$ 1,071,935**	**$ 38,039**
Operating Expenses					
Consultants & Contracts	$ 2,255,047	$ 2,255,047	$ -	$ 1,888,100	$ (366,947)
Office Rent	626,127	$ 626,127	-	641,936	15,809
Office Costs	348,043	$ 348,043	-	358,332	10,289
Professional Services	892,751	$ 892,751	-	1,162,663	269,913
Computer & Equipment Leases	135,391	$ 135,391	-	160,770	25,379
Miscellaneous*	55,450	$ 55,450	-	146,589	91,139
Depreciation	138,626	138,626	-	139,855	1,229
Total Operating Expenses	**$ 4,451,436**	**$ 4,451,436**	**$ -**	**$ 4,498,246**	**$ 46,810**
Total Direct Expenses	**$ 12,792,129**	**$ 12,792,129**	**$ -**	**$ 13,752,342**	**$ 960,213**
Indirect Expenses	**$ -**	**$ -**	**$ -**	**$ (0)**	**$ (0)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ 1,865**	**$ 1,865**
Total Expenses	**$ 12,792,129**	**$ 12,792,129**	**$ -**	**$ 13,754,206**	**$ 962,078**
Change in Assets	**$ 288,981**	**$ 288,981**	**$ -**	**$ (396,639)**	**$ (685,621)**
Fixed Assets					
Depreciation	$ (138,626)	$ (138,626)	$ -	$ (139,855)	$ (1,229)
Computer & Software CapEx	-	$ -	-	-	-
Furniture & Fixtures CapEx	20,886	$ 20,886	-	19,207	(1,680)
Equipment CapEx	28,557	$ 28,557	-	27,878	(679)
Leasehold Improvements	13,863	13,863	-	19,207	5,344
(Incr)Dec in Fixed Assets	**$ 75,320**	**$ 75,320**	**$ -**	**$ 73,564**	**$ (1,756)**
Allocation of Fixed Assets	0	0	-	(0)	(0)
Change in Fixed Assets	**75,320**	**75,320**	**-**	**73,564**	**(1,756)**
TOTAL CHANGE IN ASSETS	**$ 364,302**	**$ 364,302**	**$ -**	**$ (323,075)**	**$ (687,377)**

(1) $614,000 of penalty sanctions collected to date and prior to June 30, 2011.

(2) 2011 Projections reflect expectations based on the 1st quarter statement of activities. It is anticipated that projections could change throughout 2011 and would be reflected in each subsequent quarter's statement of activities.

* Includes WECC CEA

Section A – Regional Entity Division
2012 Business Plan and Budget



Section A — 2012 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.0	3.0	1.0
Direct Expenses	$870,529	$1,213,552	$343,023
Indirect Expenses	$201,462	$245,555	$44,093
Other Non-Operating Expenses	$0	$158	$158
Inc(Dec) in Fixed Assets	($6,277)	($8,174)	($1,897)
Total Funding Requirement	$1,065,714	$1,451,091	$385,377

Program Scope and Functional Description

The NPCC Reliability Standards program operates in accordance with the FERC filed and approved Delegation Agreement "Exhibit C", and NERC Rules of Procedure Section 300. The program develops Regional Reliability Standards and ensures that Regional criteria in the form of Directories are consistent with any applicable NERC and Regional Reliability Standards. The NPCC Reliability Standards program also supports and participates in the development, revision, and maintenance of NERC Reliability Standards, initiates new reliability standards when necessary, and provides a forum for the comprehensive review and improvement of those standards. The NPCC Reliability Standards program supports the reliability of the bulk power system by:

- Facilitating active participation of industry stakeholders in all NERC Reliability Standards activities
- Developing Regional Standards as necessary to address reliability related issues and ensure those standards are consistent with the NERC continent wide standards
- Maintaining technical reference documents as required

Funding Drivers and Reliability Benefits

- Expanded Scope of Standards activities
  - Responding to increasing amount of FERC Rulings, NOPRs, preliminary staff assessments, and Directives
  - Participating in other Regional Entities' standards development processes through review, comment and active participation in drafting
  - Providing a forum for all NPCC representatives on the NERC and neighboring Regional Entities' drafting teams
  - Actively coordinating and reviewing Compliance Application Notices ("CANs") to ensure no reliability requirements have been changed as a result.
- Increased Number of Standards Projects

  - Active NERC Projects in the standards area are expected to increase to address FERC outstanding directives from Order 693 as well as other orders.
  - Number of formal interpretations not addressed by CANs, is expected by NERC to increase to in excess of 20 in 2012, all of which will require technical analysis and potential coordination and ballot recommendations
  - NERC is developing an expedited standards development procedure to allow it to produce quality standards in a more expeditious manner.
- NERC Reliability Standards will require Violation Severity Levels (VSLs) and Violation Risk Factors (VRFs) to be developed utilizing new processes; NPCC is currently revising its standards process to develop alternate methods for the development of these VSLs and VRFs. Other in process changes in NERC's Reliability Standards processes, Rules of Procedure and FERC Directives will likely require further modifications to NPCC procedures and associated FERC filings by NPCC
- Expanded efforts to educate and inform stakeholders in the areas of NERC and NPCC Regional Standards with anticipated additional forums
- Revision of the Bulk Electric System definition and associated exception processes being developed by NERC may create the need for potential revisions to ERO standards, Regional differences or variances and revisions to developing Regional Standards requirements

2012 Key Assumptions

- Facilitate stakeholder review, comment on, and develop ballot recommendations or list of Regional issues, for all NERC Reliability Standards under development or revision
  - The Northeast benefits from NPCC's coordination of a broad stakeholder review process and development of consensus recommendations to assure proposed standards will support international reliability and provide appropriate reliability objectives for the Continent-wide standards
  - Coordinate a comprehensive review of the results based standards initiative processes and standards being developed and moved through the process
  - Participate in training programs to train the trainer and develop and convey this results-based standard development methodology to the Regional Standard drafting teams.
  - Conduct and obtain training for Quality Review of standards at both the Regional level and to assist the ERO with analysis of the continent wide standards.
  - Coordinate the review of all CANs for violation of existing standard requirements
  - Develop triage process to assess posted standards and related material to ensure it is properly routed to and addressed by the appropriate NPCC technical or process resources.
- Participate in the stakeholder efforts to develop Standards Authorization Requests (SARs) and Regional SARs to further improve standards
- Monitor the drafting of key NERC Reliability Standards-CIP, UFLS, TPL, Balancing Control, and Frequency Response, etc.
  - The Northeast monitoring of the development of standards ensures reliability requirements that are clear, measureable, and enforceable and support international reliability in the Northeast
- Develop and maintain the set of NPCC Phase II Directories to be consistent with the NERC Reliability Standards and to clearly delineate the more stringent NPCC criteria requirements

  - The combination of North American and Regional Reliability Standards with the more-stringent NPCC Regional criteria provides for consistency and operational clarity while providing robust defense in depth system reliability
  - Ensure no redundancies exist between the Directories and the ERO standards
- Monitor the Regional Standards development processes of the Midwest Reliability Organization (MRO), Reliability First Corporation (RFC), SERC Reliability Corporation, and Florida Reliability Coordinating Council (FRCC) to achieve consistency within the Eastern Interconnection
  - The Northeast's reliability is enhanced by strengthening Eastern Interconnection Regional Entities' Reliability Standards and ensuring that no cross border adverse impacts are introduced
- Review all reliability requirements of all ERO and Regional Standards, criteria and ensure consistency, remove redundancies, adopt Functional Model language and ensure requirements are "results based"
  - The unambiguous assignment of reliability requirements to specific functional entities benefits international reliability
  - Participate in the continuing refinement of the Functional Model to capture evolving issues essential to reliability and new objectives in the industry, i.e. demand resource operator, planning functions, new activities yet to be identified such as those associated with Smart Grid, Synchro-Phasor technology, etc.
  - Participate in the continued improvement of the NERC standards development processes
  - Contribute to the improvement of process related to NERC providing interpretations, including but not limited to CANs, formal interpretations and informal guidance procedures.
- Review all FERC orders and Provincial regulations as they relate to the standards, their revision and adoption
  - Northeast reliability benefits from careful analyses of governmental orders or actions adopting standards to assure consistency in interpretation
  - Review rulings that are issued and all FERC Directives for potential reliability related issues
- Enhance NPCC standards website pages to provide uniform and clear information to the stakeholders while also providing the historical and archived information to support NERC and FERC approvals and expanding requirements

2012 Goals and Key Deliverables

The Reliability Standards program goals and objectives for 2012 are grouped into seven categories: participation in North American ERO results-based standards development, including conducting a Cost Effectiveness Analysis for standards; Regional Reliability Standards development; standards improvement; coordination of review of CANs; business practice interface; process improvement; and communications.

1) Participate in the ERO Results-Based Standards Development

- Participate in the development and revision of the NERC three year work plan through review, commenting and drafting activities
- Participate in the results based standard initiative and project to develop and prioritize a set of Standards Projects that will provide a defense in depth through the development of these key reliability standards
- Promote the objectives identified in the NERC Three-Year Performance Assessment with the Region, specifically supporting the timeliness and quality of new standards
- Coordinate the development of ERO Reliability Standards within NERC's three-year standards work plan with the emphasis placed on reducing the amount of outstanding FERC Directives
- Conduct thorough reviews of all NERC standards being developed or revised and coordinate comments for Northeastern North America
- Pilot an NPCC Cost Effective Analysis Procedure on NERC standards and assist with the development of a Cost Effective Analysis Procedure for NERC based on the finding of the pilot
- Conduct thorough reviews of all Industry requested NERC Formal Interpretations of standards and develop and promote the NERC Informal Guidance Process, a comprehensive process to deal with all standards related questions
- NPCC staff along with NPCC solicited Regional drafting team volunteers, will participate in the drafting of all ERO standards affecting or potentially affecting reliability in the Eastern Interconnection and provide geographic support for review and development of comments and propose improvements with specific emphasis on CIP
- NPCC and its members will review and coordinate potential comment on FERC preliminary staff assessments as appropriate
- Participate in ballots for ERO standards and provide consensus recommendations to the NPCC Members of the NERC Registered Ballot Body or provide a list of issues to allow the Members to cast a ballot based on Regional concerns
- Review and develop comments on FERC Notice of Proposed Rulemakings for any and all standards related issues as appropriate
- Coordinate and evaluate proposed standards utilizing Regional technical task forces, working groups and committees
- Educate and notify stakeholders and regulators about issues related to standards development
- Provide a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC) and NPCC Task Force on Infrastructure Security and Technology (TFIST)
- Provide support to NERC's strategy in the prioritization, identification, scheduling and development of NERC directed Regional Reliability Standards
- Participate in NERC's Standards Committee standards prioritization tool and process, to identify immediate standards needs and prioritization based on those needs
- Participate in and provide support to critical upcoming new Blackout related standards, UVLS, Voltage and Reactive Control, and Real Time Tools and Frequency Response
- Identify and initiate Regional Variances to the NERC Reliability Standards as soon as possible, allowing incorporation into the continent wide standard at its inception

- Identify potential drivers for standards revisions based on revisions to the BES to a bright line criteria and any document revisions required as a result of consideration of the developing "Exception Process".
- Support additional standards workload from Economic Stimulus, i.e. standards on integrating variable generation resources or EHV backbone, Smart Grid, Electric Vehicles or Synchro-Phasor projects as necessary
- Provide input to NERC, based on NPCC experiences, regarding strategy for developing cost effectiveness analysis for standards
- Provide support and assistance to the ERO for conducting Quality Reviews on NERC continent wide standards as possible
- File the NPCC Directories with the Canadian Provincial Regulatory Authorities within the NPCC "footprint", on an as needed basis, as the directories are developed and revised and as the Provinces establish procedures and agreements with NPCC.
- Develop new and innovative processes to better utilize the limited internal and external resources in the Region to enable sufficient technical review of posted standards and related materials
- Support the ERO and the relationships with FERC and the provincial governmental authorities for standards development activities as necessary to accomplish the ERO goals and objectives
- Support the development of CIP, system protection and control, communication, transmission operation standards and other critical standards efforts.

2) Regional Standards Development

- NPCC anticipates to complete the development of one Regional Standard utilizing the NPCC Regional Reliability Standard Development Procedure and submit the standard to NERC for approval of the NERC BOT (on a schedule, and as required by NERC or Regional reliability need). NPCC remains committed to being flexible and will respond to any new mandates and changes to the standards development schedules to be responsive to NERC and FERC reliability needs and best utilize staff and industry resources available.
- Draft additional Regional Standards,(on a schedule, and as needed by NERC) utilizing Regional technical committees and working groups in an forum that is open and inclusive to all stakeholders within and outside of the Region.
- Draft any additional standard NERC directs NPCC to develop to meet an urgent reliability related needs, i.e. solar magnetic disturbance system hardening
- Actively monitor and participate in the standards development activities of the other Regional Entities in the Eastern Interconnection: the MRO, RFC, SERC, and FRCC to assure consistency within the Eastern Interconnection
- Accomplish all directives of ERO and governmental and/or regulatory authorities with regard to Regional Standards development and procedures
- Adhere to and surpass, where practical, the 2010-2012 NERC Work plan milestones as they pertain to targets for the Regional Standards
- Respond to any FERC Directives that may arise as a result of the filing of NPCC's Regional Standards with the FERC or any Provincial "directives" that may be issued by the Canadian Regulatory Authorities
- Develop or coordinate a process to obtain a Regional standard interpretation

3) Standards Improvement

- Achieve NPCC reliability goals and objectives by initiating, participating in, and efficiently completing standards related activities
- Leverage internet and web based tools functionality to ensure inter-regional consistency and quality of Regional Reliability Standards
- Establish long-term strategy for standards improvement and initiate implementation
- Continually identify additional future Regional Standard opportunities
- Ensure the topics addressed by the Reliability Standards parallel changing industry needs
- Participate in reliability metrics activities to identify potential measures for benchmarking of reliability to determine if an adequate level of reliability is being achieved
- Support and develop cost-benefit analysis activities to determine if any potential incremental increases in costs of implementing a standard have sufficient enough reliability benefit to implement that standard

4) Coordination of review of CANs

- Develop a process to review the CANs
- Coordinate the technical resources NPCC has within the Region to evaluate the technical implication of the CAN compared to the existing Standard's requirements for which the CAN was developed.
- The Regional Standards Committee ("RSC") will oversee and provide the results of the coordination to the appropriate NERC group charged with development of the CAN

5) Business Practices Interface

- Coordinate the review of standards through NPCC RSC, staff, and other members participating in activities of the North American Electric Standards Review Board (NAESB)
- Identify potential market related issues for Regional Standards through NPCC RSC coordination and reviews

6) Process Improvement

- Identify efficiencies for a coordinated NERC standards development process and NPCC Regional Standards Development Procedure and recommend revisions as applicable to either process
- Develop and refine a Cost Effectiveness Analysis Procedure to evaluate the costs and effectiveness of proposed new and revised reliability standards to achieve an adequate level of reliability
- Participate in the revision and redrafting of the NERC Standards Development Process to consider expedited standards development and cost effectiveness analysis and maintaining the positive attributes of the ANSI standards development process
- Identify potential future processes to obtain expedited interpretations
- Identify expedited processes for adjusting NERC glossary terms
- Identify refinements for credentialing standard drafting team members to ensure the correct subject matter experts are developing the standards at both the Regional level and the ERO level.
- Establish targets for NERC and NPCC standards procedure improvement and initiate implementation of the strategy

- Streamline and improve the Regional Standards process and enhance program tools and IT based solutions
- Develop and institute records retention programs to ensure sufficient documentation exists for regulatory approvals
- Identify improvements in process for feedback loops to ensure that event analysis and investigation lessons learned and compliance issues involving violations are fed into the standards program area, as appropriate for review and potential consideration when revising standards
- Support the creation of an ERO standards database, available to industry and online, to identify and review issues related to all approved and developing standards
- Participate in the Functional Model Working Group activities to refine functions, tasks and responsibilities of applicable entities
- Solicit and provide outreach to FERC in the Regional Standards Development Processes

7) Communications

- Automate notifications process to assure awareness of dates and proceedings of all standard development activities
- Strengthen the relationship with the industry's technical committees to ensure adequate input to standards development
- Participate in NPCC and NERC workshops as necessary, to promote awareness and educate the industry
- Develop and institute a "triage" process for engaging stakeholders and providing immediate notification for the need to review standards. Provide the associated coordination for this review utilizing subject matter experts, both internal and external to the Regional Entity staff
- Promote the reliability objectives of the NERC standards as appropriate to the NPCC members of the NERC Registered Ballot Body in order to achieve consensus and support of beneficial standards and to promote the "One-Enterprise" model.

Technically excellent standards that enhance reliability require the full participation of the right industry experts from all Regional Entities when developing Reliability Standards. The NPCC RSC promotes the drafting team process and solicits drafting team members from appropriate NPCC technical bodies and others in the industry and adjoining Regional Entities.

NPCC RSC will also assist in providing notifications to NPCC participants in the Northeastern North America NERC Registered Ballot Body of important applicable deadlines for ballot pool registration and for casting ballots thereby enhancing participation, promulgation of important information and increasing awareness. This support will enhance efficiency of the NERC procedure and help to ensure the necessary quorums are present at ballot. NPCC will also, when practical, promote important standards and the requirements of those standards through various communications and webinars.

NPCC will also participate in the development and revision of standards as directed by FERC, Canadian provincial and other regulatory and/or governmental authorities. FERC to date has identified numerous NERC Reliability Standards needing further work and has issued numerous Directives appearing in FERC Orders. These standards needing revision are delineated in the NERC three-year work plan, and will be ready to be reviewed and revised throughout 2012.

NPCC will provide support and coordination of NERC standards development activities for the following:

- 36 Standards Projects appearing in the 2011-2012 NERC Workplan (potentially 100+ Standards in these projects will carry over to 2012)
- 12 High Priority Standards Projects will be the focus of the effort at NERC in 2012 and these are envisioned to be results based and be developed to achieve a defense in depth strategy

The above standards, taken from the NERC three-year work plan account for 140+ total standards that will be reviewed, commented on as necessary, and coordinated, tracked and communicated with the NPCC membership. NPCC will also participate in the development of new standards resulting from lessons learned through NPCC and NERC programs.

Regional Standards Development

The NPCC Regional Standards Development Procedure will have under development or regulatory approval, on a schedule coordinated with the ERO, three Regional Reliability Standards as noted below and also in accordance with the specific timelines in the NERC three-year standards work plan. These Regional Standards will include, but not be restricted to the following:

- Underfrequency Load Shedding (UFLS) anticipated to be gaining regulatory approvals
- Special Protection Systems (SPS) scheduled to begin development
- Balancing Authority Controls (BA - Reserve Sharing) scheduled to be completed and balloted within the Region

In addition to the three Regional Standards under development as noted above, NPCC anticipates obtaining full regulatory approval by FERC and the Canadian provincial governmental and/or regulatory authorities for a NPCC Disturbance Monitoring ("DM") Regional Standard. This DM standard may in all likelihood have FERC issued Directives associated with its approval. These directives will require an immediate initiation of revision to the standard and perhaps even an associated compliance filing that NPCC will have to submit within a very specific timeframe, usually a year.

The NPCC Underfrequency Load Shedding Regional Standard is envisioned to be submitted to the NERC BOT for approval in 2011 with subsequent submissions to the FERC and Canadian provincial governmental and/or regulatory authorities in 2012. All Regional Entities were directed by the ERO to develop four standards (UFLS, DME, SPS, and BA) to support the corresponding NERC ERO standards outlined in the work plan. These four standards, along with the associated ERO standards, address the fill in the blank standards which FERC currently is holding for future action. NPCC is also participating in the NERC Regional Standards Group ("RSG") to strive to achieve uniformity and coordination between the Regional Entities' standards and process to achieve greater consistency.

NPCC is participating in the development of adjoining Regional Entities' standards through the review and commenting processes available. In addition NPCC is registered to cast ballots where and as allowed by the individual adjoining Regional Entities' Reliability Standards development procedures. NPCC through its participation in the Regional Standards Group with the other Regional Entities and NERC has identified 27 Regional standards the eight Regional Entities will be developing in 2012. NPCC will be assuming an active role in reviewing these

for consistency amongst the Regional Entities and identifying opportunities for continent wide standards and other Regional standards as necessary.

Improvement in the quality of a standard can be quantified in a number of ways. The standards should identify an achievable, technically excellent reliability goal performance or objective. This goal should be measurable and have specific and concise requirements associated with it. How the reliability goal or objective is achieved will not be the focus of the process. Full participation from industry experts to provide proper technical guidance during drafting as well as multiple segments to provide diverse viewpoints during the comment process is critical to the quality of the resultant standard. These attributes, along with open postings and notifications to allow the industry opportunities to participate are the key components to a successful process and achieving quality standards.

On an ongoing basis, NPCC will achieve consistency with NERC ERO continent wide standards, as outlined in the NERC Rules of Procedure, by maintaining reliability directories that incorporate NPCC's more stringent Regionally-specific criteria and Regional Standards into a single document with the links to the applicable NERC Reliability Standards. This demonstrates cognizance of the requirements in the ERO standards and demonstrates that NPCC strives and continues to strive to ensure that the Regional criteria is not inconsistent with any ERO standard.

NPCC RSC and staff regularly participate in the NERC Standards Committee and Standards Committee Process Subcommittee activities and contribute to development and initiation of revisions of the standards procedure manual and various NERC standards related processes. The RSC also contributes in the Regional Standards procedure and utilizes and refines web based tools for easier user interface and to provide effective and timely notifications of standards activities.

Funding Sources and Requirements — Explanation of Increase (Decrease)

2012 Reliability Standards program funding is driven by the need for additional activities of NPCC standards drafting teams, ramped up NERC standards activity, FERC activity and increased number of rulings and directives anticipated as a result of the NERC three year work plan. NPCC anticipates greatly expanded activity and is adding one FTE in the area of Eastern Interconnection interregional participation and support of adjoining Regional Entity drafting activities.

NPCC will continue to rely on contractors for subject matter expertise on an as-needed basis throughout 2012. The amount of Regional documents being converted into Directories and the maintenance of the Directories require subject matter expert input. In addition significant changes will be necessary to bring the Phase II Directory project to completion. This project will require significant resources to translate the existing criteria language into "requirements" that are clear and measurable. Also a standards template will be applied to the existing Directories to make them more consistent with the look of the standards.

Based on the portion of professional/technical staff time and other resources devoted to Reliability Standards development, NPCC estimates that it will expend 10.6 percent of its resources on this activity.

Funding Sources (Other than ERO Assessments)

- U.S. Penalty Sanctions remitted from 7/1/10 through 6/30/11 reduce U.S. LSE designee assessments for 2012

Personnel Expenses

- NPCC Standards Program area will require the addition of one new staff member in 2012 to meet the increasing productivity needs of reviewing, coordinating and developing the standards, regional standards and directories. There will be a further need for the new hire to assist with the coordination of the CANs review activities as well as any further interpretation processes or procedures that are developed and implemented in 2012.

Meeting and Travel Expenses

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via teleconference, at the NPCC offices or member facilities, as well as lower meeting space rental rates through negotiations. Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference will be held to a minimum, however, the amount of activity is expected to only increase in 2012. Conference calls and webex will be conducted for business when possible.

Operating Expenses

- Expenses related to office rent and costs, professional services, computer and equipment leases, miscellaneous (except for WECC CEA), and depreciation have been allocated proportionately to the Reliability Standards Program based on FTE. The increases in professional services are attributed mainly to the changes in NPCC's corporate governance structure and the allocation of costs for legal and accounting services across all program areas.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2012.

Other Non-Operating Expenses

- No significant changes.

Fixed Asset Additions

- Depreciation expense reflects the 2012 FTE ratio allocation between program areas.

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2011 Budget & Projection, and 2012 Budget						
Reliability Standards						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	$ 1,040,006	$ 1,040,006	$ -	$ 1,382,869	$ 342,863
	Penalty Sanctions	25,708	25,708	-	68,222	42,514
Total ERO Funding		**$ 1,065,714**	**$ 1,065,714**	**$ -**	**$ 1,451,091**	**$ 385,377**
	Membership Dues	-	-	-	-	-
	Testing Fees	-	-	-	-	-
	Services & Software	-	-	-	-	-
	Workshops	-	-	-	-	-
	Interest	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
Total Funding		**$ 1,065,714**	**$ 1,065,714**	**$ -**	**$ 1,451,091**	**$ 385,377**
Expenses						
Personnel Expenses						
	Salaries	$ 390,341	$ 390,341	$ -	$ 566,402	$ 176,061
	Payroll Taxes	21,117	21,117	-	34,677	13,560
	Benefits	92,864	92,864	-	124,122	31,258
	Retirement Costs	67,694	67,694	-	86,336	18,643
Total Personnel Expenses		**$ 572,016**	**$ 572,016**	**$ -**	**$ 811,537**	**$ 239,522**
Meeting Expenses						
	Meetings	$ 27,000	$ 27,000	$ -	$ 13,000	$ (14,000)
	Travel	120,000	120,000	-	120,000	-
	Conference Calls	20,100	20,100	-	15,100	(5,000)
Total Meeting Expenses		**$ 167,100**	**$ 167,100**	**$ -**	**$ 148,100**	**$ (19,000)**
Operating Expenses						
	Consultants & Contracts	$ 35,143	$ 35,143	$ -	$ 39,000	$ 3,857
	Office Rent	39,853	39,853	-	54,355	14,502
	Office Costs	22,153	22,153	-	30,341	8,189
	Professional Services	13,294	13,294	-	98,447	85,153
	Computer & Equipment Leases	8,618	8,618	-	13,613	4,995
	Miscellaneous	3,529	3,529	-	6,316	2,786
	Depreciation	8,824	8,824	-	11,842	3,019
Total Operating Expenses		**$ 131,414**	**$ 131,414**	**$ -**	**$ 253,915**	**$ 122,501**
	Total Direct Expenses	**$ 870,529**	**$ 870,529**	**$ -**	**$ 1,213,552**	**$ 343,023**
Indirect Expenses		**$ 201,462**	**$ 201,462**	**$ -**	**$ 245,555**	**$ 44,093**
Other Non-Operating Expenses		**$ -**	**$ -**	**$ -**	**$ 158**	**$ 158**
Total Expenses		**$ 1,071,991**	**$ 1,071,991**	**$ -**	**$ 1,459,265**	**$ 387,274**
Change in Assets		**$ (6,277)**	**$ (6,277)**	**$ -**	**$ (8,174)**	**$ (1,897)**
Fixed Assets						
	Depreciation	$ (8,824)	(8,824)	$ -	(11,842)	$ (3,019)
	Computer & Software CapEx	-	-	-	-	-
	Furniture & Fixtures CapEx	1,329	1,329	-	1,626	297
	Equipment CapEx	1,818	1,818	-	2,361	543
	Leasehold Improvements	882	882	-	1,626	744
(Incr)Dec in Fixed Assets		**$ 4,794**	**$ 4,794**	**$ -**	**$ 6,229**	**$ 1,435**
	Allocation of Fixed Assets	$ 1,483	$ 1,483	**$ -**	$ 1,945	$ 462
Change in Fixed Assets		**6,277**	**6,277**	**-**	**8,174**	**1,897**
TOTAL CHANGE IN ASSETS		**$ 0**	**$ 0**	**$ -**	**$ 0**	**$ 0**

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	14.0	15.0	1.0
Direct Expenses	$6,012,680	$6,283,865	$271,185
Indirect Expenses	$1,410,233	$1,227,774	($182,459)
Other Non-Operating Expenses	$0	$789	$789
Inc(Dec) in Fixed Assets	($43,937)	($40,869)	$3,068
Total Funding Requirement	$7,378,977	$7,471,560	$92,583

Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CORC) Program scope covers: 1) the identification and registration of those entities responsible for meeting the NERC Reliability Standards and any approved Regional Standards; 2) the implementation of the CMEP in the United States, including the compliance monitoring, assessment and enforcement of NERC Reliability Standards and Regional Reliability Standards. and 3) the implementation of compliance monitoring, assessment and enforcement recommendations in accordance with individual executed MOU in the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia.

The Compliance Committee (CC) is charged with providing objective stakeholder policy input to the NPCC CMEP in the U.S. and compliance related activities under the above mentioned MOUs in the NPCC portion of Canada. With regard to NERC Reliability Standards and Regional Reliability Standards, the CC provides an oversight role of the independent NPCC compliance staff's implementation of the CMEP. In this oversight role the CC will review and endorse the processes used by the NPCC compliance staff in the conduct of the CMEP.

The NPCC compliance staff makes the initial and final determination of alleged violations and determines appropriate penalties and sanctions in accordance with the NERC and the ERO *Sanction Guidelines*. To accomplish this objective, NPCC's compliance staff is further divided into four sub- program areas: Compliance Implementation and Registration; Compliance Audit Program; Compliance Enforcement; and Compliance Investigation:

Compliance Implementation and Registration

The Compliance Implementation and Registration sub-program is responsible for:

a) Identifying for registration all entities that are required to meet the NERC and Regional Reliability Standards. During the course of this activity regular communication with registered entities is promoted through face-to face meetings, compliance workshops, teleconferences and email;

b) Development and maintenance of all NPCC CMEP Compliance Procedures, Compliance Instructions and all other NPCC CMEP related documentation;
c) Development and maintenance of Performance Measures that are used to measure the quality and effectiveness of the NPCC CMEP;
d) Coordinating the implementation of NPCC Compliance Staff responsibilities as they pertain to the executed MOU with each of the Canadian Provinces in the NPCC Region.
e) Day-to-day implementation of the CMEP;
f) Development of annual CMEP Implementation Plan;
g) Monitoring and assessment of self-certification, self report, exception reporting, periodic data and complaint submittals;
h) Development and maintenance of CMEP Data Administration Application (CDAA);
i) Development and maintenance of compliance website.
j) Development and maintenance of performance measures related to all aspects of CMEP implementation
k) Support the anticipated expansion of the number of registered entities in NPCC due to the implementation of the FERC Order related to the definition of Bulk Electric System
l) Conduct Culture of Compliance Survey
m) Conduct certification(s) of newly identified Transmission Operators (TOs), as needed.
n) Maintain database of BES assets subject to NERC and NPCC Reliability Standards

Compliance Audit Program

The Compliance Audit Program is charged with conducting both on-site and off-site compliance audits, including the auditing of applicable CIP Standards. These audits are performed based on a predetermined long range schedule that is consistent with a predefined frequency. Flexibility may be used in the predefined frequency based on risk assessment and performance based assessment of each entity scheduled for an audit. The audits are led by qualified senior NPCC Staff and the audit teams prepare public and non-public audit reports with their findings, including the identification of any possible violations. Specific lessons learned are factored into the audit program to promote continuous improvement. A comprehensive spot-check program is established based on the NERC actively monitored list and NPCC's assessment of self-certifications, follow–ups on entities who have previously violated a Reliability Standard and follow-ups on entities that have been involved in a significant system event.

Compliance Investigation

Conduct Compliance Investigation (CI) as required based on Event Analysis reviews and reports. Coordinate with NERC and FERC as necessary; also coordinate with Situation Awareness Program Area.

Compliance Enforcement

Compliance Enforcement is responsible for:

a) Issuing all Notices as described in the CMEP including the Notice of Possible Violation (NOPV), Notice of Alleged Violation (NOAV), and the Notice of Confirmed Violation (NOCV);
b) Conducting comprehensive investigations based on the facts and circumstances related to all possible alleged violations of Reliability Standards, whether identified in an audit, a self-report, complaint, or other source, and determining whether further action is warranted;

c) Reviewing, approving, submitting to NERC and tracking the progress of all mitigation plans associated with confirmed violations;
d) Coordinating settlement activities once they have been initiated and submitting settlement agreements to NERC for approval;
e) Identify and develop candidates for the Administrative Citation Process.
f) Participating in the Hearing Process by representing NPCC before the Hearing Body. Compliance Hearings would be conducted at NPCC under the supervision of a qualified, independent hearing officer contracted by NPCC.; and
g) Issuing Remedial Action Directives when appropriate.

2012 Key Assumptions and Cost Impacts

2011	Projected 2012
4 Large On-Site Audits	3 Large On-Site Audits
4 On-Site CIP Audits	5 On-Site CIP Audits
31 Large Off-Site Audits	30 Large Off-Site Audits
6 Medium Off-Site Audits	7 Medium Off-Site Audits
10 Small Off-Site Audits	12 Small Off-Site Audits
16 Off-Site CIP Audits	25 Off-Site CIP Audits
300 Spot Checks	350 Spot Checks
100 Violations (Estimated)	100 Violations (Estimated)
50 Settlements (Covering 100 Projected Violations)	75 Settlements (Including Administrative Citation Process)
2 Hearings (Unbudgeted)	2 Hearings (Unbudgeted)
5 CI (Estimated)	10 CI (Estimated)
41 CIP Requirements/ 24 entities and 13 CIP Requirements/ 3 entities	41 CIP requirements/ 2 entities

- Regarding the Compliance Audit Program (including the Spot Check Program, which typically assesses an entity's compliance with specific requirements of a single standard), the expanded scope and increased complexity of audits, due in part to the inclusion of CIP requirements applicable to a larger number of entities, results in approximate increases in resources required for each type of audit as follows:
    - Large On-Site Audits –25%
    - Medium On-Site Audits +20%
    - Large Off-Site Audits –3%
    - Medium Off-Site Audits +14%
    - Small Off- Site Audits +16%
    - Off-Site CIP Audits +36%

  Even though in some cases the numbers of actual audits in a particular audit type listed above are actually projected to be smaller in 2012 than in 2011, the number of audits in other audit types is projected to increase. As a result, the cost of independent, exclusive contract auditors to support the audit program is projected to increase due to the reasons cited above.
  The 2012 Spot Check Program is projected to include approximately 350 Spot Checks

- The 2012 Business Plan projects the following increases in Enforcement Processing:
  - 100 violations projected versus 100 violations projected (no increase)
  - 80 Settlements versus 50 Settlements (60% increase)
- The 2012 Business Plan projects 10 Compliance Investigations versus the 5 that were in the 2011 Business Plan (100% increase). In addition, these Compliance Investigations are becoming more manpower intensive (requiring allocation of more resources).

2012 Goals and Key Deliverables

- Conduct 2012 CMEP incorporating all NERC Reliability Standards contained in the NERC actively-monitored list for 2012 and any approved and applicable Regional Reliability Standards
  - Process identified violations as effectively as possible, including the timely identification of a violation, timely issuance of violation notices including the NOPV; the Notice of Alleged Violation and the NOCV
  - Implement settlement process when applicable and send proper notifications to NERC and FERC
  - Conduct necessary Hearings related to resolution of outstanding disputes regarding violations and/or sanctions. Send results of hearings to NERC and FERC
- Implement compliance responsibilities identified in the approved Canadian MOUs
- Evaluate CMEP and Canadian entity compliance program implementation with the objective of establishing a long-term strategy for compliance improvement, and initiate the implementation of the long term strategy
- Provide NPCC Regional Entity input, through participation in appropriate NERC compliance committees, on policy and implementation issues related to compliance, including the development of compliance elements for all new or revised NERC Reliability Standards
- Provide required information to NERC on a timely basis including reporting of alleged violations and confirmed violations
- Track the progress of, report status of, and approve mitigation plans
- Conduct 2012 Compliance Audit Schedule of an estimated total of 82 Compliance Audits based on number of registered entities (Each audit covers a single registered entity that could be audited for multiple Functional Model types that they are registered for and is done in accordance with the 2012 Compliance Audit Program schedule)
- The 2012 Audits will be categorized by the number of requirements associated with the Reliability Standards that will be covered in the Compliance Audit. Six categories have been established based on the number of requirements to be audited and whether the audit is on-site or off-site. In 2012 there are projected to be 3 large on-site audits; 30 large off-site audits; 7 medium off-site audits; and 25 small off-site audits. The estimates for the number of Compliance Audits are also based on the projected total number of registered entities for each type and the established three-year cycle for RC, BA, and TOP Compliance Audits and the established six-year cycle for all other registered entity types.
- In addition, 31 registered entities will be audited for the Requirements of CIP 002 to CIP 009. These will be separate audits. On-site CIP audits may be combined with the normally scheduled 2012 on-site audits.

- Conduct spot check program during the year. A spot check can be viewed as a limited unscheduled small off-site compliance audit that will be utilized to verify self certification submittals that have been done earlier in the year. In 2012 the number of spot checks to be done is estimated to be 350.
- Assure that NPCC Staff is trained to conduct Compliance Audits including CIP Compliance Audit training. Enhance overall implementation of Compliance Program utilizing Compliance Program Feedback Process and the development of Quality Enhancement Programs (QEP)
- Implement enhancements to CMEP that were identified through the analysis of Performance Measures
- Provide input to the development of compliance elements within proposed NPCC Regional Reliability Standards
- Enhance the CDAA to expand its capabilities from both the registered entity perspective and the NPCC Compliance Staff perspective
- Use established CDAA Users Group to seek input from the user community as to ways to enhance the application
- Provide applicable training to staff personnel to allow for the development of enhanced compliance program reporting

Conduct 2012 Compliance Workshops and interim information sessions for registered entities as necessary as a part of Training and Education program area.

Based on the portion of professional/technical staff time and other resources devoted to Compliance monitoring and enforcement and organizational registration and certification, NPCC estimates that it will expend 54.6 percent of its resources on this activity.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- U.S. Penalty Sanctions remitted from 7/1/10 through 6/30/11 reduce U.S. LSE designee assessments for 2012
- 2012 funding for this program includes $72,000 from WECC for performing the CEA responsibilities for the WECC Registered Functions

Personnel Expenses

- One additional CORC FTE is required to meet the NERC expectation for Regional Entity support of proposed CORC activities, as described above.

Meeting and Travel Expenses

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via teleconference, at the NPCC offices or member facilities, as well as lower meeting space rental rates through negotiations. Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference will be held to a minimum, however, the amount of activity is expected to only increase in 2012. Conference calls and webex will be conducted for business when possible.

Operating Expenses

- Consultant and contractor costs reduced by utilization of staff employees to partially address increased workload. With a risk and performance based assessment of each registered entity, audits will transition to a periodicity more reflective of the risk profile of the entity such that some audits will be more in-depth while others may have a reduced scope which will require less independent contractor resources. Expenses related to office rent and costs, professional services, computer and equipment leases, miscellaneous (except for WECC CEA), and depreciation have been allocated to the Compliance Program proportionately based on FTE. Expenses associated with NPCC performing the CEA function for WECC registered functions are included here in the "Miscellaneous" line.
- The increases in professional services have been allocated proportionately based on FTE to the compliance program area for 2012 and are attributed mainly to the changes in NPCC's corporate governance structure, and the allocation of costs for legal and accounting services across all program areas.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2012.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No significant changes

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Compliance Monitoring and Enforcement and Organization Registration and Certification

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 7,199,018	$ 7,199,018	$ -	$ 7,058,449	$ (140,570)
Penalty Sanctions	179,958	179,958	-	341,111	161,153
Total ERO Funding	**$ 7,378,977**	**$ 7,378,977**	**$ -**	**$ 7,399,560**	**$ 20,583**
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous*	-	-	-	$ 72,000	72,000
Total Funding	**$ 7,378,977**	**$ 7,378,977**	**$ -**	**$ 7,471,560**	**$ 92,583**
Expenses					
Personnel Expenses					
Salaries	$ 2,369,244	$ 2,369,244	$ -	$ 2,420,942	$ 51,698
Payroll Taxes	137,610	137,610	-	157,467	19,858
Benefits	535,522	535,522	-	589,407	53,885
Retirement Costs	294,210	294,210	-	351,874	57,663
Total Personnel Expenses	**$ 3,336,586**	**$ 3,336,586**	**$ -**	**$ 3,519,690**	**$ 183,104**
Meeting Expenses					
Meetings	$ 26,600	$ 26,600	$ -	$ 40,000	$ 13,400
Travel	260,000	260,000	-	314,000	54,000
Conference Calls	11,600	11,600	-	11,600	-
Total Meeting Expenses	**$ 298,200**	**$ 298,200**	**$ -**	**$ 365,600**	**$ 67,400**
Operating Expenses					
Consultants & Contracts	$ 1,704,000	$ 1,704,000	$ -	$ 1,252,000	$ (452,000)
Office Rent	278,971	278,971	-	271,776	(7,194)
Office Costs	155,071	155,071	-	151,707	(3,363)
Professional Services	93,059	93,059	-	492,237	399,178
Computer & Equipment Leases	60,324	60,324	-	68,065	7,742
Miscellaneous*	24,706	24,706	-	103,579	78,873
Depreciation	61,765	61,765	-	59,211	(2,554)
Total Operating Expenses	**$ 2,377,894**	**$ 2,377,894**	**$ -**	**$ 2,398,575**	**$ 20,681**
Total Direct Expenses	**$ 6,012,680**	**$ 6,012,680**	**$ -**	**$ 6,283,865**	**$ 271,185**
Indirect Expenses	**$ 1,410,233**	**$ 1,410,233**	**$ -**	**$ 1,227,774**	**$ (182,459)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ 789**	**$ 789**
Total Expenses	**$ 7,422,914**	**$ 7,422,914**	**$ -**	**$ 7,512,429**	**$ 89,515**
Change in Assets	**$ (43,937)**	**$ (43,937)**	**$ -**	**$ (40,869)**	**$ 3,068**
Fixed Assets					
Depreciation	$ (61,765)	(61,765)	$ -	$ (59,211)	$ 2,554
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	9,306	9,306	-	8,132	(1,174)
Equipment CapEx	12,724	12,724	-	11,803	(921)
Leasehold Improvements	6,176	6,176	-	8,132	1,955
(Incr)Dec in Fixed Assets	**$ 33,559**	**$ 33,559**	**$ -**	**$ 31,145**	**$ (2,414)**
Allocation of Fixed Assets	$ 10,378	$ 10,378	**$ -**	$ 9,724	$ (654)
Change in Fixed Assets	**43,937**	**43,937**	**-**	**40,869**	**(3,068)**
TOTAL CHANGE IN ASSETS	**$ 0**	**$ 0**	**$ -**	**$ 0**	**$ 0**

*** Includes WECC CEA**

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	4.9	5.9	1.0
Direct Expenses	$2,126,027	$2,637,228	$511,201
Indirect Expenses	$493,582	$482,925	($10,657)
Other Non-Operating Expenses	$0	$311	$311
Inc(Dec) in Fixed Assets	($15,378)	($16,075)	($697)
Total Funding Requirement	$2,604,231	$3,104,388	$500,157

Program Scope and Functional Description

NPCC, through its top technical committee, the Reliability Coordinating Committee (RCC), integrates the deliverables of its Task Force's and Working Group's Reliability Assessment and Performance Analysis related activities. Consistent with the applicable NERC Reliability Standards, these efforts include:

- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserves in accordance with NPCC Reliability Directory No. 1 and other related reliability directories;
- Assessing the impact of planned transmission and resource additions or modifications on NPCC system reliability in accordance with NPCC Reliability Directory No. 1 and other related reliability directories.

Seasonal assessments of the overall NPCC resource adequacy assessments are performed and possible actions to mitigate any potential problems are identified. NPCC reviews operations and disturbances both internal and external to the Region in order to identify any lessons to be learned and recommends any necessary follow-up actions.

If appropriate, enhancements to Regional Standards or NPCC's more stringent, Regionally-specific reliability requirements are also recommended. NPCC promotes and conducts both inter-Area and interregional studies to enhance reliability and operational effectiveness, and provides a forum for the discussion and coordination of operating issues within the NPCC Region and with other Regions.

2012 Key Assumptions

Support of identified key NERC Reliability Assessment and Performance Analysis (RAPA) projects; NERC and Regional Entities will gather data or perform analysis in support of U.S. Federal initiatives, such as:

- high impact/low frequency events such as geomagnetic disturbances
- system frequency response analysis
- climate change
- environmental regulations

- New technology integration such as renewable energy, smart grid, energy storage, and/or electric vehicles

The NERC Generator Availability Data System (GADS) collection becomes mandatory in 2012. A data collection system is currently being designed and will require Regional Entity involvement. The Regional Entity involvement and support is expected to be similar to the current TADS process. Regional training and resources will be needed to fulfill the mandatory submittal of GADS data.

NERC will continue to develop analysis of TADS data in 2012; an annual report assessing trends may be issued once sufficient data is collected.

To meet NERC's Three-Year Assessment commitments, NERC will continue to rely on the Regional Entities to:

- Vet proposed and future metric development, collection, and analysis with industry stakeholders through the Reliability Metrics Working Group (RMWG).
- Identify and spotlight trends through assessments of the availability data systems and metrics (e.g., TADS, GADS, TADS, reliability metrics, etc.)
- Two post-seasonal assessments will be completed annually (Summer and Winter). NERC and the Regional Entities will prioritize and budget for two reliability assessment initiatives (scenario and special reliability assessments) per year. Specialized contractors may be used to complete detailed analysis to support scenario assessments. Special assessments currently proposed to be completed include: change in resource mix, gas dependency, delays in transmission development.

NERC and the Regional Entities will be expected to add resources to:

- Develop a centralized data collection, reporting and validation process, and calculation tools in 2012 for reliability assessments, metric development and availability data systems such as GADS and the Spare Equipment Database.
    i. Develop integrated database to support the collection, validation, and distribution of reliability assessment information including generation, transmission, and demand data in 2011 through 2012. Information system enhancements and Regional staff support will be required by Regional Entities to support the objectives of the project.
    ii. Support increased coordination and data collection, analysis to support tracking and data analysis to calculate associated risks to reliability identified in future NERC alerts (advisories, recommendations, and essential actions).
- Increased coordination with event analysis, lesson learned and model validation activities. Specialized contractors may be used to complete detailed analysis to support model data collection and validation.
- Complete work plans supporting reliability assessment and input into NERC's reliability standards process for technology integration and high-impact, low-frequency event risks.
- NERC and the Regional Entities will prioritize and budget for two additional reliability assessment initiatives (scenario and special reliability assessments) per year (for a total of 4 annually). Additional special assessments may be developed

based *on ad-hoc* requests from NERC executive management, stakeholder steering groups, or the NERC Board of Trustees.

i. Two scenarios to the Long-Term Reliability Assessment reference case projections are currently proposed for 2012.
ii. NERC will implement probabilistic assessments into the Long-Term Reliability Assessment with a trial run in 2012. A common set of probabilistic reliability indices and probabilistic-based work products will be used to supplement the NERC's Long-Term Reliability Assessment. Information system enhancements and modeling support may be required by Regional Entities to support this effort.
iii. Energy and high-risk hours analysis to be included in seasonal and long term reliability assessments will be considered in 2012 to supplement capacity assessment with trials in 2013.

NPCC will continue to provide the NPCC Regional perspective with active NPCC staff participation on the NERC Planning and Operating Committees and key related NERC Subcommittees, Task Forces and Working Groups:

- ✓ Data Coordination Working Group (DCWG)
- ✓ Reliability Assessment Subcommittee (RAS) - Seasonal and Long-Term Reliability Assessments
- ✓ Transmission Issues Subcommittee (TIS)
- ✓ Loss of Load Expectation (LOLE) Task Force
- ✓ Regional support and coordination of the NERC:
  - Generator Availability Data System (GADS)
  - Demand Availability Data System (DADS)
  - Transmission Availability Data System (TADS).
- ✓ Incorporating probabilistic reliability metrics proposed for the 2012 NERC Long-Term Reliability Assessment through the NPCC 2012 Long Range Adequacy Overview.
- ✓ Providing analytic support to ERO-RAPA group for the:
  - Analysis of Relay mis-operations
  - Regional coordination of data required for the calculation of metrics proposed by the NERC Reliability Metrics Working Group

As well as:

- ✓ Developing updates to the NPCC Electric System Map.
- ✓ Liaison with the New York Defensive Strategies Working Group in coordination and implementation of Synchro-Phasor measurement devices on the NPCC and neighboring systems and monitor related efforts of the NERC North American Synchro-Phasor Initiative.
- ✓ Coordinating the NPCC implementation of the FERC approved NERC BES definition.
- ✓ Participating in on-going NERC analysis of the Eastern Interconnection Frequency Response.
- ✓ Developing NPCC guidelines for load modeling in system reliability studies.
- ✓ Conducting resource adequacy assessments addressing impacts of emerging reliability issues identified by NERC (e.g., Climate Change Legislation, environmental requirements, gas-electric interdependency, delays to transmission plans, etc.)

- ✓ Coordinating any resulting NPCC inter-Area reliability analyses required to assess the proposed integration of related large-scale renewable resource proposals from Regional activities, such as the Eastern Interconnection Planning Collaborative.
- ✓ Completing the 2012 NERC Seasonal (and post Seasonal) Reliability Assessments.
- ✓ Completing the 2012 NERC Long-Term Reliability Assessment.

2012 Goals and Key Deliverables

Task Force on Coordination of Planning

The primary mission of the NPCC Task Force on Coordination of Planning (TFCP) is to promote reliability through the coordination of NPCC Area and NERC planning processes and activities.

TFCP activities include, but are not limited to:

- Leading the NPCC Task Force review of the revision of NPCC Reliability Directory No. 1, and other NPCC criteria, guidelines, and procedures related to planning, and of those documents which provide for the uniform implementation, interpretation and monitoring of compliance with criteria, guidelines and procedures related to planning.
- Supporting the NPCC Directory Project by either drafting, reviewing or approving directories.
- Coordinating, monitoring, reviewing, and making recommendations on proposed or modified Special Protection Systems.
- Facilitating Wide-Area Planning by supporting the Joint ISO/RTO Planning Committee Activities, implementation of the Northeast Planning Protocol, and performing any NPCC interconnection reliability analyses, as required.
- Reviewing the overall reliability of the NPCC Areas and performing multi-Area probabilistic reliability assessments.
- Identifying and assisting in the development of new Regional Reliability Standards.
- Assisting the NPCC Compliance Subcommittee, to monitor and coordinate the compliance efforts of the Areas with NPCC planning documents and Registered Entities with NERC Reliability Standards.
- Reviewing the Standards Authorization Requests and NERC Reliability Standards as well as participating in the NERC process. Educating and informing NPCC membership and Registered Entities of developments.
- Ensuring coordination of data and assumptions for conducting NPCC planning studies (i.e. load forecasts, reserve requirements, DOE EIA 411 data, and new facilities)
- Monitoring the activities of other NPCC Task Forces to ensure coordination with planning activities.
- Completing any outstanding Blackout Recommendation Follow-Up actions.
- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserve margins in accordance with NPCC Directory No. 1 based on a schedule set forth in the Reliability Assessment Program.
- Coordinating the review of the compliance of future Area plans with the Basic Criteria, including an analysis of resource and transmission system additions, and the potential inter-Area effects of special protection systems, in accordance with NPCC Reliability Directory No.1 based on a schedule set forth in the Reliability Assessment Program. (Specific projects, which in the opinion of the task force could have an impact on the

reliability of the NPCC Bulk Power System, may be reviewed outside of the set schedule).

Key TFCP Reliability Assessment and Performance Analysis Deliverables

- ✓ Coordinating activities related to reactive power and voltage control practices, which includes Under Voltage Load Shedding (UVLS) with the Task Force on Coordination of Operation and the Task Force on System Studies to ensure that developments in the NERC Planning Committee and its Subcommittees are addressed.
- ✓ Monitoring the actions of the NERC Transmission Issues Subcommittee (TIS) in the area of system protection and control.
- ✓ Monitoring the actions of the NERC Resource Issues Subcommittee (RIS) in the area of demand response and resource adequacy assessment.
- ✓ Overseeing the A-10 BPS Implementation Plan.
- ✓ Overseeing the summer 2011 and winter 2011-2012 NPCC multi-area probabilistic reliability evaluations.
- ✓ Overseeing the 2011 NPCC Long-Range Adequacy Overview.
- ✓ Evaluating and approving Balancing Authority Area Transmission Reviews.
- ✓ Coordinating, monitoring, reviewing, and making recommendations on the retirement of existing in-service Special Protection Systems (SPS); and the implementation of proposed new or modified Special Protection Systems.
- ✓ Monitoring industry practices and making recommendations to NPCC on transmission adequacy standards related to intermittent generation such as wind or solar-voltaic.
- ✓ Reviewing and giving direction to other task forces on changes required to the Underfrequency Load Shedding (UFLS) program required to take into account increasing amounts of distribution connected generation and/or intermittent generation.
- ✓ Evaluating and recommending approval of NPCC Balancing Authority Area Resource Adequacy Assessments.
- ✓ Monitoring the developments in demand resources, energy efficiency and conservation methods including all intermittent renewable resources.
- ✓ Conducting resource adequacy assessment studies addressing emerging reliability issues as identified by the NERC Planning Committee (e.g., Climate Change Legislation, environmental requirements, etc.)
- ✓ Supporting Joint ISO/RTO Planning Committee activities.
- ✓ Facilitating Wide-Area Planning through participation in Regional activities (such as the Eastern Interconnection Planning Collaborative) and coordinating any resulting required inter-Area Reliability Assessment of the proposed integration related large-scale renewable resource proposals.
- ✓ Completion of the NERC 2011 Long-Term Reliability Assessment.

Task Force on System Studies

The primary mission of the NPCC Task Force on System Studies (TFSS) is to provide for active overall coordination of system studies of the reliability of the interconnected bulk power systems and for the review of certain NPCC documents.

The activities of the TFSS include, but are not limited to:

- Participating with the Task Force on Coordination of Planning, the Task Force on Coordination of Operation, and the Task Force on System Protection in reviews of the NPCC Reliability Directory No.1 and other NERC Reliability Standards and NPCC

criteria, guidelines, procedures and documents which provide for the uniform implementation, interpretation and monitoring of conformance to criteria, guidelines and procedures related to system studies.

- Conducting NPCC Balancing Authority Area Reviews, in accordance with NPCC Reliability Directory No. 1, based on material presented by the Balancing Authority Areas. These reviews will assess the impact of planned transmission and resource additions or modifications on system reliability, and determine the Balancing Authority Area's conformance with the NPCC Basic Criteria.
- Reviewing and approving changes to Balancing Authority Areas' lists of bulk power system elements, in accordance with the *Classification of Bulk Power System Elements* (Document A-10). Annually review and update the NPCC BPS List.
- Reviewing and classifying new and modified Special Protection Systems, in accordance with NPCC Reliability Directory No. 7. Annually reviewing and updating the NPCC SPS List.
- Conducting such load flow, transient stability, and other studies as required analyzing the overall reliability of the planned bulk power transmission systems of NPCC and the interconnections between NPCC and other Regional reliability organizations. As a part of this effort, analyze potential inter-Area effects of Special Protection Systems.
- Conducting analytical studies as appropriate to support the coordination of system planning, system operation and system protection in NPCC.
- Maintaining, through the SS-37 Working Group, a library of load flow base cases and associated dynamics data, for use in and support of Balancing Authority Area Reviews, overall transmission assessments, operational studies, inter-regional studies, etc. Coordinate this effort with the NERC inter-regional base case development process.
- In conjunction with other Task Forces, reviewing major system disturbances to ascertain the adequacy of the interconnected systems. Also, reviewing any associated recommendations for system modifications and considering the need for criteria changes.
- Identifying and recommending improved system study techniques. This includes, but is not limited to, the following:
    - improved techniques and models for power system simulation;
    - improved techniques for power system Reliability Assessment;
- Conducting a periodic review of the adequacy of the NPCC underfrequency load shedding program. Annually reviewing and updating the NPCC underfrequency load shedding database.
- Maintaining a listing and monitoring the status of major transmission and generation projects within NPCC.
- Maintaining liaison with other NPCC Task Forces and report to the Reliability Coordinating Committee as required.
- Monitoring the work of industry research and development organizations such as the IEEE, Canadian Electricity Association, Electric Power Research Institute, CIGRE and other technical organizations.
- Annually developing updates to the NPCC Electric System Map

Key TFSS Reliability Assessment and Performance Analysis Deliverables:

- ✓ Conducting Balancing Authority Area reviews, in accordance with the *Guidelines for NPCC Area Transmission Reviews* (Appendix B of NPCC Reliability Directory No. 1), based on material presented by the Balancing Authority Areas. These reviews assess the impact of planned transmission and resource additions or modifications on system reliability, and determine the Area's conformance with the NPCC Basic Criteria.

Through the Area Transmission Reviews, re-evaluate the performance and classification of existing SPSs and Dynamic Control Systems as appropriate.

- ✓ Reviewing and classifying new and modified Special Protection Systems, in accordance with NPCC Reliability Directory No. 7 *Procedure for NPCC Review of New or Modified Bulk Power System Special Protection Systems* as required.
- ✓ Reviewing and approving changes to the Balancing Authority Areas' lists of bulk power system elements, in accordance with the *Classification of Bulk Power System Elements* (Document A-10), as required.
- ✓ Updating the NPCC Bulk Power System List.
- ✓ Participation in on-going NERC analysis of the Eastern Interconnection Frequency Response.
- ✓ Review of proposed Regional waivers to the NERC BES definition, as requested.
- ✓ Developing the annual library of power flow base cases and associated dynamic models for use by NPCC members and input into the development of the MMWG library of power flow and dynamic cases and databases for the Eastern Interconnection
    - i. Final development of NPCC power flow models for 2011
    - ii. Final development of NPCC dynamic models for 2011
    - iii. Address wind modeling issues including maintaining a database of wind models in the NPCC library of base case and provide documentation of those models
- ✓ Annually performing event replication and exercise the procedure. Reviewing existing Regional criteria and procedures for validation of data used in power flow and dynamic simulations by benchmarking against actual system performance. If the existing criteria or procedures are found to be deficient, propose changes to provide for adequate data validation (NERC Blackout Recommendation No. 14)
- ✓ Updating the NPCC SS-37 Working Group Procedure Manual and other related documents including the Master Tie line Data, and Interchange Schedule, as required.
- ✓ Providing mid-term updates to the 2011 Library of NPCC/MMWG cases
- ✓ Enhancing the governor modeling on a unit by unit basis suitable for use in the system simulation. Apply load controllers on all fossil fired units and calibrate accordingly with the observed response on units and systems, coordinated with the NPCC CO-1 Working Group.
- ✓ Annually reviewing and updating a list of NPCC underfrequency load shedding.
- ✓ Coordinate activities with those of the New York State Defensive Strategies Working Group, regarding the coordination and implementation of Synro-Phasor measurement devices.
- ✓ Developing NPCC guidelines for load modeling through review of past industry efforts to study dynamic load behavior, and contact others within the industry to benefit from their research. Focus on load behavior during large frequency and voltage excursions and the ability to model when load is tripped. Recommending whether to develop improved models for use in analysis of major disturbances or to develop appropriate models at the time of analyzing a disturbance.
- ✓ Classification of Bulk Power System Elements.
- ✓ Supporting Regional system studies to integrate large-scale renewable resources.
- ✓ Provide support to NERC EACG (Event Analysis Coordinating Group) as needed.
- ✓ Develop updates to the NPCC Electric System Map.

Task Force on System Protection (TFSP)

The purpose of the NPCC Task Force on System Protection (TFSP) is to promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America through the establishment of directories, criteria, guidelines, and procedures and coordination of design, relative to the protection associated with the bulk power systems.

The Reliability Assessment and Performance Analysis activities of the TFSP include, but are not limited to:

- Assessing proposed protection systems and special protection systems in accordance with NPCC Reliability Directory No. 4 and No. 7.
- Reviewing and analyzing the performance of protection systems following selected major power system disturbances and events, inside as well as outside NPCC in accordance with NPCC Reliability Directory No. 4. Issue recommendations for changes to NPCC Documents, as appropriate.
- Providing technical advice on protection issues to NPCC and coordinate with other Task Forces on the application of Intelligent Electronic Devices (IEDs) that include functions related to energy management systems in addition to their protective functions, in order to safeguard the integrity of the protective functions.
- Reviewing and assessing significant protection issues of common interest or informational value.
- Reviewing and assessing regulatory and industry based documents as they relate to system protection.
- Maintaining an effective liaison with North America groups working in the protection areas (for example: NERC System Protection & Control Subcommittee.)
- Exchanging information with other power pools, Regional Reliability Councils, Regional Transmission Organizations and other industry groups on matters concerned with system protection.
- Identifying the need for special studies and new documents, recommend action to the Reliability Coordinating Committee.

Key TFSP Reliability Assessment and Performance Analysis Deliverables:

- ✓ Assessing proposed protection systems and special protection systems for compliance with NPCC Directory No. 4 and No. 7 criteria.
- ✓ Reviewing and analyzing the performance of protection systems in power system disturbances and events, brought to the attention of the Task Force, inside as well as outside NPCC in accordance with *Procedures for Task Force on System Protection Review of Disturbances* (Document C-30). Issuing recommendations for changes to NPCC Documents, as appropriate.
- ✓ Providing support to the NERC Event Analysis Coordinating Group as required.
- ✓ Supporting the completion of NPCC Blackout 'Recommendation 2a' effort.
- ✓ Reviewing and updating NPCC Undervoltage Load Shedding Database.
- ✓ Participate in the ongoing development and submission of NPCC input into the development of related NERC Reliability Standards.
- ✓ Conducting any follow-up to the bulk power system protection risk assessment as directed by the Reliability Coordinating Committee.

Task Force on Coordination of Operation

The NPCC Task Force on Coordination of Operation (TFCO) facilitates the coordination of operations among the NPCC Reliability Coordinator areas and adjacent NERC Regions to enhance the reliability of the bulk power system. In addition, the TFCO provides technical support regarding operating expertise to the NPCC RSC and the NPCC CC.

The activities of the NPCC TFCO include, but are not limited to:

- Conducting seasonal reviews of the overall reliability of the generation and transmission systems in NPCC, and coordinating these efforts with parallel assessments conducted by the NPCC Task Force on Coordination of Planning and by NERC. Reviewing the operational preparedness of NPCC and recommending possible actions to mitigate any potential problems identified for each operating period.
- Reviewing operations and system disturbances and providing any necessary follow-up, including the recommendation of remedial or mitigating actions.
- Facilitating the reliable operational integration of new bulk power system facilities.
- Coordinating the development of operating NPCC requirements and procedures affecting the reliability and operability of the bulk power system in coordination with, and as directed by, NERC and NPCC.
- Promoting and sponsoring inter-Balancing Authority Area and interregional studies to enhance reliability and operational effectiveness of the bulk power system.
- Providing coordination of operating issues with other NPCC Task Forces and other Regions.
- Reviewing, and acting upon, NERC actions, motions and recommendations in relation to the operation of the power system.
- Formulating the position of the TFCO on NERC Standards, and providing this position to the NPCC Regional Standards Committee as appropriate.
- Providing assistance as requested by the NPCC Regional Standards Committee in the development of Regional Standards and Directories.
- Providing assistance as requested by the NPCC Compliance Committee in monitoring and coordinating the compliance efforts of the registered entities of NPCC.

Key TFCO Reliability Assessment and Performance Analysis Deliverables:

- ✓ Address the need for, and appropriate magnitude of, synchronized operating reserve required by NPCC Reliability Directory No. 5.
- ✓ Monitor the development of the NERC North American Synchro-Phasor Initiative.
- ✓ Expand the NPCC Reliability Directory No. 8 to address detailed Balancing Authority to Balancing Authority restoration within NPCC and between NPCC and its neighbors.
- ✓ Review NPCC Reliability Coordinator Area Restoration Plans.
- ✓ Completing the NPCC 2011 summer and 2011-12 Operational Reliability Assessments.
- ✓ Completion of the NERC 2011 Seasonal (and post Seasonal) Reliability Assessments.

NPCC Regulatory/Governmental Affairs Advisory Group

The purpose of the NPCC Regulatory/Governmental Affairs Advisory Group is to promote NPCC interaction and coordination with Federal/State/Provincial governmental and/or regulatory agencies on a coordinated Regional basis, and identify and develop policy input for NPCC and Northeast Regional governmental and/or regulatory bodies.

The NPCC Governmental/Regulatory Affairs Advisory Group provides a forum where industry and governmental and/or regulatory representatives can exchange views and strive to develop consensus policy recommendations on reliability issues specific to the NPCC Region (Northeastern United States and Eastern Canada) and share actionable information among NPCC, NERC and other related governmental and/or regulatory agencies related to Regional energy and reliability matters.

Funding Sources and Requirements — Explanation of Increase

The Reliability Assessment and Performance Program funding increase is specifically caused by the addition of one RAPA FTE needed to support NERC's activities and projects related to enhance or additional data and collection and assessments in 2012.

These activities require NPCC staff not only to coordinate the activities of its members, but also those of the NPCC registered entities.

Specifically:

- ✓ Regional support expected for mandatory NERC GADS (Generator Availability Data System) and SED (Spare Equipment Database) data reporting.
- ✓ Regional reliability assessments addressing impacts resulting from NERC's identification of emerging reliability issues, such as high impact/low frequency events (geomagnetic disturbances), Eastern Interconnection system frequency response, low inertia operation of the power system, climate change legislation, environmental regulations, integration of proposed large-scale renewable resource, smart grid, energy storage and large-scale implementation of electric vehicles
- ✓ Classification of Bulk Power System Elements and NPCC review of BES Exception applications submitted through the NERC Rules of Procedure process.
- ✓ Reviewing and assessing regulatory and industry concerns as they relate to identified system protection issues.
- ✓ Providing related data used in reliability assessments in support of NERC's Adequate Level of Reliability (ALR) metrics.
- ✓ Increased coordination with event analysis, lesson learned and model validation activities
- ✓ Incorporation of proposed probabilistic metrics proposed for 2012 NERC Long-Term Reliability Assessment.

In addition to:

- ✓ Developing NPCC guidelines for load modeling through review of past industry efforts to study dynamic load behavior, and contact others within the industry to benefit from their research. Focus on load behavior during large frequency and voltage excursions and the ability to model when load is tripped. Recommend whether to develop improved models for use in analysis of major disturbances or to develop appropriate models at the time of analyzing a disturbance.
- ✓ Liaison with the NERC North American Synchro-Phasor Initiative and activities of the New York Defensive Strategies Working Group.
- ✓ Reliability Assessment of renewable resource integration as identified by the Eastern Interconnection Planning Collaborative.
- ✓ Continuing Regional support and coordination of the existing NERC:
    - Demand Availability Data System (DADS)
    - Transmission Availability Data System (TADS)

Based on the portion of professional/technical staff time and other resources devoted to Reliability Assessment and performance analysis, NPCC estimates that it will expend 22.7 percent of its resources on these activities.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- U.S. Penalty Sanctions remitted from 7/1/10 through 6/30/11 reduce U.S. LSE designee assessments for 2012

Personnel Expenses

- One additional RAPA FTE is required to meet the NERC expectation for Regional Entity support of the proposed RAPA activities, as described above.

Meeting and Travel Expenses

- While the amount of activity is expected to significantly increase in 2012, meeting expenses will be minimized to the extent possible due to continued efforts to keep costs down by holding meetings via teleconference as appropriate, conducting meetings at the NPCC offices or member facilities, as well as negotiating lower meeting space rental rates. Travel expenses will be contained using advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference.

Operating Expenses

- Expenses related to office rent and costs, professional services, computer and equipment leases, miscellaneous (except for WECC CEA), and depreciation have been allocated proportionately based on FTEs.
- Increases in consultant and contracts expenses are necessitated by expanding performance analyses.
- The increases in professional services are attributed mainly to the changes in NPCC's corporate governance structure and the allocation of costs for legal and accounting services across all program areas.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2012.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No significant changes

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2011 Budget & Projection, and 2012 Budget						
Reliability Assessment and Performance Analysis						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	$ 2,541,245	$ 2,541,245	$ -	$ 2,970,217	$ 428,972
	Penalty Sanctions	62,985	62,985	-	134,170	71,185
Total ERO Funding		**$ 2,604,231**	**$ 2,604,231**	**$ -**	**$ 3,104,388**	**$ 500,157**
	Membership Dues	-	-	-	-	-
	Testing Fees	-	-	-	-	-
	Services & Software	-	-	-	-	-
	Workshops	-	-	-	-	-
	Interest	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
Total Funding		**$ 2,604,231**	**$ 2,604,231**	**$ -**	**$ 3,104,388**	**$ 500,157**
Expenses						
Personnel Expenses						
	Salaries	$ 919,883	$ 919,883	$ -	$ 1,084,011	$ 164,128
	Payroll Taxes	51,133	51,133	-	67,409	16,276
	Benefits	188,208	188,208	-	265,032	76,824
	Retirement Costs	193,695	193,695	-	205,859	12,164
Total Personnel Expenses		**$ 1,352,919**	**$ 1,352,919**	**$ -**	**$ 1,622,311**	**$ 269,392**
Meeting Expenses						
	Meetings	$ 25,000	$ 25,000	$ -	$ 50,000	$ 25,000
	Travel	120,000	120,000	-	120,000	-
	Conference Calls	40,245	40,245	-	30,250	(9,995)
Total Meeting Expenses		**$ 185,245**	**$ 185,245**	**$ -**	**$ 200,250**	**$ 15,005**
Operating Expenses						
	Consultants & Contracts	$ 352,000	$ 352,000	$ -	$ 392,000	$ 40,000
	Office Rent	97,640	97,640	-	106,899	9,259
	Office Costs	54,275	54,275	-	59,672	5,397
	Professional Services	32,571	32,571	-	193,613	161,043
	Computer & Equipment Leases	21,113	21,113	-	26,772	5,659
	Miscellaneous	8,647	8,647	-	12,421	3,774
	Depreciation	21,618	21,618	-	23,289	1,672
Total Operating Expenses		**$ 587,863**	**$ 587,863**	**$ -**	**$ 814,666**	**$ 226,803**
	Total Direct Expenses	**$ 2,126,027**	**$ 2,126,027**	**$ -**	**$ 2,637,228**	**$ 511,201**
Indirect Expenses		**$ 493,582**	**$ 493,582**	**$ -**	**$ 482,925**	**$ (10,657)**
Other Non-Operating Expenses		**$ -**	**$ -**	**$ -**	**$ 311**	**$ 311**
Total Expenses		**$ 2,619,609**	**$ 2,619,609**	**$ -**	**$ 3,120,463**	**$ 500,854**
Change in Assets		**$ (15,378)**	**$ (15,378)**	**$ -**	**$ (16,075)**	**$ (697)**
Fixed Assets						
	Depreciation	$ (21,618)	(21,618)	$ -	$ (23,289)	$ (1,672)
	Computer & Software CapEx	-	-	-	-	-
	Furniture & Fixtures CapEx	3,257	3,257	-	3,198	(59)
	Equipment CapEx	4,453	4,453	-	4,642	189
	Leasehold Improvements	2,162	2,162	-	3,198	1,037
(Incr)Dec in Fixed Assets		**$ 11,746**	**$ 11,746**	**$ -**	**$ 12,250**	**$ 505**
	Allocation of Fixed Assets	$ 3,632	$ 3,632	**$ -**	$ 3,825	$ 193
Change in Fixed Assets		**15,378**	**15,378**	**-**	**16,075**	**697**
TOTAL CHANGE IN ASSETS		**$ 0**	**$ 0**	**$ -**	**$ 0**	**$ 0**

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.1	0.1	0.0
Direct Expenses	$188,791	$192,360	$3,569
Indirect Expenses	$10,073	$8,185	($1,888)
Other Non-Operating Expenses	$0	$5	$5
Inc(Dec) in Fixed Assets	($314)	($272)	$42
Total Funding Requirement	$198,551	$200,278	$1,727

Program Scope and Functional Description

The NPCC Training, Education, and Operator Certification program supports NERC Rules of Procedure Section 900. The program provides education and training necessary to understand and operate the bulk electric system. The target audience of the program is bulk power system operating personnel - including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. The program also supports NPCC staff training and development needs as well as the administration of records necessary to maintain status as a NERC Continuing Education provider.

Training Program Background and Description

NPCC establishes and coordinates programs for system operator training relating to inter-Reliability Coordinator area matters, criteria, terminology, standards and operating procedures and instructions. It develops and conducts training seminars, held twice yearly, at which potential operational problems for the coming season are discussed, the implementation of NPCC standards and procedures are discussed, significant disturbances are reviewed for lessons to be learned and table-top drills and communication and coordination exercises. The seminars promote camaraderie and better communication among system operators from the NPCC Reliability Coordinator Areas.

NPCC also shares, evaluates and proposes new techniques and training aids as they become available; reviews opportunities to consolidate training among the NPCC Reliability Coordinators, which includes opportunities to share training material and training sessions and exchanges information on internal methods of system operator selection and training.

Funding Drivers and Reliability Benefits

- Provide two high-quality continuing education seminars (Compliance and TFIST Workshop)for system operators, schedulers and dispatchers
    - System operators and schedulers participating in the Seminars get exposure to NPCC issues and current industry operations topics, review recent NPCC or major external disturbances, discuss projected conditions for the coming summer or winter peak season and participate in hands on exercises pertaining to system operation practices

  - Seminar attendees also receive CE hours and each Balancing Authority Area utilizes the seminar content by including it in their internal training programs to provide CE hours to all system operators
  - The seminars help to improve system operation coordination through better camaraderie among operators
- Review and revise the curriculum of the training seminars to better emphasize NERC standards, Regional Standards and business practices, NPCC wide-area operations and Regionally-specific criteria and procedures
  - Enhance the system operator's awareness and knowledge of the standards, criteria and procedures they apply in real time operation
- Provide more sharing of new training approaches, exchange of information on internal methods of system operator selection, training material and training sessions
  - Enhanced efficiency and cost savings in the training programs in the NPCC Balancing Authority Areas

2012 Key Assumptions

NPCC will conduct two workshops in 2012, for NPCC Stakeholders, for the express purpose of providing the most current and applicable information related to the development of NERC and Regional Reliability Standards and the implementation of the Compliance Monitoring and Enforcement Program (CMEP). These workshops, attended in the past by up to 250 participants, are specifically designed, primarily through the conduct of targeted breakout class room sessions and presentations on current industry related activities, to provide for the most efficient exchange of information between the NPCC Compliance and Standards Staff and the NPCC Stakeholders. Presentations in the past have been conducted by FERC, NERC and Stakeholder representatives in addition to NPCC Staff members. To supplement these workshops, NPCC is also considering additional methods for the dissemination of timely information, possibly in the form of on-line webinars. These webinars will focus on a specific topic pertinent to developments related to compliance program implementation and/or standards development that may arise in between the two regularly scheduled workshops.

With the exception of meeting expenses, it is proposed that the NPCC resources to support Training and Education will remain virtually unchanged for the calendar year. In 2012, to be consistent with NERC and other Regional Entities, NPCC will charge for participation in NPCC workshops in an effort to defray some of the costs.

Although NERC anticipates a significant expansion of its training efforts, including the targeting of numerous subject areas in a cooperative effort with the Regions, the details have yet to be fully presented. For this reason, it is proposed that the NPCC resources to support Training and Education remain constant, except in the area of meeting expenses.

2012 Goals and Key Deliverables

- Prepare and conduct the spring and autumn NPCC System Operator Seminars
- Review approaches to reliability related-task definition, task instruction, and instruction tracking on an individual basis
- Provide NPCC-coordinated input into the NERC development of standard PER-005, "System Personnel Training"

- Coordinate the implementation of PER-005, once approved, within the NPCC BA Areas and RC Areas.
- Expand the content of the Reliability Coordinator training programs, based on the new requirements generated by PER-005, for training of SCADA and field operators, including description of tasks, tracking of Continuing Education Hours and development of Individual Learning Activities
- Develop presentations on the intended Reliability Coordinator/Balancing Authority approaches to task identification and training development associated with NERC Standard PER-005, "System Personnel Training"
- Establish an NPCC repository of training resources and learning verification activities addressing fundamental power system topics, which may be shared as elements of operator training in compliance with NERC Standard PER-005, "System Personnel Training"
- Establish an NPCC repository of training resources and learning verification activities addressing NPCC procedures employed in real-time by RC/BA operators, which may be shared as elements of operator training in compliance with "System Personnel Training"
- Share among the NPCC RCs/BAs experiences on implementation of new NERC standard PER-005. Consider strategies to deal with any implementation difficulties

Based on the portion of professional/technical staff time and other resources devoted to training, education, and operator certification, NPCC estimates that it will expend 1.5 percent of its resources on this activity.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- U.S. Penalty Sanctions remitted from 7/1/10 through 6/30/11 reduce U.S. LSE designee assessments for 2012
- NPCC will charge for participation in NPCC workshops in an effort to defray costs.

Personnel Expenses

- No significant changes

Meeting and Travel Expenses

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via teleconference, at the NPCC offices or member facilities, as well as lower meeting space rental rates through negotiations. Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference will be held to a minimum, however, the amount of activity is expected to only increase in 2012. Conference calls and webex will be conducted for business when possible.

Operating Expenses

- Expenses related to office rent and costs, professional services, computer and equipment leases, miscellaneous (except for WECC CEA), and depreciation have been allocated proportionately based on FTEs.
- The increases in professional services are attributed mainly to the changes in NPCC's corporate governance structure and the allocation of costs for legal and accounting services across all program areas.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2012.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No significant changes

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Training, Education, and Operator Certification

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 77,265	$ 77,265	$ -	$ 78,004	$ 739
Penalty Sanctions	1,285	1,285	-	2,274	989
Total ERO Funding	**$ 78,551**	**$ 78,551**	**$ -**	**$ 80,278**	**$ 1,728**
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	120,000	120,000	-	120,000	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 198,551**	**$ 198,551**	**$ -**	**$ 200,278**	**$ 1,728**
Expenses					
Personnel Expenses					
Salaries	$ 19,134	$ 19,134	$ -	$ 17,610	$ (1,524)
Payroll Taxes	1,049	1,049	-	868	(181)
Benefits	5,157	5,157	-	5,214	57
Retirement Costs	4,451	4,451	-	4,395	(56)
Total Personnel Expenses	**$ 29,790**	**$ 29,790**	**$ -**	**$ 28,086**	**$ (1,704)**
Meeting Expenses					
Meetings	$ 149,725	$ 149,725	$ -	$ 152,000	$ 2,275
Travel	3,000	3,000	-	3,000	-
Conference Calls	1,005	1,005	-	1,010	5
Total Meeting Expenses	**$ 153,730**	**$ 153,730**	**$ -**	**$ 156,010**	**$ 2,280**
Operating Expenses					
Consultants & Contracts	$ 457	$ 457	$ -	$ 1,100	$ 643
Office Rent	1,993	1,993	-	1,812	(181)
Office Costs	1,108	1,108	-	1,011	(96)
Professional Services	665	665	-	3,282	2,617
Computer & Equipment Leases	431	431	-	454	23
Miscellaneous	176	176	-	211	34
Depreciation	441	441	-	395	(46)
Total Operating Expenses	**$ 5,271**	**$ 5,271**	**$ -**	**$ 8,264**	**$ 2,993**
Total Direct Expenses	**$ 188,791**	**$ 188,791**	**$ -**	**$ 192,360**	**$ 3,569**
Indirect Expenses	**$ 10,073**	**$ 10,073**	**$ -**	**$ 8,185**	**$ (1,888)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ 5**	**$ 5**
Total Expenses	**$ 198,864**	**$ 198,864**	**$ -**	**$ 200,551**	**$ 1,686**
Change in Assets	**$ (314)**	**$ (314)**	**$ -**	**$ (272)**	**$ 41**
Fixed Assets					
Depreciation	$ (441)	(441)	$ -	$ (395)	$ 46
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	66	66	-	54	(12)
Equipment CapEx	91	91	-	79	(12)
Leasehold Improvements	44	44	-	54	10
(Incr)Dec in Fixed Assets	**$ 240**	**$ 240**	**$ -**	**$ 208**	**$ (32)**
Allocation of Fixed Assets	$ 74	$ 74	$ -	$ 65	$ (9)
Change in Fixed Assets	**314**	**314**	**-**	**272**	**(41)**
TOTAL CHANGE IN ASSETS	**$ 0**	**$ 0**	**$ -**	**$ 0**	**$ 0**

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	3.0	3.0	0.0
Direct Expenses	$1,176,558	$1,215,787	$39,229
Indirect Expenses	$302,193	$245,555	($56,638)
Other Non-Operating Expenses	$0	$158	$158
Inc(Dec) in Fixed Assets	($9,415)	($8,174)	$1,241
Total Funding Requirement	$1,469,336	$1,453,326	($16,010)

Program Scope and Functional Description

The Situation Awareness and Infrastructure Security Program is the combination of near real time awareness of conditions on the bulk power system with the programs necessary to increase the physical and cyber security of the electricity infrastructure. This includes the operation and maintenance of tools and other support services for the benefit of Reliability Coordinators and the system operators within the registered entities. Maintaining the real-time awareness of conditions on the interconnected bulk power systems by the NPCC Reliability Coordinator (including awareness of abnormal events, communicating information concerning system conditions and abnormal events to, and facilitating real-time communications among, system operators responsible for the reliable operation of the bulk power systems) is critical to maintaining reliable operation within NPCC. When a disturbance does occur, it is necessary to use the event as a learning opportunity.

Event Analysis Program

The NERC has established an enhanced, industry wide Event Analysis Program based on the recognition that many events which occur on the bulk power system beyond the reporting requirements in place today can have varying levels of significance to the electric system, providing otherwise unrealized lessons to be learned from these events and the trending of such events to identify possible reliability concerns. By integrating a “bottom-up” approach to a disturbance review within the framework of the NERC Event Analysis Program, consistency, comparability, flexibility and timeliness in the event analysis process will be promoted by NPCC, the registered entities and NERC in a collaborative initiative. Upon the identification of an event, the goal of the Event Analysis Program is to:

- identify what transpired;
- establish the sequence of events;
- understand the essential root causes of the event;
- identify recommendations or corrective actions; and
- develop, and disseminate to the industry, lessons to be learned so that the operational reliability of the bulk power system can be further enhanced.

The NERC Event Analysis Program recognizes that, if the timely dissemination of lessons learned from an event or disturbance is to be realized, any potential compliance implications associated with an event must be addressed and dismissed. Throughout an event analysis effort,

to make this process successful and complete, and to solidify the "bottom-up" approach, registered entities are encouraged to establish a liaison between the event analysis and compliance functions internal to the registered entity during the event analysis process. This serves to facilitate the development of a registered entity compliance self assessment report which will perform a sufficiency review of the reliability standards deemed applicable to the event, assisting in the self-reporting of possible violations should any be discovered.

The adoption by NERC of the Event Analysis Program in its Rules of Procedure brings clarity and certainty about what system events are relevant to analyze and to what level of detail, targeting potential vulnerabilities to the reliability of the bulk power system for detailed and in depth analysis; only concise and succinct reviews are desired for more minor events. It also delineates the expectations of roles and responsibilities of the registered entities, NPCC and NERC in a uniform review of system disturbances by the industry, and, ultimately, the program promotes the timely development and dissemination of valuable lessons learned to the industry. The identification and tracking of emerging common elements in system events will further distinguish trends which may be of concern to reliability.

NPCC Staff works step-by-step with the registered entity in the total event analysis process, permitting the entity to assume the primary role in the initial analysis, the development of lessons learned which may benefit the industry and the Standards sufficiency review.

NERC Alert Process

NPCC Staff works with the registered entities to appropriately respond to the NERC Alert system, a process through which notifications of potential threats to electric reliability are disseminated to the industry with the expectations placed on the entity proportional to the severity of the Alert being issued.

Through 2013, NPCC Staff will monitor and identify the response of the registered entities of NPCC to the NERC Alert, "Consideration of Actual Field Conditions in Determination of Facility Ratings." The NERC Alert recommends that each registered entity review the current Facility Ratings Methodology for its solely and jointly owned transmission lines to verify that the methodology used to determine facility ratings is based on actual field conditions, recognizing the fact that line ratings depend on many limiting factors, including transmission facility placement, tower height, topographical profiles, and maintaining adequate conductor clearances (i.e., conductor-to-ground, conductor-to-conductor) under a variety of ambient and loading conditions. The entity should determine if its Facility Ratings Methodology will produce appropriate ratings, even when considering differences between design and actual field conditions. The registered entity has been advised to review its transmission facility ratings to confirm that any differences observed between design and actual field conditions are within the design tolerances as defined by its Facility Ratings Methodology. The registered entities have been asked to establish high, medium and low priorities for its facilities and perform the assessments accordingly: high priority in 2011, medium priority in 2012 and low priority in 2013.

In 2012, NPCC Staff will work closely with the NERC Staff to incorporate greater efficiencies, industry input and precision into a streamlined NERC Alert process.

Operational Status

On an ongoing, but non-real time basis, NPCC monitors the operational status of the bulk power system and coordinates normal and pre-emergency communication, awareness and assistance in addition to the same during an emergency among the Reliability Coordinators within NPCC and its neighboring RCs: the New Brunswick System Operator, Hydro-Québec TransÉnergie, the ISO New England, Inc., the New York ISO and the Independent Electricity System Operator in Ontario. The industry is notified of significant bulk power system events that have occurred in one Reliability Coordinator Area, and which have the potential to impact reliability in other NPCC Reliability Coordinator Areas or Regions external to NPCC. These events include contingencies on the bulk power system, potential shortfalls of operating reserve, operating problems, potential security threats and potential threats or disruptions to the cyber systems.

To assist in the evaluation of emerging tools to better identify evolving system conditions, NPCC actively coordinates the utilization of existing operational aids, and the implementation of new operational aids, including the Area Control Error (ACE) and Frequency Monitoring System; the NERC Hotline; Real-time Flows; the System Data Exchange (SDX); the Reliability Coordinator Information System (RCIS); the Transmission Services Information Network (TSIN); the Interchange Distribution Calculator (IDC); the interregional Security Network (ISN); and the Central Repository for Security Events (CRC).

The "NPCC Emergency Preparedness Conference Call Procedures" provide a mechanism that has been put in place that enables the Reliability Coordinator in NPCC, and, as required, their counterparts in neighboring Regions, to rapidly communicate the status of current operating conditions, to facilitate the procurement of assistance during emergency conditions and to identify potential physical or cyber threats to the system.

Items of particular concern that can be discussed during the calls may include, but are not limited to, the following: anticipated weather conditions critical to the system or systems experiencing or projecting resource deficiencies; load forecast; largest first and second contingencies; potential need for emergency transfers; operating reserve requirements and expected available operating reserve capacity deficiencies; potential fuel shortages or potential fuel supply disruptions which could lead to energy shortfalls; identified or projected voltage conditions; status of short term transactions; additional capability available within four hours and additional capability available within twelve hours; generator outages; significant transmission outages; expected transfer limits and limiting elements; anticipated implementation of NERC Transmission Loading Relief (TLR); changes in the status of relay protection systems; arming of special protection systems not normally armed; and/or the application of abnormal operating procedures.

NPCC has also established a daily conference call to serve as a complement to the NPCC Emergency Preparedness Conference Call. The participants of the call are the Reliability Coordinators within NPCC and its neighboring RCs, the Midwest ISO and PJM. The conference call is implemented through a bridge, the initiation of the call quickly ringing all pre-selected telephones simultaneously. The goal of the call is to alert all Reliability Coordinators of emerging problems. If no system difficulties are anticipated for the day, no unnecessary information is to be discussed. Subjects for discussion are limited to credible events which could impact the ability of an entity to serve its load and meet its operating reserve obligations or would impose a burden to the interconnection, including the following: Projected Load; Adverse Weather; Operating Reserve; Generation; Transmission; and Sabotage.

If conditions worsen in the course of the day, the NPCC Emergency Preparedness Conference Call will be implemented.

NPCC has also completed the first phase of the FERC-NERC-Regions situation awareness initiative. At the request of the FERC, the Reliability Coordinator Areas have developed procedures to provide to the FERC detailed operating data for their respective footprints. The intent of the effort was to permit the FERC to measure the health of the Interconnections and to identify parameters which may warn of a developing crisis, thus precluding a major cascading event. To fulfill its portion of the first phase effort, NPCC implemented a geographically based visualization of selected reliability indicators. Each Reliability Coordinator of NPCC has access within the control room to the following near real time displays:

- A geographic visualization of the complete NPCC footprint; or
- A detailed geographic visualization of any of the neighboring Reliability Coordinator footprints within NPCC

Each screen displayed includes the following data:

- Reliability Coordinator Area load
- Reliability Coordinator Area Control Error
- Scheduled net interchange with its neighboring control area
- Actual net interchange with its neighboring control area
- Reliability Coordinator Area operating reserve
- Key interface loadings with limits
- Key bus voltages with typical operating range

Various dynamic, visual prompts are provided as conditions change. Arrows indicate interface flow direction, and key quantities are color coded. The data is refreshed at least every ninety seconds.

Recognizing the quantity of data displayed in a geographic format, and observing the ease with which the data can be understood and interpreted, the FERC is asking the remaining Reliability Coordinators to emulate the operational display methodology employed by NPCC. This will offer FERC a North American-wide common look and feel in its Situation Awareness displays utilizing the NPCC product.

NERC will support the development of an enhanced situation awareness tool, providing more detailed line flow information and commonality in the various displays.

To ensure the capability for continued voice communications among NPCC and its Reliability Coordinators, a satellite telephone network was also established, and it is tested on a monthly basis. This back-up communications system will function in the event of a collapse of the Public Switched Telephone Network (PSN), and cross-border voice communications can still be maintained among the Canadian Reliability Coordinators of NPCC and the Reliability Coordinators in the United States.

Critical Infrastructure Objectives

NPCC's critical infrastructure objectives are defined within the scope of the NPCC Task Force on Infrastructure Security & Technology, (TFIST) and include, but are not confined to:

- Providing a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC)
- Representing and advocating NPCC's position in the activities of NERC groups involved in the development and/or implementation of physical and cyber security

NPCC's 2012 critical infrastructure goals and objectives, as identified by the 2011-2012 Work Plan of the Task Force on Infrastructure Security and Technology include, but are not confined to:

- Review versions 4 & 5 of the CIP Standards and submit proposed comments and ballot recommendations to the NPCC RSC for consideration
- Monitor the Homeland Security Information Network (HSIN), ES-ISAC, Critical Information Protection Information Sharing (CIPIS), NERC Alerts and Canadian Information Sharing and share information with CO-8
- Review and submit comments on NERC proposed Reliability Standards, modified Reliability Standards, proposed Guidelines and modified Guidelines related to Infrastructure Security and Technology
- Keep current on all governmental agencies regarding applicable security recommendations and requirements, and other applicable security and reliability recommendations and keep the RCC and its committees appropriately informed, e.g. Sector Specific Plan.
- Sponsor periodic Workshops to address timely issues and update NPCC Members associated with infrastructure security and technology.
- Regarding the Cross Border Emergency Telecommunications recommendation
    - Continue to annually report to RCC on this testing
    - Continue to support CO-8's monthly testing
- Assess the telecommunications industry's desire to convert Frame Relay customers to Multiprotocol Label Switching (MPLS) and potentially provide recommendations to RCC
- Review Operational Telemetry over the Internet and provide recommendations to RCC as necessary
- Respond to the CO-8 request for assessment of telecommunications technology used by the Simultaneous Activation of Ten Minute Reserve (SAR)

On January 24, 2011, the NERC Board of Trustees approved CIP-002-4 which was a major change from the previous three versions. Earlier versions relied on the Registered Entity's Risk Assessment Based Methodology to identify Critical Assets. Version 4 defines a series of bright line criteria that all applicable Registered Entities will use. The industry is waiting for regulatory approval of CIP-002-4. This NERC Standards Drafting Team continues to work on corresponding updates to CIP-003-3 to CIP-009-3 which are loosely referred to as version 5. The current timeline targets early 2012 as the final industry ballot and assumes industry approval. Version 5 will complete NERC's response to all of the directives in FERC Order 706.

System Operations Security Objectives

NPCC's system operations security objectives are defined within the scope of the NPCC Task Force on Coordination of Operation (TFCO) and include, but are not confined to:

- Coordinating interregional pre-emergency actions in the event of a threat to the security of the Northeastern North American bulk power supply system
- Assisting in the development of real time operating tools assuring cyber security concerns are addressed

NPCC's 2012 operational situation awareness goals and objectives, as identified by the 2011-2012 Work Plan of the NPCC Task Force on Coordination of Operation (TFCO) include, but are not confined to:

- Enhanced Visualization NERC-FERC Tool
- Determine the feasibility of the NERC North American Synchro-Phasor Initiative (NASPI) for use within NPCC
- Direct Voice Communications among all NPCC Reliability Coordinators
  - Weekly Area Coordination Conference Calls
    Each week conference calls of the operations management personnel are initiated by NPCC to discuss operations expected, and identify possible concerns, during the forthcoming ten-day period (weekend and week following)
  - Daily Area Control Room Coordination Conference Calls
    Each morning, the NPCC Reliability Coordinator control rooms also take part in a regularly scheduled conference call. The goal of this call is to alert all neighboring Reliability Coordinators of any potential emerging problems which could lead to reliability concerns in the course of the day's operations. Subjects for discussion are limited to credible events which could impact the ability of a Reliability Coordinator to serve its load and meet its operating reserve obligations, or which would impose a burden to the neighboring NPCC Areas or the Eastern Interconnection
  - Emergency Preparedness Conference Call

The NPCC Emergency Preparedness Conference Call augments the regularly scheduled weekly and daily Area coordination conference call process to enable the Operations Managers in NPCC, and, as required, their counterparts in neighboring Regions, to rapidly communicate the status of current operating conditions and facilitate the procurement of assistance during, or in anticipation of, emergency conditions**.**

2012 Key Assumptions

- The full NERC Event Analysis Program will be launched in early 2012, following the conclusion of its 2011 field trial. Key elements of the program will include:
  - the rapid dissemination of lessons to be learned following an event on the system;
  - the initiation of root cause analysis for all system events;
  - a sufficiency Standards review;
  - a common automated data bank supporting the NPCC and NERC Event Analysis program;
  - the formal training of event personnel in root cause analysis; and
  - the clarification of event categorizations (NERC triage) to quickly identify the nature of an event and the level of reporting and review required. In the pursuit of this program, NERC states that: "*The number of events requiring review and analysis are expected to increase."*
- Critical infrastructure protection will command increasing resources in 2011, with the expectation by NERC that "••• *resource requirements will double, at a minimum, by the end of the next three years*." The immediate implications of the adoption of the NERC CIP Version 4 standards revisions will require: the identification and monitoring of an expanded list of Critical Cyber Assets; and the establishment of an aggressive Technical Feasibility Exemption (TFE) program.

- The complete Phase II initiative for NERC Situation Awareness-FERC, NERC, Regions (SAFNR) will be implemented in early 2012 satisfying FERC's request for a *"••• common look and feel •••"* for each Regional display.

2012 Goals and Key Deliverables

- An expanded program for the review of system disturbances in NPCC consistent with the NERC Event Analysis program
- An automated data bank supporting the NPCC and NERC Event Analysis program
- An enhanced process for the dissemination and monitoring of NERC Alerts
- A process for the identification and monitoring of an expanded list of Critical Cyber Assets
- The establishment of an aggressive Technical Feasibility Exemption (TFE) program
- Ongoing monitoring of the NERC Alert, "Consideration of Actual Field Conditions in Determination of Facility Ratings"

Based on the portion of professional/technical staff time and other resources devoted to situation awareness and infrastructure security, NPCC estimates that it will expend 10.6 percent of its resources on this activity.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- U.S. Penalty Sanctions remitted from 7/1/10 through 6/30/11 reduce U.S. LSE designees assessments for 2012

Personnel Expenses

- No significant changes

Meeting and Travel Expenses

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via teleconference, at the NPCC offices or member facilities, as well as lower meeting space rental rates through negotiations. Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference will be held to a minimum, however, the amount of activity is expected to only increase in 2012. Conference calls and webex will be conducted for business when possible.

Operating Expenses

- Expenses related to office rent and costs, professional services, computer and equipment leases, miscellaneous (except for WECC CEA), and depreciation have been allocated proportionately based on FTEs.
- The decrease in consultants and contracts expenses represents an anticipated reduction in NPCC funding supporting the Northeast's portion of the SAFNR project.
- The increases in professional services are attributed mainly to the changes in NPCC's corporate governance structure and the allocation of costs for legal and accounting services across all program areas.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2012.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No significant changes

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Situation Awareness and Infrastructure Security

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 1,430,773	$ 1,430,773	$ -	$ 1,385,103	$ (45,670)
Penalty Sanctions	38,563	38,563	-	68,222	29,660
Total ERO Funding	**$ 1,469,336**	**$ 1,469,336**	**$ -**	**$ 1,453,326**	**$ (16,010)**
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 1,469,336**	**$ 1,469,336**	**$ -**	**$ 1,453,326**	**$ (16,010)**
Expenses					
Personnel Expenses					
Salaries	$ 561,174	$ 561,174	$ -	$ 555,844	$ (5,330)
Payroll Taxes	31,145	31,145	-	34,356	3,210
Benefits	91,221	91,221	-	106,002	14,781
Retirement Costs	109,368	109,368	-	99,570	(9,799)
Total Personnel Expenses	**$ 792,909**	**$ 792,909**	**$ -**	**$ 795,772**	**$ 2,863**
Meeting Expenses					
Meetings	$ 26,000	$ 26,000	$ -	$ 16,000	$ (10,000)
Travel	70,000	70,000	-	70,000	-
Conference Calls	9,100	9,100	-	7,100	(2,000)
Total Meeting Expenses	**$ 105,100**	**$ 105,100**	**$ -**	**$ 93,100**	**$ (12,000)**
Operating Expenses					
Consultants & Contracts	$ 134,143	$ 134,143	$ -	$ 112,000	$ (22,143)
Office Rent	59,779	59,779	-	54,355	(5,424)
Office Costs	33,229	33,229	-	30,341	(2,888)
Professional Services	19,941	19,941	-	98,447	78,506
Computer & Equipment Leases	12,926	12,926	-	13,613	687
Miscellaneous	5,294	5,294	-	6,316	1,022
Depreciation	13,235	13,235	-	11,842	(1,393)
Total Operating Expenses	**$ 278,549**	**$ 278,549**	**$ -**	**$ 326,915**	**$ 48,366**
Total Direct Expenses	**$ 1,176,558**	**$ 1,176,558**	**$ -**	**$ 1,215,787**	**$ 39,229**
Indirect Expenses	**$ 302,193**	**$ 302,193**	**$ -**	**$ 245,555**	**$ (56,638)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ 158**	**$ 158**
Total Expenses	**$ 1,478,751**	**$ 1,478,751**	**$ -**	**$ 1,461,499**	**$ (17,252)**
Change in Assets	**$ (9,415)**	**$ (9,415)**	**$ -**	**$ (8,174)**	**$ 1,241**
Fixed Assets					
Depreciation	$ (13,235)	(13,235)	$ -	$ (11,842)	$ 1,393
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	1,994	1,994	-	1,626	(368)
Equipment CapEx	2,726	2,726	-	2,361	(366)
Leasehold Improvements	1,324	1,324	-	1,626	303
(Incr)Dec in Fixed Assets	**$ 7,191**	**$ 7,191**	**$ -**	**$ 6,229**	**$ (962)**
Allocation of Fixed Assets	$ 2,224	$ 2,224	**$ -**	$ 1,945	$ (279)
Change in Fixed Assets	**9,415**	**9,415**	**-**	**8,174**	**(1,241)**
TOTAL CHANGE IN ASSETS	**$ (0)**	**$ -**	**$ -**	**$ (0)**	**$ (0)**

Administrative Services

Administrative Services (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	7.42	8.43	1.01
Total Direct Expenses	$2,417,543	$2,209,550	($207,993)
Other Non-Operating Expenses	$0	$444	$444
Inc(Dec) in Fixed Assets	$0	($323,075)	($323,075)
Less: Other Funding Sources	$0	$0	$0
Total Allocation to Regional Entity Division Programs as Indirect Expenses	($2,417,543)	($2,209,994)	$207,549
Funding Requirement for Working Capital	$364,302	($323,075)	($687,377)

Program Scope and Functional Description

Administrative services support the previously identified five program areas of: Reliability Standards; compliance monitoring and enforcement and organization registration and certification; training, education, and operator certification; Reliability Assessment and performance analysis; and situation awareness and infrastructure security. Administrative services consist of: technical committees and members' forums; general and administrative; legal and regulatory; information technology; human resources; and finance and accounting.

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Technical Committees and Member Forums

Technical Committees and Members Forum Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	0.00
Total Direct Expenses	$ 111,987	$ 124,253	$ 12,266
Other Non-Operating Expenses	$ -	$ 26	$ 26
Inc(Dec) in Fixed Assets	$ -	$ (1,038)	$ (1,038)
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The success of the NPCC programs depends on the active and direct volunteerism and participation of its members. The stakeholders are the source of expertise in the industry. To promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America, NPCC invites high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior executives within NPCC and NERC to identify and discuss emerging issues related to the reliability of the NPCC Region.

2012 Key Assumptions

- NPCC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2012
- NPCC will continue to utilize methods to encourage active involvement in its Regional programs that require less stakeholder travel and face-to-face meetings, as the economy improves in 2012
- NPCC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability

2012 Goals and Key Deliverables

The 2012 NPCC General Meeting provides an opportunity for NPCC Members to meet high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior NERC and NPCC executives to discuss topics related to the reliable planning and operation of the power system, including consideration of emerging reliability, critical infrastructure and environmental issues.

2012 Public Information Committee Goals and Objectives

The objective of the NPCC Public Information Committee is to highlight and summarize NPCC activities and accomplishments in the past year, disseminate and coordinate the appropriate release of information to the media, respond to related requests for information, and coordinate with related NPCC Area, NERC media and public information activities. Activities anticipated for include, but are not limited to:

- Conducting the Media Event – release of the Summer NPCC Reliability Assessment
- Developing the NPCC Summer and Winter Reliability Outlooks
- Updating the NPCC Primer
- Participation in NERC Regional communication initiatives:

- Monthly Regional communications teleconferences
- Development of Compliance background information (FAQ) and sample press releases
- Preparation of NERC Standards background information and outreach to registered entities
- Coordination of Emergency or Blackout communications plans
- Coordination with other related NERC groups (i.e., situation awareness, event analysis, Reliability Assessment Subcommittee, etc.)

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable

Personnel Expenses

- No significant changes

Meeting and Travel Expenses

- No significant changes

Operating Expenses

- The increases in professional services are attributed mainly to the changes in NPCC's corporate governance structure and the allocation of costs for legal and accounting services across all program areas.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTEs to the direct programs for 2012.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No significant changes

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2011 Budget & Projection, and 2012 Budget Technical Committees and Member Forums						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	$ -	$ -	$ -	$ 0	$ 0
	Penalty Sanctions	-	-	-	-	-
Total ERO Funding		**$ -**	**$ -**	**$ -**	**$ 0**	**$ 0**
	Membership Dues	-	-	-	-	-
	Testing Fees	-	-	-	-	-
	Services & Software	-	-	-	-	-
	Workshops	-	-	-	-	-
	Interest	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
Total Funding		**$ -**	**$ -**	**$ -**	**$ 0**	**$ 0**
Expenses						
Personnel Expenses						
	Salaries	$ 46,772	$ 46,772	$ -	$ 44,627	$ (2,145)
	Payroll Taxes	3,037	3,037	-	2,745	(292)
	Benefits	16,462	16,462	-	16,995	533
	Retirement Costs	11,137	11,137	-	10,842	(295)
Total Personnel Expenses		**$ 77,408**	**$ 77,408**	**$ -**	**$ 75,208**	**$ (2,200)**
Meeting Expenses						
	Meetings	$ 3,000	$ 3,000	$ -	$ 2,000	$ (1,000)
	Travel	5,000	5,000	-	5,000	-
	Conference Calls	225	225	-	225	-
Total Meeting Expenses		**$ 8,225**	**$ 8,225**	**$ -**	**$ 7,225**	**$ (1,000)**
Operating Expenses						
	Consultants & Contracts	$ 2,286	$ 2,286	$ -	$ 6,000	$ 3,714
	Office Rent	9,963	9,963	-	9,059	(904)
	Office Costs	5,538	5,538	-	5,057	(481)
	Professional Services	3,324	3,324	-	16,408	13,084
	Computer & Equipment Leases	2,154	2,154	-	2,269	114
	Miscellaneous	882	882	-	1,053	170
	Depreciation	2,206	2,206	-	1,974	(232)
Total Operating Expenses		**$ 26,353**	**$ 26,353**	**$ -**	**$ 41,819**	**$ 15,466**
	Total Direct Expenses	**$ 111,987**	**$ 111,987**	**$ -**	**$ 124,253**	**$ 12,266**
Indirect Expenses		**$ (111,987)**	**$ (111,987)**	**$ -**	**$ (124,279)**	**$ (12,292)**
Other Non-Operating Expenses		**$ -**	**$ -**	**$ -**	**$ 26**	**$ 26**
Total Expenses		**$ -**	**$ -**	**$ -**	**$ 0**	**$ 0**
Change in Assets		**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**
Fixed Assets						
	Depreciation	$ (2,206)	(2,206)	$ -	$ (1,974)	$ 232
	Computer & Software CapEx	-	-	-	-	-
	Furniture & Fixtures CapEx	332	332	-	271	(61)
	Equipment CapEx	454	454	-	393	(61)
	Leasehold Improvements	221	221	-	271	50
(Incr)Dec in Fixed Assets		**$ 1,199**	**$ 1,199**	**$ -**	**$ 1,038**	**$ (160)**
	Allocation of Fixed Assets	$ (1,199)	$ (1,199)	**$ -**	$ (1,038)	$ 160
Change in Fixed Assets		**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN ASSETS		**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**

General and Administrative

General and Administrative (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.92	1.93	0.01
Total Direct Expenses	$ 188,594	$ 247,446	$ 58,852
Other Non-Operating Expenses	$ -	$ 102	$ 102
Inc(Dec) in Fixed Assets	$ -	$ (4,007)	$ (4,007)
Working Capital Requirement	$ 364,302	$ (323,075)	$ (687,377)

Program Scope and Functional Description

The NPCC general and administrative function provides executive management of the corporation, management of the NPCC office, and other administrative support programs.

2012 Key Assumptions

- Each of the delegated functional areas will evolve with continued emphasis on effective execution, efficiency, transparency, and consistency.
- Increased focus will be placed on facilitating reliability enhancing activities by Regional Entities such as entity distribution of lessons learned for predefined event types and reinforcement of effective compliance cultures.

2012 Goals and Key Deliverables

- Implementation and refinement of performance metrics to promote high quality and consistent implementation of delegated functions
- Implementation of continuing improvement activities to enable high quality performance of delegated functions while levelizing resources requirements
- NPCC processes and procedures are fully implemented
- Improvements in member services including ease of activities using NPCC website

Funding Requirements — Explanation of Increase (Decrease)

In 2012, the expenses related to the indirect program areas are allocated entirely to the direct programs and therefore have no ERO assessment funding. The negative ERO assessment requirement identified equates to the reduction in assessments necessary to achieve the targeted working capital reserve.

All indirect general costs, including rent, office supplies, telephone, postage, etc. are being recorded in each program area.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable

Personnel Expenses

- No significant change

Meeting and Travel Expenses

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via teleconference, at the NPCC offices or member facilities, as well as lower meeting space rental rates through negotiations. Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference will be held to a minimum, however, the amount of activity is expected to only increase in 2012. Conference calls and webex will be conducted for business when possible.

Operating Expenses

- The increases in professional services are attributed mainly to the changes in NPCC's corporate governance structure and the allocation of costs for legal and accounting services across all program areas.
- Contracts and Consultants increase due to extensive actuarial support and coordination with regard to annual independent audits.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2012.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No significant changes

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2011 Budget & Projection, and 2012 Budget						
General and Administrative						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	$ 364,302	$ 364,302	$ -	$ (323,075)	$ (687,377)
	Penalty Sanctions	-	-	-	-	-
Total ERO Funding		**$ 364,302**	**$ 364,302**	**$ -**	**$ (323,075)**	**$ (687,377)**
	Membership Dues	-	-	-	-	-
	Testing Fees	-	-	-	-	-
	Services & Software	-	-	-	-	-
	Workshops	-	-	-	-	-
	Interest	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
Total Funding		**$ 364,302**	**$ 364,302**	**$ -**	**$ (323,075)**	**$ (687,377)**
Expenses						
Personnel Expenses						
	Salaries	$ 47,904	$ 47,904	$ -	$ 41,729	$ (6,175)
	Payroll Taxes	1,515	1,515	-	1,521	5
	Benefits	9,347	9,347	-	12,764	3,417
	Retirement Costs	11,491	11,491	-	10,071	(1,421)
Total Personnel Expenses		**$ 70,257**	**$ 70,257**	**$ -**	**$ 66,084**	**$ (4,173)**
Meeting Expenses						
	Meetings	$ 5,000	$ 5,000	$ -	$ 2,000	$ (3,000)
	Travel	10,000	10,000	-	15,000	5,000
	Conference Calls	2,096	2,096	-	2,100	5
Total Meeting Expenses		**$ 17,096**	**$ 17,096**	**$ -**	**$ 19,100**	**$ 2,005**
Operating Expenses						
	Consultants & Contracts	$ 8,732	$ 8,732	$ -	$ 24,000	$ 15,268
	Office Rent	38,296	38,296	-	34,969	(3,328)
	Office Costs	21,288	21,288	-	19,520	(1,768)
	Professional Services	12,775	12,775	-	63,334	50,560
	Computer & Equipment Leases	8,281	8,281	-	8,758	477
	Miscellaneous	3,392	3,392	-	4,063	672
	Depreciation	8,479	8,479	-	7,618	(860)
Total Operating Expenses		**$ 101,242**	**$ 101,242**	**$ -**	**$ 162,262**	**$ 61,020**
	Total Direct Expenses	**$ 188,594**	**$ 188,594**	**$ -**	**$ 247,446**	**$ 58,852**
Indirect Expenses		**$ (188,594)**	**$ (188,594)**	**$ -**	**$ (247,548)**	**$ (58,954)**
Other Non-Operating Expenses		**$ -**	**$ -**	**$ -**	**$ 102**	**$ 102**
Total Expenses		**$ -**	**$ -**	**$ -**	**$ (0)**	**$ 102**
Change in Assets		**$ 364,302**	**$ 364,302**	**$ -**	**$ (323,075)**	**$ (687,479)**
Fixed Assets						
	Depreciation	$ (8,479)	(8,479)	$ -	$ (7,618)	$ 860
	Computer & Software CapEx	-	-	-	-	-
	Furniture & Fixtures CapEx	1,277	1,277	-	1,046	(231)
	Equipment CapEx	1,747	1,747	-	1,519	(228)
	Leasehold Improvements	848	848	-	1,046	198
(Incr)Dec in Fixed Assets		**$ 4,607**	**$ 4,607**	**$ -**	**$ 4,007**	**$ (600)**
	Allocation of Fixed Assets	$ (4,607)	$ (4,607)	**$ -**	(4,007)	$ 600
Change in Fixed Assets		**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN ASSETS		**$ 364,302**	**$ 364,302**	**$ -**	**$ (323,075)**	**$ (687,479)**

Legal and Regulatory

Legal and Regulatory (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.00	1.00	1.00
Total Direct Expenses	$ 462,086	$ 305,019	$ (157,067)
Other Non-Operating Expenses	$ -	$ 53	$ 53
Inc(Dec) in Fixed Assets	$ -	$ (2,076)	$ (2,076)
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

NPCC's professional legal services provide counsel to the President and CEO, Board of Directors, Vice President and COO, Treasurer and staff on legal and regulatory matters including corporate law, code of conduct, confidentiality, governance, employment law and other areas affecting NPCC. Outside counsel reviews items filed with governmental agencies for legal sufficiency; maintains relationships with U.S. and Canadian jurisdictions, and provides contract review.

2012 Key Assumptions

- The level of detail required in notice of penalties to meet NERC and FERC expectations continues to increase
- The likelihood of a contested compliance action increases, with one to two hearings (ERO-wide) being projected
- NPCC will fund any compliance hearings out of cash reserves

2012 Goals and Key Deliverables

- Assure continuing recognition of NPCC as a cross-border Regional Entity
- Obtain regulatory approvals for new and revised Regional Reliability Standards on a timely basis
- Process all appeals of compliance actions in an effective and efficient manner
- Liaison with the appropriate U.S. and Canadian regulatory and/or governmental authorities regarding responses/filings to related governmental and/or regulatory directives/orders
- Liaison with federal, State and Provincial governmental and/or regulatory authorities

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable

Personnel Expenses

- Increase driven by the addition of one FTE to support in-house legal counsel filings and research. NPCC's current legal support is delivered by a Compliance Attorney. This FTE is allocated to the CORC program area and does not provide organization-wide legal support.

Meeting and Travel Expenses

- Increase driven by the addition of meeting and travel expenses to support addition of one FTE in this program area.

Operating Expenses

- The decreases in professional services are attributed to the allocation of costs for legal and accounting services across all program areas.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2012.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No significant changes

Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2011 Budget & Projection, and 2012 Budget Legal and Regulatory						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	$ -	$ -	$ -	$ 0	$ 0
	Penalty Sanctions	-	-	-	-	
Total ERO Funding		**$ -**	**$ -**	**$ -**	**$ 0**	**$ 0**
	Membership Dues	-	-	-	-	-
	Testing Fees	-	-	-	-	-
	Services & Software	-	-	-	-	-
	Workshops	-	-	-	-	-
	Interest	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
Total Funding		**$ -**	**$ -**	**$ -**	**$ 0**	**$ 0**
Expenses						
Personnel Expenses						
	Salaries	$ -	$ -	$ -	$ 161,621	$ 161,621
	Payroll Taxes	-	-	-	11,004	11,004
	Benefits	-	-	-	27,438	27,438
	Retirement Costs	-	-	-	10,218	10,218
Total Personnel Expenses		**$ -**	**$ -**	**$ -**	**$ 210,281**	**$ 210,281**
Meeting Expenses						
	Meetings	$ -	$ -	$ -	$ 2,000	$ 2,000
	Travel	-	-	-	5,000	5,000
	Conference Calls	-	-	-	2,100	2,100
Total Meeting Expenses		**$ -**	**$ -**	**$ -**	**$ 9,100**	**$ 9,100**
Operating Expenses						
	Consultants & Contracts	$ -	$ -	$ -	$ 14,000	$ 14,000
	Office Rent	-	-	-	18,118	18,118
	Office Costs	-	-	-	10,114	10,114
	Professional Services	462,086	462,086	-	32,816	(429,271)
	Computer & Equipment Leases	-	-	-	4,538	4,538
	Miscellaneous	-	-	-	2,105	2,105
	Depreciation	-	-	-	3,947	3,947
Total Operating Expenses		**$ 462,086**	**$ 462,086**	**$ -**	**$ 85,638**	**$ (376,448)**
	Total Direct Expenses	**$ 462,086**	**$ 462,086**	**$ -**	**$ 305,019**	**$ (157,067)**
Indirect Expenses		**$ (462,086)**	**$ (462,086)**	**$ -**	**$ (305,072)**	**$ 157,015**
Other Non-Operating Expenses		**$ -**	**$ -**	**$ -**	**$ 53**	**$ 53**
Total Expenses		**$ -**	**$ -**	**$ -**	**$ 0**	**$ 0**
Change in Assets		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets						
	Depreciation	$ -	-	$ -	$ (3,947)	$ (3,947)
	Computer & Software CapEx	-	-	-	-	-
	Furniture & Fixtures CapEx	-	-	-	542	542
	Equipment CapEx	-	-	-	787	787
	Leasehold Improvements	-	-	-	542	542
(Incr)Dec in Fixed Assets		**$ -**	**$ -**	**$ -**	**$ 2,076**	**$ 2,076**
	Allocation of Fixed Assets	$ -	$ -	**$ -**	$ (2,076)	$ (2,076)
Change in Fixed Assets		**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN ASSETS		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Information Technology

Information Technology (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Total Direct Expenses	$ 914,516	$ 983,125	$ 68,609
Other Non-Operating Expenses	$ -	$ 158	$ 158
Inc(Dec) in Fixed Assets	$ -	$ (6,229)	$ (6,229)
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

NPCC's Information Technology services ensure information assets and the environment in which they operate are secure. NPCC maintains an offsite backup server for continuity of essential operations in the event that its primary location is unavailable.

2012 Key Assumptions

- Continue to develop and maintain the portal through collaboration with other Regions and NERC (CUG).

2012 Goals and Key Deliverables

Responsibilities encompass a variety of complex technical, administrative, and supervisory work in the development, installation, and maintenance of information technology systems. IT goals include, but are not limited to:

- Create an information security program aimed at reducing breach of security risks
- Determine long-term software and systems needs and hardware acquisitions
- Develop and implement information security standards and procedures
- Ensure all information systems are functional and secure, and that all applications running on those systems meet business requirements for performance, availability, and security
- Plan and implement organization-wide information systems, services, and network facilities, including local area networks, wide-area networks, and peripheral systems

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable

Personnel Expenses

- No significant change

Meeting and Travel Expenses

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via teleconference, at the NPCC offices or member facilities, as well as lower meeting space rental rates through negotiations. Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference will be held to a minimum, however the amount of activity is expected to only increase in 2012. Conference calls and webex will be conducted for business when possible.

Operating Expenses

- The increases in professional services are attributed mainly to the changes in NPCC's corporate governance structure and the allocation of costs for legal and accounting services across all program areas.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2012.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No significant changes

Information Technology

Funding sources and related expenses for the information technology section of the 2012 business plan are shown in the table below.

Statement of Activities 2011 Budget & Projection, and 2012 Budget Information Technology						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	$ -	$ -	$ -	$ (0)	$ (0)
	Penalty Sanctions	-	-	-	-	-
Total ERO Funding		**$ -**	**$ -**	**$ -**	**$ (0)**	**$ (0)**
	Membership Dues	-	-	-	-	-
	Testing Fees	-	-	-	-	-
	Services & Software	-	-	-	-	-
	Workshops	-	-	-	-	-
	Interest	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
Total Funding		**$ -**	**$ -**	**$ -**	**$ (0)**	**$ (0)**
Expenses						
Personnel Expenses						
	Salaries	$ 475,858	$ 475,858	$ -	$ 469,715	$ (6,142)
	Payroll Taxes	29,962	29,962	-	32,518	2,556
	Benefits	126,109	126,109	-	119,065	(7,044)
	Retirement Costs	91,938	91,938	-	81,811	(10,127)
Total Personnel Expenses		**$ 723,867**	**$ 723,867**	**$ -**	**$ 703,110**	**$ (20,757)**
Meeting Expenses						
	Meetings	$ 2,000	$ 2,000	$ -	$ 6,000	$ 4,000
	Travel	30,000	30,000	-	25,000	(5,000)
	Conference Calls	5,100	5,100	-	10,100	5,000
Total Meeting Expenses		**$ 37,100**	**$ 37,100**	**$ -**	**$ 41,100**	**$ 4,000**
Operating Expenses						
	Consultants & Contracts	$ 9,143	$ 9,143	$ -	$ 24,000	$ 14,857
	Office Rent	59,779	59,779	-	54,355	(5,424)
	Office Costs	33,229	33,229	-	30,341	(2,888)
	Professional Services	19,941	19,941	-	98,447	78,506
	Computer & Equipment Leases	12,926	12,926	-	13,613	687
	Miscellaneous	5,294	5,294	-	6,316	1,022
	Depreciation	13,235	13,235	-	11,842	(1,393)
Total Operating Expenses		**$ 153,549**	**$ 153,549**	**$ -**	**$ 238,915**	**$ 85,366**
	Total Direct Expenses	**$ 914,516**	**$ 914,516**	**$ -**	**$ 983,125**	**$ 68,609**
Indirect Expenses		**$ (914,516)**	**$ (914,516)**	**$ -**	**$ (983,282)**	**$ (68,767)**
Other Non-Operating Expenses		**$ -**	**$ -**	**$ -**	**$ 158**	**$ 158**
Total Expenses		**$ -**	**$ -**	**$ -**	**$ (0)**	**$ 0**
Change in Assets		**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**
Fixed Assets						
	Depreciation	$ (13,235)	(13,235)	$ -	$ (11,842)	$ 1,393
	Computer & Software CapEx	-	-	-	-	-
	Furniture & Fixtures CapEx	1,994	1,994	-	1,626	(368)
	Equipment CapEx	2,726	2,726	-	2,361	(366)
	Leasehold Improvements	1,324	1,324	-	1,626	303
(Incr)Dec in Fixed Assets		**$ 7,191**	**$ 7,191**	**$ -**	**$ 6,229**	**$ (962)**
	Allocation of Fixed Assets	$ (7,191)	$ (7,191)	**$ -**	$ (6,229)	$ 962
Change in Fixed Assets		**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN ASSETS		**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**

Human Resources

Human Resources (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	$ 292,877	$ 294,326	$ 1,449
Other Non-Operating Expenses	$ -	$ 53	$ 53
Inc(Dec) in Fixed Assets	$ -	$ (2,076)	$ (2,076)
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

NPCC has assembled an exceptional team of highly qualified employees to carry out the activities of NPCC. The human resources function, in adherence with applicable federal and state laws, designs, plans, and implements human resources policies and procedures, including staffing, compensation, benefits, employee relations, and training and development.

2012 Key Assumptions

- In light of employee voluntary turnover, a merit package assumption of 3% is reflected in the salaries of all program areas in order to support employee retention.
- Staff waiving health insurance coverage will continue to do so - approximately one third of staffing in all program areas waive coverage to maintain superior coverage from prior employers

2012 Goals and Key Deliverables

- Recruit exceptional employees
- Review employee compensation and benefits
- Provide management and training programs
- Improve human resource policies and procedures
- Maintain employee manual

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable

Personnel Expenses

- No significant change

Meeting and Travel Expenses

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via teleconference, at the NPCC offices or member facilities, as well as lower meeting space rental rates through negotiations. Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference will be held to a

minimum, however, the amount of activity is expected to only increase in 2012. Conference calls and webex will be conducted for business when possible.

Operating Expenses

- The increases in professional services are attributed mainly to the changes in NPCC's corporate governance structure and the allocation of costs for legal and accounting services across all program areas.
- Contracts and Consultants increases are driven by activities associated with recruiting.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2012.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No significant changes

Human Resources

Funding sources and related expenses for the human resources section of the 2012 business plan are shown in the table below.

Statement of Activities 2011 Budget & Projection, and 2012 Budget Human Resources						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	$ -	$ -	$ -	$ 0	$ 0
	Penalty Sanctions	-	-	-	-	-
Total ERO Funding		**$ -**	**$ -**	**$ -**	**$ 0**	**$ 0**
	Membership Dues	-	-	-	-	-
	Testing Fees	-	-	-	-	-
	Services & Software	-	-	-	-	-
	Workshops	-	-	-	-	-
	Interest	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
Total Funding		**$ -**	**$ -**	**$ -**	**$ 0**	**$ 0**
Expenses						
Personnel Expenses						
	Salaries	$ 117,006	$ 117,006	$ -	$ 116,008	$ (998)
	Payroll Taxes	7,999	7,999	-	8,542	543
	Benefits	37,276	37,276	-	38,428	1,152
	Retirement Costs	27,839	27,839	-	27,459	(379)
Total Personnel Expenses		**$ 190,120**	**$ 190,120**	**$ -**	**$ 190,438**	**$ 318**
Meeting Expenses						
	Meetings	$ 4,000	$ 4,000	$ -	$ 4,000	$ -
	Travel	45,000	45,000	-	15,000	(30,000)
	Conference Calls	1,050	1,050	-	1,250	200
Total Meeting Expenses		**$ 50,050**	**$ 50,050**	**$ -**	**$ 20,250**	**$ (29,800)**
Operating Expenses						
	Consultants & Contracts	$ 4,572	$ 4,572	$ -	$ 12,000	$ 7,428
	Office Rent	19,926	19,926	-	18,118	(1,808)
	Office Costs	11,076	11,076	-	10,114	(963)
	Professional Services	6,647	6,647	-	32,816	26,169
	Computer & Equipment Leases	4,309	4,309	-	4,538	229
	Miscellaneous	1,765	1,765	-	2,105	341
	Depreciation	4,412	4,412	-	3,947	(464)
Total Operating Expenses		**$ 52,707**	**$ 52,707**	**$ -**	**$ 83,638**	**$ 30,931**
	Total Direct Expenses	**$ 292,877**	**$ 292,877**	**$ -**	**$ 294,326**	**$ 1,449**
Indirect Expenses		**$ (292,877)**	**$ (292,877)**	**$ -**	**$ (294,379)**	**$ (1,502)**
Other Non-Operating Expenses		**$ -**	**$ -**	**$ -**	**$ 53**	**$ 53**
Total Expenses		**$ -**	**$ -**	**$ -**	**$ 0**	**$ (0)**
Change in Assets		**$ -**	**$ -**	**$ -**	**$ -**	**$ 0**
Fixed Assets						
	Depreciation	$ (4,412)	(4,412)	$ -	$ (3,947)	$ 464
	Computer & Software CapEx	-	-	-	-	-
	Furniture & Fixtures CapEx	665	665	-	542	(123)
	Equipment CapEx	909	909	-	787	(122)
	Leasehold Improvements	441	441	-	542	101
(Incr)Dec in Fixed Assets		**$ 2,397**	**$ 2,397**	**$ -**	**$ 2,076**	**$ (321)**
	Allocation of Fixed Assets	$ (2,397)	$ (2,397)	**$ -**	$ (2,076)	$ 321
Change in Fixed Assets		**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN ASSETS		**$ -**	**$ -**	**$ -**	**$ -**	**$ 0**

Finance and Accounting

Accounting and Finance (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	$ 447,483	$ 255,381	$ (192,102)
Other Non-Operating Expenses	$ -	$ 53	$ 53
Inc(Dec) in Fixed Assets	$ -	$ (2,076)	$ (2,076)
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The accounting and finance function directs the overall financial plans and accounting practices of the organization; oversees treasury, accounting, budget, tax, and audit activities; and oversees financial and accounting system controls and standards. NPCC uses a CPA firm to prepare its unaudited statements of activities and financial statements for quarterly reviews. Independent audits have identified this system as good practice.

2012 Key Assumptions

- Maintain or reduce meeting costs
- Accomplish NPCC goals and stay within budget parameters

2012 Goals and Key Deliverables

The objectives are to provide or obtain the financial and accounting services for NPCC and coordinate with NERC requirements:

- Utilize the NERC System of Accounts for consistency
- Utilize an accrual method of accounting for consistency with NERC in methodology
- Cash Management
- Budget Development using the NERC budget template formats
- Forecasts and Projections
- Alignment of NPCC Committees, Task Forces and Working Groups with the program areas
- Payroll and expense administration
- Preparation of unaudited Quarterly Financial Statements
- IRS Reporting
- Annual Independent Audit initiated by the Regional Entity
- NERC Audit

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable

Personnel Expenses

- No significant changes

Meeting and Travel Expenses

- No significant changes

Operating Expenses

- Increases in consultants and contracts expenses are attributed to increases in fees associated with the annual independent audit of NPCC's financial statements.
- The decreases in professional services are attributed mainly to the allocation of costs for legal and accounting services across all program areas.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTEs to the direct programs for 2012.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No significant changes

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2012 business plan are shown in the table below.

Statement of Activities 2011 Budget & Projection, and 2012 Budget Accounting and Finance						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	$ -	$ -	$ -	$ 0	$ 0
	Penalty Sanctions	-	-	-	-	-
Total ERO Funding		**$ -**	**$ -**	**$ -**	**$ 0**	**$ 0**
	Membership Dues	-	-	-	-	-
	Testing Fees	-	-	-	-	-
	Services & Software	-	-	-	-	-
	Workshops	-	-	-	-	-
	Interest	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
Total Funding		**$ -**	**$ -**	**$ -**	**$ 0**	**$ 0**
Expenses						
Personnel Expenses						
	Salaries	$ 107,754	$ 107,754	$ -	$ 103,828	$ (3,926)
	Payroll Taxes	6,940	6,940	-	7,665	725
	Benefits	32,752	32,752	-	32,276	(476)
	Retirement Costs	13,479	13,479	-	15,874	2,395
Total Personnel Expenses		**$ 160,925**	**$ 160,925**	**$ -**	**$ 159,643**	**$ (1,282)**
Meeting Expenses						
	Meetings	$ 1,000	$ 1,000	$ -	$ 1,000	$ -
	Travel	5,000	5,000	-	5,000	-
	Conference Calls	6,050	6,050	-	6,100	50
Total Meeting Expenses		**$ 12,050**	**$ 12,050**	**$ -**	**$ 12,100**	**$ 50**
Operating Expenses						
	Consultants & Contracts	$ 4,572	$ 4,572	$ -	$ 12,000	$ 7,428
	Office Rent	19,926	19,926	-	18,118	(1,808)
	Office Costs	11,076	11,076	-	10,114	(963)
	Professional Services	228,449	228,449	-	32,816	(195,633)
	Computer & Equipment Leases	4,309	4,309	-	4,538	229
	Miscellaneous	1,765	1,765	-	2,105	341
	Depreciation	4,412	4,412	-	3,947	(464)
Total Operating Expenses		**$ 274,508**	**$ 274,508**	**$ -**	**$ 83,638**	**$ (190,870)**
	Total Direct Expenses	**$ 447,483**	**$ 447,483**	**$ -**	**$ 255,381**	**$ (192,102)**
Indirect Expenses		**$ (447,483)**	**$ (447,483)**	**$ -**	**$ (255,434)**	**$ 192,049**
Other Non-Operating Expenses		**$ -**	**$ -**	**$ -**	**$ 53**	**$ 53**
Total Expenses		**$ -**	**$ (0)**	**$ -**	**$ 0**	**$ 0**
Change in Assets		**$ -**	**$ 0**	**$ -**	**$ -**	**$ (0)**
Fixed Assets						
	Depreciation	$ (4,412)	(4,412)	$ -	$ (3,947)	$ 464
	Computer & Software CapEx	-	-	-	-	-
	Furniture & Fixtures CapEx	665	665	-	542	(123)
	Equipment CapEx	909	909	-	787	(122)
	Leasehold Improvements	441	441	-	542	101
(Incr)Dec in Fixed Assets		**$ 2,397**	**$ 2,397**	**$ -**	**$ 2,076**	**$ (321)**
	Allocation of Fixed Assets	$ (2,397)	$ (2,397)	**$ -**	$ (2,076)	$ 321
Change in Fixed Assets		**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN ASSETS		**$ -**	**$ 0**	**$ -**	**$ -**	**$ (0)**

Regional Entity Assessment Analysis

In the area of assessments for there are distinct funding mechanisms as outlined in the following table. For the Regional Entity division, the North American Electric Reliability Corporation (NERC) will assess load serving entities (LSEs) or their designees (within NPCC the designees are the Balancing Authority Areas (BAAs) for New York, New England, New Brunswick, Nova Scotia, Ontario and Québec) based upon 2010 proportional Net Energy for Load (NEL) and other specific program area funding arrangements and make quarterly remittances to the Regional Entity on or about the 15th day of January, April, July and October. For funding associated with the criteria services division, the Independent System Operators/Balancing Authority Areas (ISO/BAAs) will be assessed by NPCC for their proportional share of the divisional budget based upon 2010 NEL within the Region. Non ISO/BAA Full Members will be assessed no membership fee.

NPCC Cost Allocation Methodology

The accompanying table provides information regarding cost allocation for both the Regional Entity division and the criteria services division of NPCC, including the details associated with the funding of the Compliance Program within the RE division. For purposes of determining assessments to support NPCC's resource requirements, costs are allocated among the BAAs within NPCC as the designees for the load-serving-entities in New York, New England, Ontario, Québec, New Brunswick and Nova Scotia (Column A-1).

In order to reflect and respect the international membership and nature of NPCC, the compliance responsibilities and authorities within the U.S., and the specific compliance responsibilities within each of the Canadian provinces within NPCC, the attendant costs of portions of the compliance program differ among the areas within the Regional Entity. Within the U.S. portion of NPCC all costs attributable to delegated (statutory) functions performed by NPCC, including all compliance functions, are assessed based on a NEL allocation. Within the Canadian portion of NPCC those costs attributable to compliance functions performed by NPCC on behalf of provincial governmental and/or regulatory authorities are allocated consistent with the unique Memoranda of Understanding or Agreements that have been entered into for those provinces. To address these different compliance regimes, NPCC developed a composite cost allocation methodology that allocates compliance costs on a fair and equitable basis within the Regional Entity.

