

August 24, 2012

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. RR12-____-000
Request for Acceptance of 2013 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 2013 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 2013 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 16, 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 16 attachments.

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

Respectfully submitted,

/s/ Owen E. MacBride
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Attorney for North American Electric
Reliability Corporation

UNITED STATES OF AMERICA
Before the
FEDERAL ENERGY REGULATORY COMMISSION

NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION) **Docket No. RR12-__-000**
)

REQUEST OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
FOR ACCEPTANCE OF ITS 2013 BUSINESS PLAN AND BUDGET AND
THE 2013 BUSINESS PLANS AND BUDGETS OF REGIONAL ENTITIES
AND FOR APPROVAL OF PROPOSED ASSESSMENTS TO FUND BUDGETS

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ATTACHMENTS

Attachment 1: Summary tables showing NERC’s proposed 2013 budget; the proposed 2013 budget for statutory activities of each Regional Entity; and the 2013 U.S. ERO statutory assessments of NERC and the Regional Entities.

Attachment 2: NERC’s Proposed 2013 Business Plan and Budget

Attachment 3: Florida Reliability Coordinating Council Proposed 2013 Business Plan and Budget

Attachment 4: Midwest Reliability Organization Proposed 2013 Business Plan and Budget

Attachment 5: Northeast Power Coordinating Council, Inc. Proposed 2013 Business Plan and Budget

Attachment 6: Reliability*First* Corporation Proposed 2013 Business Plan and Budget

Attachment 7: SERC Reliability Corporation Proposed 2013 Business Plan and Budget

Attachment 8: Southwest Power Pool Regional Entity Proposed 2013 Business Plan and Budget

Attachment 9: Texas Reliability Entity Proposed 2013 Business Plan and Budget

Attachment 10: Western Electricity Coordinating Council Proposed 2013 Business Plan and Budget

Attachment 11: Western Interconnection Regional Advisory Body Proposed 2013 Business Plan and Budget

Attachment 12: Discussion of Comments Received During Development of NERC's 2013 Business Plan and Budget.

Attachment 13: Calculation of Adjustments to the AESO 2013 NERC Assessment, the IESO 2013 NERC Assessment, the NBSO 2013 Assessment and the Québec 2013 NERC Assessment.

Attachment 14: Status Report on the Achievement of NERC's 2012 Goals

Attachment 15: Metrics Comparing Regional Entity Operations Based on the 2013 Budgets

Attachment 16: Metrics on NERC and Regional Entity Administrative (Indirect) Costs Based on the 2012 and 2013 Budgets

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, 2013;
- (2) the proposed Business Plans and Budgets for the year ending December 31, 2013, for the eight Regional Entities: (i) Florida Reliability Coordinating Council (FRCC), (ii) Midwest Reliability Organization (MRO), (iii) Northeast Power Coordinating Council, Inc. (NPCC), (iv) ReliabilityFirst Corporation (ReliabilityFirst), (v) SERC Reliability Corporation (SERC), (vi) Southwest Power Pool Regional Entity (SPP RE), (vii) Texas Reliability Entity (Texas RE), and (viii) 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, 2013; 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 2013 budget by program, (ii) the proposed 2013 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 2013 Business Plan and Budget and the allocation of assessments by Region and LSE to recover the resulting statutory funding requirements for 2013 (as well as the assessments to recover the statutory funding requirements of the Regional Entities and WIRAB).

Attachments 3 through 11 contain the detailed 2013 Business Plans and Budgets of, respectively, FRCC, MRO, NPCC, ReliabilityFirst, 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 2013 Business Plan and Budget during the budgeting process were addressed in developing the final 2013 Business Plan and Budget.

Attachment 13 contains the calculation of the adjustment to the Alberta Electric System Operator (AESO) 2013 NERC assessment, the adjustment to the Ontario Independent Electric System Operator (IESO) 2013 NERC assessment, the adjustment to the New Brunswick System Operator (NBSO) 2013 NERC assessment, and the adjustment to the Québec 2013 NERC assessment, for credits for certain NERC Compliance Program, Event Analysis and Investigations and Situation Awareness Program costs.

Attachment 14 is a status report on progress in achieving NERC's 2012 goals.

Attachment 15 provides metrics, based on the 2013 budgets, comparing Regional Entity operations.

Attachment 16 contains metrics, based on the 2012 and 2013 budgets, on NERC and Regional Entity administrative (indirect) costs.

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 2013 fiscal year will begin January 1, 2013. 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. 18 C.F.R. §39.4(b). 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), NERC requests issuance of an order by November 2, 2012, accepting the proposed Business Plans and Budgets, and approving the proposed assessments, submitted in this filing.¹ Entry of the Commission's order by November 2, 2012 will enable billings to be issued

¹18 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 the Commission conditionally approved NERC's budget and funding requirement and the budgets and funding requirements of the Regional Entities and WIRAB for 2007 through 2012 in the following orders: (i) 2007: *North American Electric Reliability Corp.*, 117 FERC ¶ 61,091 (2006) (*2007 Budget Order*), *order on reh'g and establishing technical conference*, 118 FERC ¶

to the LSEs or their designees for assessments with initial payment dates commencing on or about January 1, 2013, to support the activities of NERC and the Regional Entities during 2013.

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 2013 Business Plan and Budget

In this filing NERC seeks acceptance of its 2013 Business Plan and Budget. NERC's

61,111, *order on reh'g*, 119 FERC ¶ 61,059 (2007); (ii) 2008: *North American Electric Reliability Corp.*, 121 FERC ¶ 61,057 (2007) (*2008 Budget Order*); (iii) 2009: *North American Electric Reliability Corp.*, 125 FERC ¶ 61,056 (2008) (*2009 Budget Order*) and *North American Electric Reliability Corp.*, 128 FERC ¶ 61,025 (2009) (*July 16, 2009 Budget Compliance Order*); (iv) 2010: *North American Electric Reliability Corp.*, 129 FERC ¶ 61,040 (2009); (v) 2011: *North American Electric Reliability Corp.*, 133 FERC ¶ 61,062 (2010) (*2011 Budget Order*); (vi) 2012: *North American Electric Reliability Corp.*, 137 FERC ¶ 61,071 (2011).

2013 Business Plan and Budget is organized based on its statutory 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 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 (which has separate departments for (i) Compliance Operations and Organization Registration and (ii) Compliance Enforcement, Reporting, Tracking and Analysis) 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 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 Reliability Risk Management Group (comprised of the Situation Awareness Department and Event Analysis and Investigations) and the Critical Infrastructure Department support the statutory activity of enforcing and achieving compliance with reliability standards and 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.²

² Event Analysis and Investigations was originally a function of the Reliability Assessment and Performance Analysis Program and was subsequently included in the Compliance Monitoring and Enforcement Program (where it was budgeted in 2012) before being moved to the Reliability Risk Management Group. The other component of Reliability Risk Management, Situation

- (5) 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.

More detailed explanations of the statutory functions performed by each of these programs is provided at pages 5-8 of **Attachment 2** as well as in the individual subsections of Section A of **Attachment 2** where the detailed plans and objectives for each program in 2013, and its 2013 budget, are discussed. NERC's 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.

In its 2013 Business Plan and Budget, NERC has provided additional granularity in the presentation of its planned activities and budgeted expenditures, through the following revisions, among others, to the business plan and budget formats used in previous years:

- NERC has previously presented individual budgets and related descriptions of functions, goals and objectives, resource requirements, and sources of variances from the previous year's budget, for five statutory programs. In the 2013 Business Plan and Budget, NERC has disaggregated its presentation to provide individual budgets and the related supporting information for a total of eight statutory programs or functions: Reliability Standards; Compliance Operations; Compliance Enforcement; Reliability Assessment and Performance Analysis; Situation Awareness; Event Analysis and Investigations; Critical Infrastructure; and Training, Education, and Operator Certification.
- In Section A of the 2013 Business Plan and Budget (**Attachment 2**), NERC has provided a more detailed discussion of each program's or department's 2013 goals and deliverables (objectives), as well as additional detail concerning the Consultants & Contracts expenses budgeted for the program or department.
- For each statutory program, a discussion of why the program's activities are within §215 of the FPA has been provided.

Awareness, as well as the Critical Infrastructure Department, were originally included in the Situation Awareness and Infrastructure Security Program.

- In Exhibit B of the 2013 Business Plan and Budget (**Attachment 2**), NERC has provided detailed information on the activities and projects within each of the statutory programs and functions and Administrative Services departments for which Consultants & Contracts expense is budgeted. This more detailed presentation has been developed in response to stakeholder comments that greater granularity should be provided to facilitate understanding of the Consultants & Contracts budget and expenditures.³
- In Exhibit C of the 2013 Business Plan and Budget, NERC presents a new Working Capital and Operating Reserves Policy pursuant to which separate Working Capital and Operating Reserve accounts, the latter with three separate categories of reserves, are established and the amounts in each reserve account are budgeted and justified. This Policy also establishes authorities to access the reserves, as well as authorities to utilize excess funds that may become available and to add personnel in excess of budgeted staffing.⁴
- In its General and Administrative Budget, NERC has separately identified the amounts budgeted for Board of Trustees expenses (costs of quarterly Board, Board committee and Member Representatives Committee (MRC) meetings, Trustee Travel expenses, Trustee fees, and Trustee search fees).
- In its Information Technology budget, NERC has provided detailed descriptions of both the Operating Expenses (budgeted as Office Costs), such as Telephone, Internet, Computer Supplies, Computer hardware and software maintenance costs and service agreements, and the Capital Expenditure projects budgeted under the IT department, including the development of a data warehouse, a single application infrastructure, disaster recovery and other hardware supporting multiple departments and ERO functions. This more detailed presentation has also been developed in response to stakeholder comments that greater budget granularity should be provided.
- Under General and Administrative, NERC has included a small budget amount (\$10,000) in Miscellaneous expenses for employee rewards and recognition expenses,

³ NERC originally provided a more detailed analysis of Consultants & Contracts expenses in this format in its *2011 Budget True-Up Report. North American Electric Reliability Corporation, Report of Comparison of Budgeted to Actual Costs for 2011 for NERC and the Regional Entities*, Docket No. RR12-11-000 (filed May 30, 2012).

⁴ The Working Capital and Operating Reserves Policy was developed through an open and transparent process with multiple opportunities for public review and comment, including postings and presentations in connection with several meetings of the NERC Board Finance and Audit Committee (FAC) and inclusion in Draft #2 and the Final Draft of NERC's 2013 Business Plan and Budget. Only one set of comments were received relating to the proposed Policy, and those comments focused on specific amounts proposed for the reserve accounts for 2013, not on the Policy itself. NERC modified the amounts in the reserve accounts after considering these comments (*see Attachment 14*). The NERC Board approved the Policy on August 16, 2012.

including such expenses as flowers in the event of a death in an employee's family, and a small budget amount (\$5,000) to support employee community service and engagement activities. No entertainment expenses are budgeted or projected for 2013.

The information required by 18 C.F.R. §39.4(b) is contained in NERC's 2013 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, including a discussion of the basis for funding NERC's activities under §215 of the FPA.

The Introduction and Executive Summary summarizes NERC's total resource requirements for 2013 including total full-time equivalent employees (FTEs) in statutory programs and administrative functions, statutory expenses, and required ERO funding assessments. It 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 strategic goals and objectives, challenges, 2013 key assumptions underlying the Business Plan and Budget,⁵ and key deliverables (by program area) for 2013. Finally, it provides an overview of NERC's funding and resource requirements for 2013, in total and by program area.

NERC's 2013 strategic goals and objectives to carry out its statutory mission, as identified in the Introduction and Executive Summary, include:⁶

- Develop clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner.

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

⁶ A complete statement of the 2013 strategic goals and objectives is found at page 13 of **Attachment 2**.

- Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.
- Promote a culture of compliance with mandatory reliability standards across the industry.
- Identify the most significant risks to reliability – identify and prioritize reliability risks, identify actions to mitigate these risks, and monitor results.
- Be accountable for mitigating reliability risks.
- Ensure effective and timely compliance and mitigation, by working with industry stakeholders and experts to ensure the mitigation of known risks to reliability using standards enforcement and other methods where appropriate.
- Promote a culture of reliability excellence, by facilitating a learning environment throughout the industry through event causal analysis, communication of lessons learned, and tracking of recommendations.
- Improve transparency, quality and consistency of results
- Operate as a collaborative enterprise.
- Improve efficiencies and cost effectiveness, by engaging the support of stakeholders, being an efficient steward of resources, and leveraging information systems to create efficiencies and process controls.

These goals were developed through a strategic planning initiative involving NERC and Regional Entity senior management and the NERC Board of Trustees, and have been presented to and received the general support of the NERC MRC, NERC's technical standing committees, and industry groups. In furtherance of these strategic goals, NERC identified a number of high priority activities for 2013, 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 standards development process.
- Continuing to improve enforcement focus, 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 most likely to support the reliability of the North American bulk power system.

- Regional Entity collaboration, coordination and oversight.
- Improving the ability of industry to respond to incidents, vulnerabilities and threats that have the potential to adversely affect bulk power system reliability.
- Educating stakeholders on the role and long-term strategy for the ES-ISAC.
- Event analysis, emerging issues and reliability risk reporting.
- Developing and implementing improvements to ERO processes, including the design and deployment of necessary IT infrastructure to facilitate these process improvements, and improvements in internal financial and operating controls.
- Improving compliance information and education.
- Enhancing reliability risk metrics and modeling capabilities.
- Developing competencies of ERO staff through training and providing training to stakeholders on standards and effective compliance.

The Introduction and Executive Summary also lists the key deliverables in support of these high priority activities for each NERC program area for 2013.⁷

The significant challenges and demands faced by NERC, the Regional Entities and industry participants in the ERO for 2013, as they work to achieve the ERO strategic objectives, include:

- Improving the standards development process.
- Focusing on reliability risk and delivery of results.
- Continuing to improve the compliance enforcement framework, focus and processes.
- Identifying and addressing critical infrastructure protection priorities.
- Addressing regulatory mandates.

⁷ **Attachment 2** at 17-19.

- Continuing to implement the improvements identified in NERC's *Three-Year ERO Performance Assessment*.⁸
- Balancing resource needs within financial constraints, and achieving efficiencies.
- Recruiting, integrating and retaining qualified personnel.

The Introduction and Executive Summary of NERC's Business Plan and Budget provides an overview of the principal resource requirements and other factors driving NERC's proposed 2013 Budget. NERC is proposing an overall 2013 increase of \$1,173,984 (2.2%) in operating expenses and capital additions over the 2012 Budget, before adjustments for Working Capital and Operating Reserves. The proposed increases in NERC's budget for 2013 can be separated based on two broad causative factors: (1) decreases in the cost of current operations (representing a \$3,464,163, or 6.5%, decrease from the 2012 base operating budget⁹), and (2) increases due to incremental 2013 resource additions and new initiatives, representing a \$4,638,146, or 8.7%, increase over the 2012 base operating budget. The Introduction and Executive Summary summarizes the additional resource needs and incremental funding requirements in each of the statutory programs and Administrative Services.

The Introduction and Executive Summary provides tables showing (1) the 2012 Budget, 2012 Projection,¹⁰ 2013 Budget, and variance from the 2012 Budget to the 2013 Budget, for each of the statutory programs and in total; and (2) the FTEs per the 2012 Budget, 2012 Projection

⁸ *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*).

⁹ 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 (2012) operations, excluding any funding requirements for Working Capital and Operating Reserves *See Attachment 2* at 21.

¹⁰ The 2012 Projections are NERC's (and the Regional Entities') June 2012 projections of 2012 financial results.

and 2013 Budget, for each of the statutory programs and Administrative Services programs. The Introduction and Executive Summary presents NERC's overall Statement of Activities, Fixed Asset Expenditures and Changes in Working Capital (Statement of Activities), with information from the approved 2012 Budget, 2012 Projection, and proposed 2013 Budget, reflecting the proposed overall increase of \$1,173,984, or 2.2%, over the 2012 Budget, before adjustments for Working Capital and Operating Reserves.¹¹ Taking into account NERC's budgeted non-assessment Funding sources in 2012 and 2013 (which for 2013 consists of \$2,512,500 of Penalty payments, \$1,680,000 of Testing Fees, \$436,000 in fees for Workshops, and \$20,000 in Interest, and in total are \$2,197,500 higher than in the 2012 Budget), NERC's statutory proposed assessments to LSEs are \$47,604,156, which is \$3,057,116, or 6.0%, lower than the 2012 statutory assessments. The Introduction and Executive Summary identifies the principal sources of variances in each of the major operating expense and capital expenditure categories between the 2013 Budget and the 2012 Budget.

Finally, the Introduction and Executive Summary presents NERC's budget projections for 2014 and 2015 (*see* §III.F below for further discussion of the 2014-2015 budget projections).

Section A of **Attachment 2** is NERC's detailed 2013 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,¹² and applicable directives in subsequent Commission orders. Section A

¹¹ The title of the Statement of Activities has been changed from "Statement of Activities and Capital Expenditures" to "Statement of Activities, Fixed Asset Expenditures and Changes in Working Capital," and the presentation has been revised at the bottom of the Statement of Activities to show separately the Total Budget and the Total Change in Working Capital. These changes have also been made to the Statements of Activities in the Regional Entities' 2013 Business Plans and Budgets.

¹² *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.

provides detailed program scope and functional descriptions, 2013 goals and key deliverables, and 2013 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,¹³ other non-operating expenses, increase or decrease in Fixed Assets, and total budget for the statutory program or Administrative Services function for the 2013 Budget, with the comparable data from NERC's 2012 Budget and the increase or decrease from the 2012 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 2012 Budget, the 2012 Projection and the 2013 Budget, as well as variances from the 2012 Budget to the 2012 Projection and from the 2012 Budget to the 2013 Budget. Rather than providing the above-described information, including the Statement of Activities, for Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) and Situation Awareness and Infrastructure Security, as in previous business plans and budgets, the information, including Statements of Activities, has been provided on a more granular basis for the following five departments: Compliance Operations, Compliance Enforcement, Situation Analysis, Event Analysis and Investigations, and Critical Infrastructure.¹⁴

¹³ 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.

¹⁴ In NERC's 2012 Budget, Event Analysis and Investigations was budgeted as part of the CMEP. For 2013, Event Analysis and Investigations is budgeted under Reliability Risk Management, along with Situation Awareness; and Critical Infrastructure, which was previously included within the Situation Awareness and Infrastructure Security Program, is budgeted as a separate department. The 2013 budget presentation reflects the current NERC organization structure as shown on Appendix 1, Organization Chart, to **Attachment 2**.

In the Statements of Activities, Funding is shown from the ERO Assessments and from other anticipated sources (Penalty Sanctions, Testing Fees, fees from Workshops, and Interest income).¹⁵ 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), Operating Expenses (Consultants & Contracts, Office Rent, Office Costs, Professional Services, Miscellaneous, Depreciation), and Other Non-Operating Expenses.¹⁶ Finally, the Statements of Activities show Fixed Assets activity, comprised of Depreciation (an equal and offsetting amount to the Depreciation included in Operating Expenses¹⁷), 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 2012 Budget, including analysis of the Working Capital and Operating Reserve balance¹⁸ (Table B-1), Penalty Sanctions (Table B-2), Supplemental Funding (Table B-3), Personnel Expenses (Table B-4), Office Rent (Table B-6), Office Costs (Table B-7), Professional Services (Table B-8), Miscellaneous Expenses (Table B-9), and Other Non-

¹⁵ Some of these other sources of Funding are anticipated only for certain of the statutory programs. For example, income from Testing Fees is budgeted only for the Training, Education, and Operator Certification Program.

¹⁶ In the 2013 Budget, Other Non-Operating Expenses are budgeted only in General and Administrative, to cover property tax obligations in Atlanta, Georgia on the value of property and equipment in NERC's Atlanta office and data center. See Table B-10 in **Attachment 2**.

¹⁷ As a result of this offset, the Funding amounts do not include funding for Depreciation.

¹⁸ The format of Table B-1 in NERC's 2013 Business Plan and Budget has been revised from the presentation of information in previous years' budgets to present more granular information in accordance with NERC's new Working Capital and Operating Reserve Policy. See §IV.B below.

Operating Expenses (Table B-10). Table B-5, Consultants & Contracts Expenses, which was provided in previous years' business plans and budgets, has been replaced with a more detailed analysis of Consultants & Contracts Expense in Exhibit B to **Attachment 2**.

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, because NERC does not engage in non-statutory activities, 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, 2011, 2012 and 2013. The data at December 31, 2011 is actual data per the independent financial audit of 2011 results;¹⁹ the data at December 31, 2012 is based on NERC's 2012 Projection; and the data at December 31, 2013 is based on the 2013 Budget. In addition, Section D provides NERC's 2013 Consolidated Statement of Activities, showing its 2013 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 2013-2015 Shared Business Planning and Budget Assumptions developed and used by NERC and the Regional Entities in preparing their 2013 Business Plans and Budgets and 2014 and 2015 budget projections.

Exhibit B to **Attachment 2** contains a detailed list of budgeted 2013 Consultants & Contracts expenses, by program area and by major activity or project, including the changes

¹⁹ The audited financial statements of NERC and each Regional Entity for 2011 were filed with the Commission on May 30, 2012, in NERC's *2011 Budget True-up Report*.

from the 2012 Budget.

Exhibit C to **Attachment 2** contains NERCs' recently-adopted Working Capital and Operating Reserve Policy,²⁰ under which the Working Capital Reserve is disaggregated into Working Capital to support short-term cash flow and expenditure variations and cash balance requirements in covenants to loan, credit or other agreements; Operating Reserves for known contingencies for which timing and amount are uncertain; Operating Reserves for unforeseen contingencies; and Operating Reserves for the System Operator Certification Program, with each of these reserve categories being separately budgeted and accounted for. As previously stated, the new Working Capital and Operating Reserve Policy also sets forth guidelines and authorities regarding access to Working Capital and Operating Reserve funds and approvals for personnel additions in excess of budgeted staffing. The new Working Capital and Operating Reserve Policy is discussed in §IV.B below.

Appendix 1 to **Attachment 2** contains NERC's organization chart, as required by 18 C.F.R. §39.4(b).

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 assessments, by allocation method, to each LSE and designee, for 2013.²¹ Development of the assessments presented in the Appendices is discussed in more detail in §III.A.3 and III.D below.

²⁰ The new Working Capital and Operating Reserve Policy was adopted by the NERC Board at its August 16, 2012 meeting.

²¹ The NEL-based allocation factors are calculated using NEL data for 2011, which is the most current actual NEL data available as of August 2012. 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 2013 Budget is based on NEL data for the second preceding calendar year, 2011.

The detailed information in the Introduction and Executive Summary and in Sections A and B and Exhibits A, B and C of **Attachment 2** demonstrates that the programs included in NERC's 2013 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.²² 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 2013 Business Plan and Budget lend themselves to accomplishment of NERC's statutory responsibilities and objectives as the ERO.²³

2. Development of the 2013 Business Plans and Budgets

NERC prepared its 2013 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 NERC Board FAC as well as by stakeholders. During the development process, successive versions of the 2013 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.²⁴ The following list highlights important steps in the preparation of the NERC and Regional Entity 2013 Business Plans and Budgets:

²² *ERO Certification Order*, P 202 (budget principle (5)).

²³ *ERO Certification Order*, P 202 (budget principle (2)).

²⁴ During the process of developing NERC's 2013 Business Plans and Budget, comments were received from stakeholders on posted drafts of the Business Plan and Budget. **Attachment 12** discusses how concerns expressed in stakeholder comments were addressed in NERC's final 2013 Business Plan and Budget.

- During January 2012, the NERC program areas initially provided input to the NERC Finance and Accounting department on their business plans and budget requirements for 2013; and input was obtained from the Regional Entities' staffs on their 2013 business plan and budget requirements.
- In mid-January 2012, the ERO Executive Management Group (ERO EMG), comprised of NERC and Regional Entity senior management, met to review strategic goals and objectives for 2013.
- On February 3, 2012, a meeting (conference call) of the FAC was held, which included a report on the schedule for and status of preparing the 2013 Business Plans and Budgets.
- In early February 2012, drafts of common business planning and budget assumptions for the 2013 Business Plans and Budgets were circulated for comment internally at NERC and among the Regional Entities. A meeting of the ERO EMG was held on February 9, 2012, to discuss the common business planning and budget assumptions, and the common assumptions were discussed in other meetings and conference calls among NERC staff 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 (the ERO EMG) on February 15, 2012, and were then posted for a 21-day stakeholder comment period beginning February 17, 2012.
- On April 4, 2012, NERC met with representatives of trade associations to provide a preliminary overview of its 2013 budget and the budget preparation and finalization schedule.
- In mid-April 2012, the Regional Entities submitted preliminary drafts of their 2013 Business Plans and Budgets to NERC for review and feedback by the NERC program managers. These drafts were prepared using a common template that was essentially the same as the common template used for the 2011 and 2012 NERC and Regional Entity Business Plans and Budgets. NERC program managers reviewed the sections of the draft Regional Entity business plans and budgets relevant to the program manager's program area and provided feedback to their Regional Entity counterparts.
- Also in mid-April, a preliminary draft of the NERC 2013 Business Plan and Budget was submitted to the Regional Entities for review and comment.
- On May 2, 2012, 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. One set of written stakeholder comments was received during this comment period.
- On May 3, 2012, a conference call of the FAC was held to discuss Draft #1 of the

NERC 2013 Business Plan and Budget; and a Webinar providing an overview of the NERC 2013 Business Plan and Budget was conducted. The Webinar materials were posted and maintained on the NERC Website for stakeholder review.