As an initial step of that methodology, the NEL for each of the BAAs and their relative percentage to the NPCC total NEL is calculated for the most recent year for which data is available, the second previous year (Columns B-1 and C-1, respectively). In order to establish the RE division funding requirements for each balancing authority area on a NEL basis for all programs except for compliance (Column F-1), the proposed expenses and fixed assets of all other programs are calculated (Column D-1) and the adjustment for the RE division cash reserve requirement is identified (Column E-1). Any penalty monies received from NPCC registered entities within the U.S. prior to June 30th of the year preceding the business plan and budget year are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs (Columns B-1a., C-1a. and G-1, respectively). Consistent with each of the Canadian provincial MOUs and agreements, all penalty monies resulting from compliance actions within Canada, if any, would remain within the applicable province. The total budgeted fees for NPCC workshop participation are indicated as a credit

(Column H-1), with the resultant addition being the RE division assessment, without the compliance program costs, calculated on a NEL basis (Column I-1).

In accordance with the *NPCC Amended and Restated Bylaws* the CS division proposed expenses and fixed assets of all programs are calculated (Column J-1) and the adjustment for the CS division cash reserve requirement is identified (Column K-1), with the resultant addition being the CS division funding requirement and assessment, calculated on a NEL basis (Column L-1).

For costs associated with the RE division compliance program, NPCC's allocation methodology allocates 40% of the direct and indirect costs for the program, excluding the costs for a U.S.-only compliance staff position, between the BAAs in the United States and Canada on a NEL basis (Column B-2). The complete direct and indirect costs, including travel and meeting expenses, for a RE division compliance staff position to address issues applicable only within the United States would be identified on a NEL basis (Column C-2)); however, there are no such identified issues projected for 2012.

The remaining 60% of the costs of the compliance program are apportioned between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an audit-based methodology (Columns D-2a., D-2c., and E-2b., respectively). The audit-based methodology incorporates relative costs based on categories of compliance audits which are reflective of their size and complexity, as well as the differing compliance program implementation models that are utilized in NPCC due to the international nature of the Regional Entity. As an example, the provincial governments of both Ontario and New Brunswick have designated independent entities within their provinces, the IESO and the NBSO respectively, to perform compliance and enforcement activities on their internal market participants, which therefore exclude those provinces from assessment of the remaining 60% of NPCC's compliance costs. The portion of the remaining 60% allocated to the U.S. portion of NPCC is calculated using the audit-based methodology, and this amount is then re-allocated between the New York and New England BAAs based on their relative NEL (Columns D-2b. and E-2a.).

Resources associated with NPCC acting as the Compliance Enforcement Authority for the Western Electricity Coordinating Council will be reimbursed directly from WECC to NPCC. WECC will compensate NPCC for all costs associated with the CEA functions. Based on mutual understanding an estimated $72,000 per year will be required to perform the CEA function for WECC such that WECC has included such funding in its 2012 Business Plan and Budget. The cost of the WECC CEA is excluded from the calculation of NPCC's assessments to Load Serving Entity designees and NPCC has included such income in its 2012 Business Plan and Budget.

Any penalty monies received from NPCC registered entities within the U.S. by June 30th of the year preceding the business plan and budget year are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs, and then added to the total compliance program expenses and fixed assets to yield a total compliance program assessment (Columns C-1a., G-2, F-2 and H-2, respectively).

Finally, the total RE division funding requirements and assessments by BAA are tabulated and the total funding requirements and assessments for NPCC, both the RE and CS divisions, are combined (Columns I-2 and J-2, and K-2 and L-2, respectively).

NPCC, Inc.

NPCC 2012 Regional Entity (RE) and Criteria Services (CS) Divisional Funding Information

Compliance Allocation: CORC Direct and Indirect

A-1	B-1	B-1a.	C-1	C-1a.	D-1	E-1	F-1	G-1	H-1	I-1	J-1	K-1	L-1
NPCC Balancing Authorities (LSE Designees)	2010 Net Energy for Load (MWh)	2010 NPCC US NEL (MWh)	2010 NEL % of NPCC Total	2010 NEL % of NPCC U.S.	2012 [1] NPCC RE Division Expenses & Fixed Assets Minus CORC Program	Adjustment to RE Division Cash Reserve Requirement	2012 [1] NPCC RE Division Funding Requirement Minus CORC Program	Penalty Monies Applied to RE Division Minus CORC Program	Budgeted Workshop Fees and WECC CEA	2012 [1] NPCC RE Division Assessment Minus CORC Program *(F-1 plus G-1 plus H-1)*	2012 NPCC CS Division Expenses & Fixed Assets	2012 Adjustment to CS Division Cash Reserve Requirement	2012 NPCC CS Division Funding Requirement & Member Fees *(J-1 plus K-1)*
New England	131,182,000	131,182,000	20.52059%	44.99623%	1,274,141	-66,297	1,207,844	-122,790	-39,400	1,045,654	204,883	-8,522	196,362
New York	160,358,000	160,358,000	25.08455%	55.00377%	1,557,520	-81,042	1,476,478	-150,099	-48,162	1,278,217	250,451	-10,417	240,034
Ontario	141,309,000		22.10474%		1,372,502	-71,415	1,301,087	0	-42,441	1,258,646	220,700	-9,180	211,520
Québec	180,740,000		28.27287%		1,755,486	-91,343	1,664,143	0	-54,284	1,609,859	282,284	-11,741	270,543
New Brunswick	13,523,000		2.11538%		131,346	-6,834	124,512	0	-4,062	120,450	21,121	-878	20,242
Nova Scotia	12,158,000		1.90186%		118,088	-6,144	111,943	0	-3,652	108,292	18,989	-790	18,199
Total	639,270,000	291,540,000	100.00000%	100.00000%	$6,209,083	-$323,075	$5,886,007	-$272,889	-$192,000	$5,421,118	$998,427	-$41,528	$956,900

2011 CORC

A-2	B-2	C-2	D-2			E-2		F-2	G-2	H-2	I-2	J-2	K-2	L-2
	2012 [2] NEL Based 40%	2012 [2]	2012 [3] Allocation Methodology			2012 [4] 60% CORC Program		2012 Total CORC Program		2012 Total CORC Program	2012 RE Division Total Funding	2012 RE Division Total	2012 NPCC Total Funding	2012 NPCC Total
Balancing Authorities (LSE Designees)	CORC Program Excluding US-Only Staff	NEL Based CORC Program US-Only Staff	a Total NPCC Audit Based	b U.S. NEL Based	c Canada Audit Based	a U.S. NEL Based	b Canada Audit Based	Expenses & Fixed Assets	Penalty Monies Applied to CORC Program	Assessment *(F-2 plus G-2)*	Requirement *(F-1 plus F-2)*	Assesssment *(I-1 plus H-2)*	Requirement *(L-1 plus I-2)*	Assessment & Member Fees *(L-1 plus J-2)*
New England	613,283	0	52.25738%	39.16170%		1,755,594		2,368,877	-153,487	2,215,390	3,576,721	3,261,045	3,773,083	3,457,406
New York	749,683	0	36.13193%	49.22760%		2,206,842		2,956,525	-187,624	2,768,901	4,433,003	4,047,118	4,673,037	4,287,152
Ontario	660,628	0	0.00000%		0.00000%		0	660,628	0	660,628	1,961,715	1,919,273	2,173,235	2,130,794
Québec	844,970	0	9.76038%		9.76038%		437,552	1,282,522	0	1,282,522	2,946,665	2,892,381	3,217,208	3,162,924
New Brunswick	63,221	0	0.00000%		0.00000%		0	63,221	0	63,221	187,732	183,671	207,974	203,913
Nova Scotia	56,839	0	1.85031%		1.85031%		82,948	139,788	0	139,788	251,731	248,079	269,930	266,278
				*	*									
Total	$2,988,624	$0	100.00000%	88.38931%	11.61069%	$3,962,436	$520,500	$7,471,560	-$341,111	$7,130,449	$13,357,567	$12,551,567	$14,314,467	$13,508,467

* Portions of the remaining 60% attributable to U.S. and Canadian NPCC. The Canadian costs are allocated utilizing the audit based methodology. The portion of thte 88.38931% attributable to U.S. NPCC is allocated between the New York and New England balancing authority areas based on their respective net energy for load (NEL) as shown in Columns B-1a. and C-1a. The ratios in C-1a. are applied to the 88.38931% of U.S. audit costs to obtain the percentages (Column D-2 b) which are then applied to the 60% of CORC costs.

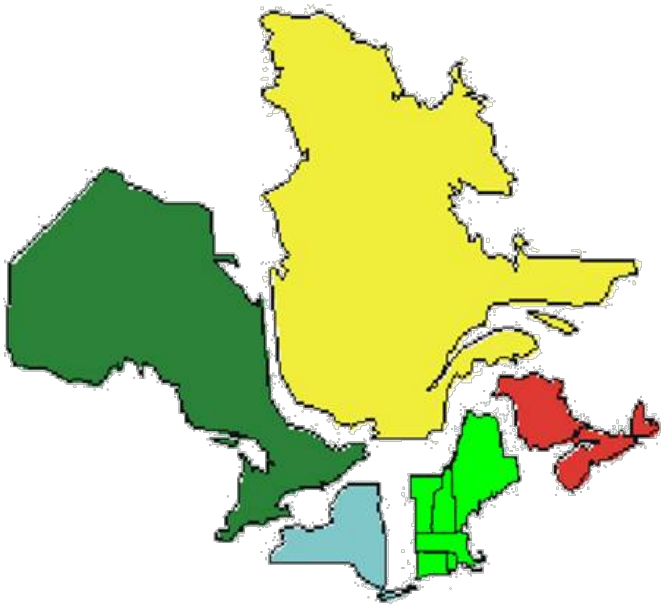
[1] *Consistent with NERC's Policy on Allocation of Certain Compliance and Enforcement Costs, the NPCC Board approved Allocation Methodologies for Certain NPCC Compliance Program Area Costs Assessed to Non-US. Entities.*

[2] *Regional NEL based funding represents 40% of CORC Program, while 60% of CORC Program totaling $4,482,936 is allocated using an audit based metholology for Canadian Balancing Authorities and an NEL based methodology for US Balancing Authorities for 2012.*

[3] *Audit based allocation uses Compliance Registry Data registrants as of May 1, 2011.*

[4] *Allocation adjustment of $990,942 and $94,831 identified as NPCC CORC costs duplicative of Ontario and New Brunswick Compliance and Enforcement Programs, respectively.*

Section B – Supplemental Financial Information
2012 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1 – Reserve Balance

Working Capital Reserve Analysis 2011-2012	
REGIONAL ENTITY DIVISION	
Beginning Working Capital Reserve (Deficit), December 31, 2010	2,814,901
Plus: 2011 ERO Funding (from LSEs or designees)	12,652,610
Plus: 2011 Other funding sources	308,500
Less: 2011 Projected expenses & capital expenditures	(12,716,807)
Projected Working Capital Reserve (Deficit), December 31, 2011	**3,059,204**
Desired Working Capital Reserve, December 31, 2012 [1]	2,736,129
20% of Total Regional Entity Budget of $13,680,642.61	
Less: Projected Working Capital Reserve, December 31, 2011	(3,059,204)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(323,075)
2012 Expenses and Capital Expenditures	13,680,643
Less: Penalty Sanctions [2]	(614,000)
Less: Other Funding Sources (Including NPCC as WECC CEA)	(192,000)
Adjustment to achieve desired Working Capital Reserve	(323,075)
2012 Assessment	12,551,567

[1] Desired Working Capital Reserve level of 20% or $2,736,129

[2] Represents collections prior to June 30, 2011.

Explanation of No Changes in Reserve Policy from Prior Year

NPCC maintains a 20% of budget reserve level due to what is expected to be greater predictability in services provided. With expanded work expectation there is a degree of uncertainty with regard to unfunded emerging mandates following business plan approval.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Regional Entity division Statement of Activities on page 14 of the 2012 Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

U.S. penalty monies received prior to June 30, 2011 are to be used to offset assessments in the 2012 Budget, as documented in the NERC Policy – Accounting, Financial Statement, and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standard. Penalty monies received from July 1, 2011 through June 30, 2012 will be used to offset U.S. load serving entity designee assessments in the 2013 Budget.

All penalties received prior to June 30, 2011 are detailed below, including date received and the penalty amount.

Allocation Method: U.S. penalty sanctions received have been allocated to the following Regional Entity division programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. U.S. penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-2 – Penalty Sanctions

Penalty Sanctions Received Prior to June 30, 2011	Date Received	Amount Received
Penalty Payment 1	8/26/2010	$ 40,000.00
Penalty Payment 2	11/30/2010	$ 5,000.00
Penalty Payment 3	12/13/2010	$ 7,500.00
Penalty Payment 4	12/21/2010	$ 450,000.00
Penalty Payment 5	4/7/2011	$ 30,000.00
Penalty Payment 6	4/12/2011	$ 10,000.00
Penalty Payment 7	4/15/2011	$ 5,000.00
Penalty Payment 8	4/18/2011	$ 7,500.00
Penalty Payment 9	4/21/2011	$ 2,500.00
Penalty Payment 10	5/26/2011	$ 2,500.00
Penalty Payment 11	5/31/2011	$ 35,000.00
Penalty Payment 12	6/10/2011	$ 2,500.00
Penalty Payment 13	6/13/2011	$ 2,500.00
Penalty Payment 14	6/20/2011	$ 4,000.00
Penalty Payment 15	6/30/2011	$ 2,500.00
Penalty Payment 16	6/30/2011	$ 7,500.00
Total Penalties Received		**$ 614,000.00**

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Reliability Standards				
Total	$ -	$ -	$ -	$ -
Compliance Monitoring, Enforcement & Org. Registration				
Workshops	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ 72,000	$ 72,000
Total	$ -	$ -	$ 72,000	$ 72,000
Reliability Assessment and Performance Analysis				
Miscellaneous	$ -	$ -	$ -	$ -
Federal Grants	-	-	-	-
Total	$ -	$ -	$ -	$ -
Training and Education				
Workshops	$ 120,000	$ 120,000	$ 120,000	$ -
Total	$ 120,000	$ 120,000	$ 120,000	$ -
Situation Awareness and Infrastructure Security				
Federal Grants	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Technical Committees and Member Forums				
	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
General and Administrative				
Miscellaneous	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Total Outside Funding	$ 120,000	$ 120,000	$ 192,000	$ 72,000

Explanation of Significant Variances –2012 Budget versus 2011 Budget

- NPCC assumed no interest income because of continuing low market interest rates. Interest earned offsets future assessments based upon the FTE ratio of the RE and CS divisions.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Salaries					
Salary	$ 5,018,103	$ 5,018,103	$ 5,553,903	$ 535,800	10.7%
Employment Agency Fees	$ 27,725	$ 27,725	$ 19,111	$ (8,614)	-31.1%
Temporary Office Services	$ 9,242	$ 9,242	$ 9,324	$ 82	0.9%
Total Salaries	$ 5,055,070	$ 5,055,070	$ 5,582,337	$ 527,267	10.4%
Total Payroll Taxes	$ 291,508	$ 291,508	$ 358,772	$ 67,264	23.1%
Benefits					
Education Reimbursement	$ 9,519	$ 9,519	$ 83,913	$ 74,394	781.5%
Medical Insurance	$ 702,468	$ 702,468	$ 784,518	$ 82,050	11.7%
Life-LTD-STD Insurance	$ 45,787	$ 45,787	$ 51,198	$ 5,411	11.8%
Officer Life	$ -	$ -	$ 9,324	$ 9,324	-
Worker's Compensation	$ 14,156	$ 14,156	$ 14,282	$ 126	0.9%
Vacation	$ 362,988	$ 362,988	$ 393,510	$ 30,522	8.4%
Relocation	$ -	$ -	$ -	$ -	-
Total Benefits	$ 1,134,918	$ 1,134,918	$ 1,336,744	$ 201,826	17.8%
Retirement					
Pension Contribution	$ 485,190	$ 485,190	$ 486,047	$ 857	0.2%
Employee Savings Plan	$ 306,493	$ 306,493	$ 383,389	$ 76,896	25.1%
Savings Admin	$ 8,824	$ 8,824	$ 11,561	$ 2,737	31.0%
Deferred Compensation	$ 24,794	$ 24,794	$ 23,309	$ (1,485)	-6.0%
Total Retirement	$ 825,301	$ 825,301	$ 904,307	$ 79,006	9.6%
Total Personnel Costs	**$ 7,306,797**	**$ 7,306,797**	**$ 8,182,160**	**$ 875,363**	**12.0%**
FTEs	31.42	31.42	35.43	4.01	12.8%
Cost per FTE					
Salaries	$ 160,877	$ 160,877	$ 157,560	$ (3,317)	-2.1%
Payroll Taxes	$ 9,277	$ 9,277	$ 10,126	$ 849	9.2%
Benefits	$ 36,119	$ 36,119	$ 37,729	$ 1,610	4.5%
Retirement	$ 26,265	$ 26,265	$ 25,524	$ (741)	-2.8%
Total Cost per FTE	**$ 232,539**	**$ 232,539**	**$ 230,939**	**$ (1,599)**	**-0.7%**

Explanation of Significant Variances –2012 Budget versus 2011 Budget

- The increases in Salaries, Payroll Taxes, all insurances except Medical, and Employee Savings Plan are due primarily to the addition of 4.01 FTEs. NPCC has assumed an overall general wage increase of 3% and has funded at risk (variable incentives) compensation at less than 100% of program levels.
- The decrease in Employment Agency Fee is due to employee referrals being a cost effective process for recruiting efforts.
- The increase in Education Reimbursement is due to NPCC's sponsoring staff pursuing advanced degrees.
- Assets in the retirement trust have performed slightly better than comparable indices such that the required funding is anticipated to be flat. Should NPCC's retirement trust experience poor performance, a supplement could be required.
- New hires are hired with vacation consistent with professional tenure.

Table B-5 – Consultants and Contracts

Consultants	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Consultants					
Reliability Standards	$ 2,000	$ 2,000	$ 6,000	$ 4,000	200.0%
Compliance Enforcement and Organization Registration and Certification	$ 107,000	$ 107,000	$ 102,000	$ (5,000)	-4.7%
Reliability Assessment and Performance Analysis	$ 52,000	$ 52,000	$ 42,000	$ (10,000)	-19.2%
Training and Education	$ 100	$ 100	$ 100	$ -	0.0%
Situation Awareness and Infrastructure Security	$ 2,000	$ 2,000	$ 2,000	$ -	0.0%
Member Forums	$ 500	$ 500	$ 1,000	$ 500	100.0%
General and Administrative	$ 1,910	$ 1,910	$ 4,000	$ 2,090	109.4%
Legal and Regulatory	$ -	$ -	$ 4,000	$ 4,000	-
Information Technology	$ 2,000	$ 2,000	$ 4,000	$ 2,000	100.0%
Accounting and Finance	$ 1,000	$ 1,000	$ 2,000	$ 1,000	100.0%
Human Resources	$ 1,000	$ 1,000	$ 2,000	$ 1,000	100.0%
Consultants Total	**$ 169,510**	**$ 169,510**	**$ 169,100**	**$ (410)**	**-0.2%**

Contracts	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Reliability Standards	$ 33,143	$ 33,143	$ 33,000	$ (143)	-0.4%
Compliance Enforcement and Organization Registration and Certification	$ 1,597,000	$ 1,597,000	$ 1,150,000	$ (447,000)	-28.0%
Reliability Assessment and Performance Analysis	$ 300,000	$ 300,000	$ 350,000	$ 50,000	16.7%
Training and Education	$ 357	$ 357	$ 1,000	$ 643	180.1%
Situation Awareness and Infrastructure Security	$ 132,143	$ 132,143	$ 110,000	$ (22,143)	-16.8%
Member Forums	$ 1,786	$ 1,786	$ 5,000	$ 3,214	180.0%
General and Administrative	$ 6,822	$ 6,822	$ 20,000	$ 13,178	193.2%
Legal and Regulatory	$ -	$ -	$ 10,000	$ 10,000	-
Information Technology	$ 7,143	$ 7,143	$ 20,000	$ 12,857	180.0%
Accounting and Finance	$ 3,572	$ 3,572	$ 10,000	$ 6,428	180.0%
Human Resources	$ 3,572	$ 3,572	$ 10,000	$ 6,428	180.0%
Contracts Total	**$ 2,085,537**	**$ 2,085,537**	**$ 1,719,000**	**$ (366,537)**	**-17.6%**
Total Consultants and Contracts	**$ 2,255,047**	**$ 2,255,047**	**$ 1,888,100**	**$ (366,947)**	**-16.3%**

Explanation of Significant Variances –2012 Budget versus 2011 Budget

- NPCC anticipates that increases in staff headcount should lower to some extent the need to use contractors and consultants to meet the expanding workload in compliance, standards, reliability assessments and performance analysis, and situation awareness and infrastructure security. Projected increased utilization of contractors in the reliability assessment and performance analysis program is driven by expanding performance analyses requirements.

Table B-6 – Office Rent

Office Rent	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Office Rent	$ 582,229	$ 582,229	$ 596,716	$ 14,487	2.5%
Utilities	$ 23,104	$ 23,104	$ 24,242	$ 1,138	4.9%
Maintenance	$ 18,483	$ 18,483	$ 18,647	$ 164	0.9%
Security	$ 2,310	$ 2,310	$ 2,331	$ 21	0.9%
Total Office Rent	**$ 626,127**	**$ 626,127**	**$ 641,936**	**$ 15,809**	**2.5%**

Explanation of Significant Variances –2012 Budget versus 2011 Budget

- NPCC anticipates a moderate increase in commercial real estate taxes associated with the long term lease of its office space.

Table B-7 – Office Costs

Office Costs	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Telephone	$ 138,626	$ 138,626	$ 139,855	$ 1,229	0.9%
Internet Expense	$ 32,346	$ 32,346	$ 24,728	$ (7,618)	-23.6%
Office Supplies	$ 25,877	$ 25,877	$ 27,696	$ 1,819	7.0%
Computer Supplies and Maintenance	$ 36,967	$ 36,967	$ 46,618	$ 9,651	26.1%
Subscriptions & Publications	$ 6,469	$ 6,469	$ 6,430	$ (39)	-0.6%
Dues	$ 3,697	$ 3,697	$ 2,968	$ (729)	-19.7%
Postage	$ 1,479	$ 1,479	$ 1,483	$ 4	0.3%
Express Shipping	$ 6,469	$ 6,469	$ 6,430	$ (39)	-0.6%
Copying	$ 1,848	$ 1,848	$ 989	$ (859)	-46.5%
Reports	$ 5,545	$ 5,545	$ 5,440	$ (105)	-1.9%
Stationary and Office Forms	$ 5,545	$ 5,545	$ 6,396	$ 851	15.3%
Equipment Repair/Service Contracts	$ 41,588	$ 41,588	$ 61,327	$ 19,739	47.5%
Bank Charges	$ 36,967	$ 36,967	$ 27,971	$ (8,996)	-24.3%
Sales and Use Tax	$ -	$ -	$ -	$ -	-
Merchant Credit Card Fees	$ -	$ -	$ -	$ -	-
Presentation and Publicity	$ 4,621	$ 4,621	$ -	$ (4,621)	-100.0%
Total Office Costs	**$ 348,043**	**$ 348,043**	**$ 358,332**	**$ 10,289**	**3.0%**

Explanation of Significant Variances –2012 Budget versus 2011 Budget

- An overall nominal net increase of 3% is consistent with recent experience.

Table B-8 - Professional Services

Professional Services	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
BOT Fee	$ 184,835	$ 184,835	$ 279,711	$ 94,876	51.3%
BOT Search Fee	$ -	$ -	$ 55,942	$ 55,942	-
Legal - Reorganization	$ -	$ -	$ -	$ -	-
Accounting & Auditing Fees	$ 221,801	$ 221,801	$ 242,416	$ 20,615	9.3%
Legal Fees - Other	$ 462,086	$ 462,086	$ 559,421	$ 97,335	21.1%
Insurance - Commercial	$ 24,028	$ 24,028	$ 25,174	$ 1,146	4.8%
Total Services	**$ 892,751**	**$ 892,751**	**$ 1,162,663**	**$ 269,913**	**30.2%**

Explanation of Significant Variances –2012 Budget versus 2011 Budget

- The NPCC members overwhelmingly approved the Board's recommendations with regard to introduction of an independent director sector to the Board and associated streamlining of the corporate governance model for NPCC. The NERC Board of Trustees at its May 11, 2011 meeting approved NPCC's governance restructuring. NERC has filed the NPCC Amended and Restated Bylaws with FERC for consideration and approval by fall 2011. With the January 1, 2012 anticipated implementation of a hybrid Board, it would be consistent that professional service fees would be higher.

Table B-9 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Interest Expense	$ -	$ -	$ -	$ -	-
Office Relocation	$ -	$ -	$ 1,865	$ 1,865	-
Total Non-Operating Expenses	**$ -**	**$ -**	**$ 1,865**	**$ 1,865**	**-**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

NPCC has budgeted nominally for minor reconfiguration of its existing office space to accommodate increases in FTEs.

Table B-10 – 2013 and 2014 Projections

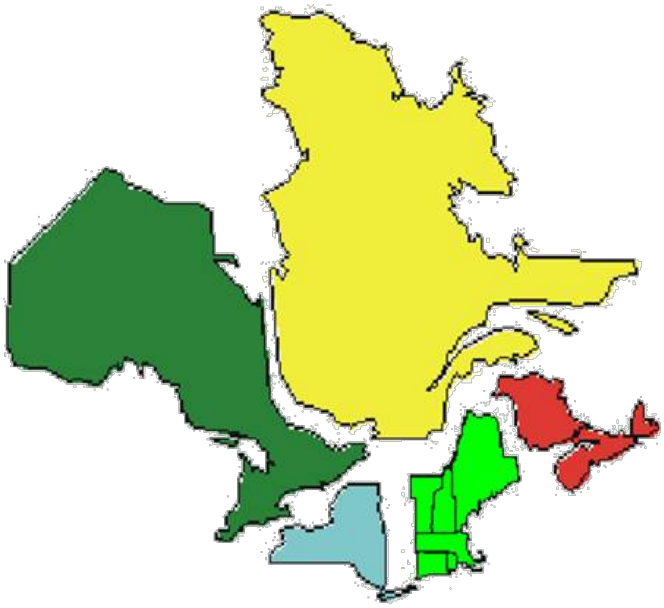
Table B-10

Statement of Activities and Capital Expenditures
2012 Budget & Projected 2013 and 2014 Budgets

	2012 Budget	2013 Projection	$ Change 12 v 13	% Change 12 v 13	2014 Projection	$ Change 13 v 14	% Change 13 v 14
Funding							
ERO Funding							
ERO Assessments	$ 12,551,567	$ 13,909,141	$ 1,357,574	10.8%	$ 14,716,369	811,406	5.5%
Penalty Sanctions	614,000	$ -	(614,000)	-100.0%	$ -	-	
Total ERO Funding	**$ 13,165,567**	**$ 13,909,141**	**$ 743,574**	**5.6%**	**$ 14,716,369**	**$ 811,406**	**5.5%**
Membership Dues	-	-	-		-	-	
Testing Fees	-	-	-		-	-	
Services & Software	-	-	-		-	-	
Workshops	120,000	120,000	-	0.0%	120,000	-	0.0%
Interest	-	-	-		-	-	
Miscellaneous	72,000	75,960	3,960	5.5%	80,138	4,178	5.5%
Total Funding	**$ 13,357,567**	**$ 14,105,101**	**$ 747,534**	**5.6%**	**$ 14,916,507**	**$ 815,584**	**5.8%**
Expenses							
Personnel Expenses							
Salaries	$ 5,582,337	$ 5,973,101	$ 390,764	7.0%	$ 6,391,218	$ 418,117	7.0%
Payroll Taxes	358,772	369,535	10,763	3.0%	380,621	11,086	3.0%
Benefits	1,336,744	1,430,316	93,572	7.0%	1,530,439	100,122	7.0%
Retirement Costs	904,307	931,436	27,129	3.0%	959,379	27,943	3.0%
Total Personnel Expenses	**$ 8,182,160**	**$ 8,704,388**	**$ 522,228**	**6.4%**	**$ 9,261,657**	**$ 557,268**	**6.4%**
Meeting Expenses							
Meetings	$ 288,000	$ 296,640	$ 8,640	3.0%	$ 305,539	8,899	3.0%
Travel	697,000	717,910	20,910	3.0%	739,447	21,537	3.0%
Conference Calls	86,935	89,543	2,608	3.0%	92,229	2,686	3.0%
Total Meeting Expenses	**$ 1,071,935**	**$ 1,104,093**	**$ 32,158**	**3.0%**	**$ 1,137,216**	**$ 33,123**	**3.0%**
Operating Expenses							
Consultants & Contracts	$ 1,888,100	$ 2,020,267	132,167	7.0%	$ 2,161,686	141,419	7.0%
Office Rent	641,936	661,194	19,258	3.0%	681,030	19,836	3.0%
Office Costs	358,332	369,082	10,750	3.0%	380,155	11,072	3.0%
Computer and Equipment Leases	160,770	165,593	4,823	3.0%	170,561	4,968	3.0%
Professional Services	1,162,663	1,197,543	34,880	3.0%	1,233,470	35,926	3.0%
Miscellaneous*	146,589	153,919	7,329	5.0%	161,615	7,696	5.0%
Depreciation	139,855	139,855	(0)	0.0%	139,855	-	0.0%
Total Operating Expenses	**$ 4,498,246**	**$ 4,707,454**	**$ 209,207**	**4.7%**	**$ 4,928,371**	**$ 220,917**	**4.7%**
Total Direct Expenses	**$ 13,752,342**	**$ 14,515,935**	**$ 763,593**	**5.6%**	**$ 15,327,243**	**$ 811,308**	**5.6%**
Indirect Expenses	**$ (0)**	**$ (0)**	**$ (0)**	**5.0%**	**$ (0)**	**$ (0)**	**5.0%**
Other Non-Operating Expenses	**$ 1,865**	**$ 1,958**	**$ 93**	**5.0%**	**2,056**	**98**	**5.0%**
Total Expenses	**$ 13,754,206**	**$ 14,517,893**	**$ 763,687**	**5.6%**	**$ 15,329,299**	**811,406**	**5.6%**
Change in Assets	**$ (396,639)**	**$ (412,792)**	**$ (16,153)**	**4.1%**	**$ (412,792)**	**$ 4,178**	**-1.0%**
Fixed Assets							
Depreciation	$ (139,855)	$ (139,855)	$ 0	0.0%	$ (139,855)	$ -	0.0%
Computer & Software CapEx	-	-	-		-	$ -	
Furniture & Fixtures CapEx	19,207	19,207	0	0.0%	19,207	$ -	0.0%
Equipment CapEx	27,878	27,878	0	0.0%	27,878	$ -	0.0%
Leasehold Improvements	19,207	19,207	0	0.0%	19,207	-	0.0%
(Incr)Dec in Fixed Assets	**$ 73,564**	**$ 73,563**	**$ (1)**	**0.0%**	**$ 73,563**	**$ -**	**0.0%**
TOTAL CHANGE IN NET ASSETS	**$ (323,075)**	**$ (339,229)**	**$ (16,154)**	**5.0%**	**$ (339,229)**	**$ 4,178**	**-1.2%**
FTEs	35.43	37.20	2	5.0%	39.06	2	5.0%

*Includes WECC CEA

Section C – Criteria Services Division Activities
2012 Business Plan and Budget



Section C —2012 Criteria Services Division Business Plan and Budget

Criteria Services Division (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.58	2.57	-0.01
Total Direct Expenses	$1,020,471	$1,003,628	($16,843)
Other Non-Operating Expenses	$0	$135	$135
Working Capital Reserve Requirement	($664,691)	($41,528)	$623,163
Inc(Dec) in Fixed Assets	($6,180)	($5,336)	$844
Total Funding Requirement	$349,600	$956,900	$607,300

NPCC Regionally-Specific Criteria Services Background

NPCC Criteria Services division activities are in the development, maintenance and promulgation of Regionally-specific more stringent criteria as well as criteria establishing resource adequacy requirements within the Region. These criteria contain requirements which are more stringent and more specific than the existing NERC Reliability Standards requirements.

Membership and Governance

Full members are subject to compliance with Regionally-specific criteria, in addition to continent-wide Reliability Standards, and receive criteria-related services from the Criteria Services division.

Full Members, other than Full Members that perform the Balancing Authority function, are not assessed an annual membership fee. Those that perform Balancing Authority functions are assessed and remit a proportional net energy for load share of expenses for criteria services. NPCC would also directly assign criteria service division costs to a Balancing Authority Area or entity, where significant costs are incurred for that Balancing Authority Area. The funding for NPCC's Criteria Services division is approved by the NPCC Board of Directors.

Criteria Services Division Functional Scope

Through its Criteria Services division, NPCC promotes the reliable and efficient operation of the international, interconnected bulk power systems in Northeastern North America through the establishment of Regionally-specific criteria, and monitoring and enforcement of compliance with such criteria.

NPCC provides Full Members with Regional reliability assurance services, and acts as the vehicle through which States and Provinces can fulfill their political mandates, with respect to resource adequacy, as well as overseeing the Northeastern North American electric infrastructure.

Major 2012 Assumptions and Cost Impacts

The Criteria Services division services are not expected to grow when compared to the Regional Entity division.

- The CCEP review and evaluation process has matured and been enhanced after being exercised for 2011 Criteria Compliance submittals by the CC as necessary.
- Past non-compliances, if any, followed the due process stated in the CCEP-1 process document and proper resolution/enforcement action taken.

2012 Primary Goals and Objectives

- Review and maintain the NPCC Regional Reliability Directories.
- The criteria services division and CCEP Working Group (reporting to the Compliance Committee) will work with the various Task Forces to develop Criteria Compliance Reporting Forms for additional NPCC Directories to ensure that the more stringent or Regionally-specific criteria is being met.
- The criteria services division and CCEP working group will work with TFCO, TFCP, TFSS, and TFSP to review criteria and measures within each specific NPCC Directory to identify and develop them into specific reporting forms for approval.
- Review impact of Bulk Electric System definition on Directory and Criteria reporting.
- Review impact of Sector or NPCC organizational changes on the Directory and Criteria review, enforcement and arbitration processes

NPCC Reliability Directory Maintenance and Development

The NPCC Regional Reliability Directories were developed to demonstrate that the NPCC more stringent criteria are consistent with the NERC Reliability Standards as mandated by the NERC Rules of Procedure. The Directory project was also undertaken to remove any redundancies with the NERC Reliability Standards and to clearly delineate the more stringent NPCC criteria requirements. In 2011 the directories were further reviewed and revised to move the criteria language into a “requirement type” format. This further revision facilitates the Regionally specific Criteria Compliance Enforcement Program “CCEP” and ensures the continued delineation of the more stringent and more specific Regional criteria from the latest approved and effective set of NERC ERO standards.

In 2012, work will proceed with maintenance and revision of the Directories to address any future redundancies with NERC or NPCC Reliability Standards or the continued need for additional more stringent or specific NPCC Regional criteria requirements as new NERC Reliability Standards are developed and existing standards are revised.

The following Directories will either be under revision or reviewed for further development based on a schedule set forth in the NPCC Reliability Assessment Program:

Operations and Planning Directories

Directory #1, *Basic Criteria for Design and Operation of Interconnected Power Systems*
This directory documents NPCC’s Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing NERC TPL, BAL, IRO, INT, MOD, TOP,

PRC and VAR standards. The NPCC Task Force on Coordination of Planning will lead a multi-disciplinary working group to review and revise this directory.

Directory #2, *Emergency Operations*
This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing NERC EOP and TOP standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 3, *Maintenance Requirements for BPS Protection*
This Directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

Directory # 4, *BPS Protection*
This Directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

Directory # 5, *Operating Reserve Requirements*
This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing applicable NERC BAL, INT, and IRO standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 7, *Special Protection Systems*
This Directory documents NPCC's Regionally-specific, more stringent criteria for application and approval of SPS. The NPCC Task Force on System Protection will lead this review and revision.

Directory # 8 System Restoration
This Directory documents NPCC's Regionally-specific, more stringent criteria with which each applicable entity must plan for and perform power system restoration following a major or a total blackout, and demonstrates coordination and consistency with applicable NERC EOP standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 9, *Verification of Generator Gross and Net Reactive Power Capability*
This Directory documents NPCC's Regionally-specific, more stringent criteria for verifying the Gross Reactive Power
Capability and Net Reactive Power Capability of generators or generating facilities. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 11, *Disturbance Monitoring*, This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain existing NERC PRC standards. The NPCC Task Force on System Protection will lead this review and

revision until such time as the NPCC PRC-002-01 Disturbance Monitoring Regional Standard is adopted by FERC and the applicable governmental authorities.

Directory # 12, *UFLS Program*, This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain existing NERC and NPCC developing PRC standard(s). The NPCC Task Force on System Studies will lead this review and revision until such time as the NPCC PRC-006-01 UFLS Regional Standard is approved by the NPCC membership, NERC BOT, the FERC and the applicable governmental authorities.

NPCC Criteria Compliance Background

The NPCC criteria services division promotes the reliable operation of the bulk power system through implementation of a comprehensive compliance program. The compliance program that includes monitoring, assessing and enforcing compliance with more stringent, Regionally specific NPCC Criteria requirements, is known as the NPCC Criteria Compliance and Enforcement Program (CCEP) described in process document CCEP-1. This program was developed by the criteria services division and the CCEP Working Group under the purview of the NPCC Compliance Committee. The products of this program support the various Task Forces in their assessments of the NPCC Directories in meeting their goals for the Reliability Coordinating Committee as stated in Section A of this Business Plan.

The more stringent, Regionally specific NPCC Criteria requirements reflect the unique operational and planning aspects of the bulk power system within the NPCC Region and are included in the NPCC "A" documents and their successors, the NPCC Directories.

NPCC issues non-monetary sanctions to enforce compliance with NPCC Criteria.

- The CCEP program is described in document CCEP-1, *NPCC Criteria Compliance and Enforcement Program (CCEP) Process Document*
- The implementation plan is described in document CCEP-2, *Implementation Plan for 2011 NPCC Criteria Compliance and Enforcement Program*
- On April 5, 2011, the above became effective upon Full Member approval of CCEP-1, and CCEP-2 and retired the following
    - NPCC Criteria A-8, Reliability Compliance and Enforcement Program (RCEP)
    - NPCC Guide B-22, Guidelines for Implementation of the NPCC Inc. Compliance Program
    - NPCC Procedure C-32, Review Process for NPCC Reliability Compliance Enforcement Program
    - Each of the above have been annotated as "retired effective 4/5/11 upon Full Member approval of CCEP-1… and CCEP-2…" on the NPCC public website

The CCEP-1 document

- recognizes the applicability of NPCC's Regionally-specific, more stringent reliability criteria to the Full Members of NPCC, consistent with the *Amended and Restated ByLaws*, and respects the provisions of the several Canadian Memoranda of Understanding in the execution of the processes described

- provides a comprehensive CCEP Process Diagram showing the process of evaluating and approving Criteria Certification submittals, and additional processes and responsibilities in the event that non-compliances, disputes and sanctions arise
- describes the roles and responsibilities of Reporting Members, CC, RCC and Enforcement Panel in the compliance review and enforcement process
- describes Levels of Non-Compliance, associated non-monetary Sanctions, Lateness Policy and the Arbitration/Dispute Resolution process
- addresses Mitigation Plans for any violations under the enforcement process; and
- lists the mandatory Certification Forms to be submitted for review by the Task Forces to ensure compliance with NPCC Directories are being met

The CCEP requires annual submittal of Certification Forms by the Reliability Coordinators and Balancing Authorities to confirm compliance with various NPCC Directories. Currently the required Certification forms are for Directory #1- *Area Transmission Review*, Directory #8 - *Key Facility List*, Directory #9 – *Generator Real Power Verification*, Directory #10 - *Verification of Generator Gross and Net Reactive Power Capability*, and Directory #12 - *UFLS Program Requirements*

The CCEP identifies those NPCC Directories that are subject to monitoring, assessment and enforcement. These Directories also are subject to NPCC Criteria Compliance Audits.

The NPCC Compliance Committee (CC) has final approval of compliance assessments related to CCEP. The CCEP describes the roles and responsibilities of committees and panels used to resolve contested compliance and/or sanction or penalty determinations related to NPCC Directories.

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Membership Dues – While the proposed 2012 Total Expenses for the NPCC Criteria Services Division is virtually the same as the 2011 Budget, the proposed assessment to the Members for 2012 shows an increase and a return to historical funding levels, following a significantly reduced assessment for 2011, due to a application of funds from cash reserves.

2011 Budget and Projection and 2012 Budget Comparisons

Statement of Activities 2011 Budget & Projection, and 2012 Budget CRITERIA SERVICES DIVISION						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	$ -	$ -	$ -	$ -	$ -
	Penalty Sanctions	-	-	-	-	-
Total ERO Funding		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	Membership Dues	349,600	349,600	-	956,900	607,300
	Testing Fees	-	-	-	-	-
	Services & Software	-	-	-	-	-
	Workshops	-	-	-	-	-
	Interest	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
Total Funding		**$ 349,600**	**$ 349,600**	**$ -**	**$ 956,900**	**$ 607,300**
Expenses						
Personnel Expenses						
	Salaries	$ 349,073	$ 349,073	$ -	$ 351,216	$ 2,143
	Payroll Taxes	22,224	22,224	-	24,086	1,862
	Benefits	111,788	111,788	-	112,083	295
	Retirement Costs	144,431	144,431	-	154,332	9,901
Total Personnel Expenses		**$ 627,516**	**$ 627,516**	**$ -**	**$ 641,718**	**$ 14,202**
Meeting Expenses						
	Meetings	$ 9,275	$ 9,275	$ -	$ 9,500	$ 225
	Travel	69,000	69,000	-	40,000	(29,000)
	Conference Calls	9,130	9,130	-	14,300	5,171
Total Meeting Expenses		**$ 87,404**	**$ 87,404**	**$ -**	**$ 63,800**	**$ (23,604)**
Operating Expenses						
	Consultants & Contracts	$ 125,340	$ 125,340	$ -	$ 114,000	$ (11,340)
	Office Rent	51,373	51,373	-	46,564	(4,809)
	Office Costs	28,557	28,557	-	25,993	(2,564)
	Professional Services	73,249	73,249	-	84,337	11,087
	Computer & Equipment Leases	11,109	11,109	-	11,662	553
	Miscellaneous	4,550	4,550	-	5,411	861
	Depreciation	11,374	11,374	-	10,145	(1,229)
Total Operating Expenses		**$ 305,551**	**$ 305,551**	**$ -**	**$ 298,111**	**$ (7,441)**
	Total Direct Expenses	**$ 1,020,471**	**$ 1,020,471**	**$ -**	**$ 1,003,628**	**$ (16,843)**
Indirect Expenses		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Other Non-Operating Expenses		**$ -**	**$ -**	**$ -**	**$ 135**	**$ 135**
Total Expenses		**$ 1,020,471**	**$ 1,020,471**	**$ -**	**$ 1,003,763**	**$ (16,708)**
Change in Assets		**$ (670,871)**	**$ (670,871)**	**$ -**	**$ (46,864)**	**$ 624,007**
Fixed Assets						
	Depreciation	$ (11,374)	(11,374)	$ -	$ (10,145)	$ 1,229
	Computer & Software CapEx	-	-	-	-	-
	Furniture & Fixtures CapEx	1,714	1,714	-	1,393	(320)
	Equipment CapEx	2,343	2,343	-	2,022	(321)
	Leasehold Improvements	1,137	1,137	-	1,393	256
(Inc)Dec in Fixed Assets		**$ 6,180**	**$ 6,180**	**$ -**	**$ 5,336**	**$ (844)**
	Allocation of Fixed Assets		$ -	**$ -**	$ -	$ -
Change in Fixed Assets		**$ 6,180**	**6,180**	**$ -**	**$ 5,336**	**$ (844)**
TOTAL CHANGE IN ASSETS		**$ (664,691)**	**$ (664,691)**	$ -	**$ (41,528)**	**$ 623,164**

Personnel Analysis

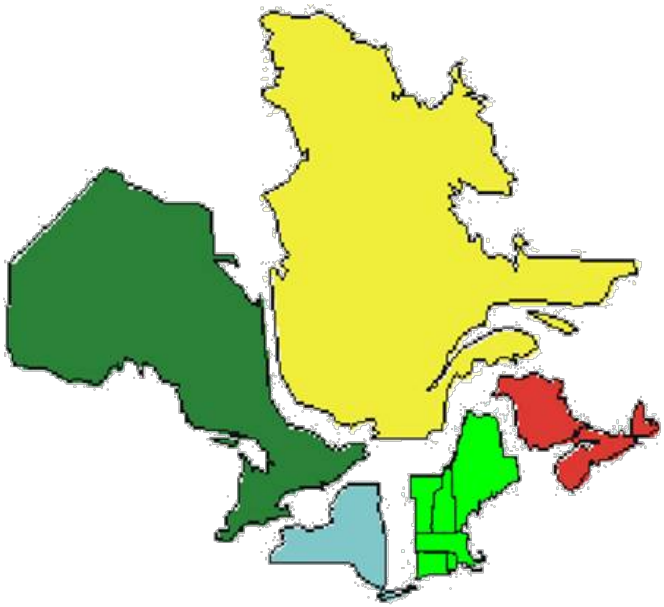
Total FTE's by Program Area	Budget 2011	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs[1] 2012 Budget	Total FTEs 2012 Budget	Change from 2011 Budget
CRITERIA SERVICES DIVISION						
Operational Programs						
Reliability Standards	1.00	1.00	1.00	0.00	1.00	0.00
Compliance Enforcement and Organization Registration and Certification	1.00	1.00	1.00	0.00	1.00	0.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
Reliability Assessment and Performance Analysis	0.00	0.00	0.00	0.00	0.00	0.00
Situation Awareness and Infrastructure Security	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Operational Programs	**2.00**	**2.00**	**2.00**	**0.00**	**2.00**	**0.00**
Administrative Programs						
Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General and Administrative	0.08	0.08	0.07	0.07	0.07	-0.01
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Accounting and Finance	0.50	0.50	0.50	0.50	0.50	0.00
Total FTEs Administrative Programs	**0.58**	**0.58**	**0.57**	**0.57**	**0.57**	**-0.01**
Total FTEs	**2.58**	**2.58**	**2.57**	**0.57**	**2.57**	**-0.01**

Reserve Analysis 2011–2012

Working Capital Reserve Analysis 2011-2012		
CRITERIA SERVICES DIVISION		
Beginning Working Capital Reserve (Deficit), December 31, 2010		
Beginning Cash @ January 1, 2011		918,264
2011 Funding (from members)		349,600
2011 Other funding sources		0
Total Cash Available 2011		1,267,864
Cash Needed 2011		
2011 Projected expenses		(1,020,471)
2011 Fixed asset additions		(6,180)
Total Cash Needed 2011		(1,026,651)
Projected Working Capital Reserve Balance, December 31, 2011		**241,213**
Desired Working Capital Reserve Balance, December 31, 2012	[1]	199,685
Less: Projected Working Capital Reserve Balance December 31, 2011		(241,213)
Increase(decrease) in funding needed to raise Working Capital Reserve balance		(41,528)
2012 Funding requirement for expenses and fixed asset additions		
Adjustment to increase Working Capital Reserve balance		(41,528)
2012 Funding and reserve adjustment		(41,528)
[1] Desired working capital reserve level of 20%, or $199,685		

Section D – Additional Consolidated Financial Statements

2012 Business Plan and Budget



Section D

Statement of Financial Position

Statement of Financial Position 2010 Audited, 2011 Projection, and 2012 Budget Regional Entity and Criteria Services Division			
	(Per Audit)	Projected	Budget
	31-Dec-10	31-Dec-11	31-Dec-12
ASSETS			
Cash	3,319,034	2,994,000	2,895,000
Restricted cash	1,318,083	1,065,000	308,000
Temporary cash investments	2,210,830	2,211,000	2,211,000
Prepaid expenses	180,383	180,000	180,000
Other assets	27,305	25,000	23,000
Equipment and leasehold improvements, net	1,263,698	1,144,000	996,000
Total Assets	**8,319,333**	**7,619,000**	**6,613,000**
LIABILITIES AND NET ASSETS			
Liabilities			
Accrued expenses and other liabilities	926,730	927,000	927,000
Accrued liability for pension	2,084,658	2,085,000	2,085,000
Deferred rent	755,086	761,000	768,000
Total Liabilities	**3,766,474**	**3,773,000**	**3,780,000**
Net Assets - unrestricted	4,552,859	3,846,000	2,833,000
Total Liabilities and Net Assets	**8,319,333**	**7,619,000**	**6,613,000**

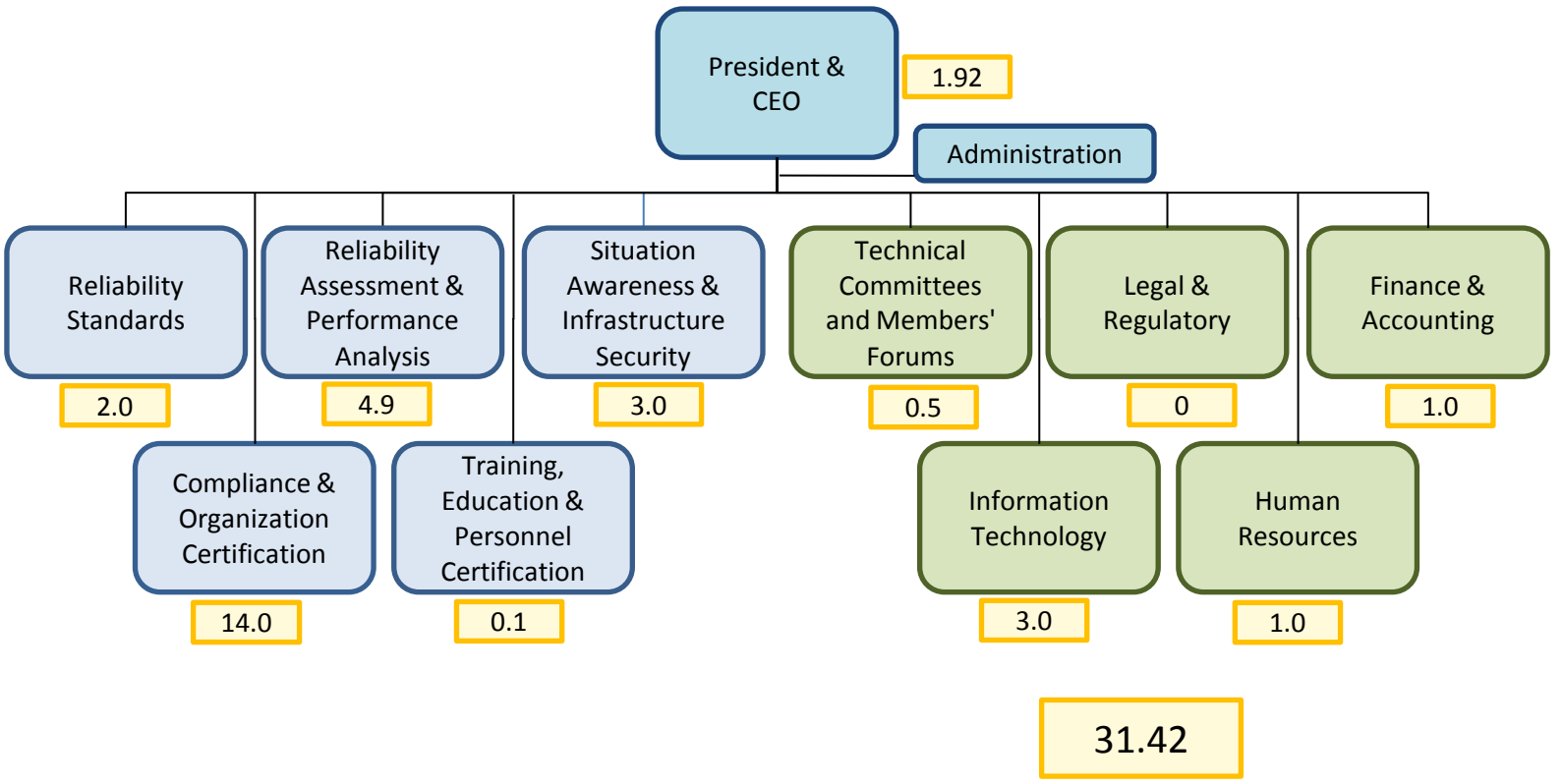
NPCC Statement of Activities 2012 Budget	RE Division Total	Reliability Standards (Section 300)	Compliance Enforcement and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding												
ERO Funding												
ERO Assessments	12,551,567	1,382,869	7,058,449	2,970,217	78,004	1,385,103	0	(323,075)	0	(0)	0	0
Penalty Sanctions	614,000	68,222	341,111	134,170	2,274	68,222						
Total ERO Funding	**13,165,567**	**1,451,091**	**7,399,560**	**3,104,388**	**80,278**	**1,453,326**	**0**	**(323,075)**	**0**	**(0)**	**0**	**0**
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	120,000	-	-	-	120,000	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous*	72,000		72,000									
Total Funding	**13,357,567**	**1,451,091**	**7,471,560**	**3,104,388**	**200,278**	**1,453,326**	**0**	**(323,075)**	**0**	**(0)**	**0**	**0**
Expenses												
Personnel Expenses												
Salaries	5,582,337	566,402	2,420,942	1,084,011	17,610	555,844	44,627	41,729	161,621	469,715	116,008	103,828
Payroll Taxes	358,772	34,677	157,467	67,409	868	34,356	2,745	1,521	11,004	32,518	8,542	7,665
Benefits	1,336,744	124,122	589,407	265,032	5,214	106,002	16,995	12,764	27,438	119,065	38,428	32,276
Retirement Costs	904,307	86,336	351,874	205,859	4,395	99,570	10,842	10,071	10,218	81,811	27,459	15,874
Total Personnel Expenses	8,182,160	811,537	3,519,690	1,622,311	28,086	795,772	75,208	66,084	210,281	703,110	190,438	159,643
Meeting Expenses												
Meetings	288,000	13,000	40,000	50,000	152,000	16,000	2,000	2,000	2,000	6,000	4,000	1,000
Travel	697,000	120,000	314,000	120,000	3,000	70,000	5,000	15,000	5,000	25,000	15,000	5,000
Conference Calls	86,935	15,100	11,600	30,250	1,010	7,100	225	2,100	2,100	10,100	1,250	6,100
Total Meeting Expenses	1,071,935	148,100	365,600	200,250	156,010	93,100	7,225	19,100	9,100	41,100	20,250	12,100
Operating Expenses												
Consultants & Contracts	1,888,100	39,000	1,252,000	392,000	1,100	112,000	6,000	24,000	14,000	24,000	12,000	12,000
Office Rent	641,936	54,355	271,776	106,899	1,812	54,355	9,059	34,969	18,118	54,355	18,118	18,118
Office Costs	358,332	30,341	151,707	59,672	1,011	30,341	5,057	19,520	10,114	30,341	10,114	10,114
Computer and Equipment Leases	160,770	13,613	68,065	26,772	454	13,613	2,269	8,758	4,538	13,613	4,538	4,538
Professional Services	1,162,663	98,447	492,237	193,613	3,282	98,447	16,408	63,334	32,816	98,447	32,816	32,816
Miscellaneous*	146,589	6,316	103,579	12,421	211	6,316	1,053	4,063	2,105	6,316	2,105	2,105
Depreciation	139,855	11,842	59,211	23,289	395	11,842	1,974	7,618	3,947	11,842	3,947	3,947
Total Operating Expenses	4,498,246	253,915	2,398,575	814,666	8,264	326,915	41,819	162,262	85,638	238,915	83,638	83,638
Total Direct Expenses	**13,752,342**	**1,213,552**	**6,283,865**	**2,637,228**	**192,360**	**1,215,787**	**124,253**	**247,446**	**305,019**	**983,125**	**294,326**	**255,381**
Indirect Expenses	**(0)**	245,555	1,227,774	482,925	8,185	245,555	(124,279)	(247,548)	(305,072)	(983,282)	(294,379)	(255,434)
Other Non-Operating Expenses	1,865	158	789	311	5	158	26	102	53	158	53	53
Total Expenses	**13,754,206**	**1,459,265**	**7,512,429**	**3,120,463**	**200,551**	**1,461,499**	**0**	**(0)**	**0**	**(0)**	**0**	**0**
Change in Assets	**(396,639)**	**(8,174)**	**(40,869)**	**(16,075)**	**(272)**	**(8,174)**	**-**	**(323,075)**	**-**	**-**	**-**	**-**
Fixed Assets												
Depreciation	(139,855)	(11,842)	(59,211)	(23,289)	(395)	(11,842)	(1,974)	(7,618)	(3,947)	(11,842)	(3,947)	(3,947)
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	19,207	1,626	8,132	3,198	54	1,626	271	1,046	542	1,626	542	542
Equipment CapEx	27,878	2,361	11,803	4,642	79	2,361	393	1,519	787	2,361	787	787
Leasehold Improvements	19,207	1,626	8,132	3,198	54	1,626	271	1,046	542	1,626	542	542
(Inc)Dec in Fixed Assets	**73,564**	**6,229**	**31,145**	**12,250**	**208**	**6,229**	**1,038**	**4,007**	**2,076**	**6,229**	**2,076**	**2,076**
Allocation of Fixed Assets	**(0)**	**1,945**	**9,724**	**3,825**	**65**	**1,945**	(1,038)	(4,007)	(2,076)	(6,229)	(2,076)	(2,076)
Change in Fixed Assets	**73,564**	**8,174**	**40,869**	**16,075**	**272**	**8,174**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN ASSETS	**(323,075)**	**(0)**	**0**	**0**	**0**	**(0)**	**-**	**(323,075)**	**-**	**-**	**-**	**-**
FTEs	**35.43**	**3**	**15**	**5.9**	**0.1**	**3**	**0.5**	**1.93**	**1**	**3**	**1**	**1**

*** Includes WECC CEA**

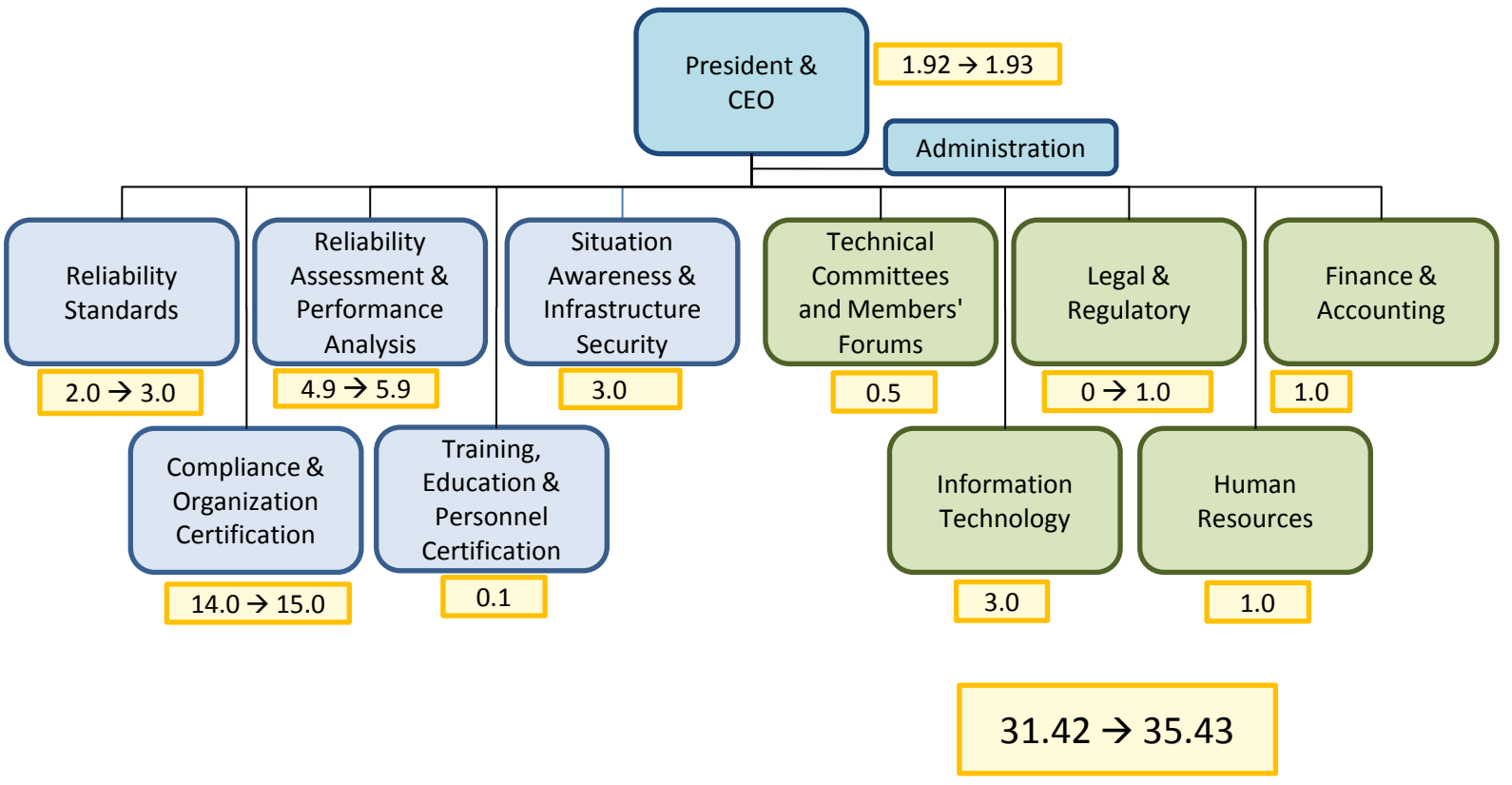
NPCC Statement of Activities 2012 Budget	CS Division Total	Criteria Development	Criteria Compliance	General and Administrative
Funding				
ERO Funding				
ERO Assessments	-			
Penalty Sanctions	-			
Total ERO Funding	**-**	**-**	**-**	**-**
Membership Dues	956,900	544,814	453,614	(41,528)
Testing Fees	-	-	-	-
Services & Software	-	-	-	-
Workshops	-	-	-	-
Interest	-	-	-	-
Miscellaneous*	-			
Total Funding	**956,900**	**544,814**	**453,614**	**(41,528)**
Expenses				
Personnel Expenses				
Salaries	351,216	152,814	157,598	40,804
Payroll Taxes	24,086	10,709	10,797	2,580
Benefits	112,083	50,302	45,331	16,450
Retirement Costs	154,332	72,187	72,086	10,060
Total Personnel Expenses	641,718	286,012	285,812	69,893
Meeting Expenses				
Meetings	9,500	5,000	2,000	2,500
Travel	40,000	15,000	15,000	10,000
Conference Calls	14,300	12,100	1,100	1,100
Total Meeting Expenses	63,800	32,100	18,100	13,600
Operating Expenses				
Consultants & Contracts	114,000	92,000	15,000	7,000
Office Rent	46,564	18,118	18,118	10,328
Office Costs	25,993	10,114	10,114	5,765
Computer and Equipment Leases	11,662	4,538	4,538	2,586
Professional Services	84,337	32,816	32,816	18,705
Miscellaneous*	5,411	2,105	2,105	1,200
Depreciation	10,145	3,947	3,947	2,250
Total Operating Expenses	298,111	163,638	86,638	47,834
Total Direct Expenses	**1,003,628**	**481,750**	**390,551**	**131,327**
Indirect Expenses	-	65,679	65,679	(131,357)
Other Non-Operating Expenses	135	53	53	30
Total Expenses	**1,003,763**	**547,482**	**456,282**	**-**
Change in Assets	**(46,864)**	**(2,668)**	**(2,668)**	**(41,528)**
Fixed Assets				
Depreciation	(10,145)	(3,947)	(3,947)	(2,250)
Computer & Software CapEx	-	-	-	-
Furniture & Fixtures CapEx	1,393	542	542	309
Equipment CapEx	2,022	787	787	449
Leasehold Improvements	1,393	542	542	309
(Inc)Dec in Fixed Assets	**5,336**	**2,076**	**2,076**	**1,184**
Allocation of Fixed Assets	**-**	**592**	**592**	**(1,184)**
Change in Fixed Assets	**5,336**	**2,668**	**2,668**	**-**
TOTAL CHANGE IN ASSETS	**(41,528)**	**(0)**	**(0)**	**(41,528)**
FTEs	**2.57**	**1**	**1**	**0.57**

*** Includes WECC CEA**

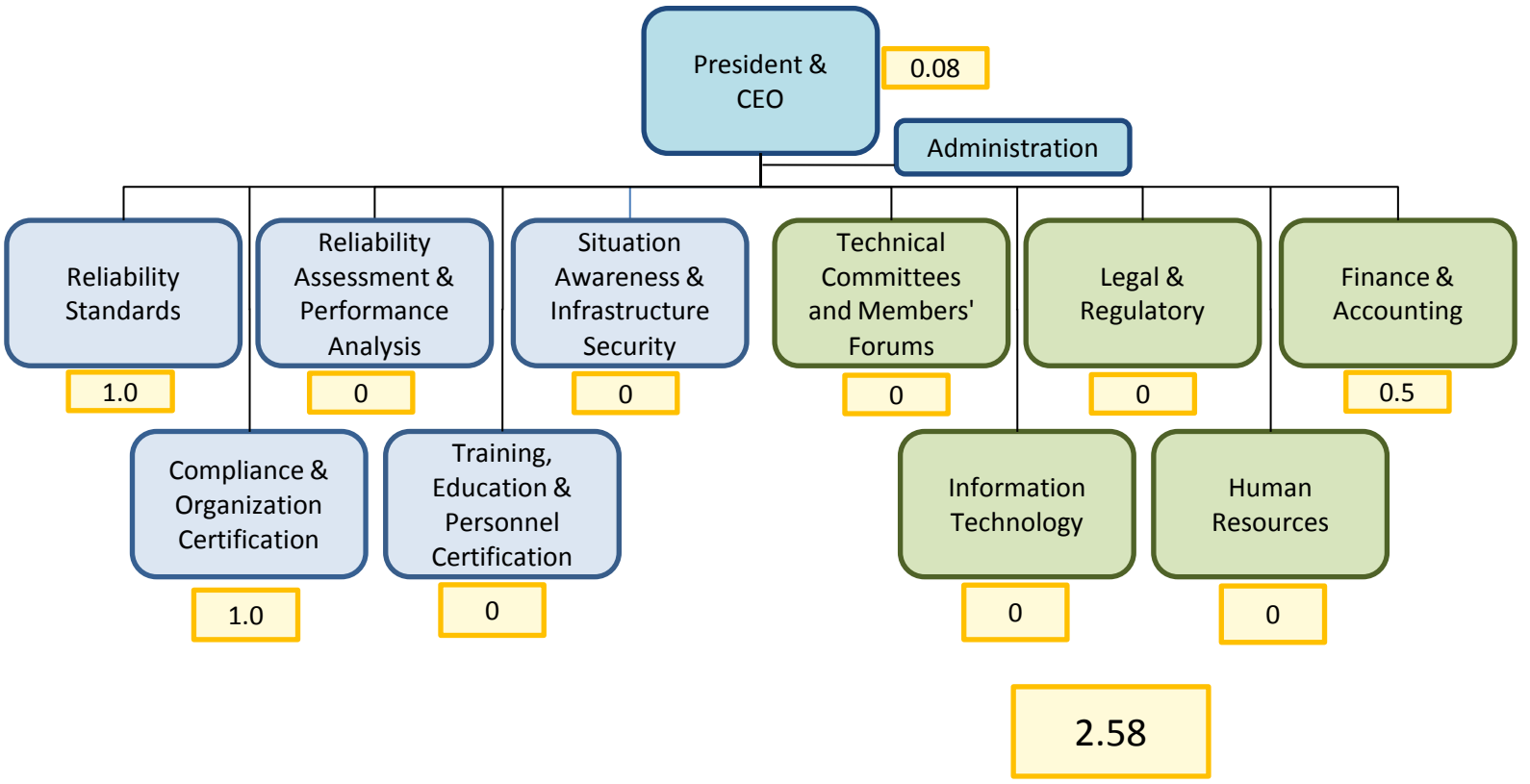
2011 Budget Staff Allocations - RE Division



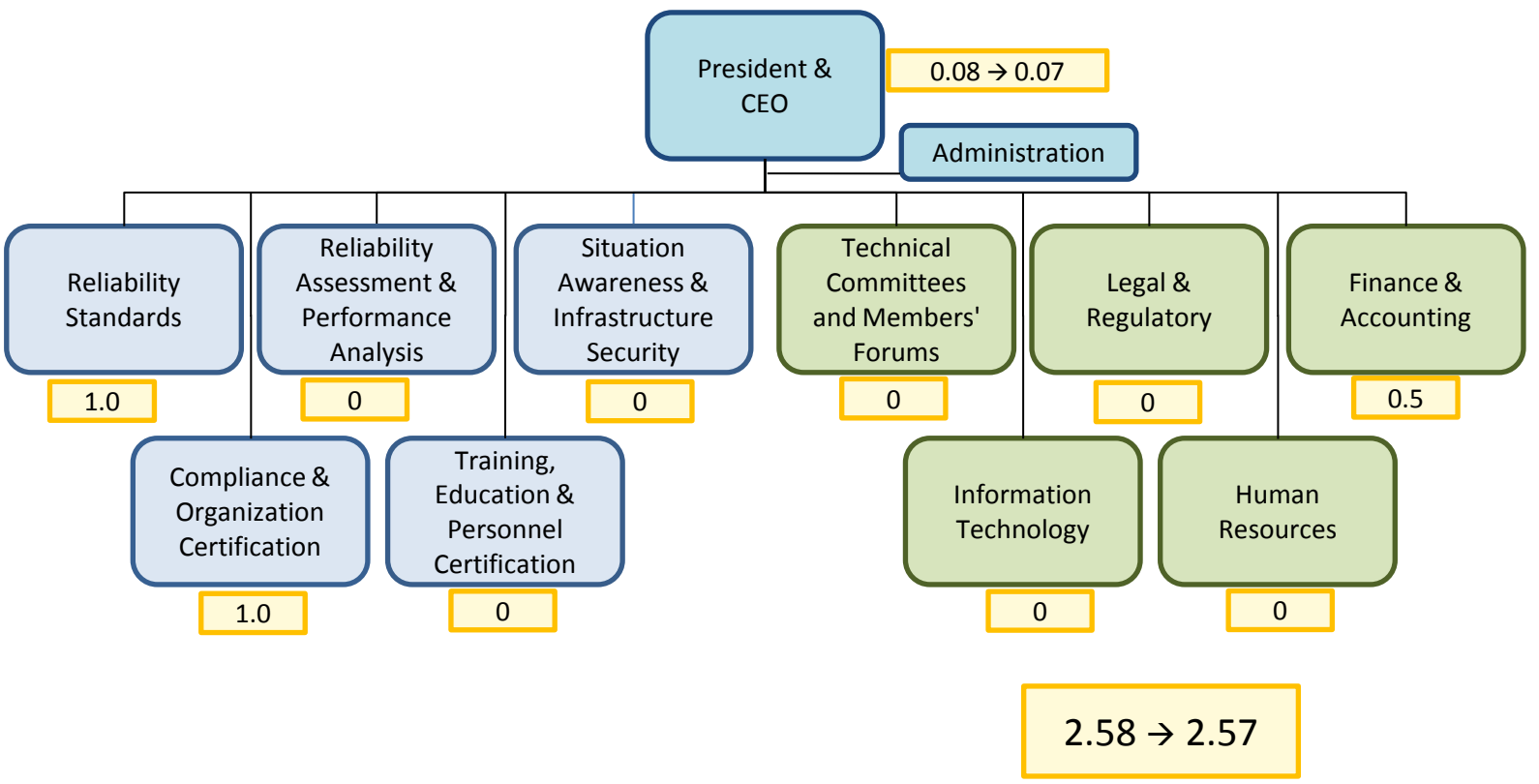
2012 Budget Staff Allocations - RE Division



2011 Budget Staff Allocations - CS Division



2012 Budget Staff Allocations - CS Division



DOCKET NO. RR11-__-000

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

<u>ATTACHMENT 6</u>

RELIABILITY*FIRST* CORPORATION

PROPOSED 2012 BUSINESS PLAN AND BUDGET

2012 BUSINESS PLAN AND BUDGET

FINAL VERSION

Approved by Reliability*First* Board of Directors
July 8, 2011

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Introduction

2012 Budget (in whole dollars)	2012 Budget	U.S.	Canada	Mexico
Statutory FTEs	73.0			
Non-statutory FTEs	-			
Total FTEs	73.0			
Statutory Expenses	$ 16,668,321			
Non-Statutory Expenses	$ -			
Total Expenses	$ 16,668,321			
Statutory Inc(Dec) in Fixed Assets	$ (11,822)			
Non-Statutory Inc(Dec) in Fixed Assets	$ -			
Total Inc(Dec) in Fixed Assets	$ (11,822)			
Statutory Working Capital Requirement*	$ (2,270,128)			
Non-Statutory Working Capital Requirement**	$ -			
Total Working Capital Requirement	$ (2,270,128)			
Total Statutory Funding Requirement	$ 14,386,372			
Total Non-Statutory Funding Requirement	$ -			
Total Funding Requirement	$ 14,386,372			
Statutory Funding Assessments	$ 13,534,272	$ 13,534,272		
Non-Statutory Fees	$ -	$ -		
NEL	932,292,423	932,292,423		
NEL%	-	-		

*Refer to Table B-1 on page 61 in Section B.
**Reliability*First* does not perform any Non-Statutory Functions at this time.

Organizational Overview

Reliability*First* Corporation (Reliability*First*) 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, Reliability*First* performs key reliability functions delegated to it by the Electric Reliability Organization (ERO) or North American Electric Reliability Corporation (NERC). These statutory functions include:

- Active participation in the development of North American Reliability Standards for the Bulk Electric System (BES), and as needed, development of Reliability Standards applicable within the Reliability*First* 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 BES.
- Promoting effective training and education of personnel, and assisting in the certification of operating personnel.
- Promoting situation awareness and the protection of critical infrastructure.

Reliability*First* is responsible for overseeing the reliability of all or parts of the BES in thirteen states and the District of Columbia.

Reliability*First* performed only those statutory functions delegated to it by the ERO in 2011 and the organization does not intend to perform any functions outside its ERO delegated activities in 2012.

This Business Plan and Budget reflects Reliability*First*'s best estimate of the costs it will incur in carrying out its delegated functions in support of the ERO in 2012-2015. The overall 2012 budget reflects a 9.4% increase over that of 2011, driven primarily by hiring five new Full Time Equivalents (FTEs) for 2012.

In developing this Business Plan and Budget, Reliability*First,* NERC, and the other Regional Entities met and agreed upon common foundational and unique program assumptions. The common foundational assumptions can be found in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document. These assumptions were used in the development of this plan.

Membership and Governance

Members

Reliability*First* has an open membership policy that permits full and fair participation of all industry stakeholders through their designated representatives. There is no annual fee for ongoing membership in Reliability*First*. 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 and CEO of Reliability*First* for good cause.

- 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 75 members of Reliability*First*; 48 are Regular with voting rights, 22 are Associates, and 5 are Adjunct. Reliability*First'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 BES. Reliability*First* believes that extensive use of industry expert resources, combined with a competent and independent Reliability*First* 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 of Directors

Reliability*First* is governed by a hybrid, independent, and balanced stakeholder Board.

The Board consists of fourteen (14) directors.

(a) 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.

(b) Three (3) directors are at-large. At-large directors are elected by all of the Industry Sectors voting together as a single class.

(c) Three (3) directors are independent from Reliability*First*, 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.

2012 Overview of Cost Impacts

Overall, the Reliability*First* 2012 budget ($16,656,500) increased 9.4% over the 2011 budget ($15,219,649). The 2012 assessment ($13,534,272) represents a 5.7% increase over the 2011 assessments of $12,803,844. The labor costs ($12,974,285) increased by 14.7% over the 2011 budget ($11,314,152). This increase is attributed to hiring five new FTEs, increased benefit costs, the impact of phased hiring from 2011, and an estimated 4% increase in salary costs which include salary and market adjustments, and promotions. The non-labor costs ($3,682,215) decreased by 5.7% compared to the 2011 budget ($3,905,497).

The following budget variances are significant to the Reliability*First* Business Plan and Budget:

- The decrease in non-labor is primarily due to reductions in Meetings, Travel, Consultants and Contracts, and Outside Legal fees.
- The most significant increase in the budget is a result of increased staffing. Staff additions for 2012 represent 3.5 FTEs in the Compliance Monitoring and Enforcement and Organization Registration and Certification Program, one (1) FTE in the Reliability Assessment and Performance Analysis Program, and one half (.5) FTE in Information Technology. These additions will increase the targeted staffing level to 73 FTEs.

Summary of Costs

Program	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Reliability Standards	321,353	342,969	360,227	38,874	12.1%
Compliance Enforcement and Organization Registration	11,376,594	11,169,527	12,351,183	974,589	8.6%
Reliability Assessments and Performance Analysis	2,349,950	2,616,311	2,773,720	423,770	18.0%
Training, Education and Operator Certification	820,513	811,321	873,935	53,422	6.5%
Situation Awareness and Infrastructure Security	311,241	332,360	237,435	(73,806)	-23.7%

The 2012 budget numbers do not include $60,000 of indirect overhead expenses, which are offset by interest income within the General and Administrative Program.

FTEs by Program Area

Total FTEs by Program Area	Budget 2011	Projection 2011 *	Total FTEs 2012 Budget *	Change from 2011 Budget *
STATUTORY				
Operational Programs				
Reliability Standards	1.00	1.00	1.00	0.00
Compliance and Organization Registration and Certification	42.75	39.00	42.50	-0.25
Reliability Assessment and Performance Analysis	8.50	9.50	9.50	1.00
Training and Education	3.10	3.10	3.10	0.00
Situation Awareness and Infrastructure Security	0.60	0.60	0.60	0.00
Total FTEs Operational Programs	**55.95**	**53.20**	**56.70**	**0.75**
Administrative Programs				
Technical Committees and Member Forums	0.00	0.00	0.00	0.00
General & Administrative	2.30	4.30	4.30	2.00
Legal and Regulatory	0.25	2.00	2.00	1.75
Information Technology	5.20	5.50	6.00	0.80
Human Resources	2.40	2.00	2.00	-0.40
Finance and Accounting	1.90	2.00	2.00	0.10
Total FTEs Administrative Programs	**12.05**	**15.80**	**16.30**	**4.25**
Total FTEs	**68.00**	**69.00**	**73.00**	**5.00**

*In 2010, with the recent growth and expected future growth, Reliability*First* commissioned an organizational study to evaluate the company. The study's findings recommended a reallocation of existing resources in order for the company to maximize its efficiency and effectiveness. Reliability*First* executed this reallocation of resources in January 2011 and is reflected in the 2011 projections.

2011 Staffing Reallocation

Total FTEs by Program	Budget 2011	Reallocation 2011	Reorganization Results 2011	New Hires 2012	Total FTEs 2012 Budget
Reliability Standards	1.00		1.00		1.00
Compliance & Organization Registration & Certification	42.75	-3.75	39.00	3.50	42.50
Reliability Assessments & Performance Analysis	8.50		8.50	1.00	9.50
Training & Education	3.10		3.10		3.10
Situation Awareness & Infrastructure Security	0.60		0.60		0.60
General & Administrative	2.30	2.00	4.30		4.30
Legal & Regulatory	0.25	1.75	2.00		2.00
Information Technology	5.20	0.30	5.50	0.50	6.00
Human Resources	2.40	-0.40	2.00		2.00
Finance & Accounting	1.90	0.10	2.00		2.00
Total FTEs	**68.00**	**0.00**	**68.00**	**5.00**	**73.00**

2011 Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget

STATUTORY

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
Reliability*First* Funding					
Reliability*First* Assessments	$ 12,803,844	$ 12,803,844	$ -	$ 13,534,272	$ 730,428
Penalty Sanctions	878,901	878,901	$ -	792,100	(86,801)
Total Reliability*First* Funding	**$ 13,682,745**	**$ 13,682,745**	**$ -**	**$ 14,326,372**	**$ 643,627**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	0	-	-	-	-
Services & Software	0	-	-	-	-
Workshops	0	-	-	-	-
Interest	40,000	40,000	-	60,000	20,000
Miscellaneous	0	-	-	-	-
Total Funding	**$ 13,722,745**	**$ 13,722,745**	**$ -**	**$ 14,386,372**	**$ 663,627**
Expenses					
Personnel Expenses					
Salaries	$ 8,307,760	$ 8,564,518	$ 256,758	$ 9,637,622	$ 1,329,862
Payroll Taxes	560,486	561,888	1,402	581,453	20,967
Benefits	1,237,909	1,026,687	(211,222)	1,283,552	45,643
Retirement Costs	1,207,997	1,386,542	178,545	1,471,658	263,661
Total Personnel Expenses	**$ 11,314,152**	**$ 11,539,635**	**$ 225,483**	**$ 12,974,285**	**$ 1,660,133**
Meeting Expenses					
Meetings	$ 171,800	$ 111,458	$ (60,342)	$ 144,630	$ (27,170)
Travel	728,200	689,481	(38,719)	686,950	(41,250)
Conference Calls	6,300	10,251	3,951	10,176	3,876
Total Meeting Expenses	**$ 906,300**	**$ 811,190**	**$ (95,110)**	**$ 841,756**	**$ (64,544)**
Operating Expenses					
Consultants & Contracts	$ 695,000	$ 1,009,060	$ 314,060	$ 514,100	$ (180,900)
Office Rent	392,392	392,384	(8)	531,460	139,068
Office Costs	863,987	761,642	(102,345)	772,146	(91,841)
Professional Services	792,018	579,117	(212,901)	500,432	(291,586)
Miscellaneous	9,300	27,165	17,865	27,320	18,020
Depreciation	442,702	432,692	(10,010)	506,822	64,120
Total Operating Expenses	**$ 3,195,399**	**$ 3,202,060**	**$ 6,661**	**$ 2,852,280**	**$ (343,119)**
Total Direct Expenses	**$ 15,415,851**	**$ 15,552,886**	**$ 137,035**	**$ 16,668,321**	**$ 1,252,470**
Indirect Expenses	**$ -**	**$ 0**	**$ 0**	**$ (0)**	**$ (0)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 15,415,851**	**$ 15,552,886**	**$ 137,035**	**$ 16,668,321**	**$ 1,252,470**
Change in Assets	**$ (1,693,106)**	**$ (1,830,141)**	**$ (137,035)**	**$ (2,281,949)**	**$ (588,843)**
Fixed Assets					
Depreciation	(442,702)	(432,692)	10,010	(506,822)	(64,120)
Computer & Software CapEx	235,000	180,995	(54,005)	495,000	260,000
Furniture & Fixtures CapEx	11,500	10,100	(1,400)	-	(11,500)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	1,200	1,200	-	-
(Incr)Dec in Fixed Assets	**$ 196,202**	**$ 240,397**	**$ 44,195**	**$ 11,822**	**$ (184,380)**
Allocation of Fixed Assets	$ (2)	$ (0)	$ 2	(0)	$ 2
Change in Fixed Assets	**$ 196,200**	**$ 240,397**	**$ 44,197**	**$ 11,822**	**$ (184,378)**
TOTAL CHANGE IN NET ASSETS	**$ (1,496,906)**	**$ (1,589,743)**	**$ (92,837)**	**$ (2,270,128)**	**$ (773,222)**

Section A – Statutory Programs

2012 Business Plan and Budget

Section A — Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Direct Expenses	$ 254,984	$ 268,083	$ 13,099
Indirect Expenses	$ 68,615	$ 87,837	$ 19,222
Inc(Dec) in Fixed Assets	$ (2,246)	$ 4,307	$ 6,553
Total Funding Requirement	$ 321,353	$ 360,227	$ 38,874

Program Scope and Functional Description

In support of the ERO and pursuant to the NERC Rules of Procedure, Sections 310 through 312, and the Reliability*First* Regional Delegation Agreement (RDA), Reliability*First* may develop Regional Reliability Standards. These standards must be developed in accordance with the Reliability*First* Reliability Standards Development Procedure and must be more stringent than a NERC reliability standard, including a regional difference that addresses matters that the NERC reliability standard does not, or shall be a regional difference necessitated by a physical difference in the BES.

Reliability*First* Standards are intended to apply only to that part of the Eastern Interconnection within the Reliability*First* geographical footprint. Reliability*First* Standards are developed according to the following principles as documented in the Reliability*First* Reliability Standards Development Procedure. Reliability*First* Standards:

- are developed in a fair and open process that provides an opportunity for all interested parties to participate;
- do not have an adverse impact on commerce, unless necessary for reliability;
- provide a level of BES reliability that is adequate to protect public health, safety, welfare, and national security and would not have a significant adverse impact on reliability; and
- are based on a justifiable difference between Regions or between sub-Regions within the Regional geographic area.

The standards staff will continue to provide the best direction and prioritization of Reliability Standards and the associated regional standards procedures by participating in NERC and other regional standard drafting efforts and related working groups and task forces.

1. Standards staff will continue to volunteer to serve as members of NERC Standard Authorization Request (SAR) and Standard Drafting Teams, as appropriate.

2. Standards 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 Regional Standards Group (RSG), which facilitates the development of the regional standards process across regions.

The Standards Program relies on technical support from both the staff and stakeholder volunteers for standard drafting teams. The teams are facilitated by the Standards staff with program oversight directed through the Reliability*First* Standards Committee.

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

Reliability*First* anticipates that in 2012 the number of Regional standards related projects will be on the decline compared to previous years due to a number of standards projects nearing completion. In anticipation of approval of NERC continent wide standards in the 2011/2012 timeframe, Reliability*First* expects to revisit all associated Reliability*First* standards to remove all requirements that are duplicative and no longer needed for reliability.

2012 Key Assumptions

The Reliability Standards Program incorporates regional specific common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document, including additional resources required for initiatives that support these shared ERO assumptions. There are no additional assumptions unique to Reliability*First's* Reliability Standards Program.

2012 Key Deliverables

- Submit to NERC, and subsequently file with FERC:
  - any regional standards that are needed to support revised NERC Reliability Standards,
  - any regional standards that address reliability gaps not currently covered by NERC Reliability Standards, and
  - any regional standards that will be needed to provide an "interim" solution to reliability enhancement until replaced by revised NERC Reliability Standards.
- Retire regional Standards that are duplicative with NERC Reliability Standards or no longer needed for reliability.
- Prioritize the regional standards drafting effort to align with the timing of NERC Reliability Standards revisions.
- Review and possibly modify the Reliability 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 legacy documents for developing regional Standards with subsequent retirement of the legacy documents.

Funding Sources and Requirements — Explanation of Variance

Funding Source

- Funding for this program in 2012 is provided through assessments to LSEs or designees (mandatory in the United States), as the Reliability Standards Program is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and retirement costs for 2012 are budgeted for one FTE for this program area, consistent with 2011 levels. Therefore, with no change in the FTE level in this program the increase in salaries is a result of budgeting for standard yearly increases. The decrease in payroll taxes, benefits and retirement costs is due to the use of more accurate data to establish better budget estimates.

Meeting Expenses

- Meeting, travel, and conference call expenses in support of the Reliability*First* and NERC standard drafting teams will decrease due to downward trends of future standards related projects and the increased utilization of web-based media for virtual meetings.

Operating Expense

- Operating expenses increased slightly due to increased office costs resulting from use of a company air card for internet and intranet access.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2012. This method of accounting results in an increase compared to 2011. Because there is no change in FTEs in this program, the increase is due to higher Administrative Services expenditures allocated for 2012.

Other Non-Operating Expenses

- No other non-operating expenses are expected for 2012.

Fixed Asset Additions

- No fixed asset additions are expected for 2012.

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2012 Business Plan and Budget are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Standards

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
Reliability*First* Funding					
ERO Assessments	$ 305,644	$ 305,644	$ -	$ 346,257	$ 40,613
Penalty Sanctions	15,709	15,709	-	13,970	(1,739)
Total Reliability*First* Funding	**$ 321,353**	**$ 321,353**	**$ -**	**$ 360,227**	**$ 38,874**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 321,353**	**$ 321,353**	**$ -**	**$ 360,227**	**$ 38,874**
Expenses					
Personnel Expenses					
Salaries	$ 160,722	$ 181,524	$ 20,802	$ 191,229	$ 30,507
Payroll Taxes	9,901	10,281	380	9,191	(710)
Benefits	23,896	20,110	(3,786)	22,725	(1,171)
Retirement Costs	33,469	27,722	(5,747)	26,744	(6,725)
Total Personnel Expenses	**$ 227,988**	**$ 239,637**	**$ 11,649**	**$ 249,889**	**$ 21,901**
Meeting Expenses					
Meetings	$ 10,000	$ 6,231	$ (3,769)	$ 4,000	$ (6,000)
Travel	14,000	10,725	(3,275)	11,000	(3,000)
Conference Calls	1,080	423	(657)	540	(540)
Total Meeting Expenses	**$ 25,080**	**$ 17,379**	**$ (7,701)**	**$ 15,540**	**$ (9,540)**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	-	-	-	-	-
Office Costs	1,916	2,779	863	2,654	738
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 1,916**	**$ 2,779**	**$ 863**	**$ 2,654**	**$ 738**
Total Direct Expenses	**$ 254,984**	**$ 259,795**	**$ 4,811**	**$ 268,083**	**$ 13,099**
Indirect Expenses	**$ 68,615**	**$ 84,907**	**$ 16,292**	**$ 87,837**	**$ 19,222**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 323,599**	**$ 344,702**	**$ 21,103**	**$ 355,920**	**$ 32,321**
Change in Assets	**$ (2,246)**	**$ (23,349)**	**$ (21,103)**	**$ 4,307**	**$ 6,553**
Fixed Assets					
Depreciation	$ -	$ -	$ -	$ -	$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ 2,246	$ 1,733	$ (513)	$ (4,307)	$ (6,553)
Change in Fixed Assets	**$ 2,246**	**$ 1,733**	**$ (513)**	**$ (4,307)**	**$ (6,553)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ (21,616)**	**$ (21,616)**	**$ (0)**	**$ (0)**

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

Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	42.75	42.50	(0.25)
Direct Expenses	$ 8,612,632	$ 8,690,201	$ 77,569
Indirect Expenses	$ 2,933,312	$ 3,733,052	$ 799,740
Inc(Dec) in Fixed Assets	$ (169,350)	$ (72,069)	$ 97,281
Total Funding Requirement	$ 11,376,594	$ 12,351,183	$ 974,589

Program Scope and Functional Description

The Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program is structured to establish and prepare staff to achieve maximum effectiveness, inter- and intra-regional consistency, and the requisite due diligence in monitoring, investigations and assessments, data and status reporting, enforcement actions, settlement activities, and hearing proceedings with regard to compliance to the Reliability Standards.

Reliability*First* will monitor compliance to Reliability Standards through a variety of processes including:

- Compliance Audits of the registered owners, operators, and users of the BES against standard requirements applicable to their respective functions. Spot checking of individual standard requirements as a planned assessment of compliance to selected standards. Validation of self-certifications, mitigation plans, and/or other follow-up activities.
- Self-certification with associated verifications and Self-reporting by owners, operators, and users of the BES.
- Investigations of events and complaints received from owners, operators, and users of the BES and other persons and entities interested in the reliable operation of the BES, including government entities.
- Data Submittals for standards to support reporting requirements as indicated in the standards, studies, modeling, and seasonal assessments.
- Exception Report monitoring to ensure entities are appropriately assessing compliance to Reliability Standards where routine monitoring is not in place.
- Risk-based assessments conducted of Registered Entities to determine the scope of compliance monitoring.

- Development of lessons learned, which requires a review of all aspects of the compliance monitoring processes and corrective action activities resulting from an entity's performance.
- Mitigation plan activities associated with violations including:
  - Review of mitigation plans for effective corrective action and acceptance.
  - Verification of mitigation plan completion through the evaluation of evidence provided by entities to demonstrate that appropriate actions have been implemented according to established milestones and to ensure the entity has returned to compliance.
  - Communication with enforcement case managers and the registered entity throughout the mitigation plan review process to ensure that corrective actions will prevent reoccurrence, mitigate the violation, and return the entity to compliance.

To facilitate compliance monitoring and enforcement activities, all owners, operators, and users of the BES are required to register for the functions that are applicable to their organizations. Reliability*First* maintains organization registration information and regularly submits updated registration information to NERC, which maintains the official compliance registry. Certification of organizations performing reliability responsibilities will continue for entities required to satisfy the key operational registered functions. Organization registration and certification are ongoing activities.

The industry has requested that all compliance personnel receive formal training and certification. To address this request, Reliability*First* has included in its manpower analysis three weeks of training for the entire compliance staff. The current workload is not anticipated to diminish in future years, but remain the same or grow.

2012 Key Assumptions

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program incorporates regional specific common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document, including additional resources required for initiatives that support these shared ERO goals. The Reliability*First* Compliance Monitoring and Enforcement and Organization and Certification Program include the following unique regional assumptions:

1. Compliance monitoring will transition to a risk and performance based process where monitoring of entities will be determined by an entity's risk to BES reliability. This change in monitoring is not expected to result in a reduction in resource needs during the 2012 - 2015 timeframe.
2. Reliability*First* and NERC continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the auditors, enforcement, and investigation staff. As part of the training effort, at least two auditor workshops and monthly auditor calls will occur to provide auditors with updates on compliance policies, actions, and requirements in order to promote consistency of audit practices and procedures. It is expected that this training

and possible certification effort will have an impact on staffing needs and costs (e.g., travel and lodging) to attend and participate in this training.

3. Reliability*First* has provided time for staff to maintain industry certifications, such as NERC System Operator Certification and Critical Infrastructure Protection (CIP) certifications, etc. Additional time to incorporate the appropriate audit and investigative skills is also included.
4. Reliability*First* will work with NERC to provide timely publication of lessons learned and recommendations and track responses to recommendations on compliance related issues and concerns.
5. Reliability*First* will work with NERC to place priority on developing educational materials for Registered Entities regarding expectations for new and existing Reliability Standards. Reliability*First* is anticipating the need to conduct or participate in training sessions, or workshops to provide guidance and instruction on the MOD standards in 2012 and 2013. Given the complexity and number of standards and requirements that are being enhanced, changed, etc., these will be required in the near term to develop guidance and training to the industry on all of the new and emerging enhanced standards.

2012 Key Deliverables

- Manage all compliance activities in an unbiased, fair, and consistent manner, affording all Registered Entities appropriate due process.
- Ensure all auditors receive training and meet all NERC auditor training requirements.
- Develop and enhance processes, databases, and reporting tools for accurate tracking and reporting of compliance activities including compliance audits, spot checks, self-certifications, alleged and confirmed violations of Reliability Standards, penalty and sanction actions, settlements, hearings, disposition of all violations, mitigation plans, and management of the compliance monitoring process records.
- Maintain a reporting relationship with NERC and establish processes and procedures to report monitoring results, violations, levied penalties and sanctions, and track mitigation plans and settlement actions for violations. Also, develop trending information of compliance activities to identify any trends requiring action.
- Manage all enforcement actions to ensure consistent application of penalties for violations of Reliability Standards.
- Prepare and distribute notices of violations and penalty determinations associated with compliance violations.
- Prepare and distribute all compliance monitoring process reports to NERC and Registered Entities.
- Provide enhanced analysis reports of violations and violation trends of Reliability Standards to the Reliability*First* Board Compliance Committee and NERC.

- Identify trends pertaining to problem areas, entities that may require additional follow-up review, and communicate any lessons learned to other Registered Entities while protecting confidentiality.
- Support the development of the compliance elements for all new or revised Reliability Standards within the Reliability*First* and NERC Standards Program. Support NERC standards drafting teams as resources are available.
- Increase efficiencies across all areas to reduce redundancy and increase productivity.

Investigations & Compliance Services

Program Scope and Functional Description

The Investigations and Compliance Services functions include: compliance investigations, organization registration, organization certification, serving as a technical resource for the Corporation, event analysis compliance review, mitigation plan reviews, assessment of self-certifications and periodic data submittals, reviewing complaints, and developing lessons learned.

2012 Key Assumptions

The Investigations and Compliance Services area incorporates regional specific common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit, A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document, including additional resources required for initiatives that support these shared ERO goals. The Reliability*First* Investigations and Compliance Services area include the following unique regional assumptions:

1. Reliability*First* will refine the criteria and process to encourage prompt and complete compliance self-analysis of events and disturbances to promote continuous improvement and information sharing. The number of events requiring this review and analysis is expected to be significant.
2. Reliability*First* will work to streamline and improve the speed of compliance investigations and look for ways to establish meaningful linkages to event and disturbance analysis.
3. Reliability*First* expects to conduct at a minimum thirty new event reviews from a compliance perspective, initiate three new compliance investigations, and anticipates receiving three new complaints. New criteria being developed indicates that all unplanned, multiple-facility trips will be considered candidates for these reviews. If the criteria or process changes, this effort could significantly impact staffing requirements.
4. Reliability*First* assumes that a uniform BES definition will be implemented in 2012 and it will result in increased workload for Reliability*First* to handle exclusion requests in 2012 and 2013, along with other monitoring activity workload increases.
5. The numbers of Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Registered Entity (MRRE) documents are

expected to increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness in compliance. This increase will have a direct impact on the workload associated with registration within the Region.

6. Reliability*First* does not expect a significant number of registration challenges, with efforts in registration focusing on refining the current registries across the Region. However, with the continued business merging activities in the industry, registration changes are anticipated and will require administrative, technical, and legal reviews.

2012 Key Deliverables

- Assist NERC in developing compliance processes for triage, analysis, and reporting of system events.
- Develop criteria and a process to encourage prompt and complete compliance self-analysis of events and disturbances.
- Work toward streamlining the compliance investigation process.
- Develop material for Registered Entities regarding expectations for new and existing Reliability Standards.
- Review all entity event analyses from a compliance perspective and make a timely decision whether additional compliance assessments are necessary.
- Process the Joint Registration Organization, Coordinated Functional Registration, and MRRE documents in a timely fashion.

Compliance Audits

Program Scope and Functional Description

The Compliance Audit area is responsible for the completion of the operations and planning (OP/PLAN) audits and spot checks, which address the FERC Order 693 Reliability Standards, support for CIP audits, support for investigations and certifications, and provides technical resources and support as needed for mitigation plan reviews and other issues concerning the overall corporation or its Registered Entities. The Compliance Audit area is also responsible for the completion of risk-based assessments as part of the monitoring processes and ensuring consistency of the audit and spot check processes for the Reliability Standards.

2012 Key Assumptions

The Compliance Audit area incorporates regional specific common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions document, including additional resources required for initiatives that support these shared ERO goals. The Reliability*First* Compliance Audit area includes the following unique regional assumptions:

1. Audits will continue under a schedule to complete the BA, TOP, RC, or TOs identified as a local control center within PJM (TO/LCCs) every three years. All Registered Entities that are registered for other functions, (GO, GOP, LSE, etc.) will be audited every six years. Audits for Registered Entities of other functions

may transition to a period more reflective of their risk profile of Registered Entities over the planning period.

2. Audits will focus on a risk- and performance based review of the individual entity. Where necessary, audits will have an increase in depth and complexity, including an increased number of unscheduled audits. While some audits will be more in-depth and of greater complexity, other audits may require less resource allocation based on the risk-and performance-based assessment of each entity. ReliabilityFirst may nevertheless find it necessary to increase audit resources to satisfy these workload requirements.
3. It is expected that spot checks will increase over the next three years in conjunction with the implementation of a risk-based approach to compliance monitoring. This may increase auditor time and resources, however appropriately scoped spot checks based on entity risk and performance profiles should lead to a focused and efficient monitoring program. Notwithstanding these improvements in efficiency, Reliability*First* may be required to increase its audit staff as a result.
4. Compliance Audit staff will support the NERC CIP Sufficiency Review Program and CIP Audit Program as needed in 2012, which is an additional effort supported by Compliance Audit staff. Per FERC, the Regional Entities should support the CIP audits with personnel from the OP/PLAN area as a means to share the OP/PLAN experience in performing audits and technical knowledge of the BES. Reliability*First* has been cross training auditors in both areas and will continue to support the effort in 2012.
5. Compliance Audit staff will support investigations, organization registration and certification, and other compliance processes as needed in 2012. As identified above these activities are expected to increase in 2012.
6. Compliance Audit staff will continue to support NERC initiatives through participation on NERC committees, support of NERC audits and other monitoring processes, and existing communication processes to achieve the global initiative of providing Registered Entities with consistency, transparency and educational opportunities.

2012 Key Deliverables

- Conduct thorough and formal compliance audits of the Reliability Standards on a three-year cycle for the RC, BA, and TOP functional entities and the TO/LCCs. Audit teams will consist of Reliability*First* staff supplemented as necessary by independent contractors. Industry volunteers will not serve on audit teams. Approximately 13 on-site audits will be performed annually, which will include monitoring nearly 160 total functions.
- Conduct thorough and formal compliance audits of all other entities on a six-year cycle, which will include the functions listed below. These audits will be conducted off-site but may necessitate on-site review periodically. Approximately 70 entities will be reviewed annually with nearly 250 total functions evaluated.

GO – Generator Owner
GOP – Generator Operator
LSE – Load Serving Entity
PSE – Purchasing-Selling Entity
DP – Distribution Provider
RP – Resource Planner
PC – Planning Coordinator
TP – Transmission Planner
TSP – Transmission Service Provider
IA – Interchange Authority
TO – Transmission Owner
TSP – Transmission Provider

- Conduct spot checks to assess risk and performance on OP/PLAN standards as outlined in the Implementation Plan and determined by an assessment conducted by Reliability*First*. In 2011, two standards were identified for spot check monitoring. We expect this number to increase in 2012 and subsequent years as NERC moves toward the risk-and performance-based approach.
- Conduct unscheduled audits or spot checks as risk issues identify the need during 2012. This type of monitoring is expected to rise in 2012 and in the years 2013 - 2015.
- Conduct 120 risk-based assessments on those entities scheduled for an audit in 2012.
- Provide efficiencies in audit and spot check processes through auditor training and system and process improvements.
- Support two reliability workshops each year, monthly "open" compliance calls and "Assist Visits".

  The current workload, which exceeds the 2011 available resources, is not anticipated to diminish in future years, but remain the same or grow. At this time, the addition of one FTE in 2012 is required to support the anticipated workload.

Critical Infrastructure Protection (CIP) Audits

Program Scope and Functional Description

The CIP Audit program scope includes the following major functional responsibilities:

- Monitoring Compliance to the CIP Standards of Reliability*First* entities subject to CIP standards through scheduled and unscheduled (when necessary) compliance audits and/or spot checks ensuring that all pre-audit, onsite or offsite, and post audit activities are completed per the established process and timelines.
- Management of Technical Feasibility Exceptions (TFEs), as outlined in Appendix 4D of the NERC Rules of Procedures, to ensure all Part A review, Part B review, and ongoing (quarterly & annual) reporting requirements are properly completed and managed per the process.
- Participation in the NERC CIP-002 Sufficiency Review program. This program was started in 2010 and has been revised and expanded for 2011 based on lessons

learned throughout the 2010 effort. It is expected that this program will continue to mature into 2012 and may be re-architected to address the CIP-002 Version 4 (V4) standard once approved.

2012 Key Assumptions

The CIP Audit area incorporates regional specific common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document, including additional resources required for initiatives that support these shared ERO goals. The Reliability*First* CIP Audit area includes the following unique regional assumptions:

1. In 2011, the full suite of 43 CIP requirements and associated sub-requirements are within an audit scope for all (3 year and 6 year) Registered Entities that have identified Critical Assets and Critical Cyber Assets. These audits are conducted onsite at the entity. Based on the 2011 Implementation Plan and Actively Monitored List, 36 CIP requirements and associated sub-requirements were identified to be actively monitored in 2011. It is believed that in 2012, all 43 CIP requirements and associated sub-requirements will be actively monitored. Based on recent audit experiences, the technical focus and comprehensiveness of these audits has expanded, thus resulting in larger audit teams (i.e. 2 teams of 3) and additional audit review time onsite to complete the audits. The larger audit teams are comprised of (approximately four) CIP staff members augmented with (approximately two) contractors. Two week pre-audit reviews have been instituted resulting in a more focused onsite audit review. In addition, a defined sampling methodology is being utilized which has increased sampling sizes and the confidence levels of samples. Another factor influencing the duration of an audit is an organization's ability and preparedness in presenting their material in a comprehensive, organized, and direct manner.
2. The time required to complete the onsite review of a 43 requirement CIP Audit may also increase due to site visits and field visits that may be warranted if initial evidence is not sufficient to substantiate that an entity meets compliance.
3. For Registered Entities subject to compliance to the CIP standards that have no Critical Cyber Assets, the audit scope focuses on five requirements (i.e. CIP-002 R1-R4 & CIP-003 R2) and are conducted offsite by one team of two auditors. Pre-audit reviews are conducted and the actual offsite audit is generally completed within one week followed by post audit report documentation.
4. Similar to the OP/PLAN Audits, it is expected that CIP spot checks will increase over the next three years in conjunction with the implementation of a risk-based approach to compliance monitoring. This may increase auditor time and resources, however appropriately scoped audits based on entity risk and performance profiles should lead to a focused and efficient monitoring program. Reliability*First* may be required to increase the CIP Audit staff as a result.
5. The TFE program will continue to require considerable staffing resources to perform reviews and gauge compensating measures. TFE development, review, and approval will result in additional compensating measure validation checks, quarterly/annual report tracking, and change management. Experience gained

through existing operations will be utilized to guide the development of resource recommendations. Any approved and terminated TFEs are to be audited as part of a scheduled CIP Audit according to Appendix 4D of the NERC Rules of Procedure. This is applicable to entities that have identified Critical Assets and Critical Cyber Assets and have such TFEs. The plan is to incorporate the review of these TFEs into the existing audit review schedule. The effort required to review these TFEs may extend the audit review schedule or result in a separate unscheduled audit review, resulting in additional time and/or resources required to complete the audit of such TFEs. Overall, the continued review and assessment of new TFEs and the tracking and updating of existing TFEs will continue to be a challenge.

6. Upon approval of the CIP-002 V4 Standards, entities will be expected to utilize the new criteria to identify Critical Assets. With the integration of the new criteria, expectations are such that there will be a substantial increase in the number of entities and Critical Assets required to be monitored for CIP compliance in the near future. If this occurs, a significant resource impact is expected along with additional burden and workload added to the CIP audit program.
7. Reliability*First* will support the NERC CIP-002 Sufficiency Review Program in 2012.

2012 Key Deliverables

- CIP audits will be performed as separate audits from the OP/PLAN audits. The CIP audits can be categorized as medium and small sized audits as defined by NERC and the number of requirements defined within each category. The number of CIP audits targeted for 2012 is defined below and will be based on the number of entities that identify Critical Assets, which may change significantly when CIP-002 V4 is approved. For 2012, it is expected that the number of CIP audits will be at least the same or possibly greater than in 2011 resulting in approximately:
  - 10-15 CIP medium audits of entities on the 3 year cycle (onsite).
    - Registered Entities are expected to be compliant with the 43 CIP requirements and typically have many Critical Assets and Critical Cyber Assets due to being registered for multiple functions.
  - 5-10 CIP medium audits of entities on the 6 year cycle (onsite).
    - Registered Entities are expected to be compliant with the 43 CIP requirements, but typically have fewer Critical Cyber Assets as a result of being registered for fewer functions.
  - 20-25 CIP Small Audits of entities on the 6 year cycle (offsite).
    - Registered Entities are expected to be compliant with five CIP requirements (i.e. CIP-002, R1-R4 & CIP-003, R2) because they have identified no Critical Cyber Assets.
- CIP spot checks will be used to assess performance to selected CIP Standards as outlined in the annual Implementation Plan. The number of standards will be assessed each year, but may increase as risk assessment dictates. This

monitoring process will also be performed to confirm self-certifications, self reports, and the status of mitigation plans or agreed to activities associated with settlement agreements.

- Managing the completion of Part A reviews, Part B Reviews, and quarterly/annual reporting for the 14 requirements subject to TFEs processing, including Accepted, Amended, Approved, Disapproved, Final Rejection, Pending Review, Resubmitted and Terminated conditions. Reliability*First* has received over 1,000 TFEs since the TFE program commenced in Q4-2009. The effort required to process TFEs will continue through 2012. The rate of TFE submittals in 2011 is expected to level off and remain constant for 2012, but Reliability*First* does not expect it to be reduced to zero in the next few years, due to technology changes, additional entities being identified with Critical Assets and Critical Cyber Assets, and the full understanding of the CIP Standards. For 2012, Reliability*First* expects approximately 120 new TFEs, 120 TFE amendments and 145 TFE Terminations will need to be processed through the applicable Part A and Part B reviews, followed by the quarterly and annual report tracking of all TFEs submitted. It is expected that one equivalent FTE will continuously be allocated to provide oversight and management of the TFE process.

  Starting in 2011, compliance audits of CIP Standards are incorporating the review of Approved and Terminated TFEs. The plan is to incorporate the review of these TFEs into the existing audit review schedule for 2012 and beyond.

- Participate in the 2012 NERC CIP-002 *Sufficiency Review* program. The expectation is that NERC will conduct 1 to 2 sufficiency reviews of entities registered in the Reliability*First* region. Each sufficiency review will be completed by a team consisting of NERC and Reliability*First* staff assigned from the CIP and OP/PLAN Audit staff. As needed, resources from other departments may participate and if resource availability is limited, NERC may elect to use NERC resources exclusively.

- Support NERC's initiative in developing and supporting a training and implementation program for Registered Entities to successfully implement CIP-002 V4 Standards.

- Reliability*First* will support NERC in the planning and development of a comprehensive cyber security training program that validates knowledge and technical competency of the CIP staff across the ERO.

- Support NERC and contribute to the development of Compliance Application Notices to provide guidance across the ERO and industry as it relates to the CIP standards.

- Augment audit teams with OP/PLAN, CIP, and Support Staff in an effort to fulfill audit team resource needs and to support cross training of auditors in both CIP and OP/PLAN audit practices.

Overall, the current workload is exceeding the available resources and this workload is not anticipated to diminish in the next few years, but instead remain the same or grow.

For 2012, it is expected that the addition of one and a half (1.5) FTEs will be required to complete the anticipated workload related to the functional responsibilities and identified deliverables as well as any new Reliability*First*, ERO, and industry CIP related initiatives. Contractor support is expected to reduce somewhat, but still remain a necessity to provide staff coverage as required to meet the demands of the 2012 CIP audit schedule or any other responsibilities.

Enforcement Management

Program Scope and Functional Description

The current 2011 Enforcement Staff level accommodates the processing of 360 violations, or approximately 30 per month. For reference, 469 violations were received in 2010 and although the number of violations budgeted for in 2011 was 320, the current estimates project nearly 500 violations by the end of 2011. For 2012, the number of violations for budgeting purposes is estimated to be 400. With the reassignment of the actual time expended by staff attorneys on corporate matters to Legal & Regulatory Affairs, the addition of one CIP expertise FTE will allow for increased efficiency in processing CIP related violations.

2012 Key Assumptions

The Enforcement Management Function incorporates regional specific common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document, including additional resources required for initiatives that support these shared ERO goals. The Reliability*First* Enforcement Management function includes the following unique regional assumptions:

1. The current upward trend of the number of violations to be processed will continue in 2012. The number of non-CIP violations will remain steady as compared to 2011 levels, with approximately 200 expected in 2012. Estimation of the number of CIP violations expected in 2012 remains difficult. For budgeting and staffing purposes, it is assumed that 200 CIP violations will be processed by Enforcement in 2012 (for comparison purposes, CIP violations totaled 259 in 2010). The risk identified is that over the next few years a substantial upswing may occur in the number of possible CIP violations as CIP Audits continue to ramp up based on entities auditable compliance dates, increasing reach of new versions of the CIP Standards, and as the full understanding is reached for all CIP Standards across all applicable Registered Entities.
2. It is expected that the majority of possible violations will continue to be handled through the settlement process and the administrative citation process. Increased process efficiencies, institution of proportional effort in Enforcement, and gained experience offset the increased complexity of compliance cases and the level of effort and resources for a settlement continues to decrease.
3. Efforts to provide a tiered approach to enforcement process that is proportional to the level of potential risk to the reliability of the BES have been partially successful. It is assumed continued progress will be made within this area.
4. The number of hearings to be conducted in 2012 is unknown, and therefore no external legal resources have been budgeted.

2012 Key Deliverables

- Identify all violations and continue to implement and staff a case management and workflow structure to manage each violation effectively and treat each entity involved professionally. Follow all due process requirements in a manner that promotes efficient, effective, thorough, and fair processing of all enforcement related issues.
- Conduct initial violation fact and circumstance reviews and communicate with the entity through each step of the enforcement process. Manage all necessary activities of the enforcement process through final closure with NERC, including mitigation plans, settlements, hearings, and participate as necessary in any appeals to NERC or regulatory agencies for alleged violations that are contested.
- Report all violations of Standards for which investigation, decision, and hearing processes have been completed, including the identity of the organizations involved in those violations.
- Provide the necessary information regarding all financial penalties to support the collection and disbursement of the penalty funds.

Funding Sources and Requirements — Explanation of Variance

Funding Sources

- Funding for this program in 2012 is provided through assessments to LSEs or designees (mandatory in the United States), as the Compliance Monitoring, and Enforcement, and Organization and Certification Program is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and retirement costs for 2012 are budgeted for 42.5 FTEs, a decrease of .25 FTEs over 2011. The increase in salaries and retirement costs is a result of the addition of 3.5 new FTEs to the Compliance Department and the reallocation of two FTEs to the General and Administrative Department and 1.75 FTE to the Legal and Regulatory Department, along with the budgeting for standard yearly increases for 2012. The decrease in payroll taxes and benefits is due to the use of more accurate data to establish better budget estimates.

Meeting Expenses

- Meetings and travel expenses in support of the implementation of the Reliability*First* Compliance Program decreased as a result of cost control and the increased utilization of web-based media for virtual meetings.

Operating Expenses

- The decrease in operating expenses is a result of eliminating all legal expenses associated with compliance hearings. If Reliability*First* were to incur legal expenses associated with a hearing the company would utilize its contingency fund.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2012. This method of accounting results in an increase compared to 2011, which is mainly due to higher total Administrative Services expenditures allocated for 2012.

Other Non-Operating Expenses

- No other non-operating expenses are expected for 2012.

Fixed Asset Additions

- Decrease in fixed assets is due to a reduced need for additional fixed asset furniture and computer software for Compliance.

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

Funding sources and related expenses for the Compliance Monitoring and Enforcement and Organization Registration and Certification section of the 2012 Business Plan and Budget are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Compliance Monitoring, and Enforcement, and Organization Registration and Certification

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
Reliability*First* Funding					
ERO Assessments	$ 10,705,048	$ 10,705,048	$ -	$ 11,757,457	$ 1,052,409
Penalty Sanctions	671,546	671,546		593,726	(77,820)
Total Reliability*First* Funding	**$ 11,376,594**	**$ 11,376,594**	**$ -**	**$ 12,351,183**	**$ 974,589**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 11,376,594**	**$ 11,376,594**	**$ -**	**$ 12,351,183**	**$ 974,589**
Expenses					
Personnel Expenses					
Salaries	$ 4,980,247	$ 4,551,405	$ (428,842)	$ 5,324,600	$ 344,353
Payroll Taxes	357,152	335,278	(21,874)	340,753	(16,399)
Benefits	828,564	589,434	(239,130)	778,763	(49,801)
Retirement Costs	741,199	752,023	10,824	821,185	79,986
Total Personnel Expenses	**$ 6,907,162**	**$ 6,228,140**	**$ (679,022)**	**$ 7,265,301**	**$ 358,139**
Meeting Expenses					
Meetings	$ 19,100	$ 2,368	$ (16,732)	$ 10,110	$ (8,990)
Travel	500,000	523,245	23,245	466,000	(34,000)
Conference Calls	2,400	5,412	3,012	5,400	3,000
Total Meeting Expenses	**$ 521,500**	**$ 531,025**	**$ 9,525**	**$ 481,510**	**$ (39,990)**
Operating Expenses					
Consultants & Contracts	$ 380,000	843,074	$ 463,074	$ 380,000	$ -
Office Rent	-	-	-	-	-
Office Costs	236,086	88,495	(147,591)	228,905	(7,181)
Professional Services	331,000	157,500	(173,500)	72,000	(259,000)
Miscellaneous	-	3,900	3,900	7,370	7,370
Depreciation	236,884	222,601	(14,283)	255,115	18,231
Total Operating Expenses	**$ 1,183,970**	**$ 1,315,570**	**$ 131,600**	**$ 943,390**	**$ (240,580)**
Total Direct Expenses	**$ 8,612,632**	**$ 8,074,735**	**$ (537,897)**	**$ 8,690,201**	**$ 77,569**
Indirect Expenses	**$ 2,933,312**	**$ 3,311,363**	**$ 378,051**	**$ 3,733,052**	**$ 799,740**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 11,545,944**	**$ 11,386,098**	**$ (159,846)**	**$ 12,423,253**	**$ 877,309**
Change in Assets	**$ (169,350)**	**$ (9,504)**	**$ 159,846**	**$ (72,069)**	**$ 97,281**
Fixed Assets					
Depreciation	$ (236,884)	$ (222,601)	$ 14,283	$ (255,115)	$ (18,231)
Computer & Software CapEx	160,000	70,000	(90,000)	-	(160,000)
Furniture & Fixtures CapEx	3,600	3,600	-	-	(3,600)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ 73,284**	**$ 149,001**	**$ 75,717**	**$ 255,115**	**$ 181,831**
Allocation of Fixed Assets	$ 96,066	$ 67,569	$ (28,497)	$ (183,046)	$ (279,112)
Change in Fixed Assets	**$ 169,350**	**$ 216,570**	**$ 47,220**	**$ 72,069**	**$ (97,281)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 207,067**	**$ 207,067**	**$ 0**	**$ 0**

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	8.50	9.50	1.00
Direct Expenses	$ 1,785,819	$ 1,898,357	$ 112,538
Indirect Expenses	$ 583,232	$ 834,447	$ 251,215
Inc(Dec) in Fixed Assets	$ (19,101)	$ 40,916	$ 60,017
Total Funding Requirement	$ 2,349,950	$ 2,773,720	$ 423,770

Program Scope and Functional Description

In support of the ERO and pursuant to the NERC Rules of Procedure, Section 800, Reliability*First* engineering staff will independently analyze, assess, and report on the reliability and adequacy of the BES 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 and reporting of system disturbances and events, and collection and dissemination of data, lessons learned, and other information.

Additional personnel to fully support the NERC Demand Response Availability Data System (DADS), an expanded NERC Generating Availability Data System (GADS) effort and event analysis beginning in 2012, will increase the FTE count by one from the 2011 budget.

2012 Key Assumptions

The Reliability Assessment and Performance Analysis Program incorporates regional specific common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document, including additional resources required for initiatives that support these shared ERO goals. There are no additional assumptions unique to the Reliability*First* Reliability Assessment and Performance Program.

2012 Key Deliverables

Assessments of Reliability Performance

- Perform Reliability*First* seasonal (summer and winter) resource adequacy assessments and a long-term resource adequacy assessment and produce reports per NERC Rules of Procedure Section 800 and NERC Standards MOD-016, TPL-005, and TPL-006.
- Perform Reliability*First* seasonal (summer and winter) transmission assessment studies, a near-term (1 through 5 years into the future) transmission assessment, and a long-term (5 through 10 years into the future) transmission assessment

and produce reports per Rules of Procedure Section 800 and NERC Standards TPL-005, and TPL-006.

- Collect data and produce assessment reports for the NERC Reliability Assessment Subcommittee's seasonal, long-term, and post-seasonal operational reports per NERC Rules of Procedure Section 800.
- Work with neighboring Regional Entities in the Eastern Interconnection Reliability Assessment Group (ERAG) to perform seasonal, near-term, and long-term transmission assessment studies and produce reports per NERC Standards TPL-005, and TPL-006.

Model Development to Conduct Assessments

- Develop a series of power flow base case models for Reliability*First* per NERC Standards MOD-011 and MOD-014 ERAG/Multiregional Modeling Working Group (MMWG) effort.
- Develop power flow base case models for Reliability*First* per NERC Standards MOD-011 and MOD-014 (regional and interregional study efforts).
- Develop a series of dynamic base case models for Reliability*First* per NERC Standards MOD-013 and MOD-015 (ERAG/MMWG effort).
- Develop dynamic base case models for Reliability*First* per NERC Standards MOD-013 and MOD-015 (regional and interregional study efforts).

Event Analysis Activities

- The Reliability*First* staff will analyze disturbances as described in the NERC Event Analysis process and cooperate with NERC and FERC staff and other Regional Entity staff, as needed. This also includes conducting system disturbance and post-mortem analyses.
- Collecting and reviewing disturbance reports as required in NERC Standard EOP-004.
- Collecting and reviewing disturbance reports as required by the Department of Energy in form OE-417.

Reporting Requirements

- Submit Reliability*First* load, capacity, and transmission data and power flow base cases annually for the DOE EIA-411 report.
- Assist NERC in the collection and validation of data for Transmission Availability Data System (TADS).
- Assist NERC in the collection and validation of data for GADS, which is scheduled to be a mandatory data collection beginning in 2012. This effort is similar to the TADS.
- Assist NERC in the collection and validation of data for DADS.
- Submit Reliability*First* power flow data annually for the FERC 715 report.

- Submit an assessment report to the Public Utilities Commission of Ohio as required by Ohio law.

Other Requirements and Activities

- Publish lessons learned that are developed from system events, misoperation reporting, and other sources. These lessons will also be shared with NERC staff.
- Continue to actively participate in ERAG, which includes the Management Committee, MMWG, and three study forums.
- Analyze protective relay misoperation information and track corrective action plans as required in NERC Standard PRC-003.
- Conduct initial and periodic Special Protection System (SPS) reviews as required in NERC Standards PRC-012, PRC-013, and PRC-014.
- Conduct under-frequency load shed (UFLS) reviews as required in NERC Standard PRC-006.
- Conduct under-voltage load shed (UVLS) reviews.
- Coordinate disturbance monitoring equipment placement as required in NERC Standard PRC-002.
- Develop and maintain a Reliability*First* BES facilities map.
- Develop and maintain a linear contingency database for transmission assessment studies.
- In support of the ERO Enterprise, actively participate in NERC committees, subcommittees, task forces and other technical groups, such as the Planning Committee and Operating Committee and associated subgroups.
- Compliance Monitoring and Enforcement and Organization and Certification Program and Reliability Assessment and Performance Analysis Program will manage the NERC BES definition exemption process within Reliability*First* and coordinate with NERC.
- Continue to support stakeholder participation through various regional technical groups. The Reliability Committee is the primary technical advisory body to the Reliability*First* Board of Directors. Other technical subcommittees analyze and discuss technical issues related to reliability assessments, disturbance reporting, event analysis, and other activities.

Funding Sources and Requirements — Explanation of Variance

Funding Sources

- Funding for this program in 2012 is provided through assessments to LSEs or designees (mandatory in the United States), as the Reliability Assessment and Performance Analysis program is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and retirement costs for 2012 are budgeted for 9.5 FTEs, an increase of one FTE over 2011. The increase in personnel expenses is due to the addition of the one FTE, along with budgeting for standard yearly increases for 2012.

Meeting Expenses

- Meeting and travel expenses to support Reliability*First* and NERC committees, subcommittees, working groups, and task forces will decrease. This decrease is due to holding fewer Reliability*First* meetings, holding meetings at the Reliability*First* office or stakeholder office's instead of at third party facilities, and increase utilization of web-based media for virtual meetings.

Operating Expenses

- The decrease in operating expenses is a result of an amount included in the 2011 budget for the use of contractors to assist with the UFLS dynamic analysis, which Reliability*First* must complete every five years. This decrease is offset by an increase in office costs for assessment study software from 2011 to 2012.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2012. This method of accounting results in an increase compared to 2011as a result of one additional FTE along with an increase in total Administrative Services expenditures allocated for 2012.

Other Non-Operating Expenses

- No other non-operating expenses are expected for 2012.

Fixed Asset Additions

- No fixed asset additions are expected for 2012.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2012 Business Plan and Budget are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Assessment and Performance Analysis

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
Reliability*First* Funding					
ERO Assessments	$ 2,216,426	$ 2,216,426	$ -	$ 2,641,005	$ 424,579
Penalty Sanctions	133,524	133,524		132,715	(809)
Total Reliability*First* Funding	**$ 2,349,950**	**$ 2,349,950**	**$ -**	**$ 2,773,720**	**$ 423,770**
Membership Dues		$ -	$ -	$ -	$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 2,349,950**	**$ 2,349,950**	**$ -**	**$ 2,773,720**	**$ 423,770**
Expenses					
Personnel Expenses					
Salaries	$ 1,099,949	$ 1,216,066	$ 116,117	$ 1,262,840	$ 162,891
Payroll Taxes	72,714	84,729	12,015	76,914	4,200
Benefits	126,811	124,513	(2,298)	144,124	17,313
Retirement Costs	155,845	207,005	51,160	198,595	42,750
Total Personnel Expenses	**$ 1,455,319**	**$ 1,632,313**	**$ 176,994**	**$ 1,682,473**	**$ 227,154**
Meeting Expenses					
Meetings	$ 28,000	$ 2,974	$ (25,026)	$ 21,500	$ (6,500)
Travel	90,000	82,137	(7,863)	75,000	(15,000)
Conference Calls	2,400	3,330	930	3,120	720
Total Meeting Expenses	**$ 120,400**	**$ 88,441**	**$ (31,959)**	**$ 99,620**	**$ (20,780)**
Operating Expenses					
Consultants & Contracts	$ 175,000	$ 46,165	$ (128,835)	$ 60,000	$ (115,000)
Office Rent	-	-	-	-	-
Office Costs	35,000	59,137	24,137	56,214	21,214
Professional Services	-	-	-	-	-
Miscellaneous	100	100	-	50	(50)
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 210,100**	**$ 105,402**	**$ (104,698)**	**$ 116,264**	**$ (93,836)**
Total Direct Expenses	**$ 1,785,819**	**$ 1,826,156**	**$ 40,337**	**$ 1,898,357**	**$ 112,538**
Indirect Expenses	**$ 583,232**	**$ 806,614**	**$ 223,382**	**$ 834,447**	**$ 251,215**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 2,369,051**	**$ 2,632,770**	**$ 263,719**	**$ 2,732,804**	**$ 363,753**
Change in Assets	**$ (19,101)**	**$ (282,820)**	**$ (263,719)**	**$ 40,916**	**$ 60,017**
Fixed Assets					
Depreciation	$ -	$ -	$ -	$ -	$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ 19,101	$ 16,459	$ (2,642)	$ (40,916)	$ (60,017)
Change in Fixed Assets	**$ 19,101**	**$ 16,459**	**$ (2,642)**	**$ (40,916)**	**$ (60,017)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ (266,361)**	**$ (266,361)**	**$ -**	**$ (0)**

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	3.10	3.10	0.00
Direct Expenses	$ 614,771	$ 588,290	$ (26,481)
Indirect Expenses	$ 212,708	$ 272,293	$ 59,585
Inc(Dec) in Fixed Assets	$ (6,966)	$ 13,352	$ 20,318
Total Funding Requirement	$ 820,513	$ 873,935	$ 53,422

Program Scope and Functional Description

The Training and Education staff assists in the development of training events for the stakeholders of Reliability*First* and participates in the NERC Training and Education Group (TEG) in identifying training needs of the industry. The Training, Education, and Operator Certification Program area focuses on providing relevant training to entities operating in the Reliability*First* region. This training is structured to provide timely information in a concise format to enable participation at all levels within an organization.

2012 Key Assumptions

The Training, Education, and Operator Certification Program area incorporates common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document, including additional resources required for initiatives that support these shared ERO goals. The ReliabilityFirst Training, Education and Operator Certification Program include the following unique regional assumption:

ReliabilityFirst will provide timely publication of lessons learned and recommendations from event analysis and track responses to recommendations on compliance related issues and concerns.

2012 Key Deliverables

- **Board of Directors' Training**
  Per the Bylaws of Reliability*First*, the Board of Directors will receive training annually to keep current with activities within the Reliability*First* footprint and to stay abreast of changes affecting the industry.

  In addition, Reliability*First* also has a requirement to conduct orientation training for newly elected Directors. This training is conducted soon after a new Director has been elected and provides an overview of Reliability*First* including our organization, governance, goals, and objectives.

- **Industry Education and Workshops**
  In 2012, Reliability*First* will increase and add greater focus to its activities aimed at helping industry participants achieve excellence in reliability. These activities include:
  - The development and publication of lessons learned/best practices from system events.
  - Identification of common reasons why Reliability Standards are violated.
  - Efforts to better prepare entities for compliance audits and also for enforcement activities.
  - Increased focus on any lessons learned or trends in reliability assessments.
  - Continued workshops and forums to allow for free exchange of information between Reliability*First* and its stakeholders. Workshops to be conducted in 2012 include:
    - A Compliance Monitoring and Enforcement Program workshop 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 Reliability*First*, changes in the Compliance Monitoring and Enforcement Program, Infrastructure Protection issues, or other topics requested by members/Registered Entities.
    - CIP Standards Webinars to provide insight into the evolution of these standards and to provide a forum for representatives of registered entities to share thoughts, problems, and solutions.
    - Updates to the base case development process used for developing computer models used to perform reliability assessments.

- **NERC Training and Education Group**
  In 2011, NERC organized the TEG, comprised of representatives of each of the eight Regional Entities and NERC training staff. The TEG focuses on three areas: coordinate, develop, and deliver quality training and education to NERC and Regional Entity staff; deliver consistent and effective training and education opportunities to stakeholders; and maximize the expertise of NERC and Regional Entity resources to control training and education costs.
- Develop and post timely compliance-related lessons learned.
- Assist NERC, as requested, in the development of educational materials for our Registered Entities.
- Host a minimum of two reliability workshops each year and monthly “Open” compliance calls.

Funding Sources and Requirements — Explanation of Variance

Funding Sources

- Funding for this program in 2012 is provided through assessments to LSEs or designees (mandatory in the United States), as the Training, Education, and Operator Certification Program is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and retirement costs for 2012 are budgeted for 3.1 FTEs for this program area, consistent with 2011. Therefore, with no change in the FTE level in this program, the decrease in salaries expense is a result of using data relating to specific employees instead of averages. The increase in payroll taxes, benefits and retirement costs is due to the use of more accurate data to establish better budget estimates.

Meeting Expenses

- Travel expenses to support the Training, Education and Operator Certification program will decrease for 2012. The decrease is a result of most training-related activities requiring travel being performed in conjunction with other travel, where these travel expenses have been budgeted in the respective program areas.

Operating Expenses

- No other operating expenses are expected for 2012.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2012. This method of accounting results in an increase compared to 2011, because there is no change in FTEs in this program, the increase is due to higher total Administrative Services expenditures allocated for 2012.

Other Non-Operating Expenses

- No other non-operating expenses are expected for 2012.

Fixed Asset Additions

- No fixed asset additions are expected for 2012.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification section of the 2012 Business Plan and Budget are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Training, Education, and Operator Certification Program

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
Reliability*First* Funding					
ERO Assessments	$ 771,816	$ 771,816	$ -	$ 830,628	$ 58,812
Penalty Sanctions	48,697	48,697		43,307	(5,390)
Total Reliability*First* Funding	**$ 820,513**	**$ 820,513**	**$ -**	**$ 873,935**	**$ 53,422**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 820,513**	**$ 820,513**	**$ -**	**$ 873,935**	**$ 53,422**
Expenses					
Personnel Expenses					
Salaries	$ 417,327	$ 373,765	$ (43,562)	$ 394,083	$ (23,244)
Payroll Taxes	23,543	24,623	1,080	26,461	2,918
Benefits	39,982	48,377	8,395	52,821	12,839
Retirement Costs	58,919	56,824	(2,095)	61,925	3,006
Total Personnel Expenses	**$ 539,771**	**$ 503,589**	**$ (36,182)**	**$ 535,290**	**$ (4,481)**
Meeting Expenses					
Meetings	$ 50,000	$ 49,892	$ (108)	$ 50,000	$ -
Travel	25,000	-	(25,000)	3,000	(22,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 75,000**	**$ 49,892**	**$ (25,108)**	**$ 53,000**	**$ (22,000)**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Direct Expenses	**$ 614,771**	**$ 553,481**	**$ (61,290)**	**$ 588,290**	**$ (26,481)**
Indirect Expenses	**$ 212,708**	**$ 263,211**	**$ 50,503**	**$ 272,293**	**$ 59,585**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 827,479**	**$ 816,692**	**$ (10,787)**	**$ 860,583**	**$ 33,104**
Change in Assets	**$ (6,966)**	**$ 3,821**	**$ 10,787**	**$ 13,352**	**$ 20,318**
Fixed Assets					
Depreciation	$ -	$ -	$ -	$ -	$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ 6,966	$ 5,371	(1,595)	(13,352)	$ (20,318)
Change in Fixed Assets	**$ 6,966**	**$ 5,371**	**$ (1,595)**	**$ (13,352)**	**$ (20,318)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 9,192**	**$ 9,192**	**$ (0)**	**$ (0)**

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.60	0.60	0.00
Direct Expenses	$ 264,355	$ 183,060	$ (81,295)
Indirect Expenses	$ 45,423	$ 52,702	$ 7,279
Inc(Dec) in Fixed Assets	$ 1,463	$ 1,673	$ 210
Total Funding Requirement	$ 311,241	$ 237,435	$ (73,806)

Program Scope and Functional Description

In support of the ERO and pursuant to the NERC Rules of Procedure, Section 1000, Reliability*First* Situation Awareness and Infrastructure Security (SAIS) staff, in coordination with members of the Reliability*First* Engineering staff, will monitor present conditions on the BES.

In support of the ERO, the Reliability*First* SAIS activity continues to evolve to provide the tools and information required by the Reliability*First* staff and stakeholders to promote infrastructure protection. The Reliability*First* SAIS program area addresses two separate but related functions, Situation Awareness and Critical Infrastructure Protection (CIP).

The SAIS program area focuses on supporting the Reliability*First* 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 BES.

2012 Key Assumptions

The SAIS Program area incorporates common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document, including additional resources required for initiatives that support these shared ERO goals. The Reliability*First* SAIS Program includes the following unique regional assumption:

National level security exercises will be conducted to examine industry's cyber security and physical security preparedness and response capabilities through simulation of coordinated cyber and physical attacks on industrial control system, System Control and Data Acquisition, and information technology assets. Reliability*First* will participate in these exercises as appropriate.

2012 Key Deliverables

- **Support of the Reliability*First* Critical Infrastructure Protection Committee (CIPC)**
  The purpose of the Reliability*First* CIPC is to share information concerning CIP and to promote CIP within the Reliability*First* region. During 2012, SAIS will support the committee through scheduling and facilitation of committee meetings and webinars and dissemination of messages, alerts, and warnings from NERC and DHS.

- **Support/Oversee Reliability*First* Staff Resources Compliance to the NERC Cyber Security Standards (CIP-002 – CIP-009)**
  Reliability*First* is committed to complying with the NERC Cyber Security Standards. The SAIS program area will continue to provide training, guidance, and oversight to the Reliability*First* staff, particularly the Information Technology staff, in achieving compliance to these standards.

- **Provide Information on CIP-Related Issues**
  This activity 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.

  Reliability*First* staff will continue working with other members of the NERC CIPC and NERC staff 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 Reliability*First* region to identify the appropriate individual(s) at each entity to receive these messages.

- **Monitor the Health of the BES**
  The use of situation awareness tools by Reliability*First* staff has been evolving over the last few years. Reliability*First* staff continues to participate in the Situation Awareness for FERC, NERC, and the Regional Entities SAFNR project and is making use of the SAFNR displays developed through this project. Reliability*First* is a signatory to the NERC Operating Reliability Data Confidentiality Agreement and as such staff has been using tools such as the Reliability Coordinator Information System (RCIS), System Data eXchange (SDX), Area Control Error (ACE), and Abnormal Frequency System Monitoring to monitor the health of the BES within the Reliability*First* geographical area.

- **Maintain and Test Business Continuity/Disaster Recovery and Pandemic Plans for the Reliability*First* 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.

  In 2011, Reliability*First* staff refined its Emergency Response plan to develop a true Business Continuity Plan and investigated the options for providing Disaster Recovery. In 2012, Reliability*First* will conduct tabletop exercises to test the plan and to identify areas of needed improvement.

- **Assist stakeholders in complying with NERC and Reliability*First* Standards Dealing with CIP**
  The Standards currently addressing this issue continue to be the NERC Cyber Security Standards (CIP-002 – CIP-009). As these standards evolve, Reliability*First* stakeholders will continue to monitor and implement revisions to the standards as those revisions are completed and approved. Reliability*First* SAIS staff will be available to answer questions concerning these standards and will sponsor regional workshops and webinars as needed to foster the exchange of ideas and solutions developed by stakeholders.

- **Support the Reliability*First* Compliance Monitoring and Enforcement Program**
  The SAIS program area will continue to support the Reliability*First* Compliance Monitoring and Enforcement program area by providing expertise on mitigation plans and settlements that include assessment of compliance to the NERC Cyber Security Standards (CIP-002 – CIP-009).

Funding Sources and Requirements — Explanation of Variance

Funding Sources

- Funding for this program in 2012 is provided through assessments to LSEs or designees (mandatory in the United States), as the Situation Awareness and Infrastructure Security Program is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and retirement costs for 2012 are budgeted for 0.6 FTEs for this program area, consistent with 2011. Therefore, with no change in the FTE level in this program the increase in salaries and retirement costs is a result of budgeting for standard yearly increases.

Meeting Expenses

- Meetings and staff travel are budgeted in support of Regional committees/subcommittees and NERC committees and working groups in place to support the SAIS Program. This includes expenses for: four quarterly meetings of the Reliability*First* CIPC, four quarterly meetings of the NERC CIPC and NERC CIPC working group meetings, the NERC Board meetings, the North American SynchroPhasor Initiative (NASPI) meetings, and participation on the National Association of Regulatory Utility Commissioners (NARUC) Critical Infrastructure committee.
- In 2011, the Reliability*First* CIPC meetings were hosted by Reliability*First* and Reliability*First* member companies rather than being held at third party facilities. This practice will continue in 2012, therefore, budgeted meeting expenses for the SAIS program area are lower for 2012 than was budgeted for 2011.

Operating Expenses

- Operating expenses decreased over 2011 levels due to decreased contractor costs. In 2011, Reliability*First* budgeted for a third party to perform vulnerability testing of its electronic infrastructure.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2012. This method of accounting results in an increase compared to 2011. Since there is no change in FTEs in this program, the increase is due to higher Administrative Services expenditures allocated for 2012.

Other Non-Operating Expenses

- No other non-operating expenses are expected for 2012.

Fixed Asset Additions

- No fixed asset additions are projected for 2012.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2012 Business Plan and Budget are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Situation Awareness and Infrastructure Security

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
Reliability*First* Funding					
ERO Assessments	$ 301,815	$ 301,815	$ -	$ 229,053	$ (72,762)
Penalty Sanctions	9,425	9,425	$ -	8,382	(1,043)
Total Reliability*First* Funding	**$ 311,240**	**$ 311,240**	**$ -**	**$ 237,435**	**$ (73,805)**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 311,240**	**$ 311,240**	**$ -**	**$ 237,435**	**$ (73,805)**
Expenses					
Personnel Expenses					
Salaries	$ 108,886	$ 110,356	$ 1,470	$ 116,241	$ 7,355
Payroll Taxes	5,691	6,713	1,022	5,786	95
Benefits	9,790	4,780	(5,010)	7,393	(2,397)
Retirement Costs	14,891	19,167	4,276	18,381	3,490
Total Personnel Expenses	**$ 139,258**	**$ 141,016**	**$ 1,758**	**$ 147,801**	**$ 8,543**
Meeting Expenses					
Meetings	$ 10,000	$ -	$ (10,000)	$ 1,000	$ (9,000)
Travel	31,200	22,539	(8,661)	30,000	(1,200)
Conference Calls	144	90	(54)	144	-
Total Meeting Expenses	**$ 41,344**	**$ 22,629**	**$ (18,715)**	**$ 31,144**	**$ (10,200)**
Operating Expenses					
Consultants & Contracts	$ 80,000	$ 114,326	$ 34,326	$ -	$ (80,000)
Office Rent	-	-	-	-	-
Office Costs	1,800	2,468	668	2,364	564
Professional Services	-	-	-	-	-
Miscellaneous	1,364	816	(548)	840	(524)
Depreciation	589	425	(164)	911	322
Total Operating Expenses	**$ 83,753**	**$ 118,035**	**$ 34,282**	**$ 4,115**	**$ (79,638)**
Total Direct Expenses	**$ 264,355**	**$ 281,680**	**$ 17,325**	**$ 183,060**	**$ (81,295)**
Indirect Expenses	**$ 45,423**	**$ 50,944**	**$ 5,521**	**$ 52,702**	**$ 7,279**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 309,778**	**$ 332,624**	**$ 22,846**	**$ 235,761**	**$ (74,017)**
Change in Assets	**$ 1,462**	**$ (21,384)**	**$ (22,846)**	**$ 1,673**	**$ 211**
Fixed Assets					
Depreciation	$ (589)	$ (425)	$ 164	$ (911)	$ (322)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	3,400	-	(3,400)	-	(3,400)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	1,200	1,200	-	-
(Incr)Dec in Fixed Assets	**$ (2,811)**	**$ (775)**	**$ 2,036**	**$ 911**	**$ 3,722**
Allocation of Fixed Assets	$ 1,348	$ 1,040	(308)	$ (2,584)	$ (3,932)
Change in Fixed Assets	**$ (1,463)**	**$ 265**	**$ 1,728**	**$ (1,673)**	**$ (210)**
TOTAL CHANGE IN NET ASSETS	**$ (1)**	**$ (21,120)**	**$ (21,119)**	**$ 0**	**$ 1**

Administrative Services

Administrative Services (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	12.05	16.30	4.25
Total Direct Expenses	$ 3,883,290	$ 5,040,330	$ 1,157,040
Inc(Dec) in Fixed Assets	$ (125,729)	$ 244,204	$ 369,933
Less: Other Funding Sources	$ 40,000	$ 60,000	$ 20,000
Total Allocation to Statutory Programs as Indirect Expenses	$ 3,717,561	$ 5,224,535	$ 1,506,974
Funding Requirements for Working Capital Requirement	$ (1,496,905)	$ (2,270,128)	$ (773,223)

Program Scope and Functional Description

Administrative Services is comprised of the following programs; Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting.

Methodology for Allocation of Administrative Services Expenses to Programs

- The ERO Assessment and penalty sanctions are only allocated across the direct program areas, except that ERO assessments needed to fund working capital are reflected in the General and Administrative Program within Administrative Services.
- The increase or decrease in assessments to achieve the desired working capital reserve balance is reflected as the Total Change in Assets.
- All personnel and meeting expenses are accounted for within their associated department's budget.
- The majority of the Operating Expenses are accounted for within their related department's budget. If an expense cannot be specifically linked to a department, it is included in one of the Administrative Services programs. All expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated to the direct program areas by their respective FTEs. This allocation provides improved financial perspective for the direct program areas.
- Capital expenditures are broken out as fixed assets at the end of each statement of activities rather than being included in their related lines in the operating expenses section.
- Expenses include depreciation, which is a non cash item; therefore it has been deducted from the funding requirement for capital expenditures.

Technical Committees and Member Forums

Technical Committes and Member Forums (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.00	0.00	0.00
Total Direct Expenses	$ -	$ -	$ -
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

Reliability*First* has no forums similar to the North American Transmission Forum or Generator Forum, in which NERC uses this Member Forums program. For 2012, Reliability*First* allocated the budget and associated costs from the Technical Committees and Member Forums Program to the Reliability Assessment and Performance Analysis Program.

The Reliability*First* technical committees and subcommittees continue to work exclusively on reliability assessment and performance analysis activities, and therefore, the staff support has been included totally within the Reliability Assessment and Performance Analysis Program.

General and Administrative

General and Administrative (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.30	4.30	2.00
Total Direct Expenses	$ 1,556,719	$ 2,296,601	$ 739,882
Inc(Dec) in Fixed Assets	$ (20,075)	$ (46,315)	$ (26,240)
Working Capital Requirement	$ (1,496,905)	$ (2,270,128)	$ (773,223)

Program Scope and Functional Description

The General and Administrative Department consists of the President and CEO, Senior Vice President, Executive Assistant, Receptionist, and the Corporate Secretary. Responsibilities include leadership, oversight, and management of all Reliability*First* 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.

2012 Key Assumptions

The General and Administrative Program incorporates regional specific common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document, including additional resources required for initiatives that support these shared ERO goals. There are no additional assumptions unique to the Reliability*First* General and Administrative Program.

Funding Requirements — Explanation of Variance

Funding Sources (Other than ERO Assessments)

- In 2012, the expenses related to indirect program areas, including General and Administrative are being allocated entirely to the direct programs and therefore have no ERO assessment in 2012.

Personnel Expenses

- Salary, payroll taxes, benefits, and retirement costs for 2012 are budgeted for 4.3 FTEs, an increase of two FTEs over 2011. The increase in personnel expenses is due to the reallocation of two FTEs from the Compliance Program, resulting from reorganization due to continued growth.

Meeting Expenses

- An increase in meeting expenses comes from the travel expenses associated with the additional FTEs that were allocated to this program area.

Operating Expenses

- Operating Expenses increased for 2012 as a result of budgeting for consultants to review and update the company's strategic plan, along with estimated increases in amounts for utilities and commercial insurance rates.

Indirect Expenses

- Expenses related to indirect programs, including General and Administrative have been allocated proportionately based on FTE count to the direct programs for 2012.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for 2012.

Fixed Asset Additions

- The decrease in fixed assets is due to the budgeting for furniture for new offices in the 2011 budget. These amounts were not included in the 2012 budget.

General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2012 Business Plan and Budget are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
General and Administrative

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
Reliability*First* Funding					
ERO Assessments	$ (1,496,905)	$ (1,496,905)	$ -	$ (2,270,128)	$ (773,223)
Penalty Sanctions				-	
Total Reliability*First* Funding	**$ (1,496,905)**	**$ (1,496,905)**	**$ -**	**$ (2,270,128)**	**$ (773,223)**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	40,000	40,000	-	60,000	20,000
Miscellaneous	-	-	-	-	-
Total Funding	**$ (1,456,905)**	**$ (1,456,905)**	**$ -**	**$ (2,210,128)**	**$ (753,223)**
Expenses					
Personnel Expenses					
Salaries	$ 589,540	$ 1,024,447	$ 434,907	$ 1,069,758	$ 480,218
Payroll Taxes	19,904	21,884	1,980	36,901	16,997
Benefits	31,208	58,774	27,566	74,186	42,978
Retirement Costs	67,043	140,572	73,529	147,338	80,295
Total Personnel Expenses	**$ 707,695**	**$ 1,245,677**	**$ 537,982**	**$ 1,328,183**	**$ 620,488**
Meeting Expenses					
Meetings	$ 54,000	$ 48,621	$ (5,379)	$ 57,200	$ 3,200
Travel	40,000	33,882	(6,118)	62,750	22,750
Conference Calls	276	996	720	972	696
Total Meeting Expenses	**$ 94,276**	**$ 83,499**	**$ (10,777)**	**$ 120,922**	**$ 26,646**
Operating Expenses					
Consultants & Contracts	$ -	$ 5,495	$ 5,495	$ 15,000	$ 15,000
Office Rent	392,392	392,384	(8)	411,460	19,068
Office Costs	35,495	33,324	(2,171)	31,950	(3,545)
Professional Services	297,950	297,281	(669)	324,961	27,011
Miscellaneous	4,336	17,433	13,097	17,810	13,474
Depreciation	24,575	45,672	21,097	46,315	21,740
Total Operating Expenses	**$ 754,748**	**$ 791,589**	**$ 36,841**	**$ 847,496**	**$ 92,748**
Total Direct Expenses	**$ 1,556,719**	**$ 2,120,765**	**$ 564,046**	**$ 2,296,601**	**$ 739,882**
Indirect Expenses	**$ (1,516,719)**	**$ (2,080,765)**	**$ (564,046)**	**$ (2,236,601)**	**$ (719,882)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 40,000**	**$ 40,000**	**$ -**	**$ 60,000**	**$ 20,000**
Change in Assets	**$ (1,496,905)**	**$ (1,496,905)**	**$ -**	**$ (2,270,128)**	**$ (773,223)**
Fixed Assets					
Depreciation	$ (24,575)	$ (45,672)	$ (21,097)	$ (46,315)	$ (21,740)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	4,500	3,000	(1,500)	-	(4,500)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ 20,075**	**$ 42,672**	**$ 22,597**	**$ 46,315**	**$ 26,240**
Allocation of Fixed Assets	$ (20,075)	$ (42,672)	(22,597)	$ (46,315)	$ (26,240)
Change in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL CHANGE IN NET ASSETS	**$ (1,496,905)**	**$ (1,496,905)**	**$ -**	**$ (2,270,128)**	**$ (773,223)**

Legal and Regulatory

Legal and Regulatory (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.25	2.00	1.75
Total Direct Expenses	$ 140,996.00	$ 439,837	$ 298,841
Inc(Dec) in Fixed Assets	$ -	$ -	$ -

Program Scope and Functional Description

Reliability*First* has in past years used outside counsel as the primary resource to assist with our legal and regulatory matters, as this was the most cost effective and efficient option at the time. With the addition of on-staff attorneys over the past three years, a shift occurred in the 2011 budget to leverage those internal resources to achieve cost advantages and efficiencies by bringing some of the legal work in house. The 2012 budget continues that approach, resulting in significant reduction in outside legal costs. Legal activities will continue to include the areas of Corporate Governance, Contract Review, Employment Law, General Counsel Activities, FERC Filings, General Corporate Needs, and serving as Advisor to the President.

2012 Key Assumptions

The Legal and Regulatory Program incorporates regional specific common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document, including additional resources required for initiatives that support these shared ERO goals. There are no additional assumptions unique to the Legal and Regulatory Program.

2012 Key Deliverables

Support all legal needs of the corporation.

Funding Requirements — Explanation of Variance

Funding Sources (Other than ERO Assessments)

- In 2012, the expenses related to the indirect program areas, including Legal and Regulatory, are being allocated entirely to the direct programs and therefore have no ERO assessment in 2012.

Personnel Expenses

- Salary, payroll taxes, benefits, and retirement costs for 2012 are budgeted for two FTEs, an increase of 1.75 FTEs from 2011. The increase in personnel expenses is a result of the reallocation of 1.75 FTEs from the Compliance Program along with the budgeting for standard yearly increases for 2012.

Meeting Expenses

- Travel expenses increased as a result of the additional FTEs that were allocated to this program area.

Operating Expenses

- The decrease in operating expenses is a result of hiring on staff attorneys for the purpose of handling corporate legal matters that were previously handled by outside counsel.

Indirect Expenses

- Expenses related to indirect programs, including Legal and Regulatory, have been allocated proportionately based on FTE count to the direct programs for 2012.

Other Non-Operating Expenses

- No other non-operating expenses are expected for 2012.

Fixed Asset Additions

- No fixed asset additions are expected for 2012.

Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2012 Business Plan and Budget are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Legal and Regulatory

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
Reliability*First* Funding					
ERO Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions				-	
Total Reliability*First* Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 47,424	$ 176,495	$ 129,071	$ 329,791	$ 282,367
Payroll Taxes	2,402	6,934	4,532	18,449	16,047
Benefits	514	1,826	1,312	11,799	11,285
Retirement Costs	6,656	26,940	20,284	52,038	45,382
Total Personnel Expenses	**$ 56,996**	**$ 212,195**	**$ 155,199**	**$ 412,077**	**$ 355,081**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	-	8,448	8,448	12,000	12,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ -**	**$ 8,448**	**$ 8,448**	**$ 12,000**	**$ 12,000**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	3,760	3,760
Professional Services	84,000	46,306	(37,694)	12,000	(72,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 84,000**	**$ 46,306**	**$ (37,694)**	**$ 15,760**	**$ (68,240)**
Total Direct Expenses	**$ 140,996**	**$ 266,949**	**$ 125,953**	**$ 439,837**	**$ 298,841**
Indirect Expenses	**$ (140,996)**	**$ (266,949)**	**$ (125,953)**	**$ (439,837)**	**$ (298,841)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets					
Depreciation	$ -	$ -	$ -	$ -	$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Information Technology

Information Technology (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	5.20	6.00	0.80
Total Direct Expenses	$ 1,532,045	$ 1,688,096	$ 156,051
Inc(Dec) in Fixed Assets	$ (103,883)	$ 296,009	$ 399,892

Program Scope and Functional Description

The strategy of Information Technology (IT) is one of cost effectively providing users with information and proactively delivering enabling technologies to assist the departments in meeting their goals, objectives and deliverables. The IT department currently does not outsource any of the infrastructure services and as such must implement and manage controls to maintain a security posture that minimizes Reliability*First*'s risks. IT provides necessary technical services to cover the following categories:

- Data Center Management
- Website Hosting
- VOIP Phone System
- Web Conferencing
- Email
- Desktop Support
- Telecommuter Support
- Application Support and Development
- Business Analysis
- Information Security Awareness and Monitoring
- Business Continuity and Disaster Recovery

IT will continue to align itself to the departments so that the systems built, enhanced, and supported are done in response to our organization's changing needs. Reliability*First* must be active in the Regional Entity community by continuing to participate in discussions concerning current and future implementation of technology solutions within the ERO.

2012 Key Assumptions

The IT Program incorporates regional specific common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document, including additional resources required for initiatives that support these

shared ERO goals. The Reliability*First* IT Program includes the following unique regional assumptions:

1. IT will support the Enforcement department when performing reviews of alleged violations, associated mitigation plans, and lessons learned. The number of violations to be processed in 2012 is predicted to increase.
2. IT will support all corporate functions to ensure efficient, effective performance.
3. IT will enhance the monitoring of the security posture across the company-wide data infrastructure and implement necessary solutions to protect sensitive data.
4. Per the NERC definition, Reliability*First* has no Critical Cyber Assets (CCAs), but voluntarily follows the NERC CIP Standards CIP-002 through CIP-009 for critical data storage. This will ensure that the integrity, security and confidentiality of our data are maintained.
5. In 2012, Reliability*First* will implement a Disaster Recovery (DR) strategy. During 2011, Reliability*First* investigated options for implementing a DR strategy. Those options included implementing a DR strategy solely as a Reliability*First* endeavor and on an ERO-wide basis with NERC and the other Regional Entities. The 2012 Reliability*First* budget assumes Reliability*First* will implement a DR strategy solely as a Reliability*First* endeavor. Should an ERO-wide DR capability be available, total expenses budgeted for this activity in 2012 will be approximately $120,000 lower than shown.

2012 Key Deliverables

- Perform necessary software upgrades/ implement newer software technologies.
- Manage a hardware preventative maintenance program to replace aging hardware before end-of-life affects organizational productivity, such as phone and web conference system, and servers and disk arrays.
- Enhance the development, integration, and expansion of databases and applications into a unified company-wide Information Management System.
- Enhance the internal "intranet" website and related applications to further improve employee efficiency. Major target areas will continue to be Document Management System, Time Management System, and Report Management System.
- Enhance the external "public" website to provide better navigation and informational discovery experience for end users.
- Improve the external "secure" websites to enhance user experience. The external websites will all be structured to have cohesive and consistent appearance while improving user experience.
- Implement the DR plan. Once the DR plan is developed, tests will be performed on a recurring schedule.
- Enhance security awareness of staff by providing training documents and/or seminars on existing "work-place" vulnerabilities.

The IT department staff workload has increased as the organization has grown. With the increase in non-IT staff (noting that many of these new hires are telecommuters)

and the necessity to upgrade infrastructure software and hardware, the IT support has tended to be more reactionary than desired. As such, a detailed IT Plan will be developed to address the necessary actions to provide the appropriate level of support. A detailed manpower analysis has identified the need for additional resources. Along with the realignment of personnel and responsibilities, an additional 0.5 FTE will be required to bring the IT core responsibilities to at least a steady state posture. (The 0.5 FTE will be shared with the Compliance Enforcement Area.)

Funding Sources and Requirements — Explanation of Variance

Funding Sources (Other than ERO Assessments)

- In 2012, the expenses related to the indirect program areas, including IT, are being allocated entirely to the direct programs and therefore have no ERO assessment in 2012.

Personnel Expenses

- Salary, payroll taxes, benefits, and retirement costs for 2012 are budgeted for six FTEs, an increase of 0.8 FTEs from 2011. This increase is a result of the addition of 0.5 FTE and the reallocation of 0.3 FTE from the Human Resource Department. The increase in personnel expenses is due to the additional 0.8 FTE along with budgeting for standard yearly increases for 2012.

Meeting Expenses

- Expenses related to staff travel in support of NERC and Regional working groups will decrease. This decrease is due to continued use of voice and web conferencing technology to attend meetings remotely.

Operating Expenses

- Operating expenses increased slightly over 2011 levels. The implementation of a DR strategy increased operating expenses. However, this increase is offset by a decrease as a result of the reduction in office costs mainly due to the fact that user computer systems (laptops) were replaced in 2011 and only user computer systems for new hires are being budgeted for in 2012. There also will be a decrease in the computer service agreements area due to discontinuation of service agreements on products that are scheduled for replacement, including but not limited to the phone and web conferencing system, Security Event and Incident Management System (SEIM), Intrusion Prevention System (IPS) and Intrusion Detection System (IDS).

Indirect Expenses

- Expenses related to indirect programs, including IT, have been allocated proportionately based on FTE count to the direct programs for 2012.

Other Non-Operating Expenses

- No other non-operating expenses are expected for 2012.

Fixed Asset Additions

- The increase in fixed assets is due to the scheduled replacement of aging infrastructure server hardware, the replacement of the IP phone and web conferencing systems, and the acquisition of hardware and software to support the implementation of a DR strategy.

Information Technology

Funding sources and related expenses for the Information Technology section of the 2012 Business Plan and Budget are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Information Technology

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
Reliability*First* Funding					
ERO Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions		-		-	
Total Reliability*First* Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 524,766	$ 573,593	$ 48,827	$ 606,267	$ 81,501
Payroll Taxes	38,687	43,812	5,125	42,189	3,502
Benefits	97,686	126,035	28,349	130,927	33,241
Retirement Costs	75,833	96,786	20,953	92,059	16,226
Total Personnel Expenses	**$ 736,972**	**$ 840,226**	**$ 103,254**	**$ 871,442**	**$ 134,470**
Meeting Expenses					
Meetings	$ 700	$ 1,254	$ 554	$ 720	$ 20
Travel	22,000	3,153	(18,847)	11,000	(11,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 22,700**	**$ 4,407**	**$ (18,293)**	**$ 11,720**	**$ (10,980)**
Operating Expenses					
Consultants & Contracts	$ 50,000	$ -	$ (50,000)	$ 48,500	$ (1,500)
Office Rent	-	-	-	120,000	120,000
Office Costs	548,490	566,535	18,045	437,443	(111,047)
Professional Services	-	-	-	-	-
Miscellaneous	-	84	84	-	-
Depreciation	173,883	158,905	(14,978)	198,991	25,108
Total Operating Expenses	**$ 772,373**	**$ 725,524**	**$ (46,849)**	**$ 804,934**	**$ 32,561**
Total Direct Expenses	**$ 1,532,045**	**$ 1,570,157**	**$ 38,112**	**$ 1,688,096**	**$ 156,051**
Indirect Expenses	**$ (1,532,045)**	**$ (1,570,157)**	**$ (38,112)**	**$ (1,688,096)**	**$ (156,051)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ 0**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**
Fixed Assets					
Depreciation	$ (173,883)	$ (158,905)	$ 14,978	$ (198,991)	$ (25,108)
Computer & Software CapEx	70,000	107,000	37,000	495,000	425,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ 103,883**	**$ 51,905**	**$ (51,978)**	**$ (296,009)**	**$ (399,892)**
Allocation of Fixed Assets	$ (103,883)	$ (51,905)	51,978	296,009	$ 399,892
Change in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**

Human Resources

Human Resources (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.40	2.00	(0.40)
Total Direct Expenses	$ 352,981	$ 333,495	$ (19,486)
Inc(Dec) in Fixed Assets	$ 4,500	$ (1,000)	$ (5,500)

Program Scope and Functional Description

Reliability*First* realizes that talented, experienced employees are its greatest resource, and that finding, nurturing, and developing that talent is one of our most important tasks. Therefore, the responsibilities of the Human Resources department center on its greatest resource, the Reliability*First* staff. These responsibilities include attraction and retention, employee development through performance management and training initiatives, policy and procedure development and adherence measures, as well as compensation and benefits administration. The Human Resources staff must be vigilant in understanding and complying both with Federal employment and state employment laws covering five (5) states and the respective reporting requirements for each.

In 2012, Reliability*First* will have assembled a staff of 74, an increase of 5 employees from 2011. (This includes two part-time positions equaling one FTE, which brings the total to an equivalent of 73 FTEs.) The Reliability*First* staff is comprised of 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.

2012 Key Assumptions

The Human Resource Program incorporates regional specific common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document, including additional resources required for initiatives that support these shared ERO goals. There are no additional assumptions unique to the Reliability*First* Human Resource Program.

2012 Key Deliverables

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

Funding Sources and Requirements — Explanation of Variance

Funding Sources (Other than ERO Assessments)

- In 2012, the expenses related to the indirect program areas, including Human Resources, are being allocated entirely to the direct programs and therefore have no ERO assessment in 2012.

Personnel Expenses

- Salary, payroll taxes, benefits, and retirement costs are for 2.0 FTEs. This is a decrease of 0.4 FTE from 2011 budget. Due to organization growth and expansion, Reliability*First* hired a full time Human Resources Manager during 2011 to manage and oversee the Human Resources department and its functions. The 0.4 FTE was maintained throughout 2011 to allow for a smooth transition period. With the transition period complete and the efficiencies being realized from the additional 1.0 FTE, the need for the 0.4 FTE is unnecessary at this time.

Meeting Expenses

- An increase in meeting expenses comes from the travel expenses incurred for the Human Resources Manager to attend quarterly Board meetings, meetings with Reliability*First* telecommuters in their respective states and attendance to professional human resource meetings.

Operating Expenses

- An increase in operating expenses is primarily due to increases in monthly payroll and retirement service fees.

Indirect Expenses

- Expenses related to indirect programs, including Human Resources, have been allocated proportionately based on FTE count to the direct programs for 2012.

Other Non-Operating Expenses

- No other non-operating expenses are expected for 2012.

Fixed Asset Additions

- No fixed asset additions are expected for 2012.

Human Resources

Funding sources and related expenses for the Human Resources section of the 2012 Business Plan and Budget are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Human Resources

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
Reliability*First* Funding					
ERO Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions				-	
Total Reliability*First* Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 213,934	$ 170,213	$ (43,721)	$ 194,803	$ (19,131)
Payroll Taxes	17,639	14,481	(3,158)	14,622	(3,017)
Benefits	46,175	23,970	(22,205)	31,879	(14,296)
Retirement Costs	30,665	28,516	(2,149)	30,440	(225)
Total Personnel Expenses	**$ 308,413**	**$ 237,180**	**$ (71,233)**	**$ 271,744**	**$ (36,669)**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ 100	$ 100
Travel	-	2,655	2,655	9,000	9,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ -**	**$ 2,655**	**$ 2,655**	**$ 9,100**	**$ 9,100**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ 600	$ 600
Office Rent	-	-	-	-	-
Office Costs	1,400	5,693	4,293	4,230	2,830
Professional Services	39,168	35,493	(3,675)	45,671	6,503
Miscellaneous	3,500	4,832	1,332	1,150	(2,350)
Depreciation	500	599	99	1,000	500
Total Operating Expenses	**$ 44,568**	**$ 46,617**	**$ 2,049**	**$ 52,651**	**$ 8,083**
Total Direct Expenses	**$ 352,981**	**$ 286,452**	**$ (66,529)**	**$ 333,495**	**$ (19,486)**
Indirect Expenses	**$ (352,981)**	**$ (286,452)**	**$ 66,529**	**$ (333,495)**	**$ 19,486**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ 0**
Fixed Assets					
Depreciation	$ (500)	$ (599)	$ (99)	$ (1,000)	$ (500)
Computer & Software CapEx	5,000	3,995	(1,005)	-	(5,000)
Furniture & Fixtures CapEx	-	3,500	3,500	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ (4,500)**	**$ (6,896)**	**$ (2,396)**	**$ 1,000**	**$ 5,500**
Allocation of Fixed Assets	$ 4,500	$ 6,896	$ 2,396	$ (1,000)	$ (5,500)
Change in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ 0**

Finance and Accounting

Accounting and Finance (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.90	2.00	0.10
Total Direct Expenses	$ 300,549	$ 282,301	$ (18,248)
Inc(Dec) in Fixed Assets	$ (6,271)	$ (4,490)	$ 1,781

Program Scope and Functional Description

The Finance and Accounting department will work with the ERO and all Reliability*First* program areas to produce an annual business plan and budget that adequately supports its delegated functions.

In support of the ERO's funding/collection mechanism, Reliability*First* will annually collect and supply the ERO with a list of LSEs within the Reliability*First* footprint and their associated Net Energy for Load (NEL) data as mandated by FERC.

2012 Key Assumptions

The Accounting and Finance Program incorporates regional specific common business planning assumptions as described in the NERC 2012 Business Plan and Budget, Exhibit A: 2012 – 2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities) document, including additional resources required for initiatives that support these shared ERO goals. There are no additional assumptions unique to the Finance and Accounting Program.

2012 Key Deliverables

- 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.
- Provide all Reliability*First* program areas, the Board of Directors, and the ERO with financial clarity and understanding of Reliability*First*'s financial position.
- 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.
- Constantly refine a cost collecting mechanism, which will help control costs and build a more effective budget.
- Provide advice from the financial perspective on contracts into which the organization may enter.

Funding Sources and Requirements — Explanation of Variance

Funding Sources (Other than ERO Assessments)

- In 2012, the expenses related to the indirect programs areas, including Finance and Accounting are being allocated entirely to the direct programs and therefore have no ERO assessment in 2012.

Personnel Expenses

- Salary, payroll taxes, benefits, and retirement costs for 2012 are budgeted for 2.0 FTEs, an increase of 0.1 FTE from 2011 budget. The decrease in personnel expenses however is a result of using data relating to specific employees instead of averages.

Meeting Expenses

- An increase in meeting expenses comes from the increase in travel expenses incurred for the CFO to attend various budget meetings for coordinating the budget process with all of the regions and to attend the Reliability*First* quarterly Board meetings.

Operating Expenses

- An increase in operating expenses is due to an increase in the yearly fees relating to the yearend financial audit.

Indirect Expenses

- Expenses related to indirect programs, including Finance and Accounting, have been allocated proportionately based on FTE count to the direct programs for 2012.

Other Non-Operating Expenses

- No other non-operating expenses are expected for 2012.

Fixed Asset Additions

- No fixed asset additions are expected for 2012.

Finance and Accounting

Funding sources and related expenses for the Finance and Accounting section of the 2012 Business Plan and Budget are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Finance and Accounting

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
Reliability*First* Funding					
ERO Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	-	-		-	
Total Reliability*First* Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	$ -	$ -	$ -	$ -	$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 164,965	$ 186,654	$ 21,689	$ 148,010	$ (16,955)
Payroll Taxes	12,853	13,153	300	10,187	(2,666)
Benefits	33,283	28,868	(4,415)	28,935	(4,348)
Retirement Costs	23,477	30,987	7,510	22,953	(524)
Total Personnel Expenses	**$ 234,578**	**$ 259,662**	**$ 25,084**	**$ 210,085**	**$ (24,493)**
Meeting Expenses					
Meetings	$ -	$ 118	$ 118	$ -	$ -
Travel	6,000	2,697	(3,303)	7,200	1,200
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 6,000**	**$ 2,815**	**$ (3,185)**	**$ 7,200**	**$ 1,200**
Operating Expenses					
Consultants & Contracts	$ 10,000	$ -	$ (10,000)	$ 10,000	$ -
Office Rent	-	-	-	-	-
Office Costs	3,800	3,211	(589)	4,626	826
Professional Services	39,900	42,537	2,637	45,800	5,900
Miscellaneous	-	-	-	100	100
Depreciation	6,271	4,490	(1,781)	4,490	(1,781)
Total Operating Expenses	**$ 59,971**	**$ 50,238**	**$ (9,733)**	**$ 65,016**	**$ 5,045**
Total Direct Expenses	**$ 300,549**	**$ 312,715**	**$ 12,166**	**$ 282,301**	**$ (18,248)**
Indirect Expenses	**$ (300,549)**	**$ (312,715)**	**$ (12,166)**	**$ (282,301)**	**$ 18,248**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ 0**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**
Fixed Assets					
Depreciation	$ (6,271)	$ (4,490)	$ 1,781	$ (4,490)	$ 1,781
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ 6,271**	**$ 4,490**	**$ (1,781)**	**$ 4,490**	**$ (1,781)**
Allocation of Fixed Assets	$ (6,271)	$ (4,490)	1,781	$ (4,490)	$ 1,781
Change in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**

Section B – Supplemental Financial Information

2012 Business Plan and Budget

Section B — Supplemental Financial Information

Working Capital Reserve Analysis 2011-2012

Table B-1: Reserve Analysis

Working Capital Reserve Analysis 2011-2012		
STATUTORY		
Beginning Working Capital Reserve (Deficit), December 31, 2010		5,986,772
Less: Penalty sanctions to be used as offset to 2012 assessments	[1]	(248,000)
Plus: 2011 Reliability*First* Funding (from LSEs or designees)		12,803,844
Plus: 2011 Other funding sources		40,000
Less: 2011 Projected expenses & capital expenditures		(15,312,488)
Projected Working Capital Reserve (Deficit), December 31, 2011		**3,270,128**
Desired Working Capital Reserve, December 31, 2012	[2]	1,000,000
Less: Projected Working Capital Reserve, December 31, 2011		(3,270,128)
Increase(decrease) in assessments to achieve desired Working Capital Reserve		(2,270,128)
2012 Expenses and Capital Expenditures		16,656,500
Less: Penalty Sanctions	[3]	(792,100)
Less: Other Funding Sources		(60,000)
Adjustment to achieve desired Working Capital Reserve		(2,270,128)
2012 Reliability*First* Assessment		13,534,272

[1] Represents collections on or prior to December 31, 2010.

[2] On April 22, 2011, the Reliability*First* Board of Directors approved a desired working capital reserve of $1,000,000

[3] Represents collections on or prior to June 30, 2011.

Explanation of Changes in Reserve Policy from Prior Years

It is the policy of Reliability*First* to keep 10% of the budgeted year's expenses, or no less than $1,000,000, as a reserve fund. This determination is made during the beginning of the annual budgeting process. In 2012, the reserve is $1,000,000, taking into consideration the $1,000,000 reserve and $1,000,000 line of credit being sufficient for any 2012 contingencies.

Breakdown of Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities and Capital Expenditures Table (as seen on page 8) in the Introduction section. Explanations are provided for variances equal to or greater than +/- 10%.

Table B-2: Penalty Sanctions

Penalty Sanctions Collected Between July 1, 2010 and June 30, 2011	
Dates Received	**Amount Received**
Collected July 1, 2010 to December 31, 2010	248,000
Collected January 31, 2011 to June 30, 2011	544,100
Total	**$ 792,100**

Penalty monies received between July 1, 2010 and June 30, 2011 are to be used to offset assessments in the 2012 Budget, as documented in the NERC Policy – "Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standard." Penalty monies received from July 1, 2011 through June 30, 2012 will be used to offset assessments in the 2013 Budget.

All penalties received between July 1, 2010 and June 30, 2011 are totaled above.

Allocation Method

Penalty monies received have been allocated to the following direct programs to reduce assessments: Reliability Standards; Compliance Monitoring and Enforcement and Organization Registration and Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty monies are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-3: Supplemental Funding

Outside Funding Breakdown By Program (excluding Reliability*First* Assessments & Penalty Sanctions)	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
General and Administrative				
Interest Income	$ 40,000	$ 40,000	$ 60,000	$ 20,000
Total	$ 40,000	$ 40,000	$ 60,000	$ 20,000
Total Outside Funding	$ 40,000	$ 40,000	$ 60,000	$ 20,000

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- An increase in **Interest Income** is due to the 2012 budget amount being a more accurate reflection of historical actuals.

Table B-4: Personnel Expenses

Personnel Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Salaries					
Salaries	$ 8,307,760	$ 8,564,518	$ 9,471,481	$ 1,163,721	14.01%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Vacation Expense	-	-	166,141	166,141	
Total Salaries	$ 8,307,760	$ 8,564,518	$ 9,637,622	$ 1,329,862	16.01%
Total Payroll Taxes	$ 560,486	$ 561,888	$ 581,453	$ 20,967	3.74%
Benefits					
Workers Compensation	$ 21,170	$ 14,985	$ 18,691	$ (2,479)	-11.71%
Medical Insurance	905,211	837,221	1,040,309	135,098	14.92%
Life-LTD-LTC Insurance	101,778	94,181	105,603	3,825	3.76%
Education	209,750	80,302	118,949	(90,801)	-43.29%
Relocation	-	-	-	-	
Total Benefits	$ 1,237,909	$ 1,026,689	$ 1,283,552	$ 45,643	3.69%
Retirement					
Discretionary 401k Contribution	$ 754,999	$ 880,126	$ 916,117	$ 161,118	21.34%
Savings Plan	452,998	506,416	555,541	102,543	22.64%
Total Retirement	$ 1,207,997	$ 1,386,542	$ 1,471,658	$ 263,661	21.83%
Total Personnel Costs	$ 11,314,152	$ 11,539,637	$ 12,974,285	$ 1,660,133	14.67%
FTEs	68.00	69.00	73.00	5.00	7.35%
Cost per FTE					
Salaries	$ 122,173	$ 124,123	$ 132,022	9,849	8.06%
Payroll Taxes	8,242	8,143	7,965	(277)	-3.36%
Benefits	18,205	14,880	17,583	(622)	-3.41%
Retirement	17,765	20,095	20,160	2,395	13.48%
Total Cost per FTE	**$ 166,385**	**$ 167,241**	**$ 177,730**	**$ 11,345**	**6.82%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- The increases in **Salaries, Discretionary 401(K) Contribution, and Savings Plan** are primarily due to the addition of five new hires and the impact of phased hiring from 2011.
- The decrease in **Workers Compensation** is due to the use of actual rates instead of average rates.
- The increase in **Medical Insurance** is due to the addition of the five new hires along with an estimated 12% increase in the insurance rates.
- The decrease in **Education** is due to the 2012 budget being a more accurate reflection of what training can realistically be accomplished during the year.

Table B-5: Consultants and Contracts

Consultants	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Consultants					
Reliability Standards	$ -	$ -	$ -	$ -	
Compliance and Organization Registration and Certification	380,000	843,074	380,000	-	0.00%
Reliability Assessment and Performance Analysis	175,000	46,165	60,000	(115,000)	-65.71%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	80,000	114,326	-	(80,000)	-100.00%
Committee and Member Forums	-	-	-	-	
General and Administrative	-	5,495	15,000	15,000	
Legal and Regulatory	-	-	-	-	
Information Technology	50,000	-	48,500	(1,500)	-3.00%
Human Resources	-	-	600	600	
Accounting and Finance	10,000	-	10,000	-	0.00%
Consultants Total	$ 695,000	$ 1,009,060	$ 514,100	$ (180,900)	-26.03%
Total Consulting and Contracts	**$ 695,000**	**$ 1,009,060**	**$ 514,100**	**$ (180,900)**	**-26.03%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- The decrease in **Reliability Assessment and Performance Analysis** costs is a result of an amount included in the 2011 budget for the use of contractors to assist with the UFLS dynamic analysis that is not applicable in 2012.
- The decrease in **Situation Awareness** costs is due to a one-time fee included in the 2011 budget for vulnerability and penetration testing of Reliability*First's* electronic infrastructure to ensure the company's compliance with CIP Standards.
- The increase in **General and Administrative** costs is due to the use of consultants to review and update the company's strategic plan.

Table B-6: Office Rent

Office Rent	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Office Rent	$ 327,592	$ 327,584	$ 454,135	126,543	38.63%
Utilities	64,800	64,800	77,325	12,525	19.33%
Maintenance	-	-	-	-	
Security	-	-	-	-	
	-	-		-	
Total Office Rent	**$ 392,392**	**$ 392,384**	**$ 531,460**	**$ 139,068**	**35.44%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- The increase in **Office Rent** is due to the rental space needed to accommodate the computer equipment for the DR strategy.
- The increase in **Utilities** is due to an additional year's worth of historical data which allows a more accurate estimate to be calculated.

Table B-7: Office Costs

Office Costs	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Telephone	$ 129,480	$ 152,077	$ 171,740	$ 42,260	32.64%
Internet	220,326	209,722	204,431	(15,895)	-7.21%
Office Supplies	33,800	29,361	25,525	(8,275)	-24.48%
Computer Supplies and Maintenance	439,080	315,215	312,077	(127,003)	-28.92%
Publications & Subscriptions	6,800	13,942	15,489	8,689	127.78%
Dues	3,766	6,318	11,855	8,089	214.79%
Postage	3,680	3,085	4,010	330	8.97%
Express Shipping	2,000	1,590	2,500	500	25.00%
Copying	18,700	22,936	19,524	824	4.41%
Reports	600	-	600	-	0.00%
Stationary Forms	1,125	1,515	450	(675)	-60.00%
Equipment Repair/Service Contracts	4,360	3,833	3,670	(690)	-15.83%
Bank Charges	270	265	275	5	1.85%
Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity	-	-	-	-	
Total Office Costs	**$ 863,987**	**$ 759,859**	**$ 772,146**	**$ (91,841)**	**-10.63%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- The increase in **Telephone** is due to an increase in demand for cell phones and air cards for all auditors.
- The decrease in **Office Supplies** is due to the budgeting for furniture for new offices in the 2011 budget. These amounts were not included in the 2012 budget.
- The decrease in **Computer Supplies & Maintenance is** due to discontinuation of service agreements on products that are scheduled for replacement, including but not limited to the phone and web conferencing, SEIM and IPS/IDS systems.
- The increase in **Publications & Subscriptions** is due to a subscription to Westlaw Publications utilized by the Enforcement Staff.
- The increase in **Dues** is due to hiring employees who have professional certifications.
- The increase in **Express Shipping** is due to the increase in the number of packages shipped via UPS/FEDEX.
- The decrease in **Stationary Forms** is due to the budgeting for accounts payable checks and envelopes in the 2011 budget. These amounts were not included in the 2012 budget.
- The decrease in **Equipment Repair/Service Contracts** is due to the use of more accurate data to establish a better budget estimate.

Table B-8: Professional Services

Professional Services	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Independent Trustee Fees	$ 255,750	$ 276,818	$ 239,000	$ (16,750)	-6.55%
Outside Legal	385,000	143,806	84,000	(301,000)	-78.18%
Accounting & Auditing Fees	79,068	78,030	91,471	12,403	15.69%
Insurance Commercial	72,200	80,463	85,961	13,761	19.06%
				-	
Total Services	**$ 792,018**	**$ 579,117**	**$ 500,432**	**$ (291,586)**	**-36.82%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- The decrease in **Outside Legal** is a result of hiring on staff attorneys for the purpose of handling legal matters that were previously handled by outside counsel. In addition, the estimate for potential compliance hearings was completely eliminated. If Reliability*First* were to incur legal expenses associated with a hearing the company would utilize its contingency fund.
- The increase in **Accounting & Auditing Fees** is due to the increase in monthly payroll and retirement service fees which are a direct correlation to the addition of new employees along with a slight increase in the yearly auditing fees.
- The increase in **Insurance Commercial** is to account for the expected increase in insurance costs for a growing company.

Table B-9: Non-Operating Expenses

Other Non-Operating Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Interest Expense	$ -	$ -		$ -	
Line of Credit Payment	-	-		-	
Office Relocation	-	-		-	
Total Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- No explanation needed.

Table B-10: 2013 and 2014 Projections

Statement of Activities
2013 and 2014 Projections

	2012 Budget	2013 Projection	$ Change 12 v 13	% Change 12 v 13	2014 Projection	$ Change 13 v 14	% Change 13 v 14
Funding							
ERO Funding							
ERO Assessments	$ 13,534,272	$ 18,407,868	$ 4,873,595	36.0%	$ 19,853,110	$ 1,445,243	7.9%
Penalty Sanctions	$ 792,100	$ -	(792,100)	-100.0%	$ -	-	
Total ERO Funding	**$ 14,326,372**	**$ 18,407,868**	**$ 4,081,495**	**28.5%**	**$ 19,853,110**	**$ 1,445,243**	**7.9%**
Membership Dues	-	$ -	-		$ -	-	
Federal Grants	-	$ -	-		$ -	-	
Services & Software	-	$ -	-		$ -	-	
Workshops	-	$ -	-		$ -	-	
Interest	60,000	$ 60,000	-	0.0%	$ 60,000	-	0.0%
Miscellaneous	-	$ -	-		$ -	-	
Total Funding	**$ 14,386,372**	**$ 18,467,868**	**$ 4,081,495**	**28.4%**	**$ 19,913,110**	**$ 1,445,243**	**7.8%**
Expenses							
Personnel Expenses							
Salaries	9,637,622	$ 10,726,837	1,089,215	11.3%	$ 11,795,469	1,068,632	10.0%
Payroll Taxes	581,453	$ 654,257	72,804	12.5%	$ 705,195	50,938	7.8%
Benefits	1,283,552	$ 1,432,245	148,693	11.6%	$ 1,686,525	254,280	17.8%
Retirement Costs	1,471,658	$ 1,676,294	204,636	13.9%	$ 1,839,275	162,981	9.7%
Total Personnel Expenses	**$ 12,974,285**	**$ 14,489,633**	**$ 1,515,348**	**11.7%**	**$ 16,026,464**	**$ 1,536,831**	**10.6%**
Meeting Expenses							
Meetings	$ 144,630	$ 151,862	$ 7,232	5.0%	$ 159,455	7,593	5.0%
Travel	$ 686,950	$ 721,298	34,348	5.0%	$ 757,362	36,065	5.0%
Conference Calls	$ 10,176	$ 10,685	509	5.0%	$ 11,219	534	5.0%
Total Meeting Expenses	**$ 841,756**	**$ 883,844**	**$ 42,088**	**5.0%**	**$ 928,036**	**$ 44,192**	**5.0%**
Operating Expenses							
Consultants & Contracts	$ 514,100	$ 539,805	25,705	5.0%	$ 566,795	26,990	5.0%
Office Rent	$ 531,460	$ 697,542	166,081	31.3%	$ 732,419	34,877	5.0%
Office Costs	$ 772,146	$ 972,904	200,758	26.0%	$ 1,021,550	48,645	5.0%
Professional Services	$ 500,432	$ 525,454	25,022	5.0%	$ 551,726	26,273	5.0%
Miscellaneous	$ 27,320	$ 28,686	1,366	5.0%	$ 30,120	1,434	5.0%
Depreciation	$ 506,822	$ 552,436	45,614	9.0%	$ 596,630	44,195	8.0%
Total Operating Expenses	**2,852,280**	**3,316,826**	**464,546**	**16.3%**	**3,499,241**	**182,414**	**5.5%**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**		**$ -**	**$ -**	
Total Expenses	**$ 16,668,321**	**$ 18,690,303**	**$ 2,021,982**	**12.1%**	**$ 20,453,741**	**1,763,438**	**9.4%**
Change in Assets	**$ (2,281,949)**	**$ (222,436)**	**$ 2,059,514**	**-90.3%**	**$ (540,630)**	**$ (318,195)**	**143.1%**
Fixed Assets							
Depreciation	$ (506,822)	$ (552,436)	(45,614)	9.0%	$ (596,630)	(44,195)	8.0%
Computer & Software CapEx	$ 495,000	$ 80,000	(415,000)	-83.8%	$ 40,000	(40,000)	-50.0%
Furniture & Fixtures CapEx	$ -	$ 90,000	90,000		$ 4,000	(86,000)	-95.6%
Equipment CapEx	$ -	$ 10,000	10,000		$ 2,000	(8,000)	-80.0%
Leasehold Improvements	$ -	$ 150,000	150,000		$ 10,000	(140,000)	-93.3%
Change in Fixed Assets	**$ 11,822**	**$ 222,436**	**$ 210,614**	**1781.6%**	**$ 540,630**	**$ 318,195**	**143.1%**
TOTAL CHANGE IN ASSETS	**$ (2,270,128)**	**$0**	**$ 2,270,128**	**-100.0%**	**$0**	**$ -**	

2013 and 2014 Projection Analysis

The 2013 and 2014 projections are estimates based upon current projections of the 2013-14 workload and resource requirements. These projections will be reviewed / revised as necessary when the requisite budgets are created for years 2013 and 2014 respectively, and more accurate input assumptions become available.

2013 Assumptions:
Personnel Expenses are expected to increase due to eight (8) additional FTEs to support the CIP V4 standards assuming FERC approved. Also included is four percent (4%) increase in labor rates that include salary adjustments, market adjustments and promotions. Benefits will increase due to a twelve percent (12%) rise in health care premiums.

All expenses not related to office space and personnel expenses are expected to increase five percent (5%). It is expected additional office space will be needed for new personnel, which includes office equipment and improvements.

2014 Assumptions:
Personnel expenses are expected to increase due to four (4) additional FTEs. Also included is a four percent (4%) increase in labor rates that include salary adjustments, market adjustments and promotions. Benefits will increase due to a twelve percent (12%) rise in health care premiums.

All expenses not related to personnel expenses are expected to increase five percent (5%), due to estimating for normal yearly increases.

Section C – Non-Statutory Activities
2012 Business Plan and Budget

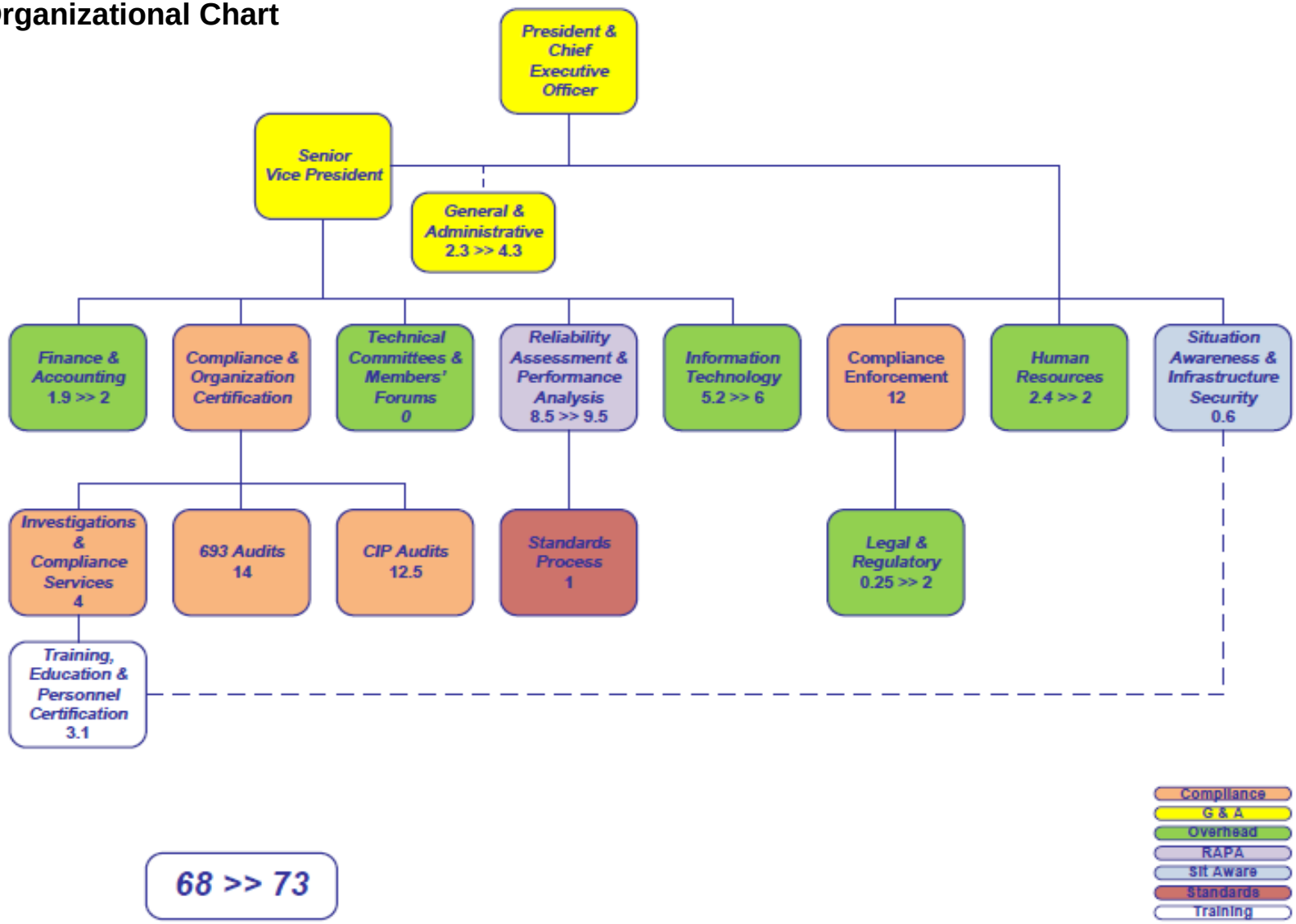
Section C — Non-Statutory Activities

Reliability*First* performed only those functions delegated to it by the ERO in 2011 and the organization does not intend to perform any functions outside its ERO delegated activities in 2012, therefore Section C is not applicable.

Section D – Supplemental Information
2012 Business Plan and Budget

Section D — Supplemental Information

2012 Organizational Chart



Statement of Financial Position

Statement of Financial Position
2010 Audited, 2011 Projection, and 2012 Budget

STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-10	Projected 31-Dec-11	Budget 31-Dec-12
ASSETS			
Cash	8,070,112	6,480,368	4,210,240
Accounts receivable, net of allowance for uncollectible accounts	74,247	40,000	40,000
Other receivables	-	-	-
Prepaid expenses and other current assets	283,318	220,000	220,000
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	1,476,979	1,550,828	1,628,369
Total Assets	**9,904,656**	**8,291,196**	**6,098,609**
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued expenses	2,440,905	2,500,000	2,500,000
Deferred income	-	-	-
Regional assessments collected in advance	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	-	-	-
Total Current Liabilities	**2,440,905**	**2,500,000**	**2,500,000**
Long Term Liabilities			
Accrued expenses	190,046	166,388	288,852
Total Long Term Liabilities	**190,046**	**166,388**	**288,852**
Net Assets - unrestricted	6,083,805	5,717,645	3,309,758
Net Assets - restricted	1,189,900	618,100	-
Total Liabilities and Net Assets	**9,904,656**	**8,384,033**	**6,098,610**

Statement of Activities

Statement of Activities and Capital Expenditures by Program 2011 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding															
Reliability*First* Funding															
ReliabilityFirst Assessments	13,534,272	13,534,272	-	13,534,272	346,257	11,757,457	2,641,005	830,628	229,053	-	(2,270,128)	-	-	-	-
Penalty Sanctions	792,100	792,100	-	792,100	13,970	593,726	132,715	43,307	8,382						
Total Reliability*First* Funding	**14,326,372**	**14,326,372**	**-**	**14,326,372**	**360,227**	**12,351,183**	**2,773,720**	**873,935**	**237,435**	**-**	**(2,270,128)**	**-**	**-**	**-**	**-**
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	60,000	60,000	-	60,000	-	-	-	-	-	-	60,000	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	**14,386,372**	**14,386,372**	**-**	**14,386,372**	**360,227**	**12,351,183**	**2,773,720**	**873,935**	**237,435**	**-**	**(2,210,128)**	**-**	**-**	**-**	**-**
Expenses															
Personnel Expenses															
Salaries	9,637,622	9,637,622	-	9,637,622	191,229	5,324,600	1,262,840	394,083	116,241	-	1,069,758	329,791	606,267	194,803	148,010
Payroll Taxes	581,453	581,453	-	581,453	9,191	340,753	76,914	26,461	5,786	-	36,901	18,449	42,189	14,622	10,187
Benefits	1,283,552	1,283,552	-	1,283,552	22,725	778,763	144,124	52,821	7,393	-	74,186	11,799	130,927	31,879	28,935
Retirement Costs	1,471,658	1,471,658	-	1,471,658	26,744	821,185	198,595	61,925	18,381	-	147,338	52,038	92,059	30,440	22,953
Total Personnel Expenses	12,974,285	12,974,285	-	12,974,285	249,889	7,265,301	1,682,473	535,290	147,801	-	1,328,183	412,077	871,442	271,744	210,085
Meeting Expenses															
Meetings	144,630	144,630	-	144,630	4,000	10,110	21,500	50,000	1,000	-	57,200	-	720	100	-
Travel	686,950	686,950	-	686,950	11,000	466,000	75,000	3,000	30,000	-	62,750	12,000	11,000	9,000	7,200
Conference Calls	10,176	10,176	-	10,176	540	5,400	3,120	-	144	-	972	-	-	-	-
Total Meeting Expenses	841,756	841,756	-	841,756	15,540	481,510	99,620	53,000	31,144	-	120,922	12,000	11,720	9,100	7,200
Operating Expenses															
Consultants & Contracts	514,100	514,100	-	514,100	-	380,000	60,000	-	-	-	15,000	-	48,500	600	10,000
Office Rent	531,460	531,460	-	531,460	-	-	-	-	-	-	411,460	-	120,000	-	-
Office Costs	772,146	772,146	-	772,146	2,654	228,905	56,214	-	2,364	-	31,950	3,760	437,443	4,230	4,626
Professional Services	500,432	500,432	-	500,432	-	72,000	-	-	-	-	324,961	12,000	-	45,671	45,800
Miscellaneous	27,320	27,320	-	27,320	-	7,370	50	-	840	-	17,810	-	-	1,150	100
Depreciation	506,822	506,822	-	506,822	-	255,115	-	-	911	-	46,315	-	198,991	1,000	4,490
Total Operating Expenses	2,852,280	2,852,280	-	2,852,280	2,654	943,390	116,264	-	4,115	-	847,496	15,760	804,934	52,651	65,016
Total Direct Expenses	**16,668,321**	**16,668,321**	**-**	**16,668,321**	**268,083**	**8,690,201**	**1,898,357**	**588,290**	**183,060**	**-**	**2,296,601**	**439,837**	**1,688,096**	**333,495**	**282,301**
Indirect Expenses	(0)	(0)	-	(0)	87,837	3,733,052	834,447	272,293	52,702	-	(2,236,601)	(439,837)	(1,688,096)	(333,495)	(282,301)
Other Non-Operating Expenses	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	**16,668,321**	**16,668,321**	**-**	**16,668,321**	**355,920**	**12,423,253**	**2,732,804**	**860,583**	**235,761**	**-**	**60,000**	**-**	**-**	**-**	**-**
Change in Assets	**(2,281,949)**	**(2,281,949)**	**-**	**(2,281,949)**	**4,307**	**(72,069)**	**40,916**	**13,352**	**1,673**	**-**	**(2,270,128)**	**-**	**-**	**-**	**-**
Fixed Assets															
Depreciation	(506,822)	(506,822)	-	(506,822)	-	(255,115)	-	-	(911)	-	(46,315)	-	(198,991)	(1,000)	(4,490)
Computer & Software CapEx	495,000	495,000	-	495,000	-	-	-	-	-	-	-	-	495,000	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Inc)Dec in Fixed Assets	**11,822**	**11,822**	**-**	**11,822**	**-**	**255,115**	**-**	**-**	**911**	**-**	**46,315**	**-**	**(296,009)**	**1,000**	**4,490**
Allocation of Fixed Assets	(0)	(0)	-	(0)	(4,307)	(183,046)	(40,916)	(13,352)	(2,584)	-	(46,315)	-	296,009	(1,000)	(4,490)
Change in Fixed Assets	**11,822**	**11,822**	**-**	**11,822**	**(4,307)**	**72,069**	**(40,916)**	**(13,352)**	**(1,673)**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**(2,270,128)**	**(2,270,128)**	**-**	**(2,270,128)**	**(0)**	**0**	**-**	**(0)**	**0**	**-**	**(2,270,128)**	**-**	**-**	**-**	**-**
FTEs	**73.00**	**73.0**	**-**	**73.00**	**1.00**	**42.50**	**9.50**	**3.10**	**0.60**	**-**	**4.30**	**2.00**	**6.00**	**2.00**	**2.00**

DOCKET NO. RR11-__-000

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 7

SERC RELIABILITY CORPORATION

PROPOSED 2012 BUSINESS PLAN AND BUDGET

SERC Reliability Corporation
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SERC Reliability Corporation

2012 Business Plan and Budget

FINAL

July 13, 2011

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Introduction

TOTAL RESOURCES (in whole dollars)	2012 Budget	U.S.	Canada	Mexico
Statutory FTEs	73.7			
Non-statutory FTEs	-			
Total FTEs	73.7			
Statutory Expenses	$ 15,537,397			
Non-Statutory Expenses	$ -			
Total Expenses	$ 15,537,397			
Statutory Inc(Dec) in Fixed Assets	$ 57,048			
Non-Statutory Inc(Dec) in Fixed Assets	$ -			
Total Inc(Dec) in Fixed Assets	$ 57,048			
Statutory Working Capital Requirement*	$ -			
Non-Statutory Working Capital Requirement**	$ -			
Total Working Capital Requirement	$ -			
Total Statutory Funding Requirement	$ 15,594,445			
Total Non-Statutory Funding Requirement	$ -			
Total Funding Requirement	$ 15,594,445			
Statutory Funding Assessments	$ 14,845,275	$ 14,845,275	$ -	$ -
Non-Statutory Fees	$ -	$ -	$ -	$ -
NEL	1,075,402,877	1,075,402,877	-	-
NEL%	100%	100%	0%	0%

*Refer to Table B-1 on page 55 in Section B.
**As noted in Section C, SERC does not support any non-statutory functions.

Organizational Overview

The SERC Reliability Corporation (SERC) is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power systems in all or portions of 16 central and southeastern states. The SERC Region covers an area of approximately 560,000 square miles and electric systems in the region serve approximately 26.8% of the net energy for load (NEL) in North America and 31.9% of the NEL in the Eastern Interconnection.

SERC executed an agreement with the North American Electric Reliability Corporation (NERC) on May 2, 2007, for the purpose of delegating to SERC certain responsibilities and authorities of a regional entity as defined by Section 215 of the Federal Power Act; Chapter I, Title 18, Code of Federal Regulations, Part 39; other Federal Energy Regulatory Commission (FERC) regulations and directives, and NERC Rules of Procedure.

SERC, initially called the Southeastern Electric Reliability Council, was formed in 1970 as a voluntary association of members comprising electric industry reliability stakeholders in the southeast. Throughout its history, SERC has been successful in promoting reliability of the bulk power system using an industry electric reliability organization (ERO) model, relying on

reciprocity, peer influence, and the mutual reliability focus of owners, operators, and users of the bulk power system to ensure that the system remained reliable and secure.

SERC was incorporated as a 501(c)(6) nonprofit corporation in the state of Alabama on April 29, 2005 to position SERC to become a regional entity with an appropriate stakeholder governance structure. In April 2006, SERC changed its name to SERC Reliability Corporation.

SERC has a 2012 targeted staffing level of 73.7 Full-Time Equivalents (FTEs) comprised of power industry professionals and support personnel.

Membership and Governance

SERC monitors 248 entities in the region for compliance with mandatory reliability standards. Membership in SERC, which is voluntary and free, affords participants the opportunity to participate in the technical activities and governance of the organization. The number of entities that are members of SERC is approximately 60.

SERC is governed by a Board of Directors, comprised of a representative from each member company. The Board of Directors delegates responsibility for operational oversight of the corporation to an Executive Committee of 12 directors. The Board has also formed a Board Compliance Committee to oversee the program that monitors and enforces compliance of registered entities in the region to FERC-approved reliability standards and a Human Resources and Compensation Committee to advise the President, Board officers, and the Board on matters of employee compensation and human resources.

The Board appoints one director to serve as a non-employee Treasurer of the corporation. The Treasurer is vested by the Board with the responsibility, working with the President, to provide oversight of the finances of the corporation. The Treasurer reports to the Board at its semiannual meetings in April and October.

Statutory Functional Scope

SERC provides statutory functions in support of the electric reliability organization, in accordance with the executed delegation agreement between SERC and NERC. The 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 SERC 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.
- Promoting situation awareness.
- Conducting event analysis to identify and distribute lessons learned to improve reliability.
- Promoting effective training and education of reliability personnel, and assisting in the certification of operating personnel.
- Promoting the protection of critical infrastructure.

SERC does <u>not</u> provide any non-statutory functions at this time, although SERC may in the future consider providing non-statutory functions from time to time as appropriate and as permitted by applicable statutes and regulations.

In recognition of the importance of the compliance role of regional entities, SERC has dedicated over half of its staff resources to compliance monitoring and enforcement. The compliance staff is further divided into three groups, one conducting compliance audits, the second performing compliance assessments and enforcement, and the third supporting compliance activities on topics including investigations, Critical Infrastructure Protection, compliance monitoring and registration and certification. SERC has developed and deployed a robust set of online tools for the gathering, analysis, and tracking of compliance information.

SERC has organized its remaining technical staff into a reliability services group and a reliability assessment group to address the other statutory functions listed above. These experts in operations, engineering, and analysis assist registered entities in assessing and improving reliability. It is in support of these areas that SERC engages the majority of industry experts on its technical committees.

2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process located in Exhibit A of NERC's 2012 Business Plan and Budget.

Core Values

1. **Improving Reliability and Stakeholder Service**
   a. **Reliability Improvement** – SERC provides a reliability focus in its deliverables and promotes bulk power system reliability improvement.
   b. **Service Focus** – SERC develops and strengthens relations with its registered entities, and other reliability stakeholders, including NERC and applicable regulatory authorities, and achieves a reputation as a regional entity dedicated to the public's interest in the reliability of the Nation's bulk power system.
   c. **ERO Teamwork and Integration** – SERC influences and collaboratively facilitates process improvements, transparency, consistency, and quality and timely outcomes among the ERO and regional entities.
2. **Providing Internal Process Controls and Accountability**
   a. **Enforcement Accountability** – SERC performs its delegated compliance enforcement responsibilities in a manner that is firm, fair, objective, independent, and consistent. SERC protects confidential compliance information while striving to achieve a high level of transparency with respect to compliance process and expectations.
   b. **Compliance with Delegated Functions** – SERC maintains the necessary processes, controls, and document management to comply with its obligations under its delegation agreement.
   c. **Information Management** – SERC strives for transparency and user friendliness of both the public and nonpublic web sites. SERC streamlines and, to the extent practical, automates data gathering to reduce the overall burden on registered entities and members. SERC facilitates more effective and seamless information exchange across regional entities and NERC. SERC safeguards registered entities information in accordance with its confidentiality agreements.

3. **Learning and Continuous Improvement**

   a. **Learning Organization** – SERC is a learning organization focused on continuous improvement through self-assessment, acting on feedback from stakeholders providing adequate training, and proactive anticipation and preparation for externalities affecting the region and reliability stakeholders, including evolving reliability standards, rules, and directives.

   b. **Competency** – SERC strives to attract, develop, and retain highly competent and motivated staff. SERC seeks opportunities for resource sharing and collaboration with NERC and other regions in specialized areas where resources are scarce.

4. **Financial Responsibility**

   a. **Productive and Efficient Provider** – SERC leverages its size, resources, and other efficiencies to remain a productive and cost-effective regional entity, while maintaining performance excellence.

2012 Goals and Key Deliverables

1. **Reliability improvement through rigorous, risk-based monitoring and enforcement of compliance with mandatory standards.**

   a. Monitor registered entities in the SERC region for compliance with mandatory reliability standards, in accordance with the delegation agreement and CMEP, while utilizing risk-based methods to optimize reliability benefits and achieving quality and timeliness.

   b. Enforce compliance with mandatory reliability standards by registered entities within the SERC region, in accordance with the delegation agreement and CMEP while achieving quality and timeliness.

   c. Ensure timely, thorough and comprehensive mitigation of all violations of mandatory reliability standards including prevention of recurrence.

   d. Promote a strong culture of compliance excellence, reliability assurance, and risk-based methods among registered entities in the SERC region.

2. **Clear mandatory standards focused on reliability performance.**

   a. Develop regional reliability standards as needed to comply with NERC's three-year work plan and FERC directives, and to meet any emergent reliability needs. Maintain active engagement of SERC stakeholders in NERC standards process.

   b. Continue working with stakeholders to develop results-based standards and to focus standards development on performance based requirements essential to reliability and eliminating nonessential or low-risk requirements.

   c. Based on compliance program results and system events, identify key areas needing improvement. Implement educational and other technical assistance programs to improve reliability performance in areas where event analysis indicates a potential benefit.

3. **Systematic approach to improve Reliability Standards**

   Develop processes that feed back improvement opportunities to SERC and NERC Reliability Standards based on industry operating experience.

   a. Incorporate feedback from events and incidents.

   b. Incorporate feedback from Compliance actions.

   c. Incorporate tools to effectively monitor and track implementation of improvement (issues management approach).

d. Incorporate systematic process to capture and identify/quantify risks.

e. Incorporate processes to develop timely and effective solutions.

f. Incorporate issues tracking and management.

4. Objective and trustworthy reliability assessments and reliability performance trends.

a. Provide annual and seasonal assessments of the future reliability of the bulk power system in the region, in accordance with NERC definitions and requirements.

b. Provide thorough data validation and create new efficiencies in data collection and analysis in support of the assessment program.

c. Develop and demonstrate bulk power system performance metrics for the purpose of analyzing and trending reliability performance improvements and benefits.

5. Situation awareness capability and event analysis leading to reliability improvements.

a. Maintain a situation awareness capability to include near real-time information and communications protocols that meet the needs of FERC, NERC, SERC and SERC registered entities.

b. Develop SERC's capability to conduct rigorous event and trend analyses and develop relevant lessons learned including rigorous event and trend analysis.

c. Provide reliability issues tracking and management to systematically provide notice and document actions to improve reliability within the region.

d. Assist ES-ISAC by providing interface to SERC entities with NERC and government agencies during high impact events.

6. Cyber and physical security of critical infrastructure.

a. Facilitate and support registered entities in complying with CIP reliability standards, and responding to cyber security alerts.

b. Facilitate the development of proactive measures to mitigate the impact of design-basis cyber threats and to improve the ability of SERC entities to recover.

7. Knowledgeable and skilled reliability personnel.

a. Actively support the training and education of reliability personnel within the region, focusing on knowledge of reliability standards and recognizing and responding to system emergencies. Provide information and support to registered entities to assist in the deployment of a systematic approach to training.

8. Information sharing and collaboration through technology.

a. Be a leader in the deployment of technology to make SERC and its stakeholder participants more efficient and productive in its program activities.

b. Facilitate the integration and seamlessness of ERO and regional entity information systems used for compliance and other applicable statutory functions such as alerts and recommendations tracking.

c. Work with other regions to share experience and learning points to promote greater benefits beyond the region, including collaboration on information management.

9. Effective and efficient use of resources.

a. Continue to leverage industry expertise and leadership, to support SERC's statutory functions, and to be more efficient.

b. Maintain a talented staff at SERC and provide for continuous staff development through internal training, rotation of personnel, succession planning, and other personnel methods to continue to meet the needs of the organization.

10. Continuous improvement.

a. Maintain good standing as a regional entity by addressing all applicable recommendations and directives.

b. Implement and refine performance indicators and feedback mechanisms to enable SERC to continue being a learning organization.

c. Evaluate, develop, and implement meaningful performance indicators to assess performance of SERC Corporation and the region.

11. Effective financial controls.

a. Provide rigorous cost controls and efficient management of resources to remain an efficient provider of regional entity functions.

2012 Overview of Cost Impacts

SERC proposes to increase its operating budget from $11,921,008 to $15,594,445 in 2012, an increase of $3,673,437 or 30.8%. The proposed 2012 assessment of $14,845,275 is an increase of 39.1% higher than the 2011 assessment of $10,671,508. SERC believes that in 2012 it will continue to realize material efficiencies that allow the region to remain an efficient provider of statutory functions as SERC will continue to be one of the lowest cost regional entities on a cost per NEL basis. SERC's culture centers on consistent delivery of excellent results at a cost that is considerate of the longstanding tradition in the Southeast of affordable and reliable electricity.

The following is a list of targeted budget increases to allow SERC to accomplish the specific objectives outlined in the business plan (dollars are stated as an increase in the 2012 budget compared to the 2011 budget).

Having started in 2010, SERC performs Cross-Regional Compliance Monitoring for other regions. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entity. $40,000 is included in the 2012 Business Plan and Budget under Other Funding and various expense accounts.

The most significant impacts on the budget are in the area of payroll due to increased staffing, which is described as three components:

- **Staff added in 2011** – An additional 13.2 FTEs were added in 2011 compared to the budget. The Compliance program added ten (10) FTEs to increase the ability of compliance staff to timely process the large volume of active violations. The Situation Awareness program added one (1) FTE as a root cause analysis specialist, to improve staff technical capabilities in standards development, events analyses, and training. The Reliability Assessment program added one (1.2) FTEs, one as a Reliability Assessment Analyst, to assist the Regional and inter-Regional study groups as well as an increase to a part-time employee's hours by 0.2. The General and Administrative program added one (1) lawyer to support the additional enforcement activity. In March and April 2011, the SERC Board Executive Committee approved the addition of these positions. These additions are being made in 2011 to meet critical needs to enable the organization to function effectively and to meet performance goals. During 2011, the costs of these additional employees will be funded through expense management and, if necessary, the reserve.

- **Staff additions proposed in 2012** – The targeted staffing level for 2012 is 73.7 FTEs, an increase of an additional 7 FTEs compared to 2011 actual and 20 compared to 2011 budget. The compliance program added four (4) FTEs; the Situation Awareness program added one (1) FTE, a system protection and control engineer; and the general and administrative program added two (2) FTEs, a human resource specialist and a Information Technology Technician.
    - For 2012, the budget impact of the above two items is $2,555,438, including salary and benefits.
- **Cost increase for maintaining staff budgeted in 2012** – The remaining increase in personnel costs of $489,970 or 5.6% compared to 2011 reflects a budgeted average increase in salary for existing staff of 2.5%, with the remaining increase due to adjustments in employee benefits.

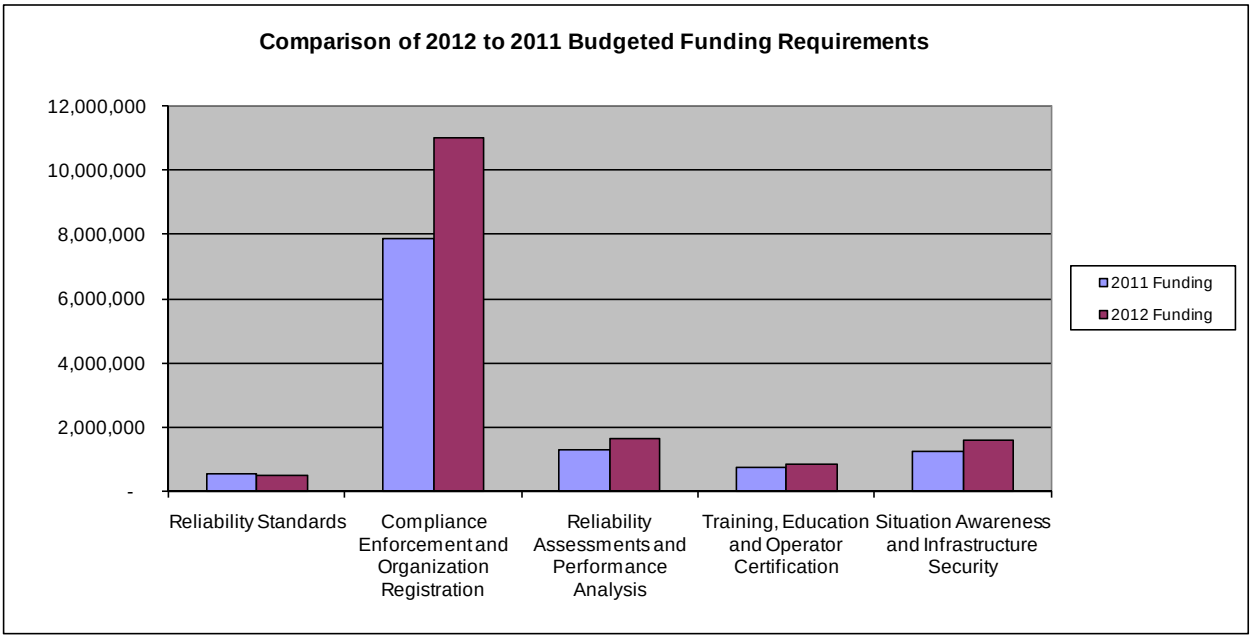
Other notable changes in the proposed budget from year to year include the following:

- **Office rent** – Due to the additional FTEs, additional office space was obtained, causing an increase of $149,030 or 50.4% in office rent.
- **Office costs –** An increase of $385,053 or 129.3% due to a Microsoft Office Sharepoint server license to assist in the interaction with NERC systems and the other regions; and additional computers and equipment to support the new FTEs and office space.
- **Professional services** – An increase of $24,200 or 67.8% due mainly to additional legal support.

Summary by Program

Program	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Reliability Standards	575,149	483,173	524,440	(50,709)	-8.8%
Compliance Enforcement and Organization Registration	7,890,536	8,151,633	10,997,669	3,107,133	39.4%
Reliability Assessments and Performance Analysis	1,311,838	1,283,036	1,627,796	315,958	24.1%
Training, Education and Operator Certification	762,933	720,974	849,096	86,163	11.3%
Situation Awareness and Infrastructure Security	1,226,184	1,279,618	1,585,444	359,260	29.3%

This graphical representation does not include an allocation of working capital requirements among the Program Areas



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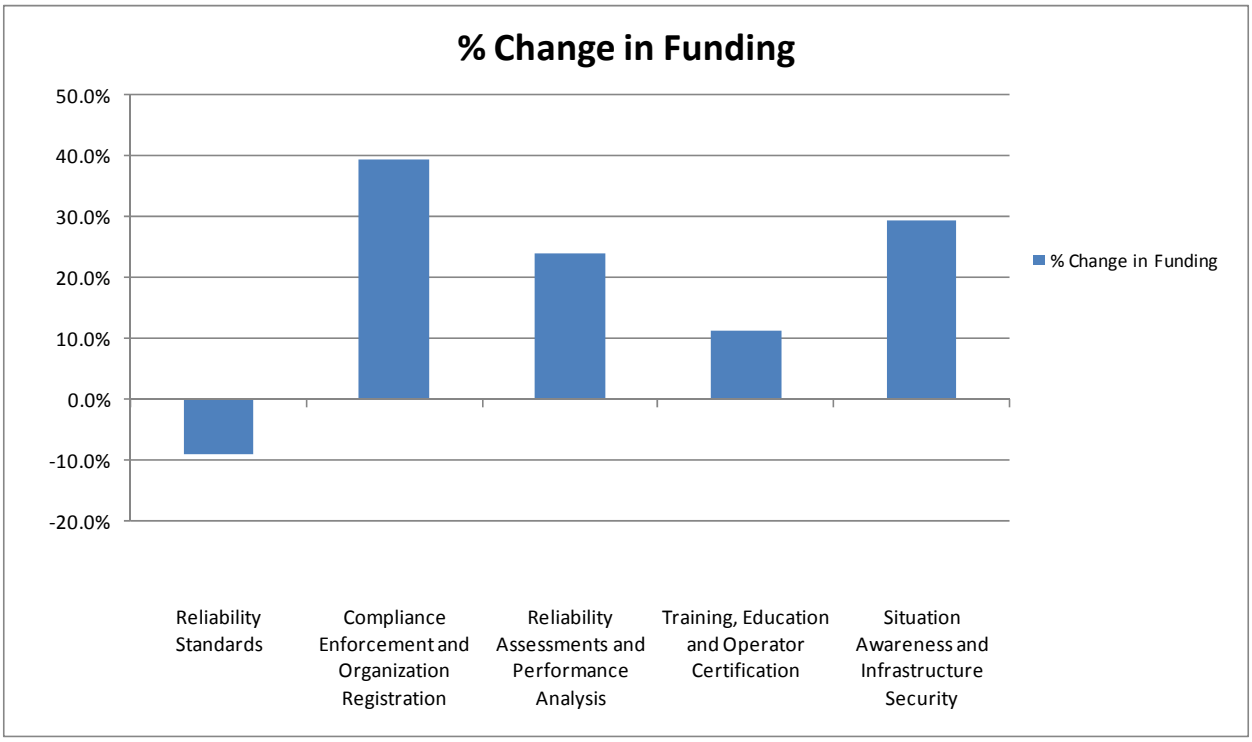


Reliability Standards – The 8.8% decrease in total funding from $575,149 budgeted in 2011 to $524,440 budgeted in 2012 is mainly due to meetings and travel costs due to the elimination of effectiveness training workshops as these are now ERO-wide workshops, with NERC covering the cost. Additionally, a decrease in indirect expenses in the Reliability Standards program is due to the addition of FTEs in other program areas.

Compliance Enforcement and Organization Registration – The 39.4% increase in total funding from $7,890,536 budgeted in 2011 to $10,997,669 budgeted in 2012 is primarily due to the addition of 14 FTEs as described below in the Total FTEs by Program Area schedule. With the additional FTEs, the indirect expenses allocated to the Compliance program have increased from 2011.

Reliability Assessments and Performance Analysis – The 24.1% increase in total funding from $1,311,838 budgeted in 2011 to $1,627,796 budgeted in 2012 is due to the addition of 1.2 FTEs as described below in the Total FTEs by Program Area schedule. Additionally, an increase in the need for consultants and contracts is due to the Under Frequency Load Shedding study, which is performed every five years. The increase in indirect expenses being allocated to the Reliability Assessments program is due to the addition of FTEs.

Training, Education and Operator Certification – The 11.3% increase in total funding from $762,933 budgeted in 2011 to $849,096 budgeted in 2012 is mainly due to an increase in meetings and the need for consultants and contracts. A decrease in the indirect expenses being allocated to the Training program is due to the addition of FTEs in other program areas.

Situation Awareness and Infrastructure Security – The 29.3% increase in total funding from $1,226,184 budgeted in 2011 to $1,585,444 budgeted in 2012 is primarily due to the addition of 2 FTEs as described below in the Total FTEs by Program Area schedule. The increase in indirect expenses being allocated to the Situation Awareness and Infrastructure Security program is due to the addition of FTEs.

Total FTE's by Program Area	Budget 2011	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs[1] 2012 Budget	Total FTEs 2012 Budget	Change from 2011 Budget
	STATUTORY					
Operational Programs						
Reliability Standards	1.75	1.75	1.75	-	1.75	-
Compliance and Organization Registration and Certification	28.00	38.00	42.00	-	42.00	14.00
Training and Education	1.75	1.75	1.75	-	1.75	-
Reliability Assessment and Performance Analysis	4.50	5.70	5.70	-	5.70	1.20
Situation Awareness and Infrastructure Security	3.75	4.75	5.75	-	5.75	2.00
Total FTEs Operational Programs	**39.75**	**51.95**	**56.95**	**-**	**56.95**	**17.20**
Administrative Programs						
Technical Committees and Member Forums	2.75	2.75	2.75	-	2.75	-
General & Administrative	11.00	12.00	14.00	-	14.00	3.00
Information Technology	-		-	-	-	-
Legal and Regulatory	-		-	-	-	-
Human Resources	-		-	-	-	-
Finance and Accounting	-		-	-	-	-
Total FTEs Administrative Programs	**13.75**	**14.75**	**16.75**	**-**	**16.75**	**3.00**
Total FTEs	**53.50**	**66.70**	**73.70**	**-**	**73.70**	**20.20**

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

This chart reflects the following changes:

1. A total increase in the Compliance program of 14 FTEs, which includes 4 auditors, 7 enforcement engineers, and 3 CIP auditors.
2. An increase in the Reliability Assessment program of 1.2 FTEs includes a reliability assessment analyst and an increase in a part-time FTE's hours.
3. An increase in the Situation Awareness and Infrastructure Security program of 2 FTEs includes a root cause analysis specialist and a protection and controls engineer.
4. An increase within the general and administrative program of 3 FTEs is due to a senior information technology technician, a human resource specialist and an attorney.

2011 Budget and Projection and 2012 Budget Comparisons

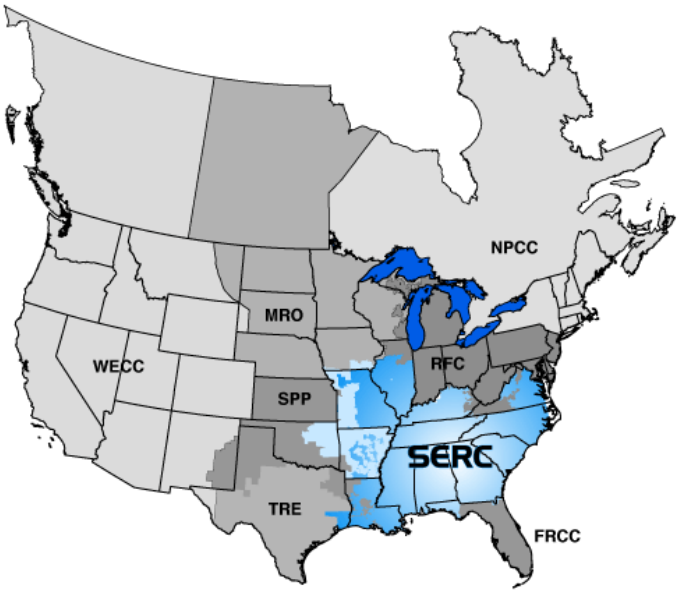
Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget

STATUTORY

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 10,671,508	$ 10,671,508	$ -	$ 14,845,275	$ 4,173,767
Penalty Sanctions	919,000	919,000	-	434,500	(484,500)
Total ERO Funding	**$ 11,590,508**	**$ 11,590,508**	**$ -**	**$ 15,279,775**	**$ 3,689,267**
Workshops	280,500	263,850	(16,650)	264,670	(15,830)
Interest	10,000	9,000	(1,000)	10,000	-
Other Funding	40,000	37,956	(2,044)	40,000	-
Total Funding	**$ 11,921,008**	**$ 11,901,314**	**$ (19,694)**	**$ 15,594,445**	**$ 3,673,437**
Expenses					
Personnel Expenses					
Salaries	$ 6,720,718	$ 7,260,337	$ 539,619	$ 8,908,407	$ 2,187,689
Payroll Taxes	739,279	637,827	(101,452)	801,758	62,479
Benefits	723,655	803,950	80,295	895,883	172,228
Retirement Costs	584,444	565,855	(18,589)	1,207,456	623,012
Total Personnel Expenses	**$ 8,768,096**	**$ 9,267,969**	**$ 499,873**	**$ 11,813,504**	**$ 3,045,408**
Meeting Expenses					
Meetings	$ 458,258	$ 386,391	$ (71,867)	$ 402,078	$ (56,180)
Travel	652,158	456,511	(195,647)	616,591	(35,567)
Conference Calls	66,000	58,284	(7,716)	96,000	30,000
Total Meeting Expenses	**$ 1,176,416**	**$ 901,186**	**$ (275,230)**	**$ 1,114,669**	**$ (61,747)**
Operating Expenses					
Consultants & Contracts	$ 1,150,081	$ 1,036,957	$ (113,124)	$ 1,159,275	$ 9,194
Office Rent	295,692	369,988	74,296	444,722	149,030
Office Costs	297,822	255,304	(42,518)	682,875	385,053
Professional Services	65,200	63,365	(1,835)	89,400	24,200
Miscellaneous	-	12,665	12,665	-	-
Depreciation	112,609	124,083	11,474	232,952	120,343
Total Operating Expenses	**$ 1,921,404**	**$ 1,862,362**	**$ (59,042)**	**$ 2,609,224**	**$ 687,820**
Total Direct Expenses	**$ 11,865,916**	**$ 12,031,517**	**$ 165,601**	**$ 15,537,397**	**$ 3,671,481**
Indirect Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 11,865,916**	**$ 12,031,517**	**$ 165,601**	**$ 15,537,397**	**$ 3,671,481**
Change in Assets	**$ 55,092**	**$ (130,203)**	**$ (185,295)**	**$ 57,048**	**$ 1,956**
Fixed Assets					
Depreciation	(112,609)	(124,083)	(11,474)	(232,952)	(120,343)
Computer & Software CapEx	-	20,000	-	290,000	290,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	23,333	-	(23,333)	-	(23,333)
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ 89,276**	**$ 104,083**	**$ 34,807**	**$ (57,048)**	**$ (146,324)**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**89,276**	**104,083**	**34,807**	**(57,048)**	**(146,324)**
TOTAL CHANGE IN NET ASSETS	**$ 144,368**	**$ (26,120)**	**$ (150,488)**	**$ -**	**$ (144,368)**

Section A – Statutory Programs

2012 Business Plan and Budget



Section A — 2012 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.75	1.75	-
Direct Expenses	$ 399,308	$ 365,853	$ 33,455
Indirect Expenses	$ 179,771	$ 156,834	$ 22,937
Inc(Dec) in Fixed Assets	$ (3,930)	$ 1,753	$ (5,683)
Total Funding Requirement	$ 575,149	$ 524,440	$ 50,709

Program Scope and Functional Description

The SERC Reliability Standards program is required under the Delegation Agreement (Exhibit C) and NERC Rules of Procedure Section 300. The program will develop regional reliability standards in accordance with Exhibit C to the Delegation Agreement as well as develop regional criteria. The program will also promote the development and maintenance of NERC reliability standards that enable NERC and regional entities to measure the reliability performance of bulk power system owners, operators, and users.

2012 Key Assumptions

- SERC resources will support North American initiatives in the areas of:
  - Results-based standards
  - Fill-in-the-Blank standards
- SERC regional standards development activity will be limited
- Regional Standards Development processes will be reviewed and updated as necessary to keep pace with similar changes with the NERC process
- The ERO will revise the definition of adequate level of reliability ("ALR") of the bulk electric system. This will be accomplished through the efforts of the NERC Member Representatives Committee, and the Operating and Planning Committees. The revised definition will be delivered to the Board of Trustee's for consideration in February 2012. NERC will continue to incrementally refine data reporting requirements from registered entities, and review adequate level of reliability related metrics used in reliability assessments.

2012 Goals and Key Deliverables

- The SERC Reliability Standards program will manage SERC's catalogue of Regional Criteria and administer the SERC Regional Reliability Standards development procedure
- Additionally, the SERC Reliability Standards program will:
  - Provide communication and outreach opportunities with stakeholders and SERC standing committees on Reliability Standards development
  - Enhance project level communications, education, and training for new or revised standards;
  - Continue to improve the standards portion of the SERC Website;
  - Work with stakeholders to jointly identify needs for new or revised standards or standards products; and
- Provide the necessary information and background to allow the industry stakeholders to perform a cost effectiveness analysis

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- There are no significant changes requiring an explanation.

Meeting Expenses

- Decrease in meetings expense of $42,760 is due to the elimination of effectiveness training workshops as these are now ERO-wide workshops, with NERC covering the cost.

Operating Expenses

- There are no significant changes requiring an explanation.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2011 Budget & Projection, and 2012 Budget						
Reliability Standards						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	$ 532,975	$ 532,975	$ -	$ 510,346	$ (22,629)
	Penalty Sanctions	42,174	42,174	-	14,094	(28,080)
Total ERO Funding		**$ 575,149**	**$ 575,149**	**$ -**	**$ 524,440**	**$ (50,709)**
	Workshops	-	-	-	-	-
	Interest	-	-	-	-	-
	Other Funding	-	-	-	-	-
Total Funding		**$ 575,149**	**$ 575,149**	**$ -**	**$ 524,440**	**$ (50,709)**
Expenses						
Personnel Expenses						
	Salaries	$ 248,272	$ 250,767	$ 2,495	$ 258,039	$ 9,767
	Payroll Taxes	27,310	22,030	(5,280)	23,224	(4,086)
	Benefits	26,281	24,629	(1,652)	26,719	438
	Retirement Costs	23,961	23,775	(186)	34,787	10,826
Total Personnel Expenses		**$ 325,824**	**$ 321,201**	**$ (4,623)**	**$ 342,769**	**$ 16,945**
Meeting Expenses						
	Meetings	$ 46,720	$ 12,008	$ (34,712)	$ 3,960	$ (42,760)
	Travel	26,764	18,735	(8,029)	19,124	(7,640)
	Conference Calls	-	-	-	-	-
Total Meeting Expenses		**$ 73,484**	**$ 30,743**	**$ (42,741)**	**$ 23,084**	**$ (50,400)**
Operating Expenses						
	Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
	Office Rent	-	-	-	-	-
	Office Costs	-	-	-	-	-
	Professional Services	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
	Depreciation	-	-	-	-	-
Total Operating Expenses		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	Total Direct Expenses	**$ 399,308**	**$ 351,944**	**$ (47,364)**	**$ 365,853**	**$ (33,455)**
Indirect Expenses		**$ 179,771**	**$ 134,735**	**$ (45,036)**	**$ 156,834**	**$ (22,937)**
Other Non-Operating Expenses		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses		**$ 579,079**	**$ 486,679**	**$ (92,400)**	**$ 522,687**	**$ (56,392)**
Change in Assets		**$ (3,930)**	**$ 88,470**	**$ 92,400**	**$ 1,753**	**$ 5,683**
Fixed Assets						
	Depreciation	-	-	-	-	-
	Computer & Software CapEx	-	-	-	-	-
	Furniture & Fixtures CapEx	-	-	-	-	-
	Equipment CapEx	-	-	-	-	-
	Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	Allocation of Fixed Assets	$ 3,930	$ 3,506	$ (424)	(1,753)	$ (5,683)
Change in Fixed Assets		**3,930**	**3,506**	**(424)**	**(1,753)**	**(5,683)**
TOTAL CHANGE IN NET ASSETS		**$ -**	**$ 91,976**	**$ 91,976**	**$ -**	**$ -**

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	28.00	42.00	14.00
Direct Expenses	$ 5,077,085	$ 7,191,584	$ 2,114,499
Indirect Expenses	$ 2,876,338	$ 3,764,013	$ 887,675
Inc(Dec) in Fixed Assets	$ (62,887)	$ 42,072	$ 104,959
Total Funding Requirement	$ 7,890,536	$ 10,997,669	$ 3,107,133

Program Scope and Functional Description

The Compliance Monitoring and Enforcement Program is implemented by the SERC compliance staff, which is independent of stakeholders, registered entities, and other SERC staff. The SERC compliance staff makes the initial determination of alleged violations and proposes appropriate penalties and sanctions in accordance with the NERC Compliance Monitoring and Enforcement Program and the Sanction Guidelines. To accomplish this objective, SERC's compliance staff is further divided into three areas: audit, enforcement and programs.

The SERC Board Compliance Committee, a balanced committee of the SERC Board of Directors, is responsible for oversight of the SERC Compliance Monitoring and Enforcement Program. The Board Compliance Committee also acts as the hearing body responsible for resolving any disputes related to either a finding of violation or a sanction administered for a confirmed violation.

Compliance Audits

SERC's compliance audit staff is charged with conducting compliance audits and spot-checks of all registered entities and identifying possible violations of non-CIP standards. The group maintains a long-range compliance audit plan that ensures compliance audits are conducted for each applicable registered entity within the SERC Region in accordance with a predefined frequency. Qualified senior SERC staff leads each compliance audit. The teams prepare public and non-public audit and spot check reports with their findings and recommendations, including the identification of any possible violations. Specific lessons learned are factored into the audit program to promote continuous improvement.

Compliance Enforcement

SERC's compliance enforcement staff evaluates all possible violations of reliability standards, whether identified in an audit, a self-report, complaint, or other source, and conducts a thorough assessment to determine whether there is a sufficient basis to allege a violation, including the complete scope of the violation and the actual and potential risk imposed by the violation on the reliability of the bulk power system. Once the assessment is completed, the staff will formally notify the entity of its findings regarding the violation and any applicable penalties or sanctions and evaluate and accept the related mitigation plan. The enforcement staff may also engage in settlement negotiations with the entity, if requested.

Once a final determination of a confirmed violation is made by the enforcement staff, or settlement terms are agreed upon by the registered entity and the enforcement staff, the proposed enforcement action, along with any proposed penalty or sanctions, is submitted to the SERC President and CEO for regional approval prior to submitting the enforcement action to NERC for its review and approval, and subsequent submittal to FERC. If a registered entity challenges the findings of the enforcement staff, the enforcement staff would prosecute its case before the Board Compliance Committee, in its role as the hearing body. Hearings at SERC are conducted under the supervision of a qualified, independent hearing officer.

Compliance enforcement staff also is responsible for administering a number of monitoring processes including self-reporting, complaints, and self-certifications.

Compliance Programs

SERC's Compliance Programs group is responsible for coordinating and implementing a variety of programmatic compliance activities including Critical Infrastructure Protection (CIP) compliance monitoring, leading or participating in compliance investigations, as well as all activities related to entity registration and certification within the SERC region.

In the area of CIP, Compliance Programs staff conducts compliance audits and spot-checks in accordance with the implementation plans for the CIP standards. The team also conducts all phases of Technical Feasibility Exceptions (TFEs) reviews and validations.

The Registration and Certification staff leads all certification audits and acts as the subject matter experts for all registration related activities and questions. Staff also supports determination of the Net Energy for Load of each Load Serving Entity located in the SERC region for proper annual assessments.

2012 Key Assumptions

- SERC and NERC continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the auditors, enforcement, and investigation staff. As part of the training effort, at least two auditor workshops and monthly auditor calls will occur to provide auditors with updates on compliance policies, actions, and requirements in order to promote consistency of audit practices and procedures. It is expected that this training and possible certification effort will have an impact on staffing needs and costs (e.g., travel, lodging, and labor) to participate and attend this training.
- SERC has provided time for staff to maintain industry certifications, such as NERC System Operator Certification and Critical Infrastructure Protection (CIP) certifications, etc.
- Implementation of results-based standards and risk-based audit scope definition will expand in 2012 but without a significant reduction in required audit resources.
- Increased training and continuing education for auditors and enforcement staff
- Audits of RC, TOP and BA entities will require three sub-teams to cover planning and operating-related standards, and the transfer capability (MOD) standards.
- CIP audits of larger registered entities will comprise a three week schedule including two weeks on site with the middle week conducted off-site for additional evidence collection and review.
- Reduction in the number of required onsite follow-up visits for CIP activities, due to the installation of required equipment and associated procedures to provide for secure handling and retention of sensitive CIP compliance evidence within SERC's offices.
- TFE on-site reviews continue at a reduced pace (25%) in 2012.
- Less than five Compliance Investigations (CIs) are conducted, but an increase in resources is required to conduct reviews of registered entity compliance assessments resulting from reportable events.

- Additional resources (5%) are required to support cross-regional coordination and implementation of the Multi-regional Registered Entity (MRRE) program
- Between 250 and 300 possible violations (CIP and non-CIP) are identified from all monitoring sources (approximately equal to 2010 levels)
- Regional enforcement resources to assess scope and risk of violations will not be significantly reduced due to continued implementation of streamlined enforcement processes
- Two or less hearings are conducted
- The numbers of Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration (MRRE) documents are expected to increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness in compliance. This increase will have a direct impact on the workload associated with registration and compliance monitoring within the Region.
- SERC estimates it will perform 24 CIP audits and 40 audits.

2012 Goals and Key Deliverables

- Reliability improvement through rigorous monitoring and enforcement of compliance with mandatory standards and adoption of risk-based efficiencies. Staff actions ensure that:
    - Compliance actions are focused to best promote reliability and minimize risk
    - Compliance audits are conducted to conform with 3 and 6 year audit intervals
    - Spot-checks are conducted to address adverse trends and to validate a random subset of self-certifications.
    - Effective and timely follow-up is conducted for self-reports and self-certifications indicating either noncompliant or not applicable.
    - Timely and thorough mitigation is implemented for all violations of reliability standards.
    - The rate at which violations are processed by enforcement staff continues to improve.
    - NERC and other regions collaborate to streamline Rules of Procedure to allow for efficient processing of lower risk / significance violations.
- Clear mandatory standards focused on reliability performance.
    - Provide effective feedback from various compliance processes to improve reliability standards through requests for interpretation or revisions.
- Cyber and physical security of critical infrastructure.
    - Conduct a sufficient number of high quality CIP audits and spot-checks to promote improvements in cyber and physical security within the SERC Region
- Knowledgeable and skilled reliability personnel, effective and efficient use of resources, and continuous improvement.
    - Attract and retain a highly competent and skilled workforce.
    - Evolve processes, tools, and work assignments to optimize resources.
    - Continue to promote continuous improvement through active use of feedback, metrics, training, self-assessments, and other related tools.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation. Other Funding includes the costs associated with SERC performing Cross-Regional Compliance Monitoring of Registered Entity functions performed by other Regional Entity organizations. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to Registered Entity functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contracts between SERC and the other Regional Entities.

Personnel Expenses

- The Compliance Program budgeted 28 FTEs in 2011. 2011 projected staffing is 38, with the addition of two auditors; six enforcement engineers; and two CIP Auditors. These positions are included in the 2012 budget, but were advanced in 2011.
- In 2012, SERC plans to increase staffing within the compliance program by 4.0 additional FTEs.
    - Two additional Auditors. New MOD standards and PRC-023 became effective in 2011. Compliance monitoring of these standards, and other new or revised standards, increase the need for technical expertise and depth of audit teams.
    - One additional Compliance Enforcement Engineer. The number of possible violations identified from all monitoring sources has continued to increase each year with the projected 2012 possible violations totaling 250-300. A large fraction of these possible violations involve CIP standards that pose added challenges in technical rigor and evidence handling. Additional resources in the enforcement area are necessary to achieve an improvement in the timeliness of processing enforcement actions and reviewing and accepting mitigation plans and verifying the timely completion of mitigation plans.
    - One additional CIP Auditor. The number of Registered Entities with Critical Assets is expected to increase with the implementation of Version 4 of CIP-002, resulting in a corresponding increase in the number of scope of CIP audits. Compliance monitoring of the CIP standards pose added challenges in technical rigor and evidence handling.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Contracts/Consultants decreased by $90,786 due to a reduction in consultants to execute projected non-CIP audits and Compliance Violation Investigations (CVI) due to the additional FTEs in 2012.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

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 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Compliance and Organization Registration and Certification

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 7,215,911	$ 7,215,911	$ -	$ 10,639,545	$ 3,423,634
Penalty Sanctions	634,625	634,625	-	318,124	(316,501)
Total ERO Funding	**$ 7,850,536**	**$ 7,850,536**	**$ -**	**$ 10,957,669**	**$ 3,107,133**
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	40,000	20,000	(20,000)	40,000	-
Total Funding	**$ 7,890,536**	**$ 7,870,536**	**$ (20,000)**	**$ 10,997,669**	**$ 3,107,133**
Expenses					
Personnel Expenses					
Salaries	$ 3,346,925	$ 3,717,413	$ 370,488	$ 4,930,643	$ 1,583,718
Payroll Taxes	368,162	326,578	(41,584)	443,758	75,596
Benefits	396,309	445,709	49,400	519,619	123,310
Retirement Costs	291,778	271,413	(20,365)	676,627	384,849
Total Personnel Expenses	**$ 4,403,174**	**$ 4,761,113**	**$ 357,939**	**$ 6,570,647**	**$ 2,167,473**
Meeting Expenses					
Meetings	$ 15,375	$ 16,987	$ 1,612	$ 18,950	$ 3,575
Travel	377,810	264,467	(113,343)	406,887	29,077
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 393,185**	**$ 281,454**	**$ (111,731)**	**$ 425,837**	**$ 32,652**
Operating Expenses					
Consultants & Contracts	$ 253,286	$ 237,083	$ (16,203)	$ 162,500	$ (90,786)
Office Rent	-	-	-	-	-
Office Costs	7,440	7,440	-	12,600	5,160
Professional Services	20,000	15,000	(5,000)	20,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 280,726**	**$ 259,523**	**$ (21,203)**	**$ 195,100**	**$ (85,626)**
Total Direct Expenses	**$ 5,077,085**	**$ 5,302,090**	**$ 225,005**	**$ 7,191,584**	**$ 2,114,499**
Indirect Expenses	**$ 2,876,338**	**$ 2,925,677**	**$ 49,339**	**$ 3,764,013**	**$ 887,675**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 7,953,423**	**$ 8,227,767**	**$ 274,344**	**$ 10,955,597**	**$ 3,002,174**
Change in Assets	**$ (62,887)**	**$ (357,231)**	**$ (294,344)**	**$ 42,072**	**$ 104,959**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ 62,887	$ 76,134	$ 13,247	(42,072)	$ (104,959)
Change in Fixed Assets	**62,887**	**76,134**	**13,247**	**(42,072)**	**(104,959)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ (281,097)**	**$ (281,097)**	**$ -**	**$ -**

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	4.50	5.70	1.20
Direct Expenses	$ 859,676	$ 1,111,256	$ 251,580
Indirect Expenses	$ 462,269	$ 510,830	$ 48,561
Inc(Dec) in Fixed Assets	$ (10,107)	$ 5,710	$ 15,817
Total Funding Requirement	$ 1,311,838	$ 1,627,796	$ 315,958

Program Scope and Functional Description

SERC's Reliability Assessment Department conducts data gathering and analysis to perform an independent reliability assessment of the entities within the region,[1] in accordance with the Delegation Agreement and applicable NERC Rules of Procedure. The Department utilizes information from its internal data collection sources along with other programs, such as NERC Transmission Availability Data System (TADS) and Demand Response Availability Data System (DADS) programs.

SERC conducts and reports the results of its independent assessments of the overall reliability and adequacy of SERC region in support of the NERC obligation to perform similar analysis of the interconnected North American bulk power systems. The analysis performed addresses both the "as existing" and "as planned" system. The Reliability Assessment function of SERC develops reliability performance benchmarks for both resource and delivery activities within the region.

SERC maintains an effective data collection system utilizing the SERC Portal to support SERC's internal and NERC's external assessments and performance analysis processes. SERC works closely with registered entities in the region, as well as with the leadership of the applicable standing committees involved in the processes,[2] and seeks constant improvement through refinements to the SERC Portal.

2012 Key Assumptions

It is a logical assumption to expect a higher workload from the additional post seasonal and special assessments NERC has created. Several of SERC's study groups have requested SERC staff support for their annual database deliverables. It is also assumed that the Generator Availability Database System (GADS) system will evolve from 'optional' to 'mandatory' use, and that the Generation and Transmission Reliability Planning Models Task Force's expectations, which include probabilistic studies, will indeed be carried out.

[1] The Annual Reliability Review Subcommittee Report to the Engineering Committee is the key SERC document which provides an overall assessment of the health and ability of the system within SERC to carry out its functions. The data used for this report supports all NERC assessments

[2] SERC committees involved in the Reliability Assessment process include; Engineering Committee, Reliability Review subcommittee, Dynamics Review subcommittee, Near Term, Long Term, Dynamics and Short Circuit study groups.

2012 Goals and Key Deliverables

- Continuous improvement via annual data collection portal upgrades for Reliability Assessment purposes.
- Engagement with NERC Reliability Assessment process, through the NERC Reliability Assessment Subcommittee of the Planning Committee in 2012 including performance in accordance with the agreed upon performance metrics between NERC and the regions.
- Assess and implement the indicated follow-on studies from SERC's first region-wide resource adequacy assessment using probabilistic methods. Obtain computer hardware and software for the effort.
- Complete the SERC Reliability Review Subcommittee (RRS) Annual Report to the Engineering Committee.
- Complete NERC Seasonal and Long Term Assessment reports for 2012 in accordance with the agreed upon performance metrics between NERC and the regions.
- Implement Scenario Analysis and Special Assessments in accordance with the agreed upon performance metrics between NERC and the regions.
- Complete SERC submittals for the FERC Form 715 by March 31st.
- Complete SERC submittals for the EIA-411, and publish final data by July 31st.
- Assist SERC's Registered Entities in implementing NERC's DADS, GADS and TADS programs.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- The Reliability Assessment and Performance Analysis Program budgeted 4.5 FTEs in 2011. 2011 projected staffing is 5.7 FTEs, with the addition of a Reliability Assessment Analyst to assist the Regional and inter-Regional study groups, and help with Events Analysis and the Situation Awareness program and an increase in hours of a part-time employee. These positions are included in the 2012 budget, but were advanced in 2011.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Consultants and contracts expenses increased by $82,800 from the 2011 budget due to the Resource Adequacy program, the Under Frequency Load Shedding study and the Dynamic Reduction Study. In 2012, SERC has budgeted $55,000 to perform an extension of the 2011 resource adequacy study to take into account additional changes in input assumptions to support NERC performance analysis, an increase of $31,000 from 2011. SERC has budgeted $100,000 to perform an Under Frequency Load Shedding study which will document the effectiveness of the design of the Regional UFLS program, and will include a dynamic simulation of possible disturbances that cause the Region (or portions of the Region) to experience the largest imbalances between demand and generation. This study is performed every five years, causing an increase of $100,000 from 2011. Additionally, a contract to prepare a series of SERC-specific dynamics cases is conducted bi-annually. The last dynamics reduction resulted in the 2011 series cases. As this study was performed in 2011, there is no funding for vendor support in developing reduced dynamics models of the SERC region in the 2012 budget, a decrease of $60,000 from 2011. SERC has budgeted $65,000 in relation to our NEL share of the Multiregional Model Working Group (MMWG)/Eastern Interconnection Reliability Assessment Group (ERAG) expenses, no change from 2011.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Assessment and Performance Analysis

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 1,202,185	$ 1,202,185	$ -	$ 1,581,890	$ 379,705
Penalty Sanctions	109,653	109,653	-	45,906	(63,747)
Total ERO Funding	**$ 1,311,838**	**$ 1,311,838**	**$ -**	**$ 1,627,796**	**$ 315,958**
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
Total Funding	**$ 1,311,838**	**$ 1,311,838**	**$ -**	**$ 1,627,796**	**$ 315,958**
Expenses					
Personnel Expenses					
Salaries	$ 474,380	$ 505,810	$ 31,430	$ 549,063	$ 74,683
Payroll Taxes	52,182	44,436	(7,746)	49,416	(2,766)
Benefits	52,060	75,127	23,067	81,865	29,805
Retirement Costs	40,927	42,441	1,514	76,546	35,619
Total Personnel Expenses	**$ 619,549**	**$ 667,814**	**$ 48,265**	**$ 756,890**	**$ 137,341**
Meeting Expenses					
Meetings	$ 42,050	$ 42,296	$ 246	$ 32,275	$ (9,775)
Travel	29,277	20,494	(8,783)	32,311	3,034
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 71,327**	**$ 62,790**	**$ (8,537)**	**$ 64,586**	**$ (6,741)**
Operating Expenses					
Consultants & Contracts	$ 149,000	$ 120,200	$ (28,800)	$ 231,800	$ 82,800
Office Rent	-	-	-	-	-
Office Costs	19,800	4,800	(15,000)	57,980	38,180
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 168,800**	**$ 125,000**	**$ (43,800)**	**$ 289,780**	**$ 120,980**
Total Direct Expenses	**$ 859,676**	**$ 855,604**	**$ (4,072)**	**$ 1,111,256**	**$ 251,580**
Indirect Expenses	**$ 462,269**	**$ 438,852**	**$ (23,417)**	**$ 510,830**	**$ 48,561**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 1,321,945**	**$ 1,294,456**	**$ (27,489)**	**$ 1,622,086**	**$ 300,141**
Change in Assets	**$ (10,107)**	**$ 17,382**	**$ 27,489**	**$ 5,710**	**$ 15,817**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ 10,107	$ 11,420	$ 1,313	(5,710)	$ (15,817)
Change in Fixed Assets	**10,107**	**11,420**	**1,313**	**(5,710)**	**(15,817)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 28,802**	**$ 28,802**	**$ -**	**$ -**

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.75	1.75	-
Direct Expenses	$ 587,092	$ 690,509	$ 103,417
Indirect Expenses	$ 179,771	$ 156,834	$ (22,937)
Inc(Dec) in Fixed Assets	$ (3,930)	$ 1,753	$ 5,683
Total Funding Requirement	$ 762,933	$ 849,096	$ 86,163

Program Scope and Functional Description

The SERC Training, Education, and Operator Certification program is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure Section 900. The program provides education and training necessary to understand and operate the bulk power system. The target audience of the program is bulk power system operating personnel - including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. The program also supports SERC staff training and development as well as the administration of records necessary to maintain status as a NERC Continuing Education provider.

2012 Key Assumptions

- No significant changes are expected in system operator certification CEH requirements through 2013
- SERC will continue to offer quality, relevant NERC Certified Continuing Education Hours to system operators in the region
- SERC will continue to coordinate and facilitate the conduct of system-wide restoration drill activity that involves system operating personnel from multiple operating entities throughout the region using realistic operating scenarios

2012 Goals and Key Deliverables

- Actively support the training and education of reliability personnel within the region, focusing on:
  - Knowledge of reliability standards and recognizing and responding to system emergencies.
  - Provide information and support to registered entities to assist with a systematic approach to training.
- Host compliance workshops as needed
- Additionally, SERC will support the NERC initiatives in the areas of:
  - Coordination and management of internal and external training
  - Implementing a compliance auditor training program
  - Developing educational materials for registered entities regarding expectations for new and existing reliability standards, and for supporting a culture or reliability excellence
  - Delivery of educational materials to registered entities through a centralized, robust learning management system (LMS). The LMS is expected to provide standards technical guidance, compliance guidance, lessons learned, examples of excellence, best practices, alerts, and other technical resource information

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- SERC has budgeted to hold one of the Joint Standing Committee meetings in the SERC office meeting space with a reduced fee charged to members, causing a decrease in Workshop revenue of $15,830.

Personnel Expenses

- There are no significant changes requiring an explanation.

Meeting Expenses

- Meeting expenses increased by $69,250. As noted in the Technical Committees and Member Forum explanations, the meeting expenses related to the Joint Standing Committee meetings for 2012 is recorded in the Training program, causing meeting expense to increase by $40,500. Additionally, in 2012, all Compliance Seminars are budgeted off-site, where in 2011, two were budgeted off-site and two on-site, causing meeting expense to increase by $30,000.
- Travel expenses decreased by $17,309 due to a greater emphasis on the use of technology. Additionally, SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel, thereby reducing costs.

Operating Expenses

- Consultants and contracts increased by $35,400 for contract support of wide-area system restoration drill activity and delivery of training at four system operator conferences, including the use of computer-aided simulation exercises. Additionally, $35,400 is budgeted for presenters at the system operator conference and for the development and maintenance of computer-delivered training modules.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget

Training and Education

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 440,259	$ 440,259	$ -	$ 570,332	$ 130,073
Penalty Sanctions	42,174	42,174	-	14,094	(28,080)
Total ERO Funding	**$ 482,433**	**$ 482,433**	**$ -**	**$ 584,426**	**$ 101,993**
Workshops	280,500	263,850	(16,650)	264,670	(15,830)
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
Total Funding	**$ 762,933**	**$ 746,283**	**$ (16,650)**	**$ 849,096**	**$ 86,163**
Expenses					
Personnel Expenses					
Salaries	$ 237,095	$ 239,508	$ 2,413	$ 246,421	$ 9,326
Payroll Taxes	26,080	21,041	(5,039)	22,178	(3,902)
Benefits	21,033	19,812	(1,221)	21,388	355
Retirement Costs	22,863	22,669	(194)	33,160	10,297
Total Personnel Expenses	**$ 307,071**	**$ 303,030**	**$ (4,041)**	**$ 323,147**	**$ 16,076**
Meeting Expenses					
Meetings	$ 207,360	$ 192,352	$ (15,008)	$ 276,610	$ 69,250
Travel	37,661	26,363	(11,298)	20,352	(17,309)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 245,021**	**$ 218,715**	**$ (26,306)**	**$ 296,962**	**$ 51,941**
Operating Expenses					
Consultants & Contracts	$ 35,000	$ 68,000	$ 33,000	$ 70,400	$ 35,400
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 35,000**	**$ 68,000**	**$ 33,000**	**$ 70,400**	**$ 35,400**
Total Direct Expenses	**$ 587,092**	**$ 589,745**	**$ 2,653**	**$ 690,509**	**$ 103,417**
Indirect Expenses	**$ 179,771**	**$ 134,735**	**$ (45,036)**	**$ 156,834**	**$ (22,937)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 766,863**	**$ 724,480**	**$ (42,383)**	**$ 847,343**	**$ 80,480**
Change in Assets	**$ (3,930)**	**$ 21,803**	**$ 25,733**	**$ 1,753**	**$ 5,683**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ 3,930	$ 3,506	$ (424)	(1,753)	$ (5,683)
Change in Fixed Assets	**3,930**	**3,506**	**(424)**	**(1,753)**	**(5,683)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 25,309**	**$ 25,309**	**$ -**	**$ -**

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	3.75	5.75	2.00
Direct Expenses	$ 849,382	$ 1,064,373	$ 214,991
Indirect Expenses	$ 385,224	$ 515,311	$ 130,087
Inc(Dec) in Fixed Assets	$ (8,422)	$ 5,760	$ 14,182
Total Funding Requirement	$ 1,226,184	$ 1,585,444	$ 359,260

Program Scope and Functional Description

- The SERC Situation Awareness program is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure sections 1001 and 1002. The Situation Awareness Program monitors near real-time activities on the bulk electric system for the purposes of identifying any conditions that are impacting or have the potential to impact the reliability of the bulk power system in the SERC Region. SERC situation awareness activities rely on high-level communications, coordination and cooperation among SERC staff, Reliability Coordinators, adjacent NERC Regions, and NERC ES-ISAC regarding near real-time system conditions.

- The SERC Critical Infrastructure Protection program is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure section 1003. The Critical Infrastructure Protection (CIP) program is responsible for the awareness of critical infrastructure security, CIP standards education and outreach, and promoting security best practices within the SERC Region in order to promote the advancement of the physical and cyber security of the bulk power system.

- The SERC Event Analysis program is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure sections 807 and 808 and Appendix 8. The ERO Certification Order at Paragraph 370 stated that Regional Entities should have an important role in investigations of system disturbances and other major events that affect their regions. The SERC Event Analysis program also:
  - Analyzes off-normal events on the bulk power system
  - Identifies the root causes of events that may be precursors of potentially more serious events;
  - Assesses past reliability performance for lessons learned;
  - Disseminates findings and lessons learned to improve reliability performance.

2012 Key Assumptions

- SERC situation awareness activities will continue to leverage the use of NERC reliability tools and functions to reduce the burden on SERC operating entities in providing monitoring information
- CIP activities will continue to increase significantly across the electricity sector
- The number of events requiring review and analysis are expected to increase through ERO-enterprise joint processes and resourcing for triage, analysis, and reporting of system events. SERC will encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and will promote information sharing

2012 Goals and Key Deliverables

- SERC will maintain awareness of operational situations and reportable events within the SERC Region and maintain appropriate relationships with registered entities as necessary.
- SERC will facilitate and support registered entities in complying with CIP reliability standards by providing education and outreach opportunities.
- SERC will support ERO initiatives to:
    - Develop and provide root cause analysis training for staff and industry subject matter experts who participate in event analysis and investigation teams
- Provide timely publication of lessons learned and recommendations, and track responses to recommendations

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- The Situation Awareness and Infrastructure Security Program budgeted 3.75 FTEs in 2011. 2011 projected staffing is 4.75, with the addition of a root cause analysis specialist to improve staff technical capabilities in standards development, events analyses, and training. This position is included in the 2012 budget, but was advanced in 2011.
- SERC plans to increase staffing within the Situation Awareness and Infrastructure Security Program by 1.0 additional FTE, with the addition of a protection and controls engineer to improve staff technical capabilities in analyzing misoperations, standards development, events analyses, and training.

Meeting Expenses

- Travel expenses decreased by $12,286 due to a greater emphasis on the use of technology. Additionally, SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel, thereby reducing costs.

Operating Expenses

- Consultants and contracts expense decreased by $25,000 from the 2011 budget due to a decrease in GIS software compatible with available geospatial data for improved visualization of the SERC region and user enhancements for the voice-over-internet hotline system used by SERC BA's, TOP's, and RC's, as 2012 is a continuation of the project.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Situation Awareness and Infrastructure Security

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 1,135,810	$ 1,135,810	$ -	$ 1,543,162	$ 407,352
Penalty Sanctions	90,374	90,374	-	42,282	(48,092)
Total ERO Funding	**$ 1,226,184**	**$ 1,226,184**	**$ -**	**$ 1,585,444**	**$ 359,260**
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
Total Funding	**$ 1,226,184**	**$ 1,226,184**	**$ -**	**$ 1,585,444**	**$ 359,260**
Expenses					
Personnel Expenses					
Salaries	$ 528,538	$ 568,920	$ 40,382	$ 719,673	$ 191,135
Payroll Taxes	58,139	49,980	(8,159)	64,771	6,632
Benefits	56,874	72,027	15,153	82,896	26,022
Retirement Costs	46,886	37,824	(9,062)	77,737	30,851
Total Personnel Expenses	**$ 690,437**	**$ 728,751**	**$ 38,314**	**$ 945,077**	**$ 254,640**
Meeting Expenses					
Meetings	$ 21,375	$ 22,151	$ 776	$ 19,125	$ (2,250)
Travel	57,570	40,299	(17,271)	45,171	(12,399)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 78,945**	**$ 62,450**	**$ (16,495)**	**$ 64,296**	**$ (14,649)**
Operating Expenses					
Consultants & Contracts	$ 80,000	$ 132,224	$ 52,224	$ 55,000	$ (25,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 80,000**	**$ 132,224**	**$ 52,224**	**$ 55,000**	**$ (25,000)**
Total Direct Expenses	**$ 849,382**	**$ 923,425**	**$ 74,043**	**$ 1,064,373**	**$ 214,991**
Indirect Expenses	**$ 385,224**	**$ 365,710**	**$ (19,514)**	**$ 515,311**	**$ 130,087**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 1,234,606**	**$ 1,289,135**	**$ 54,529**	**$ 1,579,684**	**$ 345,078**
Change in Assets	**$ (8,422)**	**$ (62,951)**	**$ (54,529)**	**$ 5,760**	**$ 14,182**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ 8,422	$ 9,517	$ 1,095	(5,760)	$ (14,182)
Change in Fixed Assets	**8,422**	**9,517**	**1,095**	**(5,760)**	**(14,182)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ (53,434)**	**$ (53,434)**	**$ -**	**$ -**

Administrative Services

Administrative Services (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	13.75	16.75	3.00
Total Direct Expenses	$ 4,093,373	$ 5,113,822	$ 1,020,449
Inc(Dec) in Fixed Assets	$ (89,276)	$ 57,048	$ 146,324
Less: Other Funding Sources	$ (10,000)	$ (10,000)	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ (4,083,373)	$ (5,103,822)	$ (1,020,449)
Funding Requirement for Working Capital	$ 144,368	$ -	$ (144,368)

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.75	2.75	-
Total Direct Expenses	$ 708,707	$ 638,787	$ (69,920)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Less: Other Funding Sources	$ -	$ -	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ (708,707)	$ (638,787)	$ 69,920
Funding Requirement for Working Capital	$ -	$ -	$ -

Program Scope and Functional Description

The Technical Committees and Members' Forums serve to strengthen capabilities within the region to plan and operate bulk electric systems reliably and in compliance with reliability standards. The success of SERC's reliability programs depends on the active and direct participation of its members. The forums are also a source of expertise in the industry for enhancing reliability through technical excellence. The goal of these meetings is to:

- Participate in the establishment of Reliability Standards;
- Participate in the measurement of performance relative to these Reliability Standards;
- Promote conformance to and compliance with these Reliability Standards;
- Develop and exchange information with respect to planning and operating matters relating to the reliability and adequacy of the bulk-power system;
- Review as necessary activities within the region on reliability and adequacy in order to meet Reliability Standards;
- Perform technical functions through assignment of specific tasks to subcommittees and working groups.

2012 Key Assumptions

- SERC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2012.
- The current economic downturn will continue to adversely affect stakeholder travel budgets and resourcing for work in regional programs. SERC will need to develop methods to encourage active involvement with less travel and face-to-face meetings.
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.

2012 Goals and Key Deliverables

- 100 percent of SERC standing committees and their subgroups are operating under a documented committee management plan in support of a 3-year work-plan.
- Committees operate within web-based communities of practice on technical issues to support standards development and other appropriate committee activities requiring collaboration
- Regional representatives to ERO technical committees are supported to effect a coordinated region view

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- There are no significant changes requiring an explanation.

Meeting Expenses

- As noted in the Training, Education and Operator Certification explanations, the meeting expenses related to the Joint Standing Committee meetings for 2012 is recorded in the Training program, causing meeting expense to decrease by $74,970.
- Travel expenses decreased by $22,646 due to a greater emphasis on the use of technology. Additionally, SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel, thereby reducing costs.

Operating Expenses

- There are no significant changes requiring an explanation.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Technical Committees and Member Forums

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions				-	
Total ERO Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 410,899	$ 413,803	$ 2,904	$ 426,271	$ 15,372
Payroll Taxes	45,199	36,353	(8,846)	38,364	(6,835)
Benefits	29,270	27,632	(1,638)	29,413	143
Retirement Costs	40,037	39,883	(154)	58,513	18,476
Total Personnel Expenses	**$ 525,405**	**$ 517,671**	**$ (7,734)**	**$ 552,561**	**$ 27,156**
Meeting Expenses					
Meetings	$ 108,978	$ 80,733	$ (28,245)	$ 34,008	$ (74,970)
Travel	63,929	44,750	(19,179)	41,283	(22,646)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 172,907**	**$ 125,483**	**$ (47,424)**	**$ 75,291**	**$ (97,616)**
Operating Expenses					
Consultants & Contracts	$ 9,375	$ 9,786	$ 411	$ 9,375	$ -
Office Rent	-	-	-	-	-
Office Costs	1,020	1,020	-	1,560	540
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 10,395**	**$ 10,806**	**$ 411**	**$ 10,935**	**$ 540**
Total Direct Expenses	**$ 708,707**	**$ 653,960**	**$ (54,747)**	**$ 638,787**	**$ (69,920)**
Indirect Expenses	**$ (708,707)**	**$ (653,960)**	**$ 54,747**	**$ (638,787)**	**$ 69,920**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	-	
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

General and Administrative

General and Administrative Services (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	11.00	14.00	3.00
Total Direct Expenses	$ 2,660,321	$ 3,486,910	$ 826,589
Inc(Dec) in Fixed Assets	$ (89,276)	$ 57,048	$ 146,324
Less: Other Funding Sources	$ -	$ -	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ (2,660,321)	$ (3,486,910)	$ (826,589)
Funding Requirement for Working Capital	$ 144,368	$ -	$ (144,368)

Program Scope and Functional Description

The SERC general and administrative function provides executive management of the corporation, management of the SERC office, and other administrative support programs.

2012 Key Assumptions

- Each of the delegated functional areas will evolve with continued emphasis on effective execution, efficiency, transparency, and consistency.
- Increased focus will be placed on facilitating reliability enhancing activities by registered entities such as entity distribution of lessons learned for predefined event types and reinforcement of effective compliance cultures.

2012 Goals and Key Deliverables

- Refine program support to promote high quality and consistent implementation of delegated functions
- Implementation of continuous improvement activities to enable high quality performance of delegated functions while levelizing resources requirements
- SERC-wide procedures are fully implemented
- Improvements in member services including ease of activities requiring Portal interface

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- The General and Administrative Program budgeted 11 FTEs in 2011. 2011 projected staffing is 12, with the addition of an attorney. This position is included in the 2012 budget, but was advanced in 2011.
- SERC plans to increase staffing within the General and Administrative Program by 2.0 additional FTEs, with the addition of a senior information technology technician, and a human resource specialist. All personnel costs for the other administrative functions, including Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative to protect the confidentiality of individual compensation information of employees in these programs.