- On May 6, 2012, Draft #1 of each Regional Entity's 2013 Business Plan and Budget was posted on the NERC website for stakeholder comment.
- Each Regional Entity's draft 2013 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. (See §III.B below for further discussion of the stakeholder review opportunities provided by each Regional Entity for its 2013 Business Plan and Budget.)
- On May 8, 2012, a meeting of the NERC MRC was held, at which a presentation was made on the draft NERC 2013 Business Plan and Budget and discussion ensued.
- On May 9, 2012, representatives of NERC and of each of the Regional Entities met with Commission budget staff to provide an overview of Draft #1 of their respective 2013 Business Plans and Budgets.
- On May 18, 2012, a FAC conference call and Webinar was held to review the Regional Entities' draft 2013 Business Plans and Budgets. In this session, the Regional Entities made presentations concerning their 2013 Business Plans and Budgets to the NERC FAC.
- On June 4, 2012, Draft #2 of NERC's 2013 Business Plan and Budget was posted on the NERC website for stakeholder comments. An updated version of Draft #2 was posted on June 29, 2012. Two sets of written stakeholder comments were received during this comment period.
- At various dates from mid-June to early July 2012, the Boards or other governing bodies of the Regional Entities met to review and approve their respective proposed 2013 Business Plans and Budgets, and the approved Regional Entity Business Plans and Budgets were transmitted to NERC. The Regional Entity Business Plans and Budgets were posted on the NERC Website.
- On July 11, 2012, the Chairman of the Board of NERC sent a letter to the members of the MRC requesting policy input on the 2013 Business Plan and Budget and associated processes. In response to this request, comments on the 2013 Business Plan and Budget were received from a total of 12 MRC Sectors and other entities.
- On July 19, 2012, a FAC Webinar was held to discuss Draft #2 of the NERC 2013 Business Plan and Budget and the final Regional Entity 2013 Business Plans and Budgets that had been submitted to NERC, including presentations to the FAC by the Regional Entities concerning their final 2013 Business Plans and Budgets.

- On July 31, 2012, NERC's Chief Financial Officer and Controller met with Commission budget staff to provide an update regarding the final drafts of the NERC's and the Regional Entities' 2013 Business Plans and Budgets.
- On August 3, 2012, the Final Draft of the NERC 2013 Business Plan and Budget was posted on the NERC Website and sent to the NERC MRC, FAC and Board of Trustees.
- Also on August 3, 2012, the proposed statutory assessments resulting from the 2013 Business Plans and Budgets were sent to the NERC Board and posted on the NERC Website.
- The final 2013 Business Plans and Budgets of NERC and the Regional Entities were presented to the NERC MRC at its August 15, 2012 meeting for comment, prior to the August 15 meeting of the NERC FAC.
- At its August 15, 2012 meeting, the NERC FAC recommended NERC Board approval of the 2013 Business Plans and Budgets and associated statutory assessments for NERC, the Regional Entities and WIRAB.
- At its August 16, 2012 meeting, the NERC Board approved the 2013 Business Plans and Budgets and the proposed 2013 statutory assessments for NERC, the Regional Entities and WIRAB.

In summary, the processes followed by NERC and the Regional Entities to develop the proposed 2013 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 numerous opportunities for stakeholder input and comment. NERC and the Regional Entities developed and used a set of shared business planning and budget assumptions and a common business plan and budget format. The process was open and inclusive at all steps.

3. Summary of NERC's Proposed 2013 Budget and Funding Requirement

NERC's proposed 2013 total Funding requirement is \$52,252,656. This total encompasses U.S., Canadian and Mexican activities. The proposed 2013 Funding requirement represents a decrease of \$859,616 (1.6%) as compared to the 2012 total Funding requirement of

\$53,112,272. The 2013 Budget is comprised of \$54,093,957 of Expenses (including Depreciation) and a \$192,299 increase in Fixed Assets (Capital Expenditures of \$1,772,100 less Depreciation of \$1,579,801²⁵). The 2013 Funding requirement reflects a negative provision for Working Capital and Operating Reserve funding of (\$2,033,600), whereas the 2012 Funding requirement reflected no provision (increase or decrease) for Working Capital Reserve funding.²⁶

As in past years, a portion of NERC's 2013 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 \$1,680,000, a \$381,000 (18.5%) decrease from the 2012 Budget); by attendance fees for Workshops (budgeted at \$436,000, a \$316,000 (263%) increase over the 2012 Budget²⁷); and by Interest earned on bank balances and short-term investments (budgeted at \$20,000, the same amount as in the 2012 Budget). NERC is not budgeting any revenue from Services & Software (as compared to \$250,000 in the 2012 Budget and \$135,500 in the 2012 Projection). These revenues have previously come primarily from licensing the Generator Availability Data System software, but NERC is no longer focusing on this activity. Finally, the Funding sources in the 2013 Budget include \$2,512,500 of Penalty payments received by NERC from July 1, 2011 through June 30, 2012. In the 2012 Budget, there was no Funding provided from Penalty payments.²⁸

²⁵ As noted earlier, an end result of this budget presentation is that Funding is not being requested for Depreciation expense.

²⁶ See §IV.B below and Table B-1 and Exhibit C in **Attachment 2**.

²⁷ 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.

²⁸ 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

These budgeted non-assessment sources of Funding are projected to be \$4,648,500 in total, resulting in a 2013 net Funding requirement of \$47,604,156 to be funded by assessments to LSEs. Of this amount, \$43,036,224 is allocated to the U.S., \$4,443,246 is allocated to Canadian provinces (in the aggregate), and \$124,686 is allocated to Mexico. Based on the aggregate NEL of the United States for 2011 on which the allocation of assessments is based,²⁹ the proposed U.S. net funding requirement for NERC represents \$0.0000108 per end user kilowatt-hour.

NERC's 2013 Business Plan and Budget was developed and is organized based on its statutory programs (2012 budgeted amounts by program are shown for comparison³⁰):

<u>Program</u>	<u>2013 Budget</u>	<u>2012 Budget</u>
Reliability Standards	\$ 9,775,088	\$ 9,156,601
<u>Compliance Monitoring and Enforcement</u>		
Compliance Operations and Organization Registration	\$ 6,644,000	\$ 7,860,024
Compliance Enforcement	\$ 6,725,004	\$ 6,528,040
Reliability Assessment and Performance Analysis	\$ 7,762,436	\$ 6,968,860
<u>Reliability Risk Management</u>		
Situation Awareness	\$ 5,324,311	\$ 6,534,397
Event Analysis and Investigations	\$ 6,023,424	\$ 5,126,471

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.

²⁹ 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**.

³⁰ As noted earlier, in the 2012 Budget, Event Analysis and Investigations was budgeted as part of the Compliance Monitoring and Enforcement Program, but for 2013 is budgeted as part of Reliability Risk Management. Reliability Risk Management is comprised of Event Analysis and Investigations and Situation Awareness; the latter function was previously budgeted under Situation Awareness and Infrastructure Security. The other function previously budgeted under Situation Awareness and Infrastructure Security, Critical Infrastructure, is now budgeted as a separate department. In the table, the 2012 budgeted amount for Event Analysis and Investigation has been removed from the Compliance Monitoring and Enforcement Program and included under Reliability Risk Management to provide an appropriate comparison to the 2013 budget amounts.

Critical Infrastructure	\$ 8,460,227	\$ 7,839,749
Training, Education and Personnel Certification	\$ 3,571,766	\$ 3,098,130
Contribution to Working Capital Reserve	<u>\$(2,033,600)</u>	<u>\$ 0</u>
	<u>\$52,252,656</u>	<u>\$53,112,272</u>

The budgeted amounts for each program incorporate a total budget for Administrative Services of \$23,376,855 (an increase of 3,454,028 (17.3%) from the 2012 Budget), which has been allocated to the budgets for the 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 appropriate to the execution of NERC's responsibilities as the ERO. Section A of **Attachment 2** describes the activities encompassed in each statutory program (Background and Scope and Functional Description), the 2013 Goals and Deliverables (Objectives) for the Program, the 2013 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 2012 Budget (Summary of Variances by Category). A Statement of Activities, showing the line item components of the 2013 Budget (as well as, for comparison, the 2012 Budget and the 2012 Projection), is provided for each program. The functions of and resource requirements and budgets for each NERC Administrative Services department are also provided and discussed in Section A of **Attachment 2**.

NERC proposes an allocation of its 2013 net funding requirement (statutory assessment) of \$47,604,156 to the Regional footprints as follows³¹:

³¹ 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, Event Analysis and Investigations

•	FRCC	\$ 2,419,233
•	MRO	\$ 3,123,936 ³²
•	NPCC	\$ 5,975,361 ³³
•	ReliabilityFirst	\$ 9,861,361
•	SERC	\$11,239,354
•	SPP RE	\$ 2,392,157
•	TRE	\$ 3,572,397
•	WECC	\$ 9,020,357 ³⁴

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 (Appendix 2-A), and (ii) the allocation of the NERC and Regional Entity statutory assessments by country and by Region (Appendices 2-B, 2-C and 2-D). 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

and Situation Awareness 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**.

³² The total allocation to MRO consists of \$2,611,375 allocated to the U.S. and \$512,561 allocated to Canadian provinces.

³³ The total allocation to NPCC consists of \$3,195,085 allocated to the U.S. and \$2,780,276 allocated to Canadian provinces.

³⁴ The total allocation to WECC consists of \$7,745,261 allocated to the U.S., \$1,150,409 allocated to Canadian provinces and \$124,686 allocated to Mexico.

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 is otherwise responsible 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

programs and operations will be the assessments to users, owners, and operators 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 “Funding” on its Statements of Activities and described above.³⁶

B. Regional Entity Proposed 2013 Business Plans and 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 2013 is provided in the individual Regional Entity Business Plans and Budgets in **Attachments 3 through 10**.

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. 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. The assessments for the Texas RE region will be billed to the Electric Reliability Council of Texas (ERCOT), which will bill and collect assessments from the LSEs in ERCOT.

³⁶ NERC’s 2013 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.

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 2013 to meet their responsibilities under the approved delegation agreements.

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' 2013 Business Plans and Budgets. Further, the Regional Entities prepared their 2013 Business Plans and Budgets using a format that is essentially the same as the format used to prepare the 2011 and 2012 Business Plans and Budgets.³⁸ The use of the common

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 format to use in preparing the 2008 Business Plans and Budgets, and the format evolved through the development of the 2009, 2010 and 2011 Business Plans and Budgets, to the format used for the 2011, 2012 and 2013 Business Plans and Budgets.

format facilitates comparisons among the Regional Entities' budgets.³⁹ Additionally, in developing their 2013 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 Regional Entities from January through July, 2012, on the development of the Regional Entity 2013 Business Plans and Budgets. The Regional Entities submitted initial drafts of their Business Plans and Budgets to NERC in April, 2012, for internal review and feedback by NERC program area managers. In the development of the 2013 Regional Entity Business Plans and Budgets, NERC placed particular emphasis on having its program area managers perform substantive reviews of the applicable sections of each Regional Entity's draft Business Plan and Budget and provide feedback to their Regional Entity program counterparts. In early May 2012, more developed drafts (referred to as "Draft #1) of each Regional Entity's 2013 Business Plan and Budget were submitted to NERC and posted on the NERC Website for stakeholder comment. NERC staff also reviewed and provided feedback on these drafts. The draft Regional Entity Business Plans and Budgets were also the subject of presentations and discussion at meetings of the NERC FAC.

Additionally, each Regional Entity posted one or more drafts of its 2013 Business Plan

³⁹ Although the eight Regional Entities and NERC used a common format for their 2013 Business Plans and Budgets, the Regional Entities continue to present their 2013 Business Plans and Budgets based on the five statutory programs of Reliability Standards; CMEP; Reliability Assessment and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security; whereas NERC has presented 2013 business plan and budget information disaggregated into two departments or functions for the CMEP and three departments or functions for Situation Awareness and Infrastructure Security.

and Budget on its own website for comment by its stakeholders, and/or provided other opportunities for stakeholder input, as follows:

FRCC: FRCC posts its proposed budget to the FRCC Website and sends a copy (along with all presentation materials that will be presented to the FRCC Board) to each Board Member, Alternate Board Member, all Standing Committee Chairs, and all Voting Members from the Supplier, Non-Investor-Owned Utility Wholesale, Load Serving Entity, Generating Load Serving Entity, Investor Owned Utility, and General Sectors of the membership, approximately 45 days prior to the expected FRCC Board vote date. The recipients are encouraged to contact FRCC with any comments or questions, so they can be resolved prior to the Board meeting date. Ten days prior to the Board meeting at which the vote on the budget will take place, another distribution is made to the same recipients, and posted to the FRCC Website with any changes from the first version. After approval is finalized the process is repeated with a copy marked as Final with the Approval Date.

MRO: MRO posted its draft 2013 Business Plan and Budget for comments on May 4, 2012. MRO's 2013 Business Plan and Budget was presented in several meetings of the MRO Board and its stakeholder and no comments were received. It was reviewed and approved by the MRO Board of Directors on June 28, 2012, without any comments being received, and the final version was posted on July 9, 2012.

NPCC: On May 4, 2012, NPCC posted Draft #1 of its 2013 Business Plan and Budget on its website. On June 13, Draft #1 was presented to the NPCC Reliability Coordinating Committee for comment. On June 26, a "Draft for Approval" of the 2013 Business Plan and Budget was presented to the NPCC Board for approval. NPCC did not receive any formal comments from stakeholders on the drafts of its 2013 Business Plan and Budget.

ReliabilityFirst: ReliabilityFirst's Board of Directors approved the first draft of its 2013 Business Plan and Budget on April 25, 2012. The 2013 Business Plan and Budget was posted to the ReliabilityFirst website from May 1 to June 15, 2012, for member comment. A request for comments was also provided in the ReliabilityFirst monthly newsletter for May. No comments were received. The final 2013 Business Plan and Budget was approved by the ReliabilityFirst Board of Directors on June 22, 2012.

SERC: The SERC Board approved Draft #1 of the SERC 2013 Business Plan and Budget at its April 2012 meeting, after which it was posted on the SERC Website for a 30-day comment period (*i.e.*, during the month of May). Any comments received would be reviewed by the SERC President and the Director of Finance and Human Resources and responses to the comments would be presented to the Board Executive Committee and incorporated into the Business Plan and Budget before final approval; however, for the 2013 Business Plan and Budget, no comments were received.

SPP RE: SPP RE initially presented a summary of its preliminary 2013 budget at its quarterly Trustees meeting in April 2012, and also included a summary of the preliminary

budget in its monthly electronic newsletter for April 2012, which is e-mailed to stakeholders including the primary compliance contacts and authorizing officers for all Registered Entities in SPP RE. During May 2012, SPP RE posted a draft of its 2013 Business Plan and Budget on its website for comment and provided a notification of the posting in the May 2012 electronic newsletter. The final proposed SPP RE 2013 Business Plan and Budget was presented to the SPP RE Trustees for approval at the June 19, 2012 meeting. SPP RE received no formal comments from stakeholders regarding the 2013 budget.

Texas RE: Texas RE's 2013 Business Plan and Budget was presented in multiple meetings of the Texas RE Board and member representatives committee, with no written or oral challenges to the Business Plan and Budget received.

WECC: WECC posted a draft of its 2013 Business Plan and Budget on its website on May 15, 2012, and also sent a notice of the posting to its Board of Directors (which includes representatives of WECC members) on May 17, 2012. No comments were received from stakeholders on the draft 2013 Business Plan and Budget. WECC's Board approved WECC's 2013 Business Plan and Budget on June 26, 2012.

Throughout the process of NERC's review of the draft Regional Entity business plans and budgets, 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, (3) understanding the basis for any significant changes in a Regional Entity's 2013 Budget for a particular program or function from the 2012 Budget, and that an appropriate explanation was included in the Regional Entity's 2013 Business Plan and Budget, and (4) 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 2013 Business Plan and Budget provides necessary and adequate resources to carry out the Regional Entity's delegated functions in 2013.⁴⁰

The Regional Entities submitted their final 2013 Business Plans and Budgets, approved by their respective governing bodies, to NERC in mid-July 2012. 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 15 and 16. The Regional Entities' 2013 Business Plans and Budgets were approved by the NERC Board at the August 16, 2012 meeting.

The table below shows the budgets for statutory and (where applicable) non-statutory functions for each Regional Entity as presented in their respective 2013 Business Plans and Budgets (**Attachments 3-10**).⁴¹ 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)

⁴⁰ 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.

⁴¹ MRO, ReliabilityFirst and SERC do not plan to perform any non-statutory activities in 2012.

to achieve the level of target Working Capital Reserve at December 31, 2013, determined to be appropriate by each Regional Entity.

Regional Entity	Total Budget for Statutory Functions	Budget for Non-Statutory Functions	Total Net Statutory Assessment
FRCC	\$ 6,531,782	\$ 6,561,975	\$ 5,957,971
MRO	\$ 9,283,539	-----	\$ 9,098,927 ⁴²
NPCC	\$ 13,879,226	\$ 1,022,172	\$12,352,264 ⁴³
ReliabilityFirst	\$ 17,426,838	-----	\$14,165,848
SERC	\$ 15,907,603	-----	\$13,829,878
SPP RE	\$ 11,514,818	\$140,439,182 ⁴⁴	\$ 8,530,054
Texas RE	\$ 10,935,779	\$ 1,029,100	\$ 8,152,520
WECC	\$ 51,025,092	\$ 1,506,146	\$40,962,547 ⁴⁵

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.⁴⁶ As specified in P 35 of the *WIRAB Order*, WIRAB submitted to NERC a proposed 2013 Business Plan and Budget for §215(j) activities, which is included in **Attachment 11**. NERC has reviewed WIRAB's submission and

⁴² The statutory assessment for MRO consists of \$7,672,246 allocated to the U.S. and \$1,426,681 allocated to Canadian provinces.

⁴³ The statutory assessment for NPCC consists of \$7,441,691 allocated to the U.S. and \$4,910,573 allocated to Canadian provinces.

⁴⁴ The figure of \$140,439,182 is the total 2012 budget of Southwest Power Pool, Inc. (\$151,954,000) less the 2013 Budget of SPP RE for statutory activities of \$11,514,818. The overall annual budget of Southwest Power Pool, Inc. is prepared on a schedule that will not result in approval of its 2013 budget until October 2012. See §V.B.6 below and Section C of **Attachment 8**.

⁴⁵ The statutory assessment for WECC of \$40,962,547 consists of \$34,278,326 allocated to the U.S., \$6,118,015 allocated to Canadian provinces and \$566,206 allocated to Mexico.

⁴⁶ *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.

believes it complies with the requirements of P 35 of the *WIRAB Order*.

WIRAB's proposed 2013 Budget for expenses is \$595,180, which is a decrease of \$19,497 (3.2%) from its 2012 Budget. WIRAB is not budgeting any increase in staffing from its 2012 Budget; budgeted staffing remains at 2.75 FTEs. WIRAB's 2012 Budget was funded by Working Capital Reserve of \$369,828 in excess of WIRAB's target Working Capital Reserve of \$100,000, plus Interest income of \$2,000, resulting in an assessment of only \$242,849. The use of Working Capital Reserve in 2012 resulted in WIRAB's Working Capital Reserve being reduced from \$489,639 at December 31, 2011 to a projected balance of \$159,688 at December 31, 2012. Therefore, WIRAB's proposed 2013 Budget will be funded by a proposed assessment of \$534,692, which is an increase of \$291,843 over the 2012 assessment, plus \$59,688 from Working Capital Reserve.

WIRAB's overall statutory funding (assessment) request of \$534,692 for 2013 consists of \$471,491 (88.18%) allocated to the U.S., \$61,864 (11.57%) allocated to Canadian provinces, and \$1,337 (0.25%) allocated to Mexico, all based on NEL. At its August 16, 2012 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 2013, net of other NERC and Regional Entity income sources, to be funded by assessments is \$161,188,857, consisting of \$47,604,156 for funding of NERC's programs and \$113,584,701 for funding of Regional Entity statutory activities and the WIRAB. NERC has allocated its statutory assessment of \$47,604,156 to the LSEs within each Regional footprint primarily on the basis of NEL, as described below.⁴⁷

⁴⁷See Appendix 2-A of **Attachment 2** for the 2011 NEL data by Regional Entity and calculation of the country allocation factors for each Region. MRO, NPCC and WECC are the only

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). NERC will cease to operate and maintain the IDC on March 31, 2013, at which time responsibility for operation and costs of the IDC will be assumed by a consortium of users. Therefore, NERC will only incur, and has only included in its 2013 budget, costs for the IDC for the first quarter of 2013. 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 \$457,586 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 \$1,328,437 of adjustments (credits) to the allocations to the AESO, the IESO, the NBSO and Québec for certain CMEP, Event Analysis and Investigations and Situation Awareness (SAFNR⁴⁸) 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, Event Analysis and Investigations and Situation Awareness 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

Regional Entities whose footprints encompass Canadian provinces (and for WECC, Mexico). As noted earlier, the year 2011 is the most recent calendar year for which NEL data is available.

⁴⁸ SAFNR = Situation Awareness – FERC, NERC and Regional Entities.

reduced due to the very small number of entities subject to compliance and enforcement activities in those provinces.⁴⁹ 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'énergie du Québec, and each has agreed with and accepted the calculations. The allocation of the \$1,328,437 of adjustments (credits) to the allocations to the AESO, the IESO, the NBSO and Québec for certain CMEP, Event Analysis and Investigations and Situation Awareness (SAFNR) costs is reflected in Appendix 2-C of **Attachment 2**.

Finally, an allocation based on the 8-Region NEL was used to allocate \$47,146,570 of the NERC statutory assessment – comprised of \$49,659,070 of assessments less \$2,512,500 of Penalty payments – to the Regional footprints.⁵⁰ 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 has been

⁴⁹ 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."

⁵⁰ Because the \$2,512,500 of Penalty payments are collected solely from U.S. Registered Entities, the Penalty payments are allocated solely to offset statutory assessments to U.S. LSEs.

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 Compliance Filing*⁵¹ and at pages 26-28 and Attachment 3 of the *December 11, 2009 Budget Order Compliance Filing*.⁵² 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.⁵³

Second, WECC's allocation of its assessment to the AESO for the Province of Alberta has been reduced by \$810,419, 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.⁵⁴

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 allocations, the adjustments to the NERC allocations to the AESO, the IESO, the NBSO and

⁵¹ *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*).

⁵² *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*).

⁵³ The allocation of NPCC CORC Program costs is described in greater detail in §V.B.3 below and at pages 70-72 of the NPCC 2013 Business Plan and Budget, **Attachment 5**.

⁵⁴ See Appendix C of the WECC 2013 Business Plan and Budget, **Attachment 10** to this filing, which shows the calculation of the \$810,419 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.

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 2013 allocable to U.S. LSEs for which Commission approval is sought in this filing is \$144,255,780, which is a \$153,380 (0.1%) increase over the 2012 assessment to U.S. LSEs, and consists of:

NERC Assessment: \$43,036,224 (6.7% decrease from 2012)

Regional Entity Assessments: \$101,219,556⁵⁵ (3.3% increase over 2012)

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 2013 ERO statutory assessment of \$144,255,780 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 2011 U.S. NEL of each Region.

Regional Entity	NERC Assessment	Regional Entity Assessments	Total U.S. Assessment	Assessment per kWh (2011 NEL)
FRCC	\$ 2,419,233	\$ 5,957,971	\$ 8,377,204	\$0.0000374
MRO	\$ 2,611,375	\$ 7,672,246	\$ 10,283,622	\$0.0000431
NPCC	\$ 3,195,085	\$ 7,441,691	\$ 10,636,775	\$0.0000357
RFC	\$ 9,861,361	\$ 14,165,848	\$ 24,027,209	\$0.0000263
SERC	\$ 11,239,354	\$ 13,829,878	\$ 25,069,232	\$0.0000240
SPP RE	\$ 2,392,157	\$ 8,530,054	\$ 10,922,211	\$0.0000500
TRE	\$ 3,572,397	\$ 8,152,520	\$ 11,724,917	\$0.0000350
WECC	\$ 7,745,261	\$ 35,469,348 ⁵⁶	\$ 43,214,609	\$0.0000595
Total	\$ 43,036,224	\$ 101,219,556	\$ 144,255,780	\$0.0000361

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 2011 NEL by LSE or

⁵⁵ This amount includes the WIRAB assessment.

⁵⁶ The number for WECC includes the portion of the WIRAB assessment allocated to the U.S.

designee. For the NPCC Region, NERC obtained from NPCC the 2011 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 2011 NEL for ERCOT, which acts as 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.⁵⁷ The amount of the NERC and Regional Entity statutory assessments 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).⁵⁸

NERC will directly invoice the approved assessments to LSEs or designees, or to the other entities to be billed, in all Regions except WECC.⁵⁹ 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.

⁵⁷ 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.

⁵⁸ 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.

⁵⁹ 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'énergie 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 2013 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. NERC has developed a new Working Capital and Operating Reserves Policy under which different categories of Working Capital and Operating Reserves are separately budgeted and accounted for.⁶⁰ The new Policy also sets forth guidelines and authorities for accessing Working Capital and Operating Reserves and for use of funds for activities in excess of budgeted amounts, as well as for hiring personnel in excess of budgeted staffing levels. The NERC Working Capital and Operating Reserve Policy, the amounts budgeted for 2013 in the various reserves categories, and the impacts on NERC's 2013 proposed statutory assessments, are discussed in detail in §IV.B below. The remainder of the discussion in this §III.E describes the development of the Regional Entities' Working Capital Reserve amounts and associated adjustments to assessments for 2013.

The process takes into account each Regional Entity's actual and projected Working Capital Reserves at December 31, 2011 and December 31, 2012, respectively, resulting from its accumulated prior years' surpluses and deficits, and results in an incremental or decremental adjustment to each Regional Entity's proposed 2013 statutory assessment amount, in order to arrive at its target Working Capital Reserve at December 31, 2013. Table B-1, Reserve Balance, in Section B of each Regional Entity's 2013 Business Plan and Budget, shows the calculation of the increment or decrement to the Regional Entity's requested 2013 assessment to achieve the Regional Entity's desired Working Capital Reserve at December 31, 2013. The calculations shown on Table B-1 take into account: (1) the Regional Entity's Working Capital Reserve

⁶⁰ The proposed Working Capital and Operating Reserves Policy, which was approved by the NERC Board of Trustees on August 16, 2012, is provided in Exhibit C to **Attachment 2**.