Meeting Expenses

- Increase in conference calls expense by $30,000 is due to the increase in FTEs and a continued emphasis on the use of technology for meetings

Operating Expenses

- Consultants and contractors decreased by $40,000. The 2011 budget included a contractor for continuous improvement activities such as self evaluation, corrective action, and bench marking.
- Office rent increased by $149,030 due to the additional office space.
- Office costs increased by $148,373 mainly due to the purchasing of furniture and equipment to outfit the additional office space leased.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- Increase in Computer and Software capital expenditures is due to additional software development for the reliability portal.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
General and Administrative

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ 144,368	$ 144,368	$ -	$ -	$ (144,368)
Penalty Sanctions	-	-	-	-	
Total ERO Funding	**$ 144,368**	**$ 144,368**	**$ -**	**$ -**	**$ (144,368)**
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	17,956	17,956	-	-
Total Funding	**$ 144,368**	**$ 162,324**	**$ 17,956**	**$ -**	**$ (144,368)**
Expenses					
Personnel Expenses					
Salaries	$ 1,474,609	$ 1,564,116	$ 89,507	$ 1,778,297	$ 303,688
Payroll Taxes	162,207	137,409	(24,798)	160,047	(2,160)
Benefits	141,828	139,014	(2,814)	133,983	(7,845)
Retirement Costs	117,992	127,850	9,858	250,086	132,094
Total Personnel Expenses	**$ 1,896,636**	**$ 1,968,389**	**$ 71,753**	**$ 2,322,413**	**$ 425,777**
Meeting Expenses					
Meetings	$ 16,400	$ 19,864	$ 3,464	$ 17,150	$ 750
Travel	59,147	41,403	(17,744)	51,463	(7,684)
Conference Calls	66,000	58,284	(7,716)	96,000	30,000
Total Meeting Expenses	**$ 141,547**	**$ 119,551**	**$ (21,996)**	**$ 164,613**	**$ 23,066**
Operating Expenses					
Consultants & Contracts	$ 40,000	$ 13,026	$ (26,974)	$ -	$ (40,000)
Office Rent	295,692	369,988	74,296	444,722	149,030
Office Costs	158,837	166,967	8,130	307,210	148,373
Professional Services	15,000	15,000	-	15,000	-
Miscellaneous	-	12,665	12,665	-	-
Depreciation	112,609	124,083	11,474	232,952	120,343
Total Operating Expenses	**$ 622,138**	**$ 701,729**	**$ 79,591**	**$ 999,884**	**$ 377,746**
Total Direct Expenses	**$ 2,660,321**	**$ 2,789,669**	**$ 129,348**	**$ 3,486,910**	**$ 826,589**
Indirect Expenses	**$ (2,660,321)**	**$ (2,789,669)**	**$ (129,348)**	**$ (3,486,910)**	**$ (826,589)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ 144,368**	**$ 162,324**	**$ 17,956**	**$ -**	**$ (144,368)**
Fixed Assets					
Depreciation	(112,609)	(124,083)	(11,474)	(232,952)	(120,343)
Computer & Software CapEx	-	20,000	20,000	290,000	290,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	23,333	-	(23,333)	-	(23,333)
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ 89,276**	**$ 104,083**	**$ 14,807**	**$ (57,048)**	**$ (146,324)**
Allocation of Fixed Assets	$ (89,276)	$ (104,083)	$ (14,807)	57,048	$ 146,324
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ 144,368**	**$ 162,324**	**$ 17,956**	**$ -**	**$ (144,368)**

Legal and Regulatory

Legal (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	$ 5,000	$ 25,000	$ 20,000
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Less: Other Funding Sources	$ -	$ -	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ (5,000)	$ (25,000)	$ (20,000)
Funding Requirement for Working Capital	$ -	$ -	$ -

Program Scope and Functional Description

SERC maintains legal counsel in house and has outside legal consultants to provide legal advice to the CEO, Board of Directors, and staff on legal and regulatory matters affecting SERC; review items filed with governmental agencies for legal sufficiency; and review all contracts.

- Ensure continuing recognition of SERC as a regional entity.
- Obtain regulatory approvals for new and revised regional reliability standards on a timely basis.
- Review legal documents, including notices of penalty, required to be filed with FERC
- Provide hearing services for all contested compliance actions, and other services as needed, such as transcription.
- Provide legal counsel as needed for SERC during compliance proceedings.
- Process all appeals of compliance actions in an effective and efficient manner.
- Liaison with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Review all contracts and changes to personnel policies.

2012 Key Assumptions

- The level of detail required in notice of penalties to meet NERC and FERC expectations continues to increase
- The likelihood of a contested compliance action increases, with one to two hearings (ERO-wide) being projected

2012 Goals and Key Deliverables

- Two or less SERC notices of penalty are remanded by NERC
- Five or less SERC notices of penalty filed with the commission are tolled for more information

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- There are no significant changes requiring an explanation. There are no FTEs included in the Legal and Regulatory program. All in-house attorneys are recorded under the General and Administrative program.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Professional services increased $20,000 due to the increased need for additional outside legal support.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget

Legal and Regulatory

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions				-	
Total ERO Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
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	5,000	10,000	5,000	25,000	20,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 5,000**	**$ 10,000**	**$ 5,000**	**$ 25,000**	**$ 20,000**
Total Direct Expenses	**$ 5,000**	**$ 10,000**	**$ 5,000**	**$ 25,000**	**$ 20,000**
Indirect Expenses	**$ (5,000)**	**$ (10,000)**	**$ (5,000)**	**$ (25,000)**	**$ (20,000)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	-	
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Information Technology

Information Technology (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	$ 689,145	$ 925,725	$ 236,580
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Less: Other Funding Sources	$ -	$ -	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ (689,145)	$ (925,725)	$ (236,580)
Funding Requirement for Working Capital	$ -	$ -	$ -

Program Scope and Functional Description

The Information Technology area of SERC offers project and vendor management for all current technology related contracts. The technology group at SERC supports other staff and SERC members with the portal system and core technology infrastructure. Current SERC projects include:

- Guidance (hosting and development for SERC Portal, SERC web site and the consortium)
- Inter7 (Operating Committee hot line equipment vendor)
- Telecommunication circuits (conference bridge, Operating Committee hotline service)
- OATI checkout tool (Operating Committee project for region wide scheduling checkout tool)
- WebEx (web meeting and collaboration solution)
- Document management system
- Storage Area Network (SAN) (data storage and back-up system)

2012 Key Assumptions

- The Consortium will continue to work together, enabling SERC and other regions to share the total costs of development.
- SERC will continue to support the OATI Check out tool.

2012 Goals and Key Deliverables

- Development and use of performance metrics used to gauge the availability and usability of key IT services

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- There are no significant changes requiring an explanation. All personnel for Information Technology are included under the General and Administrative program.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Consultants and contracts are increasing by $46,780 to support software development and hosting of the portal and hotline.
- Office costs are increasing by $189,800. Of this, approximately $30,000 relates to an increase in the number of computers purchased for the new FTEs as well as replacements for current staff; $100,000 is for a Microsoft Office Sharepoint server; and approximately $37,000 for new equipment and printers for the additional office space and FTEs.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2012 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- There are no significant changes requiring an explanation.

Information Technology

Funding sources and related expenses for the information technology section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget

Information Technology

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions				-	
Total ERO Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Other Funding	-	-	-	-	-
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	$ 583,420	$ 456,638	$ (126,782)	$ 630,200	$ 46,780
Office Rent	-	-	-	-	-
Office Costs	105,725	69,212	(36,513)	295,525	189,800
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 689,145**	**$ 525,850**	**$ (163,295)**	**$ 925,725**	**$ 236,580**
Total Direct Expenses	**$ 689,145**	**$ 525,850**	**$ (163,295)**	**$ 925,725**	**$ 236,580**
Indirect Expenses	**$ (689,145)**	**$ (525,850)**	**$ 163,295**	**$ (925,725)**	**$ (236,580)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-		-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	-	$ -
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Human Resources

Human Resources (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	$ -	$ -	$ -
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Less: Other Funding Sources	$ -	$ -	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ -	$ -	$ -
Funding Requirement for Working Capital	$ -	$ -	$ -

Program Scope and Functional Description

The SERC human resources function is responsible for recruiting stellar employees, maintaining appropriate salaries and benefits based on industry data, providing for employee training programs and updating the employee handbook.

2012 Key Assumptions

- Average salary increase of 2.5%. This assumption is reflected in the salary expense budget for all program areas.

2012 Goals and Key Deliverables

- Attract, develop and retain highly competent and motivated staff.
- Continuous review of compensation and benefits.

Funding Sources and Requirements — Explanation of Increase (Decrease)

In the 2012 and 2011 Business Plan and Budgets, there are no expenses related to Human Resources, as all personnel expenses for Human Resources are included under the General and Administrative program and there are no additional costs. Due to this, there are no significant changes requiring an explanation.

Human Resources

Funding sources and related expenses for the human resources section of the 2012 business plan are shown in the table below

Statement of Activities and Capital Expenditures 2011 Budget & Projection, and 2012 Budget Human Resources						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	$ -	$ -	$ -	$ -	$ -
	Penalty Sanctions				-	
Total ERO Funding		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	Workshops	-	-	-	-	-
	Interest	-	-	-	-	-
	Other Funding	-	-	-	-	-
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	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
	Depreciation	-	-	-	-	-
Total Operating Expenses		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	Total Direct Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Indirect Expenses		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Other Non-Operating Expenses		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets						
	Depreciation	-	-	-	-	-
	Computer & Software CapEx	-	-		-	-
	Furniture & Fixtures CapEx	-	-		-	-
	Equipment CapEx	-	-		-	-
	Leasehold Improvements	-	-		-	-
(Incr)Dec in Fixed Assets		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	Allocation of Fixed Assets	$ -	$ -	$ -	-	
Change in Fixed Assets		**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Finance and Accounting

Finance (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	$ 30,200	$ 37,400	$ 7,200
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Less: Other Funding Sources	$ (10,000)	$ (10,000)	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ (20,200)	$ (27,400)	$ (7,200)
Funding Requirement for Working Capital	$ -	$ -	$ -

Program Scope and Functional Description

The objectives are to provide the financial and accounting services for SERC, and coordinate with NERC requirements through:

- Providing payroll and expense administration.
- Preparing quarterly financial statements.
- Filing federal and state tax and other forms required of non-profit corporations.
- Reviewing and improving fiscal controls and complete a year-end external audit.

2012 Key Assumptions

- Maintain or reduce meeting costs.
- Accomplish SERC goals and stay within budget.

2012 Goals and Key Deliverables

- Prepare and review monthly, quarterly and annual financial statements.
- Maintain budgetary controls.
- Process payroll and expense reports.
- Maintain necessary internal controls.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- There are no significant changes requiring an explanation. All personnel for Finance and Accounting are included under the General and Administrative program.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- There are no significant changes requiring an explanation.

Indirect Expenses

- There are no significant changes requiring an explanation.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

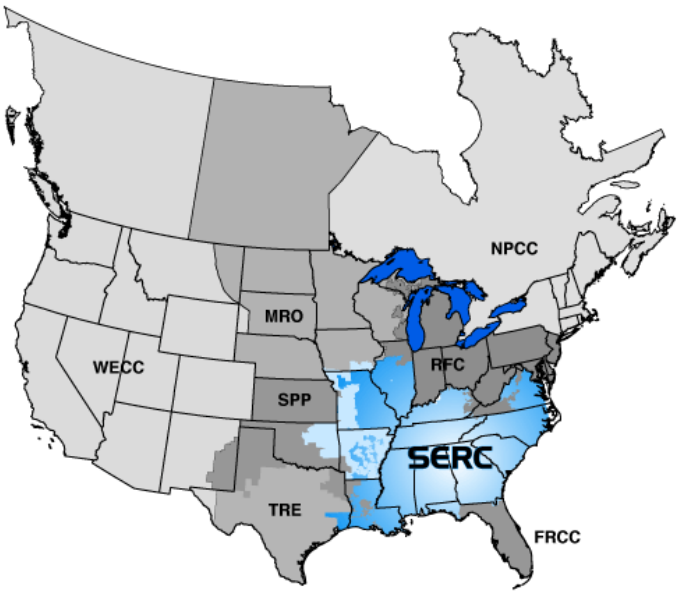
- There are no significant changes requiring an explanation.

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2011 Budget & Projection, and 2012 Budget Finance and Accounting						
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	$ -	$ -	$ -	$ -	$ -
	Penalty Sanctions				-	
Total ERO Funding		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	Workshops	-	-	-	-	-
	Interest	10,000	9,000	(1,000)	10,000	-
	Other Funding	-	-	-	-	-
Total Funding		**$ 10,000**	**$ 9,000**	**$ (1,000)**	**$ 10,000**	**$ -**
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	5,000	5,865	865	8,000	3,000
	Professional Services	25,200	23,365	(1,835)	29,400	4,200
	Miscellaneous	-	-	-	-	-
	Depreciation	-	-	-	-	-
Total Operating Expenses		**$ 30,200**	**$ 29,230**	**$ (970)**	**$ 37,400**	**$ 7,200**
	Total Direct Expenses	**$ 30,200**	**$ 29,230**	**$ (970)**	**$ 37,400**	**$ 7,200**
Indirect Expenses		**$ (20,200)**	**$ (20,230)**	**$ (30)**	**$ (27,400)**	**$ (7,200)**
Other Non-Operating Expenses		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses		**$ 10,000**	**$ 9,000**	**$ (1,000)**	**$ 10,000**	**$ -**
Change in Assets		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets						
	Depreciation	-	-	-	-	-
	Computer & Software CapEx	-	-		-	-
	Furniture & Fixtures CapEx	-	-		-	-
	Equipment CapEx	-	-		-	-
	Leasehold Improvements	-	-		-	-
(Incr)Dec in Fixed Assets		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	Allocation of Fixed Assets		$ -		-	
Change in Fixed Assets		**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Section B – Supplemental Financial Information
2012 Business Plan and Budget



Section B — Supplemental Financial Information
Reserve Balance

Table B-1

Working Capital Reserve Analysis 2010-2011		
STATUTORY		
Beginning Working Capital Reserve (Deficit), December 31, 2010		$ 2,393,139
Less: Penalty sanctions to be used as offset to 2012 assessments, received prior to 12/31/10		(252,500)
Plus: Penalty sanctions to be used as offset to 2012 assessments	[1]	434,500
Plus: 2011 ERO Funding (from LSEs or designees)		10,671,508
Plus: 2011 Other funding sources		310,806
Less: 2011 Projected expenses & capital expenditures		(11,927,434)
Projected Working Capital Reserve (Deficit), December 31, 2011		**$ 1,630,019**
Desired Working Capital Reserve, December 31, 2012	[2]	1,195,519
Less: Projected Working Capital Reserve, December 31, 2011		(1,630,019)
Plus: Penalty sanctions to be used as offset to 2012 assessments		434,500
Increase (decrease) in assessments to achieve desired Working Capital Reserve		$ -
2012 Expenses and Capital Expenditures		$ 15,594,445
Less: Penalty Sanctions	[1]	(434,500)
Less: Other Funding Sources		(314,670)
Adjustment to achieve desired Working Capital Reserve		-
2012 ERO Assessment		$ 14,845,275

[1] Represents collections on or prior to June 30, 2011. See page 56 or full disclosure.

[2] As documented in the April 23, 2008 minutes, the SERC Board of Directors has approved the establishment of a cash reserve equal to up to 10% of its budgeted annual statutory operating costs, with the understanding that should it become necessary to spend any of the reserve funds, the President shall provide a report detailing such expenditures at the next regular meeting of the Board of Directors. The reserve was established for contingencies.

Explanation of Changes in Reserve Policy from Prior Years

There has been no change in SERC's reserve policy.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities and Capital Expenditures, page 13, of the 2012 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2011 are to be used to offset assessments in the 2012 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2011 through June 30, 2012 will be used to offset assessments in the 2013 Budget.

All penalties received prior to July 1, 2011 are detailed below, including the amount, and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-2

	Date Received	Amount Received
Penalty payment 1	26-Aug-2010	$ 115,000
Penalty payment 2	2-Sep-2010	10,000
Penalty payment 3	2-Sep-2010	5,000
Penalty payment 4	13-Sep-2010	20,000
Penalty payment 5	14-Sep-2010	12,500
Penalty payment 6	17-Sep-2010	30,000
Penalty payment 7	17-Sep-2010	30,000
Penalty payment 8	17-Sep-2010	10,000
Penalty payment 9	9-Nov-2010	2,000
Penalty payment 10	17-Nov-2010	5,000
Penalty payment 11	30-Nov-2010	3,000
Penalty payment 12	1-Dec-2010	10,000
Penalty payment 13	6-Jan-2011	5,000
Penalty payment 14	7-Jan-2011	5,000
Penalty payment 15	7-Jan-2011	6,000
Penalty payment 16	7-Jan-2011	16,000
Penalty payment 17	12-Jan-2011	30,000
Penalty payment 18	3-Feb-2011	2,000
Penalty payment 19	2-Mar-2011	3,000
Penalty payment 20	2-Mar-2011	10,000
Penalty payment 21	2-Mar-2011	5,000
Penalty payment 22	2-Mar-2011	30,000
Penalty payment 23	2-Mar-2011	4,000
Penalty payment 24	2-Mar-2011	10,000
Penalty payment 25	2-Mar-2011	12,000
Penalty payment 26	5-May-2011	7,000
Penalty payment 27	5-May-2011	12,500
Penalty payment 28	5-May-2011	5,000
Penalty payment 29	13-Jun-2011	12,500
Penalty payment 30	27-Jun-2011	5,000
Penalty payment 31	27-Jun-2011	2,000
Total Penalties Received		$ 434,500

Table B-3 - Supplemental Funding

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Reliability Standards				
Total	$ -	$ -	$ -	$ -
Compliance Monitoring, Enforcement & Org. Registration				
Other Funding	$ 40,000	$ 20,000	$ 40,000	$ -
Total	$ 40,000	$ 20,000	$ 40,000	$ -
Reliability Assessment and Performance Analysis				
Miscellaneous	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Training and Education				
Workshops	$ 280,500	$ 263,850	$ 264,670	$ (15,830)
Total	$ 280,500	$ 263,850	$ 264,670	$ (15,830)
Situation Awareness and Infrastructure Security				
Total	$ -	$ -	$ -	$ -
Technical Committees and Member Forums				
Total	$ -	$ -	$ -	$ -
General and Administrative				
Miscellaneous	$ -	$ 11,156	$ -	$ -
Total	$ -	$ 11,156	$ -	$ -
Finance				
Interest	$ 10,000	$ 9,000	$ 10,000	$ -
Total	$ 10,000	$ 9,000	$ 10,000	$ -
Total Outside Funding	$ 330,500	$ 304,006	$ 314,670	$ (15,830)

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

No significant variances. Other Funding includes the costs associated with SERC performing Cross-Regional Compliance Monitoring of Registered Entity functions performed by other Regional Entity organizations. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to Registered Entity functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entities.

Workshop funding decreased by $15,830 due to one of the planned Joint Standing Committee meetings is scheduled to be held in the SERC office meeting space with a reduced fee charged to members.

Table B-4 - Personnel Expenses

Personnel Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Salaries					
Salaries	$ 6,720,718	$ 7,260,336	$ 8,908,407	$ 2,187,689	32.6%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	$ 6,720,718	$ 7,260,336	$ 8,908,407	$ 2,187,689	32.6%
Total Payroll Taxes	$ 739,279	$ 637,826	$ 801,758	$ 62,479	8.5%
Benefits					
Workers Compensation	$ -	$ -	$ -	$ -	
Medical Insurance	606,193	602,716	756,230	150,037	24.8%
Life-LTD-LTC Insurance	34,855	38,277	48,768	13,913	39.9%
Education	47,607	53,335	41,885	(5,722)	-12.0%
Relocation	35,000	109,622	49,000	14,000	40.0%
Total Benefits	$ 723,655	$ 803,950	$ 895,883	$ 172,228	23.8%
Retirement					
Discretionary 401k Contribution	$ -	$ -	$ -	$ -	
Savings Plan	584,444	565,857	1,207,456	623,012	106.6%
Total Retirement	$ 584,444	$ 565,857	$ 1,207,456	$ 623,012	106.6%
Total Personnel Costs	$ 8,768,096	$ 9,267,969	$ 11,813,504	$ 3,045,408	34.7%
FTEs	53.5	66.7	73.7	20.2	37.8%
Cost per FTE					
Salaries	$ 125,621	$ 108,851	$ 120,874	(4,747)	-3.8%
Payroll Taxes	13,818	9,563	10,879	(2,940)	-21.3%
Benefits	13,526	12,053	12,156	(1,370)	-10.1%
Retirement	10,924	8,484	16,383	5,459	50.0%
Total Cost per FTE	**$ 163,890**	**$ 138,950**	**$ 160,292**	**$ (3,598)**	**-2.2%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Salaries increased $2,187,689 and payroll taxes increased $62,479 due to the addition of 20.2 employees compared to 2011 budget. A total of 13.2 FTEs were added in 2011 compared to the budget. The Compliance program added ten FTEs to increase the ability of compliance staff to timely process the large volume of active violations. The Situation Awareness program added an FTE to improve staff technical capabilities in the analysis of misoperations, standards development, events analyses, and training. The Reliability Assessment program added 1.2 FTEs, one as a reliability assessment analyst, to assist the Regional and inter-Regional study groups as well as an increase to a part-time employee's hours by 0.2. The General and Administrative program added an attorney to address additional compliance activities. These additions have been made in 2011 to meet critical needs to enable the organization to function effectively. The costs of these additional employees will be offset in 2011 by cost controls and funded through the reserve if necessary. In 2012, the additional employees in compliance include four FTEs; in Situation Awareness a protection and controls engineer; and in general and administrative, a senior information technology technician and a human resource specialist. The budget reflects an increase in salary for existing staff of 2.5%.

Medical insurance increased $150,036 and retirement costs increased by $623,012 due to the overall staffing increases, budgeted salary increases as noted above, and a change in the retirement plan.

Table B-5 - Consultants and Contracts

Consultants	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Consultants					
Reliability Standards	$ -	$ -	$ -	$ -	
Compliance and Organization Registration and Certification	95,000	100,000	-	(95,000)	-100%
Reliability Assessment and Performance Analysis	149,000	120,200	231,800	82,800	56%
Training and Education	35,000	33,000	35,400	400	1%
Situation Awareness and Infrastructure Security	25,000	97,224	25,000	-	0%
Committee and Member Forums	9,375	9,786	9,375	-	0%
General and Administrative	40,000	13,026	-	(40,000)	-100%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	$ 353,375	$ 373,237	$ 301,575	$ (51,800)	-15%
				-	

Contracts	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Contracts					
Computer & Communications Support	$ 128,700	$ 117,641	$ 128,700	$ -	
IT Web and Portal Support	414,906	297,568	469,000	54,094	
Checkout Tool	132,000	120,000	132,000	-	
Hotline Maintenance	30,000	22,412	30,000	-	
Website redesign	25,000	25,000	-	(25,000)	
Document management support	11,100	11,100	33,000	21,900	
Subtotal - Software Contracts	741,706	593,721	792,700	50,994	7%
Situation Awareness and Infrastructure Security					
Inter7 Hotline Enhancements	10,000	-	10,000	-	
Database design - custom basemaps and transmission overlay	35,000	35,000	20,000	(15,000)	
Root-Cause Analysis / Risk decision tree software tool	10,000	-	-	(10,000)	
Subtotal - Situation Awareness and Infrastructure Security	55,000	35,000	30,000	(25,000)	-45%
Training					
Restoration drill	-	35,000	35,000	35,000	
Subtotal - Training	-	35,000	35,000	35,000	100%
Contracts Total	$ 796,706	$ 663,721	$ 857,700	$ 60,994	8%
Total Consulting and Contracts	**$ 1,150,081**	**$ 1,036,957**	**$ 1,159,275**	**$ 9,194**	1%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

With the increase in compliance FTEs, consultants and contracts decreased by $95,000 due to the removal of audit support in the Compliance Program.

A decrease of $40,000 in consultants in General and Administrative is for the removal of continuous improvement activities such as self evaluation, corrective action, and bench marking.

A total decrease of $25,000 in contracts in the Situation Awareness and Infrastructure Security program relates to a reduction of $15,000 for the database design and $10,000 for software that was purchased in 2010 related to the root-cause analysis.

An increase of $82,800 in consultants in the Reliability Assessment program from the 2011 budget is due to the Resource Adequacy program, the Under Frequency Load Shedding study and the Dynamic Reduction Study. In 2012, SERC has budgeted $55,000 to perform an extension of the 2011 resource adequacy study to take into account additional changes in input assumptions to support NERC performance analysis, an increase of $31,000 from 2011. SERC has budgeted $100,000 to perform an Under Frequency Load Shedding study which will

document the effectiveness of the design of the Regional UFLS program, and will include a dynamic simulation of possible disturbances that cause the Region (or portions of the Region) to experience the largest imbalances between demand and generation. This study is performed every five years, causing an increase of $100,000 from 2011. Additionally, a contract to prepare a series of SERC-specific dynamics cases is conducted bi-annually. The last dynamics reduction resulted in the 2011 series cases. As this study was performed in 2011, there is no funding for vendor support in developing reduced dynamics models of the SERC region in the 2012 budget, a decrease of $60,000 from 2011.

An increase of $50,994 in software contracts in is due various projects, including additional consortium projects and support for the document management system.

An increase of $35,000 in contracts in Education and Training is due to wide-area restoration drill activity.

Table B-6 – Office Rent

Office Rent	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Office Rent	$ 295,692	$ 369,988	$ 444,722	149,030	50.40%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Security	-	-	-	-	
Total Office Rent	**$ 295,692**	**$ 369,988**	**$ 444,722**	**$ 149,030**	**50.40%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

In 2011, SERC increased its office space by 20,788 square feet causing the increase in rent expense. The new office space will be for additional offices

.

Table B-7 – Office Costs

Office Costs	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Telephone	$ 117,940	109,000	$ 187,220	$ 69,280	58.74%
Internet	-	-	7,020	7,020	
Office Supplies	37,934	50,576	133,330	95,396	251.48%
Computer Supplies and Maintenance	116,725	69,212	324,025	207,300	177.60%
Publications & Subscriptions	-	2,751	3,000	3,000	
Dues	2,000	2,500	2,500	500	25.00%
Postage	2,000	1,100	1,500	(500)	-25.00%
Express Shipping	2,000	2,900	3,000	1,000	50.00%
Copying	5,000	3,900	4,000	(1,000)	-20.00%
Reports	-	-	-	-	
Equipment Repair/Service Contracts	9,223	7,500	9,280	57	0.62%
Bank Charges	-	-	-	-	
Taxes	-	-	-	-	
Merchant Card Fees	5,000	5,865	8,000	3,000	60.00%
Presentation & Publicity	-	-	-	-	
Total Office Costs	**$ 297,822**	**$ 255,304**	**$ 682,875**	**$ 385,053**	**129.29%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

An increase in telephone of $69,280 is due to the additional FTEs and office space.

An increase in office supplies of $95,396 is to furnish the new office space.

An increase in computer supplies and maintenance of $207,300 is due mainly to the additional FTEs and the new office space. Of the increase, $30,000 relates to an increase in the number of computers purchased for the new FTEs as well as replacements for current staff; $100,000 is for a Microsoft Office Sharepoint server to assist in the interaction with NERC systems and the other regions; and approximately $37,000 for new equipment and printers for the additional office space and FTEs.

Table B-8 – Professional Services

Professional Services	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Independent Trustee Fees	$ -	$ -	$ -	$ -	0.00%
Legal Fees	25,000	25,000	45,000	20,000	80.00%
Accounting & Auditing Fees	25,200	23,365	29,400	4,200	16.67%
Insurance Commercial	15,000	15,000	15,000	-	0.00%
Total Services	**$ 65,200**	**$ 63,365**	**$ 89,400**	**$ 24,200**	**37.12%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Legal fees include outside legal and other legal. Outside legal expenses include charges in support of regulatory matters. Other legal fees represent charges for all other legal matters. Increase in outside legal expense of $5,000 and $15,000 in other legal expense for help with compliance filings and other legal matters.

Table B-9 – Other Non-operating Expenses

Other Non-Operating Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Interest Expense	$ -	$ -	$ -	$ -	
Line of Credit Payment	-	-	-	-	
Office Relocation	-	-	-	-	
Total Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

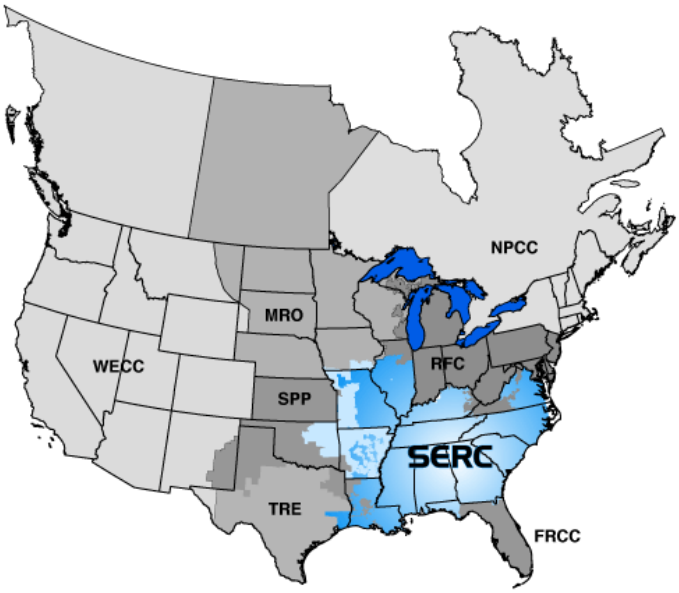
No significant variances.

Table B-10 – 2012 Budget with 2013-2014 Projection

Statement of Activities and Capital Expenditures

	2012 Budget	2013 Projection	$ Change 12 v 13	% Change 12 v 13	2014 Projection	$ Change 13 v 14	% Change 13 v 14
Funding							
ERO Funding							
ERO Assessments	$ 14,845,275	$ 17,771,797	$ 2,926,522	19.71%	$ 20,166,509	2,394,711	11.9%
Penalty Sanctions	434,500	-	(434,500)	-100.00%	-	-	
Total ERO Funding	**$ 15,279,775**	**$ 17,771,797**	**$ 2,492,022**	**16.3%**	**$ 20,166,509**	**$ 2,394,711**	**11.9%**
Workshops	264,670	267,450	2,780	1.05%	273,400	5,950	2.2%
Interest	10,000	10,000	-	0.00%	10,000	-	0.0%
Miscellaneous	40,000	40,000	-	0.00%	40,000	-	0.0%
Total Funding	**$ 15,594,445**	**$ 18,089,247**	**$ 2,494,802**	**16.0%**	**$ 20,489,909**	**$ 2,400,661**	**13.3%**
Expenses							
Personnel Expenses							
Salaries	$ 8,908,407	$ 10,667,374	$ 1,758,967	19.7%	$ 12,400,584	1,733,210	16.2%
Payroll Taxes	801,758	960,064	158,306	19.7%	1,116,053	155,989	16.2%
Benefits	895,883	1,055,695	159,812	17.8%	1,238,745	183,050	17.3%
Retirement Costs	1,207,456	1,440,426	232,970	19.3%	1,681,752	241,326	16.8%
Total Personnel Expenses	**$ 11,813,504**	**$ 14,123,559**	**$ 2,310,055**	**19.6%**	**$ 16,437,134**	**$ 2,313,575**	**16.4%**
Meeting Expenses							
Meetings	$ 402,078	$ 412,130	$ 10,052	2.5%	$ 422,433	10,303	2.5%
Travel	616,591	650,468	33,877	5.5%	605,745	(44,723)	-6.9%
Conference Calls	96,000	105,600	9,600	10.0%	110,880	5,280	5.0%
Total Meeting Expenses	**$ 1,114,669**	**$ 1,168,198**	**$ 53,529**	**4.8%**	**$ 1,139,058**	**$ (29,140)**	**-2.5%**
Operating Expenses							
Consultants & Contracts	$ 1,159,275	$ 1,245,610	86,335	7.4%	$ 1,225,902	(19,708)	-1.6%
Office Rent	444,722	458,064	13,342	3.0%	471,806	13,742	3.0%
Office Costs	682,875	699,947	17,072	2.5%	717,446	17,499	2.5%
Professional Services	89,400	93,870	4,470	5.0%	98,564	4,694	5.0%
Miscellaneous	-	-	-		-	-	
Depreciation	232,952	42,159	(190,793)	-81.9%	9,152	(33,007)	-78.3%
Total Operating Expenses	**$ 2,609,224**	**$ 2,539,650**	**$ (69,574)**	**-2.7%**	**$ 2,522,869**	**$ (16,781)**	**-0.7%**
Total Direct Expenses	**$ 15,537,397**	**$ 17,831,406**	**$ 2,294,009**	**14.8%**	**$ 20,099,061**	**$ 2,267,654**	**12.7%**
Indirect Expenses	**$ -**	**$ -**	**$ -**		**$ -**	**$ -**	
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**		**$ -**	**$ -**	
Total Expenses	**$ 15,537,397**	**$ 17,831,406**	**$ 2,294,009**	**14.8%**	**$ 20,099,061**	**2,267,654**	**12.7%**
Change in Assets	**$ 57,048**	**$ 257,841**	**$ 200,793**	**352.0%**	**$ 390,848**	**$ 133,007**	**51.6%**
Fixed Assets							
Depreciation	$ (232,952)	$ (42,159)	$ 190,793	-81.9%	$ (9,152)	$ 33,007	-78.3%
Computer & Software CapEx	290,000	100,000	(190,000)	-65.5%	100,000	-	0.0%
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	-	-	-		-	-	
Leasehold Improvements	-	-	-		-	-	
(Incr)Dec in Fixed Assets	**$ (57,048)**	**$ (57,841)**	**$ (793)**	**1.4%**	**$ (90,848)**	**$ (33,007)**	**57.1%**
Allocation of Fixed Assets	**$ -**	**$ -**	**$ -**		**$ -**	**$ -**	
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 200,000**	**$ 200,000**		**$ 300,000**	**$ 100,000**	**0.0%**
FTEs	73.70	86.70	13.00		99.70	13.00	

Section C – Non-Statutory Activities
2012 Business Plan and Budget

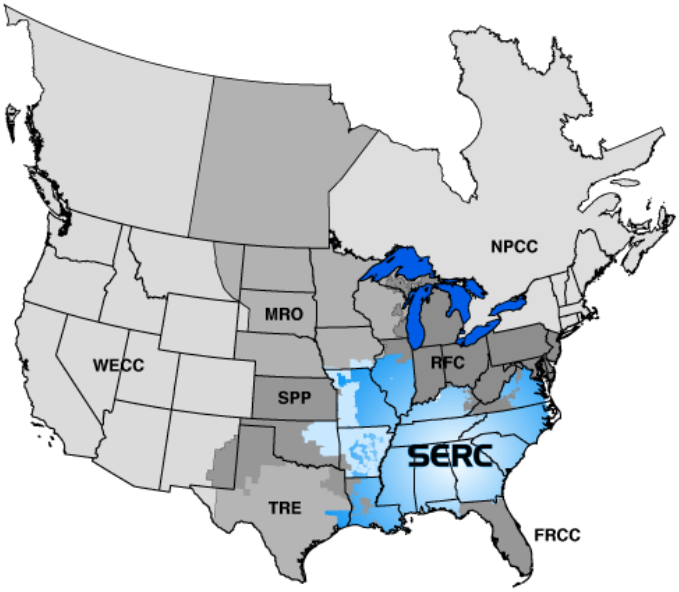


Section C — 2012 Non-Statutory Business Plan and Budget

Non-Statutory Activities (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Direct Expenses	-	-	-
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	-	-	-
Total Funding Requirement	-	-	-

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

Section D – Additional Consolidated Financial Statements
2012 Business Plan and Budget



Section D

2012 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

				Functions in Delegation Agreement												Non-Statutory Functions
Statement of Activities and Capital Expenditures by Program 2012 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total
Funding																
ERO Funding																
ERO Assessments	14,845,275	14,845,275	-	14,845,275	510,346	10,639,545	1,581,890	570,332	1,543,162	-	-	-	-	-	-	-
Penalty Sanctions	434,500	434,500	-	434,500	14,094	318,124	45,906	14,094	42,282	-	-	-	-	-	-	-
Total ERO Funding	**15,279,775**	**15,279,775**	**-**	**15,279,775**	**524,440**	**10,957,669**	**1,627,796**	**584,426**	**1,585,444**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Workshops	264,670	264,670	-	264,670	-	-	-	264,670	-	-	-	-	-	-	-	
Interest	10,000	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-	10,000	
Other Funding	40,000	40,000	-	40,000	-	40,000	-	-	-	-	-	-	-	-	-	
Total Funding	**15,594,445**	**15,594,445**	**-**	**15,594,445**	**524,440**	**10,997,669**	**1,627,796**	**849,096**	**1,585,444**	**-**	**-**	**-**	**-**	**-**	**10,000**	**-**
Expenses																
Personnel Expenses																
Salaries	8,908,407	8,908,407	-	8,908,407	258,039	4,930,643	549,063	246,421	719,673	426,271	1,778,297	-	-	-	-	-
Payroll Taxes	801,758	801,758	-	801,758	23,224	443,758	49,416	22,178	64,771	38,364	160,047	-	-	-	-	-
Benefits	895,883	895,883	-	895,883	26,719	519,619	81,865	21,388	82,896	29,413	133,983	-	-	-	-	-
Retirement Costs	1,207,456	1,207,456	-	1,207,456	34,787	676,627	76,546	33,160	77,737	58,513	250,086	-	-	-	-	-
Total Personnel Expenses	11,813,504	11,813,504	-	11,813,504	342,769	6,570,647	756,890	323,147	945,077	552,561	2,322,413	-	-	-	-	-
Meeting Expenses																
Meetings	402,078	402,078	-	402,078	3,960	18,950	32,275	276,610	19,125	34,008	17,150	-	-	-	-	-
Travel	616,591	616,591	-	616,591	19,124	406,887	32,311	20,352	45,171	41,283	51,463	-	-	-	-	-
Conference Calls	96,000	96,000	-	96,000	-	-	-	-	-	-	96,000	-	-	-	-	-
Total Meeting Expenses	1,114,669	1,114,669	-	1,114,669	23,084	425,837	64,586	296,962	64,296	75,291	164,613	-	-	-	-	-
Operating Expenses																
Consultants & Contracts	1,159,275	1,159,275	-	1,159,275	-	162,500	231,800	70,400	55,000	9,375	-	-	630,200	-	-	-
Office Rent	444,722	444,722	-	444,722	-	-	-	-	-	-	444,722	-	-	-	-	-
Office Costs	682,875	682,875	-	682,875	-	12,600	57,980	-	-	1,560	307,210	-	295,525	-	8,000	-
Professional Services	89,400	89,400	-	89,400	-	20,000	-	-	-	-	15,000	25,000	-	-	29,400	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	232,952	232,952	-	232,952	-	-	-	-	-	-	232,952	-	-	-	-	-
Total Operating Expenses	2,609,224	2,609,224	-	2,609,224	-	195,100	289,780	70,400	55,000	10,935	999,884	25,000	925,725	-	37,400	-
Total Direct Expenses	**15,537,397**	**15,537,397**	**-**	**15,537,397**	**365,853**	**7,191,584**	**1,111,256**	**690,509**	**1,064,373**	**638,787**	**3,486,910**	**25,000**	**925,725**	**-**	**37,400**	**-**
Indirect Expenses	-	-	-	-	156,834	3,764,013	510,830	156,834	515,311	(638,787)	(3,486,910)	(25,000)	(925,725)	-	(27,400)	-
Other Non-Operating Expenses	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	**15,537,397**	**15,537,397**	**-**	**15,537,397**	**522,687**	**10,955,597**	**1,622,086**	**847,343**	**1,579,684**	**-**	**-**	**-**	**-**	**-**	**10,000**	**-**
Change in Assets	**57,048**	**57,048**	**-**	**57,048**	**1,753**	**42,072**	**5,710**	**1,753**	**5,760**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Fixed Assets																
Depreciation	(232,952)	(232,952)	-	(232,952)	-	-	-	-	-	-	(232,952)	-	-	-	-	-
Computer & Software CapEx	290,000	290,000	-	290,000	-	-	-	-	-	-	290,000	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Inc)Dec in Fixed Assets	**(57,048)**	**(57,048)**	**-**	**(57,048)**	**-**	**-**	**-**	**-**	**-**	**-**	**(57,048)**	**-**	**-**	**-**	**-**	**-**
Allocation of Fixed Assets	-	-	-	-	(1,753)	(42,072)	(5,710)	(1,753)	(5,760)	-	57,048	-	-	-	-	-
Change in Fixed Assets	**(57,048)**	**(57,048)**	**-**	**(57,048)**	**(1,753)**	**(42,072)**	**(5,710)**	**(1,753)**	**(5,760)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
FTEs	**73.7**	**73.7**	**-**	**73.70**	**1.75**	**42.00**	**5.70**	**1.75**	**5.75**	**2.75**	**14.00**	**-**	**-**	**-**	**-**	**-**

Statement of Financial Position

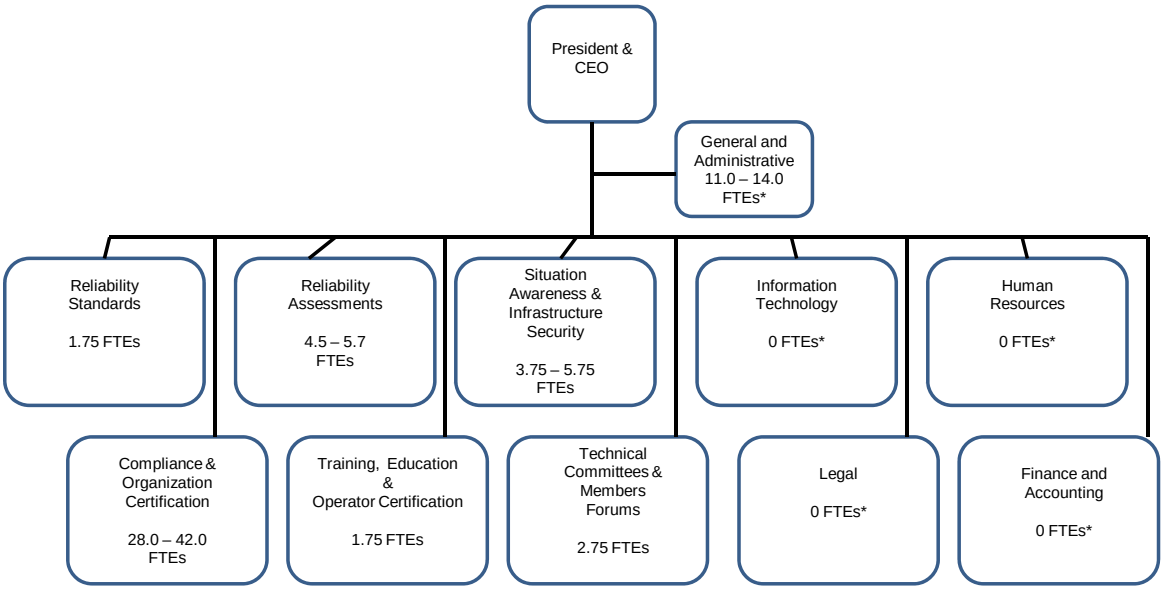
- As of December 31, 2010, per audit
- As of December 31, 2011, projected
- As of December 31, 2012, as budgeted

Statement of Financial Position 2010 Audited, 2011 Projection, and 2012 Budget			
STATUTORY and NON-STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-10	31-Dec-11	31-Dec-12
ASSETS			
Cash	3,855,131	3,017,151	3,353,740
Accounts receivable	63,085	-	-
Other receivables	-		
Prepaid expenses and other current assets	95,926	50,000	50,000
Property and equipment, net	276,944	214,298	255,600
Total Assets	**4,291,086**	**3,281,449**	**3,659,340**
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	1,248,040	1,200,000	1,200,000
Deferred income	1,256,722	750,000	600,000
Total Liabilities	**2,504,762**	**1,950,000**	**1,800,000**
Net Assets - unrestricted	1,786,324	1,331,449	1,859,340
Total Liabilities and Net Assets	**4,291,086**	**3,281,449**	**3,659,340**

Organizational Chart

SERC Reliability Corporation
Organization Chart

2011 Projected FTEs 66.7
2012 Budgeted FTEs 73.7



*All FTEs for Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative

DOCKET NO. RR11-__-000

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 8

SOUTHWEST POWER POOL REGIONAL ENTITY

PROPOSED 2012 BUSINESS PLAN AND BUDGET

2012 Business Plan and Budget

Southwest Power Pool Regional Entity

Approved by SPP Regional Entity Trustees

June 21, 2011

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Introduction

TOTAL RESOURCES (in whole dollars)	2012 Budget	U.S.	Canada	Mexico
Statutory FTEs	33.50			
Non-statutory FTEs	-			
Total FTEs	33.50			
Statutory Expenses	$ 11,410,642			
Non-Statutory Expenses	$ -			
Total Expenses	$ 11,410,642			
Statutory Inc(Dec) in Fixed Assets	$ -			
Non-Statutory Inc(Dec) in Fixed Assets	$ -			
Total Inc(Dec) in Fixed Assets	$ -			
Statutory Working Capital Requirement Adjustment	$ (1,358,075)			
Non-Statutory Working Capital Requirement	$ -			
Total Working Capital Requirement	$ (1,358,075)			
Total Statutory Funding Requirement	$ 10,052,567			
Total Non-Statutory Funding Requirement	$ -			
Total Funding Requirement	$ 10,052,567			
Statutory Funding Assessments	$ 10,052,567	$ 10,052,567		
Non-Statutory Fees	$ -	$ -		
NEL	216,503,760	216,503,760		
NEL%	100%	100%		

Organizational Overview

Southwest Power Pool, Inc. (SPP), founded in 1941and based in Little Rock, Arkansas, is a non-profit organization whose primary mission is maintaining electric reliability. SPP is one of nine Federal Energy Regulatory Commission (FERC)-approved Independent System Operators/Regional Transmission Organizations (ISOs/RTOs) and one of eight North American Electric Reliability Corporation (NERC) Regional Entities.

Southwest Power Pool Regional Entity (SPP RE), an independent and functionally separate division of SPP, was created for the purpose of fulfilling the duties specified in the FERC-approved Regional Entity Delegation Agreement between SPP and NERC. As a NERC Regional Entity, SPP RE promotes and works to improve the reliability of the bulk power system (BPS). Specifically, SPP RE is responsible for developing reliability standards, monitoring and enforcing entity compliance with reliability standards, assessing and evaluating the reliability of the bulk power systems, and providing technical expertise and assistance to the owners, operators and users of the BPS, in particular to the entities located within the SPP RE's footprint-an eight-state area that includes Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, and Texas. There are approximately 130 entities registered in the SPP RE footprint.

Sections A and B of this business plan and budget (BP&B) details the programs and costs for the activities the SPP RE performs to fulfill the duties specified in the Regional Entity Delegation Agreement between SPP and NERC.

The SPP's RTO activities, which are listed in Section C of this BP&B, are non-statutory, and as such, are not included in the SPP RE's BP&B.

Membership and Governance

The SPP RE is governed by three independent Regional Entity Trustees, who are not on the SPP, Inc. Board and operate separately from the SPP, Inc. Board. The SPP RE Trustees have autonomy over decisions in fund allocation and approval of the SPP RE Budget, as well as oversight of SPP RE decisions on regional standards, compliance enforcement actions, and penalties. The SPP RE's General Manager reports directly to the SPP RE Trustees. Only the SPP RE Trustees and certain SPP RE Staff members have the authority to make compliance and enforcement decisions. The direct staff of the SPP RE is independent of all users, owners, and operators of the bulk power system. The SPP RE's organizational chart is presented in Section F.

Additionally, in order to avoid the appearance of any conflicts of interest, the SPP RE has engaged SERC Reliability Corporation (SERC) to perform the compliance enforcement authority activities with respect to the SPP's registered functions in the SPP region.

The governance of the SPP RE, which has been approved by NERC and FERC, meets the requirements of the Energy Policy Act of 2005.

Statutory Functional Scope

SPP RE performs various activities in the execution of its delegated functions and in support of NERC's responsibilities as the electric reliability organization (ERO). These activities include:

- Reliability Standard Development
- Compliance Enforcement
- Organization Registration and Certification
- Reliability Assessment and Performance Analysis
- Training and Education
- Situation Awareness and Infrastructure Security

2012 Key Assumptions

The key assumptions underlying the SPP RE 2012 Business Plan and Budget (BP&B) are consistent with ERO BP&B Assumptions as found in NERC's 2012 BP&B. The assumptions that are of particular importance to the SPP RE's 2012 BP&B include the expectation that:

1. NERC and the Regional Entities will continue to work collaboratively to promote and improve the reliability of the BPS;

2. NERC and the Regional Entities will continue to work under the regulatory framework governing the establishment and enforcement of reliability standards for the BPS established by Energy Policy Act of 2005;

3. SPP RE's delegated authorities and responsibilities will remain relatively constant, with expected increases in workload being partially offset by expected efficiency gains and incremental process improvements;

4. Cyber and critical asset security will continue to be a priority in the United States, with significant oversight by applicable government authorities;

5. Through efficiency gains and limited additional resources, NERC and Regions will strive to achieve a 12-month total average processing time for alleged violations over the planning period.

6. It is assumed that a uniform BES definition will be implemented in 2012 and it will result in increased workload for the Regions as they deal with exclusion requests in 2012 and 2013.

7. NERC and the Regions will address and appropriately prioritize all fill-in-the-blank standards over the planning period. NERC standards development staff is expected to provide increased coordination of regional standards development by becoming more involved earlier in the regional standard development efforts to help assure consistency in regional and continent-wide standard technical content, format, and quality

8. Economic conditions continue to place cost pressures on NERC and Regional Entities to work as efficiently as possible and leverage overall resources. Similarly, cost pressures on the electric utility industry may affect stakeholder resources available to participate in NERC and Regional Entities' activities.

In addition to the above assumptions, which are shared among NERC and the Regional Entities, assumptions that are unique to the SPP RE include:

1. SPP RE continues to operate as an independent and functionally separate division of SPP;

2. SPP RE continues to utilize SPP Shared staff to coordinate and facilitate the development of reliability standards and to conduct certain activities in the SPP RE's Reliability Assessment and Performance Analysis program; and

3. SPP RE will continue to engage SERC to perform the compliance enforcement authority activities for the SPP registered functions that would otherwise be performed by the SPP RE.

Key assumptions specific to individual programs are provided in Section A of this BP&B.

Goals and Key Deliverables

The Electric Reliability Organization Strategic Goals through 2015 (ERO Strategic Goals), which were prepared by NERC and the eight Regional Entities, are outlined in NERC's 2012 Business Plan and Budget. In addition to the ERO Strategic Goals, SPP RE-specific goals and deliverables include:

- Effectively and efficiently perform delegated functions registration, compliance monitoring and enforcement, reliability assessments, performance analysis, and situational awareness with independence, without conflict of interest, with objectivity and fairness;

- Conduct outreach activities, including compliance workshops, training seminars, and newsletters, that facilitate a learning environment and promote a strong culture of reliability excellence and compliance; and

- Identify current "gap" areas for reliability and grid security improvement and pursue implementation through new or revised reliability standards and other SPP RE or NERC processes.

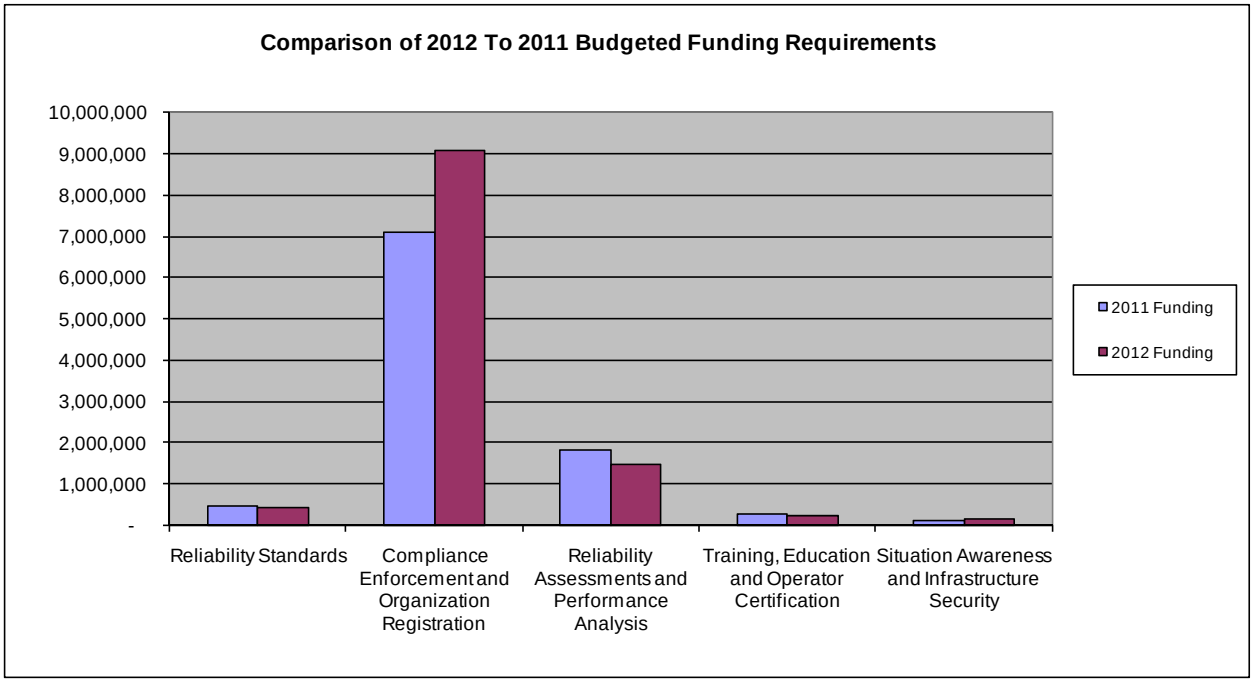
2012 Overview of Cost Impacts

SPP RE proposes to increase its operating budget from $9.8 million to $11.4 million, an increase of $1.6 million or 16%. Due to a budget under-run in 2011, funding assessments would increase by a lesser amount of $0.8 million or 8.3%, from $9.3 million to $10.0 million. The increase is composed of $1 million for direct RE expenses and $0.6 million increase for overhead expenses.

As shown in the table and chart that follow, the proposed $1.6 million increase in the 2012 budget as compared to 2011 results principally from a $1.96 million increase in the Compliance Enforcement and Organization Registration program.[1] The increase in this program is partially offset by decreases in the Reliability Standards ($47,121), Reliability Assessments and Performance Analysis ($338,278), and Training, Education and Operator Certification ($24,756) programs.

Program	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Reliability Standards	483,549	483,550	436,428	(47,121)	-9.7%
Compliance Enforcement and Organization Registration	7,108,227	7,108,227	9,066,177	1,957,950	27.5%
Reliability Assessments and Performance Analysis	1,826,995	1,826,995	1,488,717	(338,278)	-18.5%
Training, Education and Operator Certification	276,759	276,759	252,003	(24,756)	-8.9%
Situation Awareness and Infrastructure Security	101,706	101,706	167,317	65,611	64.5%

[1] To help maintain the confidentiality of employees' salaries, the personnel expenses for the Training and Education FTE are accounted for within the Compliance Enforcement and Organization Registration Area.



The principal driver for the cost increase is the additional FTEs budgeted for 2012 as compared to 2011. As shown in the table below, the net increase in proposed budgeted FTEs is 3.83, which results from a proposed increase of 4.83 FTEs in the Compliance Enforcement and Organization Registration program and 0.25 FTE in the Situation Awareness and Infrastructure Security program and proposes decreases of 0.25, 0.50, and 0.50 in Reliability Standards, Reliability Assessments and Performance Analysis, and General & Administrative programs, respectively.

Total FTE's by Program Area	Budget 2011	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs[1] 2012 Budget	Total FTEs 2012 Budget	Change from 2011 Budget
	STATUTORY					
Operational Programs						
Reliability Standards	1.50	0.92	1.00	0.25	1.25	-0.25
Compliance and Organization Registration and Certification	17.92	19.13	22.75	0.00	22.75	4.83
Training and Education	1.00	0.67	1.00	0.00	1.00	0.00
Reliability Assessment and Performance Analysis	5.00	4.42	1.75	2.75	4.50	-0.50
Situation Awareness and Infrastructure Security	0.25	0.50	0.50	0.00	0.50	0.25
Total FTEs Operational Programs	**25.67**	**25.64**	**27.00**	**3.00**	**30.00**	**4.33**
Administrative Programs						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	4.00	3.46	3.50	0.00	3.50	-0.50
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Finance and Accounting	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Administrative Programs	**4.00**	**3.46**	**3.50**	**0.00**	**3.50**	**-0.50**
Total FTEs	**29.67**	**29.10**	**30.50**	**3.00**	**33.50**	**3.83**

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

The additional 3.83 FTEs budgeted for 2012 as compared to 2011 increased direct Personnel Expenses by approximately $478,238. The additional 3.83 FTEs are also the cause of approximately $512,000 or 84% of the $606,000 increase in the SPP, Inc. Indirect Expenses.

The principal cause of the remaining $95,000 or 16% of the increase in the SPP, Inc. Indirect Expenses is the one dollar and seventy cent increase in the SPP, Inc. Indirect Expense rate (from the 2011 budgeted $69.35/FTE to the 2012 $71.04/FTE, which is based on 2010 actual results). The SPP, Inc. Indirect Expense rate reflects overhead costs such as Human Resources, Information Technology, Accounting, and Fixed Assets. A table showing the derivation of the Indirect Expense Rate is presented in Section E.

Additional information regarding the proposed changes to the SPP RE operating budget is detailed in the Statutory Statement of Activities and Capital Expenditures table on the next page.

2011 Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures
2011 Budget Projection
STATUTORY

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ 9,094,985	$ 9,094,985	$ -	$ 9,851,647	$ 756,662
Penalty Sanctions	187,500	187,500	-	200,920	13,420
Total SPP RE Funding	**$ 9,282,485**	**$ 9,282,485**	**$ -**	**$ 10,052,567**	**$ 770,082**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 9,282,485**	**$ 9,282,485**	**$ -**	**$ 10,052,567**	**$ 770,082**
Expenses					
Personnel Expenses					
Salaries	$ 3,301,544	$ 3,143,691	$ (157,853)	$ 3,820,690	$ 519,146
Payroll Taxes	252,118	189,917	(62,201)	241,364	(10,754)
Benefits	276,323	195,295	(81,028)	236,154	(40,169)
Retirement Costs	146,320	147,226	906	156,335	10,015
Total Personnel Expenses	**$ 3,976,305**	**$ 3,676,129**	**$ (300,176)**	**$ 4,454,543**	**$ 478,238**
Meeting Expenses					
Meetings	$ 68,750	$ 70,000	$ 1,250	$ 75,000	$ 6,250
Travel	444,300	522,000	77,700	640,000	195,700
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 513,050**	**$ 592,000**	**$ 78,950**	**$ 715,000**	**$ 201,950**
Operating Expenses					
Consultants & Contracts	$ 1,097,000	$ 1,077,000	$ (20,000)	$ 1,421,500	$ 324,500
Office Rent	-	-	-	-	-
Office Costs	-	2,500	2,500	2,500	2,500
Professional Services	343,000	343,000	-	343,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 1,440,000**	**$ 1,422,500**	**$ (17,500)**	**$ 1,767,000**	**$ 327,000**
Total Direct Expenses	**$ 5,929,355**	**$ 5,690,629**	**$ (238,726)**	**$ 6,936,543**	**$ 1,007,188**
SPP Inc. Indirect Expenses	$ 3,867,881	$ 3,886,457	$ 18,576	$ 4,474,099	$ 606,218
SPP RE Indirect Expenses (1)	-	-	-	-	-
Total Indirect Expenses	**$ 3,867,881**	**$ 3,886,457**	**$ 18,576**	**$ 4,474,099**	**$ 606,218**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 9,797,236**	**$ 9,577,086**	**$ (220,150)**	**$ 11,410,642**	**$ 1,613,406**
Change in Assets	**$ (514,751)**	**$ (294,601)**	**$ 220,150**	**$ (1,358,075)**	**$ (843,324)**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -		$ -
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ (514,751)**	**$ (294,601)**	**$ 220,150**	**$ (1,358,075)**	**$ (843,324)**

(1) SPP RE Indirect Expenses which represent direct expenses for SPP RE Administrative Services, are included in direct expenses.

Section A – Statutory Programs
2012 Business Plan and Budget

Section A — 2012 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.50	1.25	(0.25)
Direct Expenses	$ 220,834	$ 215,000	$ (5,834)
Indirect Expenses- SPP Inc.	$ 195,567	$ 166,944	$ (28,623)
Indirect Expenses- SPP RE	$ 67,149	$ 54,484	$ (12,665)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Total Funding Requirement	$ 483,552	$ 436,430	$ (47,122)

Program Scope and Functional Description

The Reliability Standards Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 300. The SPP RE direct and shared staff members assigned to this program coordinate with NERC to develop and maintain technically sound, fair and balanced reliability standards that enable NERC and Regional Entities to measure the reliability performance of bulk power system owners, operators, and users. The staff members assigned to this program also participate in the development of regional standards. The regional standards are developed using the procedures outlined in the SPP RE Standards Development Process Manual, which has been approved by FERC and NERC.

2012 Key Assumptions

The key assumptions concerning the SPP RE's Reliability Standards Program are consistent with the assumptions contained in ERO BP&B Assumptions. In addition to the assumptions that are shared among NERC and the Regional Entities, it is expected that the SPP RE will continue to utilize SPP Shared staff to assist SPP RE coordinate and facilitate the development of reliability standards. These assumptions do not take into account the effects of a possible initiative to complete the development of <u>all</u> remaining regional fill-in-the-blank standards. If such an initiative is undertaken, the SPP RE will amend its BP&B to appropriately reflect this change in assumptions.

2012 Goals and Key Deliverables

- Meet directives of ERO governmental authorities regarding standards development and procedures;
- Participate in the NERC Regional Standards Working Group;
- Develop and implement regional reliability standards when appropriate;

- Communicate with stakeholders and regulators regarding standards development;

- Participate and represent SPP region on NERC's Standard Drafting Teams that may have significant influence on the planning and business practices of the entities registered with the SPP RE; and

- Continue the development and implementation of an under-frequency load shedding (UFLS) regional reliability standard (PRC-006).

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- While the budgeted FTEs for direct SPP RE staff are unchanged, the budgeted SPP Shared staff FTEs were reduced to one-quarter FTE to better reflect actual hours billed to the SPP RE by SPP Shared staff in 2010. Although partially offset by the one-quarter reduction in FTEs, Personnel Expenses increased slightly as a result of increased expenses to reflect a budgeted merit increase of three percent.

Meeting Expenses

- There are no significant changes in meeting expenses for this program.

Operating Expenses

- There are no significant changes in operating expenses for this program.
- Consultants and Contracts costs were reduced from $25,000 to $0 because it is expected that all the studies related to the SPP UFLS Regional Standard will be completed prior to 2012.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to the SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been decreased to reflect the reduction in budgeted FTEs.

- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Standards

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ 472,592	$ 472,592	$ -	$ 428,057	$ (44,535)
Penalty Sanctions	10,958	10,958	-	8,372	(2,586)
Total SPP RE Funding	**$ 483,549**	**$ 483,550**	**$ -**	**$ 436,428**	**$ (47,122)**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 483,549**	**$ 483,550**	**$ -**	**$ 436,428**	**$ (47,122)**
Expenses					
Personnel Expenses					
Salaries	$ 146,500	$ 78,314	$ (68,186)	$ 158,652	$ 12,152
Payroll Taxes	11,187	4,925	(6,262)	10,019	(1,168)
Benefits	11,554	5,156	(6,398)	9,856	(1,698)
Retirement Costs	6,593	3,532	(3,061)	6,473	(120)
Total Personnel Expenses	**$ 175,834**	**$ 91,927**	**$ (83,907)**	**$ 185,000**	**$ 9,166**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	20,000	20,000	-	30,000	10,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 20,000**	**$ 20,000**	**$ -**	**$ 30,000**	**$ 10,000**
Operating Expenses					
Consultants & Contracts	$ 25,000	$ 25,000	$ -	$ -	$ (25,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 25,000**	**$ 25,000**	**$ -**	**$ -**	**$ (25,000)**
Total Direct Expenses	**$ 220,834**	**$ 136,927**	**$ (83,907)**	**$ 215,000**	**$ (5,834)**
SPP Inc. Indirect Expenses	$ 195,567	$ 122,871	$ (72,696)	$ 166,944	$ (28,623)
SPP RE Indirect Expenses	67,149	42,994	(24,155)	54,484	(12,665)
Total Indirect Expenses	**$ 262,716**	**$ 165,865**	**$ (96,851)**	**$ 221,428**	**$ (41,288)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 483,549**	**$ 302,791**	**$ (180,758)**	**$ 436,428**	**$ (47,122)**
Change in Assets	**$ -**	**$ 180,759**	**$ 180,758**	**$ -**	**$ -**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 180,759**	**$ 180,758**	**$ -**	**$ -**

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	17.92	22.75	4.83
Direct Expenses	$ 3,659,538	$ 4,809,105	$ 1,149,567
Indirect Expenses- SPP Inc.	$ 2,335,939	$ 3,038,381	$ 702,442
Indirect Expenses- SPP RE	$ 1,112,749	$ 1,218,691	$ 105,942
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Total Funding Requirement	$ 7,108,226	$ 9,066,177	$ 1,957,951

* Includes Personnel Expenses of 1 FTE from Training and Education Program to maintain confidentiality

Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 400. The SPP RE CMEP is administered by the SPP RE staff. Only the SPP RE Trustees and certain SPP RE Staff members have the authority to make compliance and enforcement decisions.

SPP RE CMEP is reorganized into three distinct groups: Compliance Monitoring; Critical Infrastructure Protection (CIP); and Enforcement. The SPP RE Executive Director of Compliance is responsible for the oversight of the Compliance Monitoring and CIP groups (collectively referred to as Compliance groups), while the SPP RE Manager of Enforcement is responsible for the oversight of the Enforcement group.

Compliance Groups

The FTEs assigned to the Compliance groups are responsible for registering owners, operators and users of the BPS and monitoring and assessing registered entities' compliance with NERC-approved reliability standards. The various activities performed by the staff members assigned to the Compliance groups include: 1) conducting compliance audits, spot checks, and self certifications of entities registered in the SPP RE footprint, 2) reviewing periodic data submittals and self-reports made by entities registered in the SPP RE footprint, and 3) participating in various SPP and NERC working groups and SPP RE workshops. The initial determination of a registered entity's compliance or non-compliance is made by the Compliance groups.

A total of 11.33 FTEs are budgeted for the Compliance groups, which represents an increase of 2.33 FTEs: the addition of one compliance engineer in the Compliance Monitoring group; one CIP analyst in the CIP group (total of 1.83 FTEs assuming February hire dates); and the reassignment of one-half of the administrative assistant FTE currently assigned to the General and Administrative program.

In addition to the SPP RE Staff, the SPP RE uses consultants to assist the SPP RE with compliance audits, CIP spot checks, and CIP technical feasibility exception requests (TFEs).

Enforcement Group

The FTEs assigned to the Enforcement group are responsible for reviewing the Compliance groups' findings of non-compliance, notifying registered entities and NERC of the alleged violations, reviewing and verifying the registered entities' mitigation plans, determining proposed monetary penalties and non-monetary sanctions, and participating in settlement negotiations. The various activities performed by the staff members assigned to the Enforcement group include: 1) conducting discovery, 2) preparing and issuing Preliminary Notice of Possible Violations, Notice of Alleged Violations and Penalties and Sanctions, and Confirmed Notice of Violation, 2) reviewing, accepting, and verifying completion of mitigation plans, 3) participating in settlement negotiations, 4) participating in hearing of contested violations, as necessary, and 5) participating in various SPP and NERC working groups and SPP RE workshops.

A total of 11.42 FTEs are budgeted for this group, which represents an increase of 2.5: continuation of the 2011 budgeted compliance enforcement attorney (2011 budget assumed a May hire date or .67 FTE, therefore, the increase in FTEs for 2012 is 0.33); the addition of one mitigation plan engineer/analyst (0.92 FTE assuming a February hire date); and the addition of two part-time law clerks (1.25 FTEs) hired in late 2010 as an unbudgeted resource.

In addition to the SPP RE Staff, the SPP RE uses consultants to assist the SPP RE with reviewing, accepting, and verifying completion of mitigation plans.

2012 Key Assumptions

The assumptions for this program are consistent with those contained in ERO BP&B Assumptions. Specific to entity organization and registration, the numbers of Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration (MRRE) documents are expected to increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness in compliance. This expected increase will have a direct impact on the workload associated with registration and compliance monitoring within the SPP RE Region. With respect to compliance monitoring and enforcement, NERC and the Regional Entities will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the auditors, enforcement, and investigation staff. As part of the training effort, at least two auditor workshops and monthly auditor calls will occur to provide auditors with updates on compliance policies, actions, and requirements in order to promote consistency of audit practices and procedures. It is expected that this training and possible certification effort will have an impact on staffing needs and costs (e.g., travel, lodging, and labor) to participate and attend this training. The SPP RE has provided time for staff to maintain industry certifications, such as NERC System Operator Certification and Critical Infrastructure Protection (CIP) certifications, etc. Specifically, the SPP RE will engage a contractor to provide training in the application of generally acceptable government auditing standards (GAGAS) as well as the Government Accountability Office (GAO) standards for its compliance auditors. Lastly, consistent with NERC's stated goal for the discovered and/or reported possible violations to be managed through the enforcement process as notices of confirmed violations, settlements, or dismissals within 12 months, the SPP RE budget reflects the continuation of an initiative, which began in 2011, to significantly reduce the number of open enforcement violations.

2012 Goals and Key Deliverables

- Ensure that bulk power system owners, operators, and users are correctly registered through a more proactive review of registration status; seek to ensure that responsibilities are clearly understood by all registered entities and there are no material gaps or adverse impacts on bulk power system reliability;

- Perform six to eight on-site FERC Order 693 compliance audits of registered RC, BA, and TOP entities (3-year cycle entities);

- Perform fifteen to eighteen off-site FERC Order 693 compliance audits of other registered entities (6-year cycle entities);

- Perform six to eight on-site CIP compliance audits of registered entities;

- Perform ten to sixteen off-site CIP compliance audits of registered entities;

- Perform spot check, self-certifications, exception reporting, and periodic data submittals of specified standards as dictated by NERC's 2012 Compliance Monitoring and Enforcement Program Annual Implementation Plan (based on past experience, it is assumed that three Quarterly self-certifications, one Annual self-certification, and five event driven spot checks will be performed);

- Perform Compliance Investigations, as necessary;

- Perform independent review of initial findings of possible violations;

- Create Notices of Alleged Violation (NAV) and Notices of Confirmed Violations (NOCV);

- Negotiate and develop settlements of violations;

- Verify that findings of non-compliance are and/or have been appropriately mitigated;

- SPP RE liaisons to SPP working groups attend approximately 30 SPP working group meetings in 2012; and

- Engage contractors to assist in the evaluation of whether to grant or deny a registered entity's request for a declaration that elements of its system are not part of the Bulk Electric System.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- The planned increase of 4.83 FTEs (a 27% increase above the 2011 budgeted FTEs) is the principal driver for the increase in Personnel Expenses for this program.

  The 4.83 FTE increase in this program area reflects: 1) the addition of one CIP analyst, one compliance engineer, one mitigation plan engineer/analyst, two part-time law clerks (1.25 FTEs), and 2) the reassignment of one-half of the administrative assistant FTE currently assigned to the General and Administrative program. Regarding the additional CIP analyst, with all forty-three requirements of the CIP standards now subject to being monitored, it is anticipated that each CIP audit may require as much as three weeks of dedicated activity with the registered entity and several more weeks of activity in both pre-audit and post-audit activities. The additional compliance engineer will provide the incremental resources to allow participation in compliance investigations and management of the workflow associated with the evaluation of whether to grant or deny a registered entity's request for a declaration that elements of its system are not part of the Bulk Electric System (BES). The mitigation plan engineer/analyst and law clerks are needed to process the anticipated number of incoming violations. SPP RE initially expected to record about fifty violations of reliability standards a year. However, in 2009 132 violations were recorded and 254 violations were recorded in 2010. With the resources included in the 2012 BP&B, the SPP RE projects to achieve a 12 month processing time by the end of 2013. In 2012 and beyond, emerging issues such as increased numbers of investigations, increased expectations from NERC and FERC for situational awareness and event analysis and the development implementation of a new BES definition with an exemption process are expected to add to the current demands of the SPP RE Compliance group. Lastly, the allocation of one-half of the administrative assistant FTE currently assigned to the General and Administrative program more accurately reflects the work performed by this staff member which includes managing compliance records for the compliance team.

Meeting Expenses

- The increase in the Meeting Expenses for this program results from the additional FTEs and the anticipated increase in traveling expenses.

Operating Expenses

- Although the 2012 budgeted Consultant Expenses for the CIP and Compliance monitoring activities compared to the amount budgeted for 2011 decreased, this decrease is more than offset by the additional $300,000 in contractor costs budgeted for the load flow, short-circuit and/or stability studies needed to evaluate whether to grant or deny a registered entity's request for a declaration that elements of its system are not part of the Bulk Electric System and $300,000 in contractor costs associated with the initiative to reduce the number of open enforcement violations. The net change in Consultant and Contract Expenses is an increase of $364,500 or 37%.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to the SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been increased to reflect the additional FTEs and the higher indirect expense rate.

- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

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 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Compliance and Organization Registration and Certification

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ 6,977,342	$ 6,977,342	$ -	$ 8,913,812	$ 1,936,470
Penalty Sanctions	130,885	130,885	-	152,364	21,479
Total SPP RE Funding	**$ 7,108,227**	**$ 7,108,227**	**$ -**	**$ 9,066,177**	**$ 1,957,950**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 7,108,227**	**$ 7,108,227**	**$ -**	**$ 9,066,177**	**$ 1,957,950**
Expenses					
Personnel Expenses					
Salaries	$ 2,037,181	$ 2,097,696	$ 60,515	$ 2,652,414	$ 615,233
Payroll Taxes	155,567	125,862	(29,705)	164,450	8,883
Benefits	174,867	125,862	(49,005)	156,492	(18,375)
Retirement Costs	89,423	99,641	10,218	108,749	19,326
Total Personnel Expenses	**$ 2,457,038**	**$ 2,449,060**	**$ (7,978)**	**$ 3,082,105**	**$ 625,067**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	225,000	303,000	78,000	385,000	160,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 225,000**	**$ 303,000**	**$ 78,000**	**$ 385,000**	**$ 160,000**
Operating Expenses					
Consultants & Contracts	$ 977,500	$ 972,500	$ (5,000)	$ 1,342,000	$ 364,500
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 977,500**	**$ 972,500**	**$ (5,000)**	**$ 1,342,000**	**$ 364,500**
Total Direct Expenses	**$ 3,659,538**	**$ 3,724,560**	**$ 65,022**	**$ 4,809,105**	**$ 1,149,567**
SPP Inc. Indirect Expenses	$ 2,335,939	$ 2,554,911	$ 218,972	$ 3,038,381	$ 702,442
SPP RE Indirect Expenses	1,112,749	1,169,473	56,724	1,218,691	105,942
Total Indirect Expenses	**$ 3,448,688**	**$ 3,724,384**	**$ 275,696**	**$ 4,257,072**	**$ 808,384**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 7,108,226**	**$ 7,448,944**	**$ 340,718**	**$ 9,066,177**	**$ 1,957,951**
Change in Assets	**$ -**	**$ (340,717)**	**$ (340,718)**	**$ -**	**$ -**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ (340,717)**	**$ (340,718)**	**$ -**	**$ -**

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	5.0	4.5	(0.5)
Direct Expenses	$ 901,107	$ 708,242	$ (192,865)
Indirect Expenses- SPP Inc.	$ 651,890	$ 600,998	$ (50,892)
Indirect Expenses- SPP RE	$ 273,998	$ 179,478	$ (94,520)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Total Funding Requirement	$ 1,826,995	$ 1,488,717	$ (338,278)

Program Scope and Functional Description

The Reliability Assessment and Performance Analysis Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 800. The SPP RE direct and shared staff members assigned to this program support NERC's efforts in preparing five reliability assessments each year: a long-term reliability assessment report, a summer assessment report, a winter assessment report, and two post-seasonal assessments. These reports analyze electricity demand and the Reliability and Adequacy Assessment Objectives adequacy of supply throughout the North American bulk power system, as well as examine the adequacy of the transmission system. SPP Shared staff also conducts inter-regional studies and other planning studies.

The SPP RE is responsible for overseeing and conducting Event Analyses on reliability events within the SPP RE footprint. The analysis may be conducted by the entity involved in the event, an assigned SPP Working Group/Committee, a technical team comprised of industry experts or may be conducted by the RE, NERC or FERC staff. The SPP RE is responsible for producing a final technical report on each reportable event. Any issues that surface which may lead to standards compliance questions will be handled through the CMEP portion of this Business Plan.

2012 Key Assumptions

The SPP RE expects to continue to utilize SPP Shared staff to assist SPP RE in fulfilling its non-CMEP activities in this program. Key assumptions shared by NERC and the Regional Entities affecting the SPP RE budget in this program area include:

- The ERO will revise the definition of adequate level of reliability ("ALR") of the bulk electric system. This will be accomplished through the efforts of the NERC Member Representatives Committee, and the Operating and Planning Committees. The revised definition will be delivered to the Board of Trustees for consideration in February 2012. NERC will continue to incrementally refine data reporting requirements from registered entities, and review adequate level of reliability related metrics used in reliability assessments.

- NERC and the Regional Entities will prioritize and budget for two special reliability assessment initiatives per year.

- SPP RE will continue to support the NERC Reliability Assessment Subcommittee;
- NERC and the Regional Entities will continue to define clear, uniform criteria/ranking for reporting and categorizing of system events and security incidents.
- NERC and the Regional Entities will continue to work together to develop joint processes and resourcing for triage, analysis, and reporting of system events to the regulators and will coordinate with regulators regarding these issues.
- NERC and the Regional Entities will provide timely publication of lessons learned and recommendations and track responses to recommendations.
- NERC and the Regional Entities will continue to refine the criteria and process to encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and information sharing.
- The number of events requiring review and analysis are expected to increase.

2012 Goals and Key Deliverables

- Maintain and host a library of solved power flow models, a system dynamics database, and dynamics simulation cases for use by regional reliability organizations and their registered entities to assist with planning and evaluating future systems and current operating conditions
- Provide regional input to NERC's three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report;
- Participate in NERC meetings to discuss reliability assessment and analyses of the impact of these assessments;
- Conduct inter-regional and other planning studies, including participation in the Eastern Interconnection Reliability Assessment Group (ERAG);
- Investigate, assess, and report on the potential impacts of new and evolving electricity market practices, new or proposed regulatory procedures, and new or proposed legislation (e.g., environmental requirements) on the adequacy and operating reliability of the bulk power system;
- Maintain a working dialog on bulk power system reliability and adequacy issues with SPP members; and
- Participate actively in the following NERC working groups/committees/task forces:
    - Reliability Metrics Working Group (RMWG)
    - Resource Issues Subcommittee (RIS)
    - Loss of Load Expectation Group (LOLE)
    - Demand Response Data Task Force (DRDTF)
    - Reliability Assessment Guidebook Task Force (RAGTF)

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- The 0.50 reduction in FTEs reflects the allocation of time spent by the FTEs assigned to this program performing Situation Awareness and Infrastructure Security (SAIS) Program activities and an expected reduction in the Shared Staff billed hours. Approximately 35% of the decrease in Personnel Expenses is related to allocation of 0.50 FTEs to the SAIS Program area and expected reduction in the Shared Staff billed hours, while the remaining 65% is due to a calculation error discovered in the 2011 budgeted Personnel Expenses.

Meeting Expenses

- Meeting Expenses, specifically travel expenses, are expected to increase by $5,000 as a result of the expected increase in the number of event analyses.

Operating Expenses

- Operating Expenses, specifically budgeted consultant expenses, are expected to decrease by $15,000 to reflect the revised cost estimates of the modeling studies for the NERC reliability assessments.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to the SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been decreased to reflect the reduction in FTEs.

- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Assessment and Performance Analysis

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ 1,790,469	$ 1,790,469	$ -	$ 1,458,579	$ (331,890)
Penalty Sanctions	36,526	36,526	-	30,138	(6,388)
Total SPP RE Funding	**$ 1,826,995**	**$ 1,826,995**	**$ -**	**$ 1,488,717**	**$ (338,278)**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 1,826,995**	**$ 1,826,995**	**$ -**	**$ 1,488,717**	**$ (338,278)**
Expenses					
Personnel Expenses					
Salaries	$ 595,000	$ 429,078	$ (165,922)	$ 446,633	$ (148,367)
Payroll Taxes	45,436	29,958	(15,478)	31,989	(13,447)
Benefits	48,895	35,105	(13,790)	36,589	(12,306)
Retirement Costs	26,775	18,470	(8,305)	18,030	(8,745)
Total Personnel Expenses	**$ 716,107**	**$ 512,611**	**$ (203,495)**	**$ 533,242**	**$ (182,864)**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	110,000	93,000	(17,000)	115,000	5,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 110,000**	**$ 93,000**	**$ (17,000)**	**$ 115,000**	**$ 5,000**
Operating Expenses					
Consultants & Contracts	$ 75,000	$ 60,000	$ (15,000)	$ 60,000	$ (15,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 75,000**	**$ 60,000**	**$ (15,000)**	**$ 60,000**	**$ (15,000)**
Total Direct Expenses	**$ 901,107**	**$ 665,611**	**$ (235,495)**	**$ 708,242**	**$ (192,864)**
SPP Inc. Indirect Expenses	$ 651,890	$ 590,314	$ (61,576)	$ 600,998	$ (50,892)
SPP RE Indirect Expenses	273,998	208,995	(65,003)	179,478	(94,520)
Total Indirect Expenses	**$ 925,888**	**$ 799,309**	**$ (126,579)**	**$ 780,476**	**$ (145,412)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 1,826,995**	**$ 1,464,919**	**$ (362,076)**	**$ 1,488,717**	**$ (338,277)**
Change in Assets	**$ -**	**$ 362,076**	**$ 362,076**	**$ -**	**$ -**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	-	$ -
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 362,076**	**$ 362,076**	**$ -**	**$ -**

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	-
Direct Expenses	$ 112,250	$ 94,500	$ (17,750)
Indirect Expenses- SPP Inc.	$ 130,378	$ 133,555	$ 3,177
Indirect Expenses- SPP RE	$ 34,132	$ 23,948	$ (10,184)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Total Funding Requirement	$ 276,760	$ 252,003	$ (24,757)

* To maintain confidentiality, Personnel Expenses are included in the CMEP program area.

Program Scope and Functional Description

The Training, Education, and Operator Certification Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 900. The SPP RE direct staff design, develop, and conduct training and education via compliance workshops, CIP workshops, webinars, and white papers.

Operator Certification Training is provided by SPP RTO staff, and as such, the expenses for this training continue to be excluded from the SPP RE budget and are included in the SPP, Inc. budget.

2012 Key Assumptions

In addition to the assumptions that are shared among NERC and the Regional Entities, due to increased emphasis on training, it is expected that the SPP RE will utilize consultants to assist the SPP RE direct staff to design, develop, and conduct training and education. Specific training areas targeted for 2012 include: Lessons Learned, Effective Compliance Cultures, Critical Infrastructure Protection, Self Reports & Self Certifications, and Currently Monitored Standards.

2011 Goals and Key Deliverables

- Host a minimum of two compliance workshops;
- Host a minimum of one CIP workshop;
- Participate in NERC and other Regional Entities training and educational programs, as necessary;
- Publish monthly news bulletins and quarterly newsletter for registered entities;
- Publish Compliance Analysis Reports and/or Whitepapers detailing “lessons learned,” as necessary and appropriate; and
- Host a minimum of twelve compliance webinars.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- There are no changes in the budgeted FTEs for this program. Consistent with the 2011 budget and to help maintain the confidentiality of employees' salaries, the personnel expenses for the Training and Education FTE are accounted for within the Compliance Enforcement and Organization Registration Area.

Meeting Expenses

- Meeting Expenses are expected to decrease by $17,750 to better reflect actual 2010 and 2011 year-to-date costs.

Operating Expenses

- There are no changes in the budgeted Operating Expenses for this program.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to the SPP RE, are based on a fixed rate per hour per FTE. The increase in the SPP, Inc. Indirect Expenses are the result of the higher fixed rate.

- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Training and Education

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2011 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ 269,454	$ 269,454	$ -	$ 245,305	$ (24,149)
Penalty Sanctions	7,305	7,305	-	6,697	(608)
Total SPP RE Funding	**$ 276,759**	**$ 276,759**	**$ -**	**$ 252,003**	**$ (24,756)**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 276,759**	**$ 276,759**	**$ -**	**$ 252,003**	**$ (24,756)**
Expenses					
Personnel Expenses					
Salaries	$ -	$ -	$ -	$ -	$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Meeting Expenses					
Meetings	$ 68,750	$ 50,000	$ (18,750)	$ 50,000	$ (18,750)
Travel	24,000	24,000	-	25,000	1,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 92,750**	**$ 74,000**	**$ (18,750)**	**$ 75,000**	**$ (17,750)**
Operating Expenses					
Consultants & Contracts	$ 19,500	$ 19,500	$ -	$ 19,500	$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 19,500**	**$ 19,500**	**$ -**	**$ 19,500**	**$ -**
Total Direct Expenses	**$ 112,250**	**$ 93,500**	**$ (18,750)**	**$ 94,500**	**$ (17,750)**
SPP Inc. Indirect Expenses	$ 130,378	$ 89,482		$ 133,555	$ 3,177
SPP RE Indirect Expenses	34,132	29,358		23,948	(10,184)
Total Indirect Expenses	**$ 164,510**	**$ 118,840**	**$ (45,670)**	**$ 157,503**	**$ (7,007)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 276,760**	**$ 212,340**	**$ (64,420)**	**$ 252,003**	**$ (24,757)**
Change in Assets	**$ -**	**$ 64,419**	**$ 64,420**	**$ -**	**$ (1)**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 64,419**	**$ 64,420**	**$ -**	**$ (1)**

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.25	0.50	0.25
Direct Expenses	$ 52,996	$ 80,212	$ 27,216
Indirect Expenses- SPP Inc.	$ 32,595	$ 66,778	$ 34,183
Indirect Expenses- SPP RE	$ 16,115	$ 20,327	$ 4,212
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Total Funding Requirement	$ 101,706	$ 167,317	$ 65,611

Program Scope and Functional Description

The Situation Awareness and Infrastructure Security Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 1000.

NERC coordinates electric industry activities to promote critical infrastructure protection of the bulk power system in North America. NERC has a leadership role in the critical infrastructure protection of the electricity sector to reduce vulnerability and improve mitigation and protection of the electricity sector's critical infrastructure. NERC acts as the electricity sector's Sector Coordinator and operates its Information Sharing and Analysis Center to gather and communicate information about security-related threats within the sector, United States and Canadian governmental authorities, and other critical infrastructure sectors. NERC also performs security planning activities focused on the critical infrastructure protection of the electricity sector, including sharing sensitive or classified information with federal, state, and provincial governmental authorities. As stated in ERO BP&B Assumptions, specifically item four on page 14, during 2012, NERC will continue to undertake significant activities and funding to facilitate third party development and management of North American Phasor Concentration System (NASCON) software and regional node communication integration.

SPP Reliability Coordinator actively participates in NERC critical infrastructure protection activities and serves as an information conduit between NERC and SPP members. These activities are non-statutory. SPP also sponsors a Critical Infrastructure Protection Working Group (CIPWG), which:

- Serves as an expert advisory panel to the SPP Board of Directors, committees, and members, provides a forum for discussion of physical and cyber security issues within the SPP Region;

- Provides general guidance to SPP members on CIP Standards and related compliance efforts; and

- Serves as the interface between the NERC Critical Information Protection Committee (CIPC) and the SPP membership, including:

- Serving as a conduit for information flow between the CIPC and SPP members
- Developing guidance and recommendations to CIPC members representing the SPP

The CIPWG consists of SPP members who are subject to the NERC CIP Cyber Security Standards (CIP-002-1 through CIP-009-1) and is facilitated by an SPP staff member. The working group meets quarterly at a member location. Additional meetings and conference calls are scheduled as required.

SPP RE is represented on the CIPC by three SPP member company representatives who represent the physical, cyber, and operations disciplines. Per the SPP Bylaws, SPP RE reimburses the member representatives for travel expenses incurred while performing CIPC responsibilities.

CIP compliance monitoring and enforcement is included in Compliance Monitoring and Enforcement and Organization Registration and Certification Program.

2012 Key Assumptions

In addition to the assumptions that are shared among NERC and the Regional Entities, the SPP RE expects the continued support of the SPP CIPWG, and continued support for CIPC participation from designated SPP member representatives.

2012 Goals and Key Deliverables

- Continue sponsoring the Critical Infrastructure Protection Working Group (CIPWG)
  - Continue quarterly meetings
  - Maintain and Increase CIPWG membership
  - Provide progress updates on CIP standards drafting
  - Provide a discussion forum for NERC-requested comments and ballot issues
  - Provide support to the RE-sponsored CIP “How-To” Workshop

- Provide enhanced support to SPP registered entities about CIP Standards
  - Provide general recommendations on appropriate security best practices
  - Provide opportunities for technical and compliance-related training
  - Provide registered entities-Only discussion periods regarding CIP compliance progress
  - Maintain the CIPWG electronic mail lists for group discussion of CIP-related issues

- Continue supporting CIPC attendance by CIPWG representatives
  - Reimburse expenses for Physical, Cyber, and Operations representatives (or designated alternates)

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- Budgeted FTEs for this program are expected to increase by 0.25 FTEs for this program area. The increase reflects the allocation of time spent by the FTEs assigned to the Reliability Assessment and Performance Analysis Program area performing Situation Awareness and Infrastructure Security activities. All FTEs represent SPP RE direct staff rather than SPP Shared staff as in previous years.

Meeting Expenses

- Meeting Expenses are expected to decrease by $13,300 to better reflect the actual amount expended in 2010 for reimbursement of the member representatives for travel expenses incurred while performing CIPC responsibilities.

Operating Expenses

- There are no changes in the budgeted Operating Expenses for this program, i.e., the budgeted amount remains at zero.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to the SPP RE, are based on a fixed rate per hour per FTE. The increase in the SPP, Inc. Indirect Expenses is due to the higher fixed rate.

- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Situation Awareness and Infrastructure Security

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ 99,880	$ 99,880	$ -	$ 163,968	$ 64,088
Penalty Sanctions	1,826	1,826	-	3,349	1,523
Total SPP RE Funding	**$ 101,706**	**$ 101,706**	**$ -**	**$ 167,317**	**$ 65,611**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 101,706**	**$ 101,706**	**$ -**	**$ 167,317**	**$ 65,611**
Expenses					
Personnel Expenses					
Salaries	$ 24,813	$ 52,394	$ 27,581	$ 60,424	$ 35,611
Payroll Taxes	1,895	-	(1,895)	3,746	1,851
Benefits	1,872	-	(1,872)	3,565	1,693
Retirement Costs	1,117	2,489	1,372	2,477	1,360
Total Personnel Expenses	**$ 29,696**	**$ 54,882**	**$ 25,185**	**$ 70,212**	**$ 40,515**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	23,300	7,000	(16,300)	10,000	(13,300)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 23,300**	**$ 7,000**	**$ (16,300)**	**$ 10,000**	**$ (13,300)**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Direct Expenses	**$ 52,996**	**$ 61,882**	**$ 8,885**	**$ 80,212**	**$ 27,215**
SPP Inc. Indirect Expenses	$ 32,595	$ 66,778		$ 66,778	$ 34,183
SPP RE Indirect Expenses	16,115	19,430		20,327	4,212
Total Indirect Expenses	**$ 48,710**	**$ 86,208**	**$ 37,498**	**$ 87,105**	**$ 38,395**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 101,705**	**$ 148,091**	**$ 46,386**	**$ 167,317**	**$ 65,611**
Change in Assets	**$ -**	**$ (46,385)**	**$ (46,386)**	**$ -**	**$ -**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ (46,385)**	**$ (46,386)**	**$ -**	**$ -**

Administrative Services

Administrative Services (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	4.0	3.5	(0.5)
Total Direct Expenses	$ 1,504,142	$ 1,496,927	$ (7,215)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Less: Other Funding Sources	$ -	$ -	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ 1,504,142	$ 1,496,927	$ (7,215)
Funding Requirement for Working Capital Requirement	$ (514,752)	$ (1,358,075)	$ (843,323)

Methodology for Allocation of Administrative Services Expenses to Programs

The expenses for finance and accounting, information technology, and human resources administrative support services that are provided to the SPP RE by SPP (SPP, Inc. Indirect Expenses), which are separate and distinct from the services provided by SPP RE direct staff and consultants and contractors, are assessed to the SPP RE based on a fixed rate per hour per FTE. The SPP Indirect Expense rate is calculated by dividing the total costs for these support functions (excluding certain IT costs that are specific to SPP's RTO functions) by the total hours worked by non-support personnel. The indirect expense rate is then multiplied by each hour directly charged to the SPP RE by SPP Shared staff and for designated number of hours for SPP RE direct staff. A table showing the derivation of the SPP, Inc. Indirect Expense rate is presented in Section E of this BP&B.

SPP RE Administrative Services Expenses, which are limited to expenses incurred for SPP RE General and Administrative and Legal and Regulatory programs, are allocated among the five operational programs based on the program's pro rata share of the total direct operational program expense.

Technical Committees and Member Forums

Technical Committes and Member Forums (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	$ -	$ -	$ -
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

SPP RE provides forums for registered entities within its footprint to discuss and share reliability concerns. This includes SPP committees, subcommittees, working groups, and task forces that are grouped by technical areas. The expenses incurred by the SPP RE for these forums are included in the direct expenses of the applicable program.

SPP RE also conducts a minimum of two public workshops per year where registered entities are able to interact with SPP RE staff and NERC staff and discuss reliability issues. These expenses are included in the Training, Education, and Operator Certification Program.

2012 Key Assumptions

- SPP RE liaisons to SPP working groups attend approximately 30 SPP working group meetings in 2012.

2012 Goals and Key Deliverables

- Provide input on ERO and RE issues, including but not limited to the NERC Members Representative Committee and other NERC standing committees

- Provide technical committee forums to act as standards-drafting teams in development of SPP regional reliability standards

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- N/A

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

General and Administrative

General and Administrative (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	4.0	3.5	(0.5)
Expenses	$ 1,354,142	$ 1,346,927	$ (7,215)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ (514,752)	$ (1,358,075)	$ (843,323)

Program Scope and Functional Description

The General and Administrative function consists of the RE General Manager, the RE Manager of Finance and Process Improvement, two RE Administrative Assistants (0.5 FTE is allocated to CMEP program area), and three independent Regional Entity Trustees.

The RE Trustees, who are independent of the SPP Board of Directors, any SPP member, SPP registered entity, industry stakeholder, or organizational group, have autonomy over decisions in fund allocation and approval of the SPP RE budget, as well as decisions on regional standards, compliance enforcement actions, and penalties.

The RE General Manager provides executive level support through, among other means, participation in meetings and conference calls with other Regional Entities and Senior NERC staff. The RE General Manager reports directly to the three independent RE Trustees.

The RE Manager of Finance and Process Improvement is responsible for coordinating and developing the SPP RE annual BP&B, reviewing the RE monthly Statement of Activities, performing process improvement activities for the RE operational program functions and coordinating outreach activities such as compliance workshops and the quarterly newsletters for registered entities. The RE Manager of Finance and Process Improvement also serves as the RE Trustee Secretary and provides support to the SPP RE CMEP activities by coordinating and facilitating the development of compliance plans, policies, and procedures.

The RE Administrative Assistants provide support to all SPP RE programs and SPP RE direct staff members.

2012 Key Assumptions

- SPP RE continues to operate as an independent and functionally separate division of SPP

2012 Goals and Key Deliverables

- Ensure that the SPP RE fulfills the responsibilities of the Regional Delegation Agreement between SPP and NERC;

- Ensure that the SPP RE is adequately staffed and has the resources needed to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC;

- Implement recommendations resulting from the 2011 FERC audit of the SPP RE; and

- Continue to explore opportunities to enhance the effectiveness and efficiency of the SPP RE in promoting and improving the reliability of the bulk power system

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- The General and Administrative costs are allocated to the five operational programs resulting in zero funding requirements. The negative Funding amount shown for SPP RE Assessment in the Statement of Activities is the activity relating to the Working Capital Reserve – see Table B-1.

Personnel Expenses

- One-half administrative assistant FTE was reassigned to the CMEP program to better reflect the work performed by this individual. The lower Personnel Expenses resulting from the allocation of 0.5 FTE to the CMEP program was partially offset by increased expenses to reflect a budgeted merit increase of three percent.

Meeting Expenses

- Meeting Expenses are expected to increase by $58,000, which includes the addition of $25,000 for RE Trustee meetings (which were inadvertently omitted from previous budgets) and an increase of $33,000 in travel cost due to the expected increase in participation in NERC forums and working groups, as well as an expected increase in SPP RE's outreach activities, including increase participation in SPP member forums and SPP RE training and education activities.

Operating Expenses

- The $2,500 increase in Operating Expenses is to reflect the costs of miscellaneous office supplies.

Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to the SPP RE based on a fixed rate per hour per FTE. The decrease in the SPP, Inc. Indirect Expenses is due to the reduction in budgeted FTEs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
General and Administrative

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ (514,752)	$ (514,752)	$ -	$ (1,358,075)	$ (843,323)
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	**$ (514,752)**	**$ (514,752)**	**$ -**	**$ (1,358,075)**	**$ (843,323)**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ (514,752)**	**$ (514,752)**	**$ -**	**$ (1,358,075)**	**$ (843,323)**
Expenses					
Personnel Expenses					
Salaries	$ 498,050	$ 486,209	$ (11,841)	$ 502,568	$ 4,518
Payroll Taxes	38,033	29,173	(8,860)	31,159	(6,874)
Benefits	39,135	29,173	(9,962)	29,652	(9,483)
Retirement Costs	22,412	23,095	683	20,605	(1,807)
Total Personnel Expenses	**$ 597,630**	**$ 567,649**	**$ (29,981)**	**$ 583,984**	**$ (13,646)**
Meeting Expenses					
Meetings	$ -	$ 20,000	$ 20,000	$ 25,000	$ 25,000
Travel	42,000	75,000	33,000	75,000	33,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 42,000**	**$ 95,000**	**$ 53,000**	**$ 100,000**	**$ 58,000**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	-	-	-	-	-
Office Costs	-	2,500	2,500	2,500	2,500
Professional Services	193,000	193,000	-	193,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 193,000**	**$ 195,500**	**$ 2,500**	**$ 195,500**	**$ 2,500**
Total Direct Expenses	**$ 832,630**	**$ 858,149**	**$ 25,519**	**$ 879,484**	**$ 46,854**
SPP Inc. Indirect Expenses	**$ 521,512**	**$ 462,101**		**$ 467,443**	**$ (54,069)**
SPP RE Indirect Expenses	**$ (1,354,142)**	**$ (1,320,250)**		**$ (1,346,927)**	**$ 7,215**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ (514,752)**	**$ (514,752)**	**$ -**	**$ (1,358,075)**	**$ (843,323)**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx		-	-	-	-
Furniture & Fixtures CapEx		-	-	-	-
Equipment CapEx		-	-	-	-
Leasehold Improvements		-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets		$ -		-	
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ (514,752)**	**$ (514,752)**	**$ -**	**$ (1,358,075)**	**$ (843,323)**

Legal and Regulatory

Legal and Regulatory (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	$ 150,000	$ 150,000	$ -
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The SPP RE has a Manager of Enforcement and Legal who provides exclusive legal support to the SPP RE. The expenses related to the Manager of Enforcement and Legal are included in the Compliance Enforcement and Organization Registration Program area. If SPP RE is required to convene hearings under the Compliance Enforcement and Organization Registration program, independent hearing officers may be utilized.

2012 Key Assumptions

- Estimated hearing costs are included to support three hearings in 2012.

2012 Goals and Key Deliverables

- Provide hearing officer if SPP RE is required to convene hearings

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- The Legal and Regulatory costs are allocated to the five operational programs resulting in zero funding requirements.

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Legal and Regulatory

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2011 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
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	150,000	150,000	-	150,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 150,000**	**$ 150,000**	**$ -**	**$ 150,000**	**$ -**
Total Direct Expenses	**$ 150,000**	**$ 150,000**	**$ -**	**$ 150,000**	**$ -**
SPP Inc. Indirect Expenses	**$ -**	**$ -**		**$ -**	**$ -**
SPP RE Indirect Expenses	**$ (150,000)**	**$ (150,000)**		**$ (150,000)**	**$ -**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Information Technology

Information Technology (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	$ -	$ -	$ -
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The SPP Information Technology department provides resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2012 Key Assumptions

- The SPP Information Technology department continues to provide resources for the SPP RE.

2012 Goals and Key Deliverables

- To provide adequate information technology support for the SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- The costs for IT services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses.

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Human Resources

Human Resources (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	$ -	$ -	$ -
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The SPP Human Resource department provides resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2012 Key Assumptions

- The SPP Human Resource department continues to provide resources for the SPP RE.

2012 Goals and Key Deliverables

- To provide adequate human resource support for the SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- The costs for human resource services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses.

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Finance and Accounting

Accounting and Finance (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	$ -	$ -	$ -
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The SPP Accounting department provides resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2012 Key Assumptions

- The SPP Accounting department continues to provide resources for the SPP RE.

2012 Goals and Key Deliverables

- To provide adequate accounting and finance support for the SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- The costs for accounting and finance services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses.

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Section B – Supplemental Financial Information

2012 Business Plan and Budget

Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2011-2012		
STATUTORY		
Beginning Working Capital Reserve (Deficit), December 31, 2010	$	1,840,176
Plus: 2011 SPP RE Funding (from LSEs or designees)		9,094,985
Plus: 2011 Other funding sources		0
Less: 2011 Projected expenses & capital expenditures		(9,577,086)
Projected Working Capital Reserve (Deficit), December 31, 2011		**1,358,075**
Desired Working Capital Reserve, December 31, 2012 [2]	$	-
Less: Projected Working Capital Reserve, December 31, 2010		(1,358,075)
Increase(decrease) in assessments to achieve desired Working Capital Reserve		(1,358,075)
2012 Expenses and Capital Expenditures		11,410,642
Less: Penalty sanctions to be used as offset to 2012 assessments [1]		(200,920)
Less: Other Funding Sources		0
Adjustment to achieve desired Working Capital Reserve		(1,358,075)
2012 SPP RE Assessment		9,851,647

[1] Represents collections on or prior to June 30, 2011. See page 47 for full disclosure.

[2] The SPP RE does not require a working capital reserve in that on a cash basis SPP, Inc. is able to fund shortfalls in its statutory (Regional Entity) funding through its operating cash balances, and also has access to liquidity through a bank credit facility.

Explanation of Changes in Reserve Policy from Prior Years

There have not been any changes in the SPP RE Reserve Policy. SPP RE does not require working capital reserve in that on a cash basis SPP is able to fund shortfalls in its statutory (Regional Entity) funding through its operating cash balances, and also has access to liquidity through a bank credit facility.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 9 of the 2012 RE Business Plan and Budget. All significant variances have been disclosed by program in the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2011 are to be used to offset assessments in the 2012 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2011 through June 30, 2012 will be used to offset assessments in the 2013 Budget.

All penalties received prior to June 30, 2011 are detailed below, including the amount and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-2

Penalty Sanctions Received After June 30, 2010 and On or Prior to June 30, 2011	Date Received		Amount Received
Name of Entity			
Entity 1	09/17/10	$	4,000
Entity 2	11/22/10	$	15,000
Entity 3	01/26/11	$	5,000
Entity 4	02/02/11	$	25,000
Entity 5	02/10/11	$	9,000
Entity 6	02/10/11	$	1,350
Entity 7	02/11/11	$	2,000
Entity 8	02/14/11	$	5,000
Entity 9	02/14/11	$	3,000
Entity 10	03/04/11	$	17,000
Entity 11	03/17/11	$	15,000
Entity 12	04/06/11	$	30,000
Entity 13	04/18/11	$	4,500
Entity 14	04/28/11	$	12,000
Entity 15	04/28/11	$	4,300
Entity 16	06/07/11	$	48,770
Entity 17			
Entity 18			
Entity 19			
Entity 20			
Total Penalties Received		$	200,920

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (excluding SPP RE Assessments & Penalty Sanctions)	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Reliability Standards				
	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Compliance Monitoring, Enforcement & Org. Registration				
	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Reliability Assessment and Performance Analysis				
	$ -	$ -	$ -	$ -
	-	-	-	-
Total	$ -	$ -	$ -	$ -
Training and Education				
	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Situation Awareness and Infrastructure Security				
	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Technical Committees and Member Forums				
Total	$ -	$ -	$ -	$ -
General and Administrative				
0	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Total Outside Funding	$ -	$ -	$ -	$ -

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

The SPP RE has not projected any interest income for 2012 because at the current market interest rate any interest income would be minimal.

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Salaries					
Salaries	$ 3,301,544	3,230,224	$ 3,820,690	$ 519,146	15.7%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	$ 3,301,544	$ 3,230,224	$ 3,820,690	$ 519,146	15.7%
Total Payroll Taxes	$ 252,118	$ 195,109	$ 241,364	$ (10,754)	-4.3%
Benefits					
Workers Compensation	$ -	$ -	$ -	$ -	
Medical Insurance	230,564	166,404	196,008	(34,556)	-15.0%
Life-LTD-LTC Insurance	14,780	12,029	14,169	(611)	-4.1%
Education	30,980	22,054	25,977	(5,003)	-16.1%
Relocation	-	-	-	-	
Total Benefits	$ 276,324	$ 200,487	$ 236,154	$ (40,170)	-14.5%
Retirement					
Discretionary 401k Contribution	$ 146,319	$ 151,337	$ 156,335	$ 10,016	6.8%
Savings Plan	-	-	-	-	
Total Retirement	$ 146,319	$ 151,337	$ 156,335	$ 10,016	6.8%
Total Personnel Costs	$ 3,976,305	$ 3,777,157	$ 4,454,543	$ 478,238	12.0%
FTEs	29.67	29.10	33.50	3.83	12.9%
Cost per FTE					
Salaries	$ 111,275	$ 111,004	$ 114,050	2,775	2.5%
Payroll Taxes	8,497	6,705	7,205	(1,293)	-15.2%
Benefits	9,313	6,890	7,049	(2,264)	-24.3%
Retirement	4,932	5,201	4,667	(265)	-5.4%
Total Cost per FTE	**$ 134,018**	**$ 129,799**	**$ 132,971**	**$ (1,046)**	**-0.8%**

Explanation of Significant Variances – 2011 Budget versus 2010 Budget

The salaries variance is principally due to the additional 3.83 budgeted FTEs. The variances in benefits and retirement are due to the continued refinement in the ratios used to develop these cost estimates. For example, the payroll taxes included in 2011 budget represented 7.6% of salaries (the standard composite rate for the employer's portion of Medicare and Social Security taxes). The payroll taxes included in 2012 budget were reduced to 6.2% of salaries in recognition that certain items such as non-taxable 401k contributions are included in salaries. Moreover, the payroll taxes, benefits and retirement ratios used to develop the 2012 budget were all revised to better reflect the actual 2010 results.

Consultants and Contracts

Table B-5

Consultants	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Consultants					
Reliability Standards	$ -	$ -	$ -	$ -	
Compliance and Organization Registration and Certification	856,000	857,500	1,217,000	361,000	42%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	75,000	60,000	60,000	(15,000)	-20%
Training and Education	19,500	19,500	19,500	-	0%
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	$ 950,500	$ 937,000	$ 1,296,500	$ 346,000	36%
				-	

Contracts	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Contracts					
Reliability Standards	$ 25,000	$ 25,000	$ -	$ (25,000)	-100%
Compliance and Organization Registration and Certification	121,500	115,000	125,000	3,500	3%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Contracts Total	$ 146,500	$ 140,000	$ 125,000	$ (21,500)	-15%
Total Consulting and Contracts	**$ 1,097,000**	**$ 1,077,000**	**$ 1,421,500**	**$ 324,500**	30%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

The $324,500 increase in consultant and contracts costs is primarily due the addition of $300,000 budgeted for the load flow, short-circuit and/or stability studies needed to evaluate whether to grant or deny a registered entity's request for a declaration that elements of its system are not part of the Bulk Electric System and additional $300,000 in contractor costs associated with the initiative to reduce the number of open enforcement violations. These additions are partially offset by an expected reduction in Consultant Expenses for the CIP and Compliance monitoring activities.

Table B-6

Office Rent	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Office Rent	$ -	$ -	$ -	$ -	
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Security	-	-	-	-	
Total Office Rent	**$ -**	**$ -**	**$ -**	**$ -**	

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

This cost is included in the SPP, Inc. Indirect Expense rate.

Table B-7

Office Costs	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Telephone	$ -	$ -	$ -	$ -	
Internet	-	-	-	-	
Office Supplies	-	2,500	2,500	2,500	
Computer Supplies and Maintenance	-	-	-	-	
Publications & Subscriptions	-	-	-	-	
Dues	-	-	-	-	
Postage	-	-	-	-	
Express Shipping	-	-	-	-	
Copying	-	-	-	-	
Reports	-	-	-	-	
Equipment Repair/Service Contracts	-	-	-	-	
Bank Charges	-	-	-	-	
Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity	-	-	-	-	
Total Office Costs	**$ -**	**$ 2,500**	**$ 2,500**	**$ 2,500**	

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Office Costs are included in the SPP, Inc. Indirect Expense rate. The $2,500 variance reflects the costs for miscellaneous office supplies such as supplies needed for RE workshops and RE Trustee meetings.

Table B-8

Professional Services	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Independent Trustee Fees	$ 143,000	$ 143,000	$ 143,000	$ -	0.00%
Outside Legal	150,000	150,000	150,000	-	0.00%
Accounting & Auditing Fees	-	-	-	-	
Insurance Commercial	-	-	-	-	
Other	50,000	50,000	50,000	-	0.00%
Total Services	**$ 343,000**	**$ 343,000**	**$ 343,000**	**$ -**	**0.00%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

There is no change in the budgeted professional service fees and expenses.

Table B-9

Other Non-Operating Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
	$ -	$ -		$ -	
	$ -	$ -		$ -	
	$ -	$ -		$ -	
Total Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

N/A

2013 and 2014 Projections

Table B-10

Statement of Activities and Capital Expenditures

	2012 Budget	2013 Projection	$ Change 12 v 13	% Change 12 v 13	2014 Projection	$ Change 13 v 14	% Change 13 v 14
Funding							
ERO Funding							
ERO Assessments	$10,001,444	$ 11,664,181	$ 1,662,736	16.62%	$ 12,014,106	$ 349,925	2.9%
Penalty Sanctions	152,150	-	(152,150)	-100.00%	-	-	
Total ERO Funding	**$10,153,594**	**$ 11,664,181**	**$ 1,510,586**	**14.9%**	**$ 12,014,106**	**$ 349,925**	**2.9%**
Membership Dues	-	-	-		-	-	
Testing Fees	-	-	-		-	-	
Services & Software	-	-	-		-	-	
Workshops	-	-	-		-	-	
Interest	-	-	-		-	-	
Miscellaneous	-	-	-		-	-	
Total Funding	**$10,153,594**	**$ 11,664,181**	**$ 1,510,586**	**14.9%**	**$ 12,014,106**	**$ 349,925**	**3.0%**
Expenses							
Personnel Expenses							
Salaries	$ 3,820,690	$ 4,043,990	$ 223,300	5.8%	$ 4,165,310	$ 121,320	3.0%
Payroll Taxes	241,364	255,209	13,845	5.7%	262,865	7,656	3.0%
Benefits	236,154	249,328	13,175	5.6%	256,808	7,480	3.0%
Retirement Costs	156,335	165,490	9,155	5.9%	170,455	4,965	3.0%
Total Personnel Expenses	**$ 4,454,543**	**$ 4,714,017**	**$ 259,475**	**5.8%**	**$ 4,855,438**	**$ 141,421**	**3.0%**
Meeting Expenses							
Meetings	$ 75,000	$ 77,250	$ 2,250	3.0%	$ 79,568	2,318	3.0%
Travel	640,000	684,800	44,800	7.0%	705,344	20,544	3.0%
Conference Calls	-	-	-		-	-	
Total Meeting Expenses	**$ 715,000**	**$ 762,050**	**$ 47,050**	**6.6%**	**$ 784,912**	**$ 22,862**	**3.0%**
Operating Expenses							
Consultants & Contracts	$ 1,421,500	$ 1,155,145	(266,355)	-18.7%	$ 1,189,799	34,654	3.0%
Office Rent	-	-	-		-	-	
Office Costs	2,500	2,575	75	3.0%	2,652	77	3.0%
Professional Services	343,000	353,290	10,290	3.0%	363,889	10,599	3.0%
Miscellaneous	-	-	-		-	-	
Depreciation	-	-	-		-	-	
Total Operating Expenses	**$ 1,767,000**	**$ 1,511,010**	**$ (255,990)**	**-14.5%**	**$ 1,556,340**	**$ 45,330**	**3.0%**
Total Direct Expenses	**$ 6,936,543**	**$ 6,987,077**	**$ 50,535**	**0.7%**	**$ 7,196,690**	**$ 209,612**	**3.0%**
Indirect Expenses	**$ 4,474,099**	**$ 4,677,103**	**$ 203,004**	**4.5%**	**$ 4,817,416**	**$ 140,313**	**3.0%**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**		**$ -**	**-**	
Total Expenses	**$11,410,642**	**$ 11,664,181**	**$ 253,539**	**2.2%**	**$ 12,014,106**	**349,925**	**3.0%**
Change in Assets	**$ (1,257,048)**	**$ -**	**$ 1,257,048**	**-100.0%**	**$ -**	**$ -**	
Fixed Assets							
Depreciation	$ -	$ -	$ -		$ -	$ -	
Computer & Software CapEx	-	-	-		-	-	
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	-	-	-		-	-	
Leasehold Improvements	-	-	-		-	-	
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**		**$ -**	**$ -**	
TOTAL CHANGE IN NET ASSETS	**$ (1,257,048)**	**$ -**	**$ 1,257,048**	**-100.0%**	**$ -**	**$ -**	**0.0%**
FTEs	**33.50**	**35.50**	**2.00**	**6.0%**	**35.50**	**0.00**	**0.0%**

Explanation of 2013 and 2014 Projections

In addition to the expected inflationary costs increases, the SPP RE 2013 and 2014 projections reflect the addition of two RE Direct Staff positions in 2013. One position will be assigned to the Compliance Enforcement and Registration Program area to assist with enforcement activities. It is expected that the person filling the second position will share his or her time equally performing Situation Awareness and Infrastructure Security and Reliability Assessment activities. The 2013 forecast also reflects the removal of $300,000 in consulting costs related to enforcement caseload backlog project. SPP RE is currently projecting that it will achieve NERC's stated goal for the discovered and/or reported possible violations to be managed through the enforcement process as notices of confirmed violations, settlements, or dismissals within 12 months in early 2013.

Section C – Non-Statutory Activities
2012 Business Plan and Budget

Section C — 2012 Non-Statutory Business Plan and Budget

Non-Statutory Functional Scope

As discussed in the Introduction, SPP is one of nine FERC-approved Independent System Operators/Regional Transmission Organizations (ISOs/RTOs). As an RTO, SPP helps ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. These activities are budgeted for separately from the SPP RE and constitute the non-statutory activities further described below.

Membership and Governance (for non-statutory activities)

SPP is a relationship-based organization with member-driven processes offering independence through diversity in Organizational Group membership and recognition that reliability and economic/equity issues are inseparable. SPP strives to continuously improve and implement new concepts in a deliberate evolutionary manner.

SPP membership is voluntary and open to any electric utility, federal power marketing agency, transmission service provider, any entity engaged in the business of producing, selling and/or purchasing electric energy for resale, and any entity willing to meet the membership requirements, including execution of the Membership Agreement. Membership is also open to entities eligible to take service under the SPP Open Access Transmission Tariff (OATT). SPP offers its Members greater efficiency and service reliability through better coordination.

SPP members serve over 5 million customers across nine states: Arkansas, Kansas, Louisiana, Mississippi, Missouri, Nebraska, New Mexico, Oklahoma, and Texas.

SPP is governed in accordance with its Bylaws by an independent Board of Directors consisting of seven directors independent of any SPP Member. The Board of Directors works to ensure equity to all Members and acts in the best interest of SPP through its management, control and direction of the general business of SPP.

Non-Statutory Functional Scope

SPP is mandated by the Federal Energy Regulatory Commission (Commission) to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity.

SPP provides the following primary services to our members and customers:

Tariff Administration: SPP provides independent administration of the Open Access Transmission Tariff that offers one-stop shopping for regional transmission service with consistent rates and terms.

Reliability Coordination: SPP monitors power flow throughout our footprint. We anticipate problems and take preemptive action to mitigate operating limit violations. SPP coordinates regional response in emergency situations or blackouts.

Regional Scheduling: SPP ensures that the amount of power sent is coordinated and matched with power received. SPP's regional scheduling service reduces the number of entities with which SPP members and customers have to coordinate.

Market Operations: SPP administers an Energy Imbalance Marketplace, monitors resource/load balance and ensures that less expensive power is used to serve load before expensive power, all while ensuring system reliability is met.

Expansion Planning: SPP's planning process seeks to identify system limitations and develop transmission upgrades for increased capacity.

Contract Services: SPP provides reliability, tariff administration, and scheduling for non-members on a contract basis.

Finally, as a Public Utility under the Federal Power Act, SPP is required to submit its budget to the Commission. The Commission already has approved SPP's activities and has ordered that SPP's budgets be filed with the Commission. [2]

Schedule for Preparation and Approval of SPP Inc.'s Overall Annual Budget

SPP's overall annual budget is prepared on a budget cycle to be approved by its independent Board of Directors annually at its October meeting. Because of this timing difference with the NERC budget process, SPP is unable to provide an accurate 2012 SPP budget for non-statutory activities at this time. The process begins during the second quarter when the SPP staff develops preliminary non-statutory budgets. During the third quarter the Finance Committee of SPP initially reviews and evaluates the budget prepared by SPP staff. Once the budget is approved by the Finance Committee, it is presented to the Board of Directors for their review and approval at its quarterly meeting held in October. The SPP overall annual budget is then submitted to FERC for approval.

[2] See Sw. Power Pool, Inc., 109 FERC ¶ 61,010, at P 98 (2004) (requiring SPP to file its operating budget on an annual basis). See also Sw. Power Pool, Inc., 109 FERC ¶ 61,009, at PP 3-5 (2004), order on reh'g, 110 FERC ¶ 61,137 (2005) (describing history of SPP RTO application, including approval and revision of SPP Bylaws); see also, generally, Sw. Power Pool, Inc., 108 FERC ¶ 61,003 (2004), order on reh'g, 110 FERC ¶ 61,138 (2005); Sw. Power Pool, Inc., 106 FERC ¶ 61,110 (2004).

SOUTHWEST POWER POOL
NET REVENUE REQUIREMENT GROWTH

(000's)	2011 Budget	2010 Actual
Tariff Administration Service	72,030	64,277
Fees and Assessments	24,264	22,285
Contract Services Revenue	28,032	23,252
Miscellaneous Income	5,074	6,275
Total Revenue	**129,400**	**116,089**
Salary & Benefits	65,168	56,896
Employee Travel	1,896	1,424
Administrative	3,468	2,899
Assessments and Fees	14,119	14,101
Meetings	1,051	775
Communications	3,409	3,079
Maintenance	1,876	1,707
Leases	7,922	6,354
Outside Services	17,500	14,188
Regional State Committee	266	178
Depreciation & Amortization	15,853	14,243
Other Expense	6,126	1,321
Total Expenses	**138,654**	**117,165**
Net Income	**(9,254)**	**(1,076)**
Debt Repayment	13,206	9,206
MW/h Forecast	343,000	328,241
Net Revenue Requirement	78,637	60,316
Calculated Admin Fee / MWh	$0.229	$0.184
Recommended Admin Fee / MWh	$0.210	$0.195
Capital Expense	91,872	21,737
Headcount	541	453

2010 actual data corresponds to SPP's annual Accountants' Report. For footnote information and other statements and schedules, please refer to the report located at:
http://www.spp.org/publications/2010_SPP_Accountants'_Report_Financial Statements.pdf
Statistical data presented have not been subjected to audit.

Section D – Additional Consolidated Financial Statements

2012 Business Plan and Budget

Section D 2012 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

				Functions in Delegation Agreement												Non-Statutory Functions
Statement of Activities and Capital Expenditures by Program 2011 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total
Funding																
SPP RE Funding																
SPP RE Assessments	9,851,647	9,851,647	-	9,851,647	428,057	8,913,812	1,458,579	245,305	163,968	-	(1,358,075)	-	-	-	-	-
Penalty Sanctions	200,920	200,920	-	200,920	8,372	152,364	30,138	6,697	3,349	-	-	-	-	-	-	-
Total SPP RE Funding	**10,052,567**	**10,052,567**	**-**	**10,052,567**	**436,428**	**9,066,177**	**1,488,717**	**252,003**	**167,317**	**-**	**(1,358,075)**	**-**	**-**	**-**	**-**	**-**
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	**10,052,567**	**10,052,567**	**-**	**10,052,567**	**436,428**	**9,066,177**	**1,488,717**	**252,003**	**167,317**	**-**	**(1,358,075)**	**-**	**-**	**-**	**-**	**-**
Expenses																
Personnel Expenses																
Salaries	3,820,690	3,820,690	-	3,820,690	158,652	2,652,414	446,633	-	60,424	-	502,568	-	-	-	-	-
Payroll Taxes	241,364	241,364	-	241,364	10,019	164,450	31,989	-	3,746	-	31,159	-	-	-	-	-
Benefits	236,154	236,154	-	236,154	9,856	156,492	36,589	-	3,565	-	29,652	-	-	-	-	-
Retirement Costs	156,335	156,335	-	156,335	6,473	108,749	18,030	-	2,477	-	20,605	-	-	-	-	-
Total Personnel Expenses	4,454,543	4,454,543	-	4,454,543	185,000	3,082,105	533,242	-	70,212	-	583,984	-	-	-	-	-
Meeting Expenses																
Meetings	75,000	75,000	-	75,000	-	-	-	50,000	-	-	25,000	-	-	-	-	-
Travel	640,000	640,000	-	640,000	30,000	385,000	115,000	25,000	10,000	-	75,000	-	-	-	-	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	715,000	715,000	-	715,000	30,000	385,000	115,000	75,000	10,000	-	100,000	-	-	-	-	-
Operating Expenses																
Consultants & Contracts	1,421,500	1,421,500	-	1,421,500	-	1,342,000	60,000	19,500	-	-	-	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Costs	2,500	2,500	-	2,500	-	-	-	-	-	-	2,500	-	-	-	-	-
Professional Services	343,000	343,000	-	343,000	-	-	-	-	-	-	193,000	150,000	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	1,767,000	1,767,000	-	1,767,000	-	1,342,000	60,000	19,500	-	-	195,500	150,000	-	-	-	-
Total Direct Expenses	**6,936,543**	**6,936,543**	**-**	**6,936,543**	**215,000**	**4,809,105**	**708,242**	**94,500**	**80,212**	**-**	**879,484**	**150,000**	**-**	**-**	**-**	**-**
SPP Inc. Indirect Expenses	4,474,099	4,474,099	-	4,474,099	166,944	3,038,381	600,998	133,555	66,778	-	467,443	-	-	-	-	-
SPP RE Indirect Expenses	-	-	-	-	54,484	1,218,691	179,478	23,948	20,327	-	(1,346,927)	(150,000)	-	-	-	-
Total Indirect Expenses	4,474,099	4,474,099	-	4,474,099	221,428	4,257,072	780,476	157,503	87,105	-	(879,484)	(150,000)	-	-	-	-
Other Non-Operating Expenses	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	**11,410,642**	**11,410,642**	**-**	**11,410,642**	**436,428**	**9,066,177**	**1,488,717**	**252,003**	**167,317**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Change in Assets	**(1,358,075)**	**(1,358,075)**	**-**	**(1,358,075)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,358,075)**	**-**	**-**	**-**	**-**	-
Fixed Assets																
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Inc)Dec in Fixed Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**(1,358,075)**	**(1,358,075)**	**-**	**(1,358,075)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,358,075)**	**-**	**-**	**-**	**-**	**-**

Section E – Calculation of SPP, Inc. Indirect Expense Rate

2012 Business Plan and Budget

Section E

CALCULATION OF THE SPP INC. INDIRECT EXPENSE RATE[1]

Support Groups[2]		Overhead Costs to Allocate	
Administration	$	14,049,031	*
Officers		3,681,391	**
Accounting		1,097,503	
Human Resources		1,925,400	
Customer Services		463,959	
Legal		959,540	
Communications		245,914	
Information Technology		11,766,946	
Total Costs	**$**	**34,189,684**	**A**

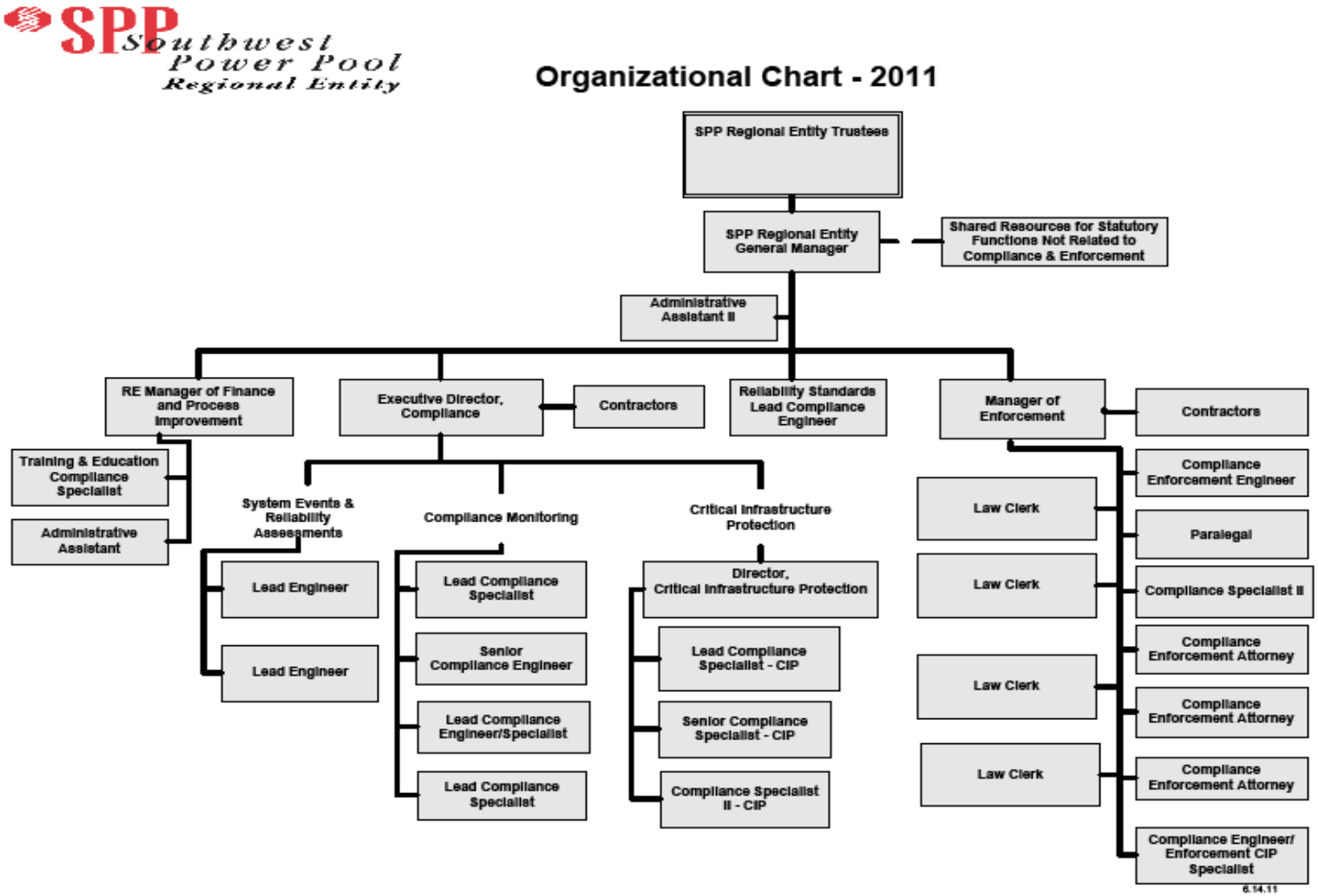
Non-Support Resource Groups			
Ending 2010 Headcounts		256	
Average Work Hours/FTE in 2010		1880	
# of Work Hours in 2010		**481,280**	**B**
2010 Indirect Overhead Expense Rate Rate (A/B)	**$**	**71.04**	
Times Budgeted SPP RE FTEs		**33.50**	
Times Average Work Hours/FTE		**1,880**	
Budgeted SPP Inc. Indirect Costs	**$**	**4,474,099**	

[1]Due to the timing of the budget process/schedule, the estimated overhead rate for 2012 is based on actual 2010 costs. Any variance between the estimated overhead rate and the actual 2012 overhead rate will be included in the annual 2012 Business Plan and Budget true-up filing.

[2] The services provided by these support groups are separate and distinct from the services provided by SPP RE direct staff and consultants and contractors.

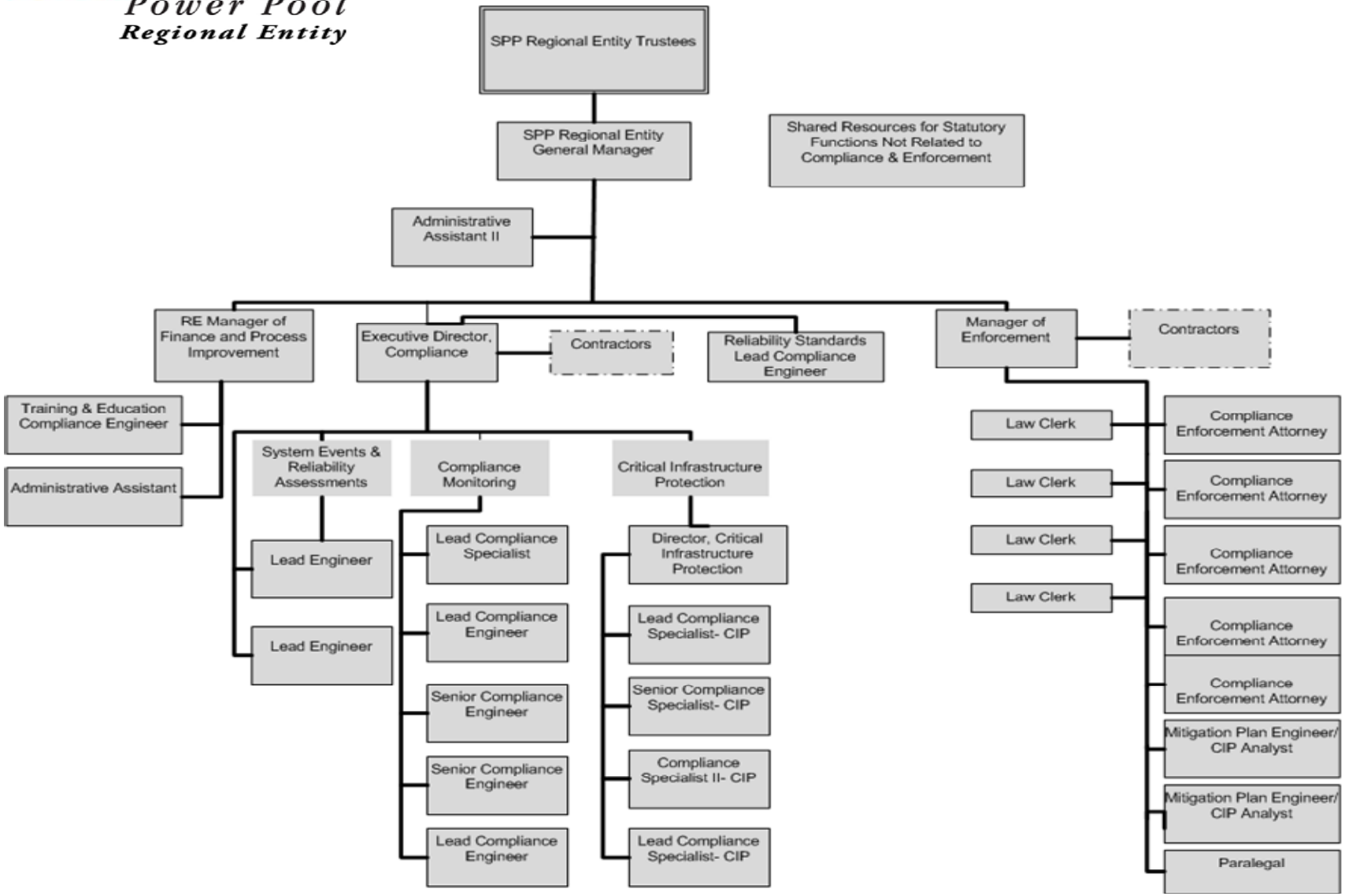
* Does not include FERC Pass-Thru Fees and depreciation of market and transmission assets.
** Does not include costs for executives performing delegated functions.