(Deficit) at December 31, 2011, (2) assessment Funding, projected other Funding, and projected Expenses and Capital Expenditures for 2012, resulting in (3) the projected Working Capital Reserve at December 31, 2012, (4) the desired (target) Working Capital Reserve at December 31, 2013, (5) the budgeted Expenses and Capital Expenditures, and projected other funding sources (including Penalties collected from Registered Entities), for 2012,⁶¹ resulting in (6) the increment or decrement to the requested 2013 assessments to achieve the target Working Capital Reserve at December 31, 2013.

As shown on Table B-1 in each Regional Entity's 2013 Business Plan and Budget, each Regional Entity (except SPP RE; *see* §V.B.6 below) has established a target Working Capital Reserve for 2013. The basis for each entity's Working Capital Reserve for 2013 is stated on its Table B-1 or explained elsewhere in the text of its 2013 Business Plan and Budget. Further discussion of the adjustment (increase or decrease) to each Regional Entity's proposed 2013 statutory assessment to achieve its target Working Capital Reserve is provided in the summaries of the individual Regional Entity 2013 Business Plans and Budgets in §V.B below.

At the August 15, 2012 meeting of the NERC Board FAC, the Committee requested that management work with the Regional Entities to further review their individual working capital and operating reserve policies and practices and to report back to the FAC at a future meeting regarding the potential for developing, in the context of the 2014 Regional Entity Business Plans and Budgets, a consistent approach to working capital and operating reserves, taking into

⁶¹ 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 2013 Budgets, all Penalty payments being used by NERC and the Regional Entities to reduce their requested 2013 assessment amounts were received during the period July 1, 2011 – June 30, 2012.

account individual Regional Entity differences as appropriate.

F. Budget Projections for 2014 and 2015

As it did in its 2008, 2009, 2010, 2011 and 2012 Business Plans and Budgets, NERC is providing budget projections for the two years following the budget year (*i.e.*, 2014 and 2015).⁶² This information is provided on pages 31-32 of **Attachment 2**.⁶³ These budget projections show that NERC's 2014 total Expenses plus (minus) any increase (decrease) in Fixed Assets are projected to be \$307,019, or 0.6%, higher than the amounts in the 2013 Budget. For 2015, NERC's total Expenses plus change in Fixed Assets are projected to be \$1,157,516, or 2.1%, higher than the amount projected for 2014. The 2014 projections reflect a \$2.776 million increase in Personnel Expenses over the 2013 Budget due to a total of 6 new positions, salary increases for existing staff, and increased Benefits expenses; and a \$2.334 million decrease in Consultants & Contracts expense from the 2013 Budget, including a \$1.5 million decrease in budgeted Consultants & Contracts Expense due to elimination of the IDC contract, completion of the North American Synchro-Phasor Initiative (NASPI) contract, and a reduction in the cost of the contract for the SAFNR platform. The 2015 projections do not reflect any personnel additions, since it was not possible to predict incremental 2015 resource needs with any degree of accuracy. However, the 2015 projections reflect budgeted salary increases and projected increases in Benefits expenses.

⁶² The 2013 Business Plan and Budget of each Regional Entity also includes budget projections for 2014 and 2015.

⁶³ The NERC Board of Trustees has not approved the 2014-2015 projections as official budgets, and NERC is not seeking approval of these budget projections by the Commission or other applicable governmental authorities.

IV. DISCUSSION OF NERC BUSINESS PLAN AND BUDGET

A. 2013 Business Plan and Budget by Program

This section summarizes NERC's proposed 2013 Business Plan and Budget by statutory program and Administrative Services department.⁶⁴

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. NERC's American National Standards Institute-accredited standards development process was reaccredited in 2011 and was found to be open, balanced and transparent. The standards development process is very labor intensive involving NERC and Regional Entity staff and industry volunteer technical experts. NERC manages the work of over 200 industry contributors serving on standards drafting, interpretation and other project teams; additionally, hundreds of industry volunteers within Registered Entities and other entities review and comment on the products of the standards project teams, and all of this input must be reviewed and taken into account in the standards development process. The NERC standards process staff also supports the Regional Entities' regional reliability standards development processes by providing technical advice, final quality review of Regional standards, presentation to the NERC Board, and submission to the applicable regulatory authorities in the U.S. and Canada for adoption.

The key standards production efforts of the Reliability Standards Program for 2012 are described at pages 35-37 of **Attachment 2**, and include a standards process improvement initiative; formalization of a "rapid revision" process; development of Registered Entity internal controls programs as part of the standards development process; implementation of a cost

⁶⁴ **Attachment 14** is a status report on NERC's progress in achieving its 2012 goals.

effectiveness review of standards proposals; realignment of the standards development process to provide for quality review of standards under development earlier in the process; and creation of a structured project management environment to manage standards development to ensure that the number and complexity of standards posted for comment and ballot at the same time do not exceed the ability of stakeholders to provide the constructive, timely comments needed to reach technical consensus. The 2013 goals and deliverables for the Reliability Standards Program are provided at page 37 of **Attachment 2**, and they focus on two areas: (1) developing risk-based standards focused on key reliability outcomes under the prioritization process first developed in 2011; and (2) meeting regulatory obligations for standards development and revisions as specified in regulatory directives. The 2013 goals and objectives include implementing process changes proposed by the Commission in 2012 to identify and slate for removal administrative requirements from existing standards where feasible and improving the throughput of the standards development process, particularly with respect to emerging reliability risks, while reducing the burden on industry.

Although a number of improvements have been made and efficiencies introduced to the standards development process in the last 3 years, NERC is committed to continuing to work with stakeholders and Commission staff to further improve the efficiency and effectiveness of the standards development process.

Although much of the work in the standards development process is performed by committees and task groups comprised of volunteer technical experts, 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 26.50 FTEs

for the Reliability Standards Program for 2013, which is an increase of 1.58 FTEs from the 2012 Budget, and reflects the addition of 3 new staff members during 2013.⁶⁵ Specifically, NERC is planning to add:

- 2 standards development advisors to increase the number of concurrent standards development projects that can be processed in support of the goals of developing technically sufficient results-based standards, working with industry to develop options to improve the efficiency and timeliness of standards development, and developing technical references or application guides for standards to ensure clarity and facilitate implementation; and
- 1 standards specialist with technical writing skills to aid standards drafting teams in drafting standards and associated documents in the standards development process, thereby facilitating improvement in the quality of standards from the initiation of a project; helping to develop technical justification documents and presentations to industry; and verifying the accuracy of standards drafting team documents prior to posting.

NERC is budgeting \$150,000 of Consultants & Contracts expense for 2013 (as compared to \$15,000 in the 2012 Budget) to support standards process improvement initiatives under the auspices of the Standards Process Input Group (SPIG) formed by the MRC at the request of the NERC Board of Trustees and the Reliability Issues Steering Committee approved by the Board at its August 16, 2012 meeting. With respect to the standards development process, in 2012, the SPIG has issued a report identifying five recommendations for improvement. The NERC Board accepted the SPIG report and endorsed the five recommendations at the May 2012 Board meeting. Efforts remain ongoing.

The 2013 budgeted direct expenses for this program are \$5,134,738, which is a decrease of \$173,205 (3.3%) from the 2012 Budget, with the principal driver of the decrease being the decrease of \$308,762 in budgeted Personnel Expense. Although, as noted above, additional staff

⁶⁵ The indicated increase of 1.58 FTEs reflects the phasing in of the 3 new positions during the year as well as the elimination of the chief reliability officer position which was partly allocated to the Reliability Standards Program.

is being added, the average salary cost per FTE is reduced from 2012, and Benefits expense and Retirement expense are also reduced as the result of changes to NERC's employee benefits and retirement plans. As noted above, budgeted Consultants & Contracts expense has been increased by \$135,000 over the 2012 Budget, and is the principal expense increase in the 2013 Budget for the Reliability Standards Program. The allocation of Administrative Services expenses to this program is \$4,581,241, the Allocation of Fixed Assets from the Administrative Services programs is \$59,109, and Fixed Asset additions net of Depreciation are budgeted to increase by \$222,293 over the 2012 Budget.

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

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) carries out NERC's statutory responsibility to monitor, enforce and achieve compliance with mandatory bulk power system reliability standards that have been developed, adopted and approved through the standards development process and placed into effect pursuant to orders of the Commission or applicable authorities in other North American jurisdictions. The CMEP is comprised of Compliance Operations and Compliance Enforcement.⁶⁶

a. Compliance Operations

Compliance Operations works jointly with the Regional Entities to ensure that mandatory compliance monitoring programs are effective and efficient. Compliance Operations is responsible for the following activities and functions: (i) the ERO registration and certification

⁶⁶ As noted earlier, pursuant to an internal reorganization implemented in 2012, the Event Analysis and Investigations function, which for purposes of the 2012 Budget was included in the CMEP, has been moved to, and for 2013 is budgeted with, the Reliability Risk Management Group. However, the Event Investigations group will continue to support compliance monitoring and enforcement activities.

programs, including education programs that support industry compliance, and integration of internal controls; (ii) development of the annual CMEP Implementation Plan and Actively Monitored [Standards] List; (iii) oversight of the Regional Entities' delegated compliance functions, including CMEP planning, implementation, and reporting, compliance operations and coordination, and auditor training; (iv) development and maintenance of the Reliability Standards Audit Worksheets; and supporting the NERC Operating Committee and Compliance and Certification Committee.

Compliance Operations' 2013 goals and deliverables are described at pages 44-46 of **Attachment 2**, and are focused on the areas of registration efficiencies; effective Registered Entity compliance programs and reliability risk controls; effective compliance monitoring by Regional Entities; auditor training (including auditor training workshops for NERC and Regional Entity operations and planning standards and Critical Infrastructure Protection (CIP) standards Compliance Audit personnel and auditor workshops for industry); supporting the standards development process; and Regional Entity compliance audit oversight. Compliance Operations staff will oversee approximately 32 Regional Entity Compliance Audits in 2013, generally consisting of 2 audits of operation and planning standards per Region and 2 audits of CIP standards per Region. Compliance Operations staff will also conduct 2 Key Reliability Standard Spot Checks, one for an operations and planning standard and one for a CIP standard for each Region, in each 6 month period.

The budgeted staffing for Compliance Operations for 2013 is 18.00 FTEs, which is a decrease of 3.66 FTEs from the 2012 Budget. The reduction in FTEs is due to: (i) elimination of the chief reliability officer position and support staff, a portion of which was allocated to Compliance Operations; (ii) transfer of one position to the IT department; and (iii) transfer of

one position to a corporate support function in the General and Administrative department. Budgeted Personnel Expenses are reduced by \$996,540 from the 2012 Budget as a result of the FTE reduction and decreases in Benefits expense and Retirement expense due to changes in NERC's employee benefits and retirement plans. Compliance Operations is budgeting an increase in Meetings expense of \$48,825 from the 2012 Budget, reflecting increased costs for auditor workshops and for meetings of the NERC Compliance and Certification Committee; and a decrease in Travel expense of \$90,500. The increased Meetings expense is partially offset by budgeted fees for Workshops of \$40,000 (as compared to zero in the 2012 Budget). As in the 2012 Budget, Compliance Operations has budgeted no Consultants & Contracts expense for 2013.

The budgeted total direct expenses for Compliance Operations for 2013 are \$3,552,694, which is a decrease of \$1,181,030 (24.9%) from the 2012 Budget, with the primary driver of the decrease being lower Personnel Expense, as described above. The allocation of Administrative Services expenses to Compliance Operations is \$3,111,786, the allocation of Fixed Asset additions to Compliance Operations is \$40,149, and Fixed Asset additions net of Depreciation are budgeted to increase by \$340,238 over the 2012 Budget.

b. Compliance Enforcement

Compliance Enforcement conducts all of NERC's enforcement activities, including docketing all Possible Violations coming into the enforcement program, processing compliance violation matters arising out of NERC-led investigations and audits, reviewing all dismissals approved and Mitigation Plans accepted by Regional Entities, processing all compliance violations arising out of Regional Entity compliance enforcement and monitoring activities, and analyzing compliance statistics. The 2013 goals and deliverables for Compliance Enforcement

are described on pages 49-51 of **Attachment 2**, and are focused on increasing processing efficiencies (following up on the implementation of the Spreadsheet Notice of Penalty (SNOP) and the Find, Fix, Track, and Report (FFT) initiatives); sustaining and expanding the FFT process, by enabling NERC and Regional Entity compliance staffs to recommend Possible Violations to enforcement staffs for FFT treatment; reducing the outstanding caseload of compliance violations; and expanding violation trend analysis to identify the causes and trends of violations in enforcement cases, using the data gathered in the Compliance Reporting and Tracking System data base. Future steps are currently being considered and will be addressed in NERC's upcoming twelve-month report due in March 2013 in another docket. These future steps are being developed with the engagement, input and participation of Regional Entities and industry stakeholders.

The budgeted staffing for Compliance Enforcement for 2013 is 21 FTEs, which is the same staffing provided in the 2012 Budget. Maintaining the same level of staffing reflects: (i) the growth of staffing for this function in recent years, and (ii) efficiencies realized through introduction of new processes such as the SNOP and the FFT process. However, budgeted Personnel Expenses are reduced by \$318,214 from the 2012 Budget as a result of lower average Salary expense per FTE and decreases in Benefits expense and Retirement expense due to changes in NERC's employee benefits and retirement plans. Compliance Enforcement is budgeting an increase in Travel expense of \$58,000 from the 2012 Budget, reflecting operations at full staffing levels for the entire year. As in the 2012 Budget, Compliance Enforcement is budgeting no Consultants & Contracts expense for 2013. Resource needs associated with improvements to Compliance Enforcement's reporting, analysis and tracking tools are budgeted in the IT department.

The budgeted total direct expenses for Compliance Enforcement for 2013 are \$3,047,746, which is a decrease of \$237,043 (7.2%) from the 2012 Budget, with the primary driver of the decrease being lower Personnel Expense, as described above. The allocation of Administrative Services expenses to Compliance Enforcement is \$3,630,417, the allocation of Fixed Asset additions to Compliance Enforcement is \$46,841, and Fixed Asset additions net of Depreciation are budgeted to increase by \$184,355 over the 2012 Budget.

3. Reliability Assessment and Performance Analysis Program

The Reliability Assessment and Performance Analysis Program carries out NERC's statutory responsibility as the ERO to "conduct periodic assessments of the reliability and adequacy of the bulk power system in North America."⁶⁷ 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, develops risk control solutions and measures their success, and provides risk-informed input to NERC's standards and compliance processes. The Reliability Assessment and Performance Analysis Program also provides engineering expertise on protection and control along with system analysis and modeling to simulate and study system disturbances, develop reliability guidelines, and support standards development. To support these activities, the Reliability Assessment and Performance Analysis Program maintains detailed databases measuring the planned and ongoing reliability performance of generation, transmission, and demand response resources. Finally, this

⁶⁷ Section 215(g) of the FPA and 18 C.F.R. §39.11.

program identifies and analyzes key emerging issues that may affect reliability, and conducts special reliability assessments based on specific issues as warranted.

The 2013 goals and key deliverables for the Reliability Assessment and Performance Analysis Program are summarized at pages 56-57 of **Attachment 2**. The 2013 goals and objectives include issuing reliability assessment reports, guidelines, recommendations, and alerts as needed (including the annual 10-year Long-Term Reliability Assessment and Summer and Winter Reliability Assessments, an annual State of Reliability Report consolidating several formerly separate reports, a report on geomagnetic disturbance (GMD) bulk electric system (BES) effects and vulnerability assessment, and up to two additional special assessments on key reliability issues); oversight of the Generating, Transmission and Demand Response Availability Data Systems (GADs, TADS and DADS) and the Spare Equipment Database (SED); strengthening the Program's data collection and validation processes; providing quarterly updates in trends and measures of BES reliability; supporting NERC standards development, including responses to Commission directives by providing technical and system analysis expertise; and finalizing the BES exception procedures (depending on the timing of action on NERC proposals currently pending at the Commission). However, based on NERC and industry priorities, a number of issues and initiatives are not being pursued in 2013, some of which will be deferred to 2014 and/or 2015.⁶⁸

The budgeted staffing for the Reliability Assessment and Performance Analysis Program for 2013 is 18.75 FTEs, which is an increase of 2.25 FTEs over the 2012 Budget. The staffing increase reflects: (i) the full-year effect of two positions that were added during 2012, specifically, an engineer to support reliability and system analysis activities and an engineer to

⁶⁸ See discussion at page 56 of **Attachment 2**.

lead NERC's BES risk identification and control strategy, and (ii) a risk control coordination specialist to be added in 2013. This new position will support NERC's initiatives to identify, evaluate and prioritize bulk power system risks and will support NERC's special risk control project teams by providing project management and high-level risk management. Budgeted 2013 Personnel Expense is increased by \$201,213 over the 2012 Budget, reflecting increased Salary and Payroll expenses of \$239,980 and \$8,496, respectively, partially offset by reductions in budgeted Benefits and Retirement expenses of \$3,761 and \$43,502, respectively (due to changes in NERC's employee benefits and retirement plans), from the 2012 Budget.

The budgeted 2013 expense for Consultants & Contracts for the Reliability Assessment and Performance Analysis Program is \$685,000, which is a reduction of \$313,000 from the 2012 Budget. Consultant and contractor resources will support the following initiatives: the GMD vulnerability assessment; special and/or scenario assessments focusing on key reliability issues; generator protection and controls modeling; and databases and availability systems (GADS, TADS, DADS, SED, Reliability Availability Data System, and Metrics and Benchmarking Database). Additional, more granular detail on the specific amounts budgeted for Consultants & Contracts for specific activities and initiatives is provided in Exhibit B to **Attachment 2**. One area in which additional resources could be required in 2013, depending on the timing and nature of Commission approval of NERC's pending proposals, is to implement the revised BES definition and the new BES definition exceptions procedure. If additional resources are required for this purpose, they can be provided from NERC's Operating Reserves.

Meeting Expenses (Meetings, Travel and Conference Calls) for this Program in 2013 are budgeted to increase by \$106,125 (25.6%) over the 2012 Budget. The increase in Meeting expense (\$65,500) reflects the costs for workshops sponsored by the Reliability Assessment and

Performance Analysis Program that were previously recorded in the Training, Education, and Operator Certification Program, and is partially offset by budgeted revenue from Workshop fees of \$40,000 (compared to zero in the 2012 Budget). The increase in Travel expense (\$40,625 (11%)) is due primarily to the increased staffing in this Program.

The Reliability Assessment and Performance Analysis Program is budgeting zero revenue from Services & Software in 2013, as compared to \$250,000 in the 2012 Budget. Services & Software revenue previously came from licensing GADS software to third parties, but this effort will not be a focus of NERC's activities going forward.

The total budgeted direct expense for the Reliability Assessment and Performance Analysis Program for 2013 is \$4,516,620, which represents an increase of \$78,868 (1.8%) from the 2012 Budget. The allocation of Administrative Services expenses to this program is \$3,241,444, the allocation of Fixed Asset additions to this program is \$41,822, and Fixed Asset additions net of Depreciation are budgeted to increase by \$129,580 over the 2012 Budget.

4. Reliability Risk Management

The Reliability Risk Management group carries out NERC's statutory responsibility to perform assessments (including real-time or near-real-time assessments) of the reliability and adequacy of the bulk power system, as well as identifying potential issues of concern relating to system, equipment, entity and human performance that may indicate a possible need to develop new or modified reliability standards. The Reliability Risk Management group includes three primary functions – bulk power system awareness, event analysis and investigations, and assessment of human performance challenges – and two departments, Situation Awareness and Event Analysis and Investigations. The 2013 budgets for Situation Awareness and Event Analysis and Investigations are discussed separately below.

a. Situation Awareness

NERC's Situation Awareness Department works with Registered Entities to monitor present conditions on the bulk power system using various software tools and applications. It also communicates and coordinates with Registered Entities to notify them of various types of disturbances that could negatively impact their ability to deliver power to end users. When significant bulk power system disturbances occur, Situation Awareness facilitates coordination of communications between Registered Entities and applicable governmental authorities. Situation Awareness is responsible for overseeing the design, operation and maintenance of software, hardware and communications networks, including but not limited to the SAFNR platform, funding support of the NASPI (the direct support of which NERC expects to conclude by the end of 2013), and funding support for a number of reliability tools including the IDC (direct support of which, together with funding for the related Book of Flowgates and System Data Exchange (SDX) tools, will terminate on March 31, 2013, the expiration date of NERC's contract with the IDC vendor).

The 2013 goals and deliverables for Situation Awareness are described on pages 66-67 of **Attachment 2** and include completing implementation of the SAFNR communications platform; promoting reliability using a new NERC Alert System; integrating and monitoring information from the phasor measurement units developed and deployed as part of the NASPI; and, in conjunction with the Regional Entities, obtaining, reviewing, validating and disseminating information and lessons learned from Registered Entities concerning bulk power system events and disturbances pursuant to the NERC ERO Event Analysis Process.

The 2013 budgeted staffing for Situation Awareness is 6.50 FTEs, which is a reduction of 1.67 FTEs from the 2012 Budget. However, this FTE reduction is due to the elimination of the

chief reliability officer and support staff which was partially allocated to Situation Awareness in 2012. Budgeted Personnel Expenses for 2013 is reduced by \$272,300 from the 2012 Budget due to the FTE reduction and reductions in budgeted Benefits and Retirement expenses due to changes in NERC's employee benefits and retirement plans. Budgeted Meetings Expense is increased by \$34,930 over the 2012 Budget reflecting an increase in Meetings expense of \$93,430 and a decrease in Travel expense of \$58,500. The increased budget for Meetings is primarily due to the costs of NASPI-related workshops and quarterly NERC Operating Committee and Planning Committee meetings budgeted in this Department. The workshop-related Meetings expense is partially offset by budgeted revenues of \$105,000 for Workshop fees (as compared to zero in the 2012 Budget).

The 2013 Consultants & Contracts budget for Situation Awareness of \$2,743,180 is a reduction of \$844,936 (23.5%) from the 2012 Budget; the reduction is due to termination of the IDC and related Book of Flowgates and SDX contracts on March 31, 2013 (after which the IDC and related software tools will be financially supported by a consortium of users). Significant components of the Consultants & Contracts budget include a total of \$810,000 for NASPI, \$725,500 for SAFNR, a total of \$200,000 for the Secure Alerting System and Secure Alert change management, a total of \$250,000 for maintenance of various reliability tools, \$457,586 for the remainder of the contracts for the IDC and related software tools, and \$300,000 for Frame Relay.⁶⁹ Itemized information on the activities and initiatives supported by the 2013 Consultants & Contracts budget for Situation Awareness is provided in Exhibit B of **Attachment 2**.

The total budgeted direct expense for Situation Awareness for 2013 is \$4,193,507, which represents a decrease of \$1,126,964 (21.2%) from the 2012 Budget. The allocation of

⁶⁹ The information relating to the contracts for the IDC and related software tools and for Frame Relay is shown separately at the end of Exhibit B.

Administrative Services expenses to this program is \$1,123,701, the allocation of Fixed Asset additions to this program is \$14,498, and Fixed Asset additions net of Depreciation are budgeted to increase by \$127,266 over the 2012 Budget.

b. Event Analysis and Investigations

The NERC Event Analysis and Investigations Group supports the ERO's reliability goals by evaluating bulk power system events, conducting analysis to determine causes of events, assuring tracking of corrective actions to prevent recurrence, and disseminating lessons learned to the industry. Within Event Analysis and Investigations, the Event Analysis Group manages all NERC activities with respect to event analysis, while the Event Investigation Group reviews formal complaints, conducts non-public compliance investigations, supports compliance and enforcement activities, and assists in reviewing Registered Entity compliance assessments to verify compliance gaps are assessed in all reportable events.

The 2013 goals and objectives for Event Analysis and Investigations are described at page 71 of **Attachment 2**, and include ensuring that all reportable bulk power system events are analyzed for sequence of events, root cause, risk to reliability and mitigation; and ensuring that the industry is well informed of bulk power system events, emerging trends, risk analysis, lessons learned and expected actions.

The 2013 budgeted staffing for Event Analysis and Investigations is 15.50 FTEs, which is an increase of 2.50 FTEs from the 2012 Budget. The increased staffing reflects: (i) addition of a position in 2012 to support identification of emerging reliability risks and development of risk control strategies; (ii) transferring the Human Performance function to Event Analysis and Investigations from another program area; and (iii) the full year effect of a position added during 2012 and budgeted as 0.5 FTE in 2012. Budgeted 2013 Personnel Expense is increased by

\$243,104 over the 2012 Budget, reflecting increased Salary and Payroll expenses of \$268,178 and \$12,024, respectively, due primarily to the increased staffing, partially offset by reductions in budgeted Benefits and Retirement expenses of \$12,224 and \$24,874, respectively (due to changes in NERC's employee benefits and retirement plans), from the 2012 Budget. Budgeted Meetings expense is increased from \$10,000 in the 2012 Budget to \$62,000, largely due to the projected cost of a Human Performance Workshop, which is offset by budgeted revenues from Workshop fees of \$52,000 (compared to zero in the 2012 Budget). Travel expense is budgeted to decrease by \$125,000 (31.6%) from the 2012 Budget, to \$270,000, based upon 2011 actual results and the 2012 Projection.

The 2013 Consultants & Contracts budget for Event Analysis and Investigations is \$120,000, the same amount included in the 2012 Budget. Consulting and contractor expenses for Event Analysis and Investigations are primarily related to retaining subject matter experts (SMEs) to assist in the Event Analysis program and in conducting investigations. To the extent events occur requiring the use of SMEs in excess of the budget, funds can be provided from NERC's Operating Reserves.

The total budgeted direct expense for Event Analysis and Investigations for 2013 is \$3,309,257, which represents an increase of \$190,514 (6.1%) from the 2012 Budget. The allocation of Administrative Services expenses to this function is \$2,679,594, the allocation of Fixed Asset additions to this function is \$34,573, and Fixed Asset additions net of Depreciation are budgeted to increase by \$119,700 over the 2012 Budget.

5. Critical Infrastructure Department

The NERC Critical Infrastructure Department (CID) supports CIP reliability standards initiatives, the Compliance Operations Department's compliance audit oversight function with

respect to CIP standards, and CIP and cyber information sharing, incident analysis, alerts, bulk power system-level risk assessment, and coordination between industry and government. The CID also supports industry-led activities and organizations including the NERC CIP Committee and the Electricity Sub-sector Coordinating Council (ESCC). Finally, the CID is responsible for implementing NERC's responsibilities as the Electricity Sector Information Sharing and Analysis Center (ES-ISAC). Responsibilities of the CID, including its responsibilities as the ES-ISAC, are detailed in Section 1003 of the NERC Rules of Procedure.

The 2013 goals and deliverables of the CID are described on pages 76-77 of **Attachment 2**. They include supporting the Reliability Standards Program in CIP standards development; supporting Compliance Operations in its oversight of Regional Entity CIP compliance audits to improve the consistency of compliance program results, improve risk-based approaches for auditing and spot checking, and promoting a culture of security and compliance through education, transparency and incentives; continuing ES-ISAC capability enhancements and information sharing; working with Regional Entities to increase transparency of CIP compliance processes and program results among Regions, including improving risk-based approaches for CIP auditing; hosting 4 CIP auditor workshops in 2013; working jointly with Compliance Operations to improve CIP auditor training materials and programs; and facilitating events such as an annual Grid Security Conference, the bi-annual Grid Exercise, Cyber Risk Preparation Assessments, and the Sufficiency Review Program.

The 2013 budgeted staffing for the CID is 19.25 FTEs, which is an increase of 2.25 FTEs over the 2012 Budget. The additional staffing is comprised of: (i) an additional CIP auditor to be added in 2013 (resulting in a total of 5 CIP auditors on staff to support CIP audit oversight activities); (ii) a CIP Awareness Manager who was added in 2012; and (iii) addition of 2 Cyber

Security Specialists in 2013.⁷⁰ The Cyber Security Specialists will be added to the ES-ISAC team. The budgeted 2.25 FTE increase reflects the anticipated phasing and timing of new hires during 2013. Although CID staffing will be increased, budgeted Personnel Expenses are lower by \$216,033 (5.7%) than in the 2012 Budget, due to (i) lower average salaries per FTE, and (ii) lower Benefits and Retirement expense per FTE due to changes in NERC's benefits and retirement plans.

The 2013 budgeted Consultants & Contracts expense for the CID is \$785,000, which is slightly less than the amount in the 2012 Budget (\$795,000). Consultant and contractor support is budgeted for the following activities: support for the ESCC (\$130,000); support for the 2013 Grid Security Exercise (\$200,000); support for a 2013 ES-ISAC Members Conference (\$30,000); buildout of a secure portal for the ES-ISAC (\$90,000); establishing a secure connection for ES-ISAC bi-directional information sharing (\$25,000); support for Cyber Risk Preparedness Assessments (\$150,000); software and support services for analytic capabilities and base line patterns and analysis; and integration support services for visual analytical tools (\$145,000). These activities are described in greater detail at pages 79-81 of **Attachment 2** and more detailed information on specific amounts budgeted for Consultants & Contracts for specific activities is provided in Exhibit B of **Attachment 2**.

The budgeted direct expense for 2013 for the CID is \$5,089,407, which is a decrease of \$124,853 (2.4%) from the 2012 Budget. The allocation of Administrative Services expenses to this Department is \$3,327,882, the allocation of Fixed Assets to the CID is \$42,937, and Fixed Asset additions net of Depreciation are budgeted to increase by \$135,447 over the 2012 Budget.

⁷⁰ In addition, a Cyber Security Specialist position included in the 2012 Budget but not filled will be filled in 2013.

6. 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 ERO's statutory responsibilities, by providing training and education to NERC and Regional Entity staff, including compliance auditors, relating to their job responsibilities, and to industry participants on the requirements of reliability standards, the standards development process, and the compliance monitoring and enforcement process. 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, 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 required to work in system control centers across North America for over 6,000 system operators. Certification exams are created by the Personnel Certification Governance Committee (PCGC), an industry group of operational experts, trainers and supervisors. Once an operator achieves certification by passing the examination, the operator's certification is maintained by completing NERC-approved continuing education courses and activities, under the oversight of the NERC Personnel Subcommittee.

The 2013 goals and deliverables of the Training, Education, and Operator Certification Program are described at page 85 of **Appendix 2**. A primary objective, in response to stakeholder and Regional Entity feedback, will be to further expand and focus training and education opportunities for NERC, Regional Entity and Registered Entity personnel, including on topics such as how best to comply with reliability standards and improve bulk power system reliability, cyber security, consistent audit and investigation techniques, and compliance auditor

skills. 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 budgeted staffing for the Training, Education, and Operator Certification Program for 2013 is 8.00 FTEs, which is an increase of 1.25 FTEs over the 2012 Budget. One new position will be added to provide administrative support, the cost of which will be funded through operator certification and testing fees. The increased staffing of 1.25 FTE reflects the full year effect of 2012 personnel additions. However, budgeted 2013 Personnel Expense is reduced by \$66,475 (5.7%) from the 2012 Budget, primarily due to lower Benefits costs. Budgeted Meeting expense is reduced by \$94,450 (75.9%) from the 2012 Budget, reflecting that costs for workshops will now be budgeted in the department sponsoring the workshop, rather than in the Training Department. Correspondingly, no revenue from Workshop fees is budgeted in the Training Department for 2013 (as compared to \$120,000 budgeted in 2012). Budgeted Travel expense and Conference Call expense are reduced by a net amount of \$9,100 (8.6%) from the 2012 Budget.

The budgeted Consultants & Contracts expense for the Training, Education, and Operator Certification Program for 2013 is \$848,574, an increase of \$252,126 (42.3%) over the 2012 Budget. This increase is primarily to support a multi-year project to continue improvements in the System Operator Certification and Continuing Education Database, as recommended in NERC's *Three-Year ERO Performance Assessment Report* issued in 2009. The upgrades will provide improved and efficient interface with and ease of use of the database for system operators and supervisors, trainers, training providers and staff, including automation of many operations currently performed manually and/or individually. A total of \$282,330 in Consultants

& Contracts expense is budgeted for this project in 2013, and will be funded from the System Operator Certification Program Operating reserve account (*see* §IV.B below). In addition, a total of \$190,414 in Consultants & Contracts expense is budgeted for System Operator examination development, testing expenses, and examination analysis; and a total of \$152,330 is budgeted to support the Continuing Education Program. Additional details concerning amounts budgeted for Consultants & Contracts for specific activities is provided in Exhibit B of **Attachment 2**.

The direct expense budgeted for the Training, Education, and Operator Certification Program for 2013 is \$2,170,906, which is an increase of \$115,251 (5.6%) over the 2012 Budget. The allocation of Administrative Services expenses to this Program is \$1,383,016, the allocation of Fixed Assets to this Program is \$17,844, and Fixed Asset additions net of Depreciation are budgeted to increase by \$62,045 over the 2012 Budget.

This System Operator Certification Program generates revenues from fees charged for system operator certification examinations and fees charged to continuing education providers, which are intended to recover the costs (including an allocation of indirect expenses) of the Program. The 2013 Budget includes projected revenues from Testing Fees totaling \$1,680,000, which is a decrease of \$381,000 (18.5%) from the 2012 Budget, and is due in part to the reduction in fees for system operator certification tests and certificate renewals discussed in the next paragraph.

Under NERC's newly-adopted Working Capital and Operating Reserves Policy, discussed in detail in §IV.B below, a separate Operating Reserve account will be established for any revenues realized by the System Operator Certification Program in excess of expenses incurred for the Program, to be used solely for operator training and certification needs as determined by NERC management and the PCGC. NERC is projecting a \$1,754,439 Operating

Reserve balance for the System Operator Certification Program at December 31, 2012. A portion of this amount will be used to fund \$250,000 of the budgeted 2013 upgrades to the System Operator Certification and Continuing Education Database, discussed above. Additionally, the PCGC has decided to use approximately \$100,000 of this amount to reduce fees for system operator certification examinations and certificate renewals in 2013.

7. Administrative Services

The Administrative Services departments support the NERC statutory programs. Administrative Services comprises the following functions: (i) Technical Committees and Members' Forums (which has no budget for 2013); (ii) General and Administrative; (iii) Legal and Regulatory; (iv) Information Technology; (v) Human Resources, and (vi) Finance and Accounting. Descriptions of the responsibilities of each of the functions included in Administrative Services are provided in the text at pages 90-115 of **Attachment 2**.

The total amount budgeted for Administrative Services for 2013 (before provision for Working Capital and Operating Reserves) is \$23,376,855, which is an increase of \$3,454,028 (17.3%) over the 2012 Budget and is reflective of the scope and depth of resources required to effectively support the ERO operations. All Administrative Services expenses and Fixed Asset additions are allocated to the statutory programs on the basis of proportional numbers of budgeted FTEs in the statutory programs. The total budgeted staffing for the Administrative Services departments for 2013 is 52.75 FTEs, which is an increase of 5 FTEs over the 2012 Budget.

The following paragraphs provide further detail on the 2013 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 2013, the 2013 budget does not include any specific projected 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, and the CEO's executive assistant; communications and public relations; and costs related to the Board of Trustees. Budgeted staffing for this function for 2013 is 8.00 FTEs, which is an increase of 1.0 FTE over the 2012 Budget. The added position is the Manager of Technical Publications position, which is being transferred from another program and does not represent an increase in NERC's overall FTE staffing.

The 2012 budgeted Direct Expense for General and Administrative is \$7,725,556, which is an increase of \$475,307 (7.0%) over the 2012 Budget. The most significant component of this increase is an increase of \$452,583 in Office Rent expense, due to an increase in the rented space in NERC's offices in Atlanta, Georgia required to support additional staff and increases in rent in accordance with the leases for the Atlanta and Washington, D.C. offices. The additional space for the Atlanta office will be secured through the exercise of an option negotiated in connection with NERC's existing Atlanta office lease. NERC's Atlanta office is almost 100% occupied due to successful recruiting efforts. In addition, open 2012 budgeted staff positions in the Reliability Standards department are being filled during the fourth quarter of 2012 and further additions are planned for 2013. The lease terms NERC management negotiated several years ago are even more attractive in the current market, which has seen some increase over 2011, and will apply to

the option space. Similar to the terms of the base lease, rent on the expansion space will be abated for all of 2013 and a negotiated tenant improvement allowance will offset all or a significant portion of the expense of building out and furnishing the expansion space.⁷¹ Management will present the full terms of the proposed lease amendment for the expansion space to the NERC Board FAC for review and approval prior to executing the lease amendment. The lease on the expansion space will not become effective until the Commission approves NERC's 2013 Business Plan and Budget which incorporates the additional Office Rent expense for the expansion space.

In addition, budgeted Meetings Expense (Meetings, Travel and Conference Calls) is higher by \$92,880, budgeted Consultants & Contracts Expense is higher by \$150,000, and budgeted Depreciation Expense is higher by \$94,751, as compared to the 2012 Budget. The Meetings Expense includes the costs of quarterly Board of Trustees and MRC meetings, as well as ERO executive staff meetings and employee meetings. The budgeted Consultants & Contracts expense of \$150,000 (as compared to zero in the 2012 Budget) reflects that the budget to support external affairs has been moved from Legal and Regulatory to General and Administrative. Offsetting these increases, the 2013 budgeted Personnel Expense is reduced by \$338,960 (16.4%) from the 2012 Budget, due to lower average Salary expense per FTE and lower Benefits expense and Retirement expense due to changes in NERC's benefits and retirement programs.

NERC is budgeting a total amount of \$1,369,000 for Board of Trustee costs in 2013, comprised of \$234,000 for quarterly Board, Board committee and MRC meetings, \$155,000 for

⁷¹ Although NERC's cash rent obligation for the expansion space will be abated for 2013, Generally Accepted Accounting Principles require that the cost of the lease amendment be amortized over its term, resulting in a financial statement and budget impact for 2013.

Trustee Travel expense for all their NERC activities (*i.e.*, not just travel in connection with the quarterly Board meetings), and \$980,000 for Trustee fees. This total is slightly lower than the 2012 Budget of \$1,389,000; however, the 2012 Budget included Trustee Search Fees for two new Trustees to be appointed in 2013. Trustee Search Fees are not budgeted for 2013.⁷²

The General and Administrative budget includes \$50,000 of Other Non-Operating Expenses to cover NERC's property tax obligations in Atlanta, Georgia.

Legal and Regulatory – The Legal and Regulatory function provides legal and regulatory support to the organization (as noted above, responsibility for external affairs has been moved to General and Administrative). Increased demands for Legal and Regulatory support are coming primarily from three areas: Reliability Standards (for legal participation with and drafting assistance to standards drafting teams, quality review of standards projects, and increased participation in development of filings for approval of standards), Compliance Operations (for legal support for significant audits), and Event Analysis and Investigations (for legal support for investigation teams). In addition, Legal and Regulatory is responsible for providing a wide range of legal support to the organization in corporate, commercial, contractual, employment, real estate, intellectual property and other legal matters.

The 2013 Budget for Legal and Regulatory is \$4,045,729, an increase of \$24,435 (0.6%) over the 2012 Budget. Budgeted staffing for 2013 for Legal and Regulatory is increased from 13.0 FTEs to 14.0 FTEs, reflecting the transfer of an administrative staff member into this function in 2012; no additional increase in staffing is budgeted to occur in 2013. Budgeted Travel expense is increased by \$70,500 over the 2012 Budget, based on increased Legal staff travel to participate in meetings of standards drafting teams and the ERO legal working group.

⁷² See table on page 91 of **Attachment 2**.

Budgeted Consultants & Contracts expense is reduced from \$141,750 in the 2012 Budget to zero in 2013 due to responsibility for support of external affairs being moved to General and Administrative. Budgeted Professional Services expense is increased by a total of \$200,000 over the 2012 Budget, with \$150,000 of this amount budgeted to support initiation of the next ERO performance assessment which is due to be submitted to the Commission in July 2014.

Information Technology – NERC’s IT department is responsible for planning, designing, implementing and operating technology in support of the ERO’s goals and objectives. The 2013 goals and deliverables of the IT department are described at pages 97-98 of **Attachment 2**. An important IT initiative for 2013 (described in greater detail at pages 96-97 of **Attachment 2**), is the implementation of a centralized data repository with the necessary infrastructure to accept inbound data and catalog the data in one location for access across the ERO (*i.e.*, by NERC and the Regional Entities).

The 2013 budgeted expense for IT is \$7,978,705, which is an increase of \$1,349,126 (20.4%) over the 2012 Budget. The 2012 Budget reflects 16.75 FTEs in this function, which is an increase of 4.00 FTEs over the 2012 Budget. The staffing increase reflects the transfer of three positions into IT in 2012 in connection with creation of a Project Management Office within IT to manage the identification, prioritization, design and deployment of IT applications; and addition of a SharePoint Administrator/Developer position in 2013. Primarily as a result of the added staffing, the 2013 budgeted Personnel Expense is increased by \$248,994 (13.0%) over the 2012 Budget; however, the budgeted average Salary expense per FTE is lower than in the 2012 Budget, and budgeted Retirement expense is lower than the amount in the 2012 Budget due to changes in NERC’s retirement plans.

The 2013 budget for Consultants & Contracts for IT is \$2,721,000, which is an increase of \$1,303,000 over the 2012. The projects for which Consultants & Contracts expense is budgeted are described at pages 99-101 of **Attachment 2**, and include projects relating to redesign of the NERC Website; security vulnerability testing; hardware and software design and integration to support NERC production activities; redesign of the compliance database modules using SharePoint 2010; rewrite of the standards balloting application using SharePoint 2010; quality assurance testing for new applications; data warehouse design; selection of a common technology platform for NERC and the Regional Entities; hardware and applications to set up a disaster recovery site; backup of electronic files; and other studies, assessments and IT project management support. Information on the amounts budgeted for Consultants & Contracts support for individual projects in 2013 is provided in Exhibit B of **Attachment 2**.

The 2013 IT Budget includes \$1,893,725 for Office Costs, which is a slight (\$4,745) reduction from the 2012 Budget. The Office Costs budget is comprised of \$175,000 for Telephone expenses, \$335,000 for Internet expenses, \$3,000 for Computers expense (expenses for items that are not large enough to be capitalized), \$116,900 for Computer Supplies, \$1,226,325 for Maintenance & Service Agreements, and \$37,500 for Software.⁷³ Additional description of the costs budgeted in these expense categories is provided at pages 101-105 of **Attachment 2**.

Finally, the 2013 IT Budget includes a total of \$1,772,100 for Computer & Software Capital Expenditures and Equipment Capital Expenditures, which is an increase of \$1,000,010 over the 2012 Budget. Major components of the IT Capital Expenditures budget include \$600,000 for data warehouse hardware, \$300,000 for disaster recovery hardware, \$267,000 for

⁷³ See table on page 102 of **Attachment 2**.

software, \$174,000 for laptop computers for new staff and for replacement, \$153,000 for network devices, and \$100,000 for data backup and storage. The IT Capital Expenditure projects are described in detail on pages 105-108 of **Attachment 2**.

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 2013 goals and objectives for HR are summarized at pages 111-112 of **Attachment 2**, and are focused on executive training and development, staff development, use of compensation consultants to provide market data, stakeholder surveys including surveys of Board of Trustee effectiveness, succession planning, and automation of HR products and services.

The 2013 Budget for HR is \$1,527,797, which is an increase of \$83,656 (5.8%) over the 2012 Budget. The 2013 budgeted staffing is 3.00 FTEs in this function, which is a reduction of 3.00 FTEs from the 2012 Budget. Two FTEs transferred from HR to other departments during 2012, and HR staffing will be reduced by an additional FTE in 2012. Benefits expense in the HR budget is increased over the 2012 Budget primarily due to including the cost of providing parking for employees (formerly part of Office Rent) at the Atlanta and Washington, D.C. offices in the HR budget. The budgeted Consultants & Contracts expense for HR in 2013 of \$288,500 is approximately the same as the 2012 Budget amount (\$290,000). As detailed in Exhibit B of **Attachment 2**, use of consultants and contractors is budgeted in the areas of executive training and development, instruction technologies for staff development, compensation consulting, stakeholder surveys, succession planning, and improvements to employee-facing HR processes.

Finance and Accounting – Finance and Accounting manages all of NERC’s finance and accounting functions, including employee payroll, retirement 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 primary responsibility for development of the annual business plan and budget, and for NERC’s proposed ERO risk management framework.

The 2013 budgeted expense for Finance and Accounting is \$2,201,294, which is an increase of \$328,999 (17.6%) from the 2012 Budget. The 2012 budgeted staffing for this function is 11.00 FTEs, which is an increase of 2.00 FTEs from the 2012 Budget. Both of these FTEs were added during 2012, one to provide facilities management and one to provide additional administrative and internal controls support. No new FTEs are budgeted to be added in 2013. As a result of the staffing addition, budgeted 2013 Personnel Expenses are increased by \$215,862 over the 2012 Budget, although budgeted Retirement expense is decreased slightly due to changes in NERC’s retirement plans.

The 2013 budgeted expense for Consultants & Contracts for Finance and Accounting is \$325,000, which is the same amount as in the 2012 Budget, and take into account the higher accounting and auditing fees projected for the external audits of NERC’s financial statements and the 401(k) plan. In addition to the external audit function, Consultants & Contracts costs are budgeted to support oversight of the Regional Entities’ compliance auditing functions by Compliance Operations and the CID as part of the internal controls and risk management function for which Finance and Accounting has responsibility.

B. Working Capital Reserve

NERC has adopted a new Working Capital and Operating Reserve Policy which is intended to provide greater transparency and granularity in the budgeting of reserve amounts and

place greater controls on the use of funds from the reserve accounts. The Policy provides for separation of Working Capital from Operating Reserves, establishes criteria and authorities for funding and access to Working Capital and Operating Reserves and transfers of funds between the accounts, establishes controls and authorities regarding the reallocation of budgeted funds to other uses, establishes controls regarding annual headcount and FTE budgets, and establishes transparent reporting requirements. The new Working Capital and Operating Reserve Policy is provided in Exhibit B of **Attachment 2**. Exhibit B also sets forth and explains the amounts of Working Capital and Operating Reserves proposed to be budgeted, and reflected in the setting of NERC's assessments, for 2013.

The Working Capital and Operating Reserves Policy was developed through an open and transparent process with multiple opportunities for public review and comment, including postings and presentations in connection with several meetings of the NERC Board FAC and inclusion in Draft #2 and the Final Draft of NERC's 2013 Business Plan and Budget. Only one set of comments were received relating to the proposed Policy, from the IESO, and those comments focused on specific amounts proposed for the reserve accounts for 2013, not on the Policy itself. The IESO comments are reproduced in **Attachment 14**. As described in **Attachment 14**, NERC modified the amounts in the reserve accounts after considering these comments. The NERC Board of Trustees approved the Policy on August 16, 2012.

The Working Capital and Operating Reserves Policy establishes the Working Capital requirement as the amount necessary to satisfy projected annual cash flow (short-term variances between funding receipts and expenditures) and cash balance requirements to satisfy covenants under loan, credit or other agreements to which NERC is party. If cash balances (if any) required to satisfy covenant requirements are reduced during the year, the excess cash balance

will be transferred to the Operating Reserve for unforeseen contingencies. The Policy provides for the separate establishment of Operating Reserves, to include: (1) an amount necessary to satisfy known contingencies where the specific amount and timing is uncertain, (2) an amount available to be utilized for unforeseen contingencies, and (3) excess funds applicable to the Personnel Certification and Operator Training Program (which may be used solely for operator training and certification needs as determined by NERC and the PCGC).⁷⁴ The amount of Working Capital and Operating Reserves in each category shall be separately identified and quantified each year in the Business Plan and Budget. Transfers of Working Capital to Operating Reserves and transfers of Operating Reserve Funds between categories require approval of the NERC Board after review and recommendation by the Board FAC.

The Policy also establishes specific guidelines and authorities (levels of approval required) for expenditures from Working Capital and Operating Reserves. The Policy further provides that if, during the course of a year, funds budgeted for a specific purpose are not fully spent, the excess funds shall be added to the Operating Reserve for unforeseen contingencies, and the President and CEO shall have the authority to expend such funds in the same manner as the expenditure of funds for other unforeseen contingencies as specified in the Policy. Finally, the Policy specifies that any FTE or headcount additions during a year in excess of the total FTEs or total headcount, respectively, set forth in the approved Business Plan and Budget shall require approval of the NERC Board after review by the Board FAC and Corporate Governance and Human Resources Committee.

⁷⁴ See Exhibit C of **Attachment 2** for further description of these categories.

The amounts budgeted for 2013 for each Working Capital and Operating Reserve category are as follows:

Working Capital: \$0.

(Developed based on historical experience concerning the timing of assessment receipts, NERC's maintenance of a \$4,000,000 line of credit, and the requirement of NERC's credit agreement that it maintain a minimum of \$1,250,000 in net assets.)

Operating Reserves: \$3,400,000.

Known Contingencies where timing and amount are uncertain: \$1,000,000.

(based on discounting the high end of estimated costs for: BES definition implementation, \$0 - \$600,000; implementation of NERC's revision to Reliability Standard TPL-002-ob, Table 1, footnote b, \$0-\$250,000; Events Information database, \$0-\$300,000; automated system to collect reliability assessment data, \$0-\$200,000; generation protection and controls modeling support, \$0-\$50,000; implementation of Commission audit recommendations, \$0-\$1,000,000; additional CIP audit support, \$0-\$100,000.)

Unforeseen Contingencies: \$1,000,000.

(Represents a contingency for unknowns including significant litigation, compliance with new governmental or regulatory mandates, major system event investigations, etc.)

System Operator Certification Program: \$1,407,149.

(The System Operator Testing and Certification Program generated revenues in excess of expenses of \$1,400,000 in 2010 and 2011 and is projected to generate \$321,300 of revenues in excess of expenses in 2012. The 2013 Budget uses \$347,000 of the excess revenues generated between 2010 and 2012 to fund 2013 costs for the Program.)

Total Desired Working Capital and Operating Reserve: \$3,407,149.

Based on the beginning Working Capital Reserve at December 31, 2011, the projected funding and expenditures for 2012, the budgeted funding and expenditures for 2013, and the desired Working Capital and Operating Reserve at December 31, 2013, Table B-1 on page 118 of **Attachment 2** shows the calculation of the resulting adjustment (decrease) to NERC's 2013 statutory assessment of \$2,033,600. To the extent NERC's actual year-end 2012 Working Capital Reserve is higher than projected (as shown on Table B-1), the excess funds will be

included as Operating Reserves in the Unknown Contingencies account or System Operator Certification Program account, as applicable, and subject to the limitations and authorities regarding their use set forth in the Working Capital and Operating Reserves Policy.

V. REGIONAL ENTITY BUSINESS PLANS AND BUDGETS

A. Consistency Among Regional Entity Budgets

In developing the 2013 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, 2011 and 2012 Business Plans and Budgets. NERC and the Regional Entities: (i) used a common and consistent format for their 2013 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, (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) again developed and used an extensive set of Shared Business Plan and Budget Assumptions for their 2013 Business Plans and Budgets. The Shared Business Planning and Budget Assumptions are provided in Exhibit A to the NERC 2013 Business Plan and Budget (**Attachment 2**), which is cross-referenced in each of the Regional Entity Business Plans and Budgets.⁷⁵ 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.

⁷⁵ The Shared Business Plan and Budget Assumptions have been developed for the 2013-2015 period, and therefore are applicable to the NERC and Regional Entity 2014 and 2015 budget projections as well as to their 2013 Business Plans and Budgets.