Section F– Organizational Chart
2012 Business Plan and Budget


SPP Southwest Power Pool Regional Entity
Organizational Chart - 2011
SPP Regional Entity Trustees
SPP Regional Entity General Manager
Shared Resources for Statutory Functions Not Related to Compliance & Enforcement
Administrative Assistant II
RE Manager of Finance and Process Improvement
Training & Education Compliance Specialist
Administrative Assistant
Executive Director, Compliance
Contractors
Reliability Standards Lead Compliance Engineer
Manager of Enforcement
Contractors
System Events & Reliability Assessments
Lead Engineer
Lead Engineer
Compliance Monitoring
Lead Compliance Specialist
Senior Compliance Engineer
Lead Compliance Engineer/Specialist
Lead Compliance Specialist
Critical Infrastructure Protection
Director, Critical Infrastructure Protection
Lead Compliance Specialist - CIP
Senior Compliance Specialist - CIP
Compliance Specialist II - CIP
Law Clerk
Law Clerk
Law Clerk
Law Clerk
Compliance Enforcement Engineer
Paralegal
Compliance Specialist II
Compliance Enforcement Attorney
Compliance Enforcement Attorney
Compliance Enforcement Attorney
Compliance Engineer/ Enforcement CIP Specialist
6.14.11

SPP Southwest Power Pool Regional Entity

2012 Proposed Organizational Chart



DOCKET NO. RR11-__-000

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 9

TEXAS RELIABILITY ENTITY

PROPOSED 2012 BUSINESS PLAN AND BUDGET

2012 Business Plan and Budget

Texas Reliability Entity, Inc.

Approved by:

Texas RE Board of Directors

June 28, 2011

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Introduction

TOTAL RESOURCES (in whole dollars)	Approved 2011 Budget	2012 Budget	Increase / (Decrease)	U.S.	Canada	Mexico
Statutory FTEs	49.0	58.0	9.0			
Non-statutory FTEs	5.0	5.0	-			
Total FTEs	54.0	63.0	9.0			
Statutory Expenses	$ 9,526,274	$ 10,910,407	1,384,133			
Non-Statutory Expenses	$ 969,974	$ 999,100	29,126			
Total Expenses	$ 10,496,249	$ 11,909,507	1,413,258			
Statutory Inc(Dec) in Fixed Assets	$ (242,418)	$ (296,948)	(54,530)			
Non-Statutory Inc(Dec) in Fixed Assets	$ -	$ -	-			
Total Inc(Dec) in Fixed Assets	$ (242,418)	$ (296,948)	(54,530)			
Statutory Working Capital Requirement*	$ 207,567	$ (466,263)	(673,830)			
Non-Statutory Working Capital Requirement**	$ -	$ 171,547	171,547			
Total Working Capital Requirement	$ 207,567	$ (294,716)	(502,283)			
Total Statutory Funding Requirement	$ 9,491,423	$ 10,147,196	655,773			
Total Non-Statutory Funding Requirement	$ 969,975	$ 999,100	29,125			
Total Funding Requirement	$ 10,461,398	$ 11,146,296	684,898			
Texas RE Statutory Funding Assessments	$ 9,227,823	$ 9,503,866	276,043	$ 9,503,866		
Texas RE Non-Statutory Fees	$ 969,975	$ 999,100	29,125	$ 999,100		
NEL	308,277,759	319,925,589	11,647,830	319,925,589		
NEL%				100%		

*Refer to Table B-1 on page 76 in Section B.
**Refer to the Reserve Analysis on page 92 in Section C.

Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity and the Reliability Monitor for the Electric Reliability Council of Texas, Inc. (ERCOT) region and preserves and enhances reliability across the ERCOT region by encouraging a culture of compliance among all users, owners, and operators of the Bulk Power System (BPS).

Texas RE is the Regional Entity for the ERCOT region pursuant to its Amended and Restated Delegation Agreement (Delegation Agreement) with North American Electric Reliability Corporation (NERC), which was approved by the Federal Energy Regulatory Commission (FERC) on May 6, 2010 for a five-year period beginning January 1, 2011. This Delegation Agreement was an amendment and extension of the Amended and Restated Delegation Agreement between NERC and Texas RE that FERC originally approved on May 6, 2010, when Texas RE took assignment of the Regional Entity duties for the ERCOT region from Texas Regional Entity.

Texas RE also performs non-statutory activities as the Reliability Monitor for the ERCOT region, pursuant to its Agreement with the Public Utility Commission of Texas (PUCT) and ERCOT (the independent system operator for the ERCOT region), dated July 1, 2010. As the Reliability Monitor, Texas RE monitors and reports to the PUCT regarding market participants' compliance with reliability-related ERCOT Protocols and Operating Guides (ERCOT Regional Rules).

The ERCOT region is the geographic area located within the state of Texas that operates under the jurisdiction of the Public Utility Commission of Texas (PUCT) and is not synchronously interconnected with any electric utilities operating outside of Texas. The ERCOT region includes approximately 85% of Texas load and 75% of the Texas land area.

Membership and Governance

Texas RE has the following six membership sectors under its Bylaws:

- **System Coordination and Planning**: An entity that is registered with NERC as a Reliability Coordinator (RC), Balancing Authority (BA), Planning Authority (PA), Resource Planner (RP), or Interchange Authority (IA).

- **Transmission and Distribution**: An entity that is registered with NERC as a Transmission Owner (TO), Transmission Planner (TP), Transmission Service Provider (TSP), Distribution Provider (DP), and/or Transmission Operator (TOP), and is not a Cooperative or Municipal Utility.

- **Cooperative Utility**: An entity that is (a) a corporation organized under Chapter 161 of the Texas Utilities Code or a predecessor statute to Chapter 161 and operating under that chapter; or (b) a corporation organized as an electric cooperative in a state other than Texas that has obtained a certificate of authority to conduct affairs in the State of Texas; or (c) a cooperative association organized under Tex. Rev. Civ. Stat. 1396-50.01 or a predecessor to that statute and operating under that statute that is registered with NERC for at least one reliability function.

- **Municipal Utility**: An entity that owns or controls transmission or distribution facilities, owns or controls dispatchable generating facilities, or provides retail electric service and is a municipally owned utility as defined in PURA §11.003 and is registered with NERC for at least one reliability function.

- **Generation**: An entity that is registered with NERC as a Generator Owner (GO) or Generator Operator (GOP).

- **Load-Serving and Marketing**: An entity that is registered with NERC as a Load Serving Entity (LSE), a Purchasing-Selling Entity, or any newly defined NERC reliability function for demand response.

Membership in Texas RE is voluntary and open to any entity that is a user, owner, or operator in the ERCOT region BPS, who registers with Texas RE and complies with the Texas RE Bylaws requirements. Texas RE charges a nominal fee for membership, but the membership fee can be waived upon good cause shown. Any person or entity that has a direct and material interest in the BPS has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

Texas RE is governed by a hybrid board of directors (Board), comprised of the following nine (9) directors:

- The Texas RE President & Chief Executive Officer

- Four (4) Independent Directors

- Two (2) Member Directors (the Chair and Vice-Chair of the Member Representatives Committee)
- Chair of the PUCT or another PUCT Commissioner designated by the Chairman, as an ex officio non-voting member
- Texas Public Counsel, from the Texas Office of Public Utility Counsel, as an ex officio non-voting member

The Board's primary role is to oversee the management of Texas RE, including assuring that Texas RE meets its requirements under the Bylaws and Delegation Agreement and electing a chief executive officer to manage and be responsible for the day-to-day on-going activities of Texas RE. The PUCT acts as the Hearing Body for contested matters under the Compliance Monitoring and Enforcement Program (CMEP). As the Hearing Body, the PUCT makes a recommendation to the Board, and the Board makes final compliance and enforcement decisions on contested cases. The Texas RE Board performs this role at this time, rather than a board compliance committee as used by other Regional Entities, because the Texas RE Board is smaller and has only seven voting members.

Texas RE has two stakeholder committees, the Member Representatives Committee (MRC) and the Reliability Standards Committee (RSC). The MRC includes representatives from members in each of the six membership sectors and provides advice and recommendations to the Board on administrative, financial, reliability-related, or any other matters, except for standards development issues, through its elected Chair and Vice Chair, who serve as directors. The RSC includes representatives from the six sectors described above, whether or not members of Texas RE and including any entity with a direct and material interest in the ERCOT region BPS, and facilitates the Regional Standards Development Process, coordinates the development of regional standards and variances with the development of national standards, and monitors, reviews, and comments on NERC (national) standards under development and standards interpretation requests.

Statutory Functional Scope

In accordance with its Delegation Agreement with NERC and in compliance with the NERC Rules of Procedure (NERC ROP), Texas RE performs the following statutory (or delegated) functions:

- Participation in the development of reliability standards, or modifications thereof, and facilitation of developing needed regional standards or variances through Texas RE's Standards Development Process.
- Identification and registration of responsible entities with NERC and, as needed, certification of such entities within the ERCOT region.
- Monitoring and enforcing compliance with approved NERC Reliability Standards, in accordance with the NERC ROP, in the ERCOT region.
- Analysis and assessment of system events and disturbances.
- Assessment of the present and future reliability, adequacy, and security of the bulk-power system (BPS).

- Promotion of effective training and education of personnel, and assistance in the certification of operating personnel.

- Promotion of situation awareness and the protection of critical infrastructure.

2012 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process located in NERC's 2011 Business Plan and Budget. Texas RE's detailed program area assumptions are included in each of the Statutory Program areas in Section A hereto. The significant overriding legal and business assumptions underlying NERC and Regional Entity business plans and budgets include:

LEGAL CONTEXT

NERC and the Regional Entities will continue to work under the regulatory framework governing the establishment and enforcement of reliability standards for the bulk electric system established by applicable governmental authorities in the United States and Canada.

NERC and the Regional Entities do not at this time anticipate substantive generic amendments to the terms of their existing delegation agreements, which will not expire during the planning period, or changes to Regional affiliations, but individual amendments may be necessitated by changes in certain Regional Entities' rules documents. NERC and the Regional Entities, will, however, make significant strides toward implementing the ERO Enterprise model for the benefit of stakeholders.

Although the scope of each Regional Entity's delegated authorities and responsibilities will remain relatively constant and incremental process improvements and efficiency gains are expected throughout the planning period, workload associated with the delegated authorities is expected to increase in a manner that offsets and exceeds the efficiency gains.

NERC and its Regional Entities will continue to work in a collaborative way with the North American Transmission Forum, Inc. and North American Generator Forum (collectively "Forums") and anticipate the Forums will also provide public lessons learned, industry training, and opportunities for the industry to further advance reliability. Additionally, NERC and the six Regional Entities comprising the Eastern Interconnection will work in closer collaboration on reliability issues that impact the Interconnection.

BUSINESS ENVIRONMENT

Economic conditions will continue to place cost pressures on NERC and the Regional Entities to work as efficiently as possible and leverage overall ERO resources. Cost pressures on the electric utility industry may affect stakeholder resources available to participate in NERC and Regional Entity activities.

Since the NERC and Regional Entity business plans, budgets, and resource requirements were and will continue to be established based upon the assumption of continued industry participation in support of key program areas, including but not limited to event analysis, reliability assessments, and standards development, any significant change in the quality or availability of industry resources will increase NERC's resource and funding requirements.

2012 Goals and Key Deliverables

Texas RE's 2012 Business Plan and Budget is driven by the following ERO enterprise goals:

- Have clear, mandatory reliability standards that establish threshold requirements for ensuring bulk power reliability.
- Promote a culture of reliability excellence by facilitating a learning environment.
- Be a risk-informed organization, identifying and understanding reliability risks, and effectively prioritizing ERO activities and reliability initiatives based on reliability impacts.
- Promote a culture of compliance with mandatory reliability standards across the industry.
- Be a strong, independent enforcement authority providing timely and transparent feedback on compliance.
- Execute statutory functions in a collaborative enterprise with NERC, the other Regional Entities, and registered entities, to leverage expertise and technology and improve transparency, consistency, quality, and timeliness of results.
- Build constructive partnerships between industry and government by communicating expectations and consistently delivering responsive results that demonstrate effective mitigation of reliability risks.

2012 Overview of Cost Impacts

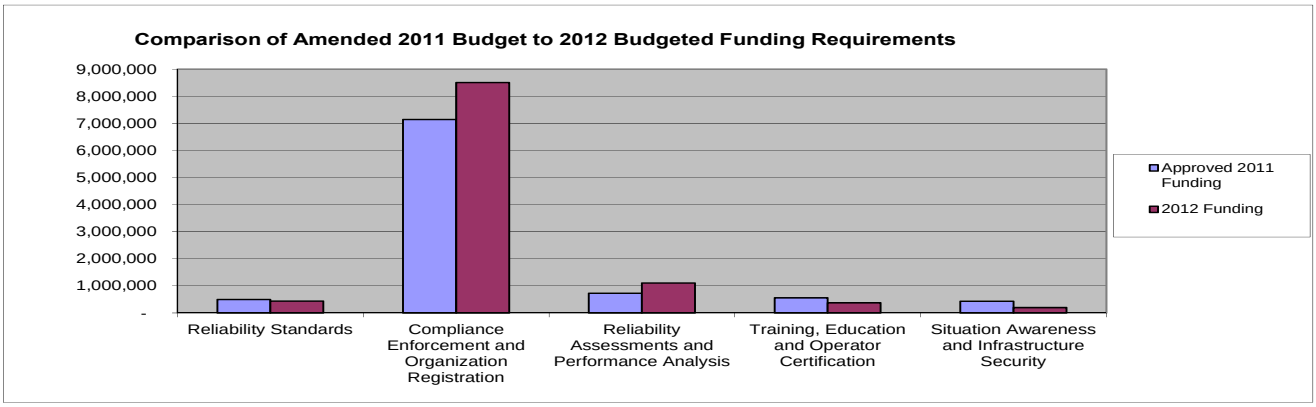
Texas RE's statutory expenses (including capital expenditures) are impacted as follows:

- Texas RE personnel costs will increase by $1,531K in 2012, primarily because Texas RE proposes to add 9 statutory FTEs to help enable it to meet NERC Delegation Agreement requirements. A summary of these changes is as follows:
  - Additions:
    - Audits (693 and CIP) – 1 FTE
    - Compliance Monitoring –1.5 FTEs
    - Enforcement – 5.0 FTEs
    - Reliability Assessments and Performance Analysis – 1.5 FTEs
- Meeting expenses are decreasing by $197K due to the elimination of facilitation of the Operations Training Seminar and a slight reduction to expected workshop costs.
- Travel expenses are increasing by $37K for a variety of reasons.
- Conference calls are increasing by approximately $6K related to additional web conferencing services.

- Consulting & Contracts is decreasing $344K due to elimination of an estimated helpdesk support amount from the budget. The IT staff is primarily able to address all items in this area.
- Office rent is decreasing $49K year-over-year because the rent was not finalized in 2011, and the budget was slightly overstated.
- Office costs are increasing by $95K primarily for maintenance agreement renewals.
- Professional services are increasing by $103K primarily due to potential recruitment for Board member $70K and Board fees $30K.
- Depreciation is increasing $222K.
- Finally, total fixed assets net of depreciation are increasing from $242K to $297K in 2012. The change in fixed assets net of depreciation is $55K. The change in fixed assets net of depreciation is primarily driven by increases in depreciation expense.

Statutory Expenses (Including Fixed Assets) by Program	Approved 2011 Budget	Projection 2011	2012 Budget	Variance 2012 Budget v Approved 2011 Budget	Variance %
Reliability Standards	492,521	417,848	438,161	(54,360)	-11.0%
Compliance Enforcement and Organization Registration	7,086,748	6,580,009	8,501,276	1,414,527	20.0%
Reliability Assessments and Performance Analysis	720,791	642,100	1,100,554	379,763	52.7%
Training, Education and Operator Certification	556,277	395,434	375,781	(180,496)	-32.4%
Situation Awareness and Infrastructure Security	427,518	394,949	197,686	(229,832)	-53.8%
Total Statutory Expenses (includes change in Fixed Assets)	**9,283,856**	**8,430,342**	**10,613,459**	**1,329,603**	**14.3%**

*These exhibits do not include an allocation of working capital requirements among the Program Areas



Total FTE's by Program Area	Approved 2011 Budget	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs[1] 2012 Budget	Total FTEs 2012 Budget	Variance from Approved 2011 Budget
	STATUTORY					
Operational Programs						
Reliability Standards	1.97	1.97	2.00	0.00	2.00	0.03
Compliance, Enforcement, Organization Registration and Certification	29.12	30.06	38.00	0.00	38.00	8.88
Training and Education	1.84	0.84	1.75	0.00	1.75	-0.09
Reliability Assessment and Performance Analysis	3.18	2.72	4.75	0.00	4.75	1.57
Situation Awareness and Infrastructure Security	2.03	2.49	0.75	0.00	0.75	-1.28
Total FTEs Operational Programs	**38.14**	**38.08**	**47.25**	**0.00**	**47.25**	**9.11**
Administrative Programs						
Technical Committees and Member Forums	0.50	0.50		0.50	0.50	0.00
General & Administrative	1.71	1.73		1.75	1.75	0.04
Information Technology	2.60	2.60		2.50	2.50	-0.10
Legal and Regulatory	3.02	3.05		3.00	3.00	-0.02
Human Resources	1.03	1.04		1.00	1.00	-0.03
Finance and Accounting	2.00	2.00		2.00	2.00	0.00
Total FTEs Administrative Programs	**10.86**	**10.92**	**0.00**	**10.75**	**10.75**	**-0.11**
Total FTEs	**49.00**	**49.00**	**47.25**	**10.75**	**58.00**	**9.00**

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

2011 Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures
2011 Budget & 2012 Budget
STATUTORY

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	$ 9,227,823	$ 9,227,823	$ -	$ 9,503,866	$ 276,043
Penalty Sanctions	20,000	20,000	-	572,830	552,830
Total Texas RE Funding	**$ 9,247,823**	**$ 9,247,823**	**$ -**	**$ 10,076,696**	**$ 828,873**
Membership Dues	27,500	27,500	-	27,500	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	215,500	136,000	(79,500)	30,000	(185,500)
Interest	600	13,000	12,400	13,000	12,400
Miscellaneous	-	-	-	-	-
Total Funding	**$ 9,491,423**	**$ 9,424,323**	**$ (67,100)**	**$ 10,147,196**	**$ 655,773**
Expenses					
Personnel Expenses					
Salaries	$ 4,795,004	$ 4,595,167	$ (199,837)	$ 5,854,972	$ 1,059,968
Payroll Taxes	423,650	367,613	(56,036)	521,980	98,331
Benefits	589,499	551,420	(38,079)	806,045	216,546
Retirement Costs	693,219	643,323	(49,896)	799,971	106,752
Total Personnel Expenses	**$ 6,501,372**	**$ 6,157,524**	**$ (343,848)**	**$ 7,982,969**	**$ 1,481,597**
Meeting Expenses					
Meetings	$ 234,300	$ 116,974	$ (117,326)	$ 37,200	$ (197,100)
Travel	322,753	331,151	8,398	359,748	36,995
Conference Calls	12,000	15,000	3,000	18,000	6,000
Total Meeting Expenses	**$ 569,053**	**$ 463,125**	**$ (105,928)**	**$ 414,948**	**$ (154,105)**
Operating Expenses					
Consultants & Contracts	$ 616,571	$ 387,323	$ (229,248)	$ 272,570	$ (344,001)
Office Rent	499,000	450,000	(49,000)	499,000	-
Office Costs	249,239	316,458	67,219	344,329	95,090
Professional Services	750,000	693,980	(56,020)	853,300	103,300
Miscellaneous	-	-	-	-	-
Depreciation	532,418	649,036	116,617	753,948	221,530
Total Operating Expenses	**$ 2,647,228**	**$ 2,496,797**	**$ (150,431)**	**$ 2,723,147**	**$ 75,919**
Total Direct Expenses	**$ 9,717,654**	**$ 9,117,446**	**$ (600,207)**	**$ 11,121,064**	**$ 1,403,410**
Indirect Expenses	**$ (191,379)**	**$ (191,379)**	**$ -**	**$ (210,657)**	**$ (19,277)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 9,526,274**	**$ 8,926,067**	**$ (600,207)**	**$ 10,910,407**	**$ 1,384,133**
Change in Assets	**$ (34,852)**	**$ 498,256**	**$ 533,107**	**$ (763,211)**	**$ (728,359)**
Fixed Assets					
Depreciation	(532,418)	(649,036)	(116,617)	(753,948)	(221,530)
Computer & Software CapEx	290,000	380,000	90,000	382,000	92,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	75,000	75,000
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ 242,418**	**$ 269,036**	**$ 26,617**	**$ 296,948**	**$ 54,530**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**242,418**	**269,036**	**26,617**	**296,948**	**54,530**
TOTAL CHANGE IN NET ASSETS	**$ 207,566**	**$ 767,292**	**$ 559,725**	**$ (466,263)**	**$ (673,829)**

Section A – Statutory Programs

2012 Business Plan and Budget

Section A — 2012 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.97	2.00	0.03
Direct Expenses	$ 342,515	$ 314,593	$ (27,922)
Indirect Expenses	$ 148,494	$ 130,157	$ (18,338)
Inc(Dec) in Fixed Assets	$ 1,511	$ (6,589)	$ (8,100)
Total Funding Requirement	$ 497,938	$ 438,161	$ (59,777)

Program Scope and Functional Description

The Texas RE Reliability Standards program facilitates the development of regional standards and variances, in accordance with the Texas RE Standards Development Process, which was approved as Exhibit C to the Delegation Agreement, and supports the national NERC Reliability Standards program. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE Reliability Standards Committee (RSC), all regional standard drafting teams (SDTs), and the ERCOT region NERC Standards Review Subcommittee.

The Texas RE Standards Development Process is open to all individuals and organizations that are directly and materially affected by the ERCOT region BPS, with no undue financial barriers and regardless of Texas RE membership status. As of April 1, 2011, 28 entities have joined the Registered Ballot Body (RBB), which was re-populated after Texas RE separated from ERCOT on July 1, 2010. More entities are expected to join the RBB when a ballot is conducted.

Texas RE's Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. In addition, all proposed standards are posted on the Texas RE Reliability Standards Tracking Site for public comments. The Tracking Site allows all interested parties to access materials related to regional standards and to submit comments on Standard Authorization Requests (SARs) and draft standards during designated commenting periods. The Tracking Site allows members of the RBB to join any open Registered Ballot Pool and to vote online. The Standards Development Process includes an appeals process and an interpretation process.

Texas RE Standards staff supports and participates in the NERC Standards Committee and Regional Standards Working Group and has contributed to the 2011-2013 NERC work plan and other NERC activities.

In addition, the Texas RE staff reviews proposed reliability standards from NERC and other regions, and staff from NERC and other Regional Entities have the opportunity to review proposed Texas RE regional standards.

Texas RE Standards staff supports and facilitates meetings of the Texas RE Reliability Standards Committee and the NERC Standards Review Subcommittee (NSRS). The RSC is a stakeholder committee that oversees the execution of the Texas RE Standard Development Process. The NSRS provides a regional stakeholder forum for education and discussion of NERC standards activities, both regional and continent-wide.

In general, Texas RE works to ensure that Texas RE personnel and stakeholders have the most current and accurate information on regional and continent-wide reliability standards. Texas RE informs stakeholders of the impact and requirements of emerging NERC standards through training at Texas RE workshops and through other means including periodic newsletters and email list announcements. Procedures, forms, meetings, minutes, notes, agendas, drafts, etc., for all regional activities associated with standards are posted in a timely fashion on the Texas RE website. Market notices on major topics and upcoming meetings are sent regularly to Texas RE email lists. Articles on reliability standards topics are included in the periodic Texas RE newsletter.

Other functions performed by the Texas RE Standards staff (cooperating with other Texas RE functions) include:

- Monitor NERC and FERC standards-related activities and communicate relevant actions to Texas RE personnel and to registered entities in the ERCOT region;
- Coordinate Texas RE votes on NERC ballots, including preparation of voting recommendations in coordination with Texas RE subject matter experts;
- Maintain a Standards Issues Database and solicit input regarding issues encountered by Texas RE personnel during audits and other compliance activities;
- Continue to improve the standards portion of the Texas RE website.

2012 Key Assumptions

RELIABILITY STANDARDS PROGRAM

1. Over the planning period, NERC will implement a results-based standards program based on a NERC Board of Trustees endorsed prioritization process with regular consideration of substantive standards developments and FERC rulings containing standards directives. The program deliverables will focus on revisions to existing reliability standards and development of new reliability standards that are expected to lead to the greatest improvement in bulk electric system reliability. Training materials will be developed, training will be provided, and the results-based approach will be applied to applicable existing and future standards projects. Additional NERC resources will be required to support this effort. At the NERC level, technical personnel with training skills either in the training program or within reliability standards will be needed to assure training is available for drafting teams as their membership changes due to attrition or when new teams are created. At the Regional level resource allocation of time to receive training will be necessary, at a minimum.

2. NERC will modify the standards development process to improve speed and quality, and to explicitly address cost-effectiveness, while maintaining ANSI accreditation for those

standards which qualify as ANSI standards. Examination of equivalent registration in Canada will be undertaken. The process modifications will involve the use of pilot programs in 2012 and possibly additional pilot programs in later years.

3. NERC and the Regions will address and appropriately prioritize all fill-in-the-blank standards over the planning period. NERC standards development staff is expected to provide increased coordination of regional standards development by becoming more involved earlier in the regional standard development efforts to help assure consistency in regional and continent-wide standard technical content, format, and quality. Depending on the number of regional standards, additional NERC resources beyond those currently dedicated to supporting the regional programs may be required.

4. NERC and the Regional Entities continue to expect cyber and critical asset security to be a priority in the United States and Canada, with significant oversight by applicable government authorities. CIP-002 through CIP-009 (or other applicable designation), version 4, is targeted for submittal to the NERC Board and filing in 2012, with regulatory response expected in 2012 and expected implementation in 2013 at the earliest.

5. NERC and the Regional Entities will lead the development of a revised definition of adequate level of reliability (ALR) of the bulk electric system. This will be accomplished through the efforts of the NERC Member Representatives Committee and the Operating and Planning Committees. The revised definition will be delivered to the NERC Board of Trustees for consideration in February 2012. In the event the ALR revision process results in a need for standards revisions or additions, additional resources may be required at NERC, as well as from the Regional Entities and industry.

6. Assumptions with respect to highly specialized technical resource requirements associated with critical infrastructure standards development are addressed under the Critical Infrastructure Protection Program Area.

7. Assumptions regarding additional Compliance Program Area resources to support standards development are addressed under the Compliance Area.

8. A decrease in workload is expected in the later years of the planning period, based on the results-based standards initiative and improved standards development process due to improvements in standards. The number of projects contained in the Reliability Standards Development Plan is expected to increase over the planning period as the results-based standards initiative is fully implemented, work necessary to complete the response to FERC Order 693 directives is finalized, and the existing requirement to review each standard every five years is implemented. However, the scope of these projects is generally expected to be narrower than would otherwise potentially exist in the absence of the Results- Based Standards initiative. NERC will need more expertise in the project management, technical writing disciplines in the Standard Department, along with additional standards process administrator support to manage the standards development governance and stakeholder interface. Additional analyst resources for website content are anticipated over the period to aid in fulfilling the ERO obligation to provide a comprehensive status of standards (effective dates, implementation plans) in the US and the Canadian Provincial regulatory jurisdictions.

9. NERC projects to continue its current development and regulatory filing activity level in 2012-2015 in accordance with the prioritization process of the Standards Committee. Generally, NERC will plan on a one year timeline to respond to future FERC directives on standards development while addressing the directives backlog over the next five years. This will require additional NERC resources to support regulatory coordination. No regional impacts are expected.

10. NERC projects to develop and process 12-15 substantive NERC standards related filings per year, conduct approximately 25 ballots, and provide 25 commenting rounds under the successive balloting process for standards or interpretations.

11. The Regional Entities expect to work with NERC to limit the number of Regional Standards submitted during the planning period by focusing on international solutions where possible. Less than 10 Regional Standards are expected to be submitted during the planning period.

12. Regional Standards Development processes will be periodically reviewed and updated as necessary to keep pace with similar changes with the NERC process. This may have an impact on Regional Entity resource requirements. NERC will provide increased standard drafting team training to enable all drafting team members to understand their role in the standards development process. This added training will require additional resources at the NERC level in the near term.

13. NERC and the Regional Entities will :
    - Increase communication and outreach opportunities with stakeholders and NERC standing committees;
    - Increase project level communications, education, and training for new or revised standards;
    - Continue to improve the standards portion of the NERC and Regional Entity Websites;
    - Work with stakeholders to jointly identify needs for new or revised standards or standards products; and
    - Provide the necessary information and background to allow the industry stakeholders to perform a cost effectiveness analysis.

    These efforts will require additional resources to provide management oversight and accountability for these key standards interface and communication activities. At the NERC level this requires additional resources in Standards Information to support website content and regulatory coordination.

14. NERC will continue to transform its standards organization to sustain a higher level of activity, output and quality. It is anticipated that this effort will require additional Regional Entity and Industry resources and will require an increase in NERC resources including:
    - Increased technical resources to support drafting teams in the development of results-based standards and associated training;
    - Increased resources to support greater stakeholder outreach in the Standards information function;

- Dedicated support for standards database development and maintenance in support of the ERO compliance and standards information system; and
- Additional project management support for North American standards development activity.

2011 Goals and Key Deliverables

The goals of the Texas RE Reliability Standards Program for 2012 are as follows:

- Meet all FERC and NERC directives with regard to regional standards development and procedures and maintain effective relationships and communications with the standards staff at NERC and the other Regional Entities.
- Develop regional standards program communications that educate and inform stakeholders and support the Texas RE Standards Development program objectives.
- Work closely with NERC and registered entities within the ERCOT region to develop regional standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain regional variances; and otherwise address issues that are not adequately addressed in NERC Reliability Standards (such as improving fill-in-the-blank requirements).
- Facilitate Texas RE participation in NERC standards development activities. Prepare recommendations for voting on NERC ballots based on Texas RE staff review and analysis and on input from stakeholders in the region.
- Streamline and improve Texas RE's Standards Development Process and associated tools, including consideration of NERC's results-based standards development methodology.
- Consider developing an expedited process for standard development projects that do not require significant technical effort.
- Participate in various NERC Reliability Standards programs and related functions, including the Regional Standards Group, quality review of standards, and subcommittees of the NERC Standards Committee.
- Continue to enhance communication to and education of the registered entities in the ERCOT Region to increase awareness of NERC and regional standards development activities and to ensure adequate representation on the Registered Ballot Body.
- Continue to encourage and expand the activities of the NERC Standards Review Subcommittee. This subcommittee provides a forum for stakeholder discussion of standards-related issues and for preparing group comments for submission to NERC.
- Maintain and improve the standards-related portion of the Texas RE website and the Texas RE Standards Tracking Site.
- Maintain the Texas RE Standards Issues Database and actively solicit issues to be added to the database.
- Assist other Texas RE departments with standards-related issues as needed.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Funding received for this activity is through assessments, penalties, and Texas RE membership dues, which fully funds total expenses and fixed asset requirements.

Personnel Expenses

- Headcount is remaining virtually constant at 2.00 FTEs.

Meeting Expenses

- It is expected that Texas RE's standards-related meetings, including RSC meetings, standard drafting team meetings and workshops, will be hosted onsite at Texas RE offices in 2012 which will result in a decrease of $4K in costs for these activities.

- Travel will increase for the Reliability Standards activity. With the volume of NERC related meetings, standard drafting team meetings and training, the travel costs associated with those meetings will be higher by $1K year-over-year.

Operating Expenses

- Operating Expenses are virtually flat year-over-year.

Indirect Expenses

- The indirect expenses for 2012 are budgeted at $130K, which reflects a decrease of $18K year-over-year due to lower administrative services costs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets for this program is budgeted at $7K; this is about $8K more than 2011.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & 2012 Budget
Reliability Standards

	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	$ 495,484	$ 495,484	$ -	$ 412,751	$ (82,733)
Penalty Sanctions	1,033	1,033		24,247	23,214
Total Texas RE Funding	**$ 496,518**	**$ 496,518**	**$ -**	**$ 436,997**	**$ (59,519)**
Membership Dues	1,420	1,420	-	1,164	(256)
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 497,938**	**$ 497,938**	**$ -**	**$ 438,161**	**$ (59,775)**
Expenses					
Personnel Expenses					
Salaries	$ 236,012	$ 209,500	$ (26,512)	$ 216,978	$ (19,034)
Payroll Taxes	20,967	16,760	(4,207)	19,875	(1,092)
Benefits	26,697	25,140	(1,557)	24,318	(2,379)
Retirement Costs	34,222	29,330	(4,892)	31,462	(2,760)
Total Personnel Expenses	**$ 317,898**	**$ 280,730**	**$ (37,168)**	**$ 292,632**	**$ (25,265)**
Meeting Expenses					
Meetings	$ 3,700	$ -	$ (3,700)	$ -	$ (3,700)
Travel	9,987	9,100	(887)	11,201	1,214
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 13,687**	**$ 9,100**	**$ (4,587)**	**$ 11,201**	**$ (2,486)**
Operating Expenses					
Consultants & Contracts	$ 10,000	$ 10,000	$ -	$ 10,296	$ 296
Office Rent	-	-	-	-	-
Office Costs	930	947	17	464	(466)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 10,930**	**$ 10,947**	**$ 17**	**$ 10,760**	**$ (170)**
Total Direct Expenses	**$ 342,515**	**$ 300,777**	**$ (41,738)**	**$ 314,593**	**$ (27,922)**
Indirect Expenses	**$ 148,494**	**$ 130,103**	**$ (18,392)**	**$ 130,157**	**$ (18,337)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 491,010**	**$ 430,880**	**$ (60,130)**	**$ 444,750**	**$ (46,259)**
Change in Assets	**$ 6,928**	**$ 67,058**	**$ 60,130**	**$ (6,589)**	**$ (13,517)**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	10,000	-	(10,000)	-	(10,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ (10,000)**	**$ -**	**$ 10,000**	**$ -**	**$ 10,000**
Allocation of Fixed Assets	$ 8,489	$ 8,672	183	$ 6,589	$ (1,899)
Change in Fixed Assets	**(1,511)**	**8,672**	**10,183**	**6,589**	**8,101**
TOTAL CHANGE IN NET ASSETS	**$ 5,417**	**$ 75,730**	**$ 70,313**	**$ 0**	**$ (5,417)**

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	29.12	38.00	8.88
Direct Expenses	$ 5,105,292	$ 6,294,767	$ 1,189,475
Indirect Expenses	$ 2,195,010	$ 2,472,982	$ 277,973
Inc(Dec) in Fixed Assets	$ (213,553)	$ (266,473)	$ (52,920)
Total Funding Requirement	$ 7,142,058	$ 8,501,276	$ 1,359,217

Program Scope and Functional Description

Texas RE's Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) includes the key activities of registering (and where required, certifying) responsible entities, monitoring and assessing compliance with the NERC Reliability Standards and regional standards, and enforcing and ensuring mitigation of violations of Standards in accordance with the NERC ROP. The primary monitoring and assessment methods include audits, self-reports, self-certifications, complaints, spot checks, compliance investigations, exception reporting, and data submittals. Texas RE will need to increase its CMEP staff for 2012 by 8.88 FTEs, as discussed below, to appropriately and efficiently perform its CMEP activities.

2012 Key Assumptions

COMPLIANCE MONITORING AND ENFORCEMENT AND ORGANIZATION REGISTRATION AND CERTIFICATION PROGRAM

1. Assumptions with respect to highly specialized technical resource requirements associated with compliance monitoring and enforcement of critical infrastructure standards are addressed under the Critical Infrastructure Protection Program Area.

2. The Technical Feasibility Exception (TFE) program will continue to require significant staffing resources within NERC and across the industry as Regional Entities perform reviews and gauge compensating measures. TFE development, review and approval will result in additional compensating measure validation checks, quarterly reporting tracking, and change management. Experiences gained through existing operations will be utilized to guide the development of resource recommendations

3. The number of interpretation and guidance requests is assumed to remain constant in the near term. Compliance Application Notices (CANs), case notes and industry-trial implementation periods are expected to continue, as are formal interpretation requests.

4. Continue refinement of risk-based methodologies to support more effective and efficient compliance monitoring activities such as: appropriately focused Annual Implementation Plan and Actively Monitored List (AML), audit scoping, and various enforcement activities. This refinement, while improving the reliability enhancement component of the compliance program, is not anticipated to require additional NERC, Regional Entity or Industry resources and will be accomplished by making use of standard auditing practices.

5. NERC and the Regional Entities will coordinate development of a risk based approach to compliance monitoring. The first step will be to develop appropriate risk profile determination for registered entities as a pilot in 2011 with further expansion throughout the planning period.

6. NERC and regional staff will continue to collaborate to define ongoing training needs, priorities and implementation schedules for NERC and Regional Entity auditors, enforcement and investigation staff. The Regional Entities should assume that NERC will include in its budget the cost of these training programs, other than Regional Entity costs (e.g., labor, travel and lodging) to participate and attend.

7. NERC and Regional Entity staff should be provided the time to maintain critical industry certifications, such as NERC System Operator Certification. Additionally, blending in the appropriate audit and investigative skills must be provided. Budgets and long term work plans should reflect recertification and training time for NERC and Regional Entity staff.

8. NERC will conduct semi-annual three day ERO auditor workshops to provide auditors with updates on compliance policies, actions and requirements in order to promote consistency of audit practices and procedures. The goal is to have 100% of auditors, including CIP auditors, as their schedules permit, attend up to two of the semiannual three-day workshops which will be scheduled for the third week of February and September. The Regional Entities should assume that NERC will be responsible for the cost of these training programs, other than Regional Entity costs (e.g., labor, travel and lodging) to attend.

9. Increase the number of spot checks over the next three years in conjunction with a risk-based approach to compliance monitoring. While this will initially increase auditor preparation time and resources, appropriately scoped audits based on entity risk and performance profiles should lead to efficiencies in the audit program. Notwithstanding these improvements in efficiency Regional Entities may be required to increase their audit resources in the near term. .

10. Audits, which will continue under a schedule to complete audits of the single BA and RC every year, the TOPs every three years, any registered entity identifying Critical Cyber Assets every three years, and other entities each six years in the first few years of the planning period, will transition to a periodicity more reflective of the risk profile of registered entities as the planning period progresses. Compliance monitoring will be based on a risk and performance review of the individual entity; where necessary audits will have an increase in depth and complexity, including an increased number of unscheduled audits or spot checks. While some audits will be more in-depth and of

greater complexity, other audits may require less resources based on the risk and performance based assessment of each entity, and all audits will become more focused and perhaps reduced in scope. Regional Entities may nevertheless find it necessary to increase their audit resources to satisfy these workload requirements. It is reasonable to expect that entities having a higher risk profile will be audited more often, while those with a lower one will be subjected to audits more infrequently.

11. Changes to the Rules of Procedures affecting the Compliance Monitoring and Enforcement Program will continue to be made as appropriate in order to enhance efficiency in compliance operations and enforcement. However, it is not possible at this time to predict the impact of these yet to be identified improvements on the need for further resource additions in the ERO compliance and enforcement areas.

12. In addition to the regular schedule of workshops and other communications, NERC and Regional Entities will also continue to collaborate and provide special industry communications, focusing on both the most-violated, as well as recently adopted, standards and those most critical to reliability. It is anticipated that additional Regional Entity resources will be needed to support this effort.

13. NERC and the Regional Entities compliance and standards program area management will work collaboratively to provide more compliance guidance to support industry's efforts to achieve compliance prior to the effective date of new and revised standards. This increased collaboration is expected to mitigate the need for additional resources to support compliance application notices. However additional resources are required at NERC in the near term to support dedicated compliance input to standards and conduct field testing of standards approved by the NERC BOT or approved by FERC and still in the implementation phase.

14. NERC and Regional Entities will coordinate and expand registered entity training in the application of reliability standards in order to better prepare registered entities, improve compliance and reduce the number of erroneous self reports and self-certifications. NERC's and the Regional Entities' compliance program area will require resource additions in 2012 to provide more input and support to facilitate standards development and forward looking guidance to assist industry in meeting compliance deadlines. These additional resources will also be used to conduct webinars of revised and new standards' implementation plans.

15. NERC and Regional Entities will refine audit guidance for all new Reliability Standards. NERC and Regional entity compliance staffs will need to conduct semiannual workshops to improve guidance and instruction on certain standards in 2012 and 2013. Given the complexity and number of number of standards and requirements NERC will require additional resources in the near term to develop guidance and training to industry on MOD standards. These additional resources will also consider linkages between the modeling and planning standards to assist NERC and the Regional Entities in providing overall compliance guidance. Regional Entities estimate that the auditing of these standards will be accomplished with existing resources.

16. NERC and the Regional Entities estimate that, with the introduction of a robust, registered entity focused Events Analysis process, approximately 40 CI's per year are probable and will require additional resources.

17. The amount of compliance and enforcement data required to be tracked and the number of reports requiring creation will continue to increase as the volume of audits, spot checks, self-reports, investigations, and enforcement actions increases; however, anticipated efficiencies from newly incorporated electronic tools over the planning period will help to offset the increased workload over the planning period.

ENFORCEMENT

1. NERC and the Regional Entities will continue to establish streamlined mechanisms to expedite the disposition of minor, administrative violations and look to gain more discretion to handle minor violations before they enter the enforcement process to better focus existing resources on significant violations.

2. NERC and Regional Entity resources will be required to develop and implement an enforcement process that encourages "good" self-reporting, one that results from a systematic compliance "culture" to detect, report, and correct problems, obtains adequate recognition in the enforcement processes.

3. Utilizing existing resources, follow-up to NERC's education of the industry on lessons learned from violations that pose the most risk to the bulk electric system with "targeted aggressive enforcement" for further instances of non-compliance.

4. The current trend of alleged violations is expected to continue similarly to 2011 during the planning period. Texas RE did not anticipate the full extent of the increase in violations experienced starting in the second quarter of 2010 and did not sufficiently increase its Enforcement staff for 2011. Texas RE needs to increase its Enforcement staff to more efficiently review and process new possible violations and to process the violation caseload that it acquired during the second half of 2010 and in 2011.

5. Texas RE will continue to expend significant time coordinating with NERC and other Regional Entities to improve consistency and efficiency in processing violations and applying penalties for registered entities, as NERC and the Regions continue to develop and implement new electronic tools to more efficiently track and report on compliance monitoring and enforcement activities, by the end of the planning period.

6. Through efficiency gains and limited additional resources, NERC and Regions will strive to achieve a 12 month total average processing time for alleged violations over the planning period. Most violations will continue to be processed through the settlement process, and Texas RE will have only one contested hearing initiated.

REGISTRATION

1. The number of registered entity functions may increase as a result of the possible expansion of the Bulk Electric System (BES) definition. However, this may be mitigated

(in part) through increases in joint registration and the application of the Multi-Region Register Entity (MRRE) process, alleviating the need for resource additions.

2. It is assumed that a uniform BES definition will be implemented in 2012, but Texas RE does not anticipate that this will result in increased workload for Texas RE.

3. NERC does not expect significant number of registration challenges, with efforts in registration focusing on refining the current registries across the Regional Entities.

4. The number of certifications of BA, RC, and TOP may increase as entities adjust footprints and responsibilities. At present, the only potential increased workload envisioned by Texas RE could be the registration and possible TOP certification for new transmission assets being planned and constructed as part of the Competitive Renewable Energy Zone (CREZ) transmission line projects in the ERCOT region during the planning period.

5. The number of Joint Registration Organization and Coordinated Functional Registrations will likely increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness through better alignment of responsibilities and compliance requirements.

6. Over the planning period, NERC will review its registration criteria to enhance its joint and coordinated functional registration to better approximate registration by requirement or by asset.

2012 Goals and Key Deliverables

COMPLIANCE MONITORING

- Perform formal, in depth, compliance audits on a one-year cycle for the RC and BA functions, on a three-year cycle for the TOP function and for any other registered entity identifying Critical Cyber Assets (CCA), and on a six-year cycle for all other registered functions.

- For 2012, perform:

  - 42 non-CIP (693) audits, including 22 on-site and 20 table top audits

  - 18 CIP audits of entities that have identified CCA

    - 20 CIP audits of entities required to be CIP-compliant that have identified no CCA: To the extent feasible, these will be incorporated into scheduled 693 audits for efficiency.

- Continue to use spot checks as a tool to review information received during event analyses and from complaints.

- Perform approximately 10 spot checks of CIP-compliant entities that have identified CCA and have requested no Technical Feasibility Exceptions (TFEs).

- Continue to work with NERC and other Regional Entities to improve consistency in performing audits and spot checks of registered entities.
- Review, analyze, and notify Enforcement regarding all self-reports and self-certifications indicating possible violations.
- Improve the efficiency and robustness of the review and analysis of information received through complaints and the data submittal process.
- Perform one significant compliance investigation triggered by a significant system event and nineteen compliance reviews regarding lesser events or disturbances.
- Perform approximately 15 spot checks related to the compliance reviews from events.
- Enhance registered entities' understanding of standard requirements by capturing lessons learned from assessments and enforcement actions and distributing to registered entities via training programs, newsletters, and announcements.
- Review and promptly process any new TFEs, and implement all required compensating measure validation checks, quarterly and yearly reporting tracking, and change management of TFEs.

ENFORCEMENT

- Assure timely mitigation of all violations, assessing all mitigation plans for effectiveness and reasonableness of implementation, tracking completion of accepted plans to closure, and verifying completion of mitigation plans.
- Review, validate, and process or dismiss all possible violations in a more timely fashion, to enhance visibility of violations and penalties.
- Manage all settlements and contested cases to completion, as efficiently as possible.
- Coordinate appropriate engineering, other subject matter experts, and legal resources for the processing of alleged violations, including all settlements, appeals, and contested cases.
- Use targeted, aggressive enforcement for the violations posing the most risk to the BPS.
- Efficiently prosecute all contested enforcement matters and appeals.
- Support the administrative citation process and work with NERC and other Regional Entities to implement additional streamlined mechanisms to expedite minor, administrative violations which pose a minimal threat to the BPS.
- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review by and report creation for compliance and enforcement staff, management, the Texas RE Board, and NERC.

REGISTRATION

- Continue to register and certify entities in accordance with Texas RE procedures and the NERC ROP, and improve the timeliness of the registrations and communications with stakeholders.
- Continue to work with NERC and other Regional Entities to improve consistency in performing registration and certification of registered entities.
- Efficiently analyze and register new transmission assets planned and constructed as part of the CREZ transmission line project and plan for any required certifications.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Funding received for this activity is through assessments, penalties, and Texas RE membership dues which fully funds total expenses and fixed asset requirements.

Personnel Expenses

- Headcount is proposed to increase by approximately 8 for CMEP (FTEs are increasing 8.88), which brings the total to 38.00 FTEs for this program. There is approximately $143K in merit, promotion, and benefits increases included in the 2012 budget. The net change in expense for adding 8 new positions is $1,161K for salary and related expenses. The overall increase in Personnel Expenses over the 2011 budget is $1,304K.

COMPLIANCE MONITORING

- In 2012, Texas RE requires 17.37 FTEs to perform 693 and CIP audits, perform planned spot checks, and process TFEs. This is an increase of 1 FTE over Texas RE's 2011 budget of 16.37 FTEs for these activities. The increase is primarily a result of the following, which are discussed in more detail above:
  - The number of required CIP audits with CCA is 18 in 2012, which is 12 more than Texas RE performed in 2011.
  - The time to perform the CIP audits with CCA remains at an average of at least two weeks.
  - Time to perform 693 audits has also increased, as the depth and complexity of audits continues to increase and additional standards are added to the audits.
  - The number of planned spot checks is increasing as Texas RE implements a more risk-based compliance program.

- All auditors must take the additional in-depth auditor training workshops, to promote the consistency of audit practices and procedures, which takes time away from audit and spot check performance.

- Audit staff will continue to support Texas RE's increasing efforts to educate registered entities through workshops, newsletters, and other communications.

- In 2012, Texas RE requires 8.35 FTEs to be dedicated to perform the remainder of its compliance monitoring activities (not including audits and planned spot checks). This is an increase of 3.57 FTEs over the 2011 budget of 4.78 FTEs for compliance monitoring, and includes 1.28 new FTEs that were allocated to the Organization Registration and Certification, and Situation Awareness and Performance Assessment programs in 2011. As discussed above, the reasons for the required increased compliance monitoring staff include:

  - Additional Compliance employees are needed to perform a review of and seek required additional information for the substantially increased self-reports, complaints, and possible violations reported through self-certifications. In 2011, Texas RE audit staff has attempted to help support these compliance monitoring activities, but due to resource constraints, Texas RE is not able to process these items as efficiently as desired and has developed a caseload of pending self-reports. Texas RE anticipates that the self-reports will continue at the new increased level.

  - The more robust event analyses process has increased the identification of issues requiring spot checks, compliance investigations, or other compliance monitoring methods. Texas RE requires additional staff to more efficiently review and evaluate these items.

ENFORCEMENT

- Compliance Enforcement requires 10.28 FTEs to efficiently and effectively perform its activities in 2012, which is an increase of five (5) additional FTEs for Compliance Enforcement. In 2011, Compliance Enforcement had 5.28 FTEs budgeted for this activity; however, due to the significantly increased number of violations that required processing and the changes to the NERC Rules of Procedure and CMEP requiring the earlier screening, reporting, and potentially dismissing possible violations, additional time from Legal staff that was budgeted to be allocated to other CMEP areas in 2011 was shifted to assist Enforcement to reduce the growing caseload. Even with this assistance, Texas RE cannot review, process, and settle or prosecute all of the increased possible violations within the desired one-year period. Texas RE will require five (5) additional FTEs for Compliance Enforcement for 2012, bringing the total required 2012 headcount for this activity to 10.28 FTEs. This additional headcount is intended to more efficiently process the substantially increased possible violations, based upon current 2011 violation trends (assuming no additional increases) and the current NERC ROP.

REGISTRATION

- Organization Registration and Certification will require 2.0 FTEs for 2012, which allows a reduction in this area of approximately 0.69 of an FTE for 2012, and these FTEs will be allocated to compliance monitoring to offset the increasing

workload. In 2011, Texas RE increased the Registration FTEs by 1.69; however, the work required to review, identify, survey, map, and register any required, non-registered entity transmission and generation assets in the region (specifically including industrial facilities with private networks) should be primarily completed by the end of 2011, allowing the 0.69 FTE reduction to this area in 2012 while still allowing completion of an efficient and timely registration processing and communications.

Meeting Expenses

- Travel will increase for Compliance, Organization Registration, and Certification activities primarily due to the increased training required of and available for CMEP staff. Travel is budgeted at $255K, which is approximately a $10K increase in travel. The increase is primarily inflationary, as the total number of trips is not changing significantly from 2011.

Operating Expenses

- Consultants and contracts reflects $155K for hosting and maintenance of compliance applications. This amount is decreasing because of the change in service providers used to facilitate the compliance application.

- Office costs are $15K, which is decreasing $24K year-over-year related to the elimination of some one-time computer supplies included in the 2011 budget.

- Professional Services expenses are budgeted at $288K for outside legal expenses related to enforcement and registration activities. This is about $7K less than 2011.

- Depreciation expense of $281K attributed to compliance applications and additional enhancements are causing the depreciation expense to increase $8K year-over-year.

Indirect Expenses

- The indirect expenses for 2012 are budgeted at $2,473K, which reflects an increase of $278K year-over-year due to increases in headcount.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets for this program is budgeted at $266K; this is about $53K more than 2011. This change is primarily driven by increased depreciation in 2012.

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 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & 2012 Budget
Compliance Monitoring and Enforcement and Organization Registration and Certification Program

	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	$ 7,105,792	$ 7,105,792	$ -	$ 8,018,471	$ 912,679
Penalty Sanctions	15,270	15,270		460,689	445,419
Total Texas RE Funding	**$ 7,121,062**	**$ 7,121,062**	**$ -**	**$ 8,479,159**	**$ 1,358,097**
Membership Dues	20,996	20,996	-	22,116	1,120
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 7,142,058**	**$ 7,142,059**	**$ -**	**$ 8,501,276**	**$ 1,359,217**
Expenses					
Personnel Expenses					
Salaries	$ 2,942,088	$ 2,836,168	$ (105,921)	$ 3,851,860	$ 909,772
Payroll Taxes	260,251	226,893	(33,357)	343,046	82,795
Benefits	367,508	340,340	(27,168)	546,872	179,364
Retirement Costs	426,603	397,064	(29,539)	558,520	131,917
Total Personnel Expenses	**$ 3,996,450**	**$ 3,800,465**	**$ (195,986)**	**$ 5,300,298**	**$ 1,303,847**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	245,078	243,014	(2,063)	255,291	10,213
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 245,078**	**$ 243,014**	**$ (2,063)**	**$ 255,291**	**$ 10,213**
Operating Expenses					
Consultants & Contracts	$ 256,957	$ 184,131	$ (72,826)	$ 155,000	$ (101,957)
Office Rent	-	-	-	-	-
Office Costs	39,224	34,592	(4,632)	14,898	(24,326)
Professional Services	294,500	246,984	(47,516)	288,000	(6,500)
Miscellaneous	-	-	-	-	-
Depreciation	273,083	349,813	76,729	281,280	8,197
Total Operating Expenses	**$ 863,764**	**$ 815,519**	**$ (48,245)**	**$ 739,178**	**$ (124,586)**
Total Direct Expenses	**$ 5,105,292**	**$ 4,858,998**	**$ (246,294)**	**$ 6,294,767**	**$ 1,189,475**
Indirect Expenses	**$ 2,195,010**	**$ 2,017,212**	**$ (177,798)**	**$ 2,472,982**	**$ 277,972**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 7,300,302**	**$ 6,876,210**	**$ (424,092)**	**$ 8,767,749**	**$ 1,467,447**
Change in Assets	**$ (158,243)**	**$ 265,849**	**$ 424,092**	**$ (266,473)**	**$ (108,230)**
Fixed Assets					
Depreciation	(273,083)	(349,813)	(76,729)	(281,280)	(8,197)
Computer & Software CapEx	185,000	255,000	70,000	140,000	(45,000)
Furniture & Fixtures CapEx	-	-	-		-
Equipment CapEx	-	-	-		-
Leasehold Improvements	-	-	-		-
(Incr)Dec in Fixed Assets	**$ 88,083**	**$ 94,813**	**$ 6,729**	**$ 141,280**	**$ 53,197**
Allocation of Fixed Assets	$ 125,470	$ 134,519	9,049	$ 125,193	$ (277)
Change in Fixed Assets	**213,553**	**229,331**	**15,778**	**266,473**	**52,920**
TOTAL CHANGE IN NET ASSETS	**$ 55,310**	**$ 495,180**	**$ 439,870**	**$ 0**	**$ (55,310)**

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	3.18	4.75	1.57
Direct Expenses	$ 494,790	$ 807,081	$ 312,291
Indirect Expenses	$ 239,702	$ 309,123	$ 69,421
Inc(Dec) in Fixed Assets	$ (13,702)	$ (15,649)	$ (1,947)
Total Funding Requirement	$ 729,533	$ 1,100,554	$ 371,022

Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) program provides input to seasonal and long-term reliability assessments for the adequacy of resources and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system events and disturbances that impact the ERCOT region BPS. In addition to support for these assessments and analyses, Texas RE will continue to participate with NERC in ongoing work to evaluate risk and severity from reliability performance, measure progress in improving current reliability and track leading indicators of future reliability. This program will ensure that data is collected from registered entities, reviewed, analyzed, and provided as input to NERC's detailed databases measuring the ongoing reliability performance of generation, transmission and demand response. RAPA also identifies and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency (HILF) events, industry trends, or proposed public policy measures. Special reliability assessments on the effects to reliability of the BPS from specific issues or situations are developed based on an industry-based risk assessment and emerging initiatives. Event analyses will determine causative factors for system disturbances as well as best practices used in preparing or recovering from them. Texas RE will assist NERC and the other Regional Entities in disseminating these insights to industry.

2012 Key Assumptions

RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS PROGRAM

1. NERC and the Regional Entities will lead the development of a revised definition of adequate level of reliability (ALR) of the bulk electric system. This will be accomplished through the efforts of the NERC Member Representatives Committee and the Operating and Planning Committees. The revised definition will be delivered to the Board of Trustee's for consideration in February 2012. NERC will continue to incrementally refine data reporting requirements from registered entities, and review adequate levels of reliability related metrics used in reliability assessments.

2. NERC and Regional Entities will gather data or complete analysis in support of U.S. Federal or Canadian Provincial initiatives. For example, the following reliability considerations are being or may be reviewed:

- High impact/low frequency events such as geomagnetic disturbances.
- System frequency response analysis.
- Analysis of low-inertia operations of the bulk power system.
- Climate change.
- Environmental regulations.
- New technology integration such as renewable energy, smart grid, energy storage, and/or electric vehicles.

3. Generator Availability Data System (GADS) and Spare Equipment Database (SED) collection may become mandatory in 2012 and, together with Demand Response Availability Data System (DADS) collection which becomes mandatory in 2011, may require Regional Entity resources support, similar to the current TADS process. NERC will provide industry training regarding the mandatory submittal of SED, DADS and GADS data. Additionally, NERC staff will be required to provide both administrative and analysis support to the SED, DADS and GADS system.

4. NERC and the Regional Entities will continue to provide independent reviews of assessments to assure a high level of technical rigor.

5. Resources in this program area will continue to provide subject matter expertise to support standards development and improvements, respond to requests for determinations of exceptions to Bulk Electric System, as well as support other program area technical needs.

6. Resources will be required to support the development and validation of models, mitigation strategies, studies and education related to geomagnetic disturbance events.

7. NERC will continue to develop analysis of TADS data in 2012. Additionally, NERC staff will be required to provide both administrative and analysis support to the TADS system, resulting in an annual report assessing trends once sufficient data is collected.

8. To meet NERC's Three-Year Assessment commitments, NERC will continue to:

    - Vet proposed and future metric development, collection, and analysis with industry stakeholders through the Reliability Metrics Working Group (RMWG).
    - Identify and spotlight system and equipment trends through assessments of the availability data systems and metrics (e.g., TADS, GADS, TADS, reliability metrics, etc.)
    - Two limited focus post-seasonal overviews will be completed annually (Summer and Winter). NERC and the Regional Entities will prioritize and budget for two reliability assessment initiatives (scenario and special reliability assessments) per year. Specialized contractors may be used to complete detailed analysis to support scenario assessments. Three special assessments are currently scheduled to be completed between 2011 and 2014 (change in resource mix, gas dependency, delays in transmission development).

9. To meet NERC's Three-Year Assessment commitments, NERC may be required to add resources to:

    - Quarterly updates of metric analysis results through NERC's website, NERC News, and via Webinars and an annual report assessing the State-of-Reliability in North America based on this analysis.

    - Develop a centralized data collection, reporting and validation process, and calculation tools in 2012 and beyond for reliability assessments (electricity supply and demand database), metric development and availability data systems such as TADS, GADS, DADS and SED.

        - Develop integrated database to support the collection, validation, and distribution of reliability assessment information including generation, transmission, and demand data in 2011 through 2012. NERC may need to develop information system enhancements for the Regional Entities to support automation. The requirements for any such enhancement at NERC would be developed by the RAPA Program Area, procured by NERC's IT department and budgeted as a RAPA Program area cost. It is anticipated that Regional Entity resources will be needed to support this effort.

        - Support increased coordination and data collection, analysis to support tracking and data analysis to calculate associated risks to reliability identified in future NERC alerts (advisories, recommendations, and essential actions).

    - Increased coordination with event analysis, lesson learned and model validation activities. Specialized contractors may be used to complete detailed analysis to support model data collection and validation. Resources will be required to administer and monitor data quality and model validation, as well as develop and maintain associated training materials.

    - Complete work plans supporting reliability assessment and input into NERC's reliability standards process for technology integration and high-impact, low-frequency event risks.

        - NERC will implement probabilistic assessments into the Long-Term Reliability Assessment with a trial run in 2012. A common regional set of probabilistic reliability indices and probabilistic-based work products will be used to supplement the NERC's Long-Term Reliability Assessment. Information system enhancements and modeling support may be required by Regional Entities to support this effort. By 2013, the Regional Entities may be required to work with stakeholders to generate suitable probabilistic indices which may include composite

(generation and transmission) reliability comparisons for future year trending.

- Probabilistic energy and high-risk hours analysis to be included in seasonal and long-term reliability assessments to supplement capacity assessment with trials in 2013.

EVENTS ANALYSIS

1. NERC and the Regional Entities will define clear, uniform criteria/ranking for reporting and categorizing of system events and security incidents.

2. NERC and the Regional Entities will work together to develop joint processes and resourcing for triage, analysis, and reporting of system events to the regulators and will coordinate with regulators regarding these issues.

3. NERC and the Regional Entities will provide timely publication of lessons learned and recommendations and track responses to recommendations.

4. NERC and the Regional Entities will refine the criteria and process to require prompt and complete self-analysis of events and disturbances to promote continuous improvement and information sharing.

5. NERC will work with the Regional Entities to develop and provide root cause analysis training for NERC, Regional Entity staffs and the industry at large and subject matter experts who participate in event analysis and investigation teams.

6. The number of events requiring review and analysis will increase with approximately 175 of those events qualifying for review per year. The bulk of the work for review of these events will be at the registered entity and Regional Entity levels – they will need to be logged and tracked and reviewed by NERC and regional staff to verify that all parts of the review are completed, including compliance reviews.

2012 Goals and Key Deliverables

RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS PROGRAM

- Provide independent reviews of reliability assessments for the ERCOT region and assist NERC in its overall development of the long-term, winter and summer assessments, along with the post-seasonal reviews.

- Provide independent review of the two anticipated special reliability assessments in 2012, involving topics such as change in resource mix, gas dependency, or delays in transmission development.

- Assist in data collection for any Federal initiatives which may include high impact/low frequency events (such as geomagnetic disturbances), system frequency response, low-inertia operations of the bulk power system, climate change, environmental regulations, and new technology integration.

- Collect data and provide analytical support for the TADS, DADS collection, and will assume larger roles as the GADS and the SED become mandatory.

- Participate in development of the ALR metrics by the Reliability Metrics Working Group (RMWG) and collect data and perform analysis as needed to evaluate these metrics. The number of metrics is expected to continue to increase in 2012.

- Support NERC initiatives in model validation and provide support to new standards development.

EVENTS ANALYSIS

- Events Analysis Assist development of NERC's event analysis process for incorporation into the Rules of Procedure, including further refinement of event categorization and inclusion of cyber incidents.

- Provide workshops, webinars, and other outreach to support industry adoption of this process and dissemination of lessons learned developed across NERC.

- Implement the NERC event analysis process in the ERCOT Region, expecting a similar volume of events as 2011, estimated at 25 Category 1 (minor), 19 Category 2/3 (moderate impact) and 1 Category 4/5 event (significant impact).

- Review approximately forty lesser system events, such as special protection system misoperations, communications issues, and frequency disturbances, which do not meet the threshold for NERC events analysis, in order to monitor trends and review root causes in these areas.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Funding received for this activity is through assessments, penalties, and Texas RE membership dues, which fully funds total expenses and fixed asset requirements.

Personnel Expenses

- Reliability Assessments and Performance Analysis headcount is increasing by 1.5 FTEs. The additional 1.5 FTEs are needed to adequately and efficiently review events under the more rigorous event analysis process, review all reliability assessment initiatives, support the data collection for Federal initiatives, and provide data collection and analytical support for the TADS, DADS, GADS, and SED programs. The increase is resulting in a budget impact to the Reliability Assessments and Performance Analysis activity personnel expenses (salaries and related expenses) of $299K. Finally, there is $13K in merit and benefits increases in the proposed 2012 budget. The total increase in Personnel Expenses over the 2011 budget is $312K.

Meeting Expenses

- Travel is basically flat for 2012. The travel budget is to accommodate the travel for RAS, RMWG and related committees and stakeholder meetings, increased workflow requirements, as well as the participation at NERC sponsored meetings, workgroups and training.

Operating Expenses

- RAPA will incur only minor Operating Expenses in 2012.

Indirect Expenses

- The indirect expenses for 2012 are budgeted at $309K, which reflects an increase of $69K year-over-year due to increases in headcount.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets for this program is budgeted at $16K; this is about $2K more than 2011.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & 2012 Budget
Reliability Assessment and Performance Analysis

	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	$ 725,572	$ 725,572	$ -	$ 1,040,204	$ 314,632
Penalty Sanctions	1,668	1,668		57,586	55,919
Total Texas RE Funding	**$ 727,240**	**$ 727,240**	**$ -**	**$ 1,097,790**	**$ 370,550**
Membership Dues	2,293	2,293	-	2,765	472
Federal Grants	-	-	-		-
Services & Software	-	-	-		-
Workshops	-	-	-		-
Interest	-	-	-		-
Miscellaneous	-	-	-		-
Total Funding	**$ 729,533**	**$ 729,533**	**$ -**	**$ 1,100,554**	**$ 371,022**
Expenses					
Personnel Expenses					
Salaries	$ 361,177	$ 350,730	$ (10,447)	$ 590,517	$ 229,340
Payroll Taxes	32,136	28,058	(4,078)	50,270	18,134
Benefits	40,421	42,088	1,667	71,718	31,298
Retirement Costs	52,371	49,102	(3,268)	85,625	33,254
Total Personnel Expenses	**$ 486,105**	**$ 469,979**	**$ (16,126)**	**$ 798,131**	**$ 312,026**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	8,685	10,256	1,571	8,950	265
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 8,685**	**$ 10,256**	**$ 1,571**	**$ 8,950**	**$ 265**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	-	-	-	-	-
Office Costs	-	224	224	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ -**	**$ 224**	**$ 224**	**$ -**	**$ -**
Total Direct Expenses	**$ 494,790**	**$ 480,459**	**$ (14,331)**	**$ 807,081**	**$ 312,291**
Indirect Expenses	**$ 239,702**	**$ 179,634**	**$ (60,068)**	**$ 309,123**	**$ 69,421**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 734,492**	**$ 660,093**	**$ (74,399)**	**$ 1,116,203**	**$ 381,711**
Change in Assets	**$ (4,958)**	**$ 69,440**	**$ 74,399**	**$ (15,649)**	**$ (10,691)**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-		-
Equipment CapEx	-	-	-		-
Leasehold Improvements	-	-	-		-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ 13,702	$ 11,974	(1,728)	$ 15,649	$ 1,947
Change in Fixed Assets	**13,702**	**11,974**	**(1,728)**	**15,649**	**1,947**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 81,414**	**$ 81,414**	**$ 0**	**$ 0**

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.84	1.75	(0.09)
Direct Expenses	$ 425,510	$ 267,659	$ (157,851)
Indirect Expenses	$ 138,695	$ 113,887	$ (24,808)
Inc(Dec) in Fixed Assets	$ (7,928)	$ (5,765)	$ 2,163
Total Funding Requirement	$ 561,336	$ 375,781	$ (185,555)

Program Scope and Functional Description

The Texas RE Training, Education, and Operator Certification program provides the education and training necessary to understand and operate the BPS, in accordance with NERC ROP Section 900. Texas RE will strive to increase its education outreach to stakeholders in 2012, to provide lessons learned and compliance information, as well as share new information and obtain feedback from stakeholders about modifications to procedures such as the new event analysis process. Texas RE will attempt to use cost effective education mechanisms such as webinars, newsletters, and conference calls, in addition to its workshops.

In 2012, ERCOT, the RC and BA for the region, will begin to facilitate the ERCOT region Operations Training Seminar, which will reduce the time spent on seminar facilitation, and will allow Texas RE to increase its other educational efforts without increasing its staff. Texas RE will continue to oversee the operator certification testing program, and it will continue to provide one or two compliance and/or events subject matter experts to support this seminar. Texas RE will continue to require 1.75 FTEs to support the Training, Education and Operator Certification Program in 2012.

Texas RE staff will continue to participate on selected industry sponsored seminars and panels to provide as much information to the industry as possible as well as to receive feedback.

2012 Key Assumptions

TRAINING, EDUCATION, AND OPERATOR CERTIFICATION PROGRAM

1. NERC and the Regional Entities will coordinate the delivery of educational materials to registered entities through NERC's development and implementation of a centralized, robust learning management system (LMS). The LMS is expected to provide standards technical guidance, compliance guidance, lessons learned, examples of excellence, best practices, alerts, and other technical resource information. To maintain support for this system, NERC will require the addition of staff.

2. In 2012, NERC and the Regional Entities will begin to implement a compliance auditor training program that will require staff and contractor resources to implement. The priority of implementing training programs for additional technical functions (i.e. CIP Auditors, Investigators, Root Cause Analysts, Training Instructors, etc.) will be

determined. NERC and the Regional Entities will continue to support core ERO function training courses throughout this development.

3. NERC and the Regional Entities will place priority on developing educational materials for Registered Entities regarding expectations for new and existing reliability standards, and for supporting a culture of reliability excellence.

4. NERC will continue to provide training to NERC and Regional Entity standards development staff and drafting teams on results-based standard development.

5. In 2012, NERC will centralize the coordination and management of all internal and external training. This will include development and management of an overall budget for internal and external training and education activities for all program areas. The functional requirements for particular training and education programs will be developed by the Program Area(s) with the relevant subject matter expertise (e.g. Standards Program Area for standards training, Compliance Program Area for auditor training, Human Resources department for code of conduct training, etc.) The Training, Education and Operator Certification Program Area will manage and be staffed with resources necessary to support the organization, planning and execution of, and registration for, specific training activities within the parameters of the overall training and education budget, with individual program areas providing subject matters experts as required to support particular activities. The applicable portion of the overall budgets, as well as costs, associated with specific program area training (e.g. standards, compliance, etc.) will continue to be allocated and charged to those program areas (e.g. standards training costs will be reflected in the standards budget, compliance training in the compliance budget, etc.). Operator training and certification programs will continue to be organized, managed, budgeted and funded consistent with the requirements of the rules of procedure. Additional resources requirements will be needed at NERC in 2012 to implement this approach and support Program Area training activities. Notwithstanding these resource additions, the centralized management of these activities is expected to enhance overall coordination, efficiency and quality of training and education activities. The Regional Entities are planning to manage this effort within existing budgeted training resources.

6. Each Regional Entity will host a minimum of two different compliance workshops each year.

7. NERC standards and compliance staff will conduct at least one joint workshop for industry each year; focusing on inter-relationships and feedback mechanisms.

8. Any incremental costs of hosting workshops and other educational activities where Texas RE must obtain outside conference facilities will be recovered through attendance fees in most cases.

9. NERC will contract for professional training for NERC and Regional Entity staffs to improve their effectiveness, including training in facilitation, negotiation, project management, and leadership.

10. No significant changes are expected in system operator certification CEH requirements through 2013.

2012 Goals and Key Deliverables

- Develop technical materials for and present at least two (2) different full-day Standards and Compliance workshops for registered entities.
- Present workshops, webinars, or other industry outreach supporting industry adoption of the refined NERC event analysis process and any other new or modified NERC procedures or programs.
- Create and publish at least bi-monthly newsletters that disseminate lessons learned for registered entities and include useful updates regarding standard revisions and interpretations, lessons-learned, Compliance Application Notices, Compliance Application Reports, other compliance-related information, and Texas RE and NERC activities.
- Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance working groups.
- Oversee and facilitate the System Operator testing program.
- Participate in the NERC-Regional Entity Training and Education Group conference calls and meetings.
- Provide limited training materials and subject matter expert presenters to support the ERCOT region Operations Training Seminar.
- Maintain a database for tracking workshop participants and feedback, and use this feedback to continue to improve future workshops.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- The majority of funding received (92%) for this activity is through assessments, penalties, and Texas RE membership dues, which fully funds total personnel costs, indirect expenses, and fixed asset requirements.

- The remaining funding (8%) is received from attendance fees associated with the workshops. These fees are designed to offset all direct workshop and seminar expenses, excluding the above mentioned categories.

Personnel Expenses

- Headcount is reducing slightly to 1.75 FTEs from 1.84 FTEs in 2012 for this program, primarily due to the elimination of Texas RE's facilitation of the Operations Training Seminar. However, personnel expenses of $237K are being budgeted which is an increase of $28K. The increase is primarily for merit and benefits increases.

Meeting Expenses

- Any outside costs or expenses incurred by Texas RE will be reimbursed to Texas RE through fees paid by attendees. At this time, Texas RE does not anticipate requiring outside conference space, so it anticipates the outside expenses for furniture rental, food, and beverage will cost approximately $10K per workshop. If Texas RE requires outside conference space, it will increase the attendance fee as required. Meeting expenses for 2012 are budgeted at $30K, which is a decrease of approximately $186K. This decrease is because Texas RE will not be facilitating the Operations Training Seminar that it facilitated and hosted in 2011 as well as applying some expected cost reductions for the workshop expenses.

Operating Expenses

- This program will incur minimal Operating Expenses in 2012.

Indirect Expenses

- The indirect expenses for 2012 are budgeted at $114K, which reflects a decrease of $25K year-over-year.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets for this program is budgeted at $6K; this is about $2K less than 2011.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & 2012 Budget
Training, Education and Operator Certification

	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	$ 343,544	$ 343,544	$ -	$ 323,547	$ (19,998)
Penalty Sanctions	965	965		21,216	20,251
Total Texas RE Funding	**$ 344,509**	**$ 344,509**	**$ -**	**$ 344,763**	**$ 253**
Membership Dues	1,327	1,327	-	1,019	(308)
Federal Grants	-	-	-		-
Services & Software	-	-	-		-
Workshops	215,500	136,000	(79,500)	30,000	(185,500)
Interest	-	-	-		-
Miscellaneous	-	-	-		-
Total Funding	**$ 561,336**	**$ 481,836**	**$ (79,500)**	**$ 375,781**	**$ (185,555)**
Expenses					
Personnel Expenses					
Salaries	$ 155,953	$ 134,149	$ (21,805)	$ 172,069	$ 16,116
Payroll Taxes	13,831	10,732	(3,099)	15,130	1,299
Benefits	17,311	16,098	(1,213)	25,200	7,889
Retirement Costs	22,613	18,781	(3,832)	24,950	2,337
Total Personnel Expenses	**$ 209,709**	**$ 179,759**	**$ (29,950)**	**$ 237,349**	**$ 27,641**
Meeting Expenses					
Meetings	$ 215,500	$ 106,000	$ (109,500)	$ 30,000	$ (185,500)
Travel	301	301	0	310	9
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 215,801**	**$ 106,301**	**$ (109,500)**	**$ 30,310**	**$ (185,491)**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	-	-	-	-	-
Office Costs	-	28	28	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ -**	**$ 28**	**$ 28**	**$ -**	**$ -**
Total Direct Expenses	**$ 425,510**	**$ 286,088**	**$ (139,422)**	**$ 267,659**	**$ (157,851)**
Indirect Expenses	**$ 138,695**	**$ 121,517**	**$ (17,178)**	**$ 113,887**	**$ (24,808)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 138,695**	**$ 407,606**	**$ (156,600)**	**$ 381,547**	**$ (182,658)**
Change in Assets	**$ (2,869)**	**$ 74,230**	**$ 77,100**	**$ (5,765)**	**$ (2,896)**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ 7,928	$ 8,099	171	$ 5,765	$ (2,163)
Change in Fixed Assets	**7,928**	**8,099**	**171**	**5,765**	**(2,163)**
TOTAL CHANGE IN NET ASSETS	**$ 5,059**	**$ 82,329**	**$ 77,271**	**$ 0**	**$ (5,059)**

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.03	0.75	(1.28)
Direct Expenses	$ 283,248	$ 151,348	$ (131,899)
Indirect Expenses	$ 153,017	$ 48,809	$ (104,208)
Inc(Dec) in Fixed Assets	$ (8,746)	$ (2,471)	$ 6,275
Total Funding Requirement	$ 433,099	$ 197,686	$ (235,413)

Program Scope and Functional Description

This program includes two distinctly unique parts: Situation Awareness and Infrastructure Security. Situation Awareness covers the assessment of the current condition of and threats to the BPS and development and application of situation awareness tools for monitoring the BPS. Infrastructure Security resources participate in the on-going development of CIP standards, improving regional coordination and cooperation of the CIP program, and to support the NERC-led efforts to develop industry alerts and guidance and to support NERC's role as the Electricity Sector – Information Sharing and Analysis Center. (Most of the CIP resources functionally reside in the Compliance, Enforcement and Organizational Registration and Certification Program.)

2012 Key Assumptions

SITUATION AWARENESS AND INFRASTRUCTURE SECURITY PROGRAM

1. NERC and the Regional Entities will continue to evaluate and coordinate their differing and complementary roles in CIP and Situation Awareness for budgeting and/or operational purposes.
2. During 2011 NERC made a significant investment to support the implementation of a situation awareness tool for FERC, NERC, and Regional Entities. NERC will incur ongoing licensing, maintenance, and support services fees for SAFNR within its budget with no attendant impact on the Reliability Coordinator budgets and may seek FERC funding support. Regional Entities will be responsible for costs associated with establishing and maintaining monitoring displays.
3. NERC will fund and implement a new alerts system in 2012 that provides increased functionality to satisfy NERC's business needs in alerts development and processing and to ensure the alerts are issued to the appropriate parties.
4. During 2012, NERC will continue to undertake significant activities and funding to facilitate third party development and management of North American Phasor Concentration System (NASCON) software and regional node communication integration. Commencing in 2013, NERC anticipates a reduced need for a direct NERC funding role related to NASPI development, with any NERC funding tied to NERC's internal situation awareness capabilities.

CRITICAL INFRASTRUCTURE PROTECTION

It is anticipated that major incidents, events, threats, or vulnerabilities may result in re-prioritization of CIP initiatives through 2015.

1. NERC's Critical Infrastructure Protection Program Area will have responsibility for the identification and management of the specialized critical infrastructure protection resources needed to support overall ERO CIP goals and objectives, as well as the specialized CIP resources needs of the other program areas (e.g. Standards, Compliance, Situation Awareness).
2. NERC and the Regional Entities will face increased competition in attracting well-qualified staff to address expanding CIP challenges, particularly in cyber security.
3. CIP activities will continue to increase significantly across the electricity sector. Risk analysis, incident response, CIP compliance requirements, information sharing and intelligence, CIP standards oversight, security training and awareness, and other functions are expected to increase NERC CIP resource requirements throughout the planning period. In light of these resources pressures, throughout the planning period, NERC and Regional Entities will need to establish strategic priorities and CIP resource allocations to support those priorities.
4. NERC will strengthen CIP partnership with U.S. and Canadian Government authorities to facilitate two-way information exchanges that enhance and expand knowledge of critical infrastructure threats and risk. NERC will promote CIP incident reporting and work with the Regional Entities to conduct security event and incident analysis and improve security practices in conjunction with the ES-ISAC.
5. In support of the Compliance program, the Technical Feasibility Exception (TFE) program will continue to require significant staffing resources within NERC and across the industry as Regional Entities perform reviews and gauge compensating measures. TFE development, review and approval will result in additional compensating measure validation checks, quarterly reporting tracking, and change management. Experiences gained through existing operations will be utilized to guide the development of resource recommendations.
6. Staff resources necessary to effectively conduct industry-wide CIP audits will continue to be a challenge. There are too few auditors with the necessary skill and experience to monitor compliance with all CIP requirements. Active training and recruitment will be critical to success of the ERO CIP audit program.
7. The new CIP-002 V4 standard is expected to result in a substantial increase in the number of entities and critical assets required to be monitored for CIP compliance in 2012-2015.
8. NERC and the Regional Entities will develop and support a training and implementation program for registered entities to successfully implement CIP-002 V4. The training and implementation program will be based on a well-developed audit plan and provide technical application guidance.
9. NERC will develop a robust ES-ISAC and Threat and Vulnerability Management Program (TVMP) with the following organic capabilities:

- Bi-directional sharing of sanitized information and other intelligence products with government and federal law enforcement agencies;
- A secure communications portal for information sharing with electricity sector stakeholders;
- ERO-wide visibility and situational awareness of network infrastructure to monitor for cybersecurity threats and identify ICS/EMS/SCADA control system protocols and signature vulnerabilities and provide reporting to potentially affected entities in near real time;
- Industry-wide awareness of emerging threats and risks;
- Security incident analysis and lessons-learned that enhance the electricity sector security posture.

10. More comprehensive understanding of confidential and time sensitive standards development processes is necessary. In the event of a national security emergency the NERC Board may direct development of a standard in response to the emergency that is deemed confidential with information that can only be shared on a “need to know” basis. This will require resources to develop an infrastructure capable of accommodating these obligations.
11. The Cyber Risk Preparedness Assessment (CRPA) program is designed to assess the current cyber resiliency capabilities of BPS entities and the adequacy of existing reliability mechanisms related to the highly unique nature of cyber threats. This sustaining program is a valuable resource to both NERC and industry and is expected to expand considerably through 2015 as more entities take advantage of the opportunity provided by the CRPA experience.
12. The NERC Sufficiency Review Program will be re-architected to address CIP-002v4.
13. NERC will collaborate with governmental organizations including federal agencies, law enforcement, and DOE national laboratories to:
    - Develop case studies at government determined critical facilities to further understanding regarding requirements for “flow of power.”
    - Develop certification guidelines for the Smart Grid Cybersecurity Operator.
    - Partner with the Industrial Control Systems Cyber Emergency Response Team (ICS-CERT) to share threat, vulnerability, and security incident information.
    - Investigate benchmarking of vendor products and systems that improve cybersecurity protection.
    - Develop joint security Advisory products
    - Develop a comprehensive Cybersecurity Risk Management Process Guideline for the enterprise electricity sector
    - Integrate security event analysis from government agencies and national laboratories.
14. The ERO will implement requirements of the ESCC Roadmap and Coordinated Action Plan in coordination with the Critical Infrastructure Protection Committee (CIPC) and industry volunteers to support the:

a. Severe Impact Resilience Task Force (SIR TF)
b. Cyber Attack Task Force (CA TF)
c. Smart Grid/Cyber Security Task Force (SGCS TF)
d. GeoMagnetic Disturbance Task Force (GMD TF)
e. Spare Equipment Database Task Force (SED TF)
f. NERC Crisis Response Plan

15. CIP Compliance Application Notice (CAN) guidance is expected to be provided in greater volume and with increased frequency to registered entities.
16. National level security exercises will be conducted to examine industry's cybersecurity and physical security preparedness and response capabilities through simulation of coordinated cyber and physical attacks on industrial control system, SCADA, and information technology assets.
17. NERC will develop a comprehensive cyber security training program that validates knowledge and technical competency.

2012 Goals and Key Deliverables

SITUATION AWARENESS AND CRITICAL INFRASTRUCTURE PROTECTION PROGRAM

- Texas RE's regional implementation of the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool, Phase 2 will be completed in coordination with ERCOT (the RC) and NERC.
- Texas RE will support more rigorous utilization of data for Situation Awareness, including regular weekly reporting to NERC along with providing current information on on-going events in the ERCOT Region.
- Texas RE will continue to monitor and follow up on NERC alerts, such as the Facility Rating Right-of-Way alert. Texas RE anticipates that the volume of alerts will be similar to 2011, or approximately eighteen, with half of the alerts expected to require responses and analysis.
- Texas RE staff will participate in the Reliability Assessment metrics development.
- Texas RE's cyber security staff will continue to support initiatives in the Situation Awareness area that concern infrastructure security, working closely with the Electricity Sector – Information Sharing and Analysis Center (ES-ISAC).

CRITICAL INFRASTRUCTURE PROTECTION PROGRAM

- Texas RE CIP staff will continue to contribute to the development of the CIP Standards and the Compliance Application Notices (CAN).
- Texas RE CIP staff will develop and deliver training materials to such programs as the Operator Training Seminar, CIP Workshops, and other outreach programs.
- Texas RE CIP staff will pursue, obtain, and maintain industry certifications such as the Certified Information Systems Auditor (CISA) and Certified Information Systems Security Professional (CISSP).

- Texas RE CIP staff will continue to participate in NERC and regional groups such as the Critical Infrastructure Protection Working Group, CIP Compliance Working Group, and Critical Infrastructure Protection Committee.
- Texas RE CIP staff will attend industry association meetings such as The Information Systems Audit and Control Association (ISACA) in order to stay current with topics relevant to infrastructure security.
- Participate in the NERC CIP conference calls and meetings to advance national coordination and cooperation and improve CIP processes and systems.
- Attend NERC CIP training sessions.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Funding received for this activity is through assessments, penalties, and Texas RE membership dues, which fully funds total expenses and the fixed asset requirements.

Personnel Expenses

- Situation Awareness and Infrastructure Security headcount is decreasing by 1.28 FTEs. Personnel expenses for 2012 are being budgeted at $150K. Transfers away from this activity are resulting in a net decrease to personnel expenses $132K (most work has been shifted to the CMEP program and Reliability Assessment and Performance Assessment). The transfers are not expected to impact workflow and the preceding items are expected to be accomplished including the normal activities of this area.
- Texas RE reallocated time and expense in the 2012 budget that was previously in Situation Awareness due to the development of related programs in other areas. Much of Situation Awareness involves initial event review in the Event Analysis program and Facility Ratings Alert program which are both budgeted in the Reliability Assessment and Performance Analysis section of the 2012 budget. Another change is the time and expense for the Cyber Security aspect of Situation Awareness have also been reallocated to the Compliance section of the 2012 budget since, as the practice has developed, most of the work is performed in that area.

Meeting Expenses

- Travel is virtually flat year-over-year. The travel related to the CIP audits is budgeted in the Compliance area. The travel expense budgeted under Situation Awareness and Infrastructure Security is primarily for attending workgroup meetings.

Operating Expenses

- This program will incur minimal Operating Expenses in 2012.

Indirect Expenses

- The indirect expenses for 2012 are budgeted at $49K, which reflects a decrease of $104K year-over-year due to lower administrative services costs and fewer personnel, which is the basis of the allocation.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets for this program is budgeted at $2K; this is about $6K less than 2011.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & 2012 Budget
Situation Awareness and Infrastructure Security

	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	$ 430,571	$ 430,571	$ -	$ 188,157	$ (242,414)
Penalty Sanctions	1,064	1,064	-	9,093	8,028
Total Texas RE Funding	**$ 431,636**	**$ 431,636**	**$ -**	**$ 197,250**	**$ (234,386)**
Membership Dues	1,464	1,464	-	437	(1,027)
Federal Grants	-	-	-		-
Services & Software	-	-	-		-
Workshops	-	-	-	-	-
Interest	-	-	-		-
Miscellaneous	-	-	-		-
Total Funding	**$ 433,099**	**$ 433,099**	**$ -**	**$ 197,686**	**$ (235,413)**
Expenses					
Personnel Expenses					
Salaries	$ 209,656	$ 183,670	$ (25,986)	$ 111,755	$ (97,901)
Payroll Taxes	18,651	14,694	(3,958)	9,897	(8,754)
Benefits	23,272	22,040	(1,231)	12,186	(11,086)
Retirement Costs	30,400	25,714	(4,686)	16,204	(14,196)
Total Personnel Expenses	**$ 281,980**	**$ 246,118**	**$ (35,862)**	**$ 150,042**	**$ (131,937)**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	1,268	634	(634)	1,306	38
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 1,268**	**$ 634**	**$ (634)**	**$ 1,306**	**$ 38**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	-	-	-	-	-
Office Costs	-	224	224	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ -**	**$ 224**	**$ 224**	**$ -**	**$ -**
Total Direct Expenses	**$ 283,248**	**$ 246,976**	**$ (36,272)**	**$ 151,348**	**$ (131,899)**
Indirect Expenses	**$ 153,017**	**$ 164,444**	**$ 11,427**	**$ 48,809**	**$ (104,208)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 436,265**	**$ 411,420**	**$ (24,845)**	**$ 200,157**	**$ (236,108)**
Change in Assets	**$ (3,166)**	**$ 21,679**	**$ 24,845**	**$ (2,471)**	**$ 695**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ 8,746	$ 10,960	$ 2,214	$ 2,471	$ (6,275)
Change in Fixed Assets	**8,747**	**10,960**	**2,214**	**2,471**	**(6,275)**
TOTAL CHANGE IN NET ASSETS	**$ 5,581**	**$ 32,640**	**$ 27,059**	**$ 0**	**$ (5,581)**

Administrative Services

Administrative Services (in whole dollars)	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	10.86	10.75	(0.11)
Total Direct Expenses	$ 3,066,298	3,285,615	$ 219,317
Inc(Dec) in Fixed Assets	$ (164,335)	(155,668)	$ 8,667
Less: Other Funding Sources	$ (600)	(70,500)	$ (69,900)
Total Allocation to Statutory Programs as Indirect Expenses	$ (2,991,807)	(3,285,615)	$ (293,808)
Funding Requirement for Working Capital	$ 127,459	(466,263)	$ (593,722)

Assumptions

1. In 2012, NERC will establish an ERO-wide risk assessment framework. This function will include internal audit capabilities with respect to NERC's compliance with the Rules of Procedure and other legal requirements, as well as the compliance by Regional Entities with the Regional Delegation Agreement. This framework will also address the roles and responsibilities of the NERC Board of Trustees, Board committees and the various standing committees.

2. NERC and the Regional Entities will continue to work collaboratively to improve the efficiency and effectiveness of ERO processes, taking into consideration the results and recommendations of NERC's business process improvement initiative.

3. As part of its business process initiative, NERC is conducting a detailed and structured assessment of the technology platforms that support each of the major business processes including such factors as the inventory of users, capability of the tools for supporting the existing processes, opportunities to enhance program and process efficiency, the cross-process support provided by the tools, the support provided by the tools for regional entity and other stakeholder input processes, etc. NERC will seek input and feedback from the Regional Entities as part of this initiative. The intent of this assessment is to establish a baseline view of the tools and capabilities that are available to support NERC and ERO business process needs, as well as identify the IT needs that are not being met by the existing infrastructure that could be satisfied with other tools, such as SharePoint. Taking into consideration the outputs of this initiative, NERC and the Regional Entities will collaborate to develop and implement the most effective and efficient protocols and tools for the exchange of data and information between and among the Regions and NERC while optimizing organizational efficiencies as contemplated by the delegation agreements. Funding responsibility will be addressed based on specific organizational needs taking into account agreed upon common objectives and requirements for the applicable budget year.

4. NERC and the Regional Entities will continue to make improvements to their individual and collective business planning and budgeting processes, as well as cash flow forecasting and budget management practices.

5. NERC and the Regional Entities will maximize the cost effective use of conference facilities for hosting ERO meetings and conferences.

6. NERC and the Regional Entities will work together to evaluate and implement, where practical, joint purchasing activities and cost control measures to reduce costs of common operating expenses.

7. NERC and the Regional Entities will continue to maintain reserves and/or lines of credit to assure adequate funding resources, including the ability to request supplemental funding, for extended, major investigations and contested proceedings. NERC and the Regional Entities should plan to have short-term and intermediate term internal means to handle funding of hearings to permit effective due process for registered entities.

8. NERC and the Regional Entities will continue to face challenges and will require resources and programs to support the hiring and retention of qualified personnel.

9. Increased support services resources may be required to facilitate and support operations requirements and achievement of objectives.

10. Technology (software and hardware) investments will be required to support accounting, human resources and communications requirements and objectives.

11. Health care premiums, liability insurance and leasehold operating costs will likely continue to increase during the planning period.

Methodology for Allocation of Administrative Services Expenses to Programs

- Texas RE allocates its indirect expenses to the functional areas via a headcount allocation. Each direct activity receives a pro-rata allocation of expense based on its FTEs compared to total FTEs.

- Texas RE maintains the Fines and Penalty money collected and it is used to reduce the amount of the assessments to the region.

- Texas RE also makes adjustments to its cash reserve using the General and Administrative (G&A) function.

- Fixed assets that benefit the entire corporation that are not specific to any one activity/function will be allocated based on headcount to all of the direct activities.

Technical Committees and Member Forums

Technical Committes and Member Forums (in whole dollars)	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	-
Direct Expenses	$ -		$ -
Inc(Dec) in Fixed Assets	$ -		$ -
Working Capital Requirement	$ -		$ -

Program Scope and Functional Description

Texas RE staff will support all membership activities, including membership registration and voting, and will continue to facilitate and provide limited administrative support for the eleven (11) member Texas RE Member Representatives Committee (MRC), including the scheduling and coordinating of MRC and membership meetings, distributing and posting of meeting materials and minutes, maintaining applicable areas of the Texas RE website, and facilitating membership and MRC announcements and communication. Texas RE will also provide requested support, including subject matter experts, to other ERCOT region stakeholder groups that are focused on events (Performance Disturbance Compliance Working Group or PDCWG) or compliance with NERC standards (such as the NERC Reliability Working Group or NRWG).

The MRC meets six to eight times per year to discuss Texas RE business plans, budgets, and funding, metrics, and other matters relevant to Texas RE's operations and purpose, including compliance and the reliability of the BPS. The MRC normally meets prior to the Texas RE Board meetings and provides feedback and input to Texas RE staff and Board of Directors. The chair and vice chair of MRC are also on the Texas RE Board. This position is budgeted under G&A to protect the confidentiality of compensation.

2012 Key Assumptions

- Texas RE will have one annual membership meeting.
- Most members register at the beginning of each year, but membership registration is available year-round.
- Texas RE will hold six to eight MRC meetings per year.
- The MRC will not have a significant number of working groups or subcommittees, but Technical Committees and Member Forums staff attend other ERCOT region working groups that discuss reliability or compliance.
- MRC might review and discuss NERC Event Analysis Lessons Learned, NERC Compliance Application Notices (CANs), and NERC Compliance Analysis Reports.
- NRWG will review and discuss NERC Event Analysis Lessons Learned, NERC CANs, and NERC Compliance Analysis Reports.

- Texas RE subject matter experts will provide approximately 20 hours of support for or training regarding compliance and event analysis-related discussions at MRC or NRWG.
- Support of the RSC is included in the Reliability Standards Program.
- Meetings will be held at the Texas RE office or, in the case of regional stakeholder meetings, at stakeholder offices, so no outside meeting space will be required.

2012 Goals and Key Deliverables

The goal of the technical committee and member forums program is to coordinate membership registration, voting, and communications, and to provide and facilitate a mechanism for owners, users, and operators of the BPS to communicate, coordinate best practices (including discussions of NERC CANs, Compliance Analysis Reports, and Event Lessons Learned), and to provide input to Texas RE staff and the Texas RE Board of Directors.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Indirect expenses are funded by program areas.

Personnel Expenses

- This activity is remaining constant at 0.5 FTEs. For salary confidentiality purposes the personnel expenses are accumulated under the G&A activity.

Meeting Expenses

- The meeting expenses associated with membership and committees are reflected under the G&A activity as well for consistency. The revenue and expenses are contained to one area that will allow appropriate accounting.

Operating Expenses

- There are no significant operating expenses for this area.

Indirect Expenses

- This is an indirect activity and therefore does not receive an allocation of indirect expense. This activity fully allocates through the G&A activity allocation.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2012 business plan are included in General & Administrative.

Statement of Activities and Capital Expenditures
2011 Budget & 2012 Budget
Technical Committees and Member Forums

	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions				-	
Total Texas RE Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
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	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Direct Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Indirect Expenses	**$ -**	**$ -**		**$ -**	**$ -**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -		-	
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

General and Administrative

General and Administrative (in whole dollars)	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.71	1.75	0.04
Direct Expenses	$ 1,143,056	$ 1,252,971	$ 109,915
Inc(Dec) in Fixed Assets	$ (115,952)	$ (89,184)	$ 26,768
Working Capital Requirement	$ 127,459	$ (466,263)	$ (593,722)

Program Scope and Functional Description

This activity includes the President and CEO who carries out the general affairs of Texas RE. A significant amount of the CEO's time is expended for and charged to CMEP and other operational activities. Additionally, this budget reflects an executive assistant, who provides administrative support and assists in maintaining internal controls (by providing for segregation of duties for procurement, vendor approval and similar activities). A significant portion of the time expended by the G&A staff is expended for and allocated to core activities including standards, compliance monitoring, enforcement, registration, training, situation awareness, reliability assessment, and performance analysis, training, and other indirect activities. The CEO reports exclusively to the Texas RE Board of Directors. The CEO is responsible for:

- Overseeing and managing the activities of Texas RE.
- Making final decisions with respect to non-contested enforcement related to compliance actions for violations of reliability standards.
- Making employment-related decisions for all employees of Texas RE.
- Making an annual report and periodic reports to Texas RE's Board concerning the activities and expenditures of Texas RE.
- Ensuring that Texas RE files all required reports with NERC.
- Monitoring the expenditures of the monies received by Texas RE to ensure that such are deployed in accordance with the approved Texas RE Budget (in cooperation with the Finance Staff).
- Retaining or terminating outside counsel or other advisors as deemed appropriate.
- Performing such other duties as may be determined from time to time by Texas RE's Board, for the benefit of Texas RE.

2012 Key Assumptions

- Texas RE will perform all statutory activities in the ERCOT region as the Regional Entity.
- Texas RE will also perform non-statutory activities as the Reliability Monitor for the ERCOT region.

- Texas RE statutory staff will increase from 49 statutory employees to 58 statutory employees, and total staff will be 63 employees (including 5 Protocol employees).
- Where possible, all appropriate direct program expenses will be direct costs to the respective program and function. Only corporate services expenses and personnel will remain in administrative services.
- Technical Committees and Members Forum FTEs and expenses are included within this activity due to compensation confidentiality for employees and because Members forum revenue is recorded within the G&A activity. Due to these items being included within G&A, there is no need to break the operating expenses out into the Members Forum activity.

2012 Goals and Key Deliverables

- Communicate and maintain effective relationships with the Board, industry, regulators, and other stakeholders.
- Ensure that Texas RE is appropriately staffed and managed to maximize stakeholder value, maintain independence, and perform all delegated responsibilities.
- Effectively manage the NERC Compliance Monitoring and Enforcement Program.
- Maintain situational awareness and timely analyze system events.
- Manage Texas RE's Standards Development Process.
- Establish key performance indicators and benchmarks for Texas RE operations.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Indirect program costs are allocated to the direct programs.
- Texas RE is reducing assessments by $479K in 2012. This reduction is related to Texas RE's change in cash reserves from a 75 day cash reserve to a 60 cash reserve.
- Texas RE is expecting to earn approximately $13K in interest income that will be used to further reduce assessments in the region. The increase in interest income is related to actively managing the cash in Texas RE's bank accounts and is approximately $12K higher than the 2011 budget.

Personnel Expenses

- In 2012, G&A reflects the personnel expenses of the G&A activity, HR activity, and Technical Committees and Member Forums activities. The HR Manager's salary and benefits are being reflected under G&A for salary confidentiality purposes.
- The amount of time personnel are performing direct activities related to standards, compliance monitoring, enforcement, registration, training, situation awareness, and reliability assessment and performance analysis, as well as other indirect activities, are being appropriately budgeted in those respective areas, hence the decrease in the G&A activity FTE count year-over-year.

Meeting Expenses

- The budget of $6K is for all hosting of meetings that cannot be hosted at Texas RE offices for membership, NERC, workgroup, or employee purposes.
- Travel is increasing $2K, for a total of $46K; primarily due to added Board related travel expenses included under the G&A budget.

Operating Expenses

-
- Professional services of $256K for 2012 reflects Board of director expenses and a director recruiting fee provision to cover any need for director recruitment, for a net increase of $35K.
- Depreciation expense of $164K for 2012 is an increase of $48K due to higher than previously budgeted book values for leasehold improvements and furniture.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets is $0 due to the allocation of fixed asset purchases and depreciation to direct program areas.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & 2012 Budget
General and Administrative

	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	$ 126,859	$ 126,859	$ -	$ (479,263)	$ (606,122)
Penalty Sanctions	-		-	-	-
Total Texas RE Funding	**$ 126,859**	**$ 126,859**	**$ -**	**$ (479,263)**	**$ (606,122)**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	600	13,000	12,400	13,000	12,400
Miscellaneous	-	-	-	-	-
Total Funding	**$ 127,459**	**$ 139,859**	**$ 12,400**	**$ (466,263)**	**$ (593,722)**
Expenses					
Personnel Expenses					
Salaries	$ 161,154	$ 165,014	$ 3,859	$ 189,550	$ 28,396
Payroll Taxes	13,056	13,201	145	17,635	4,579
Benefits	24,663	19,802	(4,861)	24,282	(381)
Retirement Costs	21,311	23,102	1,791	17,485	(3,826)
Total Personnel Expenses	**$ 220,184**	**$ 221,118**	**$ 934**	**$ 248,952**	**$ 28,768**
Meeting Expenses					
Meetings	$ 13,100	$ 9,250	$ (3,850)	$ 6,000	$ (7,100)
Travel	44,094	41,622	(2,472)	46,305	2,211
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 57,194**	**$ 50,872**	**$ (6,322)**	**$ 52,305**	**$ (4,889)**
Operating Expenses					
Consultants & Contracts	$ 780	$ 3,287	$ 2,507	$ 2,500	$ 1,720
Office Rent	499,000	450,000	(49,000)	499,000	-
Office Costs	29,145	69,986	40,841	30,030	885
Professional Services	220,800	196,159	(24,641)	256,000	35,200
Miscellaneous	-	-	-	-	-
Depreciation	115,952	176,980	61,028	164,184	48,232
Total Operating Expenses	**$ 865,677**	**$ 896,412**	**$ 30,735**	**$ 951,714**	**$ 86,037**
Total Direct Expenses	**$ 1,143,056**	**$ 1,168,402**	**$ 25,346**	**$ 1,252,971**	**$ 109,915**
Indirect Expenses	**$ (1,143,056)**	**$ (1,028,543)**	**$ 114,513**	**$ (1,252,971)**	**$ (109,915)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ 139,859**	**$ 139,859**	**$ -**	**$ -**
Change in Assets	**$ 127,459**	**$ (0)**	**$ (127,459)**	**$ (466,263)**	**$ (593,722)**
Fixed Assets					
Depreciation	(115,952)	(176,980)	(61,028)	(164,184)	(48,232)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	75,000	75,000
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ 115,952**	**$ 176,980**	**$ 61,028**	**$ 89,184**	**$ (26,768)**
Allocation of Fixed Assets	$ (115,952)	$ (176,980)	$ (61,028)	$ (89,184)	$ 26,768
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ 127,459**	**$ (0)**	**$ (127,459)**	**$ (466,263)**	**$ (593,722)**

Legal and Regulatory

Legal and Regulatory (in whole dollars)	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	3.02	3.00	(0.02)
Direct Expenses	$ 398,705	$ 434,117	$ 35,412
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The Legal and Regulatory area provides legal advice, counsel, and governmental and external relations support to Texas RE management, Board, and employees, on all legal and regulatory matters affecting the organization. The Legal and Regulatory group also oversees (1) corporate membership enrollment, meetings and voting; (2) Board meetings, minutes, support, training and other activities; (3) corporate documents and transactions; (4) governmental, regulatory relations and communications; (5) the work of any outside legal counsel; and (6) the prosecution of any contested enforcement matters.

Although the Legal and Regulatory employees report to the General Counsel (including two corporate counsel, an external relations liaison, a training coordinator, and four paralegal staff), a significant portion of the time of Legal and Regulatory employees is expended for and allocated to core activities including primarily enforcement, but also compliance monitoring, registration, event analysis, training, and technical committees.

Legal and Regulatory employees support the Enforcement Program by preparing and reviewing violation documentation such as notification letters, requests for information, settlement agreements, and disposition documents; tracking violation and penalty information; and reporting required information to NERC. They support the Compliance and Events groups by assisting with requests for information. The external relations liaison and training coordinator facilitate and coordinate materials and speakers for the MRC meetings and workshops, oversee the production of newsletters, maintain and update website content, and coordinate needed subject matter experts for regional technical committees such as the NRWG.

For 2012, Legal and Regulatory employees will increase by two (to support increased enforcement and compliance activities, data tracking, and reporting) but the expenses allocated to this activity area will remain at 3.00 FTEs.

2012 Key Assumptions

The Legal and Regulatory program makes the following assumptions for 2012:

- The volume of legal work required for corporate governance, personnel, NERC registration, transactional work, and standards development will remain at 2011 levels.

- The number of enforcement actions will continue to increase, causing the screening, review, advice, assistance, reporting, and possible prosecution of enforcement matters to also continue to increase.
- The volume of legal work required for enforcement settlements will continue to increase, with the majority of possible violations handled through the settlement process.
- The time expended on each enforcement matter will continue to remain high or slightly increase in 2012, but Texas RE anticipates that it will have only one large or two small contested enforcement hearings.
- The legal support for event analysis and event investigations will increase, particularly for review of requests for information, as the event analysis process and investigations become more rigorous.
- Texas RE is budgeting only one contested enforcement hearing initiated in 2012 and anticipates no significant registration disputes or hearings in 2012.
- Outside counsel will be used to assist in contested enforcement cases, but minimal outside counsel will be used for corporate or human resource matters.
- Legal and Regulatory time needed for governmental, other external relations, and communications will remain consistent with 2011.
- The time spent preparing materials and reports for and supporting Board and Board committee meetings will remain consistent with 2011.
- Although Legal and Regulatory staff will support membership registration and the Member Representatives Committee, these activities will be primarily expensed to Technical Committees and Members Forum.
- Texas RE Legal staff will continue to oversee a corporate ethics and antitrust compliance program, including new hire and annual training for all employees.

2012 Goals and Key Deliverables

The Legal and Regulatory program goals and deliverables include:

- Provide timely useful legal advice to the CEO, the Board, and all program areas.
- Effectively communicate information to the Board and Texas RE members.
- Prepare and provide Board orientation and training materials.
- Oversee membership registration and maintain an accurate roster of members.
- Provide training materials to Human Resources for new hire employee training and conduct annual employee ethics and antitrust compliance training for all employees.

- Maintain effective relationships and communications with NERC, FERC, PUCT, and other state and federal representatives.
- Timely file all documents required by NERC or FERC.
- Provide advice and assistance and coordinate with NERC regarding all enforcement program documents.
- Assist with the prosecution and any appeal of contested enforcement matters.
- Provide advice and counsel regarding disputed registration or other matters.
- Review and provide advice regarding all regulatory filings.
- Provide advice and oversee risk management and insurance programs.
- Negotiate and prepare or approve all contracts.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Indirect program costs are allocated to the direct programs.

Personnel Expenses

- The total number of Legal & Regulatory FTEs is remaining consistent with 2011 at 3.00 FTEs. The amount of time personnel are performing direct activities related to compliance, enforcement, events, and registration are being appropriately budgeted in those respective areas.

Meeting Expenses

- Travel is being budgeted at $7K and is remaining fairly consistent with 2011. Travel is expected to increase less than $1K for an inflationary adjustment.

Operating Expenses

- The consultants and contracts cost for Ethicspoint of $1.9K is being recorded under contracts in 2012.
- Office costs for Legal and Regulatory are virtually flat year-over-year.
- The professional services for external legal expenses are $18K for corporate related legal matters.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Legal and Regulatory

Funding sources and related expenses for the legal and regulatory section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & 2012 Budget
Legal and Regulatory

	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	-			-	-
Total Texas RE Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 274,717	$ 278,450	$ 3,733	$ 307,061	$ 32,344
Payroll Taxes	24,410	22,276	(2,134)	28,454	4,044
Benefits	31,154	33,414	2,260	44,487	13,333
Retirement Costs	39,834	38,983	(851)	24,524	(15,310)
Total Personnel Expenses	**$ 370,114**	**$ 373,123**	**$ 3,009**	**$ 404,526**	**$ 34,412**
Meeting Expenses					
Meetings	$ -	$ 57	$ 57	$ -	$ -
Travel	6,551	10,023	3,471	7,425	874
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 6,551**	**$ 10,080**	**$ 3,529**	**$ 7,425**	**$ 874**
Operating Expenses					
Consultants & Contracts	$ 1,800	$ 2,050	$ 250	$ 1,854	$ 54
Office Rent	-	-	-	-	-
Office Costs	2,240	2,780	540	2,312	72
Professional Services	18,000	56,827	38,827	18,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 22,040**	**$ 61,657**	**$ 39,617**	**$ 22,166**	**$ 126**
Total Direct Expenses	**$ 398,705**	**$ 444,859**	**$ 46,154**	**$ 434,117**	**$ 35,412**
Indirect Expenses	**$ (398,705)**	**$ (444,859)**	**$ (46,154)**	**$ (434,117)**	**$ (35,412)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-		-	-
Furniture & Fixtures CapEx	-	-		-	-
Equipment CapEx	-	-		-	-
Leasehold Improvements	-	-		-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -		-	$ -
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Information Technology

Information Technology (in whole dollars)	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.60	2.50	(0.10)
Direct Expenses	$ 1,041,557	$ 1,076,888	$ 35,332
Inc(Dec) in Fixed Assets	$ (48,383)	$ (66,484)	$ (18,101)
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

Texas RE's Information Technology (IT) program provides a broad range of information technology and security support to Texas RE, including the following: management of CIP compliant IT and security operations, physical security, electronic security, data center operations, IT & security-related vendor management, strategy, planning, development, and deployment of enterprise systems, application, and training, research, and planning for improvement and efficiency of business process and operations.

The IT program includes administration and maintenance of facilities, hardware (servers, security devices, computers and peripherals), systems (email, storage, backups, networks, electronic security, secure communications, and databases), software, and applications such as the Texas RE Intranet, varied business process databases, public Web site, regional standards tracking web services, and document management system. Texas RE's approach is to keep its in-house IT staff small and efficiently outsource maintenance, services, and major development. To ensure that applications and hardware are well maintained, service levels remain high, costs are controlled, and systems are consistent with federal and regional requirements. IT & Security staff manages multiple vendors, oversees day-to-day support and administration, and plans for future requirements.

Texas RE IT staff will continue several operational initiatives in 2012 in support of Texas RE's information infrastructure implemented in 2010. These initiatives include identifying and fulfilling technology needs to reinforce and improve overall operations; refining IT policies and procedures to develop secure efficiencies through the use of technology and to prepare for eventualities; and providing additional employee training on both existing and emerging best practices. Texas RE IT staff also foresees that the early part of 2012 will be devoted to executing carry-over projects related to Texas RE's intranet, extranet, document management system, business operations efficiency improvements, and PUCT Protocol compliance operations.

Although much of 2012 will be focused on maintaining the security and stability of Texas RE's electronic operations, Texas RE IT staff also will work with Texas RE management to update its long-term technology strategy plans ensuring Texas RE is consistent with ERO strategic goals. Strategic focus will be placed on implementing necessary measures for added security; standardizing policies and procedures; increasing Texas RE efficiency and meeting the needs of the mobile workforce; and planning for system integration and communications, both internal and external (FERC, NERC, PUCT and other Regional Entities).

2012 Key Assumptions

- Texas RE will continue to outsource several key IT and security services that are not within the core competencies, cost containment plan, and strategic direction of the IT & Security program (facility hosting and related services, networking, physical security, service desk support, etc.) to third-party vendors. A small Texas RE staff will oversee the vendors and the related policies, service, performance, and costs.
- Texas RE will not increase IT FTEs but will meet its needs with adequately qualified staff by augmenting employees with temporary contractors, used mainly for development or project work. IT employees will cross-train to serve as backups and mentors to each other.

2012 Goals and Key Deliverables

- Provide IT and security support to all Texas RE's operations, including the application, software, and service portfolio; IT and security budget; infrastructure; service support (employee access, service desk/service requests, events, incidents, problems, changes, releases, configuration); service design and delivery (service level, risk, capacity, availability, continuity, information security, compliance, architecture); service transition; demand; and hardware and network security in a secure and efficient manner, with the following strategy:
  - Continue to maintain a small number of employees to oversee the strategy, policies and procedures, service and performance, budget, and vendor management. Cross-train employees to serve as backups and mentors to each other.
  - Continue to outsource several key IT and security services that are not within the core competencies, cost containment plan, and strategic direction of the IT program (facility hosting and related services, networking, physical security, service desk support, etc.) to third-party vendors.
  - Augment employees with temporary contractors for required development or project work to meet business needs.
- Assist business staff with development of IT-related project requirements, and prioritize and oversee all IT or security-related projects.
- Monitor and update long-term strategy in response to business needs, including regularly meeting with managers and soliciting input from staff.
- Coordinate and share best practices with other Regional Entities and NERC as a member of the Information Technology Steering Group.
- Confirm and monitor baseline metrics for Texas RE usage (storage, networks, support requests, etc.) for the purpose of scaling services appropriately, and conduct periodic assessments of Texas RE's information infrastructure to ensure compliance with related data and security standards and requirements.
- Train and support Texas RE staff on software and applications.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Indirect program costs are allocated to the direct programs.

Personnel Expenses

- The total number of IT FTEs is remaining consistent with 2011, due in part to efficiencies gained through the purchase of technology and implementation of best practices. In the future this tradeoff may reverse between the uses of FTEs versus contractors where efficiencies are best realized. This approach will be reviewed on an annual basis and decided appropriately. The amount of time personnel are performing direct activities related to compliance, enforcement, registration and certification are being appropriately budgeted in those respective areas.
- Personnel expenses are being recorded separately from the G&A program. This is due to no one employee's salary being separately identifiable.

Meeting Expenses

- IT anticipates hosting one Information Technology Steering Group meeting at Texas RE's offices. This is resulting in meeting costs of $1K for 2012.
- Travel is expected to increase $22K for a total of $26K in 2012, due to the implementation of a geographically diverse data center, participation in regional and national working groups, and training where appropriate.
- The expected increase over the prior year budget for conference calls is $6K for a total of $18K and is resulting from an upward trend in expense for 2011. Conference calls expense after 2012 is expected to level out while reducing the need for some travel.

Operating Expenses

- Consultant expenses are decreasing year-over-year $268K for a total of $71K. The 2012 budget reflects a full year of managed hosting and managed services. In 2011, that budget was reflected under managed services. These types of expenses have been further defined and allocated to capital projects, fixed assets, managed services or professional services as necessary. Office costs are increasing $82K for a total of $256K to accommodate maintenance agreement expenses which are higher than the 2011 budget.
- Professional services of $108K are being added to the 2012 budget. This includes IT services requirements for operations which are budgeted at $46K and $62K budgeted for security guard services (which was previously budgeted under G&A).
- Depreciation expense of $308K is an increase of $165K and reflects higher than budgeted 2010 and 2011 fixed asset purchases, as well as projected 2012 purchases of IT & Security assets.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets is $0 due to the allocation of fixed asset purchases and depreciation to direct program areas.
- Texas RE will be adding additional FTEs which will result in approximately $32K of fixed asset purchases in 2012. Additionally, there are approximately $210K in hardware upgrades, expansion and capacity enhancements that will be required to ensure the platform remains stable and efficient
- Texas RE anticipates some development of applications and systems to further improve the operations of Texas RE ; these projects might include some enhancements such as:
    - Implementation of an Event Analysis application.
    - Further development of the document management system platform.
    - Implementation of employee performance application as needed.
    - Implementation of standards development application.
    - Implementation of asset management tools for IT & Security tools.
    - Consolidation of existing reporting applications.
    - Improve security systems for electronic and physical security.
    - Improve network and storage systems as needed.

Information Technology

Funding sources and related expenses for the information technology section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & 2012 Budget
Information Technology

	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	$ -	$ -	$ -		$ -
Penalty Sanctions	-				-
Total Texas RE Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-		-
Federal Grants	-	-	-		-
Services & Software	-	-	-		-
Workshops	-	-	-		-
Interest	-	-	-		-
Miscellaneous	-	-	-		-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 267,102	$ 251,374	$ (15,728)	$ 215,760	$ (51,342)
Payroll Taxes	23,733	20,110	(3,623)	19,477	(4,255)
Benefits	37,535	30,165	(7,370)	31,566	(5,970)
Retirement Costs	38,730	35,192	(3,537)	21,285	(17,445)
Total Personnel Expenses	**$ 367,100**	**$ 336,841**	**$ (30,259)**	**$ 288,088**	**$ (79,011)**
Meeting Expenses					
Meetings	$ 2,000	$ 1,667	$ (333)	$ 1,200	$ (800)
Travel	3,805	13,237	9,432	25,904	22,099
Conference Calls	12,000	15,000	3,000	18,000	6,000
Total Meeting Expenses	**$ 17,805**	**$ 29,904**	**$ 12,099**	**$ 45,104**	**$ 27,299**
Operating Expenses					
Consultants & Contracts	$ 339,034	$ 179,355	$ (159,679)	$ 70,920	$ (268,114)
Office Rent	-	-	-	-	-
Office Costs	174,235	204,346	30,111	256,292	82,057
Professional Services	-	-	-	108,000	108,000
Miscellaneous	-	-	-	-	-
Depreciation	143,383	122,243	(21,140)	308,484	165,101
Total Operating Expenses	**$ 656,652**	**$ 505,944**	**$ (150,708)**	**$ 743,696**	**$ 87,044**
Total Direct Expenses	**$ 1,041,557**	**$ 872,689**	**$ (168,867)**	**$ 1,076,888**	**$ 35,332**
Indirect Expenses	**$ (1,041,557)**	**$ (872,689)**	**$ 168,867**	**$ (1,076,888)**	**$ (35,332)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets					
Depreciation	(143,383)	(122,243)	21,140	(308,484)	(165,101)
Computer & Software CapEx	95,000	125,000	30,000	242,000	147,000
Furniture & Fixtures CapEx	-	-		-	-
Equipment CapEx	-	-		-	-
Leasehold Improvements	-	-		-	-
(Incr)Dec in Fixed Assets	**$ 48,383**	**$ (2,757)**	**$ (51,140)**	**$ 66,484**	**$ 18,101**
Allocation of Fixed Assets	$ (48,383)	$ 2,757	$ 51,140	$ (66,484)	$ (18,101)
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Human Resources

	Human Resources (in whole dollars) Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	1.03	1.00	(0.03)
Direct Expenses	$ 9,123	$ 48,772	$ 39,649
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The Texas RE Human Resources program provides a broad range of support to all Texas RE employees. The HR function consists of delivery and enforcement of all personnel and employment related policies, procedures, and documents. HR is responsible for administering all employee benefits programs, recruiting, the new hire process, orientation, partnering with managers to develop and counsel employees, and maintaining competitive market analysis on all Texas RE positions. HR maintains the Human Resources Information System (HRIS) and the Payroll Master File and ensures Department of Labor compliance with all federal and state requirements. HR will continue to develop and enhance the culture of Texas RE as it grows, with an effort to improve retention, maintain low employee turnover, and attract top talent for new positions. HR minimizes risk to the organization by ensuring that employees are treated in a fair and consistent manner and that the Texas RE employment policies are followed on a regular basis.

2012 Key Assumptions

- Texas RE Human Resources program will consist of 1 position, the HR Manager.
- HR will begin to enhance and improve various policies, procedures, systems, and programs which were originally put into place for “start-up” and necessary based on timing of the spin-off event.
- HR will analyze key HRIS data for purposes of being a strategy partner to management.

2012 Goals and Key Deliverables

- Reduce the length of time of the recruitment process (from open requisition to offer letter).
- Enhance employee benefits plans and expand services to employees.
- Review Texas RE compensation strategy in concert with executive management team to ensure Texas RE remains a competitive employer in its industry.
- Improve the performance review process for all employees.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Indirect program costs are allocated to the direct programs.

Personnel Expenses

- Personnel expenses are being recorded in the G&A program. This is due to one employee's salary being separately identifiable.

Meeting Expenses

- Travel is budgeted to accommodate two HR related training sessions and is virtually flat year-over-year.

Operating Expenses

- Consultants and contracts expense were previously budgeted under employee benefits in 2011. In 2012, there will $24K in recruitment expenses for staff positions. In 2011, the amount budgeted was $20K and it was budgeted under G&A.

- Professional services includes $23K budgeted under G&A employee benefits in 2011 related to employee background checking, legal services and technical services that are likely to be incurred in 2012. This represents an increase of $16K.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Human Resources

Funding sources and related expenses for the human resources section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & 2012 Budget
Human Resources

	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	$ -	$ -	$ -		$ -
Penalty Sanctions	$ -				
Total Texas RE Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-		-
Federal Grants	-	-	-		-
Services & Software	-	-	-		-
Workshops	-	-	-		-
Interest	-	-	-		-
Miscellaneous	-	-	-		-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ -	$ -	$ -	$ -	$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	1,363	1,363	(0)	1,404	41
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 1,363**	**$ 1,363**	**$ (0)**	**$ 1,404**	**$ 41**
Operating Expenses					
Consultants & Contracts	$ -	$ 500	$ 500	$ 24,000	$ 24,000
Office Rent	-	-	-	-	-
Office Costs	260	332	72	268	8
Professional Services	7,500	6,750	(750)	23,100	15,600
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 7,760**	**$ 7,582**	**$ (178)**	**$ 47,368**	**$ 39,608**
Total Direct Expenses	**$ 9,123**	**$ 8,945**	**$ (178)**	**$ 48,772**	**$ 39,649**
Indirect Expenses	**$ (9,123)**	**$ (8,945)**	**$ 178**	**$ (48,772)**	**$ (39,649)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Finance and Accounting

Finance and Accounting (in whole dollars)	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.00	2.00	-
Direct Expenses	$ 473,858	$ 472,867	$ (991)
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The Finance and Accounting staff provide a broad range of support to Texas RE's management and personnel. Finance and Accounting staff are required to formulate and monitor Texas RE budget for controlling funds to implement Texas RE's objectives and also to review and evaluate the performance of key processes for maintaining tight financial controls in a cost-effective and efficient manner. Finance and Accounting staff guide the annual budget process for Texas RE and measure performance of all key aspects of Texas RE to ensure performance matches or exceeds expectations, including the analysis of trends affecting budget needs and developing periodic financial reports. Texas RE's monthly general ledger close activities will be managed by Texas RE Finance and Accounting personnel. The Finance and Accounting staff are required to ensure Texas RE appropriately accounts for all statutory and non-statutory expenses and revenue. This involves generating monthly financial reports that are communicated to the CEO, appropriate staff and the Board.

Texas RE Finance and Accounting will also direct the financial affairs of the organization and prepare financial analyses of operations, including interim and final financial statements with supporting schedules, for the guidance of management. Additionally, Texas RE Finance and Accounting will have responsibility for the company's financial plans and policies, its accounting practices, the conduct of its relationships with banking institutions, the maintenance of its fiscal records, and the preparation of financial reports. Texas RE Finance and Accounting will be centrally responsible for general accounting, accounts payable, accounts receivable, payroll processing, fixed asset accounting, cost accounting, budgetary controls, cash management, tax reporting, and corporate risk management.

The Finance and Accounting staff are required to generate quarterly and annual financial reports to be filed with NERC as well as other ad hoc reporting that may be required.

2012 Key Assumptions

- Statutory finance and accounting staff will remain consistent with 2011.
- The volume of transactions will approximate that of 2010 and 2011.
- There will be no accounting system changes.
- Payroll processing and expense reporting functions will continue to be outsourced.
- There will be continued use and management of the travel function which is integrated within the expense reporting system. This requires additional reconciliation time; however it has been absorbed into existing staff.

- There will be no additional banking requirements. Texas RE has six bank accounts and one corporate credit card account, which increased by 4 accounts in 2011. The additional work related to management and reconciliation has been absorbed by existing staff.

2012 Goals and Key Deliverables

- Ensure that the accounting, finance, and budgeting functions are appropriately managed at Texas RE.
- Keep the CEO informed of budget, expenditures, and total operational financial performance.
- Continue to provide financial reports to the Board.
- Ensure that Texas RE receives an unqualified opinion on the audit of its financial statements.
- Continue to support and coordinate with NERC finance staff to meet quarterly and annual reporting requirements as well as any additional financial reports.
- Provide workflow and financial reports to Texas RE management and adjust as required to better enable Texas RE staff operational success.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Indirect program costs are allocated to the direct programs.

Personnel Expenses

- Personnel expenses are being recorded separately from the G&A program. This is due to no one employee's salary being separately identifiable.

Meeting Expenses

- Travel costs are virtually flat year-over-year due to use of conference calls for REBG meetings.

Operating Expenses

- Consultants and contracts of $8K reflect the annual maintenance costs for the accounting system. The cost is flat year-over-year.
- Office costs are increasing $37K in the Finance and Accounting activity for a total budget of $40K in 2012 due to increases in credit card transactions and travel booking fees, as well as property taxes, (property taxes were budgeted for $28K under G&A in 2011).
- Professional services are budgeted at $160K and reflect reductions from 2011 related to lower pricing obtained for accounting support services, insurance and audit fees. The expected decrease for 2012 is $49K. The budget in 2011 was established before the separation from ERCOT and some areas were overstated.

Indirect Expenses

- Indirect program costs are allocated to the direct programs.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

Finance and Accounting

Funding sources and related expenses for the finance and accounting section of the 2012 business plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & 2012 Budget
Finance and Accounting

	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	-			-	
Total Texas RE Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 187,145	$ 186,113	$ (1,032)	$ 199,422	$ 12,277
Payroll Taxes	16,614	14,889	(1,725)	18,196	1,582
Benefits	20,938	22,334	1,396	25,416	4,478
Retirement Costs	27,136	26,056	(1,080)	19,916	(7,220)
Total Personnel Expenses	**$ 251,833**	**$ 249,392**	**$ (2,441)**	**$ 262,950**	**$ 11,117**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	1,619	1,600	(19)	1,652	33
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 1,619**	**$ 1,600**	**$ (19)**	**$ 1,652**	**$ 33**
Operating Expenses					
Consultants & Contracts	$ 8,000	$ 8,000	$ -	$ 8,000	$ -
Office Rent	-	-	-	-	-
Office Costs	3,205	3,000	(205)	40,065	36,860
Professional Services	209,200	187,261	(21,939)	160,200	(49,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 220,405**	**$ 198,261**	**$ (22,144)**	**$ 208,265**	**$ (12,140)**
Total Direct Expenses	**$ 473,858**	**$ 449,253**	**$ (24,605)**	**$ 472,867**	**$ (991)**
Indirect Expenses	**$ (473,858)**	**$ (449,253)**	**$ 24,605**	**$ (472,867)**	**$ 991**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Section B – Supplemental Financial Information

2012 Business Plan and Budget

Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2011-2012	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2010	1,999,423
Less: Penalty sanctions to be used as offset to 2012 assessments [1]	(572,830)
Plus: 2011 Texas RE Funding (from LSEs or designees)	9,247,823
Plus: 2011 Other funding sources	176,500
Less: 2011 Projected expenses & capital expenditures	(8,657,031)
Projected Working Capital Reserve (Deficit), December 31, 2011	**2,193,885**
Desired Working Capital Reserve, December 31, 2012 [2]	1,727,622
Less: Projected Working Capital Reserve, December 31, 2011	(2,193,885)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(466,263)
Amended 2012 Expenses and Capital Expenditures	10,613,459
Less: Penalty Sanctions [1]	(572,830)
Less: Other Funding Sources	(70,500)
Adjustment to achieve desired Working Capital Reserve	(466,263)
Amended 2012 Texas RE Assessment	9,503,866

[1] Represents collections on or prior to June 30, 2011.

[2] The Texas RE board approved a desired 60-day working capital reserve in 2012.

Explanation of Changes in Reserve Policy from Prior Years

- Texas RE is reducing its 75-day cash reserve requirement in 2012, to a 60-day cash reserve requirement. The result of this is a $466K reduction in reserves.
- Texas RE is contemplating applying for a $500K line of credit with its bank to ensure there is appropriate liquidity for contingencies.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 10 of the 2012 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2011 are to be used to offset assessments in the 2012 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2011 through June 30, 2012 will be used to offset assessments in the 2013 Budget.

All penalties received prior to June 30, 2011 are detailed in exhibit B-2.
Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Table B-2 – Penalty Sanctions

Penalty Sanctions Received On or Prior to June 30, 2011	Date Received	Amount Received
	11/15/2010	198,600
	12/15/2010	150,000
	1/19/2011	28,000
	1/28/2011	18,000
	3/14/2011	3,000
	3/16/2011	35,000
	3/23/2011	900
	3/23/2011	900
	3/23/2011	900
	3/23/2011	900
	3/23/2011	900
	3/29/2011	50,000
	3/29/2011	2,500
	4/4/2011	3,000
	4/11/2011	4,000
	4/11/2011	16,000
	4/18/2011	9,000
	4/27/2011	12,000
	4/28/2011	11,000
	5/13/2011	6,000
	5/23/2011	8,000
	5/25/2011	5,000
	6/13/2011	1,230
	6/30/2011	5,000
	6/30/2011	3,000
Total Penalties Received		$ 572,830

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program	Budget 2011	Projection 2011	Budget 2012	Variance 2011 Budget v 2012 Budget
Reliability Standards				
Total	$ -	$ -	$ -	$ -
Compliance Monitoring, Enforcement & Org. Registration				
Total	$ -	$ -	$ -	$ -
Reliability Assessment and Performance Analysis				
Total	$ -	$ -	$ -	$ -
Training and Education				
Workshops	$ 215,500	$ 136,000	$ 30,000	$ (185,500)
Total	$ 215,500	$ 136,000	$ 30,000	$ (185,500)
Situation Awareness and Infrastructure Security				
Total	$ -	$ -	$ -	$ -
Technical Committees and Member Forums				
Total	$ -	$ -	$ -	$ -
General and Administrative				
Membership Dues	$ 27,500	$ 27,500	$ 27,500	$ -
Interest Income	600	13,000	13,000	12,400
Total	$ 28,100	$ 40,500	$ 40,500	$ 12,400
Total Outside Funding	$ 243,600	$ 176,500	$ 70,500	$ (173,100)

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Texas RE is providing the same number of workshops and will be charging workshop attendees for the direct expenses associated with conducting those workshops.
- However, Texas RE is eliminating the Operations Training Seminar from its budget due to ERCOT wishing to provide the training service to the ERCOT region.
- Texas RE is budgeting increased interest income based on more active management of bank accounts.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2011 Budget v 2012 Budget	Variance %
Salaries					
Salary	$ 4,795,004	$ 4,595,167	$ 5,854,972	$ 1,059,968	22%
Total Salaries	$ 4,795,004	$ 4,595,167	$ 5,854,972	$ 1,059,968	22%
Total Payroll Taxes	$ 423,650	$ 367,613	$ 521,980	$ 98,331	23%
Benefits					
Life, Health, Vision, etc.	$ 589,499	$ 551,420	$ 806,045	$ 216,546	37%
Total Benefits	$ 589,499	$ 551,420	$ 806,045	$ 216,546	37%
Retirement					
401(k) Contr. & Employee Matching	$ 693,219	$ 643,323	$ 799,971	$ 106,752	15%
Total Retirement	$ 693,219	$ 643,323	$ 799,971	$ 106,752	15%
Total Personnel Costs	$ 6,501,372	$ 6,157,524	$ 7,982,969	$ 1,481,597	23%
FTEs	49.00	49.00	58.00		
Cost per FTE					
Salaries	$ 97,857	$ 93,779	$ 100,948	$ 3,091	3.2%
Payroll Taxes	8,646	7,502	9,000	354	4.1%
Benefits	12,031	11,253	13,897	1,867	15.5%
Retirement	14,147	13,129	13,793	(355)	-2.5%
Total Cost per FTE	**$ 132,681**	**$ 125,664**	**$ 137,637**	**$ 4,956**	**3.7%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Texas RE salaries per FTE are in line with expectations based on the changes in headcount and the salary assumptions.
- Payroll taxes are higher due to higher staff counts in 2012. Though Texas RE is exempt from paying FUTA due to our 501(c)(3) status, our state unemployment experience rating is not expected to decline.
- Texas RE is expecting a rate increase for health insurance benefits provided to employees of nearly 10%. Medical inflation is trending between 10% - 20% and since this is Texas RE's first renewal period, we expect to be at the lower end of the price increase. Also included in benefits expense is training expenses for employees that were previously recorded under the miscellaneous expense category.
- Benefits expense also reflects an increase in relocation expense from 2011, bringing the total anticipated expense to $40K.
- The retirement expenses are budgeted based on historical trend and adjusted for increases in staff.