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 2013, including statutory and (where applicable) non-statutory FTEs and expenses; 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.⁷⁶ The Introduction also provides general information on the Regional Entity, including information on its organization, membership and governance; provides the Regional Entity's goals and key deliverables and key assumptions for 2013; and provides an overview of the primary cost impacts to the Regional Entity's 2013 Budget. The Introduction section includes a table showing the Regional Entity's 2012 Budget, 2012 Projection, 2013 Budget, and Variance between the 2012 Budget and 2013 Budget, for each of the five statutory programs. It also contains charts comparing the Regional Entity's 2012 to 2013 budgeted expenses by statutory program and showing the percent change in funding for each statutory program from the 2012 Budget to the 2013 Budget; and a table showing the Regional Entity's FTEs, by statutory program and administrative department, for its 2012 Budget, 2012 Projection, and 2013 Budget. Finally, the Introduction section includes the Regional Entity's overall statutory Statement of Activities, with information presented for its 2012 Budget, 2012 Projection, Variance between its 2012 Budget and 2012 Projection, 2013 Budget, and variance between its 2013 Budget and 2012 Budget.

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.

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 2012 Budget and 2013 Budget as well as the Increase/(Decrease), 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, Total Budget and Total Change in Working Capital.⁷⁷ Information is presented in each of the Statements of Activities for the 2012 Budget, the 2012 Projection and the 2013 Budget, and the Variances between the 2012 Budget and 2012 Projection and between the 2013 Budget and 2012 Budget.⁷⁸ The text of these sections for each statutory program includes discussion of the program scope and functional description, 2013 key assumptions, goals and key deliverables for 2013, and reasons for increases or decreases in funding sources and costs in 2013, for the program.

Section B of each Regional Entity Business Plan and Budget presents supplemental financial information supporting the 2013 statutory Budget. Section B contains tables detailing

⁷⁷ The FRCC 2013 Business Plan and Budget (**Attachment 3**) provides a consolidated summary table, Statement of Activities, and discussion for General and Administrative covering all its administrative functions, and does not include separate tables, Statements of Activity and discussion for each individual administrative function.

⁷⁸ The Statement of Activities for each Regional Entity's General and Administrative function shows its proposed adjustment, if any, to its 2013 statutory assessment to provide for Working Capital Reserve as a Funding Requirement (positive or negative) 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.

the development of the adjustment to the Regional Entity's 2013 assessment to achieve its desired Working Capital Reserve at December 31, 2013 (Table B-1); Penalty payments received in the 12 months ended June 30, 2012, 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 2012 and 2013 Budgets for the funding or cost category. Finally, Table B-10 provides the Regional Entity's statutory budget projections for 2014 and 2015 (along with, for comparison, its 2012 and 2013 budgets), in Statement of Activities format.⁷⁹

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 2013, including program descriptions and objectives, budget information, and FTEs.⁸⁰

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 2013 Consolidated Statement of Activities, Fixed Asset Expenditures and Changes in Working Capital showing the Regional Entity's 2013 budgeted line-item funding sources, expenses, and Fixed

⁷⁹ MRO has included its budget projections for 2014 and 2015 in Section D of its 2013 Business Plan and Budget, and WECC has included its budget projections for 2013 and 2014 in Appendix B to its 2013 Business Plan and Budget, rather than in Table B-10 of Section B.

⁸⁰ MRO, ReliabilityFirst and SERC do not plan to have, and have not budgeted for, any non-statutory activities in 2013. SPP RE is unable to provide a non-statutory budget for 2013 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. 2012 budget and 2011 actual income statement, for information.

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, 2011, based on 2011 actual audited results;⁸¹ (ii) December 31, 2012, based on the Regional Entity's 2012 Projection; and (iii) December 31, 2013, based on the Regional Entity's 2013 Budget; and (3) the Regional Entity's organization chart, showing staffing comparisons for 2013 versus 2012.

B. Discussion of Individual Regional Entity 2013 Business Plans and Budgets

This section summarizes highlights of the individual Regional Entity 2013 Business Plans and Budgets.

1. FRCC

FRCC's total statutory budget for 2013, before adjustment for Working Capital Reserve, is \$6,531,782, an increase of \$137,328 (2.1%) from its 2012 Budget. FRCC's proposed 2013 ERO Assessment amount of \$5,957,971 is \$1,533,121 (34.6%) higher than its 2012 ERO Assessment, reflecting (in addition to the slightly increased budget) (i) a \$304,500 offset from Penalty payments received from Registered Entities (as compared to \$874,700 of Penalty payments in the 2012 Budget, *i.e.*, a reduction of \$570,200 in this Funding source); (ii) budgeted higher funding from Workshop fees, by \$10,570, in the 2013 Budget over the 2012 Budget; and (iii) a decremental adjustment of \$157,311 to its 2013 ERO Assessment, based on the difference between its projected Working Capital Reserve at December 31, 2012 and its desired Working Capital Reserve at December 31, 2013 (as compared to a decremental adjustment to its 2012 ERO Assessment of \$993,474 relating to Working Capital Reserve, *i.e.*, the adjustment for

⁸¹ The audited financial statements of each Regional Entity for 2011 were filed with the Commission on May 30, 2011, in NERC's *2011 Budget True-up Report*.

Working Capital Reserve provides a smaller offset to ERO Assessments, by \$836,163, in FRCC's 2013 Budget that was the case in its 2012 Budget⁸²).

FRCC's largest area of increase is in Office Rent, which is budgeted to increase by \$134,638 (30.8%) over the 2012 Budget. In 2013, FRCC will be moving to a new, larger office location in order to be able to consolidate all of its staff in one location and to increase its meeting space. FRCC's budgeted Personnel Expenses are higher by only \$76,379 (1.5%) over its 2012 Budget, due in part to a decrease in budgeted 2013 Benefits expense, which in turn is due primarily to decreases in budgeted Employment Fees and Relocation payments to employees. FRCC plans total staffing for statutory and administrative programs of 30.12 FTEs in 2013, a slight decrease of 0.57 FTEs from its 2012 Budget. FRCC is budgeting for decreased staffing of 2.01 FTEs in its CMEP for 2013 (a reduction from 19.94 FTEs in its 2012 Budget to 17.93 FTEs in its 2013 Budget). However, the budgeted 2013 staffing in the FRCC CMEP of 17.93 FTEs is higher than the projected 2012 staffing in the CMEP of 15.46 FTEs. The decrease in 2013 budgeted staffing for the CMEP from the 2012 Budget is the result of not filling two enforcement staff positions that had been budgeted in 2012 and one administrative assistant, which were determined not to be needed due to improved internal efficiencies and the Commission's acceptance of the FFT enforcement process. FRCC is not budgeting significant staffing changes (increases or decreases) in 2013 in any other statutory or administrative programs; the overall staffing increase for the other statutory programs and administrative functions from the 2012 Budget is only 1.44 FTEs, with the budgeted staffing change in each individual program being less than 1.0 FTE.

⁸² The large decremental adjustment for Working Capital Reserve in FRCC's 2012 Budget was due in part to a decision, approved by the FRCC Board of Directors, to reduce FRCC's desired Working Capital Reserve from 10% of budgeted annual statutory expenses to 5% of budgeted annual statutory expenses

FRCC is budgeting the following changes in total resources over its 2012 Budget for each of its statutory programs: (i) Reliability Standards Development, increase of \$73,584 (22.5%); (ii) CMEP, decrease of \$319,447 (6.9%); (iii) Reliability Assessment and Performance Analysis, increase of \$246,215 (21.4%); Training, Education and Operator Certification, increase of \$163,466 (75.9%); and Situation Awareness and Infrastructure Security, decrease of \$26,491 (29.4%). The budgeted increase for Reliability Standards Development is primarily due to the planned addition of an engineer during 2013 to support the BES exception process. The budgeted decrease for the CMEP is primarily due to the decrease in budgeted staffing over the 2012 Budget, as discussed above. The 2013 CMEP Budget includes, in Consultants & Contracts expense, SERC's estimated charges of \$15,000 to perform the compliance monitoring and enforcement responsibilities for the FRCC registered functions. The budgeted increase for Reliability Assessment and Performance Analysis is largely due to additional staff time being budgeted to be spent in this program area. The budgeted increase for Training, Education, and Operator Certification is primarily due to increased use of internal staff to lead workshops and training activities (partially offset by a reduction in budgeted Consultants & Contracts expense). Finally, the budgeted decrease in Situation Awareness and Infrastructure Security is primarily due to less staff time being budgeted to be incurred in this program area. In addition, the 2013 budgets for all five statutory programs reflect an allocated portion of the higher budgeted 2013 Office Rent expense due to moving to new office space, as discussed above.

FRCC's desired Working Capital Reserve at December 31, 2013 is \$326,589, based on 5% of budgeted annual statutory expenses, as approved by the FRCC Board of Directors. This is the same Working Capital Reserve target that was employed in FRCC's 2012 Budget. FRCC's

projected Working Capital Reserve at December 31, 2012, is \$483,900; therefore, FRCC's requested 2013 assessment amount is reduced by \$157,311.

FRCC's 2013 budget for non-statutory activities is \$6,561,975.

2. MRO

MRO's total statutory budget for 2013, before adjustment for Working Capital Reserve, is \$9,283,539, an increase of \$226,309 (2.5%) over its 2012 Budget. MRO's statutory assessment for 2013 is \$749,898 (9.0%) higher than its 2012 assessments, reflecting (in addition to the increased budget) (i) \$14,000 of Penalty payment offsets, as compared to \$418,499 of Penalty payment offsets in its 2012 Budget; and (ii) a decremental adjustment (reduction) to its assessments of \$170,612 for Working Capital Reserve, as compared to a decremental adjustment of \$289,702 for this purpose in its 2012 Budget.

MRO's budgeted 2013 staffing for statutory and administrative programs is 37.75 FTEs, an increase of 0.75 FTE over its 2012 Budget. MRO's budgeted staffing for its CMEP for 2013 is 18.99 FTEs, only slightly less than the 19.16 FTEs budgeted for the CMEP in the 2012 Budget, but higher than the staffing of 17.17 FTEs in the 2012 Projection. Consultants & Contracts expense in the 2013 Budget for the CMEP is reduced to \$157,000, a decrease of \$145,000 (48.0%) over the 2012 Budget; the decreased reliance on consultants and contractors is enabled by the hiring of additional staff in 2012 who can perform tasks previously performed by consultants and contractors. The overall increase in budgeted expenditures for the CMEP over the 2012 Budget is \$237,019 (4.0%). MRO is also budgeting 2013 staffing for its Reliability Assessment and Performance Analysis Program of 6.68 FTEs, which is less than the budgeted 2012 staffing of 8.04 FTEs but equal to the staffing in the 2012 Projection.

MRO is not planning significant staffing changes in any other statutory programs or administrative departments for 2013. Total 2013 budgeted staffing in statutory programs is

lower by 1.40 FTEs compared to MRO's 2012 Budget, while total 2013 budgeted staffing for MRO's Administrative programs is increased by 2.15 FTEs over the 2012 Budget. In addition to the change in 2013 budgeted resources for the CMEP, described above, MRO is budgeting the following changes in total resources over its 2012 Budget for its statutory programs: (i) Reliability Standards, increase of \$65,986 (13.8%); (ii) Reliability Assessment and Performance Analysis, decrease of \$157,543 (6.5%); (iv) Training, Education, and Operator Certification, increase of \$55,631 (32.0%); and (v) Situation Awareness and Infrastructure Security, increase of \$25,217 (35.0%). The reduction in the budget for the Reliability Assessment and Performance Analysis program is primarily due to the reduction in budgeted staffing of 1.36 FTE from the 2012 Budget. The changes in the individual budgeted line items for Personnel Expenses (Salaries, Payroll Tax, Benefits expense and Retirement expense) in the budgets for the MRO statutory programs reflect the correction of an allocation error in MRO's 2012 Budget which had overstated the budgeted 2012 expense for Salaries, Payroll tax and Benefits by \$106,750, \$18,092 and \$76,908, respectively, and had understated the budgeted 2012 amount for Retirement expense by \$201,750 (*see* pages 8-9 of **Attachment 4**).

MRO's budgeted Consultants & Contracts expense for 2013 is \$223,676 (28.1%) lower than in the 2012 Budget, due primarily to increased use of internal resources in the CMEP and in IT to perform tasks previously performed by consultants and contractors, and greater efficiencies expected through the use of the webCDMS. MRO's budgeted Office Rent for 2013 is increased by \$137,147 (35.0%) over its 2012 budget, reflecting that during 2012, MRO moved to new office space in downtown St. Paul. The increased Office Rent expense for 2013 reflects a full year of rent expense in the new facility plus costs for Leasehold Improvements that will be completed in 2013. The higher Office Rent expense is partially offset by slightly lower budgeted

Meeting expense in 2013; the new office facility has improved meeting and audiovisual capabilities as compared to the old office, enabling MRO to hold more meetings in its offices as opposed to using third party facilities.

MRO has added Independent Trustee Fees of \$100,000 to its 2013 Budget. Pursuant to amendments to the MRO Bylaws that were approved by the Commission in 2012, MRO will be adding independent trustees to its Board in 2013.

MRO's desired Working Capital Reserve at December 31, 2013, is \$1,144,546, representing 45 days of cash. MRO currently projects a Working Capital Reserve of \$1,315,158 at December 31, 2012, resulting in a decremental adjustment (decrease) of \$170,612 to its 2013 assessments.

MRO plans no non-statutory activities in 2013 and therefore has no 2013 Budget for non-statutory activities.

3. NPCC

NPCC's statutory budget for 2013, before provision for Working Capital Reserve, is \$13,879,226, an increase of \$198,584 (1.5%) over its 2012 Budget. However, NPCC's 2013 ERO Assessments are reduced by \$199,304 (1.6%) from its 2012 Budget. The lower assessment results primarily from a \$1,115,163 decremental adjustment for Working Capital Reserve (compared to a \$323,075 decremental adjustment in the 2012 NPCC Budget. *i.e.*, the decremental adjustment for Working Capital Reserve reduces assessments by \$792,088 more than it did in the 2012 Budget). The impact on assessments of the decremental adjustment for Working Capital Reserve more than offsets the impact of a lower (by \$316,700) Penalty payments offset, lower (by \$40,000) budgeted revenues from Workshops, lower (by \$37,500) budgeted charges to WECC for performing the compliance monitoring and enforcement responsibilities for the WECC registered functions, and the slightly higher budget.

NPCC has budgeted total staffing for statutory and administrative programs of 35.86 FTEs as compared to 35.43 FTEs in its 2012 Budget. NPCC is budgeting virtually no changes in staffing for 2013 for any of its statutory program areas, and increased staffing of 0.57 FTE in General and Administrative. With respect to its statutory programs, NPCC is budgeting increases of \$305,773 (4.1%) in the CMEP, \$17,338 (8.7%) in Training, Education, and Operator Certification, and \$83,332 (5.7%) in Situation Awareness and Infrastructure Security, and decreases of \$60,111 (4.1%) in Reliability Standards and \$147,749 (4.8%) in Reliability Assessment and Performance Analysis, as compared to its 2012 Budget.

Although NPCC's 2013 Budget for its CMEP is increased by \$305,773 over the amount in the 2012 Budget, this increase is due to an increase of \$1,621,320 in allocated Indirect Expenses, which reflects revisions to NPCC's allocation methodologies for 2013. With respect to 2013 budgeted direct expenses in the NPCC CMEP, Personnel Expenses are reduced by \$481,944, Meeting Expenses are increased by \$54,400, and Operating Expenses are reduced by \$820,575, over the 2012 Budget. NPCC formerly budgeted Office Rent, Office Costs, Professional Services, Miscellaneous Operating Expense, and Depreciation directly in the individual statutory program budgets. Beginning in the 2013 Budget, NPCC is budgeting these expense items as Indirect Expenses and allocating them to the statutory programs on the basis of the proportion of direct statutory FTEs in each program. This change in budgeting procedure somewhat limits the ability to compare the 2013 and 2012 Budgets for the individual NPCC statutory programs; however, as noted above, virtually no change in staffing is budgeted for 2013 in any of the NPCC statutory programs.

NPCC's 2013 Budget for Consultants & Contracts is higher by \$224,900 (11.9%) than its 2012 Budget, with the primary driver being an increase of \$326,000 in Consultants & Contracts

expense for the CMEP. The increase for the CMEP reflects the plan to conduct a greater number of compliance audits in 2013 and 2012, and therefore a greater need for contractor resources to support the audit program. NPCC's 2013 budgeted Office Rent and Office Costs are increased over the 2012 Budget by \$64,564 (10.1%) and \$110,168 (30.7%), respectively; however, a portion of these expenses are allocated to the NPCC non-statutory Criteria Services Division as Indirect Expenses. The most significant factor in the increase in budgeted Office Costs is a \$128,382 budgeted increase in Computer Supplies and Maintenance expense; however, the increase in this item is due in large part to recognition that computer equipment lease costs, which were budgeted as capital expenditures in 2012, should be expensed.

NPCC's target Working Capital Reserve at December 31, 2013 is \$2,775,845, based on 20% of its total Regional Entity (statutory) budget. NPCC currently projects a Working Capital Reserve of \$3,891,008 at December 31, 2012; therefore, NPCC's 2013 assessment amount is reduced by \$1,115,163 to reach its desired Working Capital Reserve at December 31, 2013.

NPCC's total non-statutory (Criteria Services Division) Funding Requirement for 2013 is \$1,139,690.

For purposes of determining the assessments to recover NPCC's statutory funding 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 a compliance audit-based methodology.⁸³ The portion of the costs allocated to the U.S using the audit-based methodology is allocated between the New York and New England Balancing Authority Areas on the basis of NEL, as required by PP 40-41 of the *July 16, 2009 Budget Compliance Order*. The narrative discussion on pages 70-71, and the table on page 72, of NPCC's Business Plan and Budget (**Attachment 5**) explain and show the development of the 2013 assessments by Balancing Authority Area within NPCC to recover NPCC's statutory funding requirement. Appropriate adjustments to the costs to be allocated are made for Penalty payments received by NPCC from U.S. registered entities (used solely to offset CORC costs to be charged to U.S. Balancing Authority Areas), for the costs of one U.S.-only CORC staff position (to be charged solely to the U.S. Balancing Authority Areas), and for NPCC's CORC costs for acting as the Compliance Enforcement Authority for the WECC registered functions (for which NPCC will be compensated directly by WECC). 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*, and used in NPCC's 2011 and 2012 Business Plans and Budgets.

4. ReliabilityFirst

ReliabilityFirst has a total statutory budget for 2013 of \$17,426,838 before provision for Working Capital Reserve, an increase of \$770,338 (4.6%) over its 2012 Budget. ReliabilityFirst's proposed statutory assessments are increasing by \$631,576 (4.7%). ReliabilityFirst's 2013 statutory assessments are increasing by less (in dollar amount) than the

⁸³ These allocation percentages are the same as were used in 2012 and reflect the respective scopes of work to be performed by NPCC and the relevant provincial governmental and/or 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.

increase in its total statutory budget because: (i) ReliabilityFirst's Penalty payment offsets are \$2,187,700 higher in its 2013 Budget than in its 2012 Budget, while (ii) the 2013 assessment reflects a \$221,190 decremental adjustment for Working Capital Reserve versus a \$2,270,128 decremental adjustment for Working Capital Reserve in the 2012 Budget. ReliabilityFirst's total Penalty payment offsets in its 2013 Budget are \$2,979,800. ReliabilityFirst has budgeted \$60,000 of Interest income, the same amount as in its 2012 Budget, which also reduces the required amount of assessments.

ReliabilityFirst has budgeted 2013 staffing for statutory and administrative programs of 73 FTEs, the same staffing as in its 2012 Budget. No statutory or administrative program is budgeted for a change (increase or decrease) in its staffing of more than 0.50 FTE as compared to the 2012 Budget. ReliabilityFirst is budgeting 43.00 FTEs for its CMEP, an increase of 0.50 FTE over the 2012 Budget; an increase of 0.50 FTE for the Reliability Assessment and Performance Analysis program over the 2012 Budget; and a decrease of 0.50 FTE for the Reliability Standards program over the 2012 Budget. The increase of 0.50 FTE in budgeted staffing for the CMEP reflects the reallocation of 0.50 FTE to the CMEP from the IT department. The decreased staffing of 0.50 FTE for Reliability Standards and increased staffing of 0.50 FTE for Reliability Assessment and Performance Analysis reflects the reallocation of 0.50 FTE from the former program to the latter program. This reallocated resource in the Reliability Assessment and Performance Analysis Program will support the new BES exception process which is expected to begin during 2013.

ReliabilityFirst's 2013 budgeted Personnel Expenses increase by \$1,093,522 (8.4%) in total from the 2012 Budget. Although, as noted, ReliabilityFirst is not budgeting an increase in staffing over its 2012 Budget; the increase in budgeted Personnel Expenses reflects (i) the effect

of phased hiring during 2012 (*i.e.*, the expense for new FTEs who were hired during the course of 2012 is now reflected on a full-year basis in the 2013 Budget), an estimated 3% general wage increase and 1% for market adjustments, and the effect of promotions. Budgeted Consultants & Contracts expense is increasing by \$136,040 (26.5%) over the 2012 Budget; the primary driver of this increase is higher budgeted Consultants & Contracts expense in the CMEP to provide coverage as required to meet the demands of the compliance audit schedules and other CMEP responsibilities. ReliabilityFirst's 2013 budgeted expenses for Office Rent and Office Costs are lower by \$155,099 (11.9%) in total from the 2012 Budget; an increase of \$85,288 in Computer Supplies and Maintenance due to a monthly maintenance agreement with a vendor for ReliabilityFirst's compliance portal is more than offset by a \$151,406 decrease in Internet expense due to the downsizing of bandwidth because conferencing activities have been outsourced.

ReliabilityFirst's target Working Capital Reserve at December 31, 2013 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. ReliabilityFirst projects a Working Capital Reserve at December 31, 2012 of \$1,221,190. Therefore, ReliabilityFirst's requested assessment amount for 2013 reflects a decremental adjustment of \$221,190 to reach the desired Working Capital Reserve at December 31, 2013.

ReliabilityFirst plans no non-statutory activities in 2013 and therefore has no 2013 Budget for non-statutory activities.

5. SERC

SERC's total statutory budget for 2013 is \$15,907,603 before provision for Working Capital Reserve, an increase of \$313,158 (2.0%) over its 2012 Budget. However, SERC's proposed 2013 ERO Assessment is \$1,015,397 (6.8%) lower than its 2012 assessments, despite

the higher budget, due primarily to a \$1,705,725 decremental adjustment to its assessments for Working Capital Reserve (versus \$0 in its 2012 Budget), which more than offsets the impacts of the higher total budget, a \$383,500 decrease in Penalty payment offsets from the 2012 Budget, and an \$18,670 decrease in budgeted revenues from Workshops. SERC also projects a \$25,000 increase in revenues from FRCC and SPP for performing the compliance monitoring and enforcement responsibilities for the FRCC registered functions and SPP registered functions.

SERC's budgeted staffing for 2013 for statutory and administrative programs is 77.45 FTEs, an increase of 3.75 FTEs over its 2012 Budget. The budgeted staffing increase of 3.75 FTEs is based on an assumption of phased addition of new hires during the course of 2013; the 2013 year-end budgeted head count increase is 5.0 FTEs. SERC's 2013 Budget reflects staffing in its CMEP of 41.50 FTEs, a decrease of 0.50 FTEs from its 2012 Budget, and aggregate staffing for its other statutory programs of 16.02 FTEs, representing an increase of 1.07 FTE from its 2012 Budget. Additionally, increased staffing over the 2012 Budget of 2.18 FTEs in Technical Committees and Member Forums and 1.00 FTE in General and Administrative is budgeted. Some of the change in budgeted staffing in individual programs represents greater or lesser allocations of staff time to certain programs, rather than new hires. However, SERC is adding staffing in its Reliability Standards (0.75 FTE), CMEP (1.50 FTE) and Reliability Assessment and Performance Analysis Program (1.50 FTE). The staff additions in the CMEP and the Reliability Assessment and Performance Analysis Program include personnel to support the new BES exception process and also include a new, entry level engineer in each program in order to provide for training and succession planning for more senior employees. As a result of the increased staffing and a budgeted 3.0% Salary increase for existing staff offset in part by a

reduction in budgeted Payroll Taxes (described below), the total budgeted Personnel Expenses for 2013 are \$976,777 (8.3%) higher than in the 2012 Budget.

The increases and decreases in SERC's 2013 Budget for its statutory programs over the 2012 Budget are as follows: (i) Reliability Standards, increase of \$176,798 (33.7%); (ii) CMEP, increase of \$254,774 (2.3%); (iii) Reliability Assessment and Performance Analysis, increase of \$316,344 (19.4%); (iv) Training, Education, and Operator Certification, increase of \$100,441 (11.8%); and (v) Situation Awareness and Infrastructure Security, decrease of \$535,199 (33.8%). These increases and decreases reflect, in part, changes in relative staffing levels (FTEs) among the statutory programs and corresponding changes in the amount of Indirect Expenses allocated to each statutory program on the basis of FTEs.

SERC has reduced budgeted 2013 Payroll taxes by \$206,249 (25.7%) from the 2012 Budget in recognition that budgeted Payroll Taxes have historically proven to be higher than the actual expense. Total budgeted Consultants & Contracts expense is increased by only \$7,672 (0.7%) over the 2012 Budget; however, budgeted Consultants & Contracts expense for the CMEP is increased by \$86,667 (53.3%) to provide support for CIP compliance audits. Budgeted Office Rent is lower by \$39,315 (8.8%) from the 2012 Budget due to the lower rent per square foot in a new office lease that was signed after the 2012 Budget was finalized. Budgeted Office Costs are lower by \$321,323 (47.1%) than in the 2012 Budget due primarily to lower budgeted Telephone expense based on historical actual expense; lower Office Supplies costs (by \$99,400) reflecting that office furnishings for SERC's new offices were expensed in 2011 and 2012; and lower Software Maintenance & Service Agreements expense (by \$150,600) reflecting that the 2012 Budget included the expense for a SharePoint server.

SERC's target Working Capital Reserve at December 31, 2013 is \$1,195,519 (the same amount as provided in its 2012 Budget). Although this amount is less than the target criteria of up to 10% of budgeted annual statutory operating costs, SERC has not seen a need, based on experience, to increase the reserve. SERC's projected Working Capital Reserve at December 31, 2012 is \$2,901,244, resulting in a decremental adjustment to SERC's 2013 assessments of \$1,705,725 to achieve the desired Working Capital Reserve at December 31, 2013.

SERC plans no non-statutory activities in 2013 and therefore has no 2013 Budget for non-statutory activities.

6. SPP RE

SPP RE's total 2013 statutory budget is \$11,514,818, an increase of \$104,177 (0.9%) over its 2012 Budget. SPP RE's proposed assessment amount for 2013 is \$8,530,054, which is \$1,321,592 (13.4%) lower than its 2012 assessment amount. The substantial reduction in the 2013 assessment, despite the slightly increased budget amount, is due to (i) a \$794,100 increase in Penalty payment offsets from the 2012 Budget, and (ii) a \$1,989,744 decrease in the 2013 assessment for Working Capital Reserve, as compared to a decremental adjustment to its assessment for this purpose in its 2012 Budget of \$1,358,075 (*i.e.*, this adjustment reduces the assessment amount by an additional \$631,669 as compared to 2012).

SPP RE's budgeted total staffing for statutory and administrative programs for 2013 is 34.50 FTEs, an increase of 1.00 FTE over its 2012 Budget. SPP RE is adding 2.00 FTEs in Reliability Assessment and Performance Analysis and reducing budgeted staffing by 0.50 in the CMEP, 0.25 in Situation Awareness and Infrastructure Security, and 0.25 in General and Administrative. The increased staffing in Reliability Assessment and Performance Analysis is to support the new BES definition and exception processes and to support model validation associated with Eastern Interconnection Reliability Assessment Group ("ERAG") initiatives.

SPP RE is also budgeting an increase of \$438,150 in Consultants & Contracts expense for Reliability Assessment and Performance Analysis to support the new BES definition and exception processes and to support model validation associated with ERAG initiatives.

SPP RE is budgeting for decreased expenditures in its other four statutory programs from its 2012 Budget: (i) Reliability Standards, decrease of \$44,787 (10.3%); (ii) CMEP, decrease of \$902,079 (9.9%); (iii) Training, Education and Operator Certification, decrease of \$34,412 (13.7%); and Situation Awareness and Infrastructure Security, decrease of \$32,043 (19.2%). A significant portion of the decrease in the CMEP budget is a budgeted \$472,000 reduction in Consultants & Contracts expense reflecting (i) transfer of \$300,000 of expense for the BES definition and exception processes to Reliability Assessment and Performance Analysis, where these processes will be conducted; and (ii) additional reduction in budgeted contractor costs associated with SPP RE's initiative to reduce the number of open violations, because in 2011 SPP RE achieved its goal of a one-year caseload.

SPP RE's total budgeted Personnel Expenses are higher by \$404,703 (9.1%) over the Personnel Expenses in the 2012 Budget, due primarily to the addition of 1.00 FTE and a 2.5% budgeted pay increase for existing staff, as well as increases in Payroll Taxes, Benefits expense and Retirement expense.

SPP RE's 2013 budgeted Administrative Services expense of \$1,493,173 is approximately the same as the 2012 Budget (\$1,496,297), which in turn was slightly lower than the amount in the 2011 Budget (\$1,504,142). SPP RE's 2013 budgeted hourly indirect expense allocation rate for support services performed by SPP, Inc., based on 2010 actual results, is

\$67.35 per hour of direct statutory program activity.⁸⁴ The indirect expense allocation rate for support services performed by SPP, Inc. used in SPP RE's 2012 Budget was \$71.04 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*,⁸⁵ which the Commission accepted in an Order issued June 29, 2009.⁸⁶

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.⁸⁷ However, as shown in Table B-1 in Section B of **Attachment 8**, SPP RE projects it would have a Working Capital Reserve of \$1,989,744 at December 31, 2012. Accordingly, SPP RE has reduced its requested 2013 assessment amount by \$1,989,744.

As in prior years' budget filings, SPP RE is unable to provide a 2013 Budget for SPP, Inc.'s non-statutory activities because SPP, Inc.'s annual budget for 2013 will not be approved, in accordance with SPP, Inc.'s normal planning and budgeting cycle, until October 2012. SPP RE has included its 2012 budget for non-statutory activities (as previously filed with the Commission in Docket Nos. RT04-1-000 & -001, ER04-48-000 & -001, and ER08-1338-0000),

⁸⁴ The hourly indirect expense rate used in the 2013 Budget is the estimated rate for 2013, calculated using actual data for 2011 (*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 end of the year, an actual indirect charge rate will be calculated based on actual 2013 data and used to finalize SPP RE's actual expenses for the year.

⁸⁵ *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.

⁸⁶ *North American Electric Reliability Corporation, Order Conditionally Accepting Compliance Filings*, 127 FERC ¶61,307 (2009), at PP 15-22.

⁸⁷ *See, e.g., December 15, 2008 Budget Order Compliance Filing* at 53-54.

as well as its 2011 actual results, in Section C of its Business Plan and Budget, for information.

7. Texas RE

Texas RE's total 2013 statutory budget is \$10,935,779 before provision for Working Capital Reserve, an increase of \$322,320 (3.0%) over its 2012 Budget. However, Texas RE's proposed 2013 assessment amount is \$1,351,345 (14.2%) lower than its 2012 assessment amount. The principal reasons for the reduced assessment amount compared to the 2012 Budget are (1) Texas RE has higher Penalty payment offsets, by \$276,170, in the 2013 Budget than in the 2012 Budget; and (2) Texas RE is proposing a decremental adjustment to assessments for Working Capital Reserve of \$1,866,999, compared to a decremental adjustment for Working Capital Reserve of \$466,263 in the 2012 Budget (*i.e.*, the decremental adjustment to the assessment for Working Capital Reserve is \$1,400,736 larger than in the 2013 Budget).

Texas RE's budgeted total staffing for statutory and administrative programs for 2013 is 60 FTEs, an increase of 2 FTEs over its 2012 Budget. Texas RE is budgeting increased staffing of 2 FTEs for its CMEP, to 40 FTEs; no changes in staffing are budgeted in any other statutory program or administrative department. The 2 FTEs will be added in the CMEP to perform compliance monitoring activities. Texas RE is also budgeting an increase in Consultants & Contracts expenses of \$119,815 (77.3%) for its CMEP to provide additional electrical engineering and CIP subject matter expert contractor services for compliance monitoring and enforcement activities. These external resources will also assist with reviews required by the revised BES definition and the related BES exception process. Consistent with these cost increase drivers, Texas RE's overall 2013 Budget for its CMEP is \$284,682 (3.3%) higher than its 2012 Budget.

The increases in Texas RE's 2013 Budget for the other four statutory programs, over the 2012 Budget, are small: (i) Reliability Standards, \$3,466 (0.8%); (ii) Reliability Assessment and

Performance Analysis, \$30,446 (2.8%); (iii) Training, Education, and Operator Certification, \$2,719 (0.7%); and (iv) Situation Awareness and Infrastructure Security, \$1,009 (0.5%). The primary driver of the increased budget for Reliability Assessment and Performance Analysis is a \$24,708 increase in Travel expenses over the 2012 Budget to accommodate the travel to NERC and regional meetings required for this Program. Although budgeted total Personnel Expenses are only higher than the 2012 Budget by 1.1%, Benefits expense is budgeted to increase by 7.7%. Budgeted Office Rent for 2013 is 7.00% higher than in the 2012 Budget, based on Texas RE's lease agreement. Although budgeted Office Costs are only \$15,990 (4.46%) higher than in the 2012 Budget, the 2013 Budget includes \$50,000 for acquisition of specialized software that enhances the efficiency of the analysis of system events.

Texas RE's desired Working Capital Reserve at December 31, 2013 is \$1,888,367, representing an approximate 60-day cash reserve. Texas RE has also obtained a \$500,000 line of credit to provide appropriate liquidity for contingencies. Texas RE projects a Working Capital Reserve of \$3,755,366 at December 31, 2012. As a result, Texas RE's proposed 2013 statutory assessment is reduced by \$1,866,999 to achieve its target Working Capital Reserve.

Texas RE's total non-statutory budget for 2013 is \$1,029,100, an increase of \$30,000 from its 2012 non-statutory budget (*see* Section C of **Attachment 9**). Texas RE's non-statutory activities consist of acting as the ERCOT Region 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 2013 total statutory budget is \$51,025,092 before provision for Working Capital, a decrease of \$16,944,076 (24.8%) from its 2012 Budget. This decrease is due in significant part to the termination of funding under U.S. Department of Energy grants previously received by WECC and the cessation of expenses for the projects for which the grants were awarded. WECC's 2013 Budget includes \$5,915,605 of funding from the federal grants, as compared to \$27,431,301 in its 2012 Budget. In the 2013 Budget, expenditures associated with activities related to the grants decrease by \$21.5 million, while non-grant-related expenditures increase by \$4.7 million. In particular, budgeted Consultants & Contracts expense decreases by \$13,967,974 and Fixed Assets decrease by \$5.2 million primarily due to the completion of the Western Interconnection Synchro-Phasor Program (WISP) grant scheduled for March 13, 2013. WECC's 2013 assessment amount is higher than its 2012 assessment amount by \$3,985,055 (10.8%), reflecting (1) the increased budget for non-grant-related activities and (2) budgeted lower funding from Workshops, Interest income and Miscellaneous totaling \$124,262, partially offset by (3) a \$710,827 increase in Penalty payments over the 2012 Budget.

WECC's budgeted total staffing for statutory and administrative programs for 2013 is 216.3 FTEs, an increase of 3.1 FTEs over its 2012 Budget. Of the budgeted staffing increase, 5.2 FTEs are being added in Situation Awareness and Infrastructure Security and a total of 8.0 FTEs are being added in the Administrative Programs. Staffing decreases of 0.5 FTEs in Reliability Standards, 8.0 FTEs in the CMEP, and 1.6 FTEs in Reliability Assessment and Performance Analysis are budgeted. By budgeting a decrease of 8.0 FTEs in its CMEP, WECC is attempting to reflect the impacts of normal staffing turnover in its budget, rather than actually eliminating 8 positions. The impact of normal turnover is also reflected in the 2013 budgeted staffing for other programs, however, 2 FTEs are being eliminated in Reliability Assessment and

Performance Analysis due to the completion of the grant-funded Regional Transmission Expansion Planning project. The increased staffing in Situation Awareness and Infrastructure Security reflects primarily increased headcount in WECC's Reliability Coordinator function. WECC's total budgeted staffing for 2013 in the CMEP is 50.5 FTEs, in Reliability Assessment and Performance Analysis is 19.6 FTEs, and in Situation Awareness and Infrastructure Security (including staffing for the Reliability Coordinator function) is 85.0 FTEs. The increased staffing in Administrative programs includes 1.9 FTEs in General and Administrative, 2.5 FTEs in Legal and Regulatory, 2.2 FTEs in IT, 0.1 FTE in HR, and 1.7 FTEs in Finance and Accounting.

WECC's budgeted changes for 2013 over its 2012 Budget, by statutory program, are: (i) Reliability Standards, decrease of \$32,378 (3.2%); (ii) CMEP, decrease of \$798,694 (5.7%); (iii) Reliability Assessment and Performance Analysis, decrease of \$138,049 (1.8%); (iv) Training, Education and Operator Certification, decrease of \$75,920 (12.5%); and (v) Situation Awareness and Infrastructure Security, decrease of \$15,812,342 (35.3%). As indicated above, the significant decrease in the Situation Awareness and Infrastructure Security budget is primarily due to the completion of the grant-funded WISP, which was housed in the Situation Awareness and Infrastructure Security program.

WECC's 2013 budget for Personnel expense is increased over its 2012 Budget by \$2,221,011 (7.7%), due primarily to the overall increased staffing, merit pay increases and market-based compensation adjustments, and a budgeted \$430,147 (18.3%) increase in Medical Insurance within the Benefits expense line item. Budgeted Meetings Expense (Meetings, Travel and Conference Calls) is reduced by \$294,438 (8.6%) from the 2012 Budget, due primarily to greater use of the meeting facilities at WECC's Salt Lake City offices and less use of hotels for meetings, thereby reducing Travel and Meetings expenses for WECC employees. Budgeted

Consultants & Contracts expense for 2013 is \$13,967,974 lower than in the 2012 Budget, due primarily to elimination of consultants and contracts relating to the grant-funded projects; however, budgeted consultant expense in the CMEP is reduced due to WECC staff performing tasks previously performed by consultants. Budgeted Professional Services expense is reduced by \$209,132 (22.4%) from the 2012 Budget, primarily due to a budgeted \$277,000 reduction in Outside Legal expenses due to greater use of in-house legal staff; this is partially offset by a \$68,418 (72.5%) increase in budgeted Insurance (Commercial).

WECC's target Working Capital Reserve at December 31, 2013 is \$10,756,455, which represents approximately three months of WECC statutory funding requirements excluding grant activities, and is equal to WECC's projected Working Capital Reserve at December 31, 2012. WECC also has more than \$7.0 million in non-statutory reserves from which it can borrow if needed to support statutory activities. Therefore, WECC is not proposing any adjustment to its 2013 assessments to increase or decrease its Working Capital Reserve.

WECC's non-statutory budget for 2011 is \$1,506,146, and its total non-statutory Funding requirement is \$1,869,210 including provision for a \$363,064 addition to Working Capital reserve. WECC's non-statutory activity is the maintenance and operation of the Western Renewable Energy Generation Information System.

WECC's allocation of its assessment to the AESO for the Province of Alberta has been reduced by \$810,419, 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 2013 WECC Business Plan and Budget (**Attachment 10**) shows the calculation of the \$810,419

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.⁸⁸ In Attachments 15 and 16 of each of the 2010, 2011 and 2012 Business Plan and Budget filings, 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. 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.

⁸⁸ 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.

Attachment 15 and **Attachment 16** provide the same metrics information, in the same format, as presented in Attachments 15 and 16 of the 2010, 2011 and 2012 Business Plan and Budget filings, from NERC's and the Regional Entities' 2013 Business Plans and Budgets. Each Attachment contains analysis and discussion of the metrics information presented in that Attachment.

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

In its 2010, 2011 and 2012 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.⁸⁹ 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 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

⁸⁹ 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, Attachment 17 to the 2011 Business Plan and Budget filing, and Attachment 17 to the 2012 Business Plan and Budget filing.

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).

As noted, in its 2010, 2011 and 2012 Business Plan and Budget filings, NERC provided this information in a separate Attachment. However, in this 2013 Business Plan and Budget filing, NERC has incorporated the status report into the Compliance Enforcement section of its Business Plan and Budget, at pages 48-51 and 54 of **Attachment 2**, where the information specified in P 37 of the *2011 Budget Order* is provided as of June 30, 2012. The information presented shows that NERC and the Regional Entities have made steady progress in closing out older violations; as of June 30, 2012, approximately 57% of the active violations were discovered in the preceding 12 months and 74% were discovered in the preceding 18 months, while only about 10% of the active violations were discovered prior to January 1, 2010. Further, in 9 of the 12 months ended June 30, 2012, the number of violations dismissed or filed with the Commission exceeded the number of new violations opened.

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, 2012: (1) accepting NERC's proposed 2013 Business Plan and Budget in **Attachment 2**; (2) accepting the proposed 2013 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 2013 in **Attachment 11**; and (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 2013 Funding requirement allocated to the United States and the 2013 Funding requirement for statutory activities of each Regional Entity and WIRAB allocated to the U.S

Respectfully submitted,

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DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 1

SUMMARY TABLES FOR NERC AND REGIONAL ENTITY

PROPOSED 2013 BUDGETS AND ASSESSMENTS

NERC'S Proposed Budget by Program¹

NERC Program	2012 Budget for Statutory Functions	2013 Budget for Statutory Functions
Reliability Standards	\$ 9,156,601	\$ 9,775,088
Compliance Operations and Organization Registration	\$ 7,860,024	\$ 6,644,000
Compliance Enforcement, Reporting, Tracking and Analysis	\$ 6,528,040	\$ 6,725,004
Reliability Assessments and Performance Analysis	\$ 6,968,860	\$ 7,762,436
Training, Education and Operator Certification	\$ 3,098,130	\$ 3,571,766
Event Analysis and Investigations	\$ 5,126,471	\$ 6,023,424
Situation Awareness	\$ 6,534,397	\$ 5,324,311
Critical Infrastructure Protection	\$ 7,839,749	\$ 8,460,227
Total Budget	\$ 53,112,272	\$ 54,286,256

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

Proposed Budget for Statutory Activities of NERC, each Regional Entity and WIRAB¹

	2012 Budget for Statutory Functions	2013 Budget for Statutory Functions
NERC	\$ 53,112,272	\$ 54,286,256
FRCC	\$ 6,394,454	\$ 6,531,782
MRO	\$ 9,057,228	\$ 9,283,539
NPCC	\$ 13,680,642	\$ 13,879,226
RFC	\$ 16,656,499	\$ 17,426,838
SERC	\$ 15,594,445	\$ 15,907,603
SPP RE	\$ 11,410,642	\$ 11,514,818
TRE	\$ 10,613,458	\$ 10,935,780
WECC	\$ 67,969,168	\$ 51,025,092
WIRAB	\$ 614,677	\$ 595,180
Total Budget	\$ 205,103,485	\$ 191,386,114

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

Proposed Assessments for Statutory Activities of NERC and each Regional Entity

	Assessments for Statutory Functions 2012		Allocation to U.S. 2012		Assessments for Statutory Functions 2013		Allocation to U.S. 2013	
NERC	\$	50,661,272	\$	46,132,189	\$	47,604,156	\$	43,036,224
FRCC	\$	4,424,850	\$	4,424,850	\$	5,957,971	\$	5,957,971
MRO	\$	8,349,029	\$	6,994,464	\$	9,098,927	\$	7,672,246
NPCC	\$	12,551,567	\$	7,308,162	\$	12,352,264	\$	7,441,691
RFC	\$	13,534,272	\$	13,534,272	\$	14,165,848	\$	14,165,848
SERC	\$	14,845,275	\$	14,845,275	\$	13,829,878	\$	13,829,878
SPP RE	\$	9,851,647	\$	9,851,647	\$	8,530,054	\$	8,530,054
TRE	\$	9,503,866	\$	9,503,866	\$	8,152,520	\$	8,152,520
WECC ¹	\$	37,220,341	\$	31,507,675	\$	41,497,239	\$	35,469,348
Total Budget	\$	160,942,119	\$	144,102,400	\$	161,188,857	\$	144,255,780

¹ Includes assessments for WECC and WIRAB

DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 2

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

PROPOSED 2013 BUSINESS PLAN AND BUDGET

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

2013 Business Plan and Budget

Board of Trustees Approved: August 16, 2012

RELIABILITY | ACCOUNTABILITY



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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 or Commission) certified NERC as the Electric Reliability Organization (ERO) within the United States to establish and enforce reliability standards for the United States 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, adoption, and improvement of mandatory reliability standards for the bulk power system in North America; leading 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; and assessing the reliability and adequacy of the bulk power system in North America. Collectively, the entities registered with NERC as bulk power system users, owners, and operators perform over 4,600 bulk power system reliability functions. 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 in order to maintain the reliability and adequacy of the bulk power system; 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, in order to identify the potential need for new or modified reliability standards, maintain compliance with existing standards, and assess the reliability of the bulk power system.

NERC's authority as the ERO is based on section 215 of the Federal Power Act as added by the Energy Policy Act of 2005¹ and the Commission's regulations and orders issued pursuant to Section 215. However, NERC's objective both before and after becoming the ERO has been to promote and improve the reliability, adequacy, and security of the bulk power system in North America. Voluntary compliance with operational and planning protocols by certain sectors of the industry prior to enactment of section 215 and certification of an ERO was replaced with mandatory and enforceable reliability standards for users, owners, and operators of the bulk power system in North America, with which NERC is charged with monitoring and enforcing compliance.

A series of FERC orders set the parameters of NERC's statutory activities in the United States in Order No. 672; the Commission found that "section 215 of the FPA provides for federal authorization of funding limited to the development of Reliability Standards and their enforcement, and monitoring the reliability of the Bulk-Power System."² In certifying NERC as the ERO, the Commission held that "[w]e generally believe that anything required of the ERO or a Regional Entity by the statute, Order No. 672 pursuant to the statute, or any subsequent Commission order pursuant to section 215 of the FPA is a statutory activity."³ In Order No. 693, in which the Commission approved as mandatory and enforceable under section 215 NERC's initial proposed set of operations and planning reliability standards, the Commission stated that section 215 also "contemplates the prevention of incidents, acts, and events that would interfere with the reliable operation of the Bulk-Power System."⁴

In each of its orders approving NERC's initial three annual business plans and budgets for its activities as the ERO (for the years 2007, 2008 and 2009), the Commission found that the activities proposed by NERC as statutory reasonably fall within the types of activities the Commission considers to be covered by section 215 and should be funded pursuant to section 215.⁵ In those annual business plans and budgets and in its subsequent business plans and budgets, NERC has organized its proposed statutory activities in a set of program areas: Reliability Standards; Compliance Monitoring and Enforcement and Organization Registration and Certification; Training, Education, and Operator Certification; Reliability Assessment and

¹This was codified in section 215 of the Federal Power Act, 16 U.S.C. §. 824o.

² *N. Am. Elec. Reliability Corp.*, 114 FERC ¶ 61,104 at P202 (2006) (Order No. 672).

³ *N. Am. Elec. Reliability Corp.*, 116 FERC ¶ 61,062 at P185 (2006) (emphasis added). See also *N. Am. Elec. Reliability Corp.*, 132 FERC ¶ 61,217 at P 45 n.33 (2010).

⁴ *Mandatory Reliability Standards for the Bulk-Power System*, Order No. 693, FERC Stats. & Regs. ¶ 31,242 at P 24,

⁵ *N. Am. Elec. Reliability Corp.* 117 FERC ¶ 61,091 (2006); *N. Am. Elec. Reliability Corp.*, 121 FERC ¶ 61,057 (2007) ("2008 ERO Budget Order"); *N. Am. Elec. Reliability Corp.*, 125 FERC ¶ 61,056 (2008) (finding that "NERC's 2009 Business Plan provides sufficient details for us to determine whether NERC intends to perform appropriate activities" and that "NERC's proposed categories of activities for 2009 . . . reasonably fall within the types of activities the Commission considers to be covered by FPA section 215," *id.* at P 18).

Performance Analysis; Situational Awareness; and Infrastructure Security.⁶ NERC's annual business plans and budgets have also presented its plans and budgets for NERC's administrative functions and departments which are necessary to operate the organization and support the performance of the specific statutory programs: General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Accounting and Finance. In its business plan and budget filing for 2008, NERC provided a detailed explanation of how each of its statutory program areas fulfilled an ERO responsibility under section 215:

The principal activities of the ERO as specified in Section 215 of the FPA and in the Commission's regulations promulgated thereunder are 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 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). In addition, the ERO may delegate functions to regional entities pursuant to delegation agreements approved by the Commission (§ 215(c) (4) of the FPA; 18 C.F.R. § 39.8).

NERC has organized and presented its business plan and budget based on six specific program areas. Each of these program areas carries out or supports implementation of one or more of the statutory activities. Specifically: (1) the Reliability Standards Program implements the statutory activity of development of reliability standards. (2) The Compliance Enforcement and Organization Registration and Certification Program implements the statutory activity of enforcement of compliance with reliability standards, including imposition of penalties and sanctions for violations of standards. (3) The Reliability Readiness Evaluation and Improvements Program supports the statutory activity of enforcing and achieving compliance with reliability standards and the statutory activity of conducting assessments of the reliability of the bulk power system. This program also provides information and feedback that supports the statutory activity of development of reliability standards. (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 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 reliability standards and achieving compliance with reliability standards. (6) The Situation Awareness and Infrastructure Security Program supports the statutory activity of enforcing and achieving compliance

⁶ An additional program area included in the 2007 and 2008 business plans and budgets, Reliability Readiness Evaluation and Improvements, was subsequently terminated in 2009. The Commission approved NERC's recommendation to eliminate the Reliability Readiness Program, see: *North American Electric Reliability Corp., Order on Compliance Filing*, 128 FERC ¶ 61,025 (2009).

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.

In response to the above explanation, the Commission concluded, in approving NERC's Business Plan and Budget for 2008:

We find that NERC's submitted business plan provides sufficient detail for us to determine whether NERC intends to pursue appropriate activities. NERC's proposed categories of activities are the same as those approved by the Commission for NERC's 2007 budget and reasonably fall within the types of activities the Commission considers to be covered by FPA section 215. As we explained in the 2007 Budget Order, anything required of the ERO or a Regional Entity by the statute, Order No. 672 pursuant to the statute, or any subsequent Commission order pursuant to section 215 of the FPA is a statutory activity.⁷

In NERC's annual business plans and budgets for the ensuing three years (2010, 2011 and 2012), NERC has presented, and the Commission has approved, the budgets for NERC's activities organized in accordance with these statutory program areas.⁸

Additionally, each of NERC's statutory program areas is embodied in one or more sections and associated appendices of NERC's Rules of Procedure (ROP), which have been approved as ERO rules pursuant to section 215(f) of the Federal Power Act and 18 C.F.R. §39.10 by orders issued by the Commission:

- Reliability Standards Development: ROP section 300 and Appendices 3A, 3B and 3D.
- Compliance Monitoring and Enforcement and Organization Registration and Certification: ROP sections 400 and 500 and Appendices 4A, 4B, 4C, 4D, 5A and 5B.
- Training, Education, and Operator Certification: ROP sections 600 and 900 and Appendix 6.
- Reliability Assessment and Performance Analysis, including Event Analysis: ROP section 800 and Appendix 8.
- Situational Awareness and Infrastructure Security: ROP section 1000.