Table B-5 – Consultants and Contracts

Consultants	Approved 2011 Budget	Projection 2011	2012 Budget	Variance 2011 Budget v 2012 Budget	Variance %
Consultants					
Consultants	$ 20,000	$ 20,000	$ 24,000	$ 4,000	20.00%
Consultants Total	$ 20,000	$ 20,000	$ 24,000	$ 4,000	20%

Contracts	2011 Budget	Projection 2011	2012 Budget	Variance 2011 Budget v 2012 Budget	Variance %
Contracts					
IT-Managed Service Fees	510,368	281,120	165,176	(345,192)	-67.64%
IT Hosting Fees	75,623	75,623	70,920	(4,703)	-6.22%
Contracts	880	880	2,620	1,740	197.73%
Maintenance for Accounting System	8,000	8,000	8,000	-	0.00%
EthicsPoint	1,700	1,700	1,854	154	9.06%
	-	-			
Contracts Total	$ 596,571	$ 367,323	$ 248,570	$ (348,001)	-58%
Total Consulting and Contracts	**$ 616,571**	**$ 387,323**	**$ 272,570**	**$ (344,001)**	-56%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Consultant's expense of $24K is reflecting recruiter fees that are separate from the other expense charged to personnel expenses. Additionally, for 2012, the expense item is reflected under the HR activity code unlike 2011, when it was primarily budgeted under another activity code.
- IT managed service fees are for Managed Hosting Services and Infrastructure Services, Reliability Standards Tracking Site, 24-hour Managed Security Service Provider for Networks, Service Desk, Managed Exchange Services, and compliance software. The total expense of $165K in 2012 is $345K less than 2011's budget due to IT staff performing of many of these tasks internally as well as securing a lower cost compliance portal system.
- IT hosting fees represent Data Centers (Primary and Backup), Electronic Security Equipment Maintenance and Subscription $71K.
- There is $8K budgeted for the accounting system maintenance expense.
- There is $2K for EthicsPoint budgeted in 2012 under contracts category.

Table B-6 – Office Rent

Office Rent	Approved 2011 Budget	Projection 2011	2012 Budget	Variance 2011 Budget v 2012 Budget	Variance %
Office Rent & Facilities	$ 475,000	$ 450,000	$ 499,000	24,000	5.05%
Security (moved to Professional Services)	24,000	-	-	(24,000)	-100.00%
Total Office Rent	**$ 499,000**	**$ 450,000**	**$ 499,000**	**$ 0**	**0.00%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Rent expense is budgeted in 2012 at $499K, which is equivalent to 2011.

Table B-7 – Office Costs

Office Costs	Approved 2011 Budget	Projection 2011	2012 Budget	Variance 2011 Budget v 2012 Budget	Variance %
Office Supplies	$ 9,600	$ 10,200	$ 11,988	$ 2,388	24.88%
Computer Supplies & Maintenance	44,744	89,678	99,090	54,346	121.46%
Cell Phone Costs/Telephone	36,240	18,000	17,760	(18,480)	-50.99%
Postage	1,440	1,440	1,596	156	10.83%
Express Shipping	4,000	4,000	4,126	126	3.15%
Stationary Forms	2,350	2,350	1,836	(514)	-21.87%
Reports - Graphics	1,000	1,000	1,030	30	3.00%
Internet Expense	105,655	130,000	139,200	33,545	31.75%
Subscriptions & Publications	1,240	1,240	5,579	4,339	349.92%
Equipment Repair/Srv. Contracts	9,820	25,000	24,000	14,180	144.40%
Property Taxes	27,600	28,000	32,400	4,800	17.39%
Bank Charges	600	600	624	24	4.00%
Dues	4,950	4,950	5,100	150	3.03%
Total Office Costs	**$ 249,239**	**$ 316,458**	**$ 344,329**	**$ 95,090**	**38.15%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- General office supplies for 2012 are $12K which is an increase of $2K primarily for staffing level increases.
- There will be maintenance agreements up for renewal, small non-capitalizable items purchased over the course of the year, such as mice, cords, power strips, small UPS units, etc. In total, computer supplies and maintenance purchases will increase by $54K for a total of $99K. The primary increase is attributed to the maintenance agreement for Texas RE's PI software.
- Telephone is budgeted to be $18K in 2012. This expense is decreasing $18K primarily related to online meeting service costs reflected under meeting expense.
- Other items, such as, postage, express shipping, stationary, reports, subscriptions, publications, bank charges, and dues are not changing materially.
- Internet expense is increasing $34K for a total of $139K. Texas RE pays for connectivity for a primary data center and a backup data center and requires service enhancements for optimum performance.
- Equipment repair and services for the Local Area Network, Equipment Service Support, Network Server Hardware Service and Warranty is expected to total approximately $24K; which is an increase of $14K in 2012.
- Property taxes associated with Texas RE hardware, furniture and leasehold improvement are expected to be higher in 2012 by $5K, for a total of $32K
- Subscriptions are increasing for electronic knowledgebase access for IT and other areas.

Table B-8 – Professional Services

Professional Services	Approved 2011 Budget	Projection 2011	2012 Budget	Variance 2011 Budget v 2012 Budget	Variance %
Outside Legal	$ 320,000	$ 275,101	$ 313,500	$ (6,500)	-2.03%
Accounting & Auditing Fees	90,000	80,000	85,200	$ (4,800)	-5.33%
Insurance / Risk Management	85,000	75,000	75,000	$ (10,000)	-11.76%
IT Professional Services		-	38,106	$ 38,106	100.00%
Employee Verification/Background Check	14,180	14,180	15,600	$ 1,420	10.01%
Benefits Administration	20,020	15,000	7,500	$ (12,520)	-62.54%
Board Fees	220,800	177,500	256,000	$ 35,200	15.94%
Security (moved from rent)	-	57,200	62,394	$ 62,394	100.00%
Total Services	**$ 750,000**	**$ 693,981**	**$ 853,300**	**$ 103,300**	**13.77%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Outside legal expenses are expected to decrease $7K, for a total 2012 budget of $314K.
- Accounting and auditing fees (including accounting services fees) are reflecting reductions of $5K, and are budgeted at $85K.
- The Insurance/Risk Management budget was established in 2011 before the final rates were negotiated. Texas RE does not expect these costs to be significantly higher in 2012 because there were no claims filed against the policy and there were no insured losses. The result is a decrease of $10K.
- IT professional services of $38K for enhanced staffing are reflected within this account.
- Employee verification and background checking fees are reflecting a slight increase year-over-year and are $16K for the year.
- Benefits administration costs for benefit design, plan audit and management are expected to be decreasing $13K for a total of $8K.
- Board fees are expected to increase $35K to accommodate a potential recruitment fee of $70K should that become necessary; otherwise, the expense would have been $35K lower year-over-year.
- Security is budgeted at $62K for 2012. In 2011, security was budgeted under rent totaling $24K.

Table B-9 – Other Non-Operating Expenses

Other Non-Operating Expenses	Approved 2011 Budget	Projection 2011	2012 Budget	Variance 2011 Budget v 2012 Budget	Variance %
Total Non-Operating Expenses	$ -	$ -	$ -	$ -	

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Table B-10 – 2013 and 2014 Projection

Statement of Activities and Capital Expenditures - Statutory
2012 Budget & Projected 2013 and 2014 Budgets

	2012 Budget	2013 Projection	$ Change 12 v 13	% Change 12 v 13	2014 Projection	$ Change 13 v 14	% Change 13 v 14
Funding							
ERO Funding							
Texas RE Assessments	$ 9,503,866	$ 11,280,966	$ 1,777,100	18.70%	$ 12,070,633	$ 789,667	6.5%
Penalty Sanctions	572,830	-	(572,830)	-100.00%	-	-	
Total ERO Funding	**$ 10,076,696**	**$ 11,280,966**	**$ 1,204,270**	**12.0%**	**$ 12,070,633**	**$ 789,667**	**6.5%**
Membership Dues	27,500	29,425	1,925	7.00%	31,485	2,060	7.0%
Testing Fees	-		-				
Services & Software	-		-				
Workshops	30,000	32,100	2,100	7.00%	34,347	2,247	7.0%
Interest	13,000	13,910	910	7.00%	14,884	974	7.0%
Miscellaneous	-		-				
Total Funding	**$ 10,147,196**	**$ 11,356,401**	**$ 1,209,205**	**11.9%**	**$ 12,151,349**	**$ 794,948**	**7.0%**
Expenses							
Personnel Expenses							
Salaries	$ 5,854,972	$ 6,264,820	$ 409,848	7.0%	$ 6,703,357	438,537	7.0%
Payroll Taxes	521,980	558,519	36,539	7.0%	597,615	39,096	7.0%
Benefits	806,045	862,469	56,424	7.0%	922,842	60,373	7.0%
Retirement Costs	799,971	855,969	55,998	7.0%	915,887	59,918	7.0%
Total Personnel Expenses	**$ 7,982,969**	**$ 8,541,777**	**$ 558,808**	**7.0%**	**$ 9,139,701**	**$ 597,924**	**7.0%**
Meeting Expenses							
Meetings	$ 37,200	$ 39,804	$ 2,604	7.0%	$ 42,590	2,786	7.0%
Travel	359,748	384,930	25,182	7.0%	411,875	26,945	7.0%
Conference Calls	18,000	19,260	1,260	7.0%	20,608	1,348	7.0%
Total Meeting Expenses	**$ 414,948**	**$ 443,994**	**$ 29,046**	**7.0%**	**$ 475,073**	**$ 31,079**	**7.0%**
Operating Expenses							
Consultants & Contracts	$ 272,570	$ 291,650	19,080	7.0%	$ 312,066	20,416	7.0%
Office Rent	499,000	533,930	34,930	7.0%	571,305	37,375	7.0%
Office Costs	344,329	368,432	24,103	7.0%	394,222	25,790	7.0%
Professional Services	853,300	913,031	59,731	7.0%	976,943	63,912	7.0%
Miscellaneous	-	-	-		-	-	
Depreciation	753,948	806,724	52,776	7.0%	863,195	56,471	7.0%
Total Operating Expenses	**$ 2,723,147**	**$ 2,913,767**	**$ 190,620**	**7.0%**	**$ 3,117,731**	**$ 203,964**	**7.0%**
Total Direct Expenses	**$ 11,121,064**	**$ 11,899,538**	**$ 778,474**	**7.0%**	**$ 12,732,505**	**$ 832,967**	**7.0%**
Indirect Expenses	**$ (210,657)**	**$ (225,403)**	**$ (14,746)**	**7.0%**	**$ (241,181)**	**$ (15,778)**	**7.0%**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**		**$ -**	**-**	
Total Expenses	**$ 10,910,407**	**$ 11,674,135**	**$ 763,728**	**7.0%**	**$ 12,491,324**	**817,189**	**7.0%**
Change in Assets	**$ (763,211)**	**$ (317,734)**	**$ 445,477**	**-58.4%**	**$ (339,975)**	**$ (22,241)**	**7.0%**
Fixed Assets							
Depreciation	$ (753,948)	$ (806,724)	$ (52,776)	7.0%	$ (863,195)	$ (56,471)	7.0%
Computer & Software CapEx	382,000	408,740	26,740	7.0%	437,352	28,612	7.0%
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	75,000	80,250	5,250	7.0%	85,868	5,618	7.0%
Leasehold Improvements	-	-	-		-	-	
(Incr)Dec in Fixed Assets	**$ 296,948**	**$ 317,734**	**$ 20,786**	**7.0%**	**$ 339,975**	**$ 22,241**	**7.0%**
TOTAL CHANGE IN NET ASSETS	**$ (466,263)**	**$ -**	**$ 466,263**	**-100.0%**	**$ -**	**$ -**	**0.0%**
FTEs	**58.00**	**62.00**	**4.00**	**7.0%**	**66.00**	**4.00**	**6.6%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Assumes no increases to cash reserves and no penalties for 2013 and 2014.
- Reflects FTE increases of 4.0 FTEs in 2013 and 4.0 in 2014, which is 7% for 2013 and 6.5% increase in 2014 (2014 eliminates a fractional).
- Assumption is for a standard 7% increase across the board – due to uncertainty in the coming years' workflow, process changes, and other requirements under the delegation agreement.

Section C – 2012 Non-Statutory Activities

2012 Business Plan and Budget

Section C — 2010 Non-Statutory Business Plan and Budget

Non-Statutory Activities (in whole dollars)	Approved 2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	5.0	5.0	-
Direct Expenses	$ 778,596	$ 788,443	$ 9,847
Indirect Expenses	$ 191,379	$ 210,657	$ 19,278
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Total Funding Requirement	$ 969,974	$ 999,100	$ 29,126

Non-Statutory Functional Scope

Texas RE will continue to perform non-statutory activities in 2012 and throughout the planning period. Texas RE will remain the Texas Reliability Monitor and perform the audits, investigations, monthly metrics review, and other monitoring and reporting of market participants' compliance with the reliability-related ERCOT Protocols and Operating Guides (ERCOT Regional Rules) that it and its predecessor Texas Regional Entity performed in previous years, under the direction of the Public Utility Commission of Texas (PUCT). Texas RE will also monitor the stakeholder Regional Rules creation and modification process and assist the PUCT with comments on proposed changes to rules that impact reliability. Texas RE will not perform any enforcement activities, but will provide testimony and technical support to the PUCT for its enforcement cases.

Major 2012 Assumptions and Cost Impacts

- Texas RE will continue to be the Reliability Monitor and perform ERCOT Regional Rules compliance monitoring and reporting for the PUCT in 2012 and throughout the planning period.

2012 Non-Statutory Goals and Objectives

- Appropriately monitor and report to the PUCT regarding stakeholder compliance with the Regional Rules.
- Implement the 2012 Regional Rules audit plan per the posted schedule.
- Review and assess system disturbances for potential violations of ERCOT Regional Rules and report all findings to the PUCT.
- Provide technical expertise to the PUCT for the review and modification of ERCOT Regional Rules that impact reliability of the BPS and support the PUCT efforts to ensure adequate reliability metrics are developed for the new nodal market.
- Provide technical or testimony support as needed to the PUCT for its enforcement of ERCOT Regional Rules violations.

Funding Sources

- Funding will be obtained through a contract between Texas RE, the PUCT, and ERCOT, which requires ERCOT to make quarterly fixed fee payments in the amount of $250K to Texas RE from its PUCT-approved system administration fee. Texas RE's total 2012 non-statutory budget and funding is $999K. The 2012 non-statutory contract funding is $29K higher than the 2011 funding of $970K.

Personnel Expenses

- Non-statutory personnel are remaining constant at 5 FTEs, and personnel expenses are only increasing due to merit and market adjustments. One "FTE" will continue to represent the composite of time spent by administrative and management personnel who primarily perform statutory activities. The resulting increase is $40K for salary and benefits.

Meeting Expenses

- Travel is virtually flat year-over-year and is budgeted at $13K.

Operating Expenses

- Contract costs are virtually flat and budgeted at $9K.
- Office Costs are less year-over-year by $12K and do not reflect internet connectivity as a direct expense. Instead that cost is charged via the indirect allocation to non-statutory Protocol compliance.
- Protocol professional services are being decreased $19K based on expected trends with outside counsel.

Indirect Expenses

- The non-statutory allocation of indirect expenses is increasing $19K and will total $211K which reflects a full year allocation of indirect expenses.

2011 Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures
2011 Budget & 2012 Budget
NON-STATUTORY

	Approved 2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2011 Budget v 2012 Budget Over(Under)
Funding					
Texas RE Funding					
Texas RE Assessments	$ -	$ -	$ -		$ -
Penalty Sanctions	-	-	-		-
Total Texas RE Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues/Non-statutory Assessments	969,975	969,975	-	999,100	$ 29,125
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 969,975**	**$ 969,975**	**$ -**	**$ 999,100**	**$ 29,125**
Expenses					
Personnel Expenses					
Salaries	$ 507,912	$ 400,872	$ (107,041)	$ 541,194	$ 33,282
Payroll Taxes	43,532	32,070	(11,462)	46,263	2,731
Benefits	71,058	48,105	(22,954)	69,773	(1,285)
Retirement Costs	73,647	56,122	(17,525)	78,473	4,826
Total Personnel Expenses	**$ 696,150**	**$ 537,168**	**$ (158,982)**	**$ 735,703**	**$ 39,553**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	12,222	10,855	(1,367)	12,593	371
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 12,222**	**$ 10,855**	**$ (1,367)**	**$ 12,593**	**$ 371**
Operating Expenses					
Consultants & Contracts	$ 8,400	$ 7,183	$ (1,217)	$ 8,652	$ 252
Office Rent	-	-	-	-	-
Office Costs	25,824	21,656	(4,168)	14,316	(11,508)
Professional Services	36,000	30,188	(5,813)	17,179	(18,821)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 70,224**	**$ 59,027**	**$ (11,197)**	**$ 40,147**	**$ (30,077)**
Total Direct Expenses	**$ 778,596**	**$ 607,050**	**$ (171,546)**	**$ 788,443**	**$ 9,847**
Indirect Expenses	**$ 191,379**	**$ 191,379**	**$ -**	**$ 210,657**	**$ 19,278**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 969,974**	**$ 798,428**	**$ (171,546)**	**$ 999,100**	**$ 29,126**
Change in Assets	**$ -**	**$ 171,547**	**$ 171,547**	**$ 0**	**$ (0)**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 171,547**	**$ 171,547**	**$ 0**	**$ (0)**

Personnel Analysis

Fractional FTEs reflect part-time, shared employees, or employees who worked in fewer than all four quarters of the year.

Total FTE's by Program Area	Approved Direct FTEs 2011 Budget	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs[1] 2012 Budget	Total FTEs 2012 Budget	Variance from Approved 2011 Budget
NON-STATUTORY						
Operational Programs						
Protocol	4.40	4.40	4.00	0.40	4.40	0.00
Total FTEs Operational Programs	**4.40**	**4.40**	**4.00**	**0.40**	**4.40**	**0.00**
Administrative Programs						
G&A	0.60	0.60	0.00	0.60	0.60	0.00
Total FTEs Administrative Programs	**0.60**	**0.60**	**0.00**	**0.60**	**0.60**	**0.00**
Total FTEs	**5.00**	**5.00**	**4.00**	**1.00**	**5.00**	**0.00**

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

Reserve Analysis — 2011–2012

Working Capital Reserve Analysis 2011-2012		
NON-STATUTORY		
Beginning Working Capital Reserve (Deficit), December 31, 2010		0
Plus: 2011 Texas RE Funding (from LSEs or designees)		
Plus: 2011 Other funding sources		969,975
Less: 2011 Projected expenses & capital expenditures		(798,428)
Projected Working Capital Reserve (Deficit), December 31, 2011		**171,547**
Desired Working Capital Reserve, December 31, 2012	[1]	171,547
Less: Projected Working Capital Reserve, December 31, 2011		(171,547)
Additional funding/(release of reserves) required to achieve desired Working Capital Reserve		0
2012 Funding for Expenses and Capital Expenditures		999,100
Less: Other Funding Sources		-
Adjustment to achieve desired Working Capital Reserve		0
Amended 2012 Funding (reserve adjustment)		999,100

[1] Calculated reserves for Protocol, equates to approximately a 63 day reserve.

Section D – Supplemental Information

2012 Business Plan and Budget

Section D – Supplemental Information

2012 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2012 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement: Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Functions: Non-Statutory Total
Funding																
Texas RE Funding																
Texas RE Assessments	9,503,866	9,503,866	-	9,503,866	412,751	8,018,471	1,040,204	323,547	188,157	-	(479,263)	-	-	-	-	-
Penalty Sanctions	572,830	572,830	-	572,830	24,247	460,689	57,586	21,216	9,093		-					-
Total Texas RE Funding	**10,076,696**	**10,076,696**	**-**	**10,076,696**	**436,997**	**8,479,159**	**1,097,790**	**344,763**	**197,250**	**-**	**(479,263)**	**-**	**-**	**-**	**-**	**-**
Non-statutory Funding	999,100	-	999,100	-												999,100
Membership Dues	27,500	27,500	-	27,500	1,164	22,116	2,765	1,019	437		-					
Services & Software	-	-	-	-												
Workshops	30,000	30,000	-	30,000				30,000								
Interest	13,000	13,000	-	13,000							13,000					
Miscellaneous	-	-	-	-												
Total Funding	**11,146,296**	**10,147,196**	**999,100**	**10,147,196**	**438,161**	**8,501,276**	**1,100,554**	**375,781**	**197,686**	**-**	**(466,263)**	**-**	**-**	**-**	**-**	**999,100**
Expenses																
Personnel Expenses																
Salaries	6,396,166	5,854,972	541,194	5,854,972	216,978	3,851,860	590,517	172,069	111,755	-	189,550	307,061	215,760	-	199,422	541,194
Payroll Taxes	568,243	521,980	46,263	521,980	19,875	343,046	50,270	15,130	9,897	-	17,635	28,454	19,477	-	18,196	46,263
Benefits	875,819	806,045	69,773	806,045	24,318	546,872	71,718	25,200	12,186	-	24,282	44,487	31,566	-	25,416	69,773
Retirement Costs	878,444	799,971	78,473	799,971	31,462	558,520	85,625	24,950	16,204	-	17,485	24,524	21,285	-	19,916	78,473
Total Personnel Expenses	8,718,672	7,982,969	735,703	7,982,969	292,632	5,300,298	798,131	237,349	150,042	-	248,952	404,526	288,088	-	262,950	735,703
Meeting Expenses																
Meetings	37,200	37,200	-	37,200	-	-		30,000	-	-	6,000		1,200			-
Travel	372,341	359,748	12,593	359,748	11,201	255,291	8,950	310	1,306	-	46,305	7,425	25,904	1,404	1,652	12,593
Conference Calls	18,000	18,000	-	18,000	-	-	-	-	-	-	-	-	18,000	-	-	-
Total Meeting Expenses	427,541	414,948	12,593	414,948	11,201	255,291	8,950	30,310	1,306	-	52,305	7,425	45,104	1,404	1,652	12,593
Operating Expenses																
Consultants & Contracts	281,222	272,570	8,652	272,570	10,296	155,000	-	-	-	-	2,500	1,854	70,920	24,000	8,000	8,652
Office Rent	499,000	499,000	-	499,000	-	-	-	-	-	-	499,000		-	-	-	-
Office Costs	358,645	344,329	14,316	344,329	464	14,898	-	-	-	-	30,030	2,312	256,292	268	40,065	14,316
Professional Services	870,479	853,300	17,179	853,300	-	288,000	-	-	-	-	256,000	18,000	108,000	23,100	160,200	17,179
Miscellaneous	-	-	-	-			-	-	-	-	-	-		-	-	-
Depreciation	753,948	753,948	-	753,948	-	281,280	-	-	-	-	164,184	-	308,484	-	-	-
Total Operating Expenses	2,763,294	2,723,147	40,147	2,723,147	10,760	739,178	-	-	-	-	951,714	22,166	743,696	47,368	208,265	40,147
Total Direct Expenses	**11,909,507**	**11,121,064**	**788,443**	**11,121,064**	**314,593**	**6,294,767**	**807,081**	**267,659**	**151,348**	**-**	**1,252,971**	**434,117**	**1,076,888**	**48,772**	**472,867**	**788,443**
Indirect Expenses	-	(210,657)	210,657	(210,657)	130,157	2,472,982	309,123	113,887	48,809	-	(1,252,971)	(434,117)	(1,076,888)	(48,772)	(472,867)	210,657
Other Non-Operating Expenses	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	**11,909,507**	**10,910,407**	**999,100**	**10,910,407**	**444,750**	**8,767,749**	**1,116,203**	**381,547**	**200,157**	**-**	**-**	**-**	**-**	**-**	**-**	**999,100**
Change in Assets	**(763,211)**	**(763,211)**	**-**	**(763,211)**	**(6,589)**	**(266,473)**	**(15,649)**	**(5,765)**	**(2,471)**	**-**	**(466,263)**	**-**	**-**	**-**	**-**	-
Fixed Assets																
Depreciation	(753,948)	(753,948)	-	(753,948)	-	(281,280)	-	-	-	-	(164,184)	-	(308,484)	-	-	-
Computer & Software CapEx	382,000	382,000	-	382,000	-	140,000					-		242,000			
Furniture & Fixtures CapEx	-	-	-	-												
Equipment CapEx	75,000	75,000	-	75,000							75,000					
Leasehold Improvements	-	-	-	-												
(Inc)Dec in Fixed Assets	**296,948**	**296,948**	**-**	**296,948**	**-**	**141,280**	**-**	**-**	**-**	**-**	**89,184**	**-**	**66,484**	**-**	**-**	**-**
Allocation of Fixed Assets	-	-	-	-	6,589	125,193	15,649	5,765	2,471	-	(89,184)	-	(66,484)	-	-	-
Change in Fixed Assets	**296,948**	**296,948**	**-**	**296,948**	**6,589**	**266,473**	**15,649**	**5,765**	**2,471**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**(466,263)**	**(466,263)**	**-**	**(466,263)**	**0**	**0**	**0**	**0**	**0**	**-**	**(466,263)**	**-**	**-**	**-**	**-**	**-**
FTEs	**63.00**	**58.00**	**5.00**	**58.00**	**2.00**	**38.00**	**4.75**	**1.75**	**0.75**	**0.50**	**1.75**	**3.00**	**2.50**	**1.00**	**2.00**	**5.00**

Statement of Financial Position

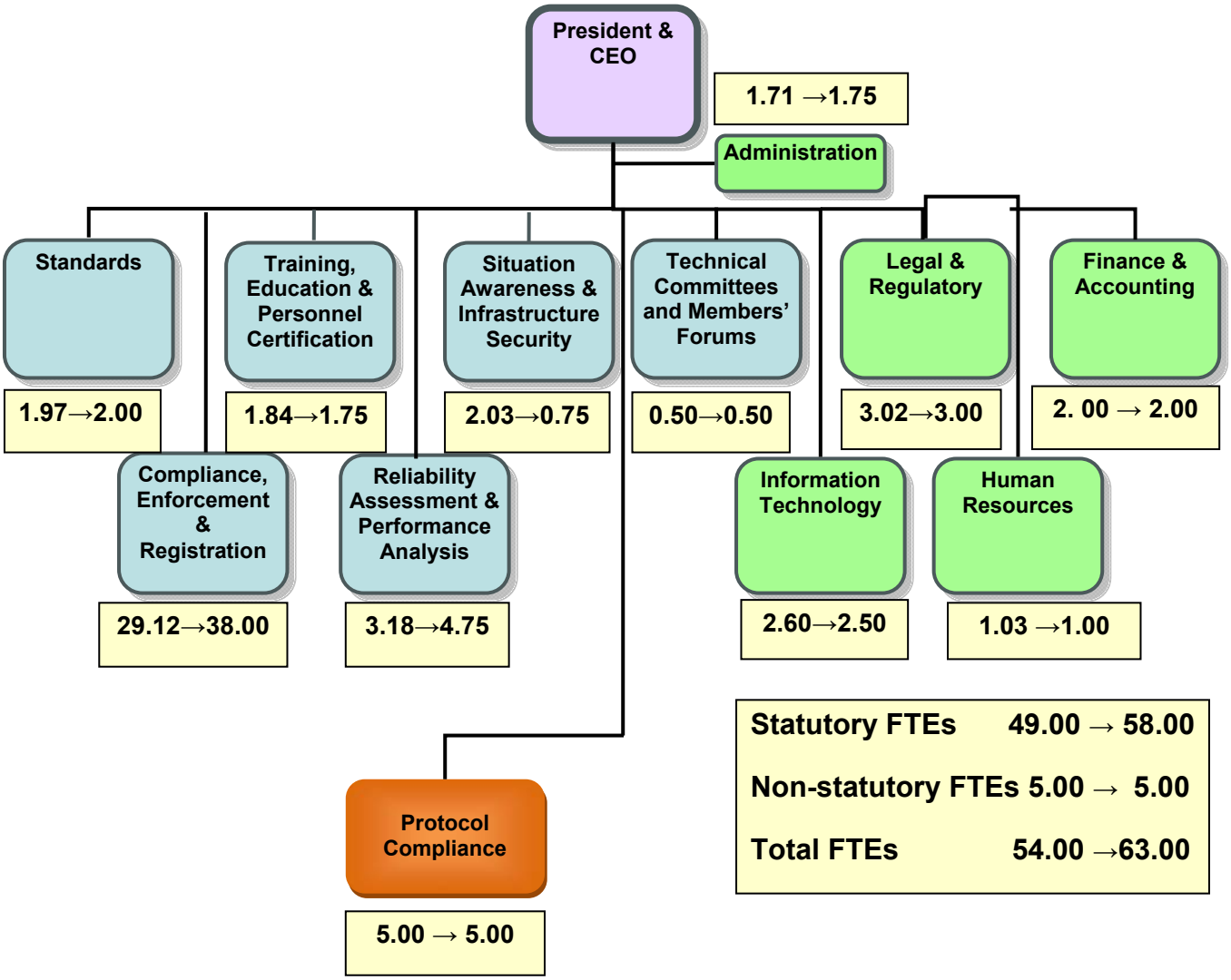
- As of December 31, 2010, per audit
- As of December 31, 2011, projected
- As of December 31, 2012, as budgeted

Statement of Financial Position
2010 Audited, 2011 Projection, and 2012 Budget

STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-10	Projected 31-Dec-11	Proposed 31-Dec-12
ASSETS			
Cash	3,673,153	3,281,890	2,769,466
Accounts receivable, net of allowance for uncollectible	82,069	82,069	82,069
Other receivables	-	-	-
Prepaid expenses and other current assets	-	-	-
Security deposit	215,344	215,344	215,344
Cash value of insurance policies	-	-	-
Property and equipment	2,297,929	2,028,894	1,656,946
Total Assets	**6,268,495**	**5,608,197**	**4,723,825**
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	783,358	413,841	413,841
Deferred income	578,370	578,370	578,370
Regional assessments collected in advance	609,414	73,814	73,814
Regulatory Liability	-	-	-
Accrued retirement liabilities	-	-	-
Total Liabilities	**1,971,142**	**1,066,025**	**1,066,025**
Net Assets - unrestricted	4,297,353	4,542,172	3,657,800
Total Liabilities and Net Assets	**6,268,495**	**5,608,197**	**4,723,825**

2012 Texas RE Combined Statutory and Non-statutory Organization Chart



DOCKET NO. RR11-__-000

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 10

WESTERN ELECTRICITY COORDINATING COUNCIL

PROPOSED 2012 BUSINESS PLAN AND BUDGET

2012 Business Plan and Budget

Western Electricity Coordinating Council

Approved by:
WECC Board of Directors

Date:
June 22, 2011

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Introduction

TOTAL RESOURCES (in whole dollars)	2012 Budget	U.S.	Canada	Mexico
Statutory FTEs*	213.2			
Non-statutory FTEs	5.0			
Total FTEs	218.2			
Statutory Expenses	$ 64,570,539			
Non-Statutory Expenses	$ 1,534,140			
Total Expenses	$ 66,104,679			
Statutory Inc(Dec) in Fixed Assets	$ 3,398,628			
Non-Statutory Inc(Dec) in Fixed Assets	$ 6,000			
Total Inc(Dec) in Fixed Assets	$ 3,404,628			
Statutory Working Capital Requirement**	$ 9,750,967			
Non-Statutory Working Capital Requirement***	$ 6,903,134			
Total Working Capital Requirement	$ 16,654,101			
Total Statutory Funding Requirement	$ 67,969,167			
Total Non-Statutory Funding Requirement	$ 1,819,123			
Total Funding Requirement	$ 69,788,290			
Statutory Funding Assessments	$ 36,977,492	$ 31,301,737	$ 5,177,511	$ 498,243
Non-Statutory Fees	$ 1,819,123	$ 1,819,123		
NEL****	839,909,667	712,246,425	117,088,288	10,574,954
NEL%	100.0%	84.8%	13.9%	1.3%

*An FTE is defined as a full-time equivalent employee.
**Refer to Table B-1 on page 62 in Section B.
***Refer to the Reserve Analysis on page 80 in Section C.
****NEL is defined as Net Energy for Load.

Organizational Overview

The Western Electricity Coordinating Council (WECC) is a Utah Nonprofit Corporation whose mission is to assure a reliable Bulk Electric System (BES) in the Western Interconnection. WECC's website is http://www.wecc.biz. WECC's geographic area is the Western Interconnection – an area in which the use and generation of electricity is synchronized. This area includes all or part of 14 U.S. states, two Canadian provinces, and a portion of Baja California Norte, Mexico.

Membership and Governance

WECC has 337 members[1] divided into the following seven membership classes:[2]

1. Large Transmission Owners
2. Small Transmission Owners

[1] As of June 29, 2011

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

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

WECC membership is open to any person or entity that has an interest in the reliable operation of the Western Interconnection BES. WECC membership is not a requirement for participation in the WECC standards development process.[3]

WECC is governed by an independent and balanced stakeholder board[4] consisting of 32 directors. Members in classes 1 through 5 are eligible to elect four directors in their class. In addition, the Canadian delegation elects four directors and the Mexican delegation elects one. Seven directors with no member affiliation (Non-affiliated Directors) are elected by the WECC membership. Members of Class 7 do not elect representatives to the WECC Board of Directors (Board), but do vote on the election of Non-affiliated Directors.

Eight Board committees recommend policy on various reliability issues or handle governance, finance, and human resource matters. These committees are described in the Technical Committees and Member Forums section on page 41.

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

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

Statutory Functional Scope

WECC has been approved by the Federal Energy Regulatory Commission (FERC) as a Regional Entity, with authority — pursuant to the WECC / North American Electric Reliability Corporation (NERC) Delegation Agreement — to create, monitor, and enforce standards for the reliability of the BES in the Western Interconnection. FERC has approved WECC's performance of the Reliability Coordinator (RC) and Interchange Authority (IA) functions as statutory activities. [5] These functions are included in WECC's statutory activities as listed in Section 1 of Exhibit E to the Delegation Agreement between NERC and WECC.

[3] Non-WECC members may participate in standards drafting teams, and Participating Stakeholders may vote on Regional Reliability Standards. A Participating Stakeholder is defined in Section 3.21of the WECC Bylaws and the Participating Stakeholder Application Process is described in Section 8.6.2. The Reliability Standards Voting Procedure is outlined in Section 8.6.1.2 of the WECC Bylaws.

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

[5] North American Electric Reliability Corporation 119 FERC ¶ 61,059 (2007) order on reh'g at P 2 and North American Electric Reliability Corporation, Docket No. RR10-9-000, Letter Order issued July 23, 2010.

2012 Key Assumptions

NERC and the eight Regional Entities, including WECC, collaborated in the development of a common set of business planning assumptions, goals, and metrics; the *2012-2015 Shared Business Planning and Budget Assumptions* (2012-2015 Assumptions). The purpose of this effort is to promote consistency, efficiency, and accountability in the 2012 business plans and budgets of NERC and the Regional Entities by coordinating underlying business plan assumptions, goals, and metrics. The 2012-2015 Assumptions developed at the NERC and Regional Entity levels are attached as an appendix to the 2012 NERC Business Plan and Budget.[6] At NERC's request, region-specific assumptions are described in each region's business plan.

2012 WECC Goals and Key Deliverables

In 2012 WECC will focus on the following:

- Assure a reliable BES in the Western Interconnection.
  - Assure system reliability for renewable resource integration in the Western Interconnection.
  - Advance the quality and scope of training activities to assure that operators and Registered Entities have the information and tools they need.
- Transition operational authority from the WECC Board to WECC management.
  - Allow more Board focus on strategic issues.
  - Create a more effective organization.
  - Optimize the use of assessments.
- Establish a leadership role throughout the region by coordinating and supporting regional organizations that affect WECC's mission.
  - Address the vulnerabilities that could impact reliability.
  - Optimize stakeholder involvement and value.
- Produce and distribute credible data, information, and analysis.
  - Facilitate sound decision making to improve reliability.
  - Meet the performance milestones of the three U.S. Department of Energy (DOE) grants.
  - Enhance situation awareness in the Western Interconnection through the implementation of the Western Interconnection Synchrophasor Program (WISP).
  - Improve and enhance long-term and seasonal reliability assessments.
- Execute WECC's authority under the NERC Delegation Agreement successfully.
  - Ensure that the Western Interconnection is represented in reliability matters.
  - Ensure that the standards are consistently monitored and enforced.

[6] See 2012-2015 Shared Business Planning and Budget Assumptions (NERC and the Regional Entities).

2012 Overview of Cost Impacts

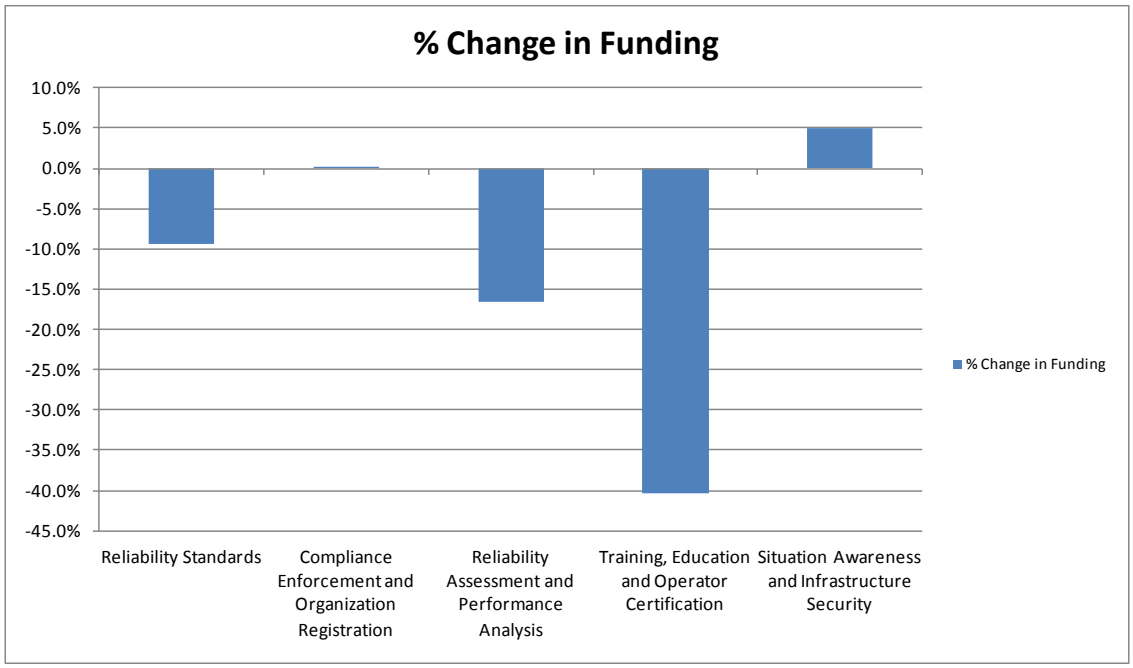
WECC's proposed 2012 statutory budget is $68 million, a $236,000 (0.3 percent) decrease from the 2011 statutory budget. Expenses associated with activities related to the DOE grants are decreasing $635,000. Non-grant expenditures are increasing by $399,000. Significant changes to the 2012 statutory budget from the 2011 statutory budget are as follows:

- Personnel Expenses increase due to the addition of 5.3 full-time equivalents (FTE).
  - WISP, which is included in the Situation Awareness and Infrastructure Security Program section, is adding 4.25 FTEs to support the WISP infrastructure and applications to be deployed in the WECC RC function.
  - The RC function is adding 4.75 FTEs to ensure compliance with Critical Infrastructure Protection (CIP) requirements and other reliability standards.
  - Information Technology is adding 1.1 FTE to provide more comprehensive support to WECC employees and ensure efficient application of technology.
  - Other functions are reducing FTEs by a net of 4.8 FTE.
- Travel Expenses increase by approximately $245,000, primarily due to an increase in the number of on-site audits being conducted by the Compliance function.
- Meeting Expenses decrease by $155,000 due to increased use of WECC's meeting facilities in Salt Lake City.
- Consultants and Contracts increase by $277,000 due to work associated with the three DOE grants. These costs are fully funded by the DOE grants.
- Office Costs increase by $1.0 million. The transition of the Compliance Portal from the current Guidance-supported Web portal to webCDMS hosted by Open Access Technology International, Inc. (OATI) results in an increase of $326,000. An increase of $280,000 in Office Costs is the result of greater bandwidth needs and volume licensing renewals for desktop and laptop computers. Additional increases in Office Costs are the result of small equipment purchases associated with the DOE grants. Additional increases in Office Costs are described in more detail on page 71.
- Fixed Assets are decreasing by $2.4 million primarily due to the wind down of the WISP grant. WECC anticipates it will make the majority of the equipment purchases related to WISP prior to 2012.

A summary of funding requirements for WECC's primary statutory functional areas is shown in the following table and graph:

Program	Budget 2011	Projection 2011	Budget 2012 *	Variance 2012 Budget v 2011 Budget	Variance %
Reliability Standards	1,111,558	760,648	1,007,680	(103,878)	-9.3%
Compliance Enforcement and Organization Registration	13,942,033	13,132,800	13,957,975	15,942	0.1%
Reliability Assessment and Performance Analysis	8,990,273	7,474,298	7,501,052	(1,489,221)	-16.6%
Training, Education and Operator Certification	1,020,974	148,763	609,178	(411,796)	-40.3%
Situation Awareness and Infrastructure Security	42,664,211	34,725,211	44,806,590	2,142,379	5.0%

* The total budget of the functional areas equals the total statutory funding requirements, less $86,691. This amount represents US DOE grant-related expenditures within WECC's Technical Committees and Member Forums budget. These expenditures are reimbursed using US DOE grant funds and are therefore not allocated to functional program areas.



The percentage change in funding is described in detail in Section A of the Business Plan and Budget.

Personnel Analysis

FTEs are defined as full-time equivalents only. Fractional FTEs reflect part-time employees or partial allocation of an FTE's costs to more than one functional area. WECC is adding a net of 11 headcount to its staff in 2012; however, due to anticipated mid-year hire dates, the FTE count is 5.3.

Total FTEs by Program Area	Budget 2011	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs* 2012 Budget	Total FTEs 2012 Budget	Change from 2011 Budget
	STATUTORY					
Operational Programs						
Reliability Standards	4.5	4.5	4.0	0.0	4.0	(0.5)
Compliance and Organization Registration and Certification	58.5	58.5	58.5	0.0	58.5	-
Training and Education	3.5	3.5	1.5	0.0	1.5	(2.0)
Reliability Assessment and Performance Analysis	21.7	21.7	21.2	0.0	21.2	(0.6)
Situation Awareness and Infrastructure Security	70.8	70.8	79.8	0.0	79.8	9.0
Total FTEs Operational Programs	**159.0**	**159.0**	**164.9**	**0.0**	**164.9**	**5.9**
Administrative Programs						
Technical Committees and Member Forums	7.5	7.5	8.0	0.0	8.0	0.5
General & Administrative	16.7	16.7	16.9	0.0	16.9	0.2
Information Technology	5.7	5.7	6.8	0.0	6.8	1.1
Legal and Regulatory	11.0	11.0	9.6	0.0	9.6	(1.4)
Human Resources	4.0	4.0	3.0	0.0	3.0	(1.0)
Finance and Accounting	4.0	4.0	4.0	0.0	4.0	-
Total FTEs Administrative Programs	**48.9**	**48.9**	**48.3**	**0.0**	**48.3**	**(0.6)**
Total FTEs	**207.9**	**207.9**	**213.2**	**0.0**	**213.2**	**5.3**

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

2011 Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget

STATUTORY

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	$ 37,915,529	$ 37,915,529	$ -	36,977,492	$ (938,037)
Penalty Sanctions	$ 865,650	$ 835,650	$ (30,000)	2,256,023	1,390,373
Total WECC Funding	**$ 38,781,179**	**$ 38,751,179**	**$ (30,000)**	**$ 39,233,515**	**$ 452,336**
Membership Dues	-	-	-	-	-
Federal Grants	28,066,621	19,258,259	(8,808,362)	27,431,301	(635,320)
Services & Software	-	-	-	-	-
Workshops	1,003,650	873,268	(130,382)	1,003,475	(175)
Interest	350,000	47,389	(302,611)	291,171	(58,829)
Miscellaneous	4,000	1,826	(2,174)	9,706	5,706
Total Funding	**$ 68,205,450**	**$ 58,931,921**	**$ (9,273,529)**	**$ 67,969,167**	**$ (236,283)**
Expenses					
Personnel Expenses					
Salaries	$ 21,554,916	$ 19,969,975	$ (1,584,941)	$ 22,440,790	$ 885,874
Payroll Taxes	$ 1,882,449	1,527,696	(354,753)	1,832,322	(50,128)
Benefits	$ 3,049,550	2,356,853	(692,697)	3,220,425	170,875
Retirement Costs	$ 1,481,665	1,300,954	(180,711)	1,525,323	43,658
Total Personnel Expenses	**$ 27,968,580**	**$ 25,155,478**	**$ (2,813,102)**	**$ 29,018,860**	**$ 1,050,280**
Meeting Expenses					
Meetings	$ 1,273,370	$ 806,244	$ (467,126)	$ 1,118,205	$ (155,166)
Travel	1,840,885	1,619,183	(221,702)	2,085,420	244,535
Conference Calls	148,070	113,902	(34,168)	201,560	53,490
Total Meeting Expenses	**$ 3,262,325**	**$ 2,539,329**	**$ (722,996)**	**$ 3,405,185**	**$ 142,860**
Operating Expenses					
Consultants & Contracts	$ 19,521,605	$ 13,918,760	$ (5,602,845)	$ 19,798,972	$ 277,367
Office Rent	2,153,000	1,635,452	(517,548)	2,093,159	(59,841)
Office Costs	5,032,593	4,357,069	(675,524)	6,035,686	1,003,093
Professional Services	1,202,400	801,171	(401,229)	931,961	(270,439)
Miscellaneous	-	-	-	-	-
Depreciation	2,442,250	2,442,250	-	3,672,600	1,230,350
Total Operating Expenses	**$ 30,351,848**	**$ 23,154,702**	**$ (7,197,146)**	**$ 32,532,378**	**$ 2,180,530**
Total Direct Expenses	**$ 61,582,753**	**$ 50,849,509**	**$ (10,733,244)**	**$ 64,956,422**	**$ 3,373,669**
Indirect Expenses	**$ (413,843)**	**$ (364,934)**	**$ 48,909**	**$ (385,883)**	**$ 27,960**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 61,168,910**	**$ 50,484,575**	**$ (10,684,335)**	**$ 64,570,539**	**$ 3,401,629**
Change in Assets	**$ 7,036,540**	**$ 8,447,346**	**$ 1,410,806**	**$ 3,398,628**	**$ (3,637,912)**
Fixed Assets					
Depreciation	(2,442,250)	(2,442,250)	-	(3,672,600)	(1,230,350)
Computer & Software CapEx	8,906,433	7,337,371	(1,569,062)	5,449,228	(3,457,205)
Furniture & Fixtures CapEx	-	455,664	455,664	-	-
Equipment CapEx	-	-	-	1,622,000	1,622,000
Leasehold Improvements	572,357	933,419	361,062	-	(572,357)
(Incr)Dec in Fixed Assets	**$ (7,036,540)**	**$ (6,284,204)**	**$ 752,336**	**$ (3,398,628)**	**$ 3,637,912**
Allocation of Fixed Assets	$ (0)	$ (1)	$ (1)		$ -
Change in Fixed Assets	**(7,036,540)**	**(6,284,205)**	**752,335**	**(3,398,628)**	**3,637,912**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 2,163,141**	**$ 2,163,141**	**$ -**	**$ -**

Section A – Statutory Programs
2012 Business Plan and Budget

Section A — 2012 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	4.5	4.0	(0.5)
Direct Expenses	$ 761,062	$ 716,174	$ (44,888)
Indirect Expenses	$ 372,459	$ 308,706	$ (63,752)
Inc(Dec) in Fixed Assets	$ (21,962)	$ (17,200)	$ 4,763
Total Funding Requirement	$ 1,111,558	$ 1,007,680	$ (103,878)

Program Scope and Functional Description

WECC's standards development activities are divided into two categories: Participation in the NERC standards development process, and the development of Western Interconnection Regional Reliability Standards (RRS) and Regional Criteria.

WECC's process is open to all interested parties, providing for their input during the drafting, comment, and approval processes. Each standard is recommended by vote of the appropriate WECC Standing Committee and Interested Stakeholders. Standards are balloted three times per year (as needed) at WECC Standing Committee meetings and, in extraordinary circumstances, can be voted upon by email. Once approved by the WECC Board, the standards are sent to the NERC Board of Trustees for approval. NERC then files these reliability standards with FERC for approval.

The WECC standards development process is also used for the development of WECC Regional Criteria. Regional Criteria are requirements that are approved by the WECC Board. They do not require NERC or FERC approval. WECC will follow the same process for developing documents to meet the requirements of NERC Fill-in-the-Blank Standards as needed.

2012 Key Assumptions

- Integration of renewable resources may require new or modified NERC reliability standards.
- WECC will continue to rely on stakeholder volunteers for the staffing of NERC standard drafting teams.
- WECC standards staff will take an active role in the coordination and communication of NERC standards drafting teams' activities to the Western stakeholders.
- WECC expects that a significant proportion of the work required to develop regional standards and criteria will continue to be performed by voluntary stakeholder participation.

- WECC's revised Standards Development and Voting process will be implemented when approved.
- Depending on the final treatment of the NERC Fill-in-the-Blank Standards, it may be necessary to develop one or more RRSs addressing any regional obligations in this area.

2012 Goals and Key Deliverables

- Ensure the Western perspective is represented in NERC continent-wide reliability standards.
- Ensure that the WECC Standards Department meets the needs of the Western stakeholders in the area of RRSs and Criteria.
- Ensure that WECC members and stakeholders are informed and engaged in the NERC Standards Development Efforts.
- Provide leadership and guidance to the Western Interconnection efforts to advance the NERC Results-Based Standards initiative.
- Undertake regular outreach to keep stakeholders informed about standards development and the NERC Results-Based Standards initiative.
- Ensure that WECC's procedures are developed to comply with the requirements of the NERC Fill-in-the-Blank standards.
- Triage NERC standard development projects and provide timely analyses to WECC members.
- Continue updates and enhancements to the WECC Standards Outreach Web page.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than Electric Reliability Organization (ERO) Assessments)

- Assessments are offset by the allocation of $55,000 in penalty sanctions received by WECC prior to June 30, 2011.
- Interest revenue is allocated based on FTEs. This revenue was previously budgeted in General and Administration.

Personnel Expenses

- Personnel Expenses decrease by $47,000 due to a decrease of 0.5 FTE that has resulted from a realignment of positions within WECC.

Meeting Expenses

- Total Meeting Expenses increase by $5,000 primarily due to an increase in travel costs associated with attending meetings related to Standards development.

Operating Expenses

- Operating Expenses decrease by $3,000 primarily due to a greater use of in-house counsel and reduced reliance on external counsel.

Indirect Expenses

- Indirect expenses are allocated based on FTEs. The Reliability Standards allocation decrease is due to the reduction of 0.5 FTE and a decrease in total indirect costs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2012 Business Plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Standards

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	$ 1,087,059	$ 1,087,059	$ -	$ 945,657	$ (141,402)
Penalty Sanctions	$ 24,500	$ 23,650	$ (849)	54,725	30,225
Total WECC Funding	**$ 1,111,558**	**$ 1,110,709**	**$ (849)**	**$ 1,000,382**	**$ (111,176)**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	7,063	7,063
Miscellaneous	-	-	-	235	235
Total Funding	**$ 1,111,558**	**$ 1,110,709**	**$ (849)**	**$ 1,007,680**	**$ (103,878)**
Expenses					
Personnel Expenses					
Salaries	$ 524,091	$ 366,435	$ (157,656)	$ 478,530	$ (45,561)
Payroll Taxes	47,168	19,817	(27,351)	40,691	(6,477)
Benefits	58,826	46,508	(12,318)	59,466	640
Retirement Costs	36,687	32,588	(4,099)	41,327	4,640
Total Personnel Expenses	**$ 666,772**	**$ 465,348**	**$ (201,424)**	**$ 620,014**	**$ (46,758)**
Meeting Expenses					
Meetings	$ 14,250	$ 15,547	$ 1,297	$ 14,700	$ 450
Travel	53,250	53,250	-	59,000	5,750
Conference Calls	15,900	12,010	(3,890)	14,440	(1,460)
Total Meeting Expenses	**$ 83,400**	**$ 80,807**	**$ (2,593)**	**$ 88,140**	**$ 4,740**
Operating Expenses					
Consultants & Contracts	$ 2,400	$ 720	$ (1,680)	$ -	$ (2,400)
Office Rent	-	-	-	-	-
Office Costs	6,490	6,589	99	8,020	1,530
Professional Services	2,000	-	(2,000)	-	(2,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 10,890**	**$ 7,309**	**$ (3,581)**	**$ 8,020**	**$ (2,870)**
Total Direct Expenses	**$ 761,062**	**$ 553,464**	**$ (207,598)**	**$ 716,174**	**$ (44,888)**
Indirect Expenses	**$ 372,459**	**$ 218,794**	**$ (153,665)**	**$ 308,706**	**$ (63,752)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 1,133,521**	**$ 772,258**	**$ (361,263)**	**$ 1,024,880**	**$ (108,641)**
Change in Assets	**$ (21,962)**	**$ 338,451**	**$ 360,414**	**$ (17,200)**	**$ 4,763**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	0
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Allocation of Fixed Assets	$ 21,962	$ 11,610	(10,352)	17,200	$ (4,763)
Change in Fixed Assets	**21,962**	**11,610**	**(10,352)**	**17,200**	**(4,763)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 350,061**	**$ 350,061**	**$ -**	**$ (0)**

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	58.5	58.5	-
Direct Expenses	$ 9,286,867	$ 9,779,841	$ 492,974
Indirect Expenses	$ 4,841,962	$ 4,514,827	$ (327,134)
Inc(Dec) in Fixed Assets	$ (186,795)	$ (336,693)	$ (149,897)
Total Funding Requirement	$ 13,942,033	$ 13,957,975	$ 15,942

Program Scope and Functional Description

Compliance monitoring and enforcement is essential to WECC's mission as a Regional Entity, and to its fulfillment of the requirements of the WECC/NERC Delegation Agreement. This agreement delegates compliance monitoring and enforcement authority in the United States portion of the Western Interconnection to WECC.

WECC's Compliance Monitoring and Enforcement Program (CMEP) is implemented by WECC Compliance staff who are independent of all users, owners, and operators of the BES. All approved and effective mandatory reliability standards are monitored and enforced under the CMEP, including standards made mandatory pursuant to FERC Order 693,[7] and the CIP standards under FERC Order 706.[8] Under the CMEP, WECC undertakes the following activities:

1) **Recommends** the registration of entities for applicable functions to NERC. WECC facilitates the registration process, ensures that there are no gaps in the registration of entities in the Western Interconnection, and helps resolve registration disputes.

2) **Monitors** Registered Entities' compliance with the reliability standards using the following methods:

   Compliance Audits – Conducts either on-site or off-site audits of all Registered Entities.

   Self-Certification – Reviews Registered Entities' annual certifications of compliance or non-compliance with standards.

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

[8] Mandatory Reliability Standards for Critical Infrastructure Protection, Order No. 706, 73 FR 7368 (Feb. 7, 2008), 122 FERC ¶ 61,040 (2008).

Spot-Checks – Verifies compliance with specific standards in connection with reviews of self-certification, or in scheduled CIP spot checks.

Compliance Violation Investigations – Investigates violations; usually as the result of a system event or disturbance, but possibly from other sources.

Self-Reports – Reviews and follows up on reports from Registered Entities' continuous monitoring efforts by their internal compliance programs.

Periodic Data Submittals – Reviews monthly and quarterly reports that are submitted in compliance with certain standards.

Exception Reporting – Requires reports on a small set of standards when violations occur.

Complaints – Investigates whether a violation has occurred when the WECC Compliance staff is alerted to a potential violation.

3) **Conducts** enforcement activities that include:

Mitigation Plans – Reviews, monitors, and verifies mitigation plans filed by Registered Entities to correct violations.

Penalty Calculations – Determines, as appropriate, proposed penalties for alleged violations.

Settlement Negotiations – Conducts settlement negotiations with Registered Entities when requested.

The Compliance function also undertakes the following processes in support of its activities:

Hearings and Appeals – Participates in any hearings and appeals as needed.

Outreach and Education – Manages an active educational program, holding numerous in-person meetings and monthly calls in an effort to educate Registered Entities on compliance issues and to improve their compliance programs.

The Hearings budget is included in the Compliance budget and is reflected in the table on page 23. For structural and governance purposes, the Hearings function is discussed separately in this section.

Compliance in Alberta, British Columbia, and Mexico

Alberta and British Columbia, Canada; and Baja California Norte, Mexico are all part of the WECC footprint, and have adopted or are adopting mandatory reliability standards based on FERC-approved standards. WECC has entered into agreements with the Alberta Market Surveillance Administrator (MSA), the British Columbia Utilities Commission (BCUC), and Mexico's Comisión Federal de Electricidad (CFE) under which WECC performs compliance monitoring activities in order to help assure reliability across international borders within the Western Interconnection. These monitoring

activities began during 2010, have increased considerably during 2011, and will continue during 2012.

Reliability Management System (RMS)

In 1996, the Western Systems Coordinating Council (WSCC)[9] created the RMS, a contract-based compliance enforcement mechanism. The RMS grew to encompass 14 criteria. In the U.S., all RMS were adopted either as RRS or NERC standards and will be addressed through either NERC Standards or WECC Regional Reliability Standards.

The RMS in the U.S. was terminated during 2011. In 2009, Alberta and British Columbia adopted an initial set of mandatory standards. British Columbia terminated the RMS during 2010. Alberta standards corresponding to the RMS criteria should be adopted by 2012, at which point the RMS can be terminated in Alberta. The CFE (Baja, Mexico) also is in the process of adopting mandatory standards, with highest priority given to standards corresponding to RMS criteria. Thus, although the RMS may not have been completely terminated by the beginning of 2012, WECC anticipates that its impact on resources will be negligible.

2012 Key Assumptions

- Beginning in 2011, WECC will transition its portal support requirements to a new vendor, OATI Inc. Under the proposed agreement, OATI will host the "webCDMS" service to replace the current Guidance-supported Web portal. This will improve the efficiency of the exchange of information and documentation between WECC Compliance and the Registered Entities. Total costs of operating the portal in subsequent years will yield savings over operating costs of the current system. As a result of this change, overall costs associated with program administration are decreasing by $281,000. This decrease is due to a reduction in staff required to support the current portal net contract costs for the new OATI contract.

  Throughout 2012, WECC will work toward customizing existing WECC Portal forms and developing new forms as needed. WECC will also maintain separate portals for the two Canadian Provinces (Alberta and British Columbia) and one for Baja, Mexico.
- WECC Compliance is incorporating key assumptions relevant to 2012 from the 2012-2015 Assumptions used by NERC and the Regional Entities in formulating NERC's 2012 budget. These Assumptions have significant impact on Auditing, Investigation, and Enforcement activities at WECC and drive budget increases in these areas within the WECC Compliance budget for 2012. Audit, Investigation, and Enforcement activities are increasing by $437,000. Within these functions WECC is adding nine headcount. However, because these positions are expected to be hired mid-year, the FTE increase in 2012 is 4.0.
- The 2012-2015 Assumptions have a more complete explanation but in summary, those having the greatest effect on Compliance and that require additional resources include:
  - Expanded training for WECC staff.

[9] The WSCC was one of the companies and regional transmission associations that merged to form WECC.

- Increased audit and spot-check requirements.
- Increased participation in internal NERC and regional projects aimed at improving consistency including training, processing, and compliance guidance.
- Increased participation in external outreach activities including guidance documents for industry and other industry communications, education on standards, and lessons learned.
- Expanded compliance assessment and enforcement activities relating to Event Analysis.
- Expanded activities relating to monitoring and enforcing CIP and Technical Feasibility Exception (TFE) processing, reporting, and monitoring.

2012 Goals and Key Deliverables

- Improve reliability through monitoring and enforcement of compliance with mandatory standards in accordance with the Delegation Agreement and the CMEP.
- Work with Registered Entities within the WECC Region to promote a strong culture of compliance and reliability improvement.
- Identify where the existing NERC Reliability Standards can be improved or clarified.
- Identify key areas needing improvement and implement educational efforts to improve compliance in those areas, based on Compliance program results and system events.
- Retain, hire, and develop knowledgeable and skilled staff.
- Use technology effectively to collaborate and share information.
- Use resources effectively and efficiently.
- Participate and represent Western Interconnection issues that will impact WECC in NERC and regional initiatives: for example; refining risk-based monitoring, streamlining enforcement processing, and information technology initiatives.
- Perform CMEP tasks that are estimated based on 2010 and 2011 data, and expected impact from the 2012-2015 Assumptions:
  - Conduct approximately 20 on-site audits of Operations and Planning standards.
  - Conduct approximately 20 on-site audits of Cyber Security standards.
  - Conduct approximately 130 off-site audits (for both sets of standards).
  - Process approximately 15,000 self-certification forms.
  - Process approximately 450 self-report forms.
  - Perform approximately 32 spot-checks.
  - Process approximately 500 violations.
  - Review approximately 425 mitigation plans.
  - Conduct approximately five Compliance Investigations.
  - Validate an estimated 600 Part A and Part B TFE requests.
    - continue to assess compensating measures for existing TFEs.

    - track all TFEs.
    - provide quarterly or other updates and analysis to NERC as required.
  - Complete approximately 75 reviews or compliance assessments relating to Event Analysis.

Funding Sources and Requirements — Explanation of Increase (Decrease)

WECC is the largest of the Regional Entities with 462 Registered Entities that include 1,211 registered functions (as of March 31, 2011). The Compliance Department manages the CMEP processes for every Registered Entity and every registered function in the Western Interconnection. Based on actual workload in 2010, the assumptions in the 2011 WECC Business Plan and Budget, experience gained to date, the assumptions in the 2012 WECC Business Plan and Budget, and the addition of Canadian and Mexican monitoring functions; the resource needs for the Audit, Investigations, and Enforcement activities for 2012 are expected to increase over 2011 although not as significantly as 2011 increased over 2010.

Program expenses for Audit, Investigations, and Enforcement activities for 2012 continue to be driven by: (1) additional staffing and the associated costs of hiring and training; (2) increased number of Registered Entities with corresponding increase in audits, spot-checks, investigations, reviews of self-certifications, and enforcement activities such as reviewing mitigation plans and processing violations. The scope of audits is not expected to expand significantly over 2011 requirements in terms of the number of actively monitored standards; however, instituting more risk-based approaches to monitoring and enforcement are not expected to decrease the need for staff during 2012. In addition, the CIP standards continue to consume an increasing number of resources due to technical requirements and changing (increasing) expectations as discussed in the 2012-2015 Assumptions.

WECC continues to seek efficiencies in its processes and use of resources. During 2011, NERC and the regions began to implement a risk-based approach to compliance to create the 2011 Actively Monitored List (AML) of standards in scope for auditing and other monitoring activities. NERC states that it plans to continue refining risk-based monitoring and expects that resources needed for this during 2012 may actually increase. The scope and benefits of this approach are still unknown. Experience in 2011 suggests that, although the AML of standards is smaller, some audits continue to require increased depth of analysis of the standards monitored. Any time saved during the actual audit process is offset by using that time to complete reports and other work on schedule. The Version 4 CIP standards are expected to be significantly different from current versions, requiring more training of staff and more outreach to entities. It is unknown at this time whether the versions will stabilize or whether new versions will be issued in quick succession.

No increase or decrease in staff resources is anticipated for registration activities. Although the new Delegation Agreement gives responsibility to NERC rather than the regions for registration activity, the current direction from NERC is that it expects the regions to continue to assess and make recommendations regarding registration in much the same manner as under the previous agreement. Thus, WECC continues to

devote resources to meet requests from entities to add or remove functions, or to be de-registered.

As a consequence of WECC's agreements with the BCUC, the Alberta MSA, and CFE; WECC Compliance is monitoring approximately 35 additional entities and 90 registered functions. (This number is current as of March 31, 2011 but likely will increase during 2012.) This will entail a corresponding increase in audits, self reports, self certifications, and mitigation plans.

Funding Sources (Other than ERO Assessments)

- Assessments are offset by the allocation of $800,000 in penalty sanctions received by WECC prior to June 30, 2011.
- An increase of $143,000 in workshop revenue is anticipated in 2012 due to the increased demand and attendance at the Compliance User Group (CUG) and CIP User Group (CIPUG) sessions, and an anticipated increase in meeting registration fees.
- Interest revenue is allocated based on FTEs. This revenue was previously budgeted in General and Administration.

Personnel Expenses

- Salaries increase as a result of FTEs being added at higher levels in Audits, Investigations, and Enforcement than the FTEs being reduced in portal support.
- Payroll Taxes decrease due to a more conservative budget assumption related to payroll taxes that more accurately aligns with actual costs experienced in 2010.

Meeting Expenses

- Meetings increase by $135,000 due to the increased demand and attendance at the CUG and CIPUG sessions. These additional costs are offset by an anticipated increase in meeting registration fees.
- Travel increases by $116,000 as a result of additional auditors being added to undertake the increased number of audits.
- Conference Calls increase by $28,000 due to an increase in the number of audits and a need to handle increasing participation in the WECC compliance Open Mic Calls.

Operating Expenses

- Consultants and Contracts decrease by $108,000 due to the hiring of staff to undertake tasks previously performed by contractors.
- Office Costs increase by $314,000 primarily due to the Portal restructuring. These costs are offset by decreased personnel costs and decreased software development costs previously budgeted in Fixed Assets.
- Depreciation is increasing by $7,000 due to additional fixed asset purchases.

Indirect Expenses

- Indirect expenses are allocated based on FTEs. The Compliance allocation is decreasing by $327,000 due to a decrease in total indirect costs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer and Software capital expenditures are decreasing by $191,000 due to decreased software development costs resulting from the restructuring of the Portal.
- Equipment capital expenditures are increasing by $15,000 to refresh servers.

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 2012 Business Plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Compliance and Organization Registration and Certification

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	$ 13,369,539	$ 13,369,539	$ -	$ 12,654,013	$ (715,526)
Penalty Sanctions	$ 318,494	$ 307,456	$ (11,038)	800,348	481,854
Total WECC Funding	**$ 13,688,033**	**$ 13,676,996**	**$ (11,038)**	**$ 13,454,361**	**$ (233,673)**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	254,000	368,128	114,128	396,875	142,875
Interest	-	-	-	103,296	103,296
Miscellaneous	-	-	-	3,443	3,443
Total Funding	**$ 13,942,033**	**$ 14,045,124**	**$ 103,090**	**$ 13,957,975**	**$ 15,942**
Expenses					
Personnel Expenses					
Salaries	$ 5,513,769	$ 4,551,536	$ (962,233)	$ 5,539,807	$ 26,038
Payroll Taxes	493,088	364,789	(128,299)	461,222	(31,866)
Benefits	676,321	506,412	(169,909)	683,041	6,720
Retirement Costs	383,514	280,157	(103,357)	382,813	(701)
Total Personnel Expenses	**$ 7,066,692**	**$ 5,702,894**	**$ (1,363,798)**	**$ 7,066,884**	**$ 192**
Meeting Expenses					
Meetings	$ 298,500	$ 254,513	$ (43,987)	$ 433,797	$ 135,297
Travel	879,135	703,097	(176,038)	995,000	115,865
Conference Calls	32,000	23,755	(8,245)	59,750	27,750
Total Meeting Expenses	**$ 1,209,635**	**$ 981,365**	**$ (228,270)**	**$ 1,488,547**	**$ 278,912**
Operating Expenses					
Consultants & Contracts	$ 682,500	$ 1,849,338	$ 1,166,838	$ 575,000	$ (107,500)
Office Rent	-	186	186	-	-
Office Costs	167,040	280,363	113,323	481,260	314,220
Professional Services	18,000	150	(17,850)	18,000	-
Miscellaneous	-	-	-	-	-
Depreciation	143,000	143,000	-	150,150	7,150
Total Operating Expenses	**$ 1,010,540**	**$ 2,273,037**	**$ 1,262,497**	**$ 1,224,410**	**$ 213,870**
Total Direct Expenses	**$ 9,286,867**	**$ 8,957,296**	**$ (329,571)**	**$ 9,779,841**	**$ 492,974**
Indirect Expenses	**$ 4,841,962**	**$ 4,302,958**	**$ (539,004)**	**$ 4,514,827**	**$ (327,134)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 14,128,829**	**$ 13,260,254**	**$ (868,575)**	**$ 14,294,668**	**$ 165,839**
Change in Assets	**$ (186,795)**	**$ 784,870**	**$ 971,665**	**$ (336,693)**	**$ (149,897)**
Fixed Assets					
Depreciation	(143,000)	(143,000)	-	(150,150)	(7,150)
Computer & Software CapEx	241,714	38,213	(203,501)	50,000	(191,714)
Furniture & Fixtures CapEx	-	205,664	205,664	-	-
Equipment CapEx	-	-	-	15,000	15,000
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ (98,714)**	**$ (100,877)**	**$ (2,163)**	**$ 85,150**	**$ 183,864**
Allocation of Fixed Assets	$ 285,509	$ 228,331	(57,178)	251,543	(33,967)
Change in Fixed Assets	**186,795**	**127,454**	**(59,341)**	**336,693**	**149,897**
TOTAL CHANGE IN NET ASSETS	**$ (0)**	**$ 912,324**	**$ 912,324**	**$ 0**	**$ 0**

Hearings

Background

WECC maintains that the Hearings budget should not be embedded in the Compliance Monitoring and Enforcement budget and that the expenditures on Hearings should be separately stated in the Legal budget.

The WECC 2012 budget for Hearings is reflected in the following table. These expenditures are included in the Compliance Program *Statement of Activities*.

Hearings (in whole dollars)	2011Budget	2012 Budget	Increase (Decrease)
Total FTEs	-	-	-
Direct Expenses	$ 100,000	$ 16,800	$ (83,200)
Indirect Expenses	$ -	$ -	$ -
Inc(Dec) in Fixed Assets	$ -	$ -	$ -
Total Funding Requirement	$ 100,000	$ 16,800	$ (83,200)

Program Scope and Functional Description

The Hearing Officer coordinates and conducts the evidentiary hearings in the majority of disputes and issues initial decisions when designated by the Hearing Panel. The Hearing Panel will be drawn from a pool of individuals on the Compliance Hearing Body (CHB). The CHB is comprised of volunteers from the WECC Board, WECC members, and consultants, who will be placed into two classes: Class A includes Non-affiliated Directors, personnel employed by WECC members not engaged in an *Electric Line of Business,* and independent consultants; Class B includes personnel employed by WECC members engaged an *Electric Line of Business*. The initial decisions, along with exceptions by the parties, will be submitted to a Hearing Panel for consideration and final decision on behalf of the WECC Region. In cases of particular complexity or significant regional interest, a Hearing Panel may conduct or participate in the evidentiary hearing. Legal Department staff will support the Hearing Officers and Hearing Panel. Legal Department staff supporting the Hearing Panel will be screened from compliance matters when a hearing is pending.

2012 Key Assumptions

- WECC will maintain current operations.
- NERC expectations in terms of hearing requirements are clearly defined.
- WECC does not anticipate any Hearings in 2012. In the event a Hearing does occur, WECC will use reserve funds as necessary to support the Hearings process.

2012 Goals and Key Deliverables

- Provide independent, fair, efficient, and cost effective support to the WECC Hearing Panel.
- Meet all timelines identified in the WECC Hearing Procedures.
- Maintain Hearing records.
- Manage the Hearing budget.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Hearings direct expenses decrease by $83,000, to more accurately reflect 2010 workload levels. WECC does not anticipate significant hearings activities in 2012; however, in the event that hearing activities are necessary WECC will use its reserves to cover the associated costs.

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	21.7	21.2	(0.6)
Direct Expenses	$ 6,608,102	$ 5,968,111	$ (639,991)
Indirect Expenses	$ 1,796,078	$ 1,632,284	$ (163,794)
Inc(Dec) in Fixed Assets	$ 586,093	$ (99,342)	$ (685,436)
Total Funding Requirement	$ 8,990,273	$ 7,501,052	$ (1,489,221)

Program Scope and Functional Description

The WECC staff conducts a variety of studies and assessments essential to the reliable planning and operation of the BES in the Western Interconnection. In addition, WECC's staff compiles and distributes planning data and information that is used by WECC members to aid in local planning studies. These integrated planning efforts enhance WECC's overall ability to participate in, and respond to, the major planning and public policy issues emerging both in the Western Interconnection and nationally. These efforts also ensure that WECC, as the Regional Entity, is compliant with NERC Reliability Standards.

The Reliability Assessment and Performance Analysis budget supports the efforts of the Transmission Expansion Planning Function, the Planning Services Function, and the Reliability Assessments Function.

The American Recovery and Reinvestment Act of 2009 (ARRA) directs the DOE to facilitate the development of Interconnection-based transmission plans for the Eastern and Western Interconnections, and the Electric Reliability Council of Texas. As part of this process, the DOE issued a competitive Funding Opportunity Announcement (FOA) on June 15, 2009 (DE-FOA-0000068). WECC responded to the FOA on August 14, 2009 and was informed on December 18, 2009 that WECC had been selected for full-award negotiations for $14.5 million under the FOA. WECC concluded negotiations in May 2010. The funding provided by the ARRA allows WECC to significantly expand its existing transmission planning activities. This expanded effort, known as the Regional Transmission Expansion Planning (RTEP) project, is managed by the Transmission Expansion Planning Policy Committee. In 2012, the ARRA budget for the RTEP program will be $2.9 million.

Transmission Expansion Planning

WECC fulfills the FERC Order 890 requirement for regional transmission planning cooperation in the Western Interconnection. WECC accomplishes this by providing impartial and reliable data, analysis, public process, and analytic tools to stakeholders in the Western Interconnection through the RTEP program.

The primary objective of the RTEP program is to produce Interconnection-wide transmission plans for the Western Interconnection. The RTEP project expands the depth, breadth, and coordination of existing subregional and regional planning processes (collaborative, transparent, and stakeholder-driven) in the development of Interconnection-wide transmission plans.

The Transmission Expansion Planning Policy Committee (TEPPC) is a WECC Board Committee of 20 members representing all classes of stakeholders with representation from all geographic subregions of WECC. TEPPC and its subgroups work closely and coordinate with Western Interconnection state, provincial, and federal government entities. TEPPC provides governance of the RTEP project under a charter approved by the WECC Board.

The Annual TEPPC Study Plan is the guiding document for RTEP activities. This study is based on data taken from stakeholder requests obtained during an annual open season. The study requests (which have increased nearly fivefold in the period from 2009 to 2011) reflect a significant increase in the scope and depth of regional planning (e.g., demand-side impacts/resources, carbon reductions, high renewable penetration levels, 20-year planning horizon, capital costs for generation resources and transmission, and alternative transmission technologies). The 2012 RTEP activities include an increased focus on transmission expansion requirements under a broader set of load and resource scenarios.

Reliability Assessments

The Reliability Assessment group, working under the direction of the Loads and Resources Subcommittee of the PCC, creates and analyzes supply and demand assessments for the Western Interconnection.

It is the mission of the Reliability Assessment group to produce and distribute credible data, information, and analyses. The Reliability Assessment group creates internal and external reliability assessments.

The Power Supply Assessment (PSA) is an internal assessment. External assessments include the NERC seasonal assessments, the post-seasonal assessments, and the Long-term Reliability Assessment. All of these assessments are carried out under the direction of the Loads and Resources Subcommittee.

Planning Services

WECC staff, in concert with the System Review Work Group (SRWG) and with guidance from the Technical Studies Subcommittee (TSS) and the PCC, annually prepares a database of power flow and stability base cases that reflect various system configurations and operating conditions. These base cases serve as the foundation from which WECC members perform analyses on their respective systems.

The SRWG is proposing a one-time expenditure of $400,000 in 2012 to implement the Base Case Coordination System (BCCS) tool. These costs will be used to populate the database and launch the program as well as provide extensive testing and validation of the BCCS output before the tool is used to publish approved base cases. The BCCS is

a Web-accessible database system that WECC members and staff can use to submit and compile power flow and dynamics data, as currently required under NERC Standards MOD-011 and MOD-013 (modeling data and analysis). The project was initiated by the SRWG under the direction of the PCC and the TSS as part of a long-term effort to improve the current base-case process. The BCCS will provide a tool that will allow automation of the current process.

The Modeling and Validation Work Group (MVWG) is proposing a one-time expenditure of $150,000 in 2012 to further model development efforts. These efforts include the contracting of subject matter specialists who can provide expertise needed to develop and validate system models. Models under development by the MVWG include the composite load model, the solar PV model, HVDC line models, and Static VAR Source models.

The WECC technical staff, in concert with the SRWG and with guidance from the TSS, also develops an annual study report that provides an ongoing transmission reliability assessment of the Western Interconnection, both in a near-term state and for configurations planned through the following ten years. Reports of identified performance deficiencies, as defined in NERC Standards and WECC System Performance Criteria, are provided to the appropriate entity for mitigation.

In addition to the resources mentioned above, the Planning Services Group will continue to develop the WECC existing and planned facilities maps and the Path Rating Catalog. It will also oversee the execution of the WECC Project Coordination and Project Rating Review Processes, and the NERC Transmission Availability Database System (TADS) data collection effort.

2012 Key Assumptions

- Study requests will continue to increase in 2012.
- RTEP stakeholders will request that WECC increase the scope of analyses included in transmission planning (e.g., environmental impacts, water usage, and variable generation impacts).
- The expectations of RTEP stakeholders regarding communication frequency and content quality will increase in 2012.
- The BCCS database tool will be implemented.
- New renewable generation models will be developed and available for use in system studies.
- NERC and the Regional Entities will lead the development of a revised definition of adequate level of reliability (ALR) of the bulk electric system. This will be accomplished through the efforts of the NERC Member Representatives Committee, and the Operating and Planning Committees. The revised definition will be delivered to the NERC Board of Trustee's for consideration in February 2012. NERC will continue to incrementally refine data reporting requirements from registered entities, and review adequate level of reliability-related metrics used in reliability assessments.

2012 Goals and Key Deliverables

- Complete the Long-term Planning Tool, enabling WECC to perform 20-year planning studies.
- Complete high and medium priority studies in the 2012 TEPPC Study Program.
- Complete an Interim Regional Transmission Study Report.
- Improve processing and management of the evolving filing obligations from NERC.
- Create the NERC Long-term Reliability Assessment, Summer and Winter Seasonal Assessments, and the Post-Summer and Post-Winter Seasonal Assessments.
- Produce the WECC Power Supply Assessment.
- Continue to integrate the WECC Transmission Reliability Data with NERC TADS data for consistency and to avoid duplication.
- Improve the integrity of base-case data through continued model development.
- Improve efficiency and base-case data quality through implementation and testing of the BCCS.
- Participate in NERC meetings and report development to reflect WECC views.
- Encourage improved data quality through improvement to the WECC Data Collection process.
- Evaluate system reliability through dynamic system studies.
- Identify metrics and collect historical system data needed to evaluate reliability trends and vulnerabilities in the West.
- Develop and distribute credible information used to plan and operate the power system.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Assessments are offset by the allocation of $289,000 in penalty sanctions received by WECC prior to June 30, 2011.
- WECC will receive $2.9 million in DOE grant funding for the RTEP project. The funds directly offset increases in expenditures related to the RTEP project.
- Interest revenue is allocated based on FTEs. This revenue was previously budgeted in General and Administration.

Personnel Expenses

- Salary Expenses increase by $32,000 due to a realignment of salaries in WECC.
- Payroll Taxes decrease due to a more conservative budget assumption related to payroll taxes that more accurately align with actual costs experienced in 2010.
- Benefits increase due to additional training for employees.

Meeting Expenses

- Meetings decrease by $244,000 due to the increased use of the Salt Lake City meeting facilities.
- Travel increases by $103,000 due to increased participation in NERC Committees and member-sponsored meetings.

Operating Expenses

- Consultants and Contracts decrease by a net $597,000. Consultants and Contracts related to the RTEP grant are decreasing by $916,000 due to the winding down of sub-recipient awards with Arizona State University. Consulting and Contracts increase by $319,000 primarily due to the consulting requirements related to the implementation of the BCCS.
- Office Costs increase by $27,000 due to an increase in licensing fees related to new modeling software.
- Professional Services increase by $39,000 due to an increase in Non-affiliated Director fees associated with the RTEP grant.

Indirect Expenses

- Indirect expenses are allocated based on FTEs. The Reliability Assessment and Performance Analysis Program allocation decreases by $164,000 due to a decrease in total indirect costs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer and Software capital expenditures decrease by $700,000 due to the completion of the BCCS system in 2011.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2012 Business Plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Reliability Assessment and Performance Analysis

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	$ 5,040,590	$ 5,040,590	$ -	$ 4,288,165	$ (752,425)
Penalty Sanctions	$ 118,142	$ 114,048	$ (4,094)	289,356	171,214
Total WECC Funding	**$ 5,158,732**	**$ 5,154,638**	**$ (4,094)**	**$ 4,577,521**	**$ (581,211)**
Membership Dues	-	-	-	-	-
Federal Grants	3,831,541	3,936,016	104,475	2,884,940	(946,601)
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	37,345	37,345
Miscellaneous	-	-	-	1,245	1,245
Total Funding	**$ 8,990,273**	**$ 9,090,654**	**$ 100,381**	**$ 7,501,052**	**$ (1,489,221)**
Expenses					
Personnel Expenses					
Salaries	$ 1,937,860	$ 1,616,942	$ (320,918)	$ 1,970,357	$ 32,497
Payroll Taxes	184,976	131,014	(53,962)	167,549	(17,428)
Benefits	276,016	203,589	(72,427)	297,966	21,950
Retirement Costs	139,223	124,137	(15,086)	137,981	(1,242)
Total Personnel Expenses	**$ 2,538,075**	**$ 2,075,682**	**$ (462,393)**	**$ 2,573,852**	**$ 35,777**
Meeting Expenses					
Meetings	$ 415,600	$ 120,220	$ (295,380)	$ 171,483	$ (244,118)
Travel	127,500	93,563	(33,937)	230,600	103,100
Conference Calls	44,750	26,104	(18,646)	41,000	(3,750)
Total Meeting Expenses	**$ 587,850**	**$ 239,887**	**$ (347,963)**	**$ 443,083**	**$ (144,768)**
Operating Expenses					
Consultants & Contracts	$ 3,314,372	$ 2,857,627	$ (456,745)	$ 2,717,516	$ (596,856)
Office Rent	-	-	-	-	-
Office Costs	154,805	136,998	(17,807)	181,510	26,705
Professional Services	5,000	-	(5,000)	43,750	38,750
Miscellaneous	-	-	-	-	-
Depreciation	8,000	8,000	-	8,400	400
Total Operating Expenses	**$ 3,482,177**	**$ 3,002,625**	**$ (479,552)**	**$ 2,951,176**	**$ (531,001)**
Total Direct Expenses	**$ 6,608,102**	**$ 5,318,194**	**$ (1,289,908)**	**$ 5,968,111**	**$ (639,991)**
Indirect Expenses	**$ 1,796,078**	**$ 1,546,148**	**$ (249,930)**	**$ 1,632,284**	**$ (163,794)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 8,404,180**	**$ 6,864,342**	**$ (1,539,838)**	**$ 7,600,395**	**$ (803,786)**
Change in Assets	**$ 586,093**	**$ 2,226,312**	**$ 1,640,219**	**$ (99,342)**	**$ (685,436)**
Fixed Assets					
Depreciation	(8,000)	(8,000)	-	(8,400)	(400)
Computer & Software CapEx	700,000	700,000	-	-	(700,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ (692,000)**	**$ (692,000)**	**$ -**	**$ 8,400**	**$ 700,400**
Allocation of Fixed Assets	$ 105,907	$ 82,044	(23,863)	90,942	$ (14,964)
Change in Fixed Assets	**(586,093)**	**(609,956)**	**(23,863)**	**99,342**	**685,436**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 1,616,356**	**$ 1,616,356**	**$ -**	**$ -**

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	3.5	1.5	(2.0)
Direct Expenses	$ 748,366	$ 521,017	$ (227,349)
Indirect Expenses	$ 289,690	$ 95,611	$ (194,079)
Inc(Dec) in Fixed Assets	$ (17,082)	$ (7,450)	$ 9,632
Total Funding Requirement	$ 1,020,974	$ 609,178	$ (411,796)

Program Scope and Functional Description

The Training Department provides education and training for system operators, schedulers, and dispatchers. The annual training curriculum is developed with the assistance of the Operations Training Subcommittee (OTS) and WECC training staff. In 2012, the Training Department anticipates providing approximately 18-20 training sessions. These training sessions will be held primarily in the Salt Lake City Training Center, with the balance hosted by WECC members, as requested by the WECC members.

The Training Department also provides three System Overview Workshops each year. This two-day workshop is designed for persons who have not been directly involved in day-to-day power system operations and who are interested in better understanding this aspect of the power industry.

The Training Department and the OTS organize and host an annual Train-the-Trainer workshop. This workshop is targeted at training staff from each WECC member and includes presentations from industry training experts. In addition, twice a year WECC's Training Department organizes and hosts the Systematic Approach to Training (SAT) Instructor's Course. This week-long course is designed to assist WECC member training staffs to design, develop, and implement training programs. The SAT also provides individual training activities to assist WECC members' training staff in meeting the requirements in the NERC Reliability Standard PER-005.

2012 Key Assumptions

- Based on a member survey undertaken in 2011 and on 2010 actual training session attendance, WECC anticipates reduced attendance at its 2012 training sessions.
- WECC will reduce the total number of training sessions held during 2012 and will offer the addition of webinar-based training
- There are no significant changes in operator certification continuing education unit requirements for 2012.

2012 Goals and Key Deliverables

- Facilitate sound decision making to improve reliability by providing high-quality operator training through the WECC-sponsored Training Program, including continual review and revision of curriculum as needed, support of the Continuing Education Program for system operators requiring NERC Certification, and expanded use of the simulator and practical Western Interconnection-specific training.
- Coordinate annual regional restoration training with WECC Reliability Coordinators.
- Ensure the Western Interconnection is represented in reliability matters by representing WECC and the Western Interconnection in the NERC Personnel Subcommittee and other industry forums.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Assessments are offset by the allocation of $21,000 in penalty sanctions received by WECC prior to June 30, 2011.
- Workshop revenue decreases by $143,000 due to the reduction in the total number of sessions and a preliminary estimate of operators scheduled to attend training sessions.
- Interest revenue is allocated based on FTEs. This revenue was previously budgeted in General and Administration.

Personnel Expenses

- Personnel Expenses decrease by $278,000 due to a reduction of 2.0 FTEs. As a consequence of the decrease in the number of training sessions and attendance, WECC no longer requires two full-time trainers on staff.

Meeting Expenses

- Meetings decrease by $19,000 due to lower anticipated attendance at the training sessions.
- Travel decreases by $7,000 due to the use of the new Salt Lake City Training Center.

Operating Expenses

- Consultants and Contracts increase by $23,000 due to the increased use of consultants to conduct training sessions. This increase is offset by a decrease in Personnel Expenses.
- Office Rent increases by $46,000 due to a direct allocation of rent associated with the Salt Lake City Training Center. These costs were not previously included in the Training budget because WECC did not have on-site training facilities until

it relocated into the new Salt Lake City offices. Rent is excluded in the allocation of indirect costs to the Training budget.

- Office Costs increase by $7,000 due to the addition of a copy machine in the training center to allow materials to be produced at WECC, rather than at a professional copy business.

Indirect Expenses

- Indirect expenses are allocated based on FTEs. The Training and Education allocation decreases by $194,000 due to a decrease in total indirect costs and the elimination of rent from the total indirect costs allocated to Training and Education.

Other Non-Operating Expenses

- Not applicable

Fixed Asset Additions

- Depreciation increases by $1,000 due to the equipment purchased in 2010 for the Salt Lake City Training Center.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2012 Business Plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Training and Education

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	$ 252,269	$ 252,269	$ -	$ (20,680)	$ (272,949)
Penalty Sanctions	$ 19,055	$ 18,395	$ (660)	20,522	1,467
Total WECC Funding	**$ 271,324**	**$ 270,664**	**$ (660)**	**$ (158)**	**$ (271,483)**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	749,650	505,140	(244,510)	606,600	(143,050)
Interest	-	-	-	2,649	2,649
Miscellaneous	-	-	-	88	88
Total Funding	**$ 1,020,974**	**$ 775,804**	**$ (245,170)**	**$ 609,178**	**$ (411,796)**
Expenses					
Personnel Expenses					
Salaries	$ 317,298	$ 95,877	$ (221,421)	$ 98,906	$ (218,392)
Payroll Taxes	28,557	8,352	(20,205)	8,575	(19,982)
Benefits	45,400	24,252	(21,148)	21,095	(24,305)
Retirement Costs	22,211	8,956	(13,255)	7,062	(15,149)
Total Personnel Expenses	**$ 413,466**	**$ 137,437**	**$ (276,029)**	**$ 135,638**	**$ (277,828)**
Meeting Expenses					
Meetings	$ 163,000	$ 130,327	$ (32,673)	$ 144,432	$ (18,568)
Travel	17,000	12,869	(4,131)	9,800	(7,200)
Conference Calls	2,000	-	(2,000)	500	(1,500)
Total Meeting Expenses	**$ 182,000**	**$ 143,196**	**$ (38,804)**	**$ 154,732**	**$ (27,268)**
Operating Expenses					
Consultants & Contracts	$ 58,000	$ 147,893	$ 89,893	$ 81,000	$ 23,000
Office Rent	-	-	-	46,368	46,368
Office Costs	94,900	82,062	(12,838)	102,280	7,380
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	1,000	1,000
Total Operating Expenses	**$ 152,900**	**$ 229,955**	**$ 77,055**	**$ 230,648**	**$ 77,748**
Total Direct Expenses	**$ 748,366**	**$ 72,931**	**$ (237,778)**	**$ 521,017**	**$ (227,349)**
Indirect Expenses	**$ 289,690**	**$ 79,702**	**$ (209,988)**	**$ 95,611**	**$ (194,079)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 1,038,056**	**$ 152,633**	**$ (447,766)**	**$ 616,628**	**$ (421,428)**
Change in Assets	**$ (17,082)**	**$ 623,171**	**$ 202,596**	**$ (7,450)**	**$ 9,632**
Fixed Assets					
Depreciation	-	-	-	(1,000)	(1,000)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ 1,000**	**$ 1,000**
Allocation of Fixed Assets	$ 17,082	$ 3,870	(13,212)	6,450	$ (10,632)
Change in Fixed Assets	**17,082**	**3,870**	**(13,212)**	**7,450**	**(9,632)**
TOTAL CHANGE IN NET ASSETS	**$ 0**	**$ 627,041**	**$ 189,384**	**$ 0**	**$ -**

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	70.8	79.8	9.0
Direct Expenses	$ 31,214,978	$ 35,863,968	$ 4,648,990
Indirect Expenses	$ 4,772,947	$ 5,083,309	$ 310,363
Inc(Dec) in Fixed Assets	$ 6,676,286	$ 3,859,313	$ (2,816,974)
Total Funding Requirement	$ 42,664,211	$ 44,806,590	$ 2,142,379

Program Scope and Functional Description

The Reliability Coordinator and Interchange Authority functions oversee situation awareness in the Western Interconnection.

Reliability Coordinator (RC)

In 2006, the WECC Board approved the Reliability Coordination Strategic Initiative (RCSI), which was designed to make reliability coordination in the Western Interconnection more effective and efficient and to fulfill all the requirements of the mandatory standards. WECC completed the RCSI and was certified by NERC to provide the reliability coordination function for the Western Interconnection prior to going live on January 1, 2009.

The primary role of the WECC RC function is the reliable operation of the BES for the Western Interconnection in real-time and next-day study time frames. The RC function also provides leadership, coordination, technical expertise, and assistance to the Balancing Authorities and other functional entities within WECC. These reliability functions are executed at the Reliability Coordination Offices (RCO) located in Vancouver, Wash., and Loveland, Colo. Each RCO serves as a “hot” backup for the other.

Situation awareness in the Western Interconnection is further enhanced through the activities undertaken by WECC in response to the DOE’s Smart Grid Investment Grant Funding Opportunity Announcement. On April 1, 2010, WECC signed an agreement with the DOE to receive a $53.9 million grant to implement its WISP project. The funding matched dollars already committed by nine WISP Partner Entities[10] in the WECC Region to extend and deploy synchrophasor technologies within their electrical systems. The total funding for WISP is $107.8 million.

[10] Bonneville Power Administration, California Independent System Operator, Idaho Power, NV Energy, PacifiCorp, Pacific Gas & Electric, Southern California Edison, Salt River Project, and WECC.

WISP will expand WECC's current Section 215 activities by, among other things, enhancing the situation awareness of WECC's RCs. WISP will deliver significant reliability enhancement, economic growth, and job creation through vendor-partner involvement and increased staffing requirements for WECC, WECC's partners throughout the Western Interconnection, and the nation's power industry.

Interchange Authority

In 2008, the WECC Board approved the initiative for WECC to register as the Interchange Authority for the Balancing Authority Areas that signed agreements. The primary role of the Interchange Authority is to coordinate communication and validation of Arranged Interchange for reliability evaluation and implementation purposes.

WECC uses the WECC Interchange Tool (WIT) to perform the functions of the Interchange Authority in the Western Interconnection. WIT is a software system that facilitates and coordinates interchange between WECC Balancing Authorities and permits increased monitoring of interchange transactions by Reliability Coordinators. WECC is registered with NERC as the Interchange Authority because it is the contract party with the software vendor providing WIT.

Web Security Analysis System (webSAS)

The webSAS tool enhances situation awareness in the Western Interconnection by determining the effect of both on- and off-path schedules on the Qualified Path that is experiencing overloading due to unscheduled flow. In 2011, WECC moved to a single webSAS contract and license to ensure that a greater number of entities would have access to the tool. Increased use of the tool will ensure consistent calculation of unscheduled flow impacts and curtailment responsibilities, which will have a positive effect on the reliability of the Interconnection.

2012 Key Assumptions

- New standards and revisions of existing mandatory standards will require an expansion in the scope of work for the RC function.
- Cyclical upgrades of event monitoring equipment, software, hardware, and IT system infrastructure will continue
- WISP integration and testing will be a primary focus to achieve on-schedule delivery.

2012 Goals and Key Deliverables

- Increase training for the RCs and WECC membership by using the dispatch training simulator and Virtual Private Network (VPN) remote access.
- Develop and purchase tools that enhance real-time monitoring of the Western Interconnection.
- Continue management and delivery of WISP and comply with DOE performance, job creation, and financials tracking and reporting requirements.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Assessments are offset by the allocation of $1.1 million in penalty sanctions received by WECC prior to June 30, 2011.
- WECC will receive $24.5 million in DOE grant funding for WISP. The funds directly offset increases in expenditures related to the WISP project.
- Interest revenue is allocated based on FTEs. This revenue was previously budgeted in General and Administration.

Personnel Expenses

- Personnel Expenses increase by $1.2 million due to the addition of 9.0 FTEs. The RC function is increasing FTEs by 4.75 to provide better compliance with CIP and other reliability standards. Of this amount, 0.75 FTEs relate to employees budgeted late in 2011 resulting in partial FTEs in 2011 and full FTEs in 2012. The remaining increase of 4.25 FTEs relate to employees hired to support the WISP grant.

Meeting Expenses

- Travel and Conference Calls increase by $34,000 to more closely reflect 2010 actual results and anticipated levels of 2012 travel related to increased training.

Operating Expenses

- Consultants and Contracts increase by $1.4 million due to increased activity associated with WISP.
- Office Rent increases by $134,000 due to the expansion of the RCOs including additional space for data centers in each of the two RCO locations and the addition of a training center in Vancouver, Washington.
- Office Costs increase by $473,000 due to additional bandwidth requirements and the increased cost of maintenance and service agreements on IT equipment.
- Professional Services increase by $116,000 due to anticipated expenses associated with the preparation and response to the Compliance audit in 2012. Of this amount $72,000 has been included due to WECC's anticipated Compliance Enforcement Authority agreement with Northeast Power Coordinating Council.
- Depreciation increases by $1.2 million due to the equipment purchases made in association with the WISP grant and other fixed asset additions.

Indirect Expenses

- Indirect expenses are allocated based on FTEs. The Situation Awareness and Infrastructure Security allocation increases due to an increase in FTEs in the function.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer and Software capital expenditures decrease by $2.6 million due decreases related to WISP procurement of computers and software slowing in 2012.
- Equipment capital expenditures are increasing due to the following:
  - $500,000 for a telephone system upgrade to increase functionality and to better respond to WECC's membership and conditions on the BES.
  - $500,000 for a system that will automatically transfer the primary operations of the Emergency Management System between the two RCOs in the event of a failure.
  - $613,000 for equipment for Wide-area Network development within WISP.
- Leasehold Improvements decrease by $572,000 due to the completion of the data center build out at the RCOs.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2012 Business Plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Situation Awareness and Infrastructure Security

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	$ 18,166,072	$ 18,166,072	$ -	$ 19,110,337	$ 944,265
Penalty Sanctions	$ 385,459	$ 372,101	$ (13,358)	1,091,072	705,613
Total WECC Funding	**$ 18,551,531**	**$ 18,538,172**	**$ (13,358)**	**$ 20,201,409**	**$ 1,649,878**
Membership Dues	-	-	-	-	-
Federal Grants	24,112,680	15,275,008	(8,837,672)	24,459,669	346,989
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	140,818	140,818
Miscellaneous	-	-	-	4,694	4,694
Total Funding	**$ 42,664,211**	**$ 33,813,180**	**$ (8,851,030)**	**$ 44,806,590**	**$ 2,142,379**
Expenses					
Personnel Expenses					
Salaries	$ 8,102,630	$ 8,313,996	$ 211,366	$ 9,110,926	$ 1,008,296
Payroll Taxes	709,600	661,701	(47,899)	745,553	35,953
Benefits	900,500	719,269	(181,231)	1,027,970	127,470
Retirement Costs	551,913	529,838	(22,075)	614,538	62,625
Total Personnel Expenses	**$ 10,264,643**	**$ 10,224,804**	**$ (39,839)**	**$ 11,498,987**	**$ 1,234,344**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	375,000	320,737	(54,263)	397,000	22,000
Conference Calls	12,200	17,995	5,795	24,200	12,000
Total Meeting Expenses	**$ 387,200**	**$ 338,732**	**$ (48,468)**	**$ 421,200**	**$ 34,000**
Operating Expenses					
Consultants & Contracts	$ 14,822,583	$ 8,509,391	$ (6,313,192)	$ 16,245,456	$ 1,422,873
Office Rent	722,000	475,984	(246,016)	855,691	133,691
Office Costs	3,598,302	2,969,608	(628,694)	4,071,634	473,332
Professional Services	55,000	1,702	(53,298)	171,000	116,000
Miscellaneous	-	-	-	-	-
Depreciation	1,365,250	1,365,250	-	2,600,000	1,234,750
Total Operating Expenses	**$ 20,563,135**	**$ 13,321,935**	**$ (7,241,200)**	**$ 23,943,781**	**$ 3,380,646**
Total Direct Expenses	**$ 31,214,978**	**$ 23,885,471**	**$ (7,329,507)**	**$ 35,863,968**	**$ 4,648,990**
Indirect Expenses	**$ 4,772,947**	**$ 5,022,557**	**$ 249,610**	**$ 5,083,309**	**$ 310,363**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 35,987,925**	**$ 28,908,028**	**$ (7,079,897)**	**$ 40,947,278**	**$ 4,959,353**
Change in Assets	**$ 6,676,286**	**$ 4,905,152**	**$ (1,771,134)**	**$ 3,859,313**	**$ (2,816,974)**
Fixed Assets					
Depreciation	(1,365,250)	(1,365,250)	-	(2,600,000)	(1,234,750)
Computer & Software CapEx	7,814,719	6,350,406	(1,464,313)	5,189,228	(2,625,491)
Furniture & Fixtures CapEx	-	250,000	250,000	-	-
Equipment CapEx	-	-	-	1,613,000	1,613,000
Leasehold Improvements	572,357	906,334	333,977	-	(572,357)
(Incr)Dec in Fixed Assets	**$ (7,021,826)**	**$ (6,141,490)**	**$ 880,336**	**$ (4,202,228)**	**$ 2,819,598**
Allocation of Fixed Assets	$ 345,540	$ 324,307	(21,233)	342,915	(2,624)
Change in Fixed Assets	**(6,676,286)**	**(5,817,183)**	**859,103**	**(3,859,313)**	**2,816,974**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ (912,031)**	**$ (912,031)**	**$ -**	**$ -**

Administrative Services

Administrative Services (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	48.9	48.3	(0.6)
Direct Expenses	$ 12,963,378	$ 12,107,311	$ (856,067)
Inc(Dec) in Fixed Assets	$ (776,000)	$ (709,050)	$ 66,950
Less: Other Funding Sources	$ (476,400)	$ (86,691)	$ 389,709
Total Allocation to Statutory Programs as Indirect Expenses	$ (12,486,978)	$ (12,020,620)	$ 466,358
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

WECC's Administrative Services consist of Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The budgets for these programs are addressed in the subsequent sections of the Business Plan and Budget.

Methodology for Allocation of Administrative Services Expenses to Programs

Administrative Services expenses are allocated to statutory and non-statutory program areas based on FTEs.

Technical Committees and Member Forums

Technical Committes and Member Forums (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	7.5	8.0	0.5
Direct Expenses	$ 2,655,839	$ 2,249,919	$ (405,920)
Inc(Dec) in Fixed Assets	$ 34,000	$ 59,000	$ 25,000
Less: Other Funding Sources	$ (122,400)	$ (86,691)	$ 35,709
Total Allocation to Statutory Programs as Indirect Expenses	$ (2,533,439)	$ (2,163,228)	$ 370,211
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

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

Eight WECC Board committees recommend policy on various reliability issues or handle governance, finance, and human resources matters. They are:

- *Operating Transfer Capability Policy Committee* – the OTCPC provides coordinated standards development and determination of System Operating Limits within the Western Interconnection.
- *Transmission Expansion Planning Policy Committee* – TEPPC oversees database management, provides policy and management of the planning process, and guides the analyses and modeling for the Western Interconnection's transmission expansion planning. TEPPC expenses are accounted for in the Reliability Assessment and Performance Analysis budget.
- *Governance and Nominating Committee* – the GNC nominates WECC Board candidates and recommends Bylaws and other governance changes.
- *Human Resources and Compensation Committee* – the HRCC oversees human resources and WECC employee compensation.
- *Reliability Policy Issues Committee* – the RPIC reviews policy-level reliability issues and develops appropriate recommendations for WECC Board consideration.
- *Finance and Audit Committee* – the FAC reviews WECC's budgets, makes recommendations to staff, and assists the Board in maintaining the integrity of WECC's financial reporting.
- *Reliability Coordination Committee* – the RCC provides advice concerning Reliability Coordination operations, personnel, and budget to the WECC Board and to the WECC CEO.
- *WECC Compliance Committee* – the WCC acts on behalf of the WECC Board and provides oversight of the WECC Compliance function.

Standing Committees

- The Joint Guidance Committee – the JGC ensures that the Standing Committees (described below) and associated subcommittees coordinate and communicate regarding electric system reliability and market issues. In addition, the JGC provides a forum for coordination between the three Standing Committees on convergent issues. One such issue is the integration of variable generation. As such, the VGS is a subcommittee of the JGC that considers issues pertaining to the integration of variable generation and makes recommendations to the JGC on issues to pursue.
- *Operating Committee* – the OC advises and makes recommendations to the WECC Board on all WECC-related matters that apply to maintaining reliability through the operation and security of the interconnected Bulk Electric System in the Western Interconnection. The OC provides guidance on the following: Event Analysis, Balancing Authority and Transmission Operator Certification, WECC Interchange Tool, webSAS, Remedial Action Scheme review, and Regional Criteria and Regional Standards. It also has oversight of eight subcommittees and 16 work groups.
- *Planning Coordination Committee* – the PCC recommends criteria for determining the adequacy of power supply and for elements of system design that affect the reliability of the interconnected BES in the Western Region. The PCC collects data and studies the operation of the interconnected systems, which is necessary to determine the reliability of the interconnected BES. The PCC evaluates proposed facility additions or modifications based on established reliability criteria. PCC expenses are accounted for in the Reliability Assessment and Performance Analysis Budget. The PCC has four subcommittees.
- *Market Interface Committee* – the MIC considers matters pertaining to the impact of reliability standards, practices, and procedures on the commercial electricity market in the Western Interconnection, and facilitates analyses of the impact of electricity market practices on electric system reliability. The MIC has two subcommittees.

2012 Key Assumptions

- Greater number of meetings held at the Salt Lake City office.

2012 Goals and Key Deliverables

- Create a more effective organization by facilitating and encouraging cross-departmental coordination and consistency.
- Address the vulnerabilities that could impact reliability by identifying and promoting the projects that can improve reliability and mitigate vulnerabilities.
- Optimize stakeholder involvement and value by structuring meetings and agendas to meet member needs, communicating WECC processes and initiatives to committees, and providing strong staff support to member committees.

- Facilitate sound decision making to improve reliability by providing detailed analysis on emerging issues, including alternatives examined and rationale for recommendations.
- Ensure the Western Interconnection is represented in reliability matters by representing WECC and the Western Interconnection in the NERC OC, NERC Integration of Variable Generation Taskforce, and other industry forums.
- Ensure the Western Interconnection is represented in the development of continent-wide processes and reliability standards including Frequency Responsive Reserve, Reliability Based Control, and Event Analysis.
- Continue the categorization and review of key WECC documents to ensure consistent formatting and quality.
- Assure WECC members have access to the most current and applicable documentation in support of maintaining a high level of reliability in the Western Interconnection.

DOE Grant

DE-PS36-09GO99009 – 20% Wind by 2030: Overcoming the Challenges

Variable Generation Subcommittee (VGS)

In May 2008, the DOE issued the "20% Wind Energy by 2030" report. The report found that in order to meet a 20 percent scenario, major challenges need to be overcome to reliably integrate that level of penetration. As such, the DOE issued an FOA (DE-PS36-09GO99009) for projects aimed at overcoming these challenges. On March 3, 2009, WECC submitted a response to this FOA with a project to examine Balancing Authority Cooperation Concepts to Reduce Variable Generation Integration Costs in the Western Interconnection. On May 3, 2010 (effective February 1, 2010) WECC signed an agreement with the DOE to receive a grant of $245,000 over a three-year term. This project will examine the benefits of different Balancing Authority coordination scenarios including consolidation concepts and less-than-hourly scheduling intervals to aid in the reliable integration of variable generation.

Enhanced Curtailment Calculator

WECC is budgeting to fund the initial design of the Enhanced Curtailment Calculator (ECC). The ECC will be used to identify curtailment obligations during overload situations. This function currently is carried out by webSAS for the six Qualified Transfer Paths in WECC. However, the ECC would be used for a greater number of paths, have more up-to-date topology information, and include higher granularity of flows.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- WECC will receive $87,000 in DOE funding for the VGS grant. The funds directly offset increases in expenditures related to the VGS project.

Personnel Expenses

- Personnel Expenses increase by $144,000 due to the reallocation of existing staff and the addition of 0.5 FTE. This position was budgeted as a 0.5 FTE in 2011 as a result of an anticipated mid-year hire date. WECC is realizing the full cost and full FTE of this position in 2012.

Meeting Expenses

- Meetings decrease by $19,000 due to increased use of the Salt Lake City meeting facilities.
- Conference Calls increase by $9,000 due to increased use of conference call services for meetings.

Operating Expenses

- Consultants and Contracts decrease by $521,000 in part due to the completion of the cost-benefit analysis of the Efficient Dispatch Toolkit (EDT). This analysis was included in the 2011 budget for $450,000 and is expected to be completed in 2011. The remaining Consultants and Contracts decreases are due to WECC staff performing functions previously performed by consultants.
- Professional Services decrease by $28,000 due to increased reliance on in-house counsel for legal expertise.

Indirect Expenses

- Technical Committees and Member Forums expenses, not associated with DOE grants, are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not Applicable.

Fixed Asset Additions

- Computer and Software capital expenditures are increasing due to the costs associated with the initial design of the ECC.

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2012 Business Plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Technical Committees and Member Forums

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	$ -			-	
Total WECC Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Federal Grants	122,400	47,235	(75,165)	86,691	(35,709)
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 122,400**	**$ 47,235**	**$ (75,165)**	**$ 86,691**	**$ (35,709)**
Expenses					
Personnel Expenses					
Salaries	$ 764,903	$ 759,252	$ (5,651)	$ 909,422	$ 144,519
Payroll Taxes	68,612	63,311	(5,301)	77,344	8,732
Benefits	99,202	51,545	(47,657)	80,437	(18,765)
Retirement Costs	54,036	54,739	703	63,695	9,659
Total Personnel Expenses	**$ 986,753**	**$ 928,847**	**$ (57,906)**	**$ 1,130,897**	**$ 144,144**
Meeting Expenses					
Meetings	$ 368,020	$ 278,668	$ (89,352)	$ 349,503	$ (18,517)
Travel	141,000	162,264	21,264	141,600	600
Conference Calls	31,100	22,355	(8,745)	39,870	8,770
Total Meeting Expenses	**$ 540,120**	**$ 463,287**	**$ (76,833)**	**$ 530,973**	**$ (9,147)**
Operating Expenses					
Consultants & Contracts	$ 590,750	$ 509,956	$ (80,794)	$ 70,000	$ (520,750)
Office Rent	-	-	-	-	-
Office Costs	91,216	56,866	(34,350)	99,049	7,833
Professional Services	431,000	496,632	65,632	403,000	(28,000)
Miscellaneous	-	-	-	-	-
Depreciation	16,000	16,000	-	16,000	-
Total Operating Expenses	**$ 1,128,966**	**$ 1,079,454**	**$ (49,512)**	**$ 588,049**	**$ (540,917)**
Total Direct Expenses	**$ 2,655,839**	**$ 2,471,588**	**$ (184,251)**	**$ 2,249,919**	**$ (405,920)**
Indirect Expenses	**$ (2,533,439)**	**$ (2,431,400)**	**$ 102,039**	**$ (2,163,228)**	**$ 370,211**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 122,400**	**$ 40,188**	**$ (82,212)**	**$ 86,691**	**$ (35,709)**
Change in Assets	**$ -**	**$ 7,047**	**$ 7,047**	**$ -**	**$ -**
Fixed Assets					
Depreciation	(16,000)	(16,000)	-	(16,000)	-
Computer & Software CapEx	50,000	50,000	-	75,000	25,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ (34,000)**	**$ (34,000)**	**$ -**	**$ (59,000)**	**$ (25,000)**
Allocation of Fixed Assets	$ 34,000	$ 34,000	-	59,000	25,000
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 7,047**	**$ 7,047**	**$ -**	**$ -**

General and Administrative

General and Administrative (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	16.7	16.9	0.2
Direct Expenses	$ 6,273,771	$ 5,078,221	$ (1,195,550)
Inc(Dec) in Fixed Assets	$ (817,000)	$ (776,150)	$ 40,850
Less: Other Funding Sources	$ (354,000)	$ -	$ 354,000
Total Allocation to Statutory Programs as Indirect Expenses	$ (5,919,771)	$ (5,078,221)	$ 841,550
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The purpose of the General and Administrative Program Area is to provide executive leadership to WECC, and to provide communications and administrative support for WECC staff, committees, and members. Additionally, indirect costs (i.e., Office Rent) that benefit multiple Program Areas are accounted for in this area.

2012 Key Assumptions

- Interest income is budgeted conservatively due to economic uncertainty and the financial markets.
- WECC will receive an exemption from Washington State income tax.

2012 Goals and Key Deliverables

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

Funding Sources and Requirements — Explanation of Increase (Decrease)

The General and Administrative Budget decreases primarily due to a budget reallocation of pooled benefit costs from Administration to the Human Resources budget and a reduction in insurance costs.

Funding Sources (Other than ERO Assessments)

- Interest revenue in the amount of $300,000 is allocated to functional activities, based on FTEs. This revenue was previously budgeted in General and Administration.

Personnel Expenses

- Benefits decrease by $446,000 due to the reallocation of budgeted amounts related to WECC's Health Reimbursement Arrangement from Administration to

Human Resources. This reallocation reflects more appropriately the functional responsibility for the WECC Benefit Plan.

- Salaries and associated payroll taxes and retirement costs are decreasing in net due to restructuring within the administrative function. There is a net increase of 0.2 FTE over 2011. Salary structures for the combined positions are resulting in a slightly lower overall salary budget.

Meeting Expenses

- Total Meeting Expenses increase by $14,000 primarily due to an increase in travel. Also, WECC anticipates it will host Regional Entity meetings at its Salt Lake City facility.

Operating Expenses

- Consulting and Contracts increase by $40,000 due to the inclusion of an annual Measures of Success survey used to determine WECC's effectiveness in communication with its membership, committees, and Board of Directors. Additionally, Consulting and Contracts increases due to the inclusion of a WECC Annual Review document and other communication services.
- Office Rent decreases by $240,000 to better align with WECC's current lease agreements in Vancouver and Salt Lake City. Also, a portion of the Salt Lake City rent is being directly allocated to the Training function to better represent the space utilization of that function.
- Office Costs decrease by $125,000 due to the elimination of estimated income tax liability associated with WECC's operations in Washington State. WECC has filed a request for exemption for this tax.
- Professional Services decrease by $386,000, primarily due to a reduction of insurance coverage that was deemed appropriate by the WECC Board after a thorough review of risks and mitigating factors.

Indirect Expenses

- General and Administrative expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Depreciation decreases by $41,000 to better align with depreciation levels in 2010 and fixed asset balances.

General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2012 Business Plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
General and Administrative

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions				-	
Total WECC Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	350,000	47,389	(302,611)	-	(350,000)
Miscellaneous	4,000	1,826	(2,174)	-	(4,000)
Total Funding	**$ 354,000**	**$ 49,215**	**$ (304,785)**	**$ -**	**$ (354,000)**
Expenses					
Personnel Expenses					
Salaries	$ 2,031,849	$ 2,621,638	$ 589,789	$ 2,030,913	$ (936)
Payroll Taxes	140,522	128,521	(12,001)	139,972	(550)
Benefits	678,264	545,045	(133,219)	232,262	(446,002)
Retirement Costs	125,806	160,062	34,256	115,271	(10,535)
Total Personnel Expenses	**$ 2,976,441**	**$ 3,455,266**	**$ 478,825**	**$ 2,518,417**	**$ (458,024)**
Meeting Expenses					
Meetings	$ 2,000	$ 2,337	$ 337	$ 4,290	$ 2,290
Travel	122,000	143,559	21,559	130,120	8,120
Conference Calls	7,000	5,859	(1,141)	10,700	3,700
Total Meeting Expenses	**$ 131,000**	**$ 151,755**	**$ 20,755**	**$ 145,110**	**$ 14,110**
Operating Expenses					
Consultants & Contracts	$ 20,000	$ 32,835	$ 12,835	$ 60,000	$ 40,000
Office Rent	1,431,000	1,157,755	(273,245)	1,191,100	(239,900)
Office Costs	407,930	280,450	(127,480)	283,033	(124,897)
Professional Services	490,400	115,609	(374,791)	104,411	(385,989)
Miscellaneous	-	-	-	-	-
Depreciation	817,000	817,000	-	776,150	(40,850)
Total Operating Expenses	**$ 3,166,330**	**$ 2,403,649**	**$ (762,681)**	**$ 2,414,694**	**$ (751,636)**
Total Direct Expenses	**$ 6,273,771**	**$ 6,010,670**	**$ (263,101)**	**$ 5,078,221**	**$ (1,195,550)**
Indirect Expenses	**$ (5,919,771)**	**$ (5,961,455)**	**$ (41,684)**	**$ (5,078,221)**	**$ 841,550**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 354,000**	**$ 49,215**	**$ (304,785)**	**$ -**	**$ (354,000)**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fixed Assets					
Depreciation	(817,000)	(817,000)	-	(776,150)	40,850
Computer & Software CapEx		-	-	-	-
Furniture & Fixtures CapEx		-	-	-	-
Equipment CapEx		-	-	-	-
Leasehold Improvements		27,085	27,085	-	-
(Incr)Dec in Fixed Assets	**$ 817,000**	**$ 789,915**	**$ (27,085)**	**$ 776,150**	**$ (40,850)**
Allocation of Fixed Assets	$ (817,000)	$ (789,915)	$ 27,085	(776,150)	40,850
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Legal and Regulatory

Legal and Regulatory (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	11.0	9.6	(1.4)
Direct Expenses	$ 1,794,997	$ 1,727,347	$ (67,650)
Inc(Dec) in Fixed Assets	$ -	$ 20,000	$ 20,000
Less: Other Funding Sources	$ -	$ -	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ (1,794,997)	$ (1,727,347)	$ 67,650
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The Legal Department provides coordinated legal services to the WECC Board, committees, and staff. In addition, the department provides consistent legal interpretations of relevant statutes, regulations, court opinions, and regulatory decisions. The Legal Department also develops specific subject matter expertise to further assist WECC with its legal needs. On occasion, major efforts may be outsourced to select law firms, but the responsibility for all legal matters remains with the General Counsel and Legal Department. WECC senior management and the General Counsel will determine when outside legal assistance is required.

WECC's international operations and its broad scope of activities require significant legal support and review. Arranging for legal support is complicated by the technical nature of this developing area of law, and there are many of conflicts prohibiting the use of law firms with energy practices.

2012 Key Assumptions

- WECC will maintain the scope of its current operations. However, the operating environment may change in the event of unanticipated direction from FERC, NERC, or both.

2012 Goals and Key Deliverables

- Provide efficient, cost-effective legal support to the WECC Board, committees, and staff through a combination of in-house and outside resources.
- Update and advise the WECC Board and CEO on pending legal issues.
- Advise WECC departments on specified legal matters and general matters relating to WECC business.
- Provide legal support to the WECC Compliance Department and facilitate processing of possible and alleged violations.
- Represent WECC in legal and regulatory proceedings.

- Review and advise WECC business units on draft agreements.
- Improve tracking for development of WECC regulatory policies.
- Implement a corporate records management system.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Personnel Expenses decrease by $23,000 due to the reduction of 1.4 FTEs, net salary increases for existing personnel. One FTE has been transferred to the Situational Awareness and Infrastructure Security budget. The remaining 0.4 FTE will not be filled due a restructuring of the Legal department.

Meeting Expenses

- Total Meeting Expenses decrease $12,000 due to increased use of WECC meeting facilities.

Operating Expenses

- Office Costs decrease by $19,000 to better align with 2010 actual costs.
- Professional Services decrease by $15,000 due to increased use of in-house legal counsel.

Indirect Expenses

- Legal and Regulatory expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer and Software capital expenditures increase by $20,000 for the purchase of a corporate records management system.

Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2012 Business Plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Legal and Regulatory

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	-			-	
Total WECC Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 1,141,000	$ 803,043	$ (337,957)	$ 1,143,740	$ 2,740
Payroll Taxes	102,690	71,151	(31,539)	94,193	(8,497)
Benefits	134,437	104,373	(30,064)	119,983	(14,454)
Retirement Costs	79,870	53,269	(26,601)	77,571	(2,299)
Total Personnel Expenses	**$ 1,457,997**	**$ 1,031,836**	**$ (426,161)**	**$ 1,435,487**	**$ (22,510)**
Meeting Expenses					
Meetings	$ 12,000	$ -	$ (12,000)	$ -	$ (12,000)
Travel	87,000	87,000	-	88,000	1,000
Conference Calls	3,000	861	(2,139)	2,500	(500)
Total Meeting Expenses	**$ 102,000**	**$ 87,861**	**$ (14,139)**	**$ 90,500**	**$ (11,500)**
Operating Expenses					
Consultants & Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	-	-	-	-	-
Office Costs	85,000	39,941	(45,059)	66,360	(18,640)
Professional Services	150,000	116,108	(33,892)	135,000	(15,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 235,000**	**$ 156,049**	**$ (78,951)**	**$ 201,360**	**$ (33,640)**
Total Direct Expenses	**$ 1,794,997**	**$ 1,275,746**	**$ (519,251)**	**$ 1,727,347**	**$ (67,650)**
Indirect Expenses	**$ (1,794,997)**	**$ (1,275,746)**	**$ 519,251**	**$ (1,727,347)**	**$ 67,650**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ 0**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-		20,000	20,000
Furniture & Fixtures CapEx	-	-		-	-
Equipment CapEx	-	-		-	-
Leasehold Improvements	-	-		-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ (20,000)**	**$ (20,000)**
Allocation of Fixed Assets	-	$ -	$ -	20,000	20,000
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**

Information Technology

Information Technology (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	5.7	6.8	1.1
Direct Expenses	$ 1,187,179	$ 1,619,642	$ 432,463
Inc(Dec) in Fixed Assets	$ 7,000	$ (51,900)	$ (58,900)
Less: Other Funding Sources	$ -	$ -	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ (1,187,179)	$ (1,619,642)	$ (432,463)
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

WECC's Information Technology (IT) department provides support, ensures compliance, and develops solutions for the technical and operational needs of the organization. Support services include corporate data storage, network infrastructure, email, telephone systems, and Inter- and Intranet websites. In addition, the IT department provides expertise to ensure compliance to industry best practices, and manages the evolving requirements for NERC "Agreed Upon Procedures" (AUP) and CIP regulations. Lastly, IT is responsible for working directly with the business units to leverage technology resources to build efficient processes, procedures, and operations. This may involve in-house development projects as well as managing vendor contracts.

2012 Key Assumptions

- WECC will maintain compliance with industry best practices on security and data protection, as well as the evolving NERC AUPs. As a result, WECC will require increased storage management, processes, and network infrastructure.
- Technology will be a key focus in developing new, more efficient business processes that will support collaboration, elimination of duplicate work, and streamline information flow.
- Entities required to exchange data with WECC will demand greater ease of use, clearer communication, and the latest in security assurances.

2012 Goals and Key Deliverables

- Provide systems support and technology solutions that ensure reliability and security of critical IT infrastructure.
- Develop and implement Policies and Procedures to enforce best practices across the organization.
- Align IT as a strategic partner in accomplishing business goals and objectives.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Personnel Expenses increase by $123,000 due to the addition of 1.1 FTE.

Meeting Expenses

- Conference Calls increase by $6,000 due to the centralization of billings related to video and conference bridging for meetings.

Operating Expenses

- Office Costs increase by $280,000 due an increase in the need to refresh small computer equipment and software licenses that correspond with an increase in employees. Also, Office Costs increase due to costs associated with increased high-speed Internet connection bandwidth, firewall configurations and security configurations.
- Depreciation increases by $28,000 to align with 2010 depreciation and an increase in fixed assets.

Indirect Expenses

- Information Technology expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer and Software capital expenses decrease by $50,000 due to fewer anticipated renewals of large software licensing contracts in 2012.
- Equipment capital expenses increase by $19,000 due to anticipated replacements of large computer equipment.

Information Technology

Funding sources and related expenses for the Information Technology section of the 2012 Business Plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Information Technology

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	$ -			-	
Total WECC Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 536,401	$ 352,300	$ (184,101)	$ 636,736	$ 100,335
Payroll Taxes	48,276	31,468	(16,808)	54,142	5,866
Benefits	73,304	70,619	(2,685)	83,276	9,972
Retirement Costs	37,548	21,145	(16,403)	44,588	7,040
Total Personnel Expenses	**$ 695,529**	**$ 475,532**	**$ (219,997)**	**$ 818,742**	**$ 123,213**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	10,000	5,909	(4,091)	10,000	-
Conference Calls	-	3,563	3,563	6,000	6,000
Total Meeting Expenses	**$ 10,000**	**$ 9,472**	**$ (528)**	**$ 16,000**	**$ 6,000**
Operating Expenses					
Consultants & Contracts	$ 20,000	$ -	$ (20,000)	$ 15,000	$ (5,000)
Office Rent	-	963	963	-	-
Office Costs	368,650	417,514	48,864	649,000	280,350
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	93,000	93,000	-	120,900	27,900
Total Operating Expenses	**$ 481,650**	**$ 511,477**	**$ 29,827**	**$ 784,900**	**$ 303,250**
Total Direct Expenses	**$ 1,187,179**	**$ 996,481**	**$ (190,698)**	**$ 1,619,642**	**$ 432,463**
Indirect Expenses	**$ (1,187,179)**	**$ (996,481)**	**$ 190,698**	**$ (1,619,642)**	**$ (432,463)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ 0**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**
Fixed Assets					
Depreciation	(93,000)	(93,000)	-	(120,900)	(27,900)
Computer & Software CapEx	100,000	198,752	98,752	75,000	(25,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-		(6,000)	(6,000)
Leasehold Improvements	-	-		-	-
(Incr)Dec in Fixed Assets	**$ (7,000)**	**$ (105,752)**	**$ (98,752)**	**$ 51,900**	**$ 58,900**
Allocation of Fixed Assets	$ 7,000	$ 105,752	$ 98,752	(51,900)	$ (58,900)
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**

Human Resources

Human Resources (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	4.0	3.0	(1.0)
Direct Expenses	$ 636,934	$ 974,434	$ 337,500
Inc(Dec) in Fixed Assets	$ -	$ 20,000	$ 20,000
Less: Other Funding Sources	$ -	$ -	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ (636,934)	$ (974,434)	$ (337,500)
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The department is responsible for the delivery of all Human Resource functions across the three WECC offices, including: recruitment, staffing, compensation, benefits, employee relations, performance management, and employee training and development.

2012 Key Assumptions

- WECC's staffing level will continue to increase during 2012 with the addition of 11 headcount.
- Competition for talent will increase due to the economic crisis turnaround and an increasing percentage of the utility talent pool being eligible for retirement. Consequently, as the talent pool compresses, salary and benefit pressures increase.
- Retention and competitive compensation of key individuals will continue to be critical.
- Succession planning, employee development, and training are vital to ensuring that WECC maintains a skilled, qualified workforce.

2012 Goals and Key Deliverables

- Manage health and welfare benefits to deliver an attractive benefit package to employees while managing overall costs to the organization.
- Develop a competitive compensation strategy and educate management on compensation philosophies to enhance recruitment efforts and retain skilled and talented employees.
- Track and monitor turnover rates: gather feedback to determine cause of turnover and, when appropriate, take action to improve (lessen) turnover rate.
- Continue to develop and enhance management development and training programs.

- Research, purchase, and implement an integrated Human Resource Information System (HRIS)/payroll system to streamline processes between departments and minimize the risk of errors and duplication of work.

Funding Sources and Requirements — Explanation of Increase (Decrease)

The Human Resources budget increases, primarily due to a budget reallocation of pooled benefit costs from Administration to the Human Resources Department.

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Salary Expenses decrease by $185,000 due to the elimination of one FTE resulting from restructuring to gain efficiencies in the department.
- Payroll Taxes and Retirement Costs are related to Salary Expense and decrease as a result of the elimination of one FTE.
- Benefits increase by $507,000 due in part to the budget reallocation of pooled benefit costs previously included in the Administration budget. The additional increase is the result of an increase in overall FTE at WECC.

Meeting Expenses

- Total Meeting Expenses decrease by $3,000 primarily due to the elimination of one FTE.

Operating Expenses

- Consultants and Contractors increase by $21,000 due to the anticipated compensation benchmarking project and to assist in the implementation of a combined HRIS/payroll system.
- Office Costs increase by $22,000 due to anticipated increases in job posting, drug testing, and background checks.
- Professional Services increase by $2,000 due to anticipated legal costs associated with personnel matters.

Indirect Expenses

- Human Resource expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer and Software capital expenditures are increasing by $20,000 for the purchase of a combined HRIS/Payroll system.

Human Resources

Funding sources and related expenses for the Human Resources section of the 2012 Business Plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Human Resources

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	$ -			-	
Total WECC Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 430,303	$ 219,786	$ (210,517)	$ 244,954	$ (185,349)
Payroll Taxes	36,027	18,914	(17,113)	20,702	(15,325)
Benefits	61,623	52,424	(9,199)	569,100	507,477
Retirement Costs	33,021	13,580	(19,441)	22,048	(10,973)
Total Personnel Expenses	**$ 560,974**	**$ 304,704**	**$ (256,270)**	**$ 856,804**	**$ 295,830**
Meeting Expenses					
Meetings	$ -	$ 4,502	$ 4,502	$ -	$ -
Travel	20,000	28,267	8,267	15,000	(5,000)
Conference Calls	-	799	799	2,000	2,000
Total Meeting Expenses	**$ 20,000**	**$ 33,568**	**$ 13,568**	**$ 17,000**	**$ (3,000)**
Operating Expenses					
Consultants & Contracts	$ 9,000	$ 9,000	$ -	$ 30,000	$ 21,000
Office Rent	-	397	397	-	-
Office Costs	38,960	40,692	1,732	60,630	21,670
Professional Services	8,000	27,420	19,420	10,000	2,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 55,960**	**$ 77,509**	**$ 21,549**	**$ 100,630**	**$ 44,670**
Total Direct Expenses	**$ 636,934**	**$ 415,781**	**$ (221,153)**	**$ 974,434**	**$ 337,500**
Indirect Expenses	**$ (636,934)**	**$ (415,781)**	**$ 221,153**	**$ (974,434)**	**$ (337,500)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ 0**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-		20,000	20,000
Furniture & Fixtures CapEx	-	-		-	-
Equipment CapEx	-	-		-	-
Leasehold Improvements	-	-		-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ (20,000)**	**$ (20,000)**
Allocation of Fixed Assets	$ -	$ -	$ -	20,000	20,000
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**

Finance and Accounting

Accounting and Finance (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	4.0	4.0	-
Direct Expenses	$ 414,658	$ 457,748	$ 43,090
Inc(Dec) in Fixed Assets	$ -	$ 20,000	$ 20,000
Less: Other Funding Sources	$ -	$ -	$ -
Total Allocation to Statutory Programs as Indirect Expenses	$ (414,658)	$ (457,748)	$ (43,090)
Working Capital Requirement	$ -	$ -	$ -

Program Scope and Functional Description

The Finance and Accounting Department provides accounting, accounts payable, billing, accounts receivable, budgeting, fixed asset management, and payroll services to WECC. This function also produces all financial reports and acts as a liaison with WECC's external financial auditors.

2012 Key Assumptions

- WECC's continued growth will increase the demands placed on the accounting function.

2012 Goals and Key Deliverables

- Draft and implement financial policies.
- Improve financial reporting to WECC management and external stakeholders.
- Identify and implement efficiencies in financial processes.
- Ensure WECC has strong internal controls designed to protect the organization's assets and ensure accurate financial reporting.
- Develop a budget to address the risks created by the uncertain operating environment.
- Implement a combined Human Resources Information System (HRIS)/Payroll system to better streamline communication between the two functions.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Personnel expenses increase by $22,000 as a result of positions being redefined to better address the finance requirements of WECC.

Meeting Expenses

- No significant changes.