Accordingly, for the last six years, under the Commission's oversight and approval, NERC has undertaken its specific activities and programs within its defined statutory program areas in support of the implementation of its statutory responsibilities to develop and support reliability standards; monitor, enforce and achieve compliance with these standards; and assess the reliability and adequacy of the bulk power system in North America.

⁷ 2008 ERO Budget Order at P 21.

⁸ *N. Am. Elec. Reliability Corp.*, 129 FERC ¶ 61,040 (2009) ; *N. Am. Elec. Reliability Corp.*, 133 FERC ¶ 61,062 (2010) ; *North American Electric Reliability Corp.*, 137 FERC ¶ 61,071 (2011) .

In an effort to further improve transparency, NERC's 2013 Business Plan and Budget provides more granular detail regarding the specific activities which will be undertaken by NERC's program areas and the departments within those program areas in order to provide stakeholders with an opportunity to further understand and provide input regarding the scope of NERC's proposed activities in relation to its responsibilities as the ERO under section 215 of the Federal Power Act.

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 (MRC). The number of entities and individuals who are members is nearly 600.

A Board of Trustees (Board) governs NERC⁹. 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. In August 2011, upon recommendation of the Finance and Audit Committee and with the support of stakeholders, the Board approved the formation of a Risk Management and Internal Controls Subcommittee (RMICS) comprised of all of the members of the Finance and Audit Committee, the chair of the Compliance and Certification Committee, and the president of the Regional Entity Management Group.¹⁰

The MRC comprises 28 voting representatives elected from the 12 membership sectors. The MRC elects the independent trustees, and 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 operation 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 the eight Regional Entities (Florida Reliability Coordinating Council, Midwest Reliability Organization, Northeast Power Coordinating Council, Inc., ReliabilityFirst 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 Canadian provinces and Mexico to perform equivalent functions in those jurisdictions.

⁹ At present, there is a 12 member Board. Commencing in February 2013, there will be an 11 member Board (10 independent directors plus the CEO serving as the management trustee).

¹⁰ The RMICS mandate is available at <http://www.nerc.com/docs/bot/finance/FAC05-08-12a-OPEN-complete.pdf>

NERC and Regional Entity personnel are actively engaged in numerous activities in support of ERO objectives and in carrying out their respective responsibilities under the delegation agreements. At the senior executive level, the ERO Executive Management Group, comprised of the chief executive officers and associated management staffs of NERC and the eight Regional Entities, provides strategic policy guidance and operational direction for the activities of the ERO enterprise (NERC and the Regional Entities) through coordinated decision-making to execute the Regional Entities' responsibilities under the delegation agreements and the NERC ROP. As part of its efforts to ensure efficient and effective use of resources while executing the statutory responsibilities of the ERO across the ERO enterprise, the ERO Executive Management Group also manages a series of working groups and subcommittees, including:

- Regional Standards Group
- Certification and Registration Working Group
- ERO Compliance and Enforcement Management Group
- Compliance Monitoring Processes Working Group
- Enforcement, Sanctions and Mitigation Working Group
- CIP Compliance Working Group
- Training and Education Group
- Reliability Assessments and Performance Analysis Group
- Legal Working Group
- Information Management Group
- Information Technology Steering Group
- Regional Communicators Group
- ERO Finance Group

NERC and the Regional Entities have worked cooperatively to address the costs incurred (as well as the amount of time spent) by the Regional Entities for processing compliance violations, by implementing the "Find, Fix, Track and Report" (FFT) and the "Spreadsheet Notice of Penalty" (Spreadsheet NOP) enforcement alternatives to the development of a full NOP for every possible Violation. NERC presented the FFT and Spreadsheet NOP enforcement alternatives to the Commission in a petition filed on September 30, 2011,¹¹ and the Commission accepted this filing in an order issued March 15, 2012.¹² The FFT and Spreadsheet NOP enforcement mechanisms will be used for Possible Violations that pose lesser risk (minimal risk in the case of the FFT) to the bulk power system and satisfy other criteria. Where a Possible

¹¹ *Petition Requesting Approval of New Enforcement Mechanisms and Submittal of Initial Informational Filing Regarding NERC's Efforts to Refocus Implementation of its Compliance Monitoring and Enforcement Program*, Docket RC11-6-000, filed Sept. 30, 2011.

¹² *N. Am. Elec. Reliability Corp., Order Accepting with Conditions the Electric Reliability Organization's Petition Requesting Approval of New Enforcement Mechanisms and Requiring Compliance Filing*, 138 FERC ¶ 61,193 (2012) ("FFT Order").

Violation is dispositioned using the FFT or the Spreadsheet NOP mechanism, the Regional Entity will not have to expend time and resources to the same extent as to develop the documentation required for a full NOP filing; rather, the record is aligned to the risk posed by a given Possible Violation and all relevant information is included in a spreadsheet format. Where a Possible Violation is dispositioned through the FFT mechanism, the Regional Entity will not have to expend the time and resources to negotiate a formal settlement agreement, process a separate formal Mitigation Plan through acceptance and approval, or determine a Penalty or sanction for the violation. The availability of the FFT and Spreadsheet NOP enforcement mechanisms will significantly reduce the total amount of resources expended by the Regional Entities in processing compliance violations. In the FFT Order, the Commission stated that NERC's proposal "will be the first step to a more efficient and effective compliance and enforcement process"¹³ and that "we believe that the FFT proposal may significantly reduce the time and resources needed to resolve minor possible violations of Reliability Standards and thereby permit NERC and the Regional Entities to reprioritize their compliance efforts toward more important violations and matters."¹⁴

Earlier, NERC had adopted other approaches to improve the efficiency of Regional Entity violations processing and dispositioning, including an Abbreviated Notice of Penalty Format, a Deficiency Notice of Penalty Format, and an Administrative Citation Notice format. The Commission has stated that the Abbreviated Notice of Penalty Format and Deficiency Notice of Penalty format "have been successful in increasing efficiency" and that it expected the Abbreviated Citation Notice Format "will be a successful tool in improving the efficiency of NERC's enforcement process, thereby reducing the time and resources expended by the Regional Entities, NERC, and Commission staff while still achieving transparency and consistency in penalty determinations for violations that are appropriate for this format."¹⁵

In the FFT Order, the Commission invited, among other things, in the twelve-month report due in March 2013, the submission of information regarding changes and improvements to the FFT program going forward, including expanding the scope and parameters of possible violations to be processed by FFT informational filings.¹⁶ Future steps are currently being considered and will be addressed in NERC's upcoming twelve-month report. These future steps are being developed with the engagement, input and participation of Regional Entities and industry stakeholders.

Funding

Section 215 of the Federal Power Act and FERC regulations also specify procedures for NERC's funding in the United States. NERC's annual business plan and budget is subject to FERC approval in the United States. Once approved, assessments are allocated to load-serving

¹³ FFT Order at P 41.

¹⁴ FFT Order at P 40.

¹⁵ *N. Am. Elec. Reliability Corp., Notice of No Further Review of Initial Administrative Citation Notice of Penalty*, 134 FERC ¶ 61,157 (2011) at P 7.

¹⁶ FFT Order at P 76.

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)				
	2013 Budget	U.S.	Canada	Mexico
Statutory FTEs	186.25			
Non-statutory FTEs				
Total FTEs	186.25			
Statutory Expenses	\$ 54,093,957			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 54,093,957			
Statutory Inc(Dec) in Fixed Assets	\$ 192,299			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 192,299			
Statutory Working Capital Requirement	\$ (2,033,600)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (2,033,600)			
Total Statutory Funding Requirement	\$ 52,252,656			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 52,252,656			
Statutory Funding Assessments	\$ 47,604,156	\$ 43,036,224	\$ 4,443,246	\$ 124,686
Non-Statutory Fees				
NEL	4,526,616,128	3,996,240,765	519,333,921	11,041,442
NEL%	100.00%	88.28%	11.47%	0.24%

Strategic Goals and Objectives

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

Each year, senior management from NERC and the Regional Entities devote considerable time and effort to the 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 also participates in strategic planning, building on input from NERC and the Regional Entity Management Group.

The 2013 strategic planning initiative produced the following common goals and objectives:

1. Standards and Compliance

- a) Develop clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner. These standards establish threshold requirements for ensuring the bulk power system is planned, designed, operated, and maintained in a manner that minimizes risks of cascading failures, avoids damage to major equipment, or limits interruptions of bulk power supply.
- b) Be a strong enforcement authority that is independent, without conflict of interest, objective, and fair. The ERO will retain and refine its ability to use standards enforcement when warranted and impose penalties and sanctions commensurate with risk.
- c) Promote a culture of compliance with mandatory reliability standards across the industry. The ERO will support the industry by identifying procedures, practices, and controls to address reliability risks resulting from noncompliance.

2. Risks to Reliability

- a) Identify the most significant risks to reliability. The ERO will identify and prioritize reliability risks, identify actions to mitigate these risks, and monitor results.
- b) Be accountable for mitigating reliability risks. The ERO will work with industry stakeholders and experts to ensure the mitigation of known risks to reliability using standards enforcement and other methods where appropriate.
- c) Promote a culture of reliability excellence. The ERO will facilitate a learning environment throughout the industry through event causal analysis, communication of lessons learned, and tracking of recommendations.

3. Coordination and Collaboration

- a) Improve transparency, consistency, quality, and timeliness of results. The ERO will accomplish this through effective coordination, collaboration, and process improvements.
- b) Operate as a collaborative enterprise. The ERO will communicate expectations clearly and foster collaboration to deliver important results in advancing system reliability.
- c) Improve efficiencies and cost effectiveness. The ERO will accomplish this by engaging the support of stakeholders, being an efficient steward of resources, and leveraging information systems to create efficiencies and process controls.

Focusing on Priorities

In furtherance of the foregoing strategic goals and objectives, NERC will be focusing on a number of high priority items for 2013 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 standards development process.
- Continuing to improve enforcement focus, efficiency and productivity, including working with regulatory authorities and stakeholders to develop and implement improvements in the enforcement framework which focuses both ERO and industry resources on compliance activities that are most likely to support the reliability of the North American bulk power system.
- Regional Entity collaboration, coordination and oversight.
- Improving the ability of industry to respond to incidents, vulnerabilities, and threats that have the potential to adversely affect bulk power system reliability.
- Educating stakeholders on the role and long-term strategy for the ES-ISAC.
- Event analysis, emerging issues and reliability risk reporting.
- Developing and implementing improvements to ERO processes, including the design and deployment of necessary IT infrastructure to facilitate these process improvements, and improvements in internal financial and operating controls.
- Improving compliance information and education.
- Enhancing reliability risk metrics and modeling capabilities.
- Developing competencies of ERO staff through training and providing training to stakeholders on standards and effective compliance.

Challenges

NERC, along with the Regional Entities and industry participants in the ERO, continue to face a number of challenges and demands as they work to achieve the ERO's strategic objectives. The more significant challenges include:

- Improving the standards development process;
- Focusing on reliability risk and delivery of results;
- Continuing to improve the compliance enforcement framework, focus and processes;
- Identifying and addressing critical infrastructure protection priorities;
- Addressing regulatory mandates;
- Continuing to implement the improvements identified in the Three-Year ERO Performance Assessment;
- Balancing resource needs within financial constraints, and achieving efficiencies; and

- Recruiting, integrating and retaining qualified personnel.

As to two of these challenges, NERC wishes to highlight efforts that are underway. First, with respect to the standards development process, in 2012, the Standards Process Input Group (SPIG) was formed and it has issued a report identifying five recommendations for improvements. The Board accepted the SPIG report and endorsed the five recommendations at the May 2012 Board meeting. Efforts remain ongoing.

Second, as noted above, further improvements and enhancements to the compliance enforcement framework, focus and processes are under consideration and will be identified in the March 2013 compliance filing in accordance with the FFT Order.

2013 Key Assumptions

As mentioned above, NERC and the Regional Entities' Business Plans and Budgets reflect a set of common assumptions, attached as [Exhibit A](#). The significant assumptions underlying NERC's 2013 Business Plan include:

1. There will be no material changes in the legal framework under which NERC and the Regional Entities operate;
2. The final determination of what constitutes the Bulk Electric System may affect the scope of ERO jurisdictional facilities and will likely impact both NERC and Regional Entity resource requirements;
3. There will be continued industry participation to support key program areas including but not limited to standards development, event analysis, and reliability assessments;
4. External factors, including regulatory actions and assessing the impacts of new technologies will continue to affect resource needs and allocation;
5. ERO, industry and regulatory resources will focus on improvements in the standards development process;
6. Critical infrastructure protection will continue to be a priority in the United States and Canada;
7. Continued refinement of risk-based methodologies to support more effective and efficient compliance monitoring and enforcement will mitigate compliance resource needs;
8. The frequency of compliance audits will transition to be more reflective of a registered entity's reliability risk profile;
9. 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);
10. The level of event review and analysis will increase with the implementation of an advanced application of cause analysis; cause coding, data analysis and risk control collection, to facilitate quality aggregate trending and identification of causal factors and

emerging reliability risks to support reliable operation of the bulk power system. This effort is not expected to materially impact resource requirements; and

11. Significant investments will be required over the planning period to develop and implement program area and enterprise-wide applications to support business needs, including compliance, registration and tracking systems and other project, data management and analysis tools to provide greater cost efficiency and uniformity across the ERO Enterprise.

2013 Key Deliverables

Consistent with the list of priority items emerging from its strategic planning initiative, the following is the list of significant NERC deliverables for 2013.

Reliability Standards

- Work with industry to implement process changes to improve efficiency and timeliness of high priority reliability risk mitigating standards.
- Implement process changes to facilitate the removal of administrative requirements where feasible and improve throughput of standards addressing emerging reliability risks while reducing burdens on industry.
- Increase standards development coordination with compliance and enforcement
- Facilitate the consideration of internal controls programs by registered entities in the standards development process
- Support the three-year Standards Development Plan.¹⁷
- Reduce backlog of FERC directives, as well as improve tracking and reporting of directives implementation.
- Improve the quality of standards drafting, training and communications.
- Track and report standards process results on a quarterly basis.

Compliance Operations

- Develop a compliance trial program which provides an opportunity for mitigation while achieving compliance, as well as an opportunity to validate compliance measures and procedures.
- Develop risk-based compliance monitoring approaches to maximize reliability benefits and improve efficiencies.
- Continue education programs regarding effective compliance programs and risk controls.
- Continue to improve oversight of Regional Entity activities, including facilitating the development of highly qualified compliance and audit staff.
- Improve consistency and transparency.
- Increase support for standards activities to foster the development of standards with increased reliability benefit while minimizing compliance risk uncertainties.

¹⁷ [Standards Development Plan](#)

Enforcement

- Achieve greater efficiencies in enforcement processing by focusing attention and resources on cases having the most significant impact on reliability.
- Sustain and expand the FFT process.
- Reduce outstanding caseload of previously identified Possible Violations and Alleged Violations.
- Identify the causes and trends in violations.

Reliability Assessments

- Issue reliability assessment reports, guidelines, recommendations and alerts.
- Develop risk control strategies and plans to address existing and emerging reliability risks.
- Support standards development process and response to FERC Directives.
- Provide support and leadership to the Planning Committee, the Standing Committees' subcommittees, working groups, and task forces.
- Build and sustain an enterprise reliability assessment and performance analysis team.
- Subject to final regulatory action, finalize Bulk Electric System and consequential load loss exception processes.

Reliability Risk Management

- Use of more sophisticated cause codes for analysis.
- Refinement of risk-based methodologies to support more effective and efficient identification of reliability risks.
- Provide timely publication of lessons learned and recommendations and track responses to recommendations.
- Refine the criteria and process for self-analysis of events and disturbances to promote continuous improvement and information sharing.
- Facilitate the dissemination and sharing of information regarding lessons learned and industry innovations in the area of human performance.

Situation Awareness

- Increase the awareness and exchange of information among stakeholders regarding threats to bulk power system reliability based on data which is collected and analyzed through use of state of the art software tools.

Critical Infrastructure Protection

- Support
 - CIP standards development
 - Regional Entity audit oversight and assistance
 - The Critical Infrastructure Protection Committee
 - Training and awareness initiatives
 - Electricity Sub-sector Coordinating Council
 - CIP Compliance Working Group
- Continue to enhance information sharing and dissemination of bulk power system threat and vulnerability information through Electricity Sector Information Sharing and Analysis Center (ES-ISAC).
- Conduct security incident analysis and information sharing.

Training and Education

- Training and education programs, including:
 - Development and implementation of clear and technically sound reliability standards;
 - Key lessons learned and trends from events and analyses;
 - Risk-based assessment methods;
 - Effective compliance cultures with practices, procedures and controls to address reliability risks; and
 - Effective root, apparent and common cause analysis methods.
- Implement upgrades to the system operator certification and continuing education database.

Information Technology

- Design and deploy a common, enterprise-wide technology platform.
- Design a reliable, stable, secure environment for data gathering and reporting through a single repository of data; Phase I data warehouse design.
- Implement enhanced disaster recovery of critical IT resources.
- Implement a laptop backup application.
- Implement Phase II of the NERC public website upgrade.
- Enhance or replace applications supporting key business processes.

Overview of Funding Requirements

Now in the third year of the three-year plan first set forth in 2011, NERC's 2013 Business Plan and Budget reflects the resources required for NERC to continue to deliver on its mission. NERC's 2013 Business Plan and Budget also reflects the ongoing efforts of NERC to better 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. NERC has enhanced the depth of information provided in its 2013 Business Plan and Budget to improve transparency by providing significantly more detail regarding departmental activities and costs, including the relationship of these activities to furthering the goals of section 215 of the Federal Power Act.

NERC's 2012 Business Plan and Budget presented a three-year budget forecast which reflected a leveling off of incremental resource needs in 2013. NERC's 2013 budget forecast is consistent with this previously forecasted trend and NERC anticipates this trend to continue through 2015 absent major unanticipated events.

The following sections of the 2013 Business Plan and Budget describe in detail the resources needed in 2013 for NERC to continue to carry out its mission. The 2013 funding requirements reflect the costs of ongoing operations, including but not limited to personnel costs based on projected 2012 year-end headcount, contracts for office space, software licensing, third party data management, communication and other services to support operations, as well as the operation and maintenance of infrastructure investments. Incremental funding requirements in 2013 are primarily driven by resources required to fund investments in additional technology and applications to facilitate improved business processes, as well as resource additions to support standards development, Regional Entity oversight, reliability risk assessment and training and education initiatives. The 2013 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, as well as savings associated with reduction in costs of personnel costs, including significant savings resulting from changes to employee benefit and retirement programs.

NERC is projecting an overall 2013 increase of approximately \$1.2M in total operating expenses and capital expenditures, which is approximately 2.2 percent over 2012 and represents NERC's lowest year-over-year budget increase since becoming the ERO. Total 2013 projected operating expenses and capital expenditures are approximately \$1.0M (1.9 percent) less than the 2013 projection contained in NERC's 2012 Business Plan and Budget.

Penalty funds received in 2012 and a reduction in NERC's working capital reserves will reduce NERC's 2013 assessments funding approximately \$3.1M (6.0 percent) below NERC's 2012 assessments. After taking into account the application of NERC's policies regarding the allocation of United States penalty funds¹⁸, the allocation of certain compliance and enforcement costs¹⁹, and using 2011 net energy for load data, assessments will be

¹⁸ Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards, December 8, 2008

¹⁹ Expanded Policy on Allocation of Certain Compliance and Enforcement Costs, July 29, 2008

approximately \$3.1M (6.8 percent) lower for United States entities, \$67.8k (1.5 percent) higher for Canadian entities, and \$7.0k (5.9 percent) higher for Mexican entities.

NERC is proposing to decrease working capital reserves by approximately \$2.0M in 2013. Management has also developed and the NERC Board of Trustees approved a Working Capital and Operating Reserve Policy, the provisions of which are set forth in Exhibit C, together with 2013 budgeted working capital and operating reserve amounts.

Management has prepared preliminary budget projections for 2014 and 2015. These projections reflect close to a zero (0) percent increase in 2014 and a nominal 2.1 percent increase in 2015. These projections are preliminary and subject to change. Further information regarding the assumptions underlying these projections may be found on page 31.

Cost of Current Operations and Additional Resource Requirements

Building on previous business planning initiatives, including feedback from the Board and stakeholders, the first step NERC took in preparing its 2013 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 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 for management to evaluate and address weaknesses in existing resource capabilities. In early 2012, management implemented a new time reporting system which tracks all employee time and includes the ability to track time by function, major activities and project. This capability will be utilized as a tool to both understand and evaluate resource utilization and make more informed decisions regarding future resource allocation and resources needs. Management is also continuing to review and will be implementing further improvements in operating practices and expense controls in order to achieve additional operating efficiencies.

After completing a 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 and 2012 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. The 2013 base operating budget is approximately \$49.6M or approximately \$3.5M less than NERC's approved 2012 budget. This reduction is primarily due to savings in two areas, personnel costs and contractor and consulting expenses. Reductions in personnel costs are primarily the result of lower projected salary (\$1.6M), benefits (\$223k) and retirement (\$840k) expense. Reductions in contractor and consulting expense (\$1.7M) are primarily the result of the termination of the Interchange Distribution Calculator (IDC) contract, together with completion of work under existing contracts.

NERC's total projected 2013 budget is approximately \$54.3M which, as previously indicated, represents an increase of approximately \$1.2M or 2.2 percent over the company's 2012 budget. The company's 2013 budget for personnel expense is approximately \$745k lower than 2012. This reduction is inclusive of the costs of proposed personnel additions in 2013. The 2013 contract and consulting budget is approximately \$529k higher than 2012. Additional detail regarding the contract and consulting costs by department is provided below, as well as in Section A and Exhibit B.

The 2013 budget includes increased rent expense of \$453k, reflecting the amortization of the lease costs for NERC office space over the term of the leases and the estimated cost of increasing leased space in Atlanta, and a \$150k increase in professional services for outside legal support in connection with the five-year performance assessment of NERC. The 2013 budget also includes a \$1.0M increase in capital expenditures for IT infrastructure, which is discussed further below and in Section A under Administrative Services.

The cumulative effect of the decrease in the cost of current operations, together with proposed incremental 2013 resource additions, is presented in the table below followed by the summary of the proposed additional resource requirements by department.

A		B	C	= B + C	
2012 Base Operating Budget		2013 Projected Change in Base Operating Budget	Projected inc(dec) in Staffing and Programs	Total Projected Increase 2013 v 2012 Budget	Total Projected 2013 Budget
\$ 24,800,833	Salaries	\$ (1,585,329)	\$ 840,662	\$ (744,667)	24,056,166
1,524,935	Payroll Taxes	(126,804)	61,579	(65,225)	1,459,710
3,190,308	Benefits	(222,801)	112,434	(110,367)	3,079,941
3,489,736	Retirement	(839,932)	52,784	(787,148)	2,702,588
\$ 33,005,812	Total Personnel Expense	\$ (2,774,867)	\$ 1,067,460	\$ (1,707,407)	\$ 31,298,405
\$ 736,000	Meetings	\$ 306,000	\$ -	\$ 306,000	1,042,000
2,787,870	Travel	(124,370)	75,000	(49,370)	2,738,500
348,910	Conference Calls	(31,100)	-	(31,100)	317,810
\$ 3,872,780	Total Meeting Expense	\$ 150,530	\$ 75,000	\$ 225,530	\$ 4,098,310
\$ 6,368,000	Consultants and Contracts	\$ (393,926)	\$ 2,084,500	\$ 1,690,574	8,058,574
300,094	NERCnet Contract	-	-	-	300,094
1,619,220	IDC Contract	(1,161,634)	-	(1,161,634)	457,586
\$ 8,287,314	Contracts and Consultants	\$ (1,555,560)	\$ 2,084,500	\$ 528,940	\$ 8,816,254
\$ 2,304,257	Office Rent	\$ 191,407	\$ 261,176	\$ 452,583	2,756,840
2,838,819	Office Costs	342,696	-	342,696	3,181,515
2,005,000	Professional Services	136,331	150,000	286,331	2,291,331
26,200	Miscellaneous	(4,700)	-	(4,700)	21,500
\$ 7,174,276	Operating Expenses	\$ 665,734	\$ 411,176	\$ 1,076,910	\$ 8,251,186
\$ -	Non-Operating Expenses	50,000		\$ 50,000	\$ 50,000
\$ 772,090	Computer & Software CapEx	\$ -	\$ 784,010	\$ 784,010	1,556,100
-	Network Equipment	-	216,000	216,000	216,000
	Furniture & Fixtures			-	-
\$ 772,090	Capital Expenditures	\$ -	\$ 1,000,010	\$ 1,000,010	\$ 1,772,100
\$ 53,112,272	Total Base Operating Budget	\$ (3,464,163)	\$ 4,638,146	\$ 1,173,983	\$ 54,286,255

The following is a brief summary of 2013 additional personnel, and contractor and consulting needs by department. Additional detailed information by department is provided in Section A.