Operating Expenses

- Consultants and Contractors increase by $3,000 due to the implementation of a combined HRIS/Payroll system.
- Office Costs increase by $14,000 due to fees related to WECC's payroll processing service and software license fees.
- Professional Services increase by $3,800 due to additional audit and tax services.

Indirect Expenses

- Finance and Accounting expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer and Software capital expenditures are increasing by $20,000 for the purchase of a combined HRIS/Payroll system.

U.S. DOE Grants

The 2012 RTEP and WISP budgets include salary and benefits for a grant accountant. The expenses for the grant accountant are charged directly to the programs funded by the DOE grants and to the direct costs of the Statutory Programs, not to the Finance and Accounting Department. Therefore, this position and the related expenses are included in the budget and FTE count within the Reliability Assessment and Performance Analysis and the Situation Awareness and Infrastructure Security budgets.

Finance and Accounting

Funding sources and related expenses for the Finance and Accounting section of the 2012 Business Plan are shown in the table below.

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget
Finance and Accounting

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 20110 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions	-			-	
Total WECC Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ 254,812	$ 269,170	$ 14,358	$ 276,500	$ 21,688
Payroll Taxes	22,933	28,658	5,725	22,379	(554)
Benefits	45,657	32,817	(12,840)	45,829	172
Retirement Costs	17,836	22,483	4,647	18,430	594
Total Personnel Expenses	**$ 341,238**	**$ 353,128**	**$ 11,890**	**$ 363,138**	**$ 21,900**
Meeting Expenses					
Meetings	$ -	$ 130	$ 130	$ -	$ -
Travel	9,000	8,668	(332)	9,300	300
Conference Calls	120	601	481	600	480
Total Meeting Expenses	**$ 9,120**	**$ 9,399**	**$ 279**	**$ 9,900**	**$ 780**
Operating Expenses					
Consultants & Contracts	$ 2,000	$ 2,000	$ -	$ 5,000	$ 3,000
Office Rent	-	167	167	-	-
Office Costs	19,300	45,986	26,686	32,910	13,610
Professional Services	43,000	43,550	550	46,800	3,800
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 64,300**	**$ 91,703**	**$ 27,403**	**$ 84,710**	**$ 20,410**
Total Direct Expenses	**$ 414,658**	**$ 454,230**	**$ 39,572**	**$ 457,748**	**$ 43,090**
Indirect Expenses	**$ (414,658)**	**$ (454,230)**	**$ (39,572)**	**$ (457,748)**	**$ (43,090)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ 0**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-		20,000	20,000
Furniture & Fixtures CapEx	-	-		-	-
Equipment CapEx	-	-		-	-
Leasehold Improvements	-	-		-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ (20,000)**	**$ (20,000)**
Allocation of Fixed Assets	$ -	$ -	$ -	20,000	20,000
Change in Fixed Assets	**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**$ -**	**$ (0)**

Section B – Supplemental Financial Information
2012 Business Plan and Budget

Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2011-2012		
STATUTORY		
Beginning Working Capital Reserve (Deficit), December 31, 2010		7,587,826
Plus: 2011 WECC Funding (from LSEs or designees)		37,915,529
Plus: 2011 Other funding sources		21,016,392
Less: 2011 Projected expenses & capital expenditures		(56,768,780)
Projected Working Capital Reserve (Deficit), December 31, 2011		**9,750,967**
Desired Working Capital Reserve, December 31, 2012	[2]	9,750,967
Less: Projected Working Capital Reserve, December 31, 2011		(9,750,967)
Increase(decrease) in assessments to achieve desired Working Capital Reserve		0
2012 Expenses and Capital Expenditures		67,969,167
Less: Penalty Sanctions	[1]	(2,256,023)
Less: Other Funding Sources		(28,735,653)
Adjustment to achieve desired Working Capital Reserve		-
2012 WECC Assessment		**36,977,492**

[1] Represents collections between July 1, 2010 and June 30, 2011.

[2] On June 22, 2011, the WECC Board of Directors approved this reserve level.

WECC's working capital reserve balance has increased due to the following:

- In the 2011 working capital reserve calculations, a portion of WECC's investments were categorized as long term. As such, they were not included in the working capital reserve balance. These are investments in long-term treasury bonds and corporate bonds. However, because they are highly liquid and fit the GAAP definition of a short-term investment, WECC has reclassified them as short term.
- WECC's Board of Directors has approved a working capital reserve balance equal to three months of WECC funding requirements. Without WECC's grant activities, this amounts to a desired statutory working capital reserve balance of $9.8 million. WECC's current statutory working capital reserve does not meet this desired level; however, WECC does have over $6 million in non-statutory reserves from which it can borrow if needed to support statutory activities.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statutory Statement of Activities and Capital Expenditures on page 9. All significant variances have been disclosed by program area in the preceding pages.

Monetary Penalties

As documented in the NERC Policy *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards,* penalty monies received prior to June 30, 2011 will be used to offset assessments in the 2012 WECC Budget. Penalty monies received from July 1, 2011 through June 30, 2012 will be used to offset assessments in the 2013 Budget.

All penalty monies received prior to June 30, 2011 are detailed below, including the amount and the date received.

Allocation Method: Penalty monies received have been allocated to the following Statutory Programs to reduce assessments:

- Reliability Standards
- Compliance Monitoring and Enforcement and Organization Registration and Certification
- Reliability Assessment and Performance Analysis
- Training, Education, and Operator Certification
- Situation Awareness and Infrastructure Security

Penalty monies are allocated based on the number of FTEs in the function divided by the aggregate total FTEs in the programs receiving the allocation.

In this budget, and in subsequent budgets as necessary, WECC proposes using penalty monies collected from U.S. registered entities within the Western Interconnection to pay compliance penalties incurred by the WECC registered functions as a result of alleged non-compliance with NERC mandatory reliability standards or WECC regional reliability standards. This will ensure that only U.S. entities contribute to the payment of WECC registered function penalties paid to NERC and/or FERC under Section 215 of the Federal Power Act.

Penalty Sanctions

Table B-2

Penalty Sanctions Received on or Prior to June 30, 2011			
Date Received	Amount Received	Date Received	Amount Received
7/19/2010	$ 26,000	2/9/2011	10,000
7/26/2010	44,500	2/11/2011	10,000
7/28/2010	35,000	2/16/2011	55,000
8/2/2010	5,000	2/23/2011	3,000
8/2/2010	20,000	2/24/2011	80,000
8/13/2010	8,000	2/28/2011	38,500
8/16/2010	7,000	3/14/2011	12,500
8/19/2010	30,000	3/15/2011	15,000
8/26/2010	59,500	3/15/2011	6,000
9/8/2010	3,000	3/21/2011	6,500
9/10/2010	30,000	4/1/2011	5,000
9/13/2010	20,000	4/8/2011	80,000
9/23/2010	30,000	4/12/2011	450,000
9/28/2010	109,000	4/13/2011	17,500
10/29/2010	35,000	4/18/2011	18,000
11/8/2010	225,000	4/22/2011	7,000
11/9/2010	1,000	4/25/2011	3,000
11/15/2010	30,000	4/25/2011	3,000
11/19/2010	1,000	4/25/2011	3,000
11/19/2010	70,000	4/28/2011	3,000
11/22/2010	106,000	4/28/2011	94,000
11/22/2010	12,000	4/28/2011	3,000
11/29/2010	31,000	5/27/2011	11,900
11/29/2010	4,800	5/27/2011	2,000
11/29/2010	12,500	5/16/2011	23,223
12/1/2010	7,500	5/31/2011	60,000
12/2/2010	4,000	5/31/2011	13,000
12/6/2010	9,000	5/12/2011	27,000
12/20/2010	8,000	5/26/2011	14,500
12/20/2010	26,000	5/26/2011	106,000
12/27/2010	12,000	5/26/2011	25,100
12/27/2010	10,000	6/2/2011	35,000
1/5/2011	12,000	6/8/2011	26,000
1/10/2011	27,000	6/8/2011	31,000
1/10/2011	39,000	5/23/2011	7,500
1/11/2011	8,000	5/23/2011	6,000
1/13/2011	2,000	6/13/2011	16,500
1/21/2011	28,000	6/13/2011	89,000
1/24/2011	50,000	6/16/2011	35,000
1/24/2011	4,000		
2/2/2011	1,000	**Total Penalties Received**	$ 2,706,023
2/4/2011	15,000	Withheld for registered function penalties *	(450,000)
2/7/2011	10,000		
2/7/2011	25,000		
2/8/2011	1,500	**Net Penalties to Offset Assessments**	**$ 2,256,023**

* Amount withheld to pay compliance penalties incurred by the WECC registered functions as a result of alleged non-compliance with NERC mandatory reliability standards or WECC regional reliability standards.

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding WECC Assessments & Penalty Sanctions)	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget
Reliability Standards				
Interest	$ -	$ -	$ 7,063	$ 7,063
Miscellaneous	-	-	235	235
Total	$ -	$ -	$ 7,298	$ 7,298
Compliance Monitoring, Enforcement & Org. Registration				
Workshops	$ 254,000	$ 368,128	$ 396,875	$ 142,875
Interest	-	-	103,296	103,296
Miscellaneous	-	-	3,443	3,443
Total	$ 254,000	$ 368,128	$ 503,614	$ 249,614
				-
Reliability Assessment and Performance Analysis				
Federal Grants	$ 3,831,541	$ 3,936,016	$ 2,884,940	$ (946,601)
Interest	-	-	37,345	37,345
Miscellaneous	-	-	1,245	1,245
Total	$ 3,831,541	$ 3,936,016	$ 2,923,531	$ (946,601)
Training and Education				
Workshops	$ 749,650	$ 505,140	$ 606,600	$ (143,050)
Interest	-	-	2,649	2,649
Miscellaneous	-	-	88	88
Total	$ 749,650	$ 505,140	$ 609,337	$ (140,313)
Situation Awareness and Infrastructure Security				
Federal Grants	$ 24,112,680	$ 15,275,008	$ 24,459,669	$ 346,989
Interest	-	-	140,818	140,818
Miscellaneous	-	-	4,694	4,694
Total	$ 24,112,680	$ 15,275,008	$ 24,605,181	$ 492,501
Technical Committees and Member Forums	$ 122,400	$ 47,235	$ 86,691	$ (35,709)
Total	$ 122,400	$ 47,235	$ 86,691	$ (35,709)
General and Administrative				
Interest	$ 350,000	$ 47,389	$ -	$ (350,000)
Miscellaneous	4,000	1,826	-	(4,000)
Total	$ 354,000	$ 49,215	$ -	$ (354,000)
Total Outside Funding	**$ 29,424,271**	**$ 20,180,742**	**$ 28,735,653**	**$ (727,209)**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

WECC anticipates its investments will earn approximately $300,000 in 2011, which represents a decrease of $50,000 due to more conservative estimates. This revenue is allocated to the Statutory Programs based on FTE.

Compliance Monitoring, Enforcement and Organization Registration

- An increase of $143,000 in workshop revenue is anticipated in 2012 due to the increased demand and attendance at the CUG and CIPUG meetings.

Reliability Assessment and Performance Analysis

- Revenues from the RTEP grant are expected to decrease by $947,000 as a result of decreased associated costs.

Training and Education

- Workshop revenue decreases by $143,000 due to the reduction in the total number of sessions and a preliminary estimate of operators scheduled to attend training sessions.

Situation Awareness and Infrastructure Security

- WECC will receive $24.5 million in DOE grant funding for WISP. This represents an increase of $347,000 over 2011. The funds directly offset increases in expenditures related to the WISP project.

General and Administrative

- Miscellaneous funding increases by $6,000 to align with 2010 levels of funding.
-

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Salaries					
Salaries	$ 21,383,416	$ 19,869,952	$ 22,416,470	$ 1,033,054	4.8%
Employment Agency Fees	105,000	-	-	(105,000)	-100.0%
Temporary Office Services	66,500	100,023	24,320	(42,180)	-63.4%
Total Salaries	$ 21,554,916	$ 19,969,975	$ 22,440,790	$ 885,874	4.1%
Total Payroll Taxes	$ 1,882,449	$ 1,527,696	$ 1,832,322	$ (50,127)	-2.7%
Benefits					
Workers Compensation	$ 30,000	$ 16,549	$ 22,000	$ (8,000)	-26.7%
Medical Insurance	2,406,026	1,893,529	2,350,120	(55,906)	-2.3%
Life-LTD-STD Insurance	199,424	139,039	244,805	45,381	22.8%
Education	338,100	248,226	434,000	95,900	28.4%
Relocation	60,000	56,879	152,000	92,000	153.3%
Other	16,000	2,631	17,500	1,500	9.4%
Total Benefits	$ 3,049,550	$ 2,356,853	$ 3,220,425	$ 170,875	5.6%
Retirement					
Discretionary 401k Contribution	$ 1,481,665	$ 1,300,954	$ 1,525,323	$ 43,658	2.9%
Savings Plan	-	-	-	-	
Total Retirement	$ 1,481,665	$ 1,300,954	$ 1,525,323	$ 43,658	2.9%
Total Personnel Costs	$ 27,968,580	$ 25,155,478	$ 29,018,860	$ 1,050,280	3.8%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Salaries

- Salaries increase by $1 million primarily due to the addition of 5.3 FTEs as discussed in the previous sections.
- Employment Agency Fees decrease by $105,000 due to the completion of WECC's Chief Executive Officer executive search.
- Temporary Office Services decrease by $42,000 due to slower personnel growth and anticipated lower levels of reliance on temporary services.

Payroll Taxes

- Payroll Taxes decrease due to a more conservative budget assumption related to payroll taxes that more accurately aligns with actual costs experienced in 2010.

Benefits

- Workers' Compensation decreases by $8,000 to more closely reflect 2010 actual expenditure and anticipated 2012 expenditures.
- Medical Insurance decreases by $56,000 to more closely reflect 2010 actual utilization of WECC's Healthcare Reimbursement Arrangement.
- Life-LTD-STD Insurance increases due to the addition of FTE.

- Education increases by $96,000 due to increased training requirements for the Compliance and RC functions. Also WECC implemented a tuition reimbursement program that results in $42,000 of this increase.
- Relocation increases by $92,000 to more closely reflect projected costs to relocate new recruits to WECC locations.

Retirement

- 401k contributions increase by $44,000 due to the addition of 5.3 FTEs in 2012.

Consultants and Contracts

Table B-5

Consultants	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Consultants					
Reliability Standards	$ 2,400	$ 720	$ -	$ (2,400)	-1
Compliance and Organization Registration and Certification	100,000	742,749	45,000	(55,000)	-55%
Reliability Assessment and Performance Analysis	2,195,076	1,957,627	1,826,000	(369,076)	-17%
Training and Education	58,000	147,893	81,000	23,000	40%
Situation Awareness and Infrastructure Security	5,822,583	3,076,133	6,623,570	800,987	14%
Committee and Member Forums	590,750	509,956	70,000	(520,750)	-88%
General and Administrative	20,000	32,835	60,000	40,000	200%
Legal and Regulatory	-	-	-	-	
Information Technology	20,000	-	15,000	(5,000)	-25%
Human Resources	9,000	9,000	30,000	21,000	233%
Accounting and Finance	2,000	2,000	5,000	3,000	1.5
Consultants Total	$ 8,819,809	$ 6,478,913	$ 8,755,570	$ (64,239)	-1%
				-	

Contracts	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Contracts					
Reliability Standards	$ -	$ -	$ -	$ -	
Compliance and Organization Registration and Certification	582,500	1,106,589	530,000	(52,500)	-9%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	1,119,296	900,000	891,516	(227,780)	-20%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	9,000,000	5,433,258	9,621,886	621,886	7%
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Contracts Total	$ 10,701,796	$ 7,439,847	$ 11,043,402	$ 341,606	3%
Total Consulting and Contracts	**$ 19,521,605**	**$ 13,918,760**	**$ 19,798,972**	**$ 277,367**	1%

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Consultants

- Compliance and Organization Registration and Certification decrease by $55,000 due to the hiring of staff to undertake tasks previously performed by consultants.
- Reliability Assessment and Performance Analysis Consultants decrease by $369,000 due to the planned winding down of analytical activities associated with RTEP project.
- Training and Education Consultants increase by $23,000 due to an increased use of consultants to conduct training sessions. This increase is offset by a decrease in Personnel Expenses.
- Situation Awareness Consultants increases by $801,000, due to increased activity associated with WISP.
- Committee and Member Forums Consultants decrease by $521,000 in part due to the completion of the cost-benefit analysis of the EDT. This analysis was included in the 2011 budget for $450,000 and is expected to be completed in 2011. The remaining Consultants and Contracts decreases are due to WECC staff performing functions previously performed by consultants.

- General and Administrative Consultants increase by $40,000 due to the inclusion of the annual Measures of Success survey associated with the WECC 2010-2012 Strategic Plan. Additionally, Consulting increases due to the inclusion of a WECC Annual Review document and other communication services.
- Information Technology Consultants decrease $5,000 due to the addition of 1.1 FTEs in IT.
- Human Resources Consultants increase by $21,000 due to the anticipated compensation benchmarking project and to assist in the implementation of an integrated HRIS/payroll system
- Accounting and Finance increases by $3,000 to assist in the implementation of an integrated HRIS/payroll system.

Contracts

- Compliance, and Organization Registration and Certification contracts decrease by $52,000 due to the hiring of staff to undertake tasks previously performed by contractors.
- Reliability Assessment and Situation Awareness contracts are part of the RTEP and WISP grants, and represent sub-recipient contracts.

Office Rent

Table B-6

Office Rent	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Office Rent	$ 1,846,000	$ 1,571,359	$ 1,784,259	(61,741)	13.55%
Utilities	24,000	18,157	25,000	1,000	37.69%
Maintenance	263,000	34,740	263,200	200	657.63%
Security	20,000	11,196	20,700	700	84.89%
Total Office Rent	**$ 2,153,000**	**$ 1,635,452**	**$ 2,093,159**	**$ (59,841)**	**27.99%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Office Rent decreases by $62,000, to better align with WECC's current lease agreements in Vancouver and Salt Lake City.

Office Costs

Table B-7

Office Costs	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Telephone	$ 271,476	$ 186,582	$ 269,696	$ (1,780)	44.55%
Internet	898,131	451,805	766,330	(131,801)	69.62%
Office Supplies	172,831	188,936	214,410	41,579	13.48%
Computer Supplies and Maintenance	3,094,710	3,223,203	4,315,854	1,221,144	33.90%
Publications & Subscriptions	14,600	23,543	54,700	40,100	132.34%
Dues and Fees	130,900	100,242	93,603	(37,297)	-6.62%
Postage	9,200	7,405	9,180	(20)	23.97%
Express Shipping	78,645	19,763	52,313	(26,332)	164.70%
Copying	151,900	61,977	199,800	47,900	222.38%
Bank Charges	55,200	80,616	59,800	4,600	-25.82%
Taxes	155,000	12,997	-	(155,000)	-100.00%
Total Office Costs	**$ 5,032,593**	**$ 4,357,069**	**$ 6,035,686**	**$ 1,003,093**	**38.53%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Internet expenses decrease by a net $132,000 due to the combination of a reduction of $315,000 in costs previously budgeted as Internet expenses in 2011, which are now more appropriately included in Computer Supplies and Maintenance, and an increase of $192,000 due to increased bandwidth needs related to the RC function.
- Office Supplies increase by $42,000 to more closely reflect 2010 actual results and anticipated 2012 expenditures based on staffing levels.
- Computer Supplies and Maintenance increases by $1.2 million due to the inclusion of $315,000 cost previously budgeted as Internet expenses in 2011, but which are now more appropriately included in Computer Supplies and Maintenance. The remaining increase is primarily due to increased procurement of small computer equipment and license purchases associated with WISP.
- Publications and Subscriptions increase by $40,000 to more closely reflect 2010 actual results and anticipated 2011 expenditures.
- Dues and fees decrease by $37,000 to more closely reflect 2010 actual results and anticipated 2012 expenditures.
- Copying increases by $48,000 primarily due to new equipment leases.
- Express Shipping decreases by $26,000 due to increased use of electronic communication between WECC's three locations rather than express shipping of documents.
- Taxes decrease by $155,000 due to WECC's expectation that it will receive an exemption for income taxes in the State of Washington.

Professional Services

Table B-8

Professional Services	Budget 2011	Projection 2011	Budget 2012	Variance 2012Budget v 2011 Budget	Variance %
Independent Trustee Fees	$ 375,000	$ 396,499	$ 477,750	$ 102,750	20.49%
Outside Legal	309,500	233,513	316,000	6,500	35.32%
Accounting & Auditing Fees	42,500	55,550	46,800	4,300	-15.75%
Insurance Commercial	475,400	115,609	94,411	(380,989)	-18.34%
Total Services	**$ 1,202,400**	**$ 801,171**	**$ 934,961**	**$ (267,439)**	**16.70%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

Independent Trustee Fees

- Independent Trustee Fees increase by $81,000 to more closely reflect 2010 actual results and anticipated 2012 expenditures.

Outside Legal

- Outside Legal increases by $6,500 due to anticipated expenses associated with the preparation and response to the Compliance audit of the RC function in 2012.

Insurance Commercial

- Insurance Commercial decreases by $381,000 due to a reduction in the amount of coverage provided under the policy.

Other Non-Operating

Table B-9

Other Non-Operating Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2011 Budget v 2011 Budget	Variance %
Interest Expense	$ -	$ -	$ -	$ -	
Line of Credit Payment	-	-	-	-	
Office Relocation	-	-		-	
Total Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

- Not applicable

Section C – Non-Statutory Activities
2012 Business Plan and Budget

Section C — 2012 Non-Statutory Business Plan and Budget

Non-Statutory Activities (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	5.0	5.0	-
Direct Expenses	1,164,227	1,148,257	(15,970)
Indirect Expenses	413,843	385,883	(27,960)
Inc(Dec) in Fixed Assets	-	6,000	6,000
Total Funding Requirement	1,578,070	1,540,140	(37,930)

Non-Statutory Functional Scope

The Western Renewable Energy Generation Information System (WREGIS) is an independent, renewable energy database for the Western Interconnection. WREGIS creates renewable energy certificates (REC) for verifiable renewable generation from units that are registered in the database.

WREGIS was developed through a collaborative process between the Western Governors' Association, the Western Regional Air Partnership, and the California Energy Commission (CEC). This development was further guided by stakeholder input from more than 400 participants over a period of more than three years. WREGIS is governed by a seven-member committee, consisting of representatives from various stakeholder groups. WECC is the administrative home of WREGIS.
WREGIS costs fall outside Section 215 of the Federal Power Act. Participants fund WREGIS through registration and transaction fees. "Backstop" funding is provided by the CEC pursuant to a contract between the CEC and WECC.

WREGIS consists of two parts: the information system software and the administrative operations housed at WECC. The WREGIS staff oversees the software contractor and performs all of the administrative tasks required to operate the program including: registering account holders and generation units; training WREGIS users; and managing the budgeting, billing, and financial reporting.
WREGIS operates on a fiscal year beginning October 1. WREGIS' budget has been converted to a calendar year for the purposes of WECC's 2012 Business Plan and Budget.

Major 2012 Assumptions and Cost Impacts

The CEC is a financial backstop for WREGIS to the extent that other funding sources are insufficient. This support ends on March 30, 2012, by which time it is expected that WREGIS will be fully self-funded. WREGIS has been self-funded since 2009 for all administrative operations and for software costs since 2010.

2012 Primary Goals and Objectives

- Implement the WREGIS program as required by the participating states, provinces, and voluntary programs.
- Register program participants, whether mandatory or voluntary.
- Refine the WREGIS software to ensure optimum performance in terms of both efficiency and ease of use for account holders.
- Keep abreast of possible needs to increase WREGIS' functionality.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- WREGIS account holders pay an initial registration fee and annual renewal fees. Amounts vary by the size and category of the account holder.
- Volumetric-based fees are assessed when RECs are traded, retired, reserved, or transferred.
- The CEC provides back-up funding for WREGIS if other funding sources are insufficient. This support ends in 2012, by which time it is expected that WREGIS will be fully self-funded.
- Under most circumstances nominal fees are charged for users who attend training.

Personnel Expenses

- Personnel Expenses are decreasing by $14,000 due to adjustments in benefit assumptions to more accurately reflect utilization of benefits programs and 2010 expenditure levels.

Meeting Expenses

- Meeting Expenses remain flat.

Operating Expenses

- Consultants and Contracts decrease by $38,000 due to increased utilization of current employees for work previously performed by consultants.
- Office Costs increase by $36,000 due to an increased number of change control requests related to the modification of the software used by WREGIS.

Indirect Expenses

- Indirect expenses are allocated based on FTEs. The WREGIS allocation decreases due to a decrease in total indirect costs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Fixed assets increase by $6,000 due to the refresh of the WREGIS server.

2011 Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures
2011 Budget & Projection, and 2012 Budget

NON-STATUTORY

	2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	$ -	$ -	$ -	$ -	$ -
Penalty Sanctions		$ -	$ -	-	-
Total WECC Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Membership Dues/Non-statutory Assessments	1,565,590	1,617,438	51,848	1,800,000	234,410
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	12,480	1,185	(11,295)	10,000	(2,480)
Interest	-	-	-	8,829	8,829
Miscellaneous	-	38,205	38,205	294	294
Total Funding	**$ 1,578,070**	**$ 1,656,828**	**$ 78,758**	**$ 1,819,123**	**$ 241,053**
Expenses					
Personnel Expenses					
Salaries	$ 355,846	$ 256,430	$ (99,416)	$ 356,373	$ 527
Payroll Taxes	32,026	20,739	(11,287)	29,842	(2,184)
Benefits	92,146	29,117	(63,029)	79,765	(12,381)
Retirement Costs	24,909	16,654	(8,255)	24,576	(333)
Total Personnel Expenses	**$ 504,927**	**$ 322,940**	**$ (181,987)**	**$ 490,557**	**$ (14,370)**
Meeting Expenses					
Meetings	$ 20,780	$ 1,495	$ (19,285)	$ 21,500	$ 720
Travel	50,000	4,103	(45,897)	50,000	-
Conference Calls	500	-	(500)	500	-
Total Meeting Expenses	**$ 71,280**	**$ 5,598**	**$ (65,682)**	**$ 72,000**	**$ 720**
Operating Expenses					
Consultants & Contracts	$ 113,300	$ 2,264	$ (111,036)	$ 75,000	$ (38,300)
Office Rent	-	-	-	-	-
Office Costs	418,320	371,184	(47,136)	454,200	35,880
Professional Services	56,400	28,250	(28,150)	56,500	100
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	**$ 588,020**	**$ 401,698**	**$ (186,322)**	**$ 585,700**	**$ (2,320)**
Total Direct Expenses	**$ 1,164,227**	**$ 730,236**	**$ (433,991)**	**$ 1,148,257**	**$ (15,970)**
Indirect Expenses	**$ 413,843**	**$ 413,843**	**$ -**	**$ 385,883**	**$ (27,960)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 1,578,070**	**$ 1,144,079**	**$ (433,991)**	**$ 1,534,140**	**$ (43,930)**
Change in Assets	**$ -**	**$ 512,749**	**$ 512,749**	**$ 284,983**	**$ (284,983)**
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	6,000	6,000
Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets	**$ -**	**$ -**	**$ -**	**$ (6,000)**	**$ (6,000)**
Allocation of Fixed Assets			$ -	-	$ -
Change in Fixed Assets	**-**	**-**	**-**	**(6,000)**	**(6,000)**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ 512,749**	**$ 512,749**	**$ 278,983**	**$ 278,983**

Personnel Analysis

FTEs are defined as full-time employees only. Fractional FTEs reflect part-time employees or employees who worked in fewer than all four quarters of the year.

Total FTE's by Program Area	Budget 2011	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs[1] 2012 Budget	Total FTEs 2012 Budget	Change from 2011 Budget
	NON-STATUTORY					
Operational Programs						
Total FTEs Operational Programs	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Administrative Programs						
WREGIS	5.0	5.0	5.0	0.0	5.0	0.0
Total FTEs Administrative Programs	**5.0**	**5.0**	**5.0**	**0.0**	**5.0**	**0.0**
Total FTEs	**5.0**	**5.0**	**5.0**	**0.0**	**5.0**	**0.0**

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

There are no changes to personnel within the non-statutory functions.

Reserve Analysis — 2011–2012

Working Capital Reserve Analysis 2011-2012		
NON-STATUTORY		
Beginning Working Capital Reserve (Deficit), December 31, 2010		6,390,385
Plus: 2011 WECC Funding (from LSEs or designees)		
Plus: 2011 Other funding sources		1,656,828
Less: 2011 Projected expenses & capital expenditures		(1,144,079)
Projected Working Capital Reserve (Deficit), December 31, 2011		**6,903,134**
Desired Working Capital Reserve, December 31, 2012	[1]	6,903,134
Less: Projected Working Capital Reserve, December 31, 2011		(6,903,134)
Additional funding required to achieve desired Working Capital Reserve		0
2012 Funding for Expenses and Capital Expenditures		1,540,140
Less: Other Funding Sources		(1,819,123)
Adjustment to achieve desired Working Capital Reserve		278,983
2012 Funding (reserve adjustment)		0

[1] On June 22, 2011, the WECC Board of Directors approved this reserve level.

Section D – Additional Consolidated Financial Statements

2012 Business Plan and Budget

Section D – Additional Consolidated Financial Statements

2012 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

				Functions in Delegation Agreement												Non-Statutory Functions		
Statement of Activities and Capital Expenditures by Program 2012 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total	WREGIS	??
Funding																		
WECC Funding																		
WECC Assessments	36,977,492	36,977,492	-	36,977,492	945,657	12,654,013	4,288,165	(20,680)	19,110,337		-	-	-	-	-	-	-	
Penalty Sanctions	2,256,023	2,256,023	-	2,256,023	54,725	800,348	289,356	20,522	1,091,072							-		
Total WECC Funding	**39,233,515**	**39,233,515**	**-**	**39,233,515**	**1,000,382**	**13,454,361**	**4,577,521**	**(158)**	**20,201,409**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Non-statutory Funding	1,800,000	-	1,800,000	-	-	-	-	-	-	-	-	-	-	-	-	1,800,000	1,800,000	
Federal Grants	27,431,301	27,431,301	-	27,431,301	-	-	2,884,940	-	24,459,669	86,691	-	-	-	-	-	-	-	
Services & Software	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	
Workshops	1,013,475	1,003,475	10,000	1,003,475	-	396,875	-	606,600	-	-	-	-	-	-	-	10,000	10,000	
Interest	300,000	291,171	8,829	291,171	7,063	103,296	37,345	2,649	140,818	-		-	-	-	-	8,829	8,829	
Miscellaneous	10,000	9,706	294	9,706	235	3,443	1,245	88	4,694	-		-	-	-	-	294	294	
Total Funding	**69,788,290**	**67,969,167**	**1,819,123**	**67,969,167**	**1,007,680**	**13,957,975**	**7,501,052**	**609,178**	**44,806,590**	**86,691**	**-**	**-**	**-**	**-**	**-**	**1,819,123**	**1,819,123**	**-**
Expenses																		
Personnel Expenses																		
Salaries	22,797,164	22,440,790	356,373	22,440,790	478,530	5,539,807	1,970,357	98,906	9,110,926	909,422	2,030,913	1,143,740	636,736	244,954	276,500	356,373	356,373	
Payroll Taxes	1,862,164	1,832,322	29,842	1,832,322	40,691	461,222	167,549	8,575	745,553	77,344	139,972	94,193	54,142	20,702	22,379	29,842	29,842	
Benefits	3,300,190	3,220,425	79,765	3,220,425	59,466	683,041	297,966	21,095	1,027,970	80,437	232,262	119,983	83,276	569,100	45,829	79,765	79,765	
Retirement Costs	1,549,899	1,525,323	24,576	1,525,323	41,327	382,813	137,981	7,062	614,538	63,695	115,271	77,571	44,588	22,048	18,430	24,576	24,576	
Total Personnel Expenses	29,509,417	29,018,860	490,557	29,018,860	620,014	7,066,884	2,573,852	135,638	11,498,987	1,130,897	2,518,417	1,435,487	818,742	856,804	363,138	490,557	490,557	-
Meeting Expenses																		
Meetings	1,139,705	1,118,205	21,500	1,118,205	14,700	433,797	171,483	144,432	-	349,503	4,290	-	-	-	-	21,500	21,500	
Travel	2,135,420	2,085,420	50,000	2,085,420	59,000	995,000	230,600	9,800	397,000	141,600	130,120	88,000	10,000	15,000	9,300	50,000	50,000	
Conference Calls	202,060	201,560	500	201,560	14,440	59,750	41,000	500	24,200	39,870	10,700	2,500	6,000	2,000	600	500	500	
Total Meeting Expenses	3,477,185	3,405,185	72,000	3,405,185	88,140	1,488,547	443,083	154,732	421,200	530,973	145,110	90,500	16,000	17,000	9,900	72,000	72,000	-
Operating Expenses																		
Consultants & Contracts	19,873,972	19,798,972	75,000	19,798,972	-	575,000	2,717,516	81,000	16,245,456	70,000	60,000	-	15,000	30,000	5,000	75,000	75,000	
Office Rent	2,093,159	2,093,159	-	2,093,159	-	-	-	46,368	855,691	-	1,191,100	-	-	-	-	-	-	
Office Costs	6,489,886	6,035,686	454,200	6,035,686	8,020	481,260	181,510	102,280	4,071,634	99,049	283,033	66,360	649,000	60,630	32,910	454,200	454,200	
Professional Services	988,461	931,961	56,500	931,961	-	18,000	43,750	-	171,000	403,000	104,411	135,000	-	10,000	46,800	56,500	56,500	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation	3,672,600	3,672,600	-	3,672,600	-	150,150	8,400	1,000	2,600,000	16,000	776,150	-	120,900	-	-	-	-	
Total Operating Expenses	33,118,078	32,532,378	585,700	32,532,378	8,020	1,224,410	2,951,176	230,648	23,943,781	588,049	2,414,694	201,360	784,900	100,630	84,710	585,700	585,700	-
Total Direct Expenses	**66,104,679**	**64,956,422**	**1,148,257**	**64,956,422**	**716,174**	**9,779,841**	**5,968,111**	**521,017**	**35,863,968**	**2,249,919**	**5,078,221**	**1,727,347**	**1,619,642**	**974,434**	**457,748**	**1,148,257**	**1,148,257**	
Indirect Expenses	(0)	(385,883)	385,883	(385,883)	308,706	4,514,827	1,632,284	95,611	5,083,309	(2,163,228)	(5,078,221)	(1,727,347)	(1,619,642)	(974,434)	(457,748)	385,883	385,883	
Other Non-Operating Expenses	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	**66,104,679**	**64,570,539**	**1,534,140**	**64,570,539**	**1,024,880**	**14,294,668**	**7,600,395**	**616,628**	**40,947,278**	**86,691**	**-**	**-**	**-**	**-**	**-**	**1,534,140**	**1,534,140**	**-**
Change in Assets	**3,683,611**	**3,398,628**	**284,983**	**3,398,628**	**(17,200)**	**(336,693)**	**(99,342)**	**(7,450)**	**3,859,313**	**-**	**-**	**-**	**-**	**-**	**-**	284,983	**284,983**	-
Fixed Assets																		
Depreciation	(3,672,600)	(3,672,600)	-	(3,672,600)	-	(150,150)	(8,400)	(1,000)	(2,600,000)	(16,000)	(776,150)	-	(120,900)	-	-	-	-	
Computer & Software CapEx	5,449,228	5,449,228	-	5,449,228	-	50,000	-	-	5,189,228	75,000	-	20,000	75,000	20,000	20,000	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equipment CapEx	1,628,000	1,622,000	6,000	1,622,000	-	15,000	-	-	1,613,000	-	-	-	(6,000)	-	-	6,000	6,000	
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(Inc)Dec in Fixed Assets	**(3,404,628)**	**(3,398,628)**	**(6,000)**	**(3,398,628)**	**-**	**85,150**	**8,400**	**1,000**	**(4,202,228)**	**(59,000)**	**776,150**	**(20,000)**	**51,900**	**(20,000)**	**(20,000)**	**(6,000)**	**(6,000)**	
Allocation of Fixed Assets	-	-	-	-	17,200	251,543	90,942	6,450	342,915	59,000	(776,150)	20,000	(51,900)	20,000	20,000	-	-	
Change in Fixed Assets	**(3,404,628)**	**(3,398,628)**	**(6,000)**	**(3,398,628)**	**17,200**	**336,693**	**99,342**	**7,450**	**(3,859,313)**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,000)**	**(6,000)**	
TOTAL CHANGE IN NET ASSETS	**278,983**	**-**	**278,983**	**-**	**-**	**0**	**-**	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**278,983**	**278,983**	
FTEs	**218.2**	**213.2**	**5.0**	**213.2**	**4.0**	**58.5**	**21.2**	**1.5**	**79.8**	**8.0**	**16.9**	**9.6**	**6.8**	**3.0**	**4.0**	**5.0**	**5.0**	

Statement of Financial Position

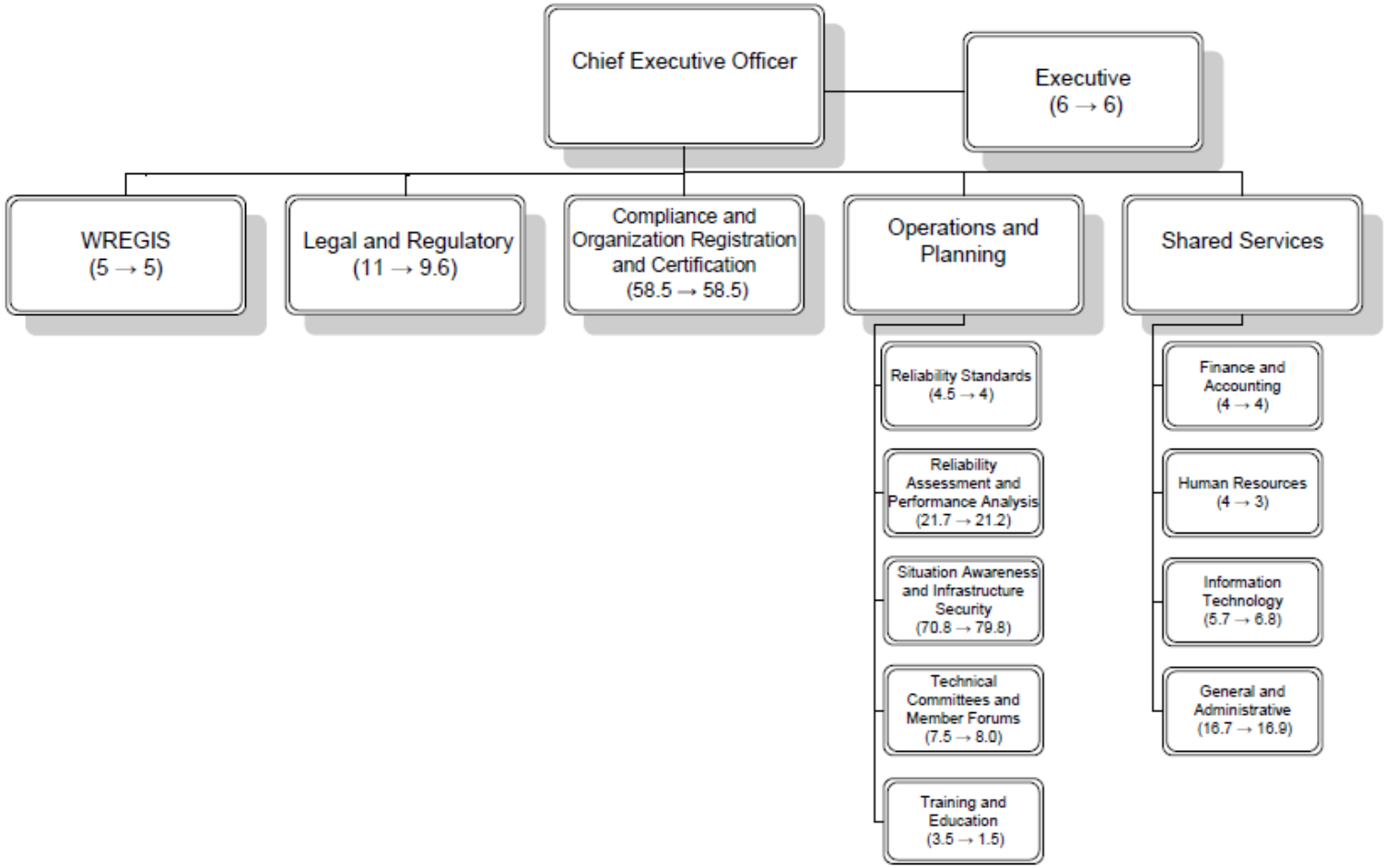
Statement of Financial Position
2010 Audited, 2011 Projection, and 2012Budget

STATUTORY and NON-STATUTORY

(in thousands)

	(Per Audit) 31-Dec-10	Projected 31-Dec-11	Budget 31-Dec-12
ASSETS			
Cash and cash equivalents	$ 38,936	$ 41,159	$ 41,209
Investments	4,220	4,200	4,250
Accounts receivable, net of allowance	3,585	3,600	3,600
Prepaid expenses and other assets	373	375	375
Property and equipment	6,520	12,804	16,203
Total Assets	**$ 53,634**	**$ 62,138**	**$ 65,637**
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	6,592	6,600	6,700
Accrued payroll and related liabilities	2,575	2,600	2,600
Deverred revenue	23,967	24,000	24,000
Other liabilities	2,709	2,700	2,700
Total Liabilities	**$ 35,843**	**$ 35,900**	**$ 36,000**
Unrestricted net assets	17,791	26,238	29,637
Total Liabilities and Net Assets	**$ 53,634**	**$ 62,138**	**$ 65,637**

Appendix A: Organizational Chart



Appendix B: 2012 Budget & Projected 2013 and 2014 Budgets

Statement of Activities and Capital Expenditures
2012 Budget & Projected 2013 and 2014 Budgets

Statutory

	2012 Budget	2013 Projection	$ Change 12 v 13	% Change 12 v 13	2014 Projection	$ Change 13 v 14	% Change 13 v 14
Funding							
ERO Funding							
ERO Assessments	$ 36,977,492	$ 39,699,504	$ 2,722,012	7.36%	$ 42,315,570	2,616,066	6.2%
Penalty Sanctions	2,256,023	-	(2,256,023)	-100.00%	-	-	
Total ERO Funding	**$ 39,233,515**	**$ 39,699,504**	**$ 465,989**	**1.2%**	**$ 42,315,570**	**$ 2,616,066**	**6.2%**
	-						
Membership Dues	-	-	-		-	-	
Grant Revenue	27,431,301	2,971,489	(24,459,812)	-89.17%	742,872	(2,228,616)	-75.0%
Services & Software	-	-	-	0.00%	-	-	0.0%
Workshops	1,003,475	1,043,163	39,688	3.96%	1,086,819	43,656	4.2%
Interest	291,171	300,000	8,829	3.03%	300,000	-	0.0%
Miscellaneous	9,706	10,000	294	3.03%	10,000	-	0.0%
Total Funding	**$ 67,969,167**	**$ 44,024,155**	**$ (23,945,013)**	**-35.2%**	**$ 44,455,261**	**$ 431,106**	**1.0%**
Expenses							
Personnel Expenses							
Salaries	$ 22,440,790	$ 24,004,214	$ 1,563,424	7.0%	$ 25,325,209	1,320,995	5.5%
Payroll Taxes	1,832,322	1,959,324	127,003	6.93%	2,068,099	108,775	5.6%
Benefits	3,220,425	3,525,067	304,642	9.46%	4,130,029	604,963	17.2%
Retirement Costs	1,525,323	1,630,870	105,547	6.92%	1,721,302	90,432	5.5%
Total Personnel Expenses	**$ 29,018,860**	**$ 31,119,475**	**$ 2,100,616**	**7.2%**	**$ 33,244,640**	**$ 2,125,164**	**6.8%**
Meeting Expenses							
Meetings	$ 1,118,205	$ 1,146,045	$ 27,841	2.5%	$ 1,103,151	(42,894)	-3.7%
Travel	2,085,420	2,179,982	94,562	4.53%	2,211,825	31,843	1.5%
Conference Calls	201,560	206,135	4,575	2.27%	201,842	(4,293)	-2.1%
Total Meeting Expenses	**$ 3,405,185**	**$ 3,532,161**	**$ 126,977**	**3.7%**	**$ 3,516,818**	**$ (15,344)**	**-0.4%**
Operating Expenses							
Consultants & Contracts	$ 19,798,972	$ 3,741,496	(16,057,476)	-81.1%	$ 1,775,448	(1,966,048)	-52.5%
Office Rent	2,093,159	2,155,954	62,795	3.00%	2,220,632	64,679	3.0%
Office Costs	6,035,686	2,935,420	(3,100,266)	-51.37%	2,909,110	(26,310)	-0.9%
Professional Services	931,961	881,165	(50,796)	-5.45%	870,908	(10,257)	-1.2%
Miscellaneous	-	-	-		-	-	
Depreciation	3,672,600	3,850,339	177,739	4.84%	4,036,802	186,463	4.8%
Total Operating Expenses	**$ 32,532,378**	**$ 13,564,373**	**$ (18,968,005)**	**-58.3%**	**$ 11,812,900**	**$ (1,751,472)**	**-12.9%**
Total Direct Expenses	**$ 64,956,422**	**$ 48,216,010**	**$ (16,740,412)**	**-25.8%**	**$ 48,574,358**	**$ 358,348**	**0.7%**
Indirect Expenses	**$ (385,883)**	**$ (388,063)**	**$ (2,180)**	**0.6%**	**$ (399,705)**	**$ (11,642)**	**3.0%**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**		**-**	**-**	
Total Expenses	**$ 64,570,539**	**$ 47,827,947**	**$ (16,742,592)**	**-25.9%**	**$ 48,174,653**	**346,706**	**0.7%**
Change in Assets	**$ 3,398,628**	**$ (3,803,792)**	**$ (7,202,420)**	**-211.9%**	**$ (3,719,392)**	**$ 84,400**	**-2.2%**
Fixed Assets							
Depreciation	$ (3,672,600)	$ (3,850,339)	$ (177,739)	4.8%	$ (4,036,802)	$ (186,463)	4.8%
Computer & Software CapEx	5,449,228	1,075,000	(4,374,228)	-80.27%	1,085,000	10,000	0.9%
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	1,622,000	15,000	(1,607,000)	-99.08%	15,000	-	0.0%
Leasehold Improvements	-	-	-		-	-	
(Incr)Dec in Fixed Assets	**$ (3,398,628)**	**$ 2,760,339**	**$ 6,158,967**	**-181.2%**	**$ 2,936,802**	**$ 176,463**	**6.4%**
TOTAL CHANGE IN NET ASSETS	**$ -**	**$ -**	**$ -**	**0.0%**	**$ (782,590)**	**$ -**	**0.0%**
FTEs	**213**	**220.6**	**7.6**	**3.57%**	**227.10**	**6.5**	**2.9%**

Appendix C: Adjustment to the AESO 2012 Assessment

Adjustment to the AESO 2012 Assessment

Credit for WECC Compliance Costs

	2011 Compliance Budget AESO NEL Allocation	2012 Compliance Budget AESO NEL Allocation
2012 NERC Compliance Costs		
Direct Costs less Direct Revenue	$ 9,286,867	$ 9,276,226
Indirect Costs	4,841,962	4,514,827
Fixed Asset Expenditures		(336,693)
Total Costs, including Fixed Assets	**$ 14,128,829**	**$ 13,454,361**
Net total to be allocated	**$ 14,128,829**	**$ 13,454,361**
AESO NEL Share (2009 & 2010)	6.660%	6.841%
AESO Proportional Share of Compliance Costs, including Fixed Assets	**$ 940,980**	**$ 920,369**
% Credit (21.8 of 58.5 FTEs for 2011; 23 of 65 FTE for 2012)	36.75%	34.33%
AESO credit for compliance costs	**$ 345,836**	**$ 315,948**

DOCKET NO. RR11-__-000

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

<u>ATTACHMENT 11</u>

WESTERN INTERCONNECTION REGIONAL ADVISORY BODY

PROPOSED 2012 BUSINESS PLAN AND BUDGET

2012 Business Plan and Budget

Western Interconnection Regional Advisory Body

Approved by:
The Western Interconnection Regional Advisory Body

DATE
June 10, 2011

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2011 Consolidated Statement of Activities by Program, Statutory and Non-Statutory 23

Introduction

WIRAB TOTAL RESOURCES (in whole dollars)	2012 Budget	U.S.	Canada	Mexico
Statutory FTEs	2.75			
Non-statutory FTEs	0			
Total FTEs	2.75			
Statutory Expenses	$ 614,677			
Non-Statutory Expenses	$ -			
Total Expenses	$ 614,677			
Statutory Inc(Dec) in Fixed Assets	$ -			
Non-Statutory Inc(Dec) in Fixed Assets	$ -			
Total Inc(Dec) in Fixed Assets	$ -			
Statutory Working Capital Requirement*	$ (369,828)			
Non-Statutory Working Capital Requirement**	$ -			
Total Working Capital Requirement	$ (369,828)			
Total Statutory Funding Requirement	$ 244,849			
Total Non-Statutory Funding Requirement				
Total Funding Requirement	$ 242,849			
Statutory ERO Funding Assessments	$ 242,849			
Non-Statutory Membership Fees	0			
NEL	839,909,667	712,246,425	117,088,288	10,574,954
NEL%	100%	84.8%	13.9%	1.3%

*Refer to Table B-1 on page 16 in Section B.

Organizational Overview

In April 2006, ten Western Governors petitioned to create the Western Interconnection Regional Advisory Body under Section 215(j) of the Federal Power Act. The Governors indicated their interest in inviting all U.S. states, Canadian provinces and Mexico, which have territory in the Western Interconnection, to join WIRAB.

Pursuant to the order of the Federal Energy Regulatory Commission (FERC) in Docket No. RR06-2-000 issued on July 20, 2006 (the "Order")[1], the FERC:

- Granted the Western Governors' petition to establish the Western Interconnection Regional Advisory Body (WIRAB) under Section 215(j) of the Federal Power Act;
- Granted the request that WIRAB receive funding for reasonable costs of its Section 215(j) activities; and
- Directed WIRAB to develop a budget and related information and submit it to the ERO for review by the ERO and submission through the ERO budget approval process.

The Order states that funding for Regional Advisory Bodies should be part of the overall funding process for the Electric Reliability Organization (ERO). The Commission instructed WIRAB to develop a budget in a form similar to that specified for regional entities as set forth in Order

[1] Order on Petition to Establish a Regional Advisory Body for the Western Interconnection, 116 FERC ¶61,061, Docket No. RR06-2-000, July 20, 2006.

672.[2] The July 20 Order specified that the WIRAB should annually develop and submit to the ERO its budget for 215(j) activities and an organization chart that the ERO will then review and submit to the Commission. The WIRAB submission also needs to identify the portion of its costs for 215(j) activities that will be funded from Canada and Mexico, and the basis for this allocation.

Membership and Governance

All of the states with territory in the Western Interconnection (AZ, CA, CO, ID, MT, NE, NV, NM, OR, SD, TX, UT, WA, WY), the provinces of Alberta and British Columbia, and Mexico are members of WIRAB. Below is the list of members appointed by the Governor or Premier:

Alberta	Ian McKay, Department of Energy
Arizona	Vacant, Governor's Office
British Columbia	Scott Barillaro, Ministry of Energy, Mines and Petroleum Resources
California	Bill Chamberlain, California Energy Commission
Colorado	Morey Wolfson, Governor's Energy Office
Idaho	Marsha Smith, Public Utilities Commission
Mexico	Marcos Valenzuela, CFE
Montana	Tom Kaiserski, Department of Commerce
Nebraska	Tim Texel, Nebraska Power Review Board
Nevada	Rebecca Wagner, Public Utilities Commission
New Mexico	John Bemis, Energy, Minerals and Natural Resources Department
Oregon	John Savage, Public Utility Commission
South Dakota	Brian Rounds, Public Utilities Commission
Texas	Donna Nelson, Public Utility Commission
Utah	Amanda Smith, Governor's Office
Washington	Tony Usibelli, Department of Community, Trade and Economic Development
Wyoming	Shawn Reese, Governor's Office

The Governors created WIRAB as a standing advisory committee to the Western Interstate Nuclear Board, which was formed pursuant to the Western Interstate Nuclear Compact, P.L. 91-461. Members of the WIRAB are appointees of the Governors and Premiers or their alternates. WIRAB has the same status under the compact as the Western Interstate Energy Board (WIEB), which is the energy affiliate of the Western Governors' Association. WIRAB operates under the bylaws of WINB as revised on April 4, 2006. (See organizational chart on page 14.)

[2] Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Reliability Standards, Order 672, Docket RM05-30-000, Feb. 3, 2006, P. 228. "Each Regional Entity must submit its complete business plan, entire budget and organizational chart to the ERO for it to submit to the Commission. The complete business plan and the entire budget will provide the Commission with necessary information about any non-statutory activities, the source of their funding, and whether the pursuit of such activities presents a conflict of interest for the Regional Entity. For a Cross-Border Regional Entity, this information will also inform the Commission as to what portion of the budget is expended upon activities within the United States."

Statutory Functional Scope

FERC approved the petition of the Western Governors to create WIRAB as a regional advisory body under Section 215(j) of the Federal Power Act.

2012 Key Assumptions

- WIRAB continues to operate with the participation of all U.S. States and Canadian Provinces in the Western Interconnection, and Mexico.
- WIRAB continues to meet regularly by conference call and topical webinars, and is scheduled to hold two in-person meetings in 2012. WIRAB representatives will meet with FERC at its offices once in 2012.
- The current delegated model continues.
- There is no significant expansion of FERC, NERC or WECC responsibilities as a result of legislation pending in the U.S. Congress.
- Fiscal constraints in State and Provincial agency budgets make the reimbursement of travel costs associated with WIRAB activities more important.

2012 Goals and Key Deliverables

- Advice to FERC, NERC and WECC on whether standards, budgets and fees, governance, compliance, assessments, strategic direction and other activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest. WIRAB will examine fees, standards and governance of WECC and NERC. It will continue to pursue its long-standing priorities of: determining if consumers are getting a "bang-for-the-buck" being spent on reliability; promoting comity among entities in the Canadian, U.S. and Mexican portions of the Western Interconnection; and fostering transparency in the activities of WECC and NERC. In addition, WIRAB has adopted four new priorities:
    - Promote reliability of a changing power grid that includes significantly more variable wind and solar generation;
    - Promote the evaluation and deployment of new cost-effective technologies to improve reliability and make more efficient use of the grid;
    - Expand WECC's role in identifying and evaluating challenges to the Western Interconnection; and
    - Educate states/provinces about cyber-security threats and responses, and identify actions that states/provinces can take to improve cyber-security

- Regular conference calls or in-person meetings of WIRAB, which include opportunities for public comment.

- Webinars or workshops to expand the understanding of States and Provinces on reliability issues. For example, on May 26, 2011 WIRAB held a webinar for Western states/provinces on grid cyber security issues. The primary audience of the webinars is WIRAB members, however, because of the broad interest in the webinar topics, other Western state and provincial personnel were invited to participate.
- Monitoring of reliability issues important to the Western Interconnection including, but not limited to the following.
    - The development of building blocks to determine if consumers are receiving a "bang-for-the-buck" they are spending on reliability, such as the application of the definition of an "adequate level of reliability" to standards development; prioritization of standards development and enforcement based on risk to reliability in the interconnection; promising approaches to evaluating the cost-effectiveness of reliability standards, including the development of "results-based" standards;
    - Examining trends in violations, including the deployment of a Western Interconnection Reliability Violations Mapping Tool (RVMT). WIRAB developed a pilot web-based tool in 2010-2011.
    - Transmission expansion.
    - Integration of variable generation.
    - WECC's Section 4.9 review of the organization and WECC strategic planning efforts.
    - Opportunities for states, particularly PUCs, to assist in improving the cyber security preparedness of western entities.

  Information gleaned from monitoring issues is used by WIRAB staff to prepare briefing memos for WIRAB members prior to all WIRAB conference calls and meetings and to identify webinar topics. The monitoring effort involves participation in all meetings of the WECC Board of Directors, including reports on WIRAB concerns, attendance at selected meetings of the NERC Board of Trustees and Members' Representatives Committee, and attendance at selected WECC committee and work group meetings. WIRAB's meetings, webinars and monitoring better inform Western states, Western provinces and Mexico on grid reliability issues. Based on this informational foundation, WIRAB can offer concise and relevant advice to FERC, NERC and WECC that reflects the public interest of Western states, Western provinces and Mexico. WIRAB's work also promotes international comity with Western Canadian Provinces and Mexico on reliability issues which is necessary for the effective implementation of reliability standards in the Western Interconnection.

2012 Overview of Cost Impacts

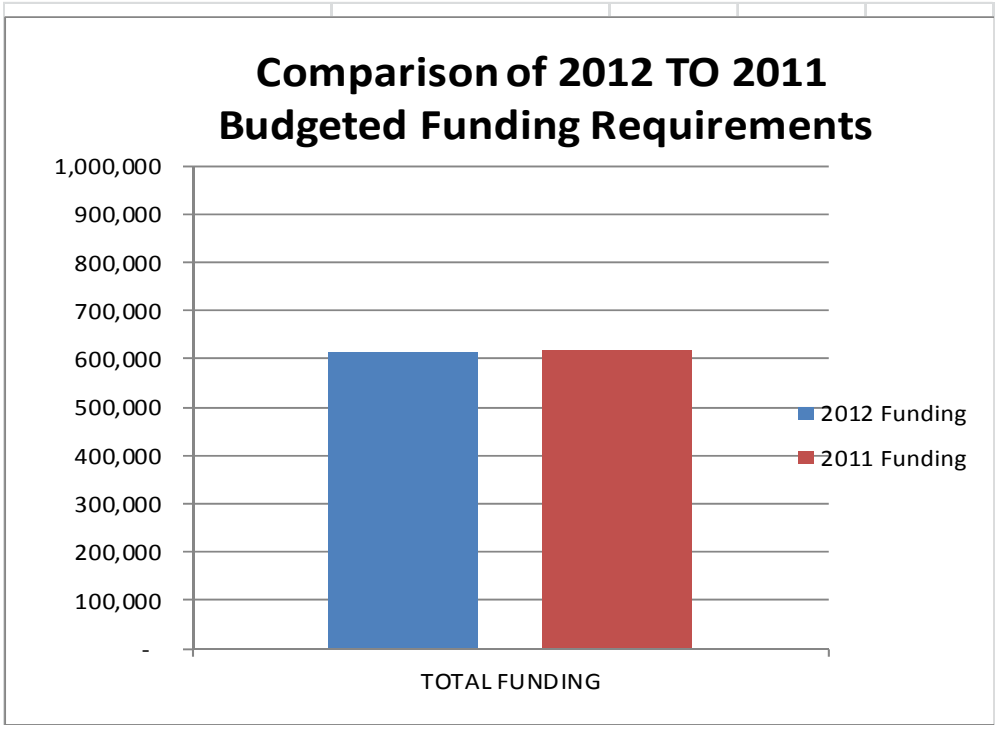
WIRAB's proposed 2012 budget is $614,677, slightly lower than the 2011 budget. Staff costs are slightly higher in the 2012 budget than in the 2011 budget.

Total projected FTEs in 2012 are 2.75. In 2011, staff costs and indirect costs are estimated to be lower than budgeted due to delays in hiring qualified staff in 2011, lower overhead costs and diversion of staff time to a related project on WECC transmission planning. However, overall staff costs in 2012 will increase for the following reasons.

- In April 2011, WIRAB hired a full time attorney to assist WIRAB and this position will continue in 2012.
- WIRAB will be increasing staff time to prepare states/provinces to participate in WECC standards development work as provided in changes to WECC bylaws that were approved by WECC in June 2011. These changes are being submitted to NERC and FERC for approval.
- WIRAB will be expanding its work on governance of WECC should WECC become involved in the implementation of an Energy Imbalance Market in the West. Any such decision by WECC regarding its role in an EIM is likely to occur in 2012.
- WIRAB will be expanding its work on reliability issues associated with the integration of large amounts of variable generation. Driven primarily by state Renewable Portfolio Standards, the Western Interconnection is expected to add 32,000 MW of variable generation in the next nine years. WECC's first interconnection-wide transmission expansion plan scheduled to be approved in September will highlight this challenge. Integration of variable generation has also been highlighted by NERC as a significant reliability challenge. The Western Interconnection may be "ground zero" in facing the challenge. WIRAB intends to fully engage WECC on the issue, including needed organizational changes (e.g., reconstitution of WECC's Variable Generation Subcommittee), review of WECC programs and funding to address the challenge, and examination of standards affecting the integration of variable generation.

The budget includes $75,000 for contracting for technical expertise on issues related to standards and compliance. This expertise will help WIRAB prepare technically-sound advice under Section 215. Meeting costs will increase slightly from $10,000 in the 2011 budget to $11,000 while WIRAB continues to hold two in-person meetings per year. Travel costs will increase from $25,000 to $27,000 per year. Wherever feasible, WIRAB meetings will be coordinated with other meeting of Western states and provinces. A working capital reserve of $100,000 will be maintained.

Program	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Western Interconnection Regional Advisory Body	616,470	414,000	614,677	(1,793)	-0.3%



This graphical representation does not include an allocation of working capital requirements among the Program Areas

WIRAB FTE's

Total FTE's by Program Area	Budget 2011	Projection 2011	Direct FTEs 2012 Budget	Shared FTEs[1] 2012 Budget	Total FTEs 2012 Budget	Change from 2011 Budget
STATUTORY						
Operational Programs						
WIRAB	2.50	1.70	2.75		2.75	0.25
Total FTEs Operational Programs	**2.50**	**1.70**	**2.75**	**0.00**	**2.75**	**0.3**
Administrative Programs						
WIRAB (included in indirect expenses)					0.0	0.0
Total FTEs Administrative Programs	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total FTEs	**2.50**	**1.70**	**2.75**	**0.00**	**2.75**	**0.25**

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

2011 Budget and Projection and 2012 Budget Comparisons

Statement of Activities and Capital Expenditures 2011 Budget & Projection, and 2012 Budget						
		STATUTORY				
		2011 Budget	2011 Projection	Variance 2011 Projection v 2011 Budget Over(Under)	2012 Budget	Variance 2012 Budget v 2011 Budget Over(Under)
Funding						
ERO Funding						
	ERO Assessments	$ 319,363	$ 319,363	-	$ 242,849	$ (76,514)
	Penalty Sanctions	-	-	-	-	-
Total ERO Funding		**$ 319,363**	**$ 319,363**	**$ -**	**$ 242,849**	**$ (76,514)**
	Membership Dues	-	-	-	-	-
	Testing Fees	-	-	-	-	-
	Services & Software	-	-	-	-	-
	Workshops	-	-	-	-	-
	Interest	2,500	2,000	(500)	2,000	$ (500)
	Miscellaneous	-	-	-	-	-
Total Funding		**$ 321,863**	**$ 321,363**	**$ (500)**	**$ 244,849**	**$ (77,014)**
Expenses						
Personnel Expenses						
	Salaries	$ 235,500	$ 150,000	(85,500)	$ 245,900	$ 10,400
	Payroll Taxes (included in indirect exp	-	-	-	-	-
	Benefits (Included in indirect expense)	-	-	-	-	-
	Retirement Costs (included in indirect	-	-	-	-	-
Total Personnel Expenses		**$ 235,500**	**$ 150,000**	**$ (85,500)**	**$ 245,900**	**$ 10,400**
Meeting Expenses						
	Meetings	$ 10,000	$ 5,000	(5,000)	$ 11,000	$ 1,000
	Travel	25,000	20,000	(5,000)	27,000	$ 2,000
	Conference Calls	2,500	2,000	(500)	2,500	$ -
Total Meeting Expenses		**$ 37,500**	**$ 27,000**	**$ (10,500)**	**$ 40,500**	**$ 3,000**
Operating Expenses						
	Consultants & Contracts	$ 75,000	$ 75,000	-	$ 75,000	$ -
	Office Rent (included in indirect)	-	-	0	-	-
	Office Costs (Included in indirect	-	-	-	-	-
	Professional Services	-	-	-	-	-
	Miscellaneous	-	-	-	-	$ -
	Depreciation (Included in indirect)	-	-	-	-	-
Total Operating Expenses		**$ 75,000**	**$ 75,000**	**$ -**	**$ 75,000**	**$ -**
	Total Direct Expenses	**$ 348,000**	**$ 252,000**	**$ (96,000)**	**$ 361,400**	**$ 13,400**
Indirect Expenses		**$ 268,470**	**$ 162,000**	(106,470)	**$ 253,277**	$ (15,193)
Other Non-Operating Expenses		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses		**$ 616,470**	**$ 414,000**	**$ (202,470)**	**$ 614,677**	**$ (1,793)**
Change in Assets		**$ (294,607)**	**$ (92,637)**	**$ 201,970**	**$ (369,828)**	**$ (75,221)**
Fixed Assets						
	Depreciation	$ -	$ -	$ -	$ -	$ -
	Computer & Software CapEx	-	-	-	-	-
	Furniture & Fixtures CapEx	-	-	-	-	-
	Equipment CapEx	-	-	-	-	-
	Leasehold Improvements	-	-	-	-	-
(Incr)Dec in Fixed Assets		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	Allocation of Fixed Assets	-	-	-		-
Change in Fixed Assets		**-**	**-**	**-**	**-**	**-**
TOTAL CHANGE IN NET ASSETS		**$ (294,607)**	**$ (92,637)**	**$ 201,970**	**$ (369,828)**	**$ (75,221)**

Section A – Statutory Programs

2012 Business Plan and Budget

Section A — 2012 Business Plan

Western Interconnection Regional Advisory Body

Western Interconnection Regional Advisry Body (in whole dollars)	2011 Budget	2012 Budget	Increase (Decrease)
Total FTEs	2.5	2.75	0.25
Direct Expenses	348,000	361,400	13,400
Indirect Expenses	268,470	253,277	(15,193)
Inc(Dec) in Assets	(294,607)	(369,828)	(75,221)
Total Funding Requirement	321,863	244,849	(77,014)

Program Scope and Functional Description

The western governors created WIRAB to provide advice to FERC, NERC and WECC on whether standards, budgets and fees, compliance, assessments, strategic direction and other activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest.

WIRAB meetings are open to all. There are regular meetings via web conferencing and topical webinars, in 2012, there will be two in-person meetings. These meetings are expected to be held in April and October.

2012 Key Assumptions

- WIRAB continues to operate with the participation of all U.S. States and Canadian Provinces in the Western Interconnection, and Mexico.
- WIRAB continues to meet regularly by conference call and topical webinars and is scheduled to hold two in-person meetings in 2012. WIRAB representatives will meet with FERC at its offices once in 2012.
- The current delegated model continues.
- There is no significant expansion of FERC, NERC or WECC responsibilities as a result of legislation pending in the U.S. Congress.
- Fiscal constraints in State and Provincial agency budgets make the reimbursement of travel costs associated with WIRAB activities more important.

2012 Goals and Key Deliverables

- Advice to FERC, NERC and WECC on whether standards, budgets and fees, governance, compliance, assessments, strategic direction and other activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest. WIRAB will examine fees, standards and governance of WECC and NERC. It will continue to pursue its long-standing priorities of: determining if

consumers are getting a "bang-for-the-buck" being spent on reliability; promoting comity among entities in the Canadian, U.S. and Mexican portions of the Western Interconnection; and fostering transparency in the activities of WECC and NERC. In addition, WIRAB has adopted four new priorities:

- Promote reliability of a changing power grid that includes significantly more variable wind and solar generation;
- Promote the evaluation and deployment of new cost-effective technologies to improve reliability and make more efficient use of the grid;
- Expand WECC's role in identifying and evaluating challenges to the Western Interconnection; and
- Educate states/provinces about cyber-security threats and responses, and identify actions that states/provinces can take to improve cyber-security

- Regular conference calls or in-person meetings of WIRAB which include opportunities for public comment.
- Webinars or workshops to expand the understanding of States and Provinces on reliability issues. For example, on May 26, 2011 WIRAB held a webinar for Western states/provinces on grid cyber security issues. The primary audience of the webinars is WIRAB members, however, because of the broad interest in the webinar topics, other Western state and provincial personnel were invited to participate.
- Monitoring of reliability issues important to the Western Interconnection including, but not limited to the following.
    - The development building blocks to determine if consumers are receiving a "bang-for-the-buck" they are spending on reliability, such as the application of the definition of an "adequate level of reliability" to standards development; prioritization of standards development and enforcement based on risk to reliability in the interconnection; promising approaches to evaluating the cost-effectiveness of reliability standards, including the development of "results-based" standards;
    - Examining trends in violations, including the deployment of a Western Interconnection Reliability Violations Mapping Tool (RVMT). WIRAB developed a pilot web-based tool in 2010-2011, which can be found at http://wieb.esri.com/wieb/
    - Transmission expansion.
    - Integration of variable generation.
    - WECC's Section 4.9 review of the organization and WECC strategic planning efforts.
    - Opportunities for states, particularly PUCs, to assist in improving the cyber security preparedness of western entities.

Information gleaned from monitoring issues is used by WIRAB staff to prepare briefing memos for WIRAB members prior to all WIRAB conference calls and meetings and to identify webinar topics. The monitoring effort involves participation in all meetings of the WECC Board of Directors, including reports on WIRAB concerns, attendance at

selected meetings of the NERC Board of Trustees and Members' Representatives Committee, and attendance at selected WECC committee and work group meetings. WIRAB's meetings, webinars and monitoring better inform Western states, Western provinces and Mexico on grid reliability issues. Based on this informational foundation, WIRAB can offer concise and relevant advice to FERC, NERC and WECC that reflects the public interest of Western states, Western provinces and Mexico. WIRAB's work also promotes international comity with Western Canadian Provinces and Mexico on reliability issues which is necessary for the effective implementation of reliability standards in the Western Interconnection.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Interest income will be $500 lower due to continued low interest rates and a reduction in the principal amount.

Personnel Expenses

- Total expenses for salaries are estimated to increase slightly. The number of FTE's will be slightly increased. Payroll taxes, Benefits, and Retirement Costs are included in Indirect Costs and are detailed in Table B-4 on Page 18.

Meeting Expenses

- Travel increases by $2,000. There will continue to be two WIRAB meetings per year and some travel to WECC, NERC and FERC meetings.
- Meeting expenses increase $1,000 to reflect increased expense of holding meetings. There will still be two meetings in 2012.
- Conference call expenses remain unchanged.

Operating Expenses

- No change. The budget includes $75,000 for contracting for technical expertise on issues related to standards and compliance. This expertise will help WIRAB prepare technically-sound advice under Section 215.

Indirect Expenses

- Decrease $15,193 due to lower administrative costs (support personnel, rent, and other office expenses). There will be some increased cost for benefits such as medical insurance.

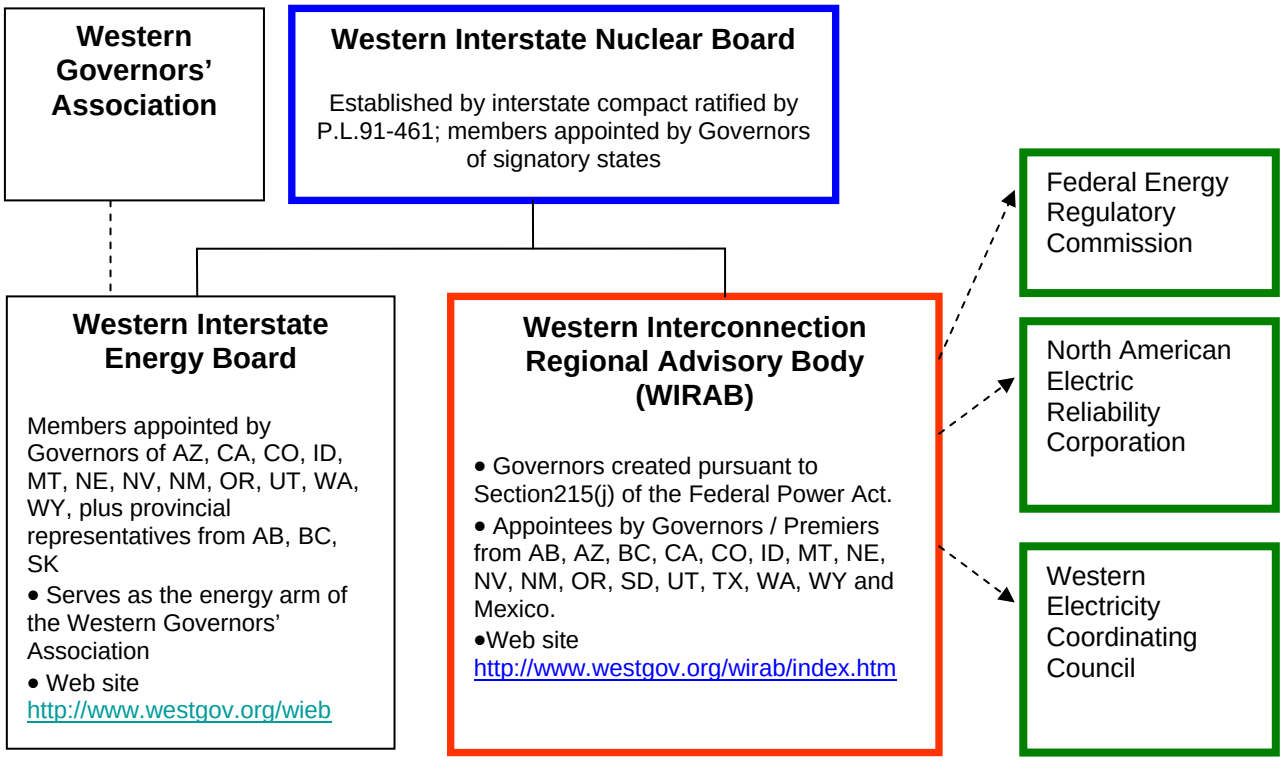
Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

2012 Organizational Chart



Section B – Supplemental Financial Information

2012 Business Plan and Budget

Section B — Supplemental Financial Information
Reserve Balance

Table B-1

Working Capital Reserve Analysis 2011-2012		
STATUTORY		
Beginning Working Capital Reserve (Deficit), December 31, 2010		562,465
Less: Penalty sanctions to be used as offset to 2011 assessments	1	0
Plus: 2011 ERO Funding (from LSEs or designees)		319,363
Plus: 2011 Other funding sources		2,000
Less: '2011 Projected expenses & capital expenditures		(414,000)
Projected Working Capital Reserve (Deficit), December 31, 2011		**469,828**
Desired Working Capital Reserve, December 31, 2012	2	100,000
Less: Projected Working Capital Reserve, December 31, 2011		(469,828)
Increase(decrease) in assessments to achieve desired Working Capital Reserve		(369,828)
2012 Assessment for Expenses and Capital Expenditures		614,677
Less: Penalty Sanctions	1	
Less: Other Funding Sources		(2,000)
Adjustment to achieve desired Working Capital Reserve		(369,828)
2012 Assessment		242,849

[1] Penalty sanctions are not applicable to WIRAB

[2] On June 29, 2009, WIRAB members approved a desired working capital reserve of $100,000
The reserve consists of the following components:
$100,000 for contingenies

Explanation of Changes in Reserve Policy from Prior Years

None

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, of the 2012 WIRAB Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

Not applicable to WIRAB

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2011	Projection 2011	Budget 2012	Variance 2012 Budget v 2011 Budget	Variance %
Salaries					
Salary	$ 235,500	$ 150,000	$ 245,900	$ 10,400	4.4%
Employment Agency Fees				-	
Temporary Office Services				-	
Total Salaries	$ 235,500	$ 150,000	$ 245,900	$ 10,400	4.4%
Total Payroll Taxes				$ -	
Benefits (included in indirect expenses)					
Workers Compensation				$ -	
Medical Insurance				-	
Life-LTD-LTC Insurance				-	
Education				-	
Relocation				-	
Total Benefits	$ -	$ -	$ -	$ -	
Retirement (included in indirect expenses)					
Discretionary 401k Cont.				$ -	
Savings Plan				-	
Total Retirement	$ -	$ -	$ -	$ -	
Total Personnel Costs	$ 235,500	$ 150,000	$ 245,900	$ 10,400	4.4%
FTEs	2.5	1.7	2.75	0.25	10.0%
Cost per FTE					
Salaries	$ 94,200	$ 88,235	$ 89,418	(4,782)	-5.1%
Payroll Taxes	7,442	6,971	7,064	(378)	-5.1%
Benefits	9,984	9,076	9,300	(684)	-6.9%
Retirement	7,065	6,618	6,706	(359)	-5.1%
Total Cost per FTE	**$ 118,691**	**$ 110,900**	**$ 112,489**	**$ (6,202)**	**-5.2%**

Explanation of Significant Variances – 2012 Budget versus 2011 Budget

The salary amount and the FTEs will increase by a small amount. This will result in a cost per FTE decrease of about 5 percent. Part of this decrease is due to a reordering of staff that is working on WIRAB issues. Since payroll taxes and retirement are based on salaries, these costs will also decrease.

Consultants and Contracts

See Table on page 9.

WIRAB is budgeting $75,000 for consultants and contracts in 2012, the same amount as in 2011.

Section C – Non-Statutory Activities

2012 Business Plan and Budget

Section C — 2012 Non-Statutory Business Plan and Budget

None

Section D – Additional Consolidated Financial Statements

2012 Business Plan and Budget

Section D

2011 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Financial Position

WIRAB Statement of Financial Position
Statutory

	As of December 31, 2010 (per July 2009- June 2010 audit)	As of December 31, 2011, projected		As of December 31, 2012, as budgeted
ASSETS				
Cash and Investments	562,455	469,818		100,000
Total Assets	562,455	469,818	*	100,000

* See chart B-1 on page 16

DOCKET NO. RR11-__-000

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

<u>ATTACHMENT 12</u>

DISCUSSION OF COMMENTS RECEIVED

DURING DEVELOPMENT OF NERC'S

2012 BUSINESS PLAN AND BUDGET

ATTACHMENT 12

DISCUSSION OF COMMENTS RECEIVED DURING DEVELOPMENT OF NERC'S 2012 BUSINESS PLAN AND BUDGET

During the preparation of its 2012 Business Plan and Budget, NERC posted a total of four drafts (Draft 1, Draft 2, Draft 3 and the Final Draft) on its Website for stakeholder comment. Comments were received on one or both of Draft 1 and Draft 2 from the Edison Electric Institute (EEI), National Rural Electric Cooperative Association (NRECA), the Ontario Independent Electricity System Operator (IESO), Hydro-Québec TransÉnergie (Hydro-Québec), NERC Membership Sector 4 (Federal or Provincial Utilities), State-Municipal Utilities and Transmission-Dependent Utilities, Midwest Reliability Organization (MRO), Northeast Power Coordinating Council (NPCC), SERC Reliability Corporation (SERC) and Western Electricity Coordinating Council (WECC). Only EEI provided written comments on Draft 3. No written comments were provided on Draft 4. EEI's only comments on Draft 3 were to provide support for the recommended changes from Draft 2 and to encourage NERC and the Regional Entities to make a clear commitment to determine the appropriate levels of staffing for compliance and enforcement that recognizes the broad range of initiatives that are likely to significantly influence both the policies and practices of the program. At the August 4, 2011 meeting of NERC's Finance and Audit Committee to review and recommend NERC Board of Trustees (Board) approval of the Final Draft, EEI also provided its support for approval of the Final Draft by NERC's Board.

The remainder of this Attachment summarizes the stakeholder comments on Drafts 1 and 2 and NERC's responses. With respect to some comments, a revision was made in a subsequent draft and in the final version of the 2012 Business Plan and Budget as a result of the comment. In other instances, the comment appeared to indicate a lack of complete understanding of the activity or budget amount described in the draft Business Plan and Budget that was the source of the comment, and NERC attempted to provide additional clarification or explanation. Finally, NERC did not agree with some comments and explains in this Attachment why it is not in agreement with those comments.

Edison Electric Institute Comments

- EEI does not support NERC devoting resources to activities outside Section 215.

  NERC Response - All of NERC's five programs have been approved by the Commission as statutory activities within Section 215. NERC does not believe that any of its current or budgeted activities are non-statutory activities.

- EEI is concerned about NERC devoting more resources to inefficient processes, procedures, and programs rather than addressing the root inefficiencies. Specific areas deserving primary focus include the significant and growing backlog, the tremendous amount of time and effort wasted on minor administrative violations, and slow standards development process.

<u>NERC Response</u> - NERC has a series of initiatives under way to improve business processes, procedures, and efficiencies. During 2011, it retained an independent consultant to assist management in this initiative. Compliance, Enforcement, Event Analysis, and Standards are among the key areas being focused on. In addition, management is working with industry to address root efficiencies in the Compliance and Standards areas through (1) risk-based compliance and enforcement initiatives, and (2) improvements in the standards governance process as well as resource support and process improvements in standards development. Some potential actions to improve efficiencies will require Commission approval.

NERC agrees that process improvements are needed and will continue to work with the Regional Entities, industry, Commission staff, and other stakeholders regarding improvements to their design and implementation to address these concerns. However, to some extent, a reduction in the number of minor administrative violations will require a reduction in the number of administrative requirements in mandatory standards, which may in turn require both increased NERC and industry resources in the standards development process (as EEI's comments recognize), and Commission approval of the resultant standards modifications. At the August 3, 2011 Member Representatives Committee meeting NERC also outlined a proposed framework to improve the efficiency of the compliance enforcement process and looks forward to continuing to work with stakeholders to finalize this improved framework and obtain regulatory approval thereof.

Please also refer to the more detailed responses below to comments regarding backlog/administrative violations and improvements in the efficiency of the standards development process.

- NERC should exercise stronger budget discipline.

<u>NERC Response</u> - Over the past several years, NERC has put in place a significant number of additional budgetary controls and procedures and has brought greater discipline to the budget process. Management has also worked closely with the Regional Entities to develop a set of common business plan and budget assumptions. In addition, NERC has been working to improve long term forecasting capabilities for several years. NERC included a three-year forecast in its 2011 Business Plan and Budget and this year both NERC and the Regional Entities are providing three-year forecasts as part of their 2012 Business Plans and Budgets. NERC intends for these 3 year forecasts to be an integral part of the ERO's long term business planning and budgeting process. Management remains committed to making continuing improvements in the business planning, budgeting, and forecasting processes.

- NERC should seriously consider whether, at a time when it is asking its users to absorb an increase of over 16 percent, it is time to institute a salary freeze or cap.

<u>NERC Response</u> - The final version of NERC's 2012 budget reflects an increase of 9 percent over the 2011 Budget, whereas Draft 2 had reflected a 16% increase. The final budget also includes a reduction in the merit pool for employee raises from 3 percent to

2 percent and a freeze on senior management salaries. However, while NERC is fully cognizant of the need to control Personnel expenses, NERC is also subject to strong competition for qualified personnel. It's also important to keep in mind that the loss of a qualified, experienced and trained employee to another employer imposes costs on both the NERC organization and on stakeholders.

- NERC should increase budget transparency and budget controls. All program areas should name contracts and consultants. NERC should retain an independent outside auditor to review NERC work productivity issues. Budget documents should explain significant deviation from approved budgets and actual spending. Budget documents should explain whether previous annual goals have been achieved. Budget documents should state changes in salaries and benefits for personnel. Program budget should define the costs for which program managers have direct responsibility or control.

NERC Response -

- **Management does not believe it is appropriate to name specific contractors and consultants in its publicly filed budget or understand why this is particularly relevant or important to the very transparent budget process which NERC follows. NERC makes this information available to the Finance and Audit Committee of the NERC board and to its auditors. Table B-5 of NERC's Business Plan and Budget includes consultant and contractor budget amounts by program area and shows changes from the prior year's budget with explanations of significant changes.**

- **NERC has retained an independent consulting firm to assist management in defining and implementing business process improvements.**

- **NERC's CEO presents a set of annual goals and objectives to the NERC Board's Corporate Governance and Human Resources Committee and the entire Board of Trustees each year at the February meeting. NERC's CEO then provides a quarterly update regarding progress in achieving these goals and objectives. These goals and objectives are also posted on NERC's website for public comment and input. Strategic goals and objectives are also reviewed at the Member Representatives Committee meetings.**

- **NERC also prepares monthly budget variance reports for internal use and publicly posts and reviews with the NERC Finance and Audit Committee quarterly and year-end budget to actual variance reports for NERC and the eight Regional Entities. These quarterly reports are also made available to and reviewed by NERC's Board of Trustees. Both the Finance and Audit Committee and Board of Trustee meetings are open to the public.**

- **NERC also files a year-end true-up report with the Commission comparing actual to budgeted expenditures for NERC and all eight Regional Entities, with explanations and discussion of significant variances between budgeted and actual expenditures on a program-by-program and line-item basis. All of the foregoing quarterly and year-end information is also available to the public.**

- **NERC presents information regarding total salary and benefit expenses and changes in its budget, as well as information regarding the percentage of base salaries used to fund merit increases. NERC salaries and benefits are also subject to review by NERC's Corporate Governance and Human Resources Committee and, in the case of officers, also by the entire NERC's Board of Trustees.**

- **NERC also publicly posted the schedule for preparation and filing of NERC and the Regional Entity 2012 Business Plans and Budgets, the Common Business Plan and Budget Assumptions, and 4 drafts of its business plan and budget for comment; conducted webinars regarding Draft 1 and Draft 3; and made presentations before NERC's Member Representatives Committee regarding Draft 2 and the Final Draft (Draft 4). NERC's Finance and Audit Committee also conducted a conference call to review the Regional Entity Business Plans and Budgets.**

NERC believes that all of the above activities demonstrate that its budgeting processes and financial reporting are both rigorous and highly transparent to stakeholders.

- NERC should push forward with Risk-Based Management. There is some evidence of a risk-based management in various program areas, however, a more complete statement of the plan would help inform both NERC management and industry stakeholders on what is being done and when, as well as who is managing various tasks. A plan would also be an appropriate response to FERC's focus on setting priorities. NERC Risk-Based Management should focus first on the compliance and enforcement program, emphasize reliability risks, and end the emphasis on paperwork.

<u>NERC Response</u> - In the compliance monitoring area, NERC began a risk based approach to determine appropriate audit scope by including critical reliability standards based on a multifactor analysis. This risk based approach was used in development of the 2011 Annual ERO Compliance Monitoring and Enforcement Program Implementation Plan (CMEP Implementation Plan) and Actively Monitored Reliability Standards List (AML), and has been further refined to develop the recently posted 2012 CMEP Implementation Plan and AML. There are two significant components in this risk based approach:

1. **Analyses of the reliability standards themselves based on historical trends and determination of criticality to real time operations and major planning efforts. Considerations in classifying standards within a three-tiered approach that focuses on the reliability of the bulk power system include:**
    - **ERO High Risk Priorities**
    - **Commission Orders and Guidance**
    - **Compliance History and Culture**
    - **Input from NERC staff including Compliance Operations, Critical Infrastructure Protection, Enforcement, Events Analysis and**

Investigations, Legal, Reliability Assessments and Performance Analysis, and Standards

- **Future Considerations**

2. **Assessment of entities to better determine risk profiles in order to inform and appropriately scope audits and other compliance monitoring methods. This entity assessment will include five components:**
   - **Technical and Risk Profile of the Entity**
   - **Reliability Metrics**
   - **Internal Compliance Program**
   - **Historical Review of Compliance and Enforcement Metrics**
   - **Regional Entity assessment.**

In the enforcement area, NERC recently launched a new initiative designed to refocus efforts on reliability excellence, eliminate undue regulatory burdens, streamline paperwork requirements, increase the rate of caseload processing, and encourage continued timely and thorough self-reporting and mitigation. By more expeditiously identifying, mitigating and resolving the issues that do not pose a serious or substantial risk to reliability of the bulk power system, NERC and the Regional Entities can devote more time, resources and efforts to those that do. Further detail regarding this initiative was reviewed during the August meeting of the NERC Board of Trustees Compliance Committee. A copy of the BOTCC presentation may be found at: http://www.nerc.com/docs/bot/botcc/BOTCC_3a%20-20Enforcement%20Discretion%20Initiatives-FINAL.pdf.

Management will continue to work collaboratively with stakeholders regarding design and implementation of these improvements.

NERC is also committed to developing and implementing an enterprise-wide risk management plan. Background materials regarding this were presented and discussed at the February and May NERC Finance and Audit Committee meetings, and were also discussed at the May NERC Board meeting and the August Finance and Audit Committee and Board meetings. Input from the chairs of the Compliance and Certification Committee and Standards Committee has also been solicited as part of this undertaking, given the key role of these committees in relation to the scope and objectives of NERC's proposed risk management framework. Input has also been solicited from other stakeholders.

- The actual budget assumptions and resulting proposed budget apparently assume zero progress in efficiency gains in the compliance and enforcement area, and instead simply add more people to address the problem.

  <u>NERC Response</u> - NERC's proposed resource additions in the compliance and enforcement area reflect the realities of existing workload, historical completion rates and the current regulatory framework (see the data, discussion and analysis at pages

33-41 of the final 2012 Business Plan and Budget, explaining the need for the additional staffing in Compliance), while at the same time acknowledging the assumptions regarding gains in efficiency as reflected in the common business plan and budget assumptions, including:

- **The implementation of risk-based methodologies to more effectively and efficiently support compliance monitoring activities.**
- **NERC and the Regional Entities continuing to develop and implement streamlined mechanisms to expedite the disposition of minor, administrative violations and look to gain more discretion to handle minor violations before they enter the enforcement process to better focus existing resources on significant violations.**

- Regardless of risk to reliability and continuing violations backlog issues, it is simply unacceptable that 2007 mitigation plans are still in progress. This particular paperwork issue must be resolved before 2012. Shorter term, NERC should explore ways to improve compliance and enforcement efficiency. Longer term, NERC should develop a strategic plan aimed at improving the compliance and enforcement design framework towards a risk-based and performance based model.

  <u>NERC Response</u> - There is only one reliability standards violation that was discovered in 2007 for which a mitigation plan has not yet been submitted for acceptance. For all other standards violations discovered in 2007, mitigation plans have been submitted, accepted, and verified by the Regional Entity as completed. Nevertheless, NERC agrees that mitigation plans should be submitted by the registered entity, reviewed for acceptance or modification by the Regional Entity and NERC, and then implemented by the registered entity and verified by the Regional Entity as completed, as expeditiously as possible after discovery of the violation (whether discovery occurs through self-reporting or through a compliance monitoring process initiated by the Regional Entity). NERC and the Regional Entities are continuing to examine their internal processes for review of mitigation plans submitted by registered entities in order to identify ways to shorten the amounts of time from discovery of an alleged violation to the registered entity's initial submission of a proposed mitigation plan to the acceptance of a mitigation plan that the registered entity can proceed to implement.

- NERC Standard Development Process must increase efficiency.

  <u>NERC Response</u> - NERC is continually considering ways to improve the efficiency of the standards development activities. In 2010, NERC developed and gained regulatory approval of the new *Standard Processes Manual*, which provides for the potential to shorten time frames. In 2011, NERC finished and gained approval of the initial standards development prioritization project, which will result in pending and new standards projects in the *Standards Development Plan* each year being ranked in priority categories. Also in 2011, NERC initiated the standards "rapid development" initiative, which is intended to assist in the development of key standards in a shorter amount of time (targeted for a year or less). This concept is currently being tested with a project focused on standards related to the analysis and mitigation of protection system misoperations. The project was started with a small team of experts familiar

with the current standard, who were charged with developing the initial draft of a results-based standard in this subject area. That work product was then handed over to a full drafting team for further work and refinement. Opportunities for improving the process have already been identified, and the current team is in the process of modifying the draft standard to address comments received during its first posting.

Further, the 2012 Budget provides for the addition of two Standards Specialists to the Reliability Standards program staff, to aid standard drafting teams in the drafting of standards and associated documents developed during the standards development process, including the documentation of the technical justifications for proposed requirements. These added resources should help improve efficiency by further reducing the need for revisions to draft standards during the later stages of the development process.

However, as EEI's comments recognize, the speed and efficiency of the stakeholder-based standards development process is in part dependent on the time commitment of industry volunteers and the corresponding resource commitments of their employers to allow industry volunteer to devote the necessary time to the standards process. It would be useful for EEI to make a commitment on behalf of its members to make personnel available for standards drafting team work and to provide those employees with sufficient schedule flexibility and reduction in their normal responsibilities to support more expeditious standards development processes.

More generally, even with the recent process improvements, NERC acknowledges that it might be a good time to engage stakeholders to consider basic changes in the standards development process. If this is of interest to the industry, this would be an excellent activity for the Standards Committee Process Subcommittee to begin undertaking.

- NERC should significantly revise or eliminate the SAFNR Program. Real-time operations cannot and should not be distracted by intrusive questioning. It is inappropriate for real-time data to flow to government agencies, where there is no context and the risks are high for misunderstandings and false conclusions. Instead of sustaining and expanding SAFNR as currently designed, and as an alternative to a SAFNR tool that provides no context or analysis, EEI believes that appropriate processes need to be defined for disciplined communications between industry owners and operators and government, including the role for NERC to assure that NERC remains in the information loop.

  <u>NERC Response</u> - A proposed timeline and work plan for the development and deployment of a SAFNR technology platform was included and approved as part of NERC's 2011 Business Plan and Budget, together with supporting funding. During the first six months of 2011, NERC management negotiated and put in place the necessary contractual commitments with vendors for deployment of this platform, including the payment of substantial software licensing fees.
  A primary objective of SAFNR is to *reduce* the degree of intrusion into real-time operations of reliability coordinators and others, by giving the Commission, NERC and the Regional Entities a direct, near-real time view of bulk power system conditions.

Management understands and appreciates the concerns of industry regarding the proper interpretation and use of information gathered through this platform and has reiterated that it has no intention to use the technology to engage in or interfere with system operations. Rather than abandon the considerable investment which has just been made based on an understanding of the benefits to reliability that SAFNR could provide, NERC management is proposing that consideration be given to establishing a committee comprised of representatives of the Reliability Coordinator Working Group, and Commission, NERC, and Regional Entity staff to develop parameters and guidance regarding the operation and use of SAFNR in order to address the legitimate concerns of industry going forward.

- Much of what NERC proposes in the situational awareness program area is either already taking place, has questionable value for supporting company activities, or has not been presented to or discussed with stakeholder. EEI also believes that some of the activity under this program is not a core function under Section 215.

  NERC Response - As noted earlier, all of NERC's programs have been approved by the Commission as statutory functions under Section 215. NERC does not believe it has engaged in or is proposing any work or initiatives that are not part of its statutory functions.

- NERC should focus on standards development and first and foremost on developing and approving the next version of the mandatory CIP standard.

  NERC Response - CIP standards development is a high priority activity for NERC and is receiving support from multiple program areas and departments.

- EEI agrees NERC should reduce NASPI funding to zero for the 2013 budget.

  NERC Response - NERC has made commitments to support the Grid Protection Alliance through calendar year 2013 and will be terminating funding thereafter. No other separate funding for NASPI is provided in NERC's 2012 budget or its budget forecasts thereafter.

- **Electric Sector Information Sharing and Analysis Center (ES-ISAC):** At this time, EEI believes it is appropriate for NERC to host the non-215 ES-ISAC function on behalf of the electric sector. However, we agreed with NERC that it is time for a strategic reassessment of the program to address various issues, including the separation of ES-ISAC function from section 215 compliance and enforcement functions. At a minimum, next year NERC should develop a corporate firewall for the ISAC activity to separate information sharing from compliance and enforcement activities. In addition, ES-ISAC should have a separate communications portal and should not communicate with industry participants via NERC Alerts.

  NERC Response – NERC does not agree that the ES-ISAC is a non-215 function but does agree that firewall separation of ISAC operations and communication portal activity from compliance and enforcement operations is necessary and appropriate to eliminate a potential disincentive to the industry to promptly report threat information

to the ES-ISAC due to concerns that the information reported may lead to a compliance enforcement action, and to facilitate timely sharing of threat information by and with industry. A central tenet of the effective functioning of the ES-ISAC is its ability to share sensitive information acquired from bulk power system incidents and events and collaboration with the federal intelligence community. NERC's 2012 budget includes resources to establish a separate secure communications portal, which is a key component to the efficient and effective functioning of the ES-ISAC going forward.

- **Department of Homeland Security (DHS) Memorandum of Understanding (MOU):** EEI is unaware that NERC has fully communicated to stakeholders the goals and objectives to be achieved, or risks to be addressed, through this MOU. EEI is concerned that the potential for creating additional and unnecessary levels of bureaucracy between asset owners and operators, and federal agencies who possess relevant threat information.

  NERC Response – The Cooperative Research and Development Agreement MOU between NERC and DHS details an engagement of analytical collaboration and incident management activities across the spectrum of cyber security coordination. DHS and NERC's ES-ISAC cooperative activities will identify and develop mitigations for emerging cyber security risks that enhance the protection of the electricity sector, and which are vital to national security. To ensure that this proposed information-sharing arrangement is useful and effective, NERC will involve and consult with industry stakeholders by seeking the input of the ESCC on policy-related matters and industry subject matter experts as needed.

- **National Laboratories activities:** While NERC proposes an "electric sector network monitoring initiative," EEI is unaware of what this means or what goals it seeks to satisfy. Companies today are free to contact national laboratories for collaboration or assistance.

  NERC Response – The Electric Sector Network Monitoring (ESNM) initiative sponsored by the DOE Pacific Northwest National Labs (PNNL) is an organizationally independent effort to deploy network monitoring devices at electric utilities across the US. PNNL has deployed six devices at U.S. utilities and NERC's plan is to investigate the feasibility of deploying a device at NERC and work with currently participating companies to determine the value of the ESNM information exchange with PNNL. NERC does not anticipate incurring any incremental costs to participate in this activity.

- **NERC-NIST Risk Management Project:** NERC proposes hiring outside consultants to perform various activities, including development of "comprehensive cyber security risk management guidelines" and a training activity. EEI believes that the DOE-based risk management collaborative is already well underway, and NERC activities here would duplicate the DOE effort and confuse companies on where to engage the issues. Further, pursuing its statutory charge, FERC is in the process of reviewing smart grid interoperability standards. EEI understands that DHS already conducts various training activities. Companies should be encouraged to actively participate under the DHS programs.

  NERC Response – The Risk Management Program (RMP) guideline is expected to be complete in 2011 and the 2012 NERC proposal for the DOE/NIST/NERC RMP is limited to conducting industry outreach and training on the RMP. As part of its

outreach efforts, NERC will use internal resources (not external consultant or contractor resources) to continue to promote cyber security training activities offered by DHS and other agencies.

- **Cyber Preparedness Risk Assessment:** NERC proposes to "examine utilities" for their abilities to defend information systems, deter and deny attacks, and respond to cyber attacks. EEI understands that DHS already performs these activities, having performed 50 onsite assessments in fiscal year 2010, with 75 planned for 2011. Companies should be strongly encouraged to participate under the DHS programs, including consideration that such participation would favorably reflect a company's commitment to reliability.

  NERC Response – The NERC Cyber Risk Preparedness Risk Assessment (CPRA) program is focused on cyber security penetration testing activity, whereas the DHS program is primarily focused on physical security-related events. Further, the CPRA program is focused on and tailored to each specific entity. NERC believes this is a valuable component of its overall security training and outreach, and entities that have participated in the CPRA have agreed. NERC encourages companies to participate in any program that provides value to their overall security posture including the DHS program(s).

- **Internet Monitoring Support:** NERC proposes hiring an outside consultant to provide "near real-time and historical" tools that will identify cyber attack trends. EEI understands that there is a DOE program that already conducts this activity and the proposed NERC budget does not explain any gaps or problems with the DOE initiative. Moreover, EEI believes that the collection, analysis, and responses to tactical threat information would best be served by NESCO, a DOE-funded initiative that specifically focuses on these issues.

  NERC Response - This initiative is not being pursued, and no costs or funding for it is provided in the final 2012 Business Plan and Budget.

- **Cyber Forensics Support:** NERC proposes building this activity to assist industry in the event of a major cyber attack on electric infrastructure. EEI believes that NERC does not have the expertise or infrastructure to perform these kinds of analyses. Moreover, this activity is currently performed by DHS.

  NERC Response - This initiative is not being pursued, and no costs or funding for it is provided in the final 2012 Business Plan and Budget.

- **Vendor Benchmarking:** NERC has stated interest in investigating benchmarking of various vendor products and systems. EEI believes that this is duplicative of activities performed by national laboratories. Moreover, DOE funding for NESCO supports additional research to be performed by EPRI.

  NERC Response - This initiative is not being pursued, and no costs or funding for it is provided in the final 2012 Business Plan and Budget.

- **Smart Grid Operator Certification:** NERC proposes to develop a "smart grid cyber operator certification program." The proposed budget does not describe how this supports

bulk power system reliability. EEI believes that consideration of this activity should be cancelled. Stakeholders have not been engaged, and smart grid issues relate primarily to local distribution facilities beyond the jurisdiction.

<u>NERC Response</u> – The Smart Grid Cyber Security Operator Certification program is a DOE PNNL initiative currently underway that NERC has been asked to participate in to ensure that industry's interests are represented. NERC's role will be limited to evaluating certification criteria which may require bulk power system experience or have bulk power system implications through collaboration with the CIPC and industry.

<u>NRECA Comments</u>

- NRECA urges NERC to increase its focus on seeking efficiencies in the NERC enterprise and methods to help control future needs for expansion of resources.
- NRECA believes NERC should determine if additional investment is needed in its IT systems that support the nerc.com website. There is much room for improvement in the NERC website; however, improvements are often difficult to complete or cannot be implemented due to limitations with NERC's current technology resources. Significant improvements are needed, including greater attention to complete, timely, easy to locate and accurate information related to standards.
- Every effort should be made to clearly communicate budget figures, especially those related to demonstrating the differences between the current and next year's budgets, and changes to assessments to load-serving entities. Stakeholders should be provided figures that clearly show increases and decreases in all budget figures.

  <u>NERC Response</u> - NERC has initiated steps to make significant improvements to its website, with a target date of the first quarter of 2012 for external roll out.

  With respect to communication of budget figures, NERC agrees and has been making every attempt to do this by providing more detailed budget information and explanations, supplemented by webinars and presentations at various committee and other meetings (e.g., the FAC and MRC). The 2012 Business Plan and Budget, as was the case for the 2010 and 2011 Business Plans and Budgets, includes Statements of Activities for each statutory program and administrative department and for the overall statutory budget, showing the amounts in the 2011 Budget, 2011 Projection and 2012 Budget, and variances between the 2011 Budget and 2012 Budget, for major expense and capital additions line items within the categories of Funding, Personnel Expenses, Travel and Meetings Expenses, Operating Expenses, and Fixed Asset Additions.

- The renewed focus on addressing and streamlining enforcement and compliance activities is appreciated. NRECA looks forward to working with NERC, the REs and other stakeholders to develop and implement these streamlining measures.

<u>NERC Response</u> - NERC appreciates NRECA's support and will be continuing to focus attention and effort on streamlining compliance and enforcement activities.

- NRECA is pleased to see a particular focus on developing a long-term strategy of the ES-ISAC. We look forward to working together with NERC on such a strategy

<u>NERC Response</u> - NERC appreciates NRECA's support and continuing contributions to this effort.

- NRECA appreciates the attention in the budget document on reducing resource burdens on stakeholders, REs and NERC. This is one of the most important issues going forward and without significant attention to reducing these burdens, the ERO program will struggle to succeed at the highest levels.

<u>NERC Response</u> - NERC appreciates NRECA's recognition of its efforts in this area thus far, and intends to continue to make it a major focus of attention.

- On page 4, NRECA questions why the statement referring to "membership in NERC qualifies organizations and individuals for election to the MRC" was deleted? Is this no longer accurate? What has changed?

<u>NERC Response</u> - It was deleted since it wasn't necessary for purposes of the BP&B – it was excessive background detail.

- Page 8, 4th bullet from bottom of page, NRECA suggests stronger language here. We believe there should be a focus of both ERO and industry resources on those enforcement and compliance activities that provide the <u>most significant and direct</u> support to reliability to the BES.

<u>NERC Response</u> - NERC revised the text in the Final Draft and in the final Business Plan and Budget to reflect the change in bold and underlined below:

> "Continuing to improve enforcement efficiency and productivity, including working with regulatory authorities and stakeholders to develop and implement an improved enforcement framework which focuses both ERO and industry resources on compliance activities ***<u>that are most likely to support</u>*** the reliability of the North American bulk power system."

- Page 9, 2nd bullet, the focus should be on reducing the need for CANs by instead addressing the vague/unclear language in standards via the standards development process. Efforts to address vague/unclear language in standards with CANs is creating unnecessary confusion and in the end not directly addressing the vague/unclear language.

<u>NERC Response</u> - NERC agrees that the need for CANs should and can be reduced through improvements in the quality of standards. However, management believes that CANs remain very valuable in providing instructions to compliance staff and assisting stakeholders to understand standards compliance requirements. NERC staff has

received guidance from NERC management to improve the CAN process and the clarity of individual CANs. NERC is responsible for enforcement of all Commission-approved reliability standards in effect and provides guidance for auditors and enforcement staff to assist them in addressing compliance and enforcement questions that arise on an ongoing basis. CANs are developed through a public process and posted on the NERC Web site; therefore, they are also available to provide guidance to registered entities. Until such time as standards are revised to be clearer in terms of compliance application, the CAN process provides a necessary tool to provide instruction to compliance auditors and other compliance monitoring and enforcement personnel, as well as to registered entities, on application of the standards with transparency to industry. Effective compliance monitoring requires that guidance be developed and shared as issues arise and consistency challenges are indentified. Open transparent compliance guidance has been requested by industry, and greater attention to providing compliance guidance to stakeholders is one of the actions NERC identified in the *Three-Year ERO Performance Assessment Report.* The CANs are one of several initiatives that NERC has implemented to address this need. NERC is also committed to working with stakeholders to improve the CAN process and provide greater clarity of content.

- Page 9, first full paragraph, NRECA appreciates the statement to reduce or eliminate resource demands associated with low priority activities. However, and more importantly, we are interested in what the plan is to accomplish this critical task. More details in the budget document are needed on this.

  <u>NERC Response</u> - Draft 3, and the final version, of the 2012 Business Plan and Budget reflect management's elimination of a number of lower priority items. Identification and elimination of low priority activities will be an ongoing part of management's business planning and operations management efforts.

- Page 13, NRECA will be closely watching future budget proposals to compare the current 2013 and 2014 projections to those actual future budgets. Unless there are significant unexpected costs, we expect these future budgets to track closely to these projections.

  <u>NERC Response</u> - NERC intends to use the three-year projections as an integral part of the ERO business planning and budgeting process.

- Page 47, NRECA appreciates the statement on providing better clarification of the long-term role of SAFNR in the context of the ERO's statutory responsibilities. NRECA is also concerned with the current and future costs of SAFNR and we question whether there are BES reliability benefits associated with this initiative.

  <u>NERC Response</u> - See response to EEI's comments concerning the SAFNR program, above.

- Page 50, 1st bullet, NRECA requests that additional explanation be added to the budget document to better explain the assistance the ERO is planning to offer to industry on the CIP standards.

<u>NERC Response</u> - Certain members of the NERC CIP staff are dedicated to enhancing CIP auditor training, the CIP Sufficiency Review Program, and CIP audit observation support and will be working to further develop outreach on lessons learned for the industry.

- In the 2nd bullet, we request further information on how NERC will provide improved facilitation of the timely exchange of threat and vulnerability information between NERC and industry.

  <u>NERC Response</u> - As previously stated, NERC has included funding in its 2012 CIP budget for the development and deployment of a secure communications portal which will help facilitate industry communications. Management is developing and will put in place a formal corporate firewall governing access to and use of this portal.

- Page 82, NRECA questions the statement that NERC has no non-statutory activities. If NERC is undertaking non-statutory activities, NRECA expects that stakeholders will be provided a significant role in the determination of whether such activities are appropriate for NERC to take on.

  <u>NERC Response</u> - All of NERC's programs have been approved as statutory activities by FERC. NERC has no plans to take on any non-statutory activities.

<u>Ontario Independent Electricity System Operator and Hydro-Québec TransÉnergie comments</u>

The Ontario Independent Electricity System Operator (IESO) and Hydro-Québec TransÉnergie (Hydro-Québec) submitted joint comments on Draft 1 of the NERC 2012 Business Plan and Budget. IESO also submitted comments on Draft 2. IESO and Hydro-Québec expressed concern about the amount of the increase reflected in Draft 1 over the 2011 Budget. They urged that NERC place greater focus on cost reduction, and specifically stated that NERC devoted too much time and effort to minor compliance violations. They stated that there would be major benefits from obtaining regulatory agreement to grant amnesty for stale and relatively insignificant violations, redirecting efforts to improving standards, and being more selective in determining violations regarding investigations.

In addition, IESO and Hydro-Québec expressed concern over the growth in NERC Administrative Services costs, and stated that it was difficult to ascertain how the portion of indirect costs for a given program is determined.

IESO and Hydro-Québec supported the proposal to include no additional amount in the 2012 assessment for Working Capital Reserve, although IESO, in separate comments, questioned whether the projected Working Capital Reserve at December 31, 2011 (which NERC used as the target Working Capital Reserve at December 31, 2012), was sufficient. IESO's separate comments also questioned why the draft Budget reflected no funding from Penalty payments to offset assessments.

IESO and Hydro-Québec provided several specific comments on the formatting of information presented in the Business Plan and Budget document and suggested other or different tables, in particular relating to the display of year-to-year changes in budget line item categories. that they believed would be useful to readers.

IESO and Hydro-Québec expressed concern that NERC should not be involved in "electromagnetic pulse" (referred to by NERC as Geomagnetic Disturbance (GMD)) because it is a "threat beyond the scope of the electricity industry." IESO and Hydro-Québec also stated that the impetus for the investigation of GMD "originates in the U.S. political process," and, therefore, any resources NERC directs to this issue should not automatically be allocated to Canadian entities.

Finally, IESO and Hydro-Québec stated that SAFNR program costs should not be allocated to Canadian entities, because SAFNR is a program directed by, and for the benefit of, FERC.

IESO submitted brief comments on Draft 2 in which it acknowledged that reductions in the proposed 2012 Budget were made between Draft 1 and Draft 2. IESO also noted several typographical errors and suggested formatting revisions, and reiterated the suggestions it made in its comments on Draft 1 for additional or modified tables.

NERC Response -

As the result of reductions in budgeted costs and elimination or reduction of activities in a number of areas from Draft 1 of the 2012 Budget, the final proposed 2012 Budget provides for a lower amount of increase, 9.0%, over the 2011 Budget, as compared to a 16% increase in Draft 1. The responses to the EEI comments identify several activities that have been eliminated or reduced in scope, or are under study for termination or reduction in scope. As noted in the response to the EEI comments, NERC has a series of initiatives under way to improve business processes, procedures and efficiencies, and is continuing to work with Regional Entities, industry and Commission staff on process improvements, particularly in the compliance enforcement area. However, as stated in the response to the EEI comments, at some point adoption of some potential actions to improve efficiencies will require Commission approval.

NERC believes that it has exercised discipline in managing its Administrative Services staffing and expenses, although it notes that needs and demands for, for example, improved and more accessible information technology, more expeditious processing of standards projects and enforcement actions, and greater detail in budgeting and financial reports have led to a need for increased Administrative Services staffing and resources in IT, Legal and Regulatory, and Finance and Accounting. NERC notes that the decision, implemented in the 2012 Budget, to transfer budget and cost responsibility for certain IT projects from the statutory programs to the IT department, and for consultant support for NERC audits of Regional Entities from Compliance to Finance and Accounting, while consistent with sound management and budgeting principles, has caused an additional increase to the Administrative Services budget as compared to continuing to budget these costs in the statutory programs. With respect to the method of allocation of indirect costs, NERC believes the Business Plan and Budget is clear that all Administrative Services costs except provision for Working Capital Reserve (which is $0 in the 2012 Budget) are allocated to the statutory programs on the basis of the budgeted number of

FTEs in each statutory program to the total number of budgeted FTEs in the statutory programs. This allocation method has been used since NERC's initial (2007) ERO budget.

With respect to IESO's comment concerning Working Capital Reserve, NERC explained that the projected December 31, 2011 balance of Working Capital Reserve is sufficient for two principal reasons: (1) In the 2011 Budget, a major area of uncertainty was the costs that would be incurred in connection with relocation of NERC's headquarters to Atlanta and expansion of its Washington, D.C. office; however, those costs have been, for the most part, identified and quantified during 2011 and do not present an area of uncertainty for 2012. Second, NERC continues to maintain and have available a $4 million line of credit with a major financial institution, which provides additional contingency protection in the event of significant unexpected expenses or short-term fluctuations in cash requirements in 2012.

With respect to IESO's question about Penalty offsets to assessments for 2012, NERC explained that only Penalty payments actually received on or before June 30 preceding the budget year are used to offset assessments for the budget year (*i.e.*, for 2012, Penalty payments received from July 1, 2010 to June 30, 2011). NERC and the Regional Entities do not accrue or project Penalty payments expected to be received subsequent to June 30 and into the budget year, in determining the Penalty offset to the ERO assessments. During the period July 1, 2009 – June 30, 2010, NERC received $10,175,000 in Penalty payments that were used to offset its ERO assessments for the 2011 Budget year; however, during the period July 1, 2010 – June 30, 2011, NERC received no Penalty payments and therefore has no Penalty offsets to its ERO assessments in the 2012 Budget.

With respect to the SAFNR program, as shown on **Attachment 13**, the calculation of the credits to the allocations of the NERC assessments to the IESO and La Régie de l'energie du Québec removed the SAFNR program costs from the allocations to these entities. NERC has reviewed the final proposed allocation calculations with the IESO and the Régie, and they have each agreed with and accepted the calculations.

Finally, NERC acknowledges that IESO and Hydro-Québec, in their comments, made a number of insightful suggestions concerning presentation and formatting of information in the Business Plan and Budget document, including possible additional tables. Because NERC and the Regional Entities began the development of their 2012 Business Plans and Budgets in January 2011 using the same document template that was used for the 2011 Business Plans and Budgets, it would have been unduly disruptive to introduce significant changes to the template format and presentation in May after the initial drafts had been developed and posted. NERC does point out that the NERC and Regional Entity Business Plans and Budgets provide (among other information) (i) a table showing FTE staffing by statutory program and Administrative Services department for the 2011 Budget, 2011 Projection and 2012 Budget, so that changes in staffing can be easily identified; and (ii) for the overall entity and for each statutory program and Administrative Services department, Statements of Activities and Capital Expenditures that show the values for the 2011 Budget, 2011 Projection and 2012 Budget, and the variances between the 2011 Budget and 2011 Projection and the 2011 Budget and 2012 Budget, for the major line item components of Funding, Expenses and Fixed Assets. These tables in these formats have been included in the business plans and budgets for several years. Additionally, the Statements of Activities in the intermediate drafts of the NERC Budget that were posted included columns showing changes from the prior draft. However, NERC plans to work with the Regional Entities

to take the formatting and presentation suggestions provided by IESO and Hydro-Québec into accounting in developing the template for the 2013 Business Plans and Budgets. NERC views improving the usefulness and transparency of the annual business plan and budget documents to the industry as an ongoing process.

NERC Membership Sector 4 (Federal or Provincial Utility) Comments

NERC Sector 4 members submitted comments following the posting of Draft 1 of the NERC 2012 Budget, stating that they encouraged NERC to focus its energy and resources on establishing and enforcing reliability standards in a cost-effective manner and to resist external pressures to expand its roles and responsibilities beyond those boundaries into distribution system elements or loss of load.

NERC Response - Please see the responses to the similar comments that were submitted by EEI, NRECA and the IESO and Hydro-Québec. NERC has no plans to expand its roles and responsibilities into distribution system elements and loss of load at the distribution system level.

State-Municipal and Transmission Dependent Utility Sectors Comments

The State-Municipal Utility and Transmission Dependent Utility (TDU) membership sectors submitted joint comments expressing concern about the amount of the increase reflected in Draft 1 over the 2011 Budget. They stated that review of the budget must include inquiry into what activities are cost-effective in improving actual system reliability. They stated that too much effort is expended by NERC, Regional Entities and registered entities on paperwork associated with enforcement actions that are unlikely to result in material improvements to reliability. They stated that they support enforcement innovations such as "parking ticket" and "find-and-fix" approaches to mitigation, and risk-informed allocation of NERC and regional staff enforcement resources.

The State-Municipal Utility and TDU sectors also expressed concern that the effort devoted to cyber-security and CIP may cause NERC to become overextended in its efforts to manage its core mission as the ERO to develop and enforce reliability standards and its broader role as the ES-ISAC. They noted concern over the 31% increase in the CIP program operating budget for 2012 in Draft 1.

NERC Response -

Please see the responses to the similar comments that were submitted by EEI, NRECA and the IESO and Hydro-Québec. NERC reiterates that while it has achieved efficiencies in the compliance enforcement process and continues to work with Regional Entities, industry and Commission staff to identify and implement additional efficiencies, at some point, potential process improvements will require Commission approval. With respect to the CIP program, the final 2012 Business Plan and Budget reflects an increase in the Total Funding Requirement for this program of 18% over the 2011 Budget, as compared to the 31% increase in Draft 1.

MRO-NPCC-SERC-WECC Comments

MRO, NPCC, SERC and WECC each submitted separate comments following the posting of Draft 1 of the NERC 2012 Budget; however, their comments made two main points: (1) They had worked with NERC and the other Regional Entities to develop, and supported, the shared business planning and budgeting assumptions used by NERC and the Regional Entities to prepare their 2012 Business Plans and Budgets. (2) They noted the continuing expansion of ERO priorities and workloads, and the related expansion of staffs and expenses, which are not sustainable in the long run. They commented that lower value activities should be identified and prioritized for possible elimination, and greater attention should be directed towards achieving ERO-wide efficiency improvements.

NERC Response -

NERC recognizes and acknowledges the continuing efforts of all the Regional Entities to develop greater consistency in presentation, format, assumptions and accounting methodologies used in the NERC and Regional Entity business plans and budgets, including the substantial efforts that have gone into developing sets of common or shared business plan and budget assumptions for the 2011 and 2012 Business Plans and Budgets.

With respect to the Regional Entities' comments concerning the growth of workloads, staffs and budgets, and the need to prioritize activities and to identify lower value activities for reduction or possible elimination, please see the responses to the similar comments that were submitted by EEI, NRECA and the IESO and Hydro-Québec.

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NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

<u>ATTACHMENT 13</u>

CALCULATION OF ADJUSTMENTS

THE AESO 2012 NERC ASSESSMENT

TO THE IESO 2012 NERC ASSESSMENT,

THE NBSO 2012 NERC ASSESSMENT,

AND THE QUEBEC 2012 NERC ASSESSMENT

2012 Alberta Electric System Operator Adjustment

Credit for NERC Compliance Costs

	2012 Total NERC Compliance Budget AESO NEL Allocation	2011 Total NERC Compliance Budget AESO NEL Allocation		
NERC Compliance Costs				
Direct Costs	11,137,257	$ 10,824,099		
Indirect Costs	8,960,638	6,258,830		
Other Non-Operating Expenses	-	312,500		
Fixed Asset Expenditures	(583,360)	62,472		
Total Costs, including Fixed Assets	**$ 19,514,535**	**$ 17,457,901**		
Less: Costs to be recovered from Regional Entities where NERC serves as the CEA	-	(150,000)		
Net total to be allocated	**$ 19,514,535**	**$ 17,307,901**		
AESO NEL Share (2010)	1.268%	1.289%		
AESO Proportional Share of Compliance Costs, including Fixed Assets	**$ 247,422**	**$ 223,028**		
Total Staff	55.67	47.08		
Less: FTEs budgeted for NERC to serve as the CEA for registered Regional Entities		(0.45)		
Net Total Staff	**55.67**	**46.63**		
% Credit (35.0 of 55.67 FTEs)	62.87%	50.00%		
$ Credit (35.0 of 55.67 FTEs)	$ 12,268,883	$ 8,653,951		
AESO credit for compliance costs	**$ 155,555**	**$ 111,514**		
Additional Credits for 2012				
Credit for 706b & TFEs	$ -	$ 200,000		
Credit for SAFNR	473,596	750,000		
	$ 473,596	$ 950,000		
AESO NEL Share (2010)	1.268%	1.289%		
AESO credit for additional costs not allocated	**$ 6,005**	**$ 12,242**		
Total AESO 2012 Credit	**$ 161,560**	**$ 123,755**	**$ 37,805**	**30.5%**

		2012 FTEs Total	2012 FTEs Credit
400	Operations	17.67	
500	Org Registration	4.00	4.00
402	Event Anal & Investigation	13.00	11.00
403	Reporting & Tracking	5.00	4.00
404	Enforcement	16.00	16.00
		55.67	35.00

2012 IESO Adjustment
Credit for NERC Compliance Costs

	2012	2011	Change	
NERC Compliance Costs				
Direct Costs	11,137,257	10,824,099		
Indirect Costs	8,960,638	6,258,830		
Other Non-Operating Expenses	-	312,500		
Fixed Asset Expenditures	(583,360)	62,472		
Less: Costs recovered from RE's for CEA	-	(150,000)		
Total Costs, including Fixed Assets	**19,514,535**	**17,307,901**	**2,206,634**	**12.75%**
Total Staff	55.67	47.08		
Less: FTEs budgeted for NERC to serve as the CEA for registered Regional Entities	-	(0.45)		
Net Total Staff	55.67	46.63	**9.04**	
% Credit (47.67 of 55.67 FTEs)	85.63%	82.84%	**2.79%**	
$ Credit (47.67 of 55.67 FTEs)	$ 16,710,219	$ 14,338,499		
Credit for 706b & TFEs (Eliminated from the budget)		200,000		
Credit for SAFNR	473,596	750,000		
	$ 17,183,815	$ 15,288,499	**$ 1,895,315**	**12.40%**
IESO NEL Share (2010)	3.118%	3.271%		
IESO Credit - NERC Costs, including Fixed Assets	**$ 535,844**	**$ 500,079**	**$ 35,765**	**7.15%**

2012 New Brunswick Adjustment
Credit for NERC Compliance Costs

	2012	2011
NERC Compliance Costs		
Direct Costs	11,137,257	10,824,099
Indirect Costs	8,960,638	6,258,830
Other Non-Operating Expenses	-	312,500
Fixed Asset Expenditures	(583,360)	62,472
Less: Costs recovered from RE's for CEA	-	(150,000)
Total Costs, including Fixed Assets	**19,514,535**	**17,307,901**
Total Staff	55.67	47.08
Less: FTEs budgeted for NERC to serve as the CEA for registered Regional Entities	-	(0.45)
Net Total Staff	55.67	46.63
% Credit (47.67 of 55.67 FTEs)	85.63%	82.84%
$ Credit (47.67 of 55.67 FTEs)	$ 16,710,219	$ 14,338,499
Credit for 706b & TFEs (Eliminated from the budget)		200,000
Credit for SAFNR	473,596	750,000
	$ 17,183,815	$ 15,288,499
New Brunswick NEL Share (2010)	0.298%	0.323%
New Brunswick Credit - NERC Costs, including Fixed Assets	**$ 51,279**	**$ 49,378**

2012 Quebec Adjustment
Credit for NERC Compliance Costs

		Total NERC Compliance Budget Quebec NEL Allocation		Quarterly
NERC Compliance Costs				
Direct Costs		11,137,257		
Indirect Costs		8,960,638		
Other Non-Operating Expenses		-		
Fixed Asset Expenditures		(583,360)		
Total Costs, including Fixed Assets		**19,514,535**		
Less: Costs to be recovered from Regional Entities where NERC serves as the CEA		-		
Net total to be allocated		**19,514,535**		
Quebec NEL Share (2010)		3.988%		
Quebec Proportional Share of Compliance Costs, including Fixed Assets	**$**	**778,325**		
Total Staff		55.67		
Less: FTEs budgeted for NERC to serve as the CEA for registered Regional Entities				
Net Total Staff		**55.67**		
% Credit (34.0 of 55.67 FTEs)		61.07%		
$ Credit (34.0 of 55.67 FTEs)	$	11,918,344		
Quebec Credit (Proportional share of all costs x % Credit)	**$**	**475,356**		
Proportional Share of NERC Compliance Costs paid by Régie de l'énergie	**$**	**302,969**	**$**	**75,742**
Proportional Share of NPCC CORC Program paid by Régie de l'énergie (Refer to Column H-2, page 83, NPCC Business Plan and Budget)	**$**	**1,282,522**	**$**	**320,631**
2012 Billing to Régie de l'énergie for Compliance Program Costs-NERC and NPCC	**$**	**1,585,491**	**$**	**396,373**
Additional Credits for 2012				
Credit for 706b & TFEs	$	-		
Credit for SAFNR		473,596		
	$	**473,596**		
Quebec NEL Share (2010)		3.988%		
Quebec credit for additional costs not allocated	**$**	**18,889**		

		2012 Compliance FTEs	
		Total	Credit
400	Operations	17.67	
500	Org Registration	4.00	3.00
402	Event Anal & Investigation	13.00	11.00
403	Reporting & Tracking	5.00	4.00
404	Enforcement	16.00	16.00
		55.67	34.00

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NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 14

STATUS REPORT ON THE ACHIEVEMENT

OF NERC'S 2011 GOALS

ATTACHMENT 14

Status Report on the Achievement of NERC's 2011 Goals and Objectives

This Attachment provides a summary of NERC's 2011 goals and objectives and a status report on their achievement as of June 30, 2011.

As described at page 8 of NERC's 2012 Business Plan and Budget (**Attachment 2**), during the first quarter of 2011, NERC and Regional Entity Executive Management Group devoted considerable time and effort to further improving the ERO business planning and budgeting process, including refining and updating goals, objectives, deliverables, and common multi-year-business planning and budgeting assumptions, taking into account stakeholder feedback, as well as applicable governmental requirements and directives. Additionally, the NERC Board of Trustees also participates in annual strategic planning sessions, taking into account input from NERC management, the Regional Entity Executive Management Group and stakeholders. The 2011 strategic planning initiative produced the following seven goals:

- Develop clear, results-based standards
- Promote a culture of industry learning and reliability excellence
- Provide effective measures of reliability risk and performance
- Facilitate effective management of critical infrastructure risks
- Ensure effective and timely compliance enforcement and mitigation
- Provide an efficient and effective ERO enterprise
- Instill a high degree of trust and confidence in the ERO.

For each of the seven goals, a set of specific objectives was developed as part of the strategic planning process, ranging from nine to 16 objectives depending on the goal. The specific objectives that were developed for each goal are shown in the table on pages 11-22 of this Attachment. Finally, a set of "priority deliverables" and other deliverables associated with the goals, along with a weighting for each deliverable, was developed. The deliverables and the weighting percentage assigned to each deliverable are shown on pages 7-8 of this Attachment.

Rather than being just individual, program specific goals, the seven goals are applicable to NERC's overall operations and activities, and most of them impact more than one (in some cases all) of NERC's statutory and administrative program areas. As it did with the overall strategic goals established in 2010, management is tracking, as well as periodically reporting to the Board and stakeholders regarding, the progress in achieving the goals, objectives and the deliverables. As shown by the charts on pages 6 and 9 of this Attachment, progress is being tracked throughout the year on a department-by-department basis. Pages 3 through 10 of this Attachment provides information on the status of achievement of the 2011 goals and objectives

as of June 30, 2011. The information on these pages represents a consolidation of information presented by management at the February 2011 and August 2011 meetings of NERC's Corporate Governance and Human Resources Committee. The bar chart on page 9 shows the progress of each of the departments as of June 30, 2011, in achieving department goals (*i.e.*, measured as a percent of each department's goals).

NERC

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2011 NERC Performance Report

through June 30, 2011

Gerry Cauley
President and CEO

August 3, 2011

to ensure the reliability of the bulk power system

Background

NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
Gerry Cauley
President and CEO

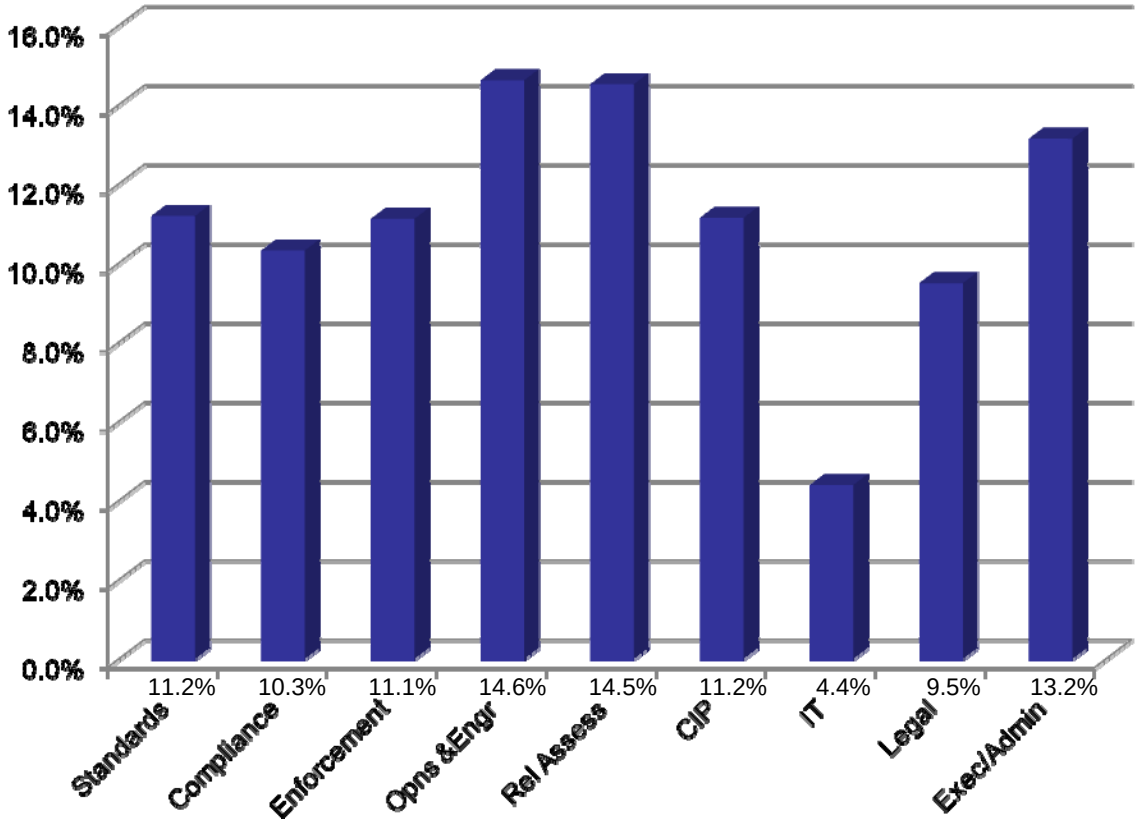
- 2011 corporate performance measures based on
  - 2011 business plan
  - Three-year assessment
  - 2011-15 strategic planning goals and objectives
- Progress will be reviewed at least quarterly with management team
  - Goals and objectives shared with work teams
- Results tied to performance compensation at corporate and department levels
  - Individual performance is third component

Seven Goals from Strategic Planning

NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
Gerry Cauley
President and CEO

- Develop clear, results-based standards
- Promote a culture of industry learning and reliability excellence
- Provide effective measures of reliability risk and performance
- Facilitate effective management of critical infrastructure risks
- Ensure effective and timely compliance enforcement and mitigation
- Provide an efficient and effective ERO enterprise
- Instill a high degree of trust and confidence in the ERO

Allocation by Department



Summary of Priority Deliverables

NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

- Enforcement efficiency and productivity (8%)
- New and revised standards (6%)
- Event analyses reports and increased self-reporting (6%)
- Financial performance within budget (5%)
- ERO process mapping and IT infrastructure (5%)
- Event analysis rules and cold weather event report (3%)
- Emerging issues reports (3%)
- Cyber security national response plan and exercise (3%)
- Compliance education: CANs, bulletins, case notes (3%)

Summary of Other Deliverables

NERC
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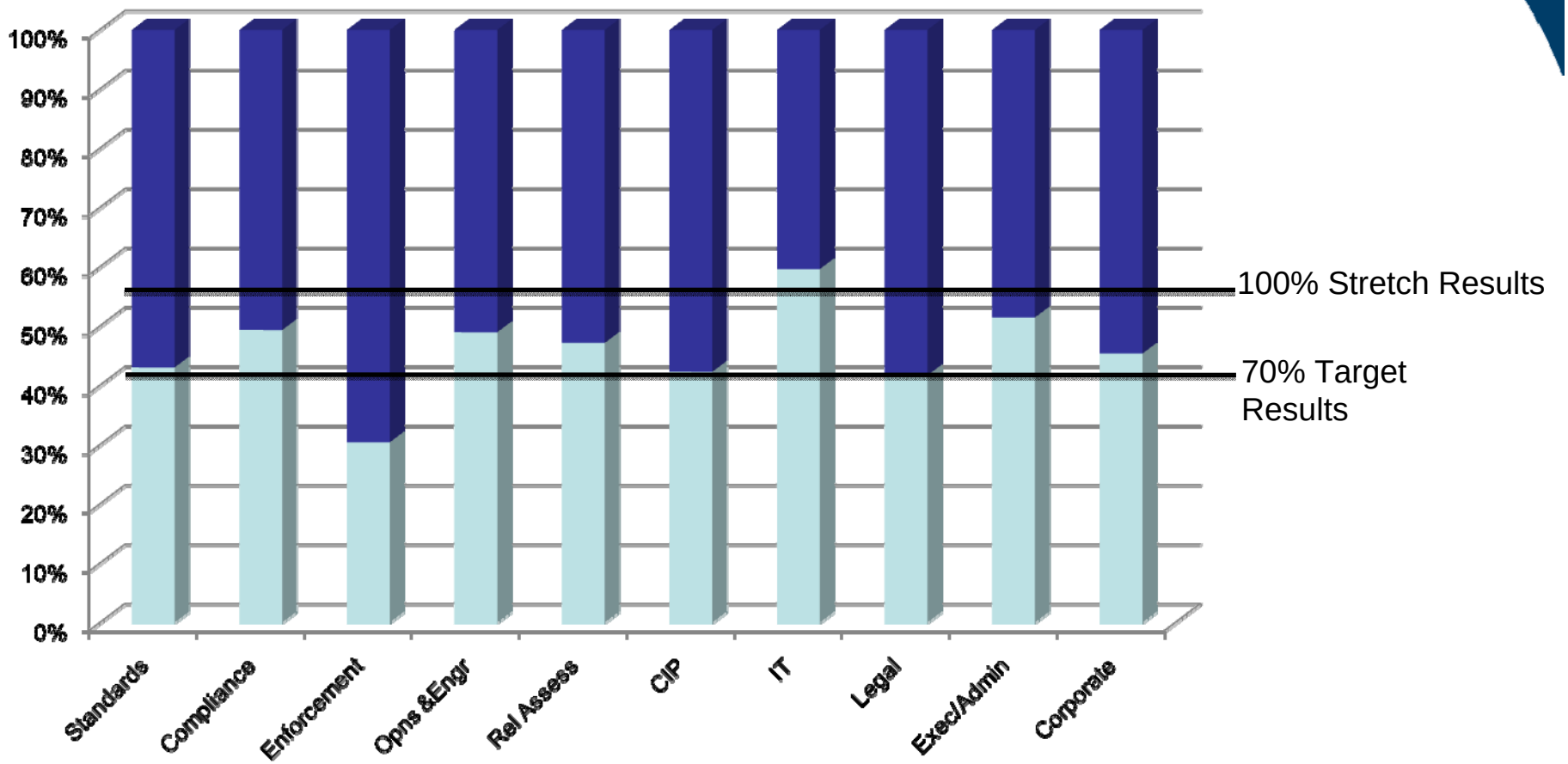
- Definition of adequate level of reliability (2%)
- Improve alerts and assess progress on ROW alert (2%)
- Issue lessons learned (2%)
- Delivery situation awareness tool (SAFNR) (2%)
- Annual report on reliability performance and metrics (2%)
- LTRA and seasonal reports (2%)
- Frequency response study (2%)
- Joint CIP initiatives with government (2%)
- Revised CIP standards (2%)
- Security risk guides joint with NIST (2%)
- Improved consistency of penalties (SIV tool) (2%)
- Reduction of violation mitigation time (2%)
- ERO/RE metrics (2%)
- Improved standing committee alignment & accountability (2%)
- Continued improvement in government relations (2%)
- Reduction of outstanding directives (1.5%)
- Demonstrate expedited standards team concept (1.5%)

Department Performance
Through June 30, 2011

NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

As a Percent of Department Goals

Standards	Compliance	Enforcement	Opns &Engr	Rel Assess	CIP	IT	Legal	Exec/Admin	Corporate
43%	49%	30%	49%	47%	42%	59%	42%	51%	45%



Key Results through June 2011

NERC
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Leading Results

- BES definition and rules posted
- Standards prioritization and plan filing
- Standards and compliance workshops
- ANSI renewal application
- Three-year self-assessment report
- Reliability metrics
- GMD workshop and alert
- Government/CEO/RE outreach
- Business plan and budget
- Process mapping
- IT infrastructure and office relocation

Lagging Results

- Enforcement productivity and efficiency
- Mitigation timing
- No standards at May meeting
- CIP initiative results

	Goals (from Strategic Plan)		Objectives (from Strategic Plan)
1	**The ERO will have clear, results-based reliability standards that provide for an adequate level of reliability.**	**a**	Be the leader in articulating an adequate level of reliability (ALR) of the bulk power system and update the definition of ALR through a consensus process.
		b	Achieve a technically sufficient set of results-based reliability standards, with each requirement providing a clearly identified performance expectation and reliability benefit.
		c	Be accountable to applicable regulatory authorities and the public for standards that provide an adequate level of reliability by addressing all standards directives within one year of order unless a detailed technical study is required.
		d	Modify the standards development process to allow rapid development of an initial draft standard by a small professional team[1] with requisite expertise and skills, including legal and compliance, followed by subsequent stakeholder consensus review and balloting; the process will provide early consultation, including with regulatory staff, to determine a clear set of objectives for the standard. The process will allow highest priority standards to be delivered to the board within one year.
		e	Develop a program to allow compliance trials following NERC board approval of reliability standards, for the purpose of allowing industry to come into compliance and mitigate compliance risk while the ERO validates compliance measures and procedures, minimizing inefficiencies and detrimental effects of learning through enforcement.
		f	Ensure industry executive leaders are informed and positively influencing the development of high quality standards.
		g	Promote accountability of reliability stakeholders for developing high quality reliability standards that are not adversely influenced by perceptions of compliance risk.
		h	Periodically evaluate the standards development consensus process to ensure it continues to meet the needs of the ERO.
		i	Minimize the need for regulatory directives issued in response to filings of reliability standards by effectively coordinating reliability objectives and expectations; promote deference to the expertise of the ERO by earning the trust of regulatory authorities.

	Goals (from Strategic Plan)		Objectives (from Strategic Plan)
		j	Develop technical reference guides and supporting compliance information for all reliability standards to ensure clarity and facilitate implementation.
		k	Ensure standards priorities are informed by risk trends, event root cause analysis, compliance findings, reliability assessments, and other learning opportunities.
		l	Engage standing committees in developing the technical bases for reliability standards.
		m	Train all standards staff and drafting teams in results-based methods.
		n	Address all remaining regional fill-in-the-blank standards and ensure regional standards have a consistent format and high quality.
		o	Provide a robust educational program on reliability standards through the website, webinars and workshops.

	Goals (from Strategic Plan)		Objectives (from Strategic Plan)
2	**Bulk power system owners, operators, and users will be demonstrating sustained cultures of learning and reliability excellence, building upon underlying foundations of compliance and effective risk management.**	**a**	Enable and encourage bulk power system owners, operators, and users to conduct periodic internal self-assessments to improve reliability and compliance, to share results for others to learn, to complete timely mitigation, and to self-report as required.
		b	Provide a comprehensive event analysis program that engages bulk power system owners, operators, and users in determining root causes, lessons learned, and other improvement opportunities; ensure all events meeting defined criteria are catalogued, prioritized, and assessed for improvement opportunities.
		c	Manage a consistent program for issuing recommendations and essential actions, and track and report mitigation results; modify ERO rules of procedure if needed to ensure alerts and recommendations are effective and ensure adequate technical and policy review for alerts and recommendations.
		d	Proactively seek and benchmark best-in-class performance on selected reliability topics; give recognition for examples of reliability excellence.
		e	Trend reliability issues and improvement opportunities and share results transparently with bulk power system owners, operators, and users.
		f	Encourage bulk power system owners, operators, and users to focus on managing reliability risk and improving reliability more than compliance risk avoidance; evaluate the possibility of creating a point system for recognizing positive reliability behaviors.
		g	Internalize risk-based approaches into ERO programs, priorities, and initiatives to maximize reliability benefits and improve efficiencies.
		h	Leverage other reliability organizations to improve bulk power system reliability, such as the North American Energy Standards Board, the North American Transmission Forum, the North American Generator Forum, the ISO-RTO Council, and others.
		i	Maintain an easily accessible library of lessons learned from event analyses, best practices, examples of excellence, and other resources for reliability improvement.

	Goals (from Strategic Plan)		Objectives (from Strategic Plan)
		j	Develop an ERO staff that has strong skills in the areas of event forensics and root cause analysis; make similar training available to industry on a self-funded basis.
		k	Be prepared to facilitate information flow and coordination among bulk power system owners, operators, and users during emergencies and unusual events, including government interfaces; develop response plans and procedures.
		l	Develop and maintain a situational awareness capability that meets the needs of FERC, NERC, and applicable Registered Entities.
		m	Educate industry on effective compliance programs and effective reliability risk controls.

	Goals (from Strategic Plan)		Objectives (from Strategic Plan)
3	**The ERO will develop and maintain effective reliability performance measures and will continue to develop high quality reliability assessments based on long range and seasonal forecasts, as well as emerging issues.**	**a**	Adopt a set of reliability performance measures to benchmark and assess the effectiveness of the ERO and industry in achieving reliability goals, and to identify reliability trends, common root causes, improvement opportunities, and priorities.
		b	Begin delivering an annual report on the state of bulk power system reliability.
		c	Become the principal source of information on reliability trends, issues, and priorities, and deliver this information to other program areas and reliability stakeholders to identify reliability improvement opportunities.
		d	Continue to deliver high quality long-term and seasonal reliability assessments of the future adequacy of the bulk power system to operate reliably.
		e	Continue to deliver reliability assessments of strategic emerging issues that may impact reliability.
		f	Improve the tools for the collection and validation of data for long-term, seasonal, operational, and special reliability assessments, along with the databases supporting reliability performance assessments.
		g	Leverage TADS, GADS, and DADS databases to create value-added information on equipment performance and failure modes; provide an integrated platform for maintenance and use of TADS, GADS, and DADS.
		h	Conduct detailed engineering analyses to evaluate and report on emerging reliability issues.
		i	Assist industry in improving reliability data modeling, including generator and turbine controls and load modeling.

	Goals (from Strategic Plan)		Objectives (from Strategic Plan)
4	**Bulk power system owners, operators, and users will be effectively managing risks from cyber and physical attacks and other high-impact, low-frequency events.**	a	Enhance situational awareness within the electricity sub-sector and with government through robust, timely, reliable, and secure information exchange; utilize a robust and mature ES-ISAC with a secure communications portal to ensure availability of actionable information regarding threats to the bulk power system.
		b	Facilitate industry use of sound risk management principles to enhance physical and cyber measures that improve preparedness, security, and resilience; demonstrate effective mitigation of security risks, including safeguarding of assets, developing mitigation alternatives, and preparing and testing recovery plans.
		c	Facilitate the conduct of comprehensive emergency, disaster, and business continuity planning; conduct training and large-scale exercises involving electricity industry and government entities to enhance reliability and coordinated emergency response.
		d	Clearly define critical infrastructure protection roles and responsibilities.
		e	Enhance understanding of key interdependencies and collaborate with other critical infrastructure sectors to address them, and facilitate industry's incorporation of that knowledge into planning and operations.
		f	Promote synergies between industry security initiatives and those of U.S. and Canadian governments; provide policy inputs to government decision-makers regarding the resiliency of the electric grid, key issues, and support needs.
		g	By communicating results, strengthen public and government confidence in industry's ability to manage risk and implement effective security, reliability and recovery efforts.
		h	Develop a robust set of critical infrastructure reliability standards that enable industry to adapt to continuously changing threats and vulnerabilities by emphasizing security risk management over compliance with static protections.
		i	In partnership with government and industry, deliver a comprehensive set of voluntary guides, including a program for demonstrating and validating those guides, for managing security risks to the electric system, from bulk power to the meter.

	Goals (from Strategic Plan)		Objectives (from Strategic Plan)
		j	Maintain a set of design basis threat scenarios to guide determination of an adequate level of resilience; continuously evaluate and communicate high impact, low frequency risks.
		k	Conduct security incident analysis and work with industry experts to provide lessons learned and enhance the sector's security posture.
		l	Communicate best practices for physical security of bulk power system assets.
		m	Provide education to industry on CIP standards and security risk management.
		n	Enhance ERO staff expertise and qualifications to conduct CIP audits, security forensics, and threat analysis; provide to industry on a self-funded basis.
		o	Develop security risk management enhancements, such as monitoring key interfaces for anomalies and benchmarking of vendor products to improve cyber protection.
		p	Develop and implement a plan to address risks of long-term degradation of bulk power system capabilities, such as loss of critical equipment like transformers.

	Goals (from Strategic Plan)		Objectives (from Strategic Plan)
5	**The ERO will balance the roles of being a trusted enforcement authority, while providing owners, operators and users timely and transparent feedback on compliance and effective incentives for improving reliability.**	**a**	Develop further enhancements to achieve efficient and timely enforcement compliance outcomes, including streamlined procedures for lower risk violations and improved workflow and tools at NERC and regional entities; target minor violations within three months and major cases within one year of discovery.
		b	Enhance compliance transparency through issuance of compliance application notices, case notes, and other information that would assist registered entities in more effectively managing compliance risk.
		c	While maintaining acceptance and trust of government authorities, evolve toward increased prosecutorial discretion on determining violations and setting penalties as a means of positively influencing cultures of compliance and reliability improvement.
		d	Achieve greater consistency across the ERO in the determination of violations and exercise of discretion in setting penalties and sanctions through a defined framework and training of applicable staff personnel.
		e	Ensure timely and thorough mitigation of all violations of mandatory reliability standards.
		f	Modify the registration program to be more efficient, risk-based, and aligned with reliability benefit, including evaluation of options such as increased granularity in registration by requirement or by assets for entities with limited impacts on bulk power system reliability.
		g	Provide greater assurance that bulk power system owners, operators, and users are correctly registered through more proactive review of registration status; ensure responsibilities are clearly understood by all registered entities and that there are no material gaps or adverse impacts on bulk power system reliability.
		h	Enhance the tools to help registered entities understand the constellation of standards and requirements that are applicable to each entity, including versioning of standards.
		i	Enhance coordination and efficiency of compliance processes involving multi-regional entities, joint registration organizations, and joint action agencies.

	Goals (from Strategic Plan)		Objectives (from Strategic Plan)
		j	Develop the capability of the NERC Board Compliance Committee to more transparently render decisions that set precedent or direction for improved compliance with reliability standards.

	Goals (from Strategic Plan)		Objectives (from Strategic Plan)
6	**NERC and the regional entities will execute statutory functions in a collaborative enterprise and thereby achieve efficiencies and effective process controls while leveraging the expertise of staff and stakeholder resources.**	**a**	Operate the ERO enterprise with a high level of trust and collaboration, seeking opportunities to integrate and leverage NERC, regional, and stakeholder ideas and resources in a united purpose of improving reliability.
		b	Improve transparency, consistency, quality, and timeliness of NERC and regional entity results through process improvements, coordination, and collaboration.
		c	Align and expand the role of technical committees in supporting ERO functions and developing initiatives to improve reliability, with clear accountability to the board.
		d	Develop an ERO-wide internal audit and risk management program with effective controls to ensure the ERO is addressing organizational risks[1] and successfully fulfilling its statutory mission.
		e	Develop highly qualified and trained staffs at NERC and the regional entities, including enhancement of qualifications in auditing, investigations, enforcement, and other essential staff roles; consider staff exchanges where appropriate.
		f	Address all applicable recommendations and directives from the Three-Year ERO Assessment and previous audits.
		g	Adopt ERO performance indicators and feedback mechanisms to enable the ERO to continue being a learning organization.
		h	Provide rigorous internal financial controls and efficient management of resources to achieve a high level of efficiency in the provision of statutory functions.
		i	Apply a business planning process with a three-year horizon to convey the value to be delivered by various programs and initiatives, and track the results *ex post* .
		j	Develop an architecture and design for an ERO information system that incorporates business process mapping, ERO business process owner needs, and end user needs.

	Goals (from Strategic Plan)		Objectives (from Strategic Plan)
		k	Deliver the initial modules of a secure information management system to achieve efficiencies, consistency of outcomes, effective process controls, and more transparent accountability across the statutory functions of ERO enterprise.
		l	Develop a robust, user-friendly website that facilitates easy access to reliability information and ERO processes.

	Goals (from Strategic Plan)		Objectives (from Strategic Plan)
7	**The ERO will maintain an exceptional reputation as the trusted leader of the reliability community and instill a high degree of confidence in the reliability of the bulk power system.**	**a**	Develop clear articulations of the value of bulk power system reliability for reliability stakeholders, including reasonable expectations for reliability, security, and recoverability.
		b	Develop and implement an industry-wide communications plan to build awareness of work by the ERO and industry to improve reliability.
		c	Establish the ERO as principal architect of reliability by charting the course for reliability initiatives.
		d	Through consistent delivery of results, earn the trust and confidence of the public, regulators, and reliability stakeholders that reliability risks are being effectively addressed.
		e	Maintain the ERO's position as independent and objective, striving at all times for what is best for the reliability of the bulk power system and not unduly influenced by alternative interests of government or industry.
		f	While maintaining a posture of independence as the reliability community leader, engage in active consultation with regulatory and legislative leaders and staffs in the U.S. and Canada to ensure ERO work is consistent with guidance received and meeting or exceeding expectations.
		g	Prepare messages for use during and following significant events as teaching moments to help the public better understand the efforts and practical considerations in recovery and improving reliability.
		h	Sustain high ethical standards of the ERO by establishing a set of ethical principles for NERC and regional entities and conducting periodic assessments of the effectiveness of controls and performance.
		i	Identify and cultivate champions for bulk power system reliability at the principal levels of federal, state, and provincial governments in the U.S. and Canada.
		j	Maintain proactive outreach, including by the NERC board, to receive feedback and inputs to improve ERO performance; maintain a posture of a learning organization.

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NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 15

METRICS COMPARING

REGIONAL ENTITY OPERATIONS

BASED ON

THE 2011 PROJECTIONS AND

THE 2012 BUDGETS

ATTACHMENT 15

METRICS COMPARING REGIONAL ENTITY OPERATIONS BASED ON THE 2012 BUDGETS

Introduction

This Attachment provides metrics on the Regional Entities' operations based on their 2012 Business Plans and Budgets, and analysis of the metrics. In addition, in response to P 38 of the *2011 Budget Order*, metrics information has been provided for the Regional Entities' based on their 2011 projections. Consistent with the similar attachments provided in NERC's 2010 and 2011 Business Plan and Budget filings, this Attachment focuses on providing quantitative data and information for the Regional Entities. The metrics focus primarily on the Regional Entities' Compliance Monitoring and Enforcement Programs (Compliance Program). This Attachment contains

- tables providing the 2012 budget and 2011 projection metrics values for each Regional Entity (pages 4-5);

- a series of bar charts comparing the Regional Entities' Compliance Program 2012 budgeted costs and 2011 projected costs per registered entity and per registered function (pages 6-11);

- a series of bar charts comparing the Regional Entities' projected costs for 2012 for "small," "medium" and "large" on-site and off-site operational (*i.e.*, non-CIP) compliance audits[1] and "small" and "large" on-site and off-site CIP compliance audits[2] (pages 12 through 14);

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[1] As originally presented in NERC's *December 15, 2008 Budget Compliance Filing* to the *2009 Budget Order*, a "small" operational compliance audit involves 25 or fewer reliability standard requirements to be audited; a "medium" operational compliance audit involves 26 to 75 requirements to be audited; and a "large" operational compliance audit involves more than 75 requirements to be audited. An on-site compliance audit takes place at the registered entity's site, while an off-site compliance audit takes place at another location, typically the Regional Entity's offices.

[2] For purposes of this presentation, a "small" CIP compliance audit involves an entity with no critical cyber assets and 5 requirements. (There are requirements of the CIP standards that apply to registered entities with no critical cyber assets, for example, the requirements of CIP-001 concerning sabotage reporting and response; the requirements of CIP-002 which require the registered entity to have a risk-based assessment methodology and to use it annually to identify any critical assets and critical cyber assets, even if the result is "none;" and the requirements of CIP-003 that the registered entity have in place a cyber security policy and a designated, single senior manager with overall responsibility for leading the entity's compliance with the CIP standards.) A "large" CIP audit compliance involve any entity with critical cyber assets and 5 requirements, auditing 43 requirements or 162 sub-requirements.

- trend line plots of the Regional Entities' 2012 Compliance Program budgets and 2011 Compliance Program projections against numbers of registered entities and numbers of registered functions in each Region (pages 15-16);

- bar charts comparing the Regional Entities' numbers of registered entities per Compliance Program FTE[3] and numbers of registered functions per Compliance Program FTE, for their 2012 budgets and 2011 projections (pages 17-18);

- bar charts comparing the Regional Entities' numbers of registered entities per Compliance Program FTE and numbers of registered functions per Compliance Program FTE in their 2011 and 2012 Business Plans and Budgets (page 19); and

- discussion and analysis of the metrics (pages 20-25). The discussion and analysis focuses on variations in the Regional Entity metrics based on their 2012 budgets and possible reasons for the variations.

The table on page 4 shows the following quantitative data for each Regional Entity based on its 2012 Business Plan and Budget. This data is used to develop the bar charts and trend line graphs that follow based on the Regional Entities' 2012 budgets.

- Numbers of registered entities
- Numbers of registered functions
- Total NEL (GWh)
- NEL (GWh) per registered entity
- Total ERO funding
- ERO (statutory) funding[4] per registered entity
- ERO funding per registered function
- Total statutory budget
- Total statutory budget[5] per registered entity
- Total statutory budget per registered function
- Total statutory FTE

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[3] FTE = full-time equivalent employee. Each FTE is assumed to work 2,080 hours per year. An employee working less than 2,080 hours per year is counted as a fractional FTE based on number of hours divided by 2,080 hours.

[4] ERO funding is defined as the sum of assessments and penalty sanctions.

[5] Total budget is defined as the sum of total expenses and the total increase in fixed assets.

- Registered entities per statutory FTE
- Registered functions per statutory FTE
- Total Compliance Program budget
- Compliance Program budget per registered entity
- Compliance Program budget per registered function
- Total Compliance FTE
- Registered entities per Compliance Program FTE
- Registered functions per Compliance Program FTE
- Projected numbers of small, medium and large on-site operational audits in 2012
- Estimated costs for small, medium and large on-site operational audits in 2012
- Projected numbers of small, medium and large off-site operational audits in 2012
- Estimated costs for small, medium and large off-site operational audits in 2012
- Projected numbers of small and large on-site CIP in 2012
- Estimated costs for small and large on-site CIP audits in 2012
- Projected numbers of small and large off-site CIP audits in 2012
- Estimated costs of small and large off-site CIP audits in 2012
- Average number of contractors used for small, medium and large on-site operational audits
- Average number of contractors used for small, medium and large off-site operational audits

The table on page 5 presents the first 19 data items listed above based on the Regional Entities' 2012 projections. This data is used to develop the bar charts and trend line graphs that follow based on the Regional Entities' 2011 projections. Information on the numbers, costs, and numbers of contractors for the various types and sizes of compliance audits have not been developed, because the Regional Entities' current year projections are not developed at a level of granularity that that would allow these metrics to be prepared or to provide meaningful comparative information.

Metrics for Budget Submissions	FRCC	MRO [7]	NPCC [7]	RFirst	SERC	SPP	TRE	WECC [8]
Number of registered entities	**74**	**130**	**306**	**353**	**250**	**132**	**221**	**462**
Number of registered functions	**247**	**462**	**614**	**691**	**687**	**394**	**421**	**1210**
Total NEL (GWh)	**232,976**	**275,317**	**639,270**	**932,292**	**1,075,403**	**216,504**	**319,926**	**839,910**
NEL (GWh) per registered entity	3,148	2,118	2,089	2,641	4,301,472	1,640	1,448	1,818
Total ERO Funding[1]	**$ 5,299,550**	**$ 8,767,529**	**$ 13,165,567**	**$ 14,326,372**	**$ 15,279,775**	**$ 10,052,567**	**$ 10,076,696**	**$ 19,032,106**
ERO Funding per registered entity	$ 71,616	$ 63,542	$ 43,025	$ 40,585	$ 61,119	$ 76,156	$ 45,596	$ 41,195
ERO Funding per registered function	$ 21,456	$ 17,880	$ 21,442	$ 20,733	$ 22,241	$ 25,514	$ 23,935	$ 15,729
Total Budget[2]	**$ 6,394,454**	**$ 9,057,229**	**$ 13,680,643**	**$ 16,656,500**	**$ 15,594,445**	**$ 11,410,642**	**$ 10,613,459**	**$ 20,336,457**
Total Budget per registered entity	$ 86,412	$ 69,671	$ 44,708	$ 47,186	$ 62,378	$ 86,444	$ 48,025	$ 44,018
Total Budget per registered function	$ 25,888	$ 19,604	$ 22,281	$ 24,105	$ 22,699	$ 28,961	$ 25,210	$ 16,807
Total Statutory FTE[3]	**30.70**	**37.00**	**35.43**	**73.00**	**73.70**	**33.50**	**58.00**	**127.40**
Registered entity per Statutory FTE	2.41	3.51	8.64	4.84	3.39	3.94	3.81	3.63
Registered function per Statutory FTE	8.05	12.49	17.33	9.47	9.32	11.76	7.26	9.50
Total Compliance Budget[4]	**$ 4,608,999**	**$ 5,898,704**	**$ 7,471,560**	**$ 12,351,184**	**$ 10,997,669**	**$ 9,066,177**	**$ 8,501,276**	**$ 13,957,975**
Compliance budget per registered entity	$ 62,284	$ 45,375	$ 24,417	$ 34,989	$ 43,991	$ 68,683	$ 38,467	$ 30,212
Compliance budget per registered function	$ 18,660	$ 12,768	$ 12,169	$ 17,874	$ 16,008	$ 23,011	$ 20,193	$ 11,536
Total Compliance FTE[3]	**19.94**	**19.16**	**15.00**	**42.50**	**42.00**	**22.75**	**38.00**	**58.50**
Registered entity per Compliance FTE	3.71	6.78	20.40	8.31	5.95	5.80	5.82	7.90
Registered function per Compliance FTE	12.39	24.11	40.93	16.26	16.36	17.32	11.08	20.68
Number of Small Operational Audits Onsite[5]	4	0	0	1	11	0	0	0
Estimated Cost per Small Operational Audit Onsite[5]	$ 6,738	$ -	$ 16,730	$ 11,848	$ 9,712	$ -	$ -	$ -
Number of Medium Operational Audits Onsite[5]	1	4	0	0	12	0	16	0
Estimated Cost per Medium Operational Audit Onsite[5]	$ 15,160	$ 23,255	$ 39,100	$ -	$ 15,086	$ -	$ 21,366	$ -
Number of Large Operational Audits Onsite[5]	7	8	3	15	13	6	6	18
Estimated Cost per Large Operational Audit Onsite[5]	$ 37,899	$ 41,478	$ 62,140	$ 30,450	$ 34,676	$ 59,145	$ 45,059	$ 61,574
Number of Small Operational Audits Offsite[5]	1	4	12	29	4	13	5	33
Estimated Cost per Small Operational Audit Offsite[5]	$ 5,018	$ 7,336	$ 7,335	$ 11,848	$ 8,616	$ 11,452	$ 8,248	$ 8,640
Number of Medium Operational Audits Offsite[5]	0	3	7	24	0	3	15	25
Estimated Cost per Medium Operational Audit Offsite[5]	$ -	$ 11,003	$ 12,880	$ 24,446	$ -	$ 25,718	$ 13,680	$ 16,335
Number of Large Operational Audits Offsite[5]	0	0	30	3	0	0	0	6
Estimated Cost per Large Operational Audit Offsite[5]	$ -	$ -	$ 19,340	$ 30,450	$ -	$ -	$ -	$ 25,144
Number of Small CIP Audits Onsite[6]	8	8	0	0	5	1	0	0
Estimated Cost per Small CIP Audit Onsite[6]	$ 3,369	$ 30,808	$ -	$ -	$ 7,321	$ 9,858	$ -	$ -
Number of Large CIP Audits Onsite[6]	3	4	6	21	19	7	18	21
Estimated Cost per Large CIP Audit Onsite[6]	$ 56,849	$ 56,113	$ 63,500	$ 62,657	$ 36,720	$ 99,690	$ 43,361	$ 57,350
Number of Small CIP Audits Offsite[6]	0	4	25	27	0	15	20	58
Estimated Cost per Small CIP Audit Offsite[6]	$ -	$ 9,169	$ 7,540	$ 6,240	$ -	$ 5,056	$ 19,782	$ 3,063
Number of Large CIP Audits Offsite[6]	0	0	0	0	0	0	0	0
Estimated Cost per Large CIP Audit Offsite[6]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Avg. Number of Contractors Per Small Audits Onsite	0	0	2	0	0	1	0	0
Avg. Number of Contractors Per Medium Audits Onsite	0	0	4	1	0	3	0	2
Avg. Number of Contractors Per Large Audits Onsite	0	0	6	0	0	3	0	2
Avg. Number of Contractors Per Small Audits Offsite	0	0	1	0	0	1	0	1
Avg. Number of Contractors Per Medium Audits Offsite	0	0	1	0	0	2	0	2
Avg. Number of Contractors Per Large Audits Offsite	0	0	2	0	0	2	0	2
Cost of Contractors Per Small Audits Onsite						$ 8,100		
Cost of Contractors Per Medium Audits Onsite			$ 10,952	$ 20,000		$ 21,600		
Cost of Contractors Per Large Audits Onsite			$ 15,373			$ 32,400		
Cost of Contractors Per Small Audits Offsite			$ 1,143			$ 6,300		
Cost of Contractors Per Medium Audits Offsite			$ 803			$ 14,400		
Cost of Contractors Per Large Audits Offsite			$ 589			$ 23,400		

[1] ERO Funding is a sum of Assessments and Penalty Sanctions

[2] Total Budget is a sum of Total Expenses and Capital Expenditures

[3] Each FTE that works 2,080 hours per year is counted as one FTE. An FTE working less than the 2,080 hours per year is counted as a fractional FTE.

[4] Total Compliance Budget is a sum of Direct Expenses, Indirect Expenses and Capital Expenditures

[5] Size of Operational audits are defined by number of requirements:

Small	25 or less
Medium	26 to 75
Large	More than 75

[6] Size of a CIP audit is defined as:

Small	Any entity with no critical cyber assets and 5 requirements
Large	Any enitiy with critical cyber assets and 5 requirements, auditing 43 requirements or 162 sub requirements

[7] Due to the specifics of the compliance program included in the individual provincial MOUs for cross-border regional entities, some of these metrics are not directly comparable.

[8] For WECC, the cost of the Reliability Coordinator function of $20,201,409 has been deducted from the ERO assessments and Total Budget for comparison with the other Regions where no such function exists in Statutory Programs. 66.8 direct FTEs in the Reliability Coordinator function have been excluded from the calculations of registered entity per Statutory FTE and registered function per Statutory FTE. Also, the costs offset by grant funding totalling $27,431,301 have been excluded from the Total Budget and 19.0 FTEs have been excluded from the calculations of registered

2011 Projected Metrics for Budget Submissions

2011 Projection Metrics	FRCC	MRO [5]	NPCC [5]	RFirst	SERC	SPP	TRE	WECC [6]
Number of registered entities	**74**	**124**	**306**	**369**	**251**	**130**	**221**	**459**
Number of registered functions	**250**	**454**	**614**	**708**	**694**	**393**	**411**	**1,217**
Total NEL (GWh)	**226,803**	**264,752**	**652,049**	**889,208**	**990,094**	**203,023**	**308,278**	**847,828**
NEL (GWh) per registered entity	3,065	2,135	2,131	2,410	3,945	1,562	1,395	1,847
Total ERO Funding - 2011 Projection[1]	**$ 5,017,060**	**$ 8,397,502**	**$ 12,961,110**	**$ 13,682,744**	**$ 11,590,508**	**$ 9,282,485**	**$ 9,247,823**	**$ 21,135,490**
ERO Funding per registered entity	$ 67,798	$ 67,722	$ 42,357	$ 37,081	$ 46,177	$ 71,404	$ 41,845	$ 46,047
ERO Funding per registered function	$ 20,068	$ 18,497	$ 21,109	$ 19,326	No	$ 23,620	$ 22,501	$ 17,367
Total Statutory Budget - 2011 Projection[2]	**$ 5,359,119**	**$ 8,130,824**	**$ 12,716,809**	**$ 15,312,489**	**$ 11,927,434**	**$ 9,577,086**	**$ 8,657,031**	**$ 18,972,349**
Total Statutory Budget per registered entity	$ 72,421	$ 65,571	$ 41,558	$ 41,497	$ 47,520	$ 73,670	$ 39,172	$ 41,334
Total Statutory Budget per registered function	$ 21,436	$ 17,909	$ 20,711	$ 21,628	$ 17,187	$ 24,369	$ 21,063	$ 15,589
Total Statutory FTE - 2011 Projection[3]	**25.16**	**34.50**	**31.42**	**69.00**	**66.70**	**29.10**	**49.00**	**130.40**
Registered entity per Statutory FTE	2.94	3.59	9.74	5.35	3.76	4.47	4.51	3.52
Registered function per Statutory FTE	9.94	13.16	19.54	10.26	10.40	13.51	8.39	9.33
Total Compliance Budget - 2011 Projection[4]	**$ 3,845,625**	**$ 5,118,968**	**$ 7,378,977**	**$ 11,169,527**	**$ 8,227,767**	**$ 7,448,944**	**$ 6,781,397**	**$ 13,132,800**
Compliance budget per registered entity	$ 51,968	$ 41,282	$ 24,114	$ 30,270	$ 32,780	$ 57,300	$ 30,685	$ 28,612
Compliance budget per registered function	$ 15,383	$ 11,275	$ 12,018	$ 15,776	$ 11,856	$ 18,954	$ 16,500	$ 10,791
Total Compliance FTE[3]	**15.39**	**17.47**	**14.00**	**39.00**	**28.00**	**17.92**	**30.06**	**58.50**
Registered entity per Compliance FTE	4.81	7.10	21.86	9.46	8.96	7.25	7.35	7.85
Registered function per Compliance FTE	16.24	25.99	43.86	18.15	24.79	21.93	13.67	20.80

[1] ERO Funding is a sum of assessments and penalty sanctions

[2] Total Budget is a sum of total expenses and the total increase in fixed assets

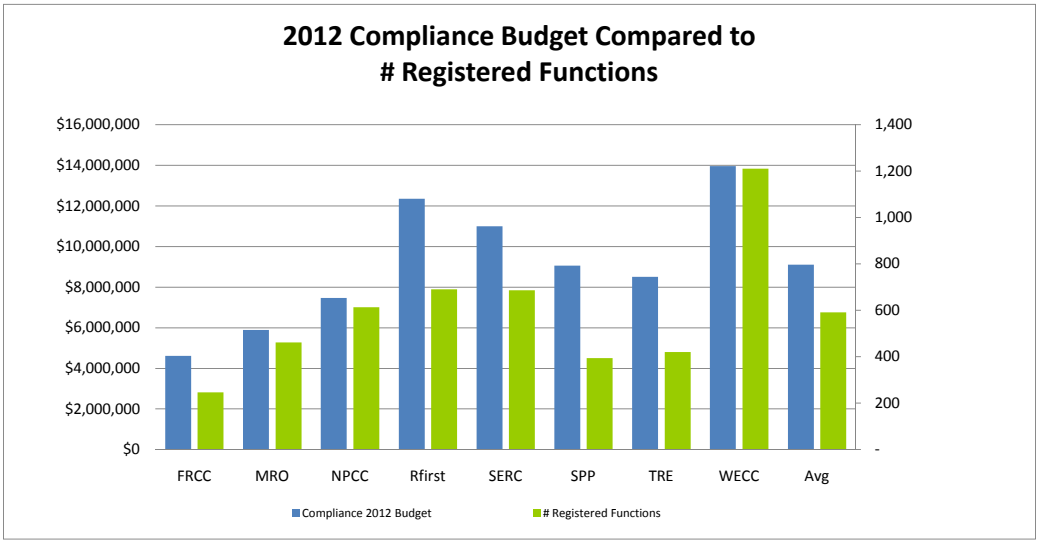
[3] Each FTE that works 2,080 hours per year is counted as one FTE. An FTE working less than the 2,080 hours per year is counted as a fractional FTE.

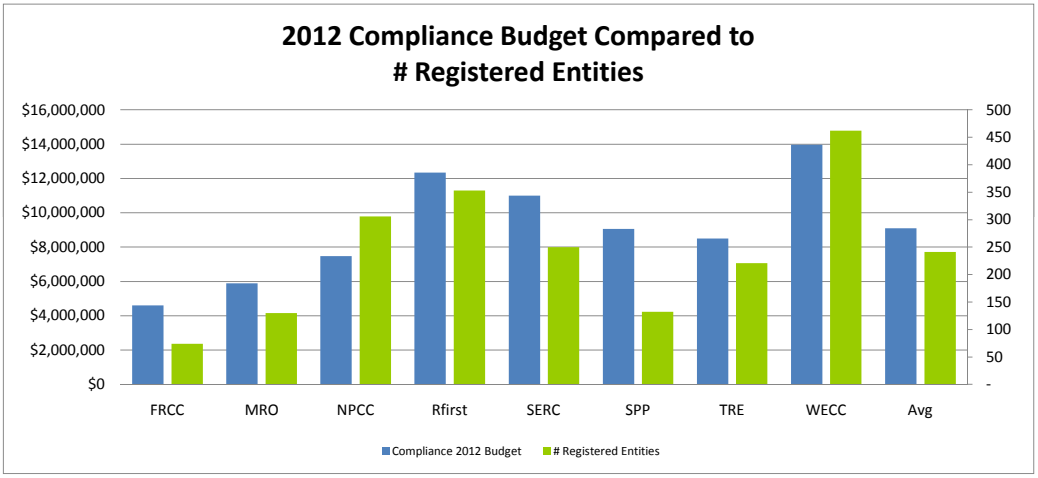
[4] Total Compliance Budget is a sum of Direct Expenses, Indirect Expenses and Capital Expenditures

[5] Due to the specifics of the compliance program included in the individual provincial MOUs for cross-border regional entities, some of these metrics are not directly comparable.

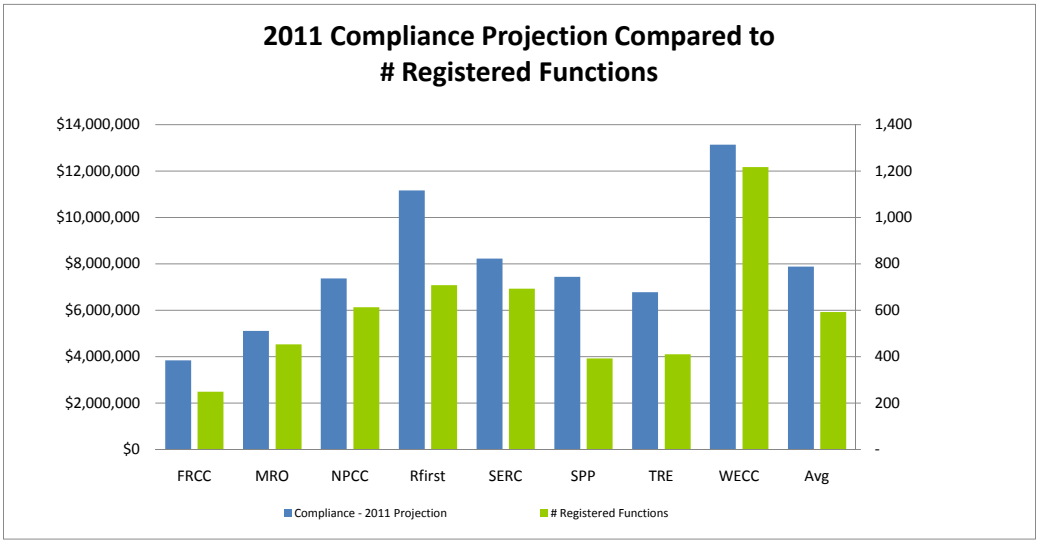
[6] For WECC, the cost of the Reliability Coordinator function of $18,538,172 has been deducted from the ERO assessments and Total Budget for comparison with the other Regions where no such function exists in Statutory Programs. 62.3 direct FTEs in the Reliability Coordinator function have been excluded from the calculations of registered entity per Statutory FTE and registered function per Statutory FTE. Also, the costs offset by grant funding totaling $19,258,259 have been excluded from the Total Budget and 15.2 FTEs have been excluded from the calculations of registered entity per Statutory FTE and registered function per Statutory FTE.

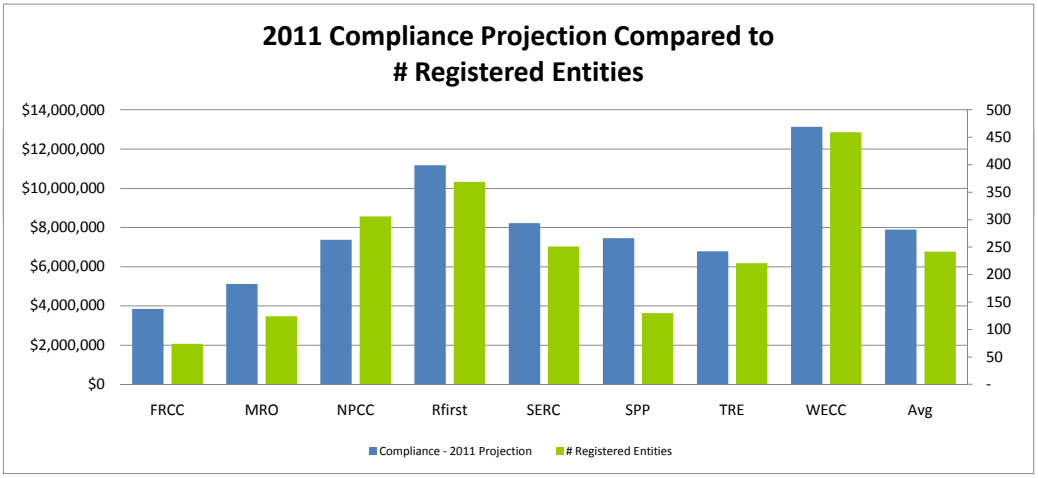
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Compliance 2012 Budget	4,608,999	5,898,704	7,471,560	12,351,184	10,997,669	9,066,177	8,501,276	13,957,975	9,106,693
# Registered Entities	74	130	306	353	250	132	221	462	241
# Registered Functions	247	462	614	691	687	394	421	1,210	591



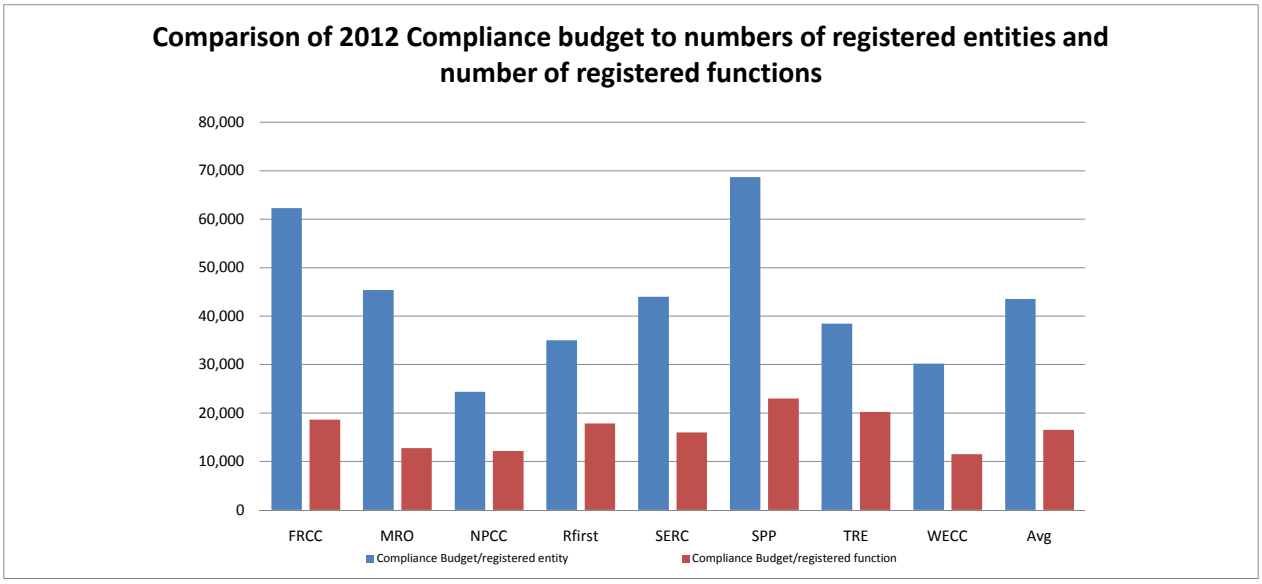


	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Compliance - 2011 Projection	3,845,625	5,118,968	7,378,977	11,169,527	8,227,767	7,448,944	6,781,397	13,132,800	7,888,001
# Registered Entities	74	124	306	369	251	130	221	459	242
# Registered Functions	250	454	614	708	694	393	411	1,217	593

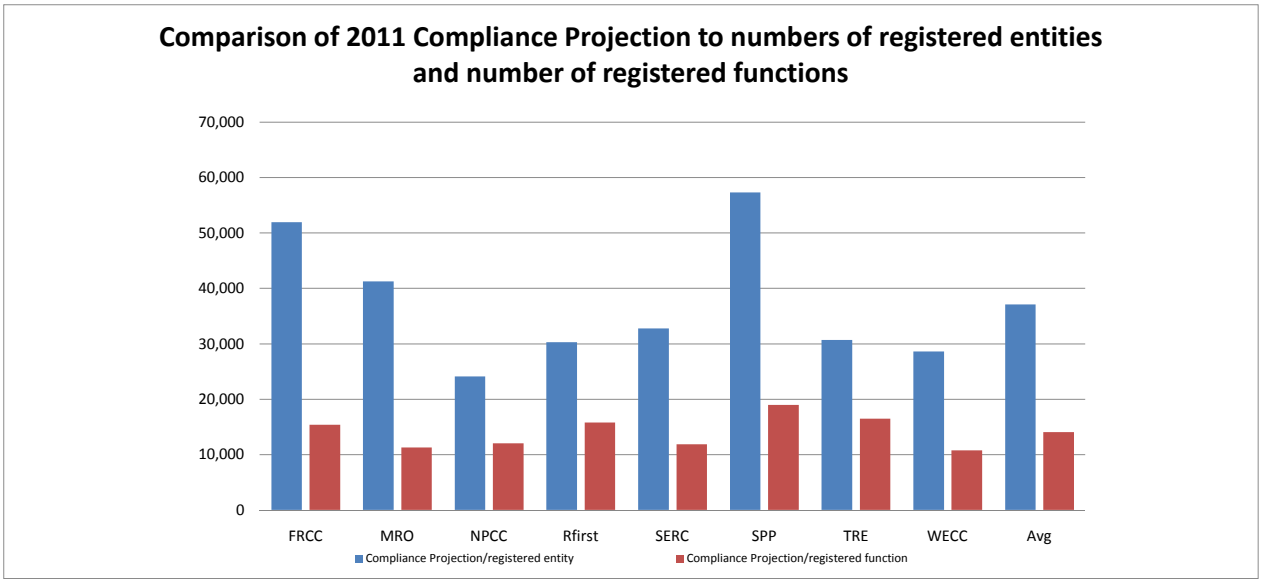




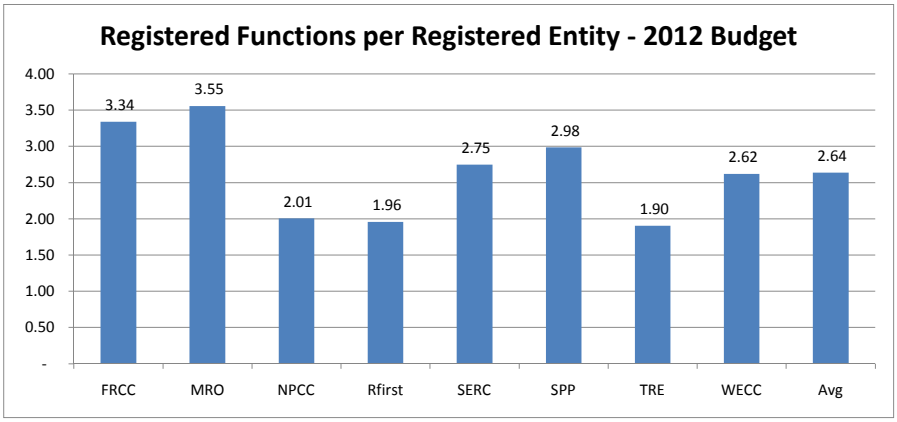
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Compliance Budget/registered entity	62,284	45,375	24,417	34,989	43,991	68,683	38,467	30,212	43,552
Compliance Budget/registered function	18,660	12,768	12,169	17,874	16,008	23,011	20,193	11,536	16,527



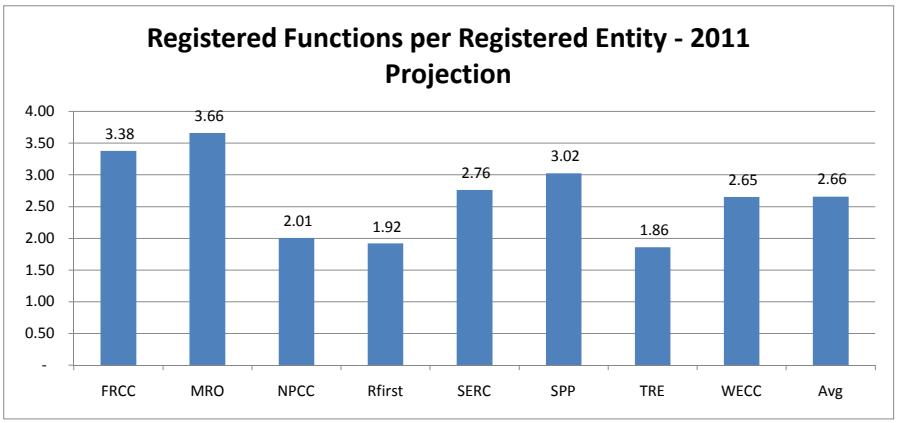
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Compliance Projection/registered entity	51,968	41,282	24,114	30,270	32,780	57,300	30,685	28,612	37,126
Compliance Projection/registered function	15,383	11,275	12,018	15,776	11,856	18,954	16,500	10,791	14,069



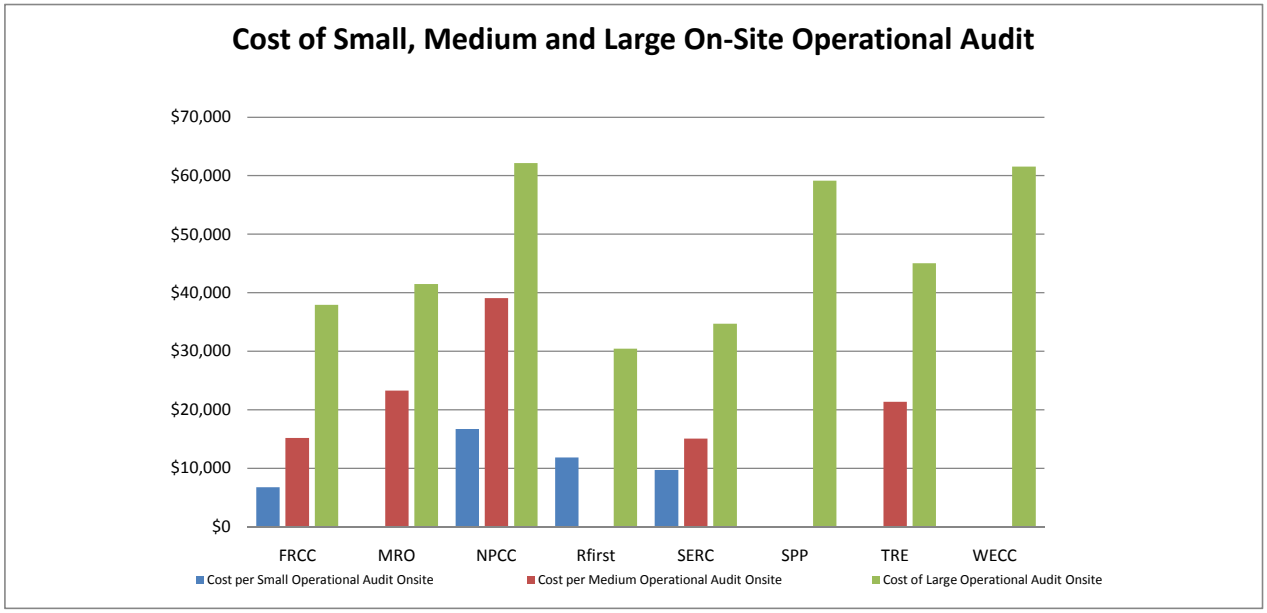
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Registered Functions per Registered Entity 2012 Budget	3.34	3.55	2.01	1.96	2.75	2.98	1.90	2.62	2.64
# Registered Entities per Compliance FTE	3.71	6.78	20.40	8.31	5.95	5.80	5.82	7.90	8.08
# Registered Functions per Compliance FTE	12.39	24.11	40.93	16.26	16.36	17.32	11.08	20.68	19.89



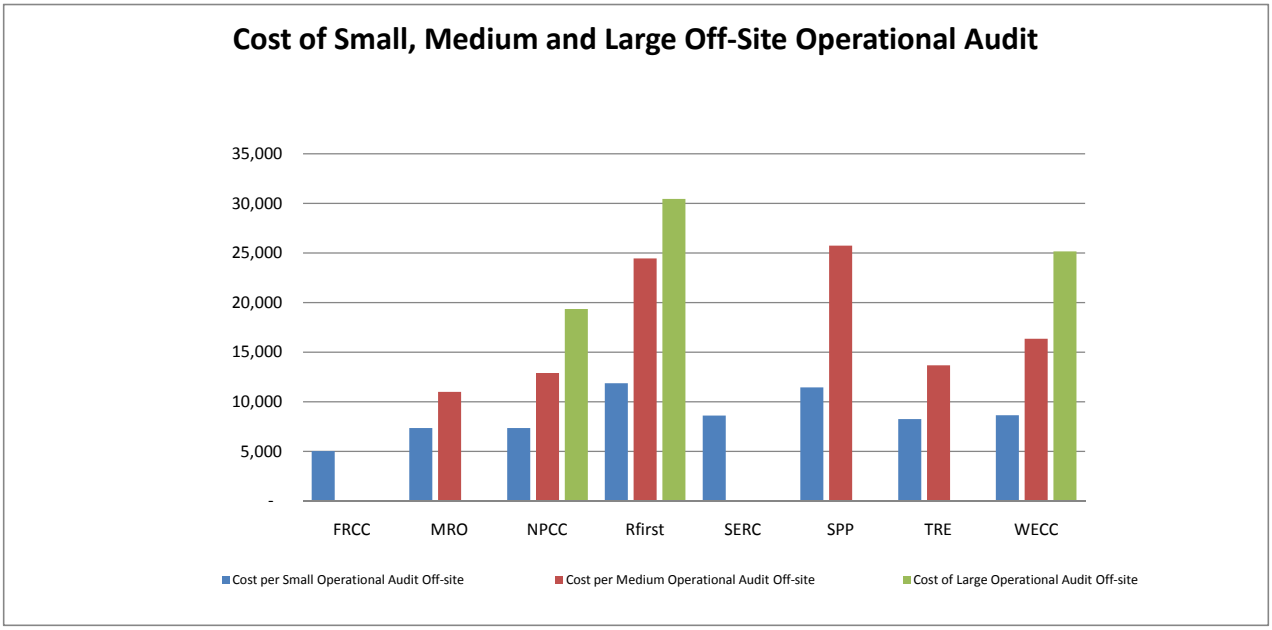
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Registered Functions per Registered Entity	3.38	3.66	2.01	1.92	2.76	3.02	1.86	2.65	2.66
# Registered Entities per Compliance FTE	4.81	7.10	21.86	9.46	8.96	7.25	7.35	7.85	9.33
# Registered Functions per Compliance FTE	16.24	25.99	43.86	18.15	24.79	21.93	13.67	20.80	23.18



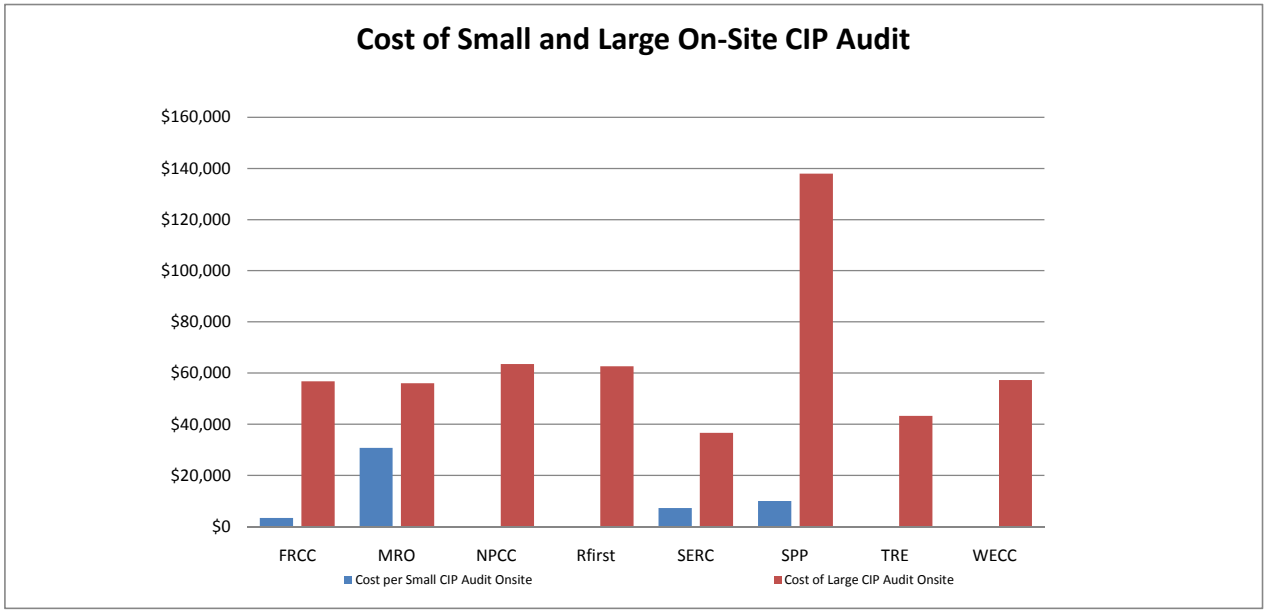
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC
Cost per Small Operational Audit Onsite	6,738	-	16,730	11,848	9,712	-	-	-
Cost per Medium Operational Audit Onsite	15,160	23,255	39,100	-	15,086	-	21,366	-
Cost of Large Operational Audit Onsite	37,899	41,478	62,140	30,450	34,676	59,145	45,059	61,574



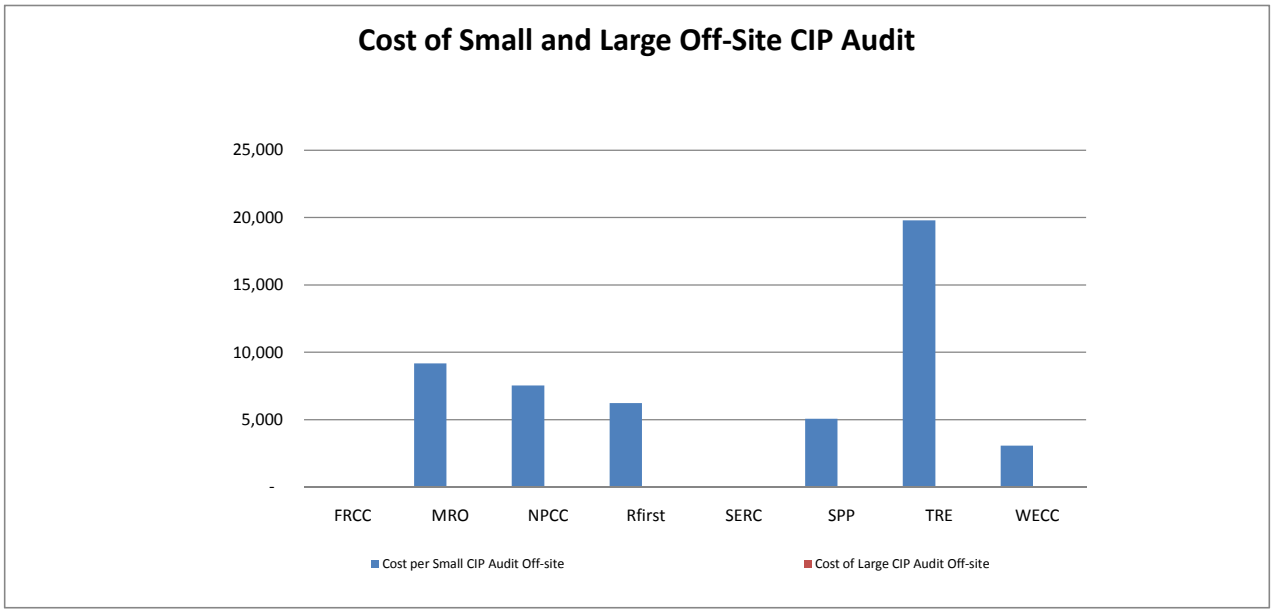
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC
Cost per Small Operational Audit Off-site	5,018	7,336	7,335	11,848	8,616	11,452	8,248	8,640
Cost per Medium Operational Audit Off-site	-	11,003	12,880	24,446	-	25,718	13,680	16,335
Cost of Large Operational Audit Off-site	-	-	19,340	30,450	-	-	-	25,144

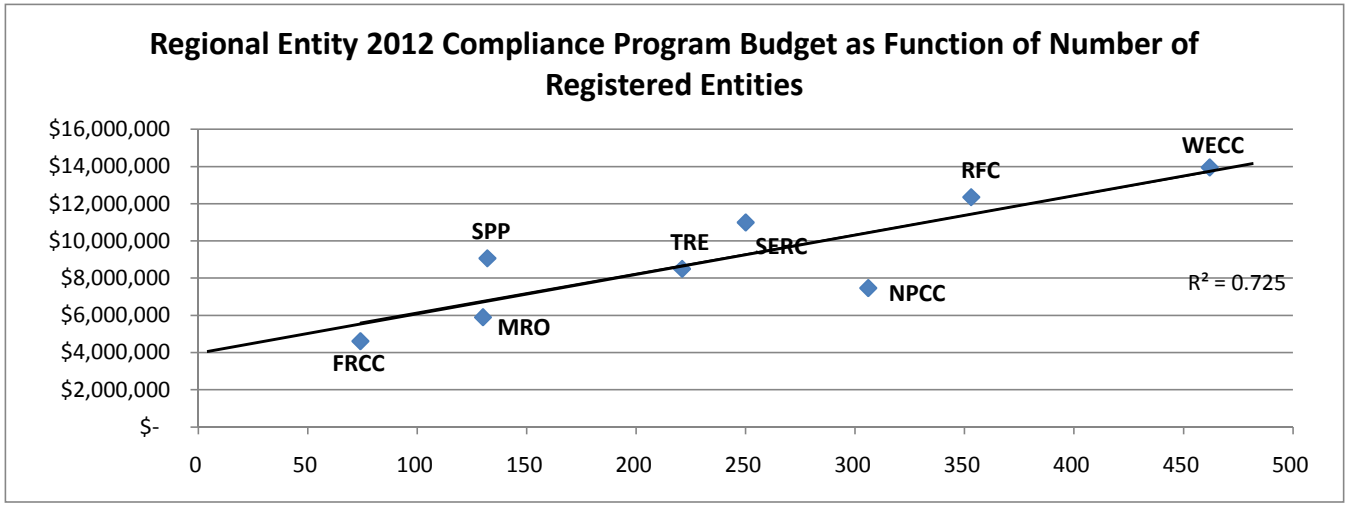


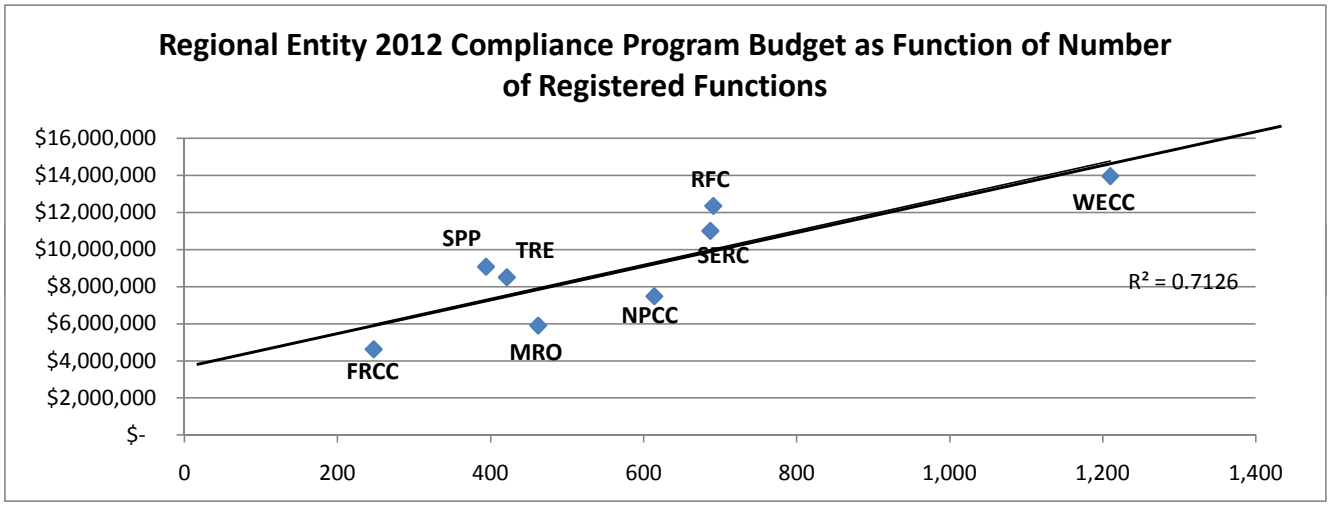
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC
Cost per Small CIP Audit Onsite	3,369	30,808	-	-	7,321	10,056	-	-
Cost of Large CIP Audit Onsite	56,849	56,113	63,500	62,657	36,720	137,941	43,361	57,350

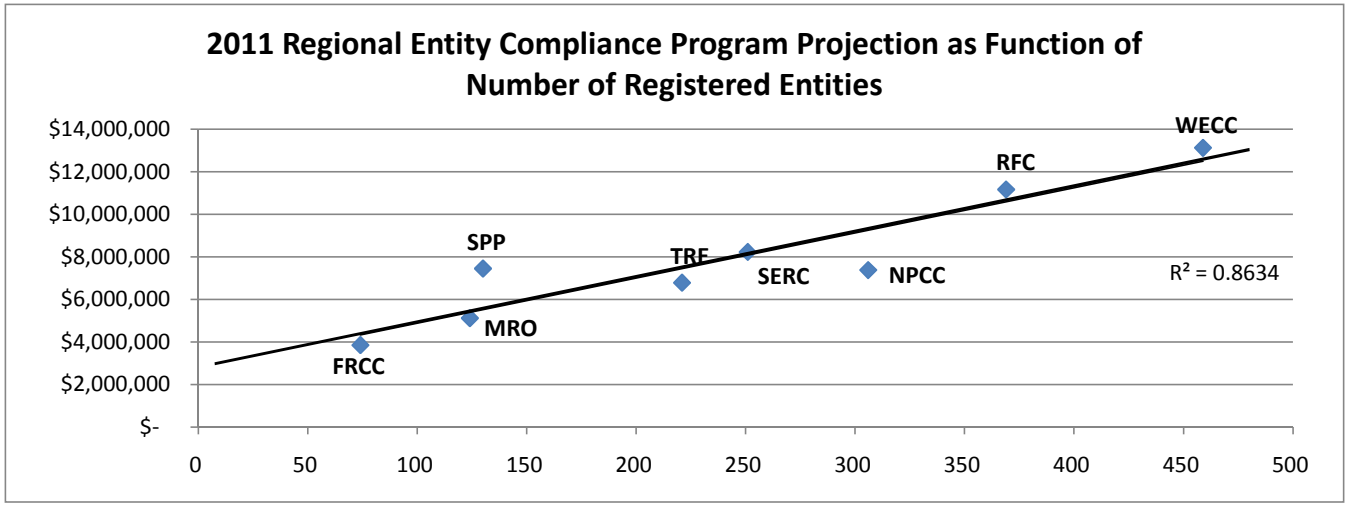


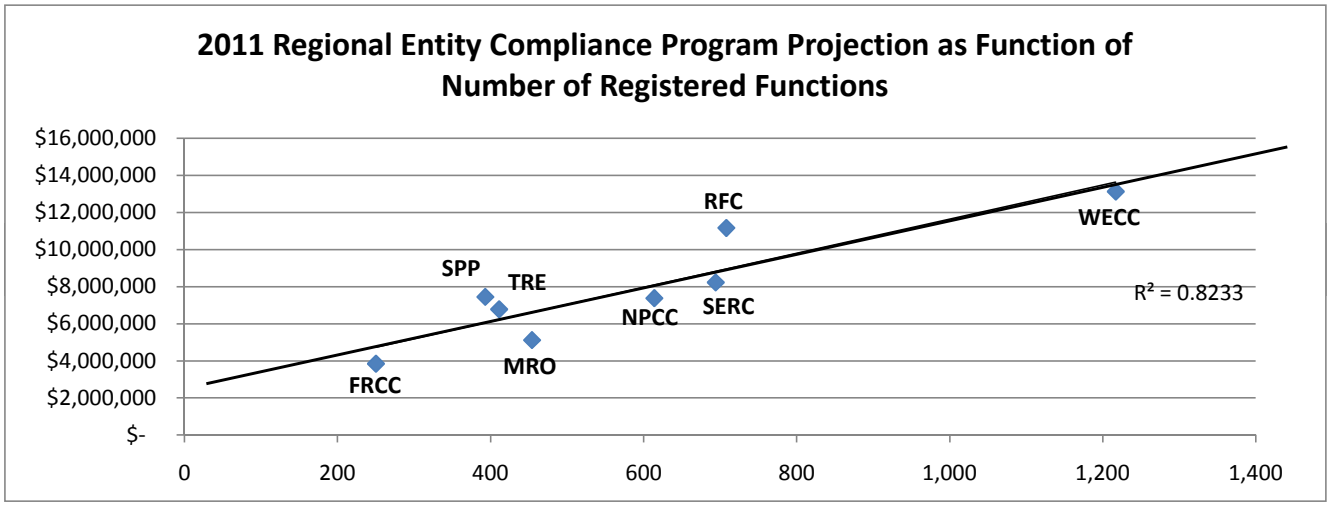
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC
Cost per Small CIP Audit Off-site	-	9,169	7,540	6,240	-	5,056	19,782	3,063
Cost of Large CIP Audit Off-site	-	-	-	-	-	-	-	-



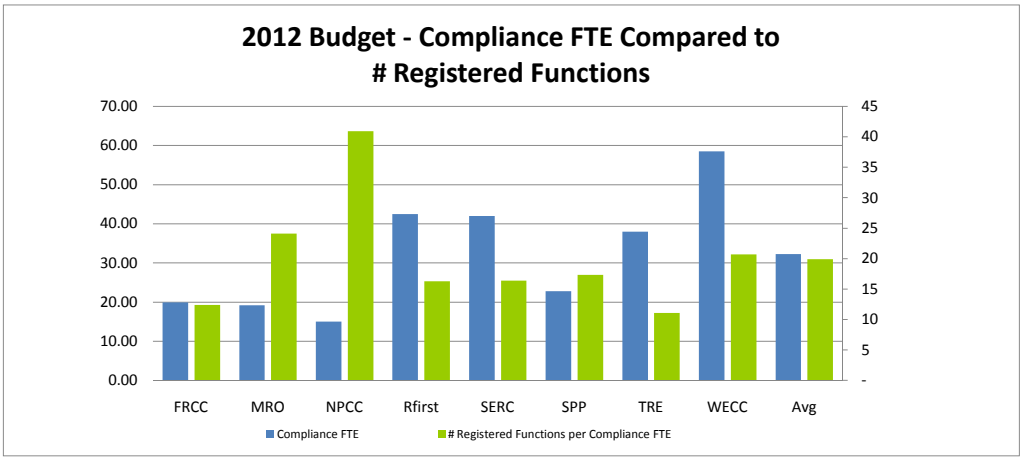

Regional Entity 2012 Compliance Program Budget as Function of Number of Registered Entities
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
0
50
100
150
200
250
300
350
400
450
500
WECC
RFC
SPP
TRE
SERC
NPCC
MRO
FRCC
R² = 0.725

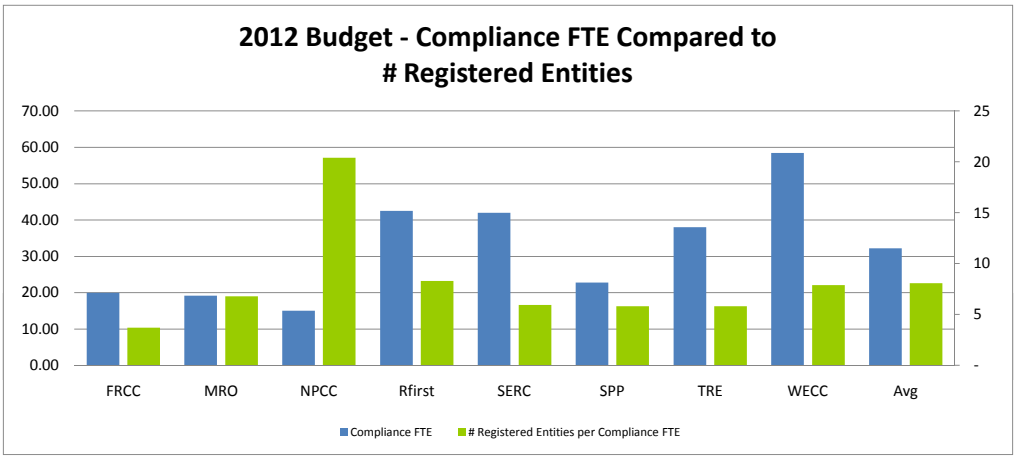

Regional Entity 2012 Compliance Program Budget as Function of Number of Registered Functions
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
0
200
400
600
800
1,000
1,200
1,400
RFC
WECC
SPP
TRE
SERC
NPCC
MRO
FRCC
R² = 0.7126


2011 Regional Entity Compliance Program Projection as Function of Number of Registered Entities
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
0
50
100
150
200
250
300
350
400
450
500
WECC
RFC
SPP
TRE
SERC
NPCC
MRO
FRCC
R² = 0.8634

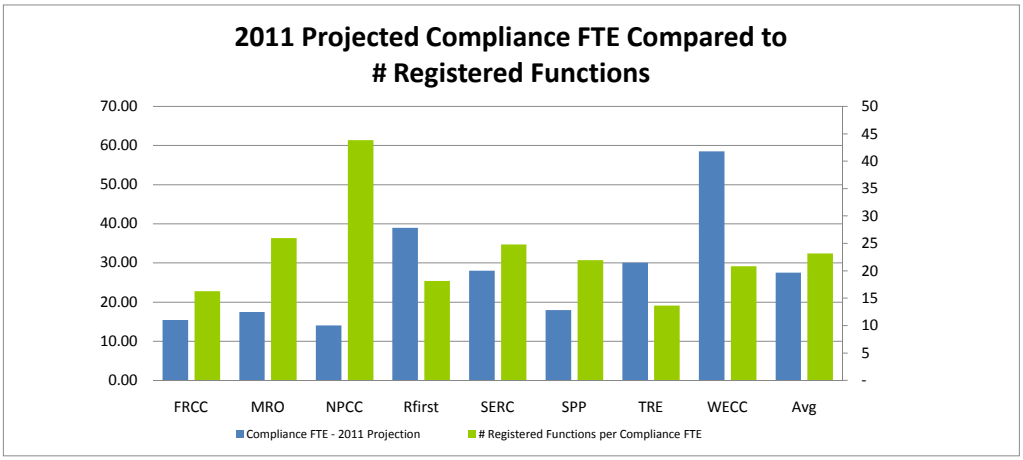

2011 Regional Entity Compliance Program Projection as Function of Number of Registered Functions
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
0
200
400
600
800
1,000
1,200
1,400
RFC
WECC
SPP
TRE
NPCC
SERC
MRO
FRCC
R² = 0.8233

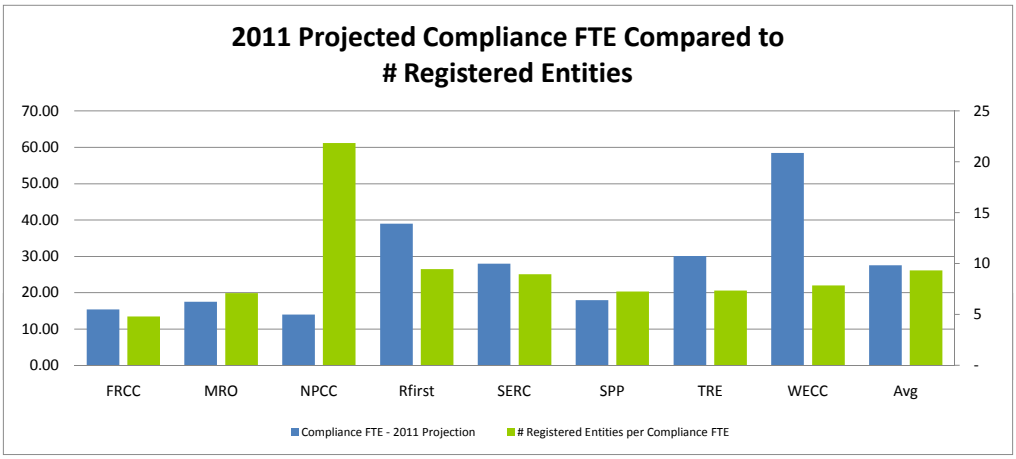
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Compliance FTE	19.94	19.16	15.00	42.50	42.00	22.75	38.00	58.50	32.23
# Registered Entities per Compliance FTE	3.71	6.78	20.40	8.31	5.95	5.80	5.82	7.90	8.08
# Registered Functions per Compliance FTE	12.39	24.11	40.93	16.26	16.36	17.32	11.08	20.68	19.89



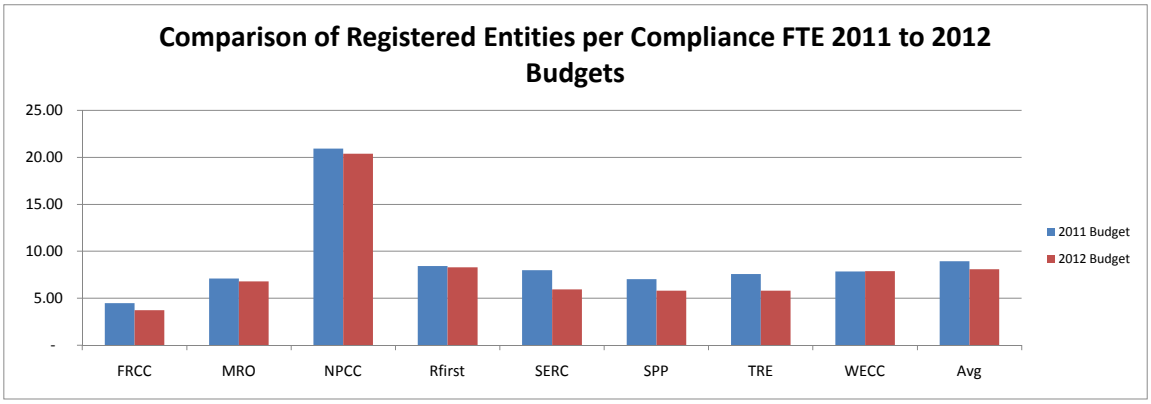


	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Compliance FTE - 2011 Projection	15.39	17.47	14.00	39.00	28.00	17.92	30.06	58.50	27.54
# Registered Entities per Compliance FTE	4.81	7.10	21.86	9.46	8.96	7.25	7.35	7.85	9.33
# Registered Functions per Compliance FTE	16.24	25.99	43.86	18.15	24.79	21.93	13.67	20.80	23.18

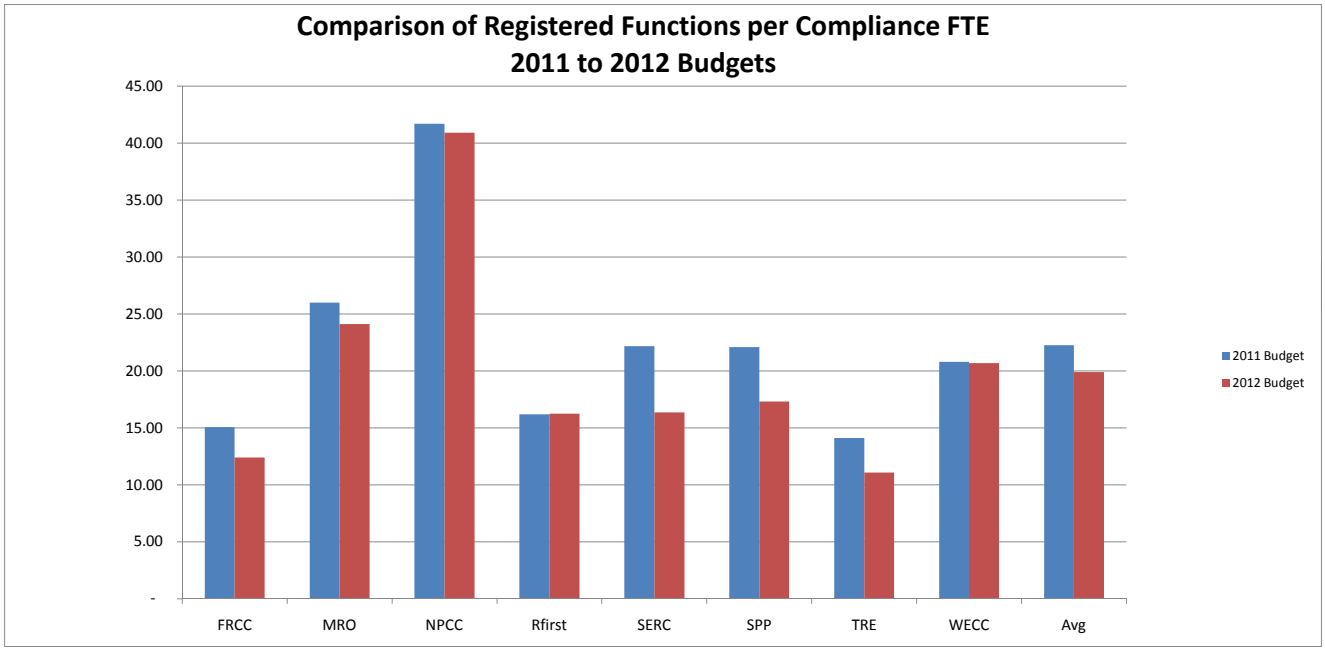




	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
2011 Budget	4.46	7.10	20.93	8.43	8.00	7.03	7.59	7.85	8.92
2012 Budget	3.71	6.78	20.40	8.31	5.95	5.80	5.82	7.90	8.08



	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
2011 Budget	15.07	25.99	41.71	16.18	22.17	22.10	14.11	20.80	22.27
2012 Budget	12.39	24.11	40.93	16.26	16.36	17.32	11.08	20.68	19.89



Discussion and Analysis

Metrics Based on 2012 Regional Entity Budgets

The development, collection, analysis and comparison of Regional Entity Compliance Program metrics data continues to be a complicated and time-consuming process, requiring careful consideration of many complex factors. During the development of the 2011 Business Plans and Budgets, NERC and the Regional Entities reviewed the metrics provided with the 2010 Business Plans and Budgets and agreed to add additional estimates for the costs of CIP compliance audits, since data had become available with the start of audits of compliance with requirements of the CIP standards. Estimates for the costs of CIP compliance audits are again presented in this Attachment, based on 2012 business plan and budget information; however, the "size" characteristics of the CIP compliance audits have been changed, to the criteria described in footnote 2 above. The revised characteristics of "small" and "large" CIP compliance audits better reflect the key aspect that drives differences in resource requirements for CIP compliance audits, namely, whether or not the registered entity has any critical cyber assets.

In analyzing the Regional Entity metrics based on their 2012 budgets, NERC has in a number of instances looked at the average value among the Regional Entities for the metric, as well as the range of the individual values around the average. This data has been considered as part of the effort to understand and explain the differences among the Regional Entities' budgeted values, and not because NERC believes the deviation from an average, standing alone, is a measure of an individual Regional Entity's efficiency or effectiveness.

The Regional Entity metrics provided in this Attachment, based on the Regional Entities' 2012 Business Plans and Budgets, continue to show, in general, that the Regional Entities with the larger numbers of registered entities and registered functions have the larger Compliance Program budgets. The bar charts and accompanying data on page 6 of this Attachment depict the relative positions of the Regional Entities with respect to (i) total Compliance Program budget and (ii) numbers of registered entities and registered functions.[6] Two exceptions to this relationship (*i.e.*, that more registered entities and more registered functions means a larger Compliance Program budget) are (i) NPCC, which has a smaller Compliance Program budget than its rank order position in terms of numbers of registered entities and registered functions would suggest, and (ii) SPP RE, which has a larger Compliance Program budget than its rank order position in terms of numbers of registered entities and registered functions would suggest.

The bar chart and accompanying data on page 8 of this Attachment show the 2012 Compliance Program budget per registered entity and per registered function for each Regional Entity. There are variations among the Regional Entities with respect to Compliance Program budget per registered entity and Compliance Program budget per registered function. The average of the Regional Entity values for Compliance Program budget per registered function is $16,527; the highest value (SPP RE - $23,011) is 139% of the average while the lowest value (WECC - $11,536) is 70% of the average. With respect to Compliance Program budget per

[6] The data on numbers of registered entities and registered functions in each Region used in the 2012 budget metrics are as of May 2011.

registered entity, the average for the Regional Entities is $43,552; the highest value (SPP RE - $68,683) is 158% of the average and the lowest value (NPCC - $24,417) is 56% of the average.[7]

FRCC and SPP RE have the two highest values for Compliance Program budget per registered entity and two of the three highest values (along with Texas RE) for Compliance program budget per registered function, but also have the two lowest numbers of registered entities and registered functions among the Regional Entities. At the other end of the spectrum, WECC has the lowest values among the Regional Entities for Compliance Program budget per registered entity and Compliance Program budget per registered function, and also has (by far) the highest numbers of registered entities and registered functions in its Region of all the Regional Entities. These data indicate, again (as indicated by these metrics as presented in previous years' business plan and budget filings), and in general, that there are economies of scale in Compliance Program operations and costs.

The graphs on page 15 of this Attachment, which display the results of two simple least-squares regression analyses using the Regional Entities' 2012 budgets, help to further illustrate the relationship between numbers of registered entities and registered functions, on the one hand, and total Compliance Program budget, on the other hand. Each Regional Entity's 2012 Compliance Program budget has been plotted against its number of registered entities, and its number of registered functions. On each of these charts, a linear trend line has been drawn based on the data points, and the correlation coefficient (R^2) of the data points is indicated. As can be seen, the correlation coefficients for the two regressions are quite similar, indicating that (based on the 2012 budgets), neither number of registered entities or number of registered functions is a significantly better predictor of a Regional Entity's total Compliance Program budget than the other number. Further, a visual inspection of the two graphs shows that the data point for each Regional Entity is at approximately the same point relative to the trend line on both graphs. Specifically, the data points for FRCC, MRO, NPCC and WECC are on or below the trend line on both graphs, and the data points for SPP RE, Texas RE, Reliability*First* and SERC are on or above the trend line on both graphs. Finally, the fact that the y-intercept for each trend line is significantly greater than zero is a further indication that a simple comparison of the individual Regional Entity values to an average is not a strong indicator of relative efficiencies of the Regional Entities in their Compliance Programs.

The bar charts and accompanying data lines on page 17 of this Attachment show the numbers of registered functions per Compliance Program FTE and registered entities per Compliance Program FTE for each Regional Entity, based on the 2012 budgets. The average for the eight Regional Entities for numbers of registered entities per Compliance Program FTE is

[7] There is a variation among the Regional Entities in terms of registered functions per registered entity, ranging from a high value of 3.55 registered functions per registered entity for MRO to a low value of 1.90 registered functions per registered entity for Texas RE. (*See* the bar chart and data lines on page 10.) The values of this metric for each Regional Entity are generally consistent with the values based on the 2011 Business Plans and Budgets. However, there is no readily apparent reason why some Regional Entities (MRO and FRCC) have 1.6 to 1.8 times more registered functions per registered entity than do other Regional Entities (Texas RE, *Reliability*First and NPCC).

8.08 (a 9% reduction from the average based on the 2011 budgets); the lowest value (FRCC – 3.71) is 46% of the average and the highest value (NPCC – 20.40) is 252% of the average. The average for numbers of registered functions per Compliance Program FTE is 19.89 (a 10.7% reduction from the average based on the 2011 budgets); the lowest value (Texas RE – 11.08) is 56% of the average and the highest value (NPCC – 40.93) is 206% of the average.

The bar charts and accompanying data lines on page 19 of this Attachment provide a comparison of the metrics for registered entities per Compliance Program FTE and registered functions per Compliance Program FTE, for each Regional Entity, based on the 2012 budgets, to the values of these metrics based on the Regional Entities' 2011 budgets as provided in the 2011 Business Plan and Budget filing. Every Regional Entity except WECC has a lower value for number of registered entities per Compliance Program FTE based on its 2012 budget than on its 2011 budget, and the 2012 value for WECC (7.90) is only slightly higher than the 2011 value (7.85). Similarly, every Regional Entity except Reliability*First* has a lower value for number of registered functions per Compliance Program FTEs based on its 2012 budget than on its 2011 budget, and the 2012 value for Reliabillity*First* (16.26) is only slightly higher than the 2011 value (16.18). Since at this juncture in the ERO development, the numbers of registered entities and registered functions do not exhibit significant change (*i.e.*, for the most part, the users, owners and operators of the bulk power system that should be registered, have been registered, and for the relevant reliability functions), these data show that the Regional Entities as a group continue to budget increasing personnel resources for their Compliance Programs.

The bar charts and accompanying data lines on pages 12 to 14 of this Attachment provide the Regional Entities' estimated costs for 2012 to perform each category of compliance audit. The estimated costs to perform a compliance audit include the costs to prepare for the audit (including review of the registered entity's completed pre-audit questionnaire and Reliability Standards Audit Worksheets (RSAWs) and other registered entity-provided documents and information, and any pre-audit meetings), to perform the audit (whether on-site or off-site), and to report the results of the audit.[8] Costs incurred in issuing and processing notices of alleged violations and proposed penalties resulting from the compliance audit are not included in the estimated cost to perform the compliance audit. The costs per audit for each category of audit, shown in the table on page 4 and the bar charts on pages 12-14, are based on the Regional Entities' estimates of the man-hours required to complete the preparation, performance and reporting functions for each category of compliance audit in 2012. The costs include the direct Salary expense and related Personnel Expense (Payroll Taxes, Benefits and Retirement Costs) for the man-hours of the Regional Entity personnel involved in preparation, performance and reporting for the audit and/or the costs for consultant/contractor resources used by the Regional Entity to perform the audit, but do not include any allocation of Regional Entity indirect costs. The costs also include Travel Expense for personnel in connection with on-site audits at the registered entity's location.

NERC and the Regional Entities note the following factors, among others, that can contribute to the differences in estimated costs per compliance audit among the Regional Entities

[8] Estimated costs of a particular size or type of audit are not provided in the table on page 4 or in the applicable bar chart on pages 12-14 if no audits are planned.

for the various compliance audit size and site categories, as reported in the table on page 4 and shown in the bar charts on pages 12-14:

- Some Regional Entities are using consultants or contractors on their audit teams, which may entail a higher cost per hour than the use of Regional Entity employees.[9] (NERC observes, however, that in general and over time, the Regional Entities have been reducing their use of consultants or contractors in compliance audits in favor of using Regional Entity staff. An exception is where very specialized subject matter expertise is required and there may not be cost justification for maintaining that expertise on staff in FTE positions. For example, SPP RE reports that it is making extensive use of consultants to conduct CIP compliance audits.)

- The Regional Entity's footprint may affect the extent to which travel costs must be incurred in the performance of on-site compliance audits within the Region. For example, FRCC has a comparatively small geographic footprint and its headquarters office is fairly centrally located within the Region. SPP RE, Reliability*First*, Texas RE and NPCC (U.S. portion) also have relatively smaller geographic footprints. Thus, for instance, Texas RE reports that most registered entities in its Region are located within driving range of the Texas RE offices in Austin, Texas, and therefore can be reached by Compliance personnel via auto travel rather than airline travel. In contrast, WECC and SERC have much larger geographic footprints; as a result, more significant travel costs (including, in many cases, air travel costs) must be incurred for on-site audits by these Regional Entities.

- Although a consistent definition of "large" audits has been used, *i.e.*, an audit encompassing more than 75 reliability standards requirements, some Regional Entities may project a greater number of requirements to be audited in a typical "large" compliance audit than other Regional Entities. A Regional Entity that projects a larger number of requirements to be audited in a "large" audit would, all other things equal, estimate a greater amount of resources to conduct its "large" audit (*e.g.*, more auditors, more days at the registered entity's site and/or more man-hours to review the registered entity's documentation and to prepare the audit report).

- Some Regional Entities may simply be planning more steps, or budgeting higher man-hours, for the preparation, completion and/or reporting phases of their compliance audits. In particular, there may be variations in the levels of activity and man-hours budgeted by the Regional Entities for review of registered entity responses

[9] The cost for contractors or consultants can vary significantly based on the individual or firm used, *e.g.*, from "sole proprietor" independent contractors to personnel from large consulting firms. Further, although the cost to use a contractor or consultant on an individual audit assignment may be more costly than using a Regional Entity employee, the annual cost to the Regional Entity of retaining a contractor or consultant for a specific targeted assignment such as participating in certain compliance audits may be less than the cost of maintaining a FTE employee on staff for the year.

to pre-audit questionnaires and RSAWs, and other registered entity documents and information, prior to the on-site phase of a compliance audit.

- With respect to CIP compliance audits, the Regional Entities do not at this point in time have the same accumulated knowledge and experience base as they do for operational compliance audits, and therefore there may still be greater variability in their estimates of the time and resources required to conduct CIP audits, as compared to their estimates of the time and resources required to conduct operational compliance audits.

In addition to these factors, differences in estimated costs per audit among Regional Entities may reflect general differences in the market compensation levels in the different areas of the U.S. in which the various Regional Entities operate, thereby impacting their respective overall Personnel Expenses.

Metric Based on 2011 Regional Entity Projections

In response to P 38 of the *2011 Budget Order*, this Attachment also provides metrics information based on the Regional Entities' 2011 projections as provided in their 2012 Business Plans and Budgets. The table on page 5 shows the metrics values that have been developed and provided for each Regional Entity based on their 2011 projections. Projected 2011 information on numbers and costs of the various sizes and types of operational and CIP audits is not included, since the current-year projections developed for inclusion in the business plans and budgets are not developed at the level of detail that would allow for the presentation of per-audit information on a consistent basis among the Regional Entities.

In the charts following page 5, charts and data based on the Regional Entities' 2011 projections have been provided for (i) Compliance Program projected 2011 spending and numbers of registered functions and registered entities (page 7); Compliance Program projected 2011 spending per number of registered entities and per number of registered functions (page 9); number of registered functions per registered entity (page 11); Compliance Program projected 2011 spending as a function of number of registered entities and as a function of number of registered functions (page 16); and numbers of registered entities per Compliance Program FTE and numbers of registered functions per Compliance Program FTE, based on the 2011 projections (page 18). Each of these charts based on the Regional Entities' 2011 projections has been placed immediately following the corresponding chart for the same metric(s) based on the Regional Entities' 2012 budgets, to facilitate a visual comparison of the 2012 budget and 2011 projection metrics.

For the reasons stated in §V.C of NERC's narrative filing, NERC does not consider the data and metrics information based on the Regional Entities' current year (2011) projections to be of the same level of usefulness for comparison purposes as the metrics based on the Regional Entities' budgets, because the current year projections are not prepared using the same degree of consistency among NERC and the Regional Entities with respect to application of procedures and assumptions as is followed in preparing the annual budgets. For these reasons, NERC does not believe that direct comparisons of metrics based on the 2012 budgets to metrics based on the 2011 projections provides meaningful or useful comparative information (in contrast, to, for

example, comparison of metrics based on the upcoming year's budgets to metrics based on the actual results for the most recently-completed year, or metrics based on the upcoming year budgets to metrics based on the current year's budgets). However, visual comparisons of the metrics charts based on the Regional Entities' 2012 budgets to the corresponding metrics charts based on the Regional Entities' 2011 projections (*i.e.*, page 6 vs. page 7; page 8 vs. page 9; page 10 vs. page 11; page 15 vs. page 16; and page 17 vs. page 18), show, in virtually all cases, very little difference in the 2012 budget versus 2011 projection values for each Regional Entity, and very little difference in the relationships among the Regional Entities.

In conclusion, NERC reiterates that the development, collection, analysis and comparison of metrics on the Regional Entities' costs, operations and performance is an ongoing process. NERC and the Regional Entities will continue to work collaboratively to refine the metrics and improve their analysis of the reported metrics values and the factors that may cause variations in values among the Regional Entities; and will continue to report the results of these analyses in future annual Business Plan and Budget filings.

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NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

<u>ATTACHMENT 16</u>

METRICS ON NERC AND REGIONAL ENTITY

ADMINISTRATIVE (INDIRECT) COSTS

BASED ON

THE 2012 BUDGETS

ATTACHMENT 16

Analysis of
NERC and Regional Entity Budgeted Indirect (Administrative Services) Costs
2012 Budgets versus 2011 Budgets

In the preparation of the NERC and Regional Entity 2012 Business Plans and Budgets, indirect expenses have been defined as those expenses which cannot be directly attributed to one of the five statutory program functions[1].

The metrics presented in the tables on the last page of this Attachment are the same metrics presented in Attachment 16 to the 2010 and 2011 Business Plan and Budget filings. These tables provide several metrics comparing indirect costs and FTEs[2] in relation to total statutory costs and FTEs and direct statutory costs and FTEs, for NERC and each of the Regional Entities, in their 2012 Business Plans and Budgets and their 2011 Business Plans and Budgets.

Overall, the tables show a slight increase in the average indirect costs as a percent of total statutory costs and a slight decrease in the average statutory indirect FTEs as a percentage of total statutory FTEs, in the NERC and Regional Entity 2012 budgets as compared to the 2011 budgets. This result is reflective of consistent application of the definition of indirect costs, as described above, in the preparation of the 2012 and 2011 budgets. This result also appears to demonstrate that NERC and the Regional Entities have achieved an operational balance between the level of indirect costs needed to support the direct statutory programs.

Following is discussion of the individual metrics presented in the tables.

Percent of Statutory Indirect Budget to Total Statutory Budget

For NERC and the Regional Entities, the average percent of Statutory Indirect Budget to Total Statutory Budget (top row of tables) in the 2012 budgets is 28.8%, versus 28.0% in the 2011 budgets, a small increase. For 2012, Reliability*First*, SERC and Texas RE show percentages close to the average. FRCC and NPCC have percentages that are considerably lower than the average, which are reflective of the methodologies they used to identify and allocate staff time and Office Costs to the appropriate program. WECC also has a considerably lower percentage than the average, due to the significant components of statutory direct costs associated with federal grant activity in its 2011 budget and its 2012 budget, which are not accompanied by corresponding increases in indirect costs. SPP RE continues to have a higher percentage than the average (the highest percentage among the Regional Entities) for this metric, reflecting the allocation of indirect costs (support services charges) from SPP, Inc., which are driven by increases in SPP, Inc.'s operating budget and the

[1] NERC and Regional Entity provisions for Working Capital Reserve are not included in the budget data used to calculate these metrics.

[2] FTE = Full-time equivalent employee.

increase in the number of FTEs at SPP RE. For NERC and MRO, the 2012 budget values for this metric are higher than the average compared to the 2011 budget metrics, due to an increase in their Budgeted Indirect FTEs as a Percent of Budgeted Total FTEs, as further described below, and for NERC, reallocation of certain costs from statutory program budgets to administrative services department budgets to provide for greater budget and cost accountability.

For NERC, MRO and Reliability*First*, their percentages of Statutory Indirect Budget to Total Statutory Budget increased in their 2012 budgets from the percentages based on their 2011 budgets. The other six Regional Entities show decreases in this metric from their 2011 budgets, ranging from 0.8 percentage points for SERC to 2.9 percentage points for NPCC.

The average for the ratio of Statutory Direct Budget to Statutory Indirect Budget increased slightly, from 3.19 based on the 2011 Business Plans and Budgets to 3.31 based in the 2012 Business Plans and Budgets.

Budgeted Indirect FTEs as a Percent of Budgeted Total FTEs

In the NERC and the Regional Entity 2012 Business Plans and Budgets, on average the budgeted statutory indirect FTEs are 20.2% of total statutory FTEs, compared to an average of 20.7% for the 2011 budgets (second row of tables). On average, there are 4.39 statutory direct FTEs per statutory indirect FTE in the 2012 budgets, compared to 4.08 statutory direct FTEs per statutory indirect FTEs in the 2011 budgets, for an average increase of 0.31 FTE budgeted as statutory direct FTE per statutory indirect FTE. This small increase is similar to the average increase in this metric of 0.36 FTE in the 2011 budgets compared to the 2010 budgets, and continues to demonstrate that NERC and the Regional Entities are achieving an operational balance between statutory direct FTEs and indirect FTEs.

NERC, MRO, NPCC, and Reliability*First* have higher percentages of indirect statutory FTEs to total statutory FTEs reflected in their 2012 budgets than in their 2011 budgets, although for MRO and NPCC, the increases in their percentages are very small (0.5 percentage points and 0.2 percentage points respectively). SPP RE continues to have a very low percentage (the lowest percentage among the Regional Entities) of indirect statutory FTEs to total statutory FTEs, which reflects the fact that SPP RE has a very small staff of indirect FTEs and obtains many of its administrative services from SPP, Inc.

Statutory Indirect Budget per Total FTE

The Statutory Indirect Budget per Total FTEs has increased slightly from an average of $76,992 in the 2011 NERC and Regional Entity budgets to $77,618 in the 2012 budgets, an increase of $626, or 0.8%. The statutory Indirect Budget per Total FTEs for NERC, MRO, and Reliability*First* have increased, reflective of their increased percentages of Indirect FTEs to Total FTEs and for NERC, reallocation of certain costs, as described above. The statutory Indirect Budget per Total FTEs for SPP RE also increased, but by only 0.5%. This metric

decreased for the other Regional Entities, by between 6.3% (SERC) to 19.0% (NPCC), from their 2011 budgets.

Analysis of Administrative (Indirect) Costs
2012 Budget versus 2011 Budget

2011 BUDGET						2012 BUDGET				
Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory	Ratio of Statutory Direct Budget to Indirect Budget		Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory	Ratio of Statutory Direct Budget to Indirect Budget
$ 48,726,465	$ 32,861,754	$ 15,864,711	32.6%	2.07	**NERC**	$ 53,112,272	33,189,444	19,922,828	37.5%	1.67
5,588,610	4,917,748	670,862	12.0%	7.33	**FRCC**	6,394,454	5,697,287	697,167	10.9%	8.17
8,130,824	5,425,207	2,705,617	33.3%	2.01	**MRO**	9,057,229	5,636,696	3,420,533	37.8%	1.65
12,716,809	10,317,057	2,399,752	18.9%	4.30	**NPCC**	13,680,644	11,488,152	2,192,492	16.0%	5.24
15,219,649	11,462,088	3,757,561	24.7%	3.05	**Reliability*First***	16,656,499	11,371,965	5,284,534	31.7%	2.15
11,776,640	7,772,543	4,004,097	34.0%	1.94	**SERC**	15,594,445	10,423,575	5,170,870	33.2%	2.02
9,797,236	4,946,725	4,850,511	49.5%	1.02	**SPP RE**	11,410,642	5,907,059	5,503,583	48.2%	1.07
9,283,857	6,573,272	2,710,585	29.2%	2.43	**Texas RE[1]**	10,613,458	7,694,168	2,919,290	27.5%	2.64
68,205,450	56,018,072	12,187,378	17.9%	4.60	**WECC**	67,969,167	56,956,789	11,012,378	16.2%	5.17
			28.0%	3.19	**AVERAGE**				28.8%	3.31

2011 BUDGETED FTEs						2012 BUDGETED FTEs				
Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs		Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs
150.75	113.00	37.75	25.0%	2.99	**NERC**	176.75	129.00	47.75	27.0%	2.70
26.45	22.63	3.82	14.4%	5.92	**FRCC**	30.69	26.67	4.02	13.1%	6.63
34.50	27.35	7.15	20.7%	3.83	**MRO**	37.00	29.15	7.85	21.2%	3.71
31.42	24.00	7.42	23.6%	3.23	**NPCC**	35.43	27.00	8.43	23.8%	3.20
68.00	55.95	12.05	17.7%	4.64	**Reliability*First***	73.00	56.70	16.30	22.3%	3.48
53.50	39.75	13.75	25.7%	2.89	**SERC**	73.70	56.95	16.75	22.7%	3.40
29.67	25.67	4.00	13.5%	6.42	**SPP RE**	33.50	30.00	3.50	10.4%	8.57
49.00	38.14	10.86	22.2%	3.51	**Texas RE[1]**	58.00	47.25	10.75	18.5%	4.40
207.90	159.00	48.90	23.5%	3.25	**WECC**	213.30	165.00	48.30	22.6%	3.42
			20.7%	4.08	**AVERAGE**				20.2%	4.39

2011 BUDGET per FTE					2012 BUDGET per FTE			
Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Budget per Total FTE		Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Budget per Total FTE
$ 323,227	$ 290,812	$ 420,257	$ 105,239	**NERC**	$ 300,494	$ 257,283	$ 417,232	$ 112,718
211,290	217,311	175,618	25,363	**FRCC**	208,356	213,622	173,425	22,716
235,676	198,362	378,408	78,424	**MRO**	244,790	193,369	435,737	92,447
404,736	429,877	323,417	76,377	**NPCC**	386,132	425,487	260,082	61,882
223,818	204,863	311,831	55,258	**Reliability*First***	228,171	200,564	324,205	72,391
220,124	195,536	291,207	74,843	**SERC**	211,594	183,030	308,709	70,161
330,207	192,705	1,212,628	163,482	**SPP RE**	340,616	196,902	1,572,452	164,286
189,466	172,346	249,593	55,318	**Texas RE[1]**	182,991	162,840	271,562	50,333
328,069	352,315	249,231	58,621	**WECC**	318,655	345,193	228,000	51,629
			$ 76,992	**AVERAGE**				$ 77,618

[1]Based upon Texas RE's amended 2011 Business Plan and Budget

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NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2012 BUSINESS PLAN AND BUDGET FILING

<u>ATTACHMENT 17</u>

STATUS REPORT

ON PROGRESS IN PROCESSING

VIOLATIONS OF RELIABILITY STANDARDS

Status Report on Progress in Processing Violations of Reliability Standards

In NERC's 2011 Business Plan and Budget, NERC included, in Attachment 17, a report on processing outstanding unprocessed violations.[1] This Attachment is submitted as an update to that report. Additionally, the information in this Attachment has been expanded in response to Paragraph 37 of the *2011 Budget Order*. Unless otherwise stated, all data in this Attachment is as of, or for the period ended, June 30, 2011.

NERC is acutely aware and concerned about the current number of Reliability Standard violations to be processed, and is working closely with the Regional Entities' staffs to address that caseload with targeted initiatives and streamlining current processes.

Current Caseload

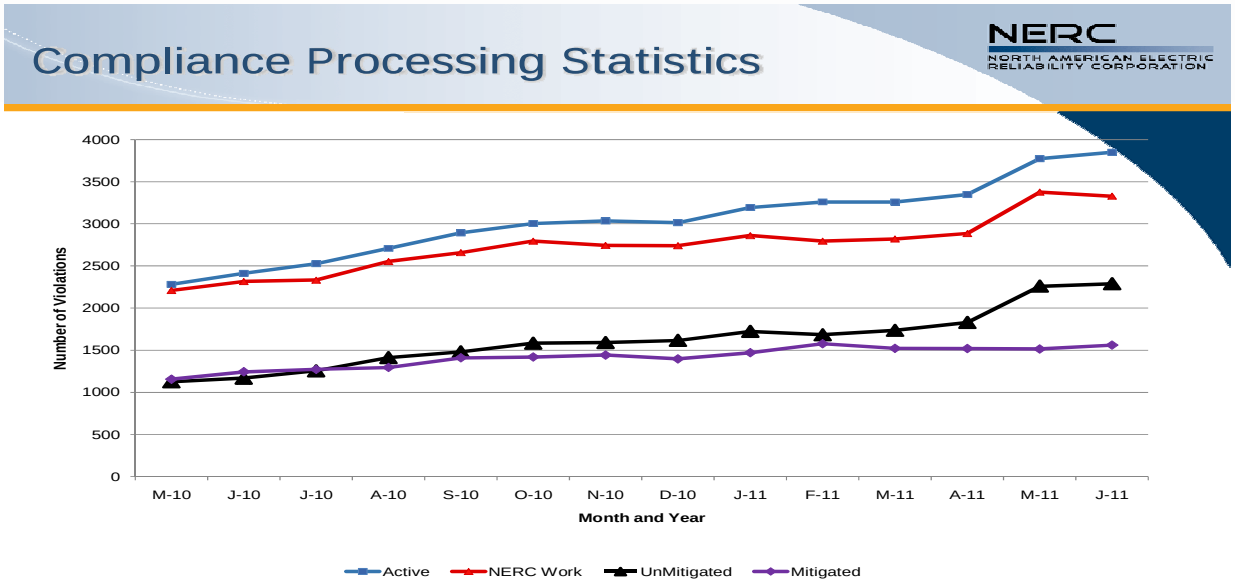
Figure 1 below provides an overview of the "active violations" in the ERO caseload. Active violations are those violations that have not been dismissed or closed.[2] The "NERC Work" line in Figure 1 reflects the portion of the active violations for which NERC has yet to issue a notice of penalty (NOP). Figure 1 also compares the number of active violations that have been fully mitigated against those violations that are awaiting either the submittal of a mitigation plan or verification of completion of a pending mitigation plan.

As reflected in Figure 1, an influx of new violations since June 2010 has brought the caseload from 2,413 active violations to 3,881 in June 2011. There were 2,779 new violations submitted to NERC over the last year; averaging 232 per month. During that same timeframe, there were over 1,300 violations that were either closed or dismissed. As discussed in further detail below, the main component of these new violations relates to violations of Reliability Standards CIP-002 through CIP-009.

[1] For purposes of this Attachment, the term "violation" references an individual instance of non-compliance with a Reliability Standard requirement, regardless of its procedural posture and whether it was a possible, alleged or confirmed violation.

[2] *Closed Violations have all the following characteristics:* Violation NOP approved by FERC, Verified Completion of Mitigation Plan, and Payment of any associated Penalties.

Figure 1: Violation Processing Overview (as of June 30, 2011)[3]



Despite the steady rise in the number of active violations since June 2010, NERC has experienced steady progress in disposing of older cases. Tables 1-4 below provide an update to the analysis provided in Attachment 17 of the 2011 Business Plan and Budget filing in tracking the 2,350[4] violations that were included in NERC's violations database as of December 31, 2008 through various stages of the enforcement process. As reflected in Table 3, two-thirds of the violations have been closed or dismissed since December 31, 2008[5] bringing the total closed or dismissed violations to 94%.

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[3] In Figure 1, the sum of the mitigated and unmitigated violations equals the number of active violations. "Unmitigated" means violations where Mitigation Plans have not been received or not yet closed, minus violations with completed Mitigation Plans that NERC is reviewing. "Mitigated" means active violations minus Unmitigated. The "NERC Work" line reflects the portion of the active violations that are in process at NERC up to and including approval by the NERC Board of Trustees Compliance Committee.

[4] In recreating the analyses presented in the 2011 Business Plan and Budget filing, NERC identified 2,368 violations as of December 31, 2008, rather than the 2,350 violations reported in Attachment 17 to the 2011 Business Plan and Budget filing. At this time, NERC has not reconciled the 18 violations; however, the statistics presented here are accurate for the 2,350 violations included in this analysis.

[5] For purposes of Tables 1 through 4 of this report, the following process state definitions apply:

Assessment and Validation = NERC is awaiting receipt of Notice of Alleged Violation and Proposed Penalty or Sanction from the Region.

Confirmation = NERC has received a Notice of Alleged Violation and Proposed Penalty or Sanction and is awaiting registered entity response; or the registered entity has accepted or contested the violation.

TABLE 1

	FERC Enforceable Alleged Violations Summarized by Enforcement Process State							
	As of December 31, 2008							
	Assessment and Validation	Confirmation	Settlement	NERC Enforcement Actions	Awaiting Closing Actions	Completed and Closed	Dismissed	Total
Region								
FRCC	64	23	13	16	0	0	0	116
MRO	9	3	3	33	0	7	14	69
NPCC	7	0	26	5	0	12	8	58
RFC	32	4	46	14	0	1	11	108
SERC	73	1	40	33	6	70	24	247
SPP	9	42	1	4	0	5	1	62
TRE	20	0	13	22	0	10	2	67
WECC	629	316	94	106	0	0	478	1623
TOTAL	843	389	236	233	6	105	538	2350

TABLE 2

	FERC Enforceable Alleged Violations Summarized by Enforcement Process State						
	As of June 30, 2011 (for the same violations in Table 1)						
	Assessment and Validation	Confirmation	Settlement	NERC Enforcement Actions	Awaiting Closing Actions	Completed and Closed	Dismissed
Region							
FRCC	0	0	2	0	12	76	31
MRO	0	0	0	0	0	48	21
NPCC	0	0	0	0	0	49	9
RFC	0	0	0	0	3	86	21
SERC	14	0	0	0	0	191	45
SPP	0	2	1	1	1	55	4
TRE	0	0	0	6	8	31	22
WECC	15	0	48	1	28	711	826
TOTAL	29	2	51	8	52	1247	979

Settlement = Settlement negotiations are in progress.

Completed and Closed = Payment of Penalties, Fulfillment of Sanctions, Completion of Mitigation Plan, Exhaustion of Administrative and Judicial Remedies, and Fulfillment of Settlement terms have all been met and violation is closed.

NERC Enforcement Actions = NERC is reviewing the Notice of Confirmed Violation or Settlement Agreement.

Awaiting Closing Actions = Violation is Confirmed/Settled and a Notice of Penalty has been issued by NERC to Registered Entity and submitted/accepted by FERC.

Dismissed = Violation was dismissed by Region and validated by NERC.

TABLE 3

	FERC Enforceable Alleged Violations Summarized by Enforcement Process State						
	Changes from December 31, 2008 to June 30, 2011 (for the same violations in Table 1)						
	Assessment and Validation	Confirmation	Settlement	NERC Enforcement Actions	Awaiting Closing Actions	Completed and Closed	Dismissed
Region							
FRCC	-64	-23	-11	-16	12	76	31
MRO	-9	-3	-3	-33	0	41	7
NPCC	-7	0	-26	-5	0	37	1
RFC	-32	-4	-46	-14	3	85	10
SERC	-59	-1	-40	-33	-6	121	21
SPP	-9	-40	0	-3	1	50	3
TRE	-20	0	-13	-16	8	21	20
WECC	-614	-316	-46	-105	28	711	348
TOTAL	-814	-387	-185	-225	46	1142	441

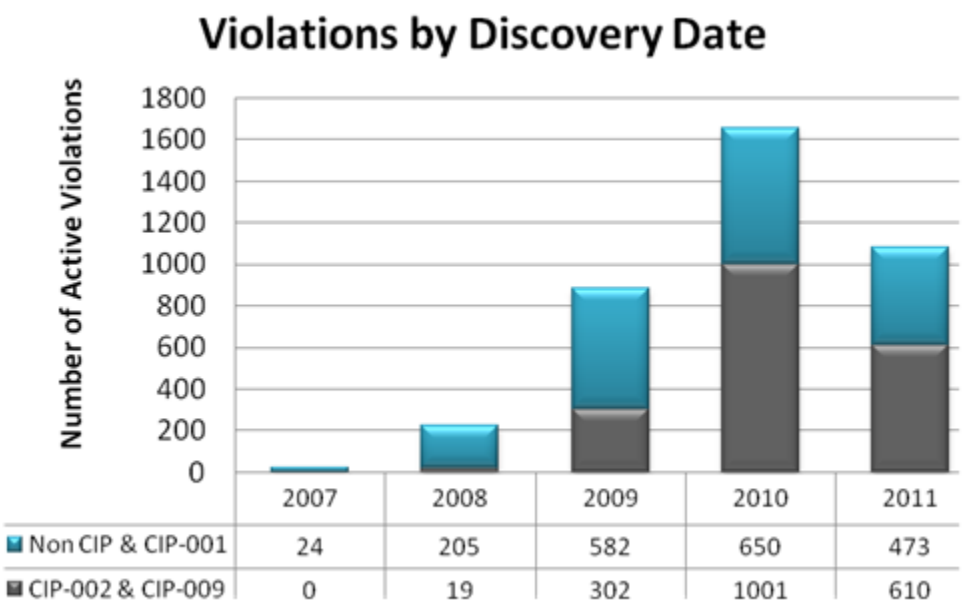
TABLE 4

	FERC Enforceable Alleged Violations Summarized by Enforcement Process State						
	Changes from June 30, 2010 to June 30, 2011 (for the same violations in Table 1)						
	Assessment and Validation	Confirmation	Settlement	NERC Enforcement Actions	Awaiting Closing Actions	Completed and Closed	Dismissed
Region							
FRCC	0	0	-20	0	1	19	5
MRO	0	0	0	-3	0	3	0
NPCC	0	0	-9	0	-3	12	0
RFC	0	0	0	-4	-11	15	2
SERC	-2	0	0	-16	-19	35	5
SPP	0	2	-3	-31	-3	36	1
TRE	0	0	-11	-2	4	6	3
WECC	0	-2	-6	-135	-28	167	10
TOTAL	-2	0	-49	-191	-59	293	26

Table 4 indicates that, in the 12 months from June 30, 2010 to June 30, 2011, NERC and the Regional Entities closed or dismissed 319 of the violations (approximately 19%) that were active as of December 31, 2008.

Finally, NERC and the Regional Entities have made steady progress in dispositioning older cases in the caseload. As reflected in Figure 2 below, less than 1% of the currently active violations were discovered in 2007 (24 of 3,881), 6% (224 of 3,881) were discovered in 2008, and 23% (884 of 3,881) discovered in 2009. Thus, about 71% of the current caseload is comprised of violations that were discovered in the 18 month period January 2010 to June 2011.

Figure 2: Current Active Violations by Year of Discovery
(2011 Data through June 30)



Tables 5 and 6 provide summaries, at December 31, 2010 and June 30, 2011, respectively, of all cumulative violations at those dates, summarized by status and region. Tables 5 and 6 are presented in the same format as Attachment 2 to NERC's December 17, 2010 Compliance Filing to the *2011 Budget Order*.

TABLE 5

FERC Enforceable Alleged Violations Summarized by State (Including Dismissals)									
As of December 31, 2010									
	Assessment and Validation	Confirmation	Settlement	NERC Enforcement Actions	Awaiting Closing Actions	Completed and Closed		Dismissals	
Region							Sub-Total		Total
FRCC	10	0	195	10	48	60	323	95	418
MRO	76	0	11	15	21	55	178	54	232
NPCC	30	13	53	4	18	55	173	27	200
RFC	330	0	65	97	41	106	639	63	702
SERC	316	2	111	0	29	214	672	79	751
SPP	144	4	177	7	35	54	421	27	448
TRE	18	12	34	8	12	28	112	21	133
WECC	284	69	314	276	69	787	1799	955	2754
NERC	56	0	0	0	0	17	73	24	97
TOTAL	1264	100	960	417	273	1376	4390	1345	5735

TABLE 6

FERC Enforceable Alleged Violations Summarized by State (Including Dismissals)									
As of June 30, 2011									
	Assessment and Validation	Confirmation	Settlement	NERC Enforcement Actions	Awaiting Closing Actions	Completed and Closed		Dismissals	
Region							Sub-Total		Total
FRCC	52	0	134	13	106	64	369	114	483
MRO	102	0	22	11	18	96	249	69	318
NPCC	33	3	55	17	19	90	217	37	254
RFC	421	4	26	142	123	153	869	141	1010
SERC	344	2	158	19	28	258	809	89	898
SPP	167	0	190	26	39	101	523	105	628
TRE	165	13	43	30	17	52	320	59	379
WECC	454	65	433	153	170	931	2206	1075	3281
NERC	53	11	0	0	0	17	81	43	124
TOTAL	1791	98	1061	411	520	1762	5643	1732	7375

Caseload Management Activities

To address and reduce the increasing caseload, NERC has undertaken a number of activities to facilitate more efficient violation processing, both to expedite disposition of pending violations and to ensure that enforcement resources are appropriately allocated based on the reliability risks of each violation.

NERC and the Regional Entities have undertaken a concerted effort throughout 2011 to further improve and streamline enforcement activities. As a result of this joint effort, NERC and the Regional Entities successfully implemented the Administrative Citation Process (ACP) in order to expeditiously handle violations that did not pose a serious or substantial risk to the reliability of the bulk power system (BPS). The ACP process resulted in a significant increase in the number of dispositions of violations filed with, and accepted by, the Commission.

In September 2011, NERC and the Regional Entities will introduce significant changes to the enforcement process.[6] This initiative will differentiate compliance items based on the level of risk they present to the reliability of the BPS. The new enforcement initiative is designed to refocus efforts on reliability excellence, eliminate undue regulatory burdens, streamline paperwork requirements, increase caseload processing, and encourage continued timely and thorough self-reporting and mitigation by registered entities. By identifying, mitigating and resolving, in a more expeditious manner, the items that do not pose a serious or substantial risk to reliability of the BPS, NERC and the Regional Entities will have more time, resources and

[6] The last scheduled ACP NOP filing will be filed in August, 2011.

efforts to devote to violations that pose a more serious risk to reliability. This initiative is based on NERC's existing Rules of Procedure and applicable Commission orders.

Under this initiative, there will be three (3) possible tracks for disposition of items: Dismissal; Find, Fix, Track and Report (FFT); and Notices of Penalty (NOP). Dismissal will be used when the item does not in fact constitute a violation of a NERC Reliability Standard. FFT processing will be used when the item poses a lesser risk (i.e., minimal to moderate risk) to BPS reliability. NERC and the Regional Entities will identify candidates for FFT by taking into account the assessment of the risk of the item to BPS reliability, the Reliability Standard(s) involved, the method by which the item was discovered, and the implementation of mitigating activities by the registered entity. NOPs will be filed for more serious violations[7] of Reliability Standards, taking into account the risk the violation posed to the reliability of the BPS, the deterrence value of using the NOP process, and the benefits of conveying information on the violation to the industry. NERC will submit a filing to the Commission in September 2011 providing more details about this initiative, which will include the first FFT items and the revised NOP spreadsheet format.

This joint effort to further improve and streamline enforcement processes is an example of the implementation of the ERO Enterprise vision, which is intended to provide greater transparency, which in turn has and is facilitating more consistent and clearer policy determinations, reduction of re-work, and more efficient allocation of resources at all levels. Other examples of how the ERO Enterprise vision is being implemented include:

- Increased numbers of regular, coordinated meetings of NERC and Regional Entity staff at all levels;
- Development and deployment of a common violation reporting, analysis and tracking platform under the Compliance Reporting Analysis and Tracking System at NERC and the Compliance Information Tracking System at the Regional Entities;
- Publication of guidance on compliance and enforcement issues through compliance analysis papers, Compliance Application Notices, lessons learned, Case Notes and other publications;[8]
- NERC compliance staff participation in Regional Entity Workshops and Seminars; and
- NERC and Regional Entity compliance staff engagement with the industry trade associations and forums to provide updates and discuss issues and concerns.

Some of the activities described above are helping to reduce the caseload by enabling more efficient and expeditious processing of violations that are discovered. Other actions, by enhancing registered entity understanding of, and compliance with, Reliability Standards, will

[7] The term "violation" is used to refer to a possible, alleged or confirmed violation.

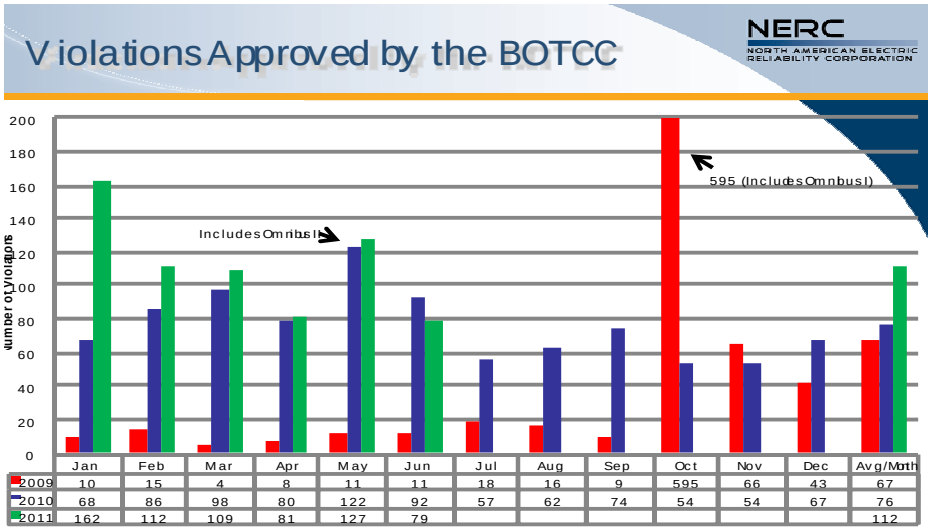
[8] While the publication of these guidance documents should facilitate better compliance and more efficient violation processing in the long term, there is typically an initial increase in self-reported violations immediately following the publication of some of these documents.

ultimately reduce the size of the caseload by promoting increased compliance and thus reducing the number of new violations discovered.

Violation Processing

While the activities outlined above remain works in progress, NERC enforcement staff has realized greater efficiencies over the last year in their day-to-day violation processing activities. As reflected in Figure 3 below, the number of violations that the NERC Board of Trustees Compliance Committee (BOTCC) has authorized for submission to the Commission in an NOP filing has significantly increased.

Figure 3: Confirmed Violations and Settlements Approved by the NERC BOTCC for Submission to FERC, by Month



As Figure 3 shows, NERC has been able to significantly increase the average number of violations processed to approval for submission to the Commission each month. In 2011, NERC has processed for BOTCC approval 47% more violations per month than in 2010.

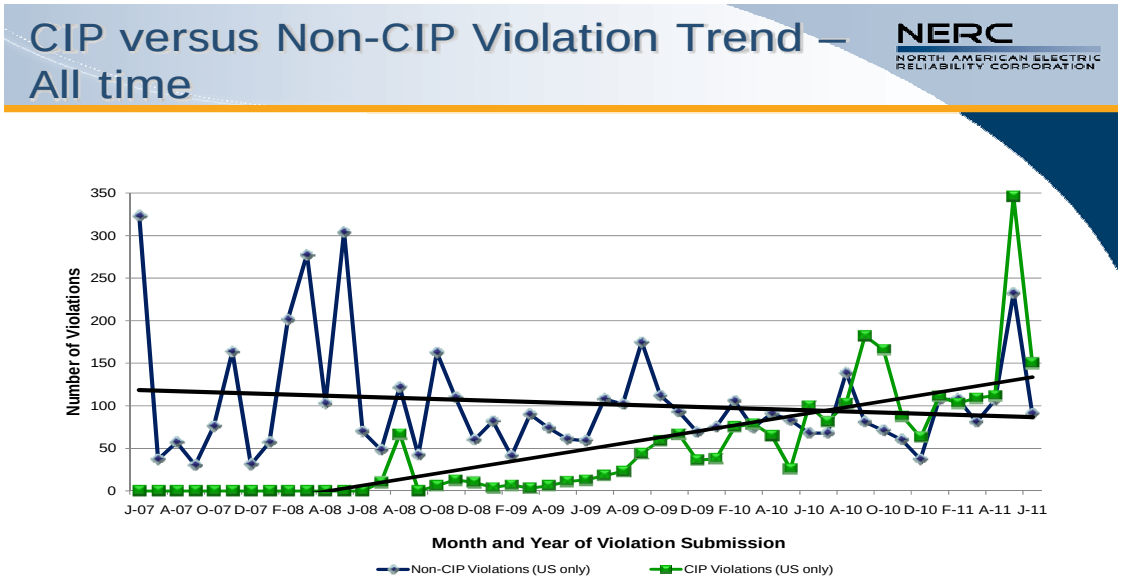
By May of 2011, NERC was processing confirmed violations and settlements as they were submitted by the Regional Entities—*i.e.*, NERC had worked through the caseload of active violations that had reached the NERC Work stage. The processing improvements described above will allow the Regional Entities to process the lesser-risk violations more expeditiously and send them to NERC more quickly.

The NERC violations processing team has filled its new FTE positions that were budgeted for 2011, and is in the process of filling two vacancies created by departures. With the proposed addition of two new FTEs for 2012 and the implementation of the enforcement process improvements described above, NERC anticipates it will be able to keep up with the matters submitted to it by the Regional Entities.

Violations of CIP-002 through CIP-009

While NERC has taken steps to more expeditiously and efficiently process violations of all Reliability Standards, there is an increasing number of violations of Reliability Standards CIP-002 through CIP-009.[9] Under the Implementation Plan that was adopted for applicability of these CIP Standards following Commission approval, many registered entities were not required to be "Compliant" and/or "Auditably Compliant" with the CIP Standards until 2009 and 2010. As a result, a significant number of violations of these CIP Standards have begun to be discovered, such that they are now a significant part of the caseload and continue to grow. While Figure 1 above shows a steady rise in active violations overall, that rise is largely attributable to CIP Standards violations, which as of June 30, 2011 accounted for roughly 50% of all active violations. As reflected in Figure 4 below, CIP Standards violations have become an increasingly large portion of new violations that are discovered each month. In fact, the number of newly-discovered CIP Standards violations outnumbered the new non-CIP Standards violations in eleven of the last 12 months and account for 58% of all new violations submitted from July 1, 2010 to June 30, 2011.

Figure 4: CIP and Non-CIP Violations Discovered, by Month



Based on the history of implementing security programs in the IT industry over the past decade, questions about applicability and enforcement of CIP standards are to be expected for some time. Each violation of the CIP Standards represents an opportunity to improve, through mitigation, the security of cyber assets in the BPS. About 45% of the CIP violations either have

[9] This discussion of the impact of the CIP standards does not include CIP-001, Sabotage Reporting, which was one of the Version 0 standards.

approved mitigation plans being implemented, or have already been mitigated. Moreover, a number of initiatives are underway to aid the industry in understanding how to comply with the CIP standards and clarify how to establish compliance. In the long run, these initiatives should help slow the number of new CIP Standards violations that occur.