- **Standards** — The standards department is proposing to add three (3) positions in 2013, including two (2) standards development advisors and one (1) technical writer. The standards development advisors will allow the department to increase the number of concurrent projects that can be processed. The technical writer will help improve standards quality, which should also improve compliance outcomes and efficiency. \$150k has been added to the contractor and consulting budget for additional resources to support the Standards Process Improvement Initiative.
- **Compliance Operations, Organization Registration and Registration** — One (1) position transferred to another program area and no additional personnel needs are projected²⁰. Consulting support will be required for auditor training and Regional Entity audit oversight. Consulting resources to support training are budgeted under the Training, Education and Operator Certification Program. \$120K in consulting resource to support Regional Entity audit oversight are budgeted as part of the consulting support for NERC's risk management and internal controls framework described further under Administrative Services. This is consistent with the 2012 budget.
- **Enforcement** — No additional personnel needs are projected. Resources required for developing improved data management and analysis systems are budgeted under IT in Administrative Services.
- **Reliability Assessment and Performance Analysis (RAPA)** — One (1) position was added in 2012 to support the development of risk control strategies. One (1) position is proposed to be added in 2013 to provide additional engineering support required to evaluate and prioritize risks and support standards development. \$685k in consulting support has been budgeted to support RAPA initiatives in 2013, a \$313k decrease from RAPA's 2012 budget. The contractor and consulting funding includes software licensing and maintenance fees for the generator, transmission, demand response, spare equipment, and other databases, as well as contractor support for special reliability assessments. A more detailed explanation of contractor and consulting support costs is provided under the Reliability Assessment and Performance Analysis discussion in Section A. Additional specialized consulting support may be required to support the Bulk Electric System exception process. These additional resources will be included as part of the projected contingency operating reserve component of working capital and contingency operating reserve guidelines.
- **Training, Education, and Operator Certification** — One (1) position is proposed to be added to provide administrative support, the cost of which will be paid through operator certification and testing fees and will not impact assessments. Approximately \$850k in contractor and consulting support is included in the 2013 budget to support training, education and operator certification, representing an increase of approximately \$253k over 2012 budgeted levels. A significant portion of this increase

²⁰ However, additional CIP auditors will be added to the Critical Infrastructure Department to support oversight of regional entity CMEP activities.

(\$250k) is to fund improvements in the system operator certification and continuing education database. Working capital additions resulting from user fees received for operator training and certification programs exceeding 2011 program area costs will be used to fund this database upgrade. This funding approach is consistent with the Rules of Procedure and is further discussed in the proposed working capital and contingency operating reserve guidelines.

- **Event Analysis and Investigations** — One (1) position was added in 2012 to support the Events Analysis department. \$120k is budgeted for outside contractor and consulting support of significant events, such as the 2011 Southwest outage. This is consistent with the amount included in the 2012 budget.
- **Situation Awareness** — No additional personnel are proposed in 2013. Approximately \$2.7M is budgeted for consultants and contractors, including \$2.0M in funding for contracts that support North American Synchro-Phasor Initiative (NASPI), various software tools used to monitor or evaluate reliability or events, software and services support for NERC's secure alert system and costs to support the operation and maintenance of SAFNR. \$460K is budgeted to support the IDC prior to termination and the transition of that contract to IDC users. The Situation Awareness budget also includes approximately \$300k for NERC's share of a third-party secure communications network used to support NERC's situation awareness function. Total 2013 contractor and consulting support for the Situation Awareness department is approximately \$1.1M less than in the 2012 budget, primarily due to elimination of IDC contract costs when the contract expires on March 31, 2012 and the IDC users will directly assume responsibility for the cost of operating and maintaining the IDC.

Critical Infrastructure Protection — One (1) additional position is budgeted in 2013 to support Regional Entity audit oversight, which will result in a total of five (5) CIP auditors supporting this activity. Two (2) Cyber Security Specialist positions will also be added in 2013, one of which will be assigned to the ES-ISAC team. These two cyber security specialists will research, analyze, and disseminate information regarding significant cyber and physical security incidents and the specialist assigned to the ES-ISAC will also support access to operations center positions in the Industrial Control Systems Cyber Emergency Response Team and at the DHS National Incident Coordination Center in Washington, DC. These resources are required to stand watch on the National Cybersecurity and Communications Integration Center floor on a rotating schedule. \$785k is budgeted in 2013 for consulting and contractors to support CIP department activities, which is a \$10k decrease from 2012.²¹ Contractor and consulting support services are to assist in the preparation of a cyber risk preparedness assessment, to provide continued support for the Electricity Sub-sector Coordinating Council (ESCC), and to plan and conduct a grid security exercise similar to the Grid-X exercise which was successfully conducted in 2011. Contractor and consulting support is also included for the build-out and operation of the ES-ISAC, including secure portal services and communications, cyber incident analysis, threat modeling, information reporting, and other services more fully described in Section A under ES-ISAC.

²¹ This reduction is primarily due to the reclassification of a software expenses from contractors and consultant to Office Costs.

- **Administrative Services** — One (1) position is proposed to be added in 2013 to support SharePoint applications development and administration. One (1) position was added to the Finance and Accounting area to provide facilities management. These two additions are offset by a reduction in other positions budgeted in the administrative services area, one of which is a retiring executive and a reduction of one (1) position supporting the Human Resources area. In addition, five (5) staff transferred from other program areas to provide IT project management and administrative and internal controls support as further described in Administrative Services below. Approximately \$2.7M is budgeted in 2013 for contractors and consultants to support various IT infrastructure and applications needs, representing an increase of approximately \$1.3M over 2012. These contractor and consulting resources will:
 - Support major improvements to NERC's website;
 - Conduct security vulnerability testing;
 - Provide design and integration services; support applications development including improvement in the compliance data base and standards balloting applications;
 - Provide project management, support and maintenance services;
 - Conduct quality assurance testing;
 - Provide data warehouse and common technology platform design;
 - Review existing applications and scope solutions to business needs; and
 - Provide disaster recovery and electronic file backup services.

An additional amount of \$288k is budgeted for contractors and consultants to support Human Resources needs including staff training, compensation consulting, employee, industry and Board effectiveness surveys and automated employee support services, including benefits enrollment and employee self-service automation. The contractor and consulting budget for Human Resources is in line with 2012 budgeted amounts. The final component of contractor and consulting support in the Administrative Services area is for NERC's Canadian affairs representative and is consistent with 2012 budgeted levels. Additional detail regarding contractor and consulting support for the Administrative Service area is provided under Administrative Services in Section A. Outside legal services are budgeted under professional services and have been increased \$150k over the 2012 budget level to provide funding for additional legal support in connection with NERC's five-year performance assessment.

To further improve the transparency and openness of NERC's business plan and budgeting process as compared to previous years, a detailed spreadsheet with a listing of proposed 2013 contract and consulting costs by department, as well as a comparison to 2012 budgeted amounts, is included in Exhibit B.

Working Capital and Contingency Operating Reserves

Working closely with the Finance and Audit Committee of the Board of Trustees management developed a working capital policy and guidelines applicable to the use of operating reserves which are not required to satisfy cash flow requirements or for categories of expenditures that are not included as part of the company's approved annual budget but become necessary during the course of the year. The policy:

- Separates the concept of working capital from operating reserves;
- Establishes criteria and authorities for funding and access to working capital and operating reserves and transfers of reserves between accounts;
- Establishes controls and authorities regarding the reallocation of budgeted funds;
- Establishes a separate operating reserve applicable to funds received in support of the System Operator Certification Program;
- Establishes controls regarding annual headcount and FTE budgets; and
- Establishes transparent reporting requirements.

The final form of Working Capital and Operating Reserve Policy is set forth in Exhibit C, together with 2013 budgeted Working Capital and Operating Reserve amounts.

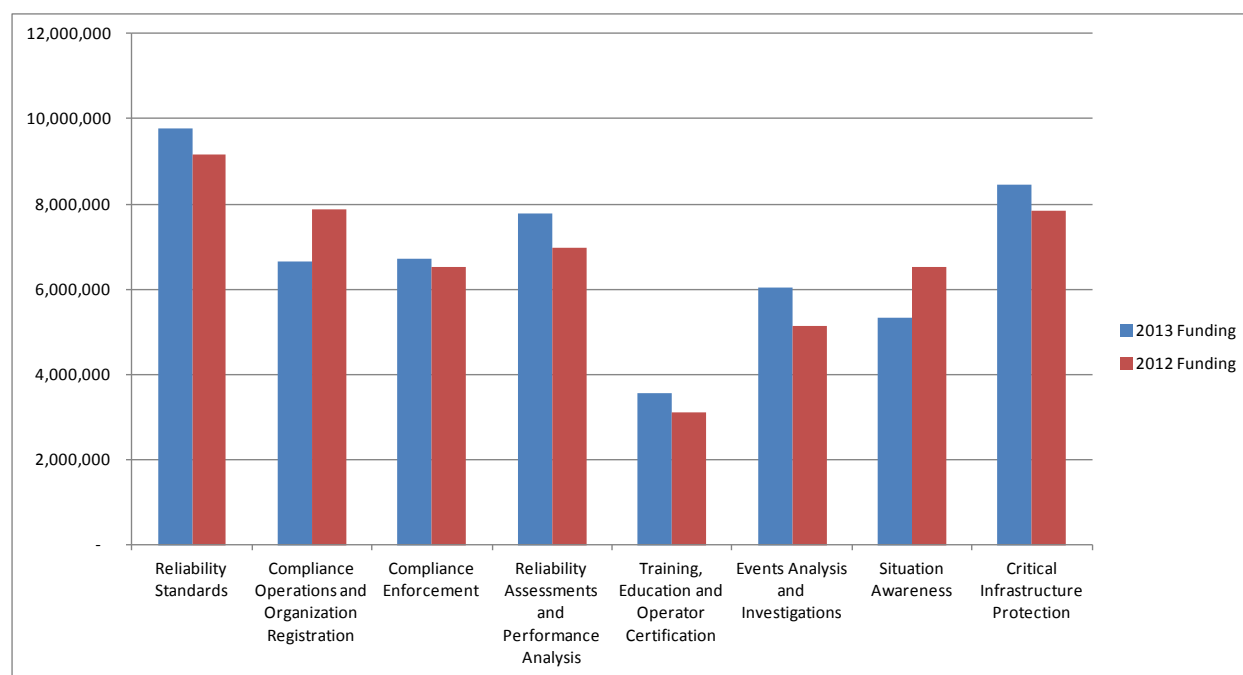
2013 Funding and Assessment Forecast

NERC's 2013 budget results in a \$1.2M or 2.2 percent increase in operating costs and capital expenditures over NERC's 2012 budget. The chart below provides a breakdown of the relative contributions of the cost of current operation, proposed 2013 resource additions and application of penalty funding to produce a \$3.06M (6.0 percent) reduction in assessments. The chart also reflects a \$1.7M reduction in working capital, a \$250k reduction in revenues for third party licensing of GADS software discussed above under Reliability Assessments and Performance Analysis, and a \$347.3k use of working capital to fund an update of the System Operator Certification and Continuing Education Database (SOCCED), which will reduce operating reserves generated from excess fees collected in prior years. Actual assessments for United States, Canadian and Mexican entities will vary after taking into account policies regarding the allocation of certain compliance and enforcement costs. The following preliminary calculation of proposed changes in assessments reflects these policies.

Change in Total Budget 2013 v 2012		% of Total 2012 Budget
Current Operations	\$ (3,464,163)	-6.5%
Proposed 2013 Resource additions	\$ 4,638,146	8.7%
	<u>\$ 1,173,983</u>	<u>2.2%</u>
Increase (Decrease) in 2013 Assessment		% of 2012 Assessments
Due to current operations	\$ (3,464,163)	
Due to proposed resource additions	4,638,145	
Due to Penalty Offset	(2,512,500)	
Due to Reduction in Working Capital	(1,686,309)	
Use of Working Capital - System Operator Testing and Certification - Estimated fees less than budgeted expenses	(347,290)	
Due to increased Workshop Fees	(316,000)	
Due to reductions in revenues for GADS software	250,000	
Due to reductions in System Operator Testing Fees and Certificate Renewal Fees	381,000	
Total	<u>\$ (3,057,116)</u>	<u>-6.0%</u>
Decrease for US entities	(3,095,965)	-6.8%
Increase for Canadian entities	31,783	1.5%
Increase for Mexico entities	7,066	5.9%

The following charts and tables show, (1) the breakdown of funding requirements by department, including allocation of administrative services costs (2) relative increases by department, (3) 2012 and 2013 FTEs and headcount by department, and (4) a comparative Statement of Activities.

Total Budget	Budget 2012	Projection 2012	Budget 2013	Change 2013 Budget v 2012 Budget	% Change
Reliability Standards	9,156,601	8,469,326	9,775,088	618,487	6.8%
Compliance Operations and Organization Registration	7,860,024	6,821,532	6,644,000	(1,216,024)	-15.5%
Compliance Enforcement, Reporting, Tracking and Analysis	6,528,040	6,127,367	6,725,004	196,964	3.0%
Reliability Assessments and Performance Analysis	6,968,860	7,550,243	7,762,436	793,576	11.4%
Training, Education and Operator Certification	3,098,130	3,253,881	3,571,766	473,636	15.3%
Events Analysis and Investigations	5,126,471	5,739,401	6,023,424	896,953	17.5%
Situation Awareness	6,534,397	6,304,552	5,324,311	(1,210,086)	-18.5%
Critical Infrastructure Protection	7,839,749	7,396,830	8,460,227	620,478	7.9%
Total Budget	53,112,272	51,663,132	54,286,256	1,173,984	2.2%



Total FTE's by Program Area	Budget 2012	Transfers In(Out)	Projection 2012	Total FTEs 2013 Budget	Change from 2012 Budget
STATUTORY					
Operational Programs					
Reliability Standards	24.92	(1.67)	22.31	26.50	1.58
Compliance Operations and Organization Registration	21.66	(3.66)	18.20	18.00	(3.66)
Compliance Enforcement, Reporting, Tracking and Analysis	21.00		18.48	21.00	-
Events Analysis and Investigations	13.00	1.00	14.25	15.50	2.50
Reliability Assessments and Performance Analysis	16.50	1.00	16.78	18.75	2.25
Training, Education and Operator Certification	6.75		6.54	8.00	1.25
Situation Awareness	8.17	(1.67)	5.67	6.50	(1.67)
Critical Infrastructure Protection	17.00		16.03	19.25	2.25
Total FTEs Operational Programs	129.00	(5.00)	118.26	133.50	4.50
Administrative Programs					
Technical Committees and Member Forums	-		-	-	-
General & Administrative	7.00	2.00	9.40	8.00	1.00
Legal and Regulatory	13.00	1.00	12.39	14.00	1.00
Information Technology	12.75	3.00	15.97	16.75	4.00
Human Resources	6.00	(2.00)	4.00	3.00	(3.00)
Finance and Accounting	9.00	1.00	10.79	11.00	2.00
Total FTEs Administrative Programs	47.75	5.00	52.55	52.75	5.00
Total FTEs	176.75	-	170.81	186.25	9.50

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
STATUTORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 50,661,272	\$ 50,661,271	\$ (1)	\$ 47,604,156	\$ (3,057,116)
Penalty Sanctions	-	-	-	2,512,500	2,512,500
Total NERC Funding	\$ 50,661,272	\$ 50,661,271	\$ (1)	\$ 50,116,656	\$ (544,616)
Membership Dues	-	-	-	-	-
Testing Fees	2,061,000	2,108,200	47,200	1,680,000	(381,000)
Services & Software	250,000	135,500	(114,500)	-	(250,000)
Workshops	120,000	340,700	220,700	436,000	316,000
Interest	20,000	20,000	(0)	20,000	-
Miscellaneous	-	1,806	1,806	-	-
Total Funding (A)	\$ 53,112,272	\$ 53,267,477	\$ 155,205	\$ 52,252,656	\$ (859,616)
Expenses					
Personnel Expenses					
Salaries	\$ 24,800,833	\$ 23,245,401	\$ (1,555,432)	\$ 24,056,166	\$ (744,667)
Payroll Taxes	1,524,935	1,397,780	(127,155)	1,459,710	(65,225)
Benefits	3,190,308	2,479,453	(710,855)	3,079,941	(110,367)
Retirement Costs	3,489,736	2,420,586	(1,069,150)	2,702,588	(787,148)
Total Personnel Expenses	\$ 33,005,812	\$ 29,543,220	\$ (3,462,592)	\$ 31,298,405	\$ (1,707,407)
Meeting Expenses					
Meetings	\$ 736,000	\$ 896,421	\$ 160,421	\$ 1,042,000	\$ 306,000
Travel	2,787,870	2,287,311	(500,559)	2,738,500	(49,370)
Conference Calls	348,910	270,718	(78,192)	317,810	(31,100)
Total Meeting Expenses	\$ 3,872,780	\$ 3,454,449	\$ (418,331)	\$ 4,098,310	\$ 225,530
Operating Expenses					
Consultants & Contracts	\$ 8,287,314	\$ 9,022,974	\$ 735,660	\$ 8,816,254	\$ 528,940
Office Rent	2,304,257	2,784,036	479,779	2,756,840	452,583
Office Costs	2,838,819	3,062,803	223,984	3,181,515	342,696
Professional Services	2,005,000	2,767,025	762,025	2,291,331	286,331
Miscellaneous	26,200	21,896	(4,304)	21,500	(4,700)
Depreciation	1,900,717	1,609,827	(290,890)	1,579,801	(320,916)
Total Operating Expenses	\$ 17,362,307	\$ 19,268,559	\$ 1,906,252	\$ 18,647,242	\$ 1,284,935
Total Direct Expenses	\$ 54,240,899	\$ 52,266,228	\$ (1,974,671)	\$ 54,043,957	\$ (196,942)
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ 68,903	\$ 68,903	\$ 50,000	\$ 50,000
Total Expenses (B)	\$ 54,240,899	\$ 52,335,131	\$ (1,905,768)	\$ 54,093,957	\$ (146,942)
Change in Assets	\$ (1,128,627)	\$ 932,345	\$ 2,060,972	\$ (1,841,301)	\$ (712,674)
Fixed Assets					
Depreciation	\$ (1,900,717)	\$ (1,609,827)	\$ 290,890	\$ (1,579,801)	\$ 320,916
Computer & Software CapEx	772,090	734,358	(37,732)	1,556,100	784,010
Furniture & Fixtures CapEx	-	212	212	-	-
Equipment CapEx	-	90,958	90,958	216,000	216,000
Leasehold Improvements	-	112,299	112,299	-	-
Allocation of Fixed Assets	\$ -	\$ 0	\$ 0	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	(1,128,627)	(672,000)	456,627	192,299	1,320,926
TOTAL BUDGET (=B + C)	\$ 53,112,272	\$ 51,663,132	\$ (1,449,140)	\$ 54,286,256	\$ 1,173,984
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 1,604,345	\$ 1,604,345	\$ (2,033,600)	\$ (2,033,600)
FTEs	176.75	170.81	(5.94)	186.25	9.5

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Personnel Expenses** – Total Personnel Expenses are projected to decrease approximately \$1.7M from 2012. In addition to phasing the timing of new hires in 2013, NERC assumed three percent personnel attrition rate based on current trends. Salary and Payroll Tax expenses are projected to be lower in 2013 than in 2012 even though 9.5 FTEs are being added due to lower average costs per FTE. As reflected in Table B-4 on page 115, the average cost per FTE for salary and payroll tax expense are projected to be \$129,161 and \$7,837 respectively in 2013, which is less than the average costs in the 2012 budget by \$11,155 and \$790 respectively. As previously indicated, changes to NERC's employee benefit and retirement plans also resulted in lower average costs per FTE in 2013. The average cost per FTE for employee benefit plans is projected to be \$1,513 lower and the average cost per FTE for retirement plans is projected to be \$5,233 lower in 2013 compared to the 2012 budget. In total, the average total personnel costs per FTE are projected to be \$18,692 lower in 2013 compared to the 2012 budget.
- **Meetings, Travel and Conference Calls** – Meetings expenses include the cost of catering, audio visual and meeting rooms for all meetings and workshops sponsored by NERC. Meetings expense does not include NERC employees' travel to attend the meeting. All business travel is recorded as Travel Expense. The 2013 budget for Meetings Expense is \$306k higher than 2012 primarily due to an increase in the number of workshops and by the number of attendees. The increase in workshop expenses is offset by higher funding from workshop fees.
- **Operating Expenses**
 - *Contracts and Consultants* – A detailed listing of all Contracts and Consulting projects is included in Exhibit B and is further detailed in each Program in Section A.
 - *Office Rent* – Scheduled increases in rent for NERC's Atlanta and Washington, DC offices, as well as projected costs associated with the exercise of an option to lease additional space in Atlanta. The company's Atlanta office is almost 100% occupied. The company is adding staff to the Standards department during Q4 of this year and in 2013, as well as projecting limited additions to Standards staff located in Atlanta in 2014 and 2015. It's also expected that in the future NERC will continue to replace departing telecommuting staff with staff based in-house where feasible. The favorable lease terms which the company negotiated several years ago continue to be very attractive in the current market, which has seen some increase over 2011, and will apply to the option space. Similar to the terms of the existing base lease, the option includes provisions for a tenant improvement allowance, which is expected to be sufficient to cover the expense of building out and furnishing the space. The lease of the option space will not become effective until receipt of all necessary corporate approvals and FERC approval of the company's 2013 Business Plan and Budget.
 - *Office Costs* – Primarily related to higher maintenance and service agreements for network equipment, computers and software licenses.

- *Professional Services* – \$150k related to the five-year performance assessment of NERC.
- **Miscellaneous Expenses** – NERC is not planning or budgeting for a year-end holiday party in 2013. NERC may have year-end employee meetings and the associated expenses will be recorded as meeting and/or travel expenses, as applicable and described above. Table B-9 on page 115 details the budget for employee rewards and recognition, planned activities for community responsibility and employee engagement and other miscellaneous expenses.
- **Fixed Assets** – As further detailed in Section A under Information Technology, the variance is for planned investments in infrastructure for a centralized data repository and for disaster recovery.

Projections for 2014-2015

The 2014 budget is projected to be approximately \$307k (0.6 percent) less than the 2013 budget. The 2015 budget is projected to be approximately \$1.2M (2.1 percent) higher than the 2014 budget.

2014 Assumptions

- **Personnel** – Increases \$2.8M due to salary increases, increased benefits costs and 6.0 new positions (3.75) FTEs: 2.0 Standards Development Advisors and 1.0 Technical Writer; 1.0 Risk Control Strategy and Standards Coordinator in RAPA; 1.0 Reliability Engineer in Events Analysis and Investigations; and 1.0 SharePoint Developer in IT. The remaining 1.75 FTEs is the effect of 2013 new hires being on staff for the full year.
- **Contracts and Consultants** – Decreases \$2.3M
 - Situation Awareness decreases \$1.5M due to elimination of IDC contract (\$457k), completion of NASPI contract (\$810k), and a reduction in the cost of the SAFNR contract (\$223k)
 - RAPA decreases \$245k due to RADS Assessment Database development completed in 2013 and reduction in contract support to study the reliability effects of geomagnetic disturbance (GMD).
 - CIP decreases \$135k; a grid security exercise is not planned for 2014 (\$200k), offset by increases in ESCC support and Cyber Risk Preparedness Assessments.
 - IT decreases approximately \$620k due to projected lower funding requirements for multiple projects.

2015 Assumptions

No additional personnel were included in the projection since it was not possible to predict incremental resource needs for 2015 with any degree of accuracy and at this point are assumed to be primarily driven by unanticipated external factors and efforts to improve the efficiency of current operations and resource utilization. Budgeted salary adjustments and projected increases in benefits costs add approximately three percent (\$1M) to the total budget.

**Statement of Activities, Fixed Assets Expenditures and Change in Working Capital
2013 Budget & Projected 2014 and 2015 Budgets**

	2013 Budget	2014 Projection	\$ Change 14 v 13	% Change 14 v 13	2015 Projection	\$ Change 15 v 14	% Change 15 v 14
Funding							
ERO Funding							
NERC Assessments	\$ 47,604,156	\$ 52,239,494	\$ 4,635,337	9.74%	\$ 53,209,726	\$ 970,233	1.8%
Penalty Sanctions	2,512,500	-	(2,512,500)	-100.00%	-	-	-
Total NERC Funding	\$ 50,116,656	\$ 52,239,494	\$ 2,122,837	4.2%	\$ 53,209,726	\$ 970,233	1.8%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	1,680,000	1,665,000	(15,000)	-0.89%	1,650,000	(15,000)	-0.9%
Services & Software	-	-	-	-	-	-	-
Workshops	436,000	436,000	-	0.00%	436,000	-	0.0%
Interest	20,000	20,000	-	0.00%	20,000	-	0.0%
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 52,252,656	\$ 54,360,494	\$ 2,107,837	4.0%	\$ 55,315,726	\$ 955,233	1.8%
Expenses							
Personnel Expenses							
Salaries	\$ 24,056,166	\$ 26,128,797	\$ 2,072,631	8.6%	\$ 26,873,501	\$ 744,704	2.9%
Payroll Taxes	1,459,710	1,581,570	121,860	8.3%	1,614,049	32,479	2.1%
Benefits	3,079,941	3,432,779	352,837	11.5%	3,706,580	273,802	8.0%
Retirement Costs	2,702,588	2,931,057	228,469	8.5%	2,894,320	(36,737)	-1.3%
Total Personnel Expenses	\$ 31,298,405	\$ 34,074,203	\$ 2,775,797	8.9%	\$ 35,088,450	\$ 1,014,247	3.0%
Meeting Expenses							
Meetings	\$ 1,042,000	\$ 1,042,000	\$ -	0.0%	\$ 1,042,000	-	0.0%
Travel	2,738,500	2,738,500	-	0.0%	2,738,500	-	0.0%
Conference Calls	317,810	317,810	-	0.0%	317,810	-	0.0%
Total Meeting Expenses	\$ 4,098,310	\$ 4,098,310	\$ -	0.0%	\$ 4,098,310	\$ -	0.0%
Operating Expenses							
Consultants & Contracts	\$ 8,816,254	\$ 6,481,917	(2,334,337)	-26.5%	\$ 6,425,305	(56,612)	-0.9%
Office Rent	2,756,840	2,605,676	(151,165)	-5.5%	2,605,676	-	0.0%
Office Costs	3,181,515	3,307,791	126,276	4.0%	3,235,287	(72,504)	-2.2%
Professional Services	2,291,331	2,182,278	(109,053)	-4.8%	2,182,278	-	0.0%
Miscellaneous	21,500	21,000	(500)	-2.3%	21,000	-	0.0%
Depreciation	1,579,801	1,696,930	117,129	7.4%	1,969,314	272,384	16.1%
Total Operating Expenses	\$ 18,647,242	\$ 16,295,592	\$ (2,351,650)	-12.6%	\$ 16,438,860	\$ 143,268	0.9%
Total Direct Expenses	\$ 54,043,957	\$ 54,468,105	\$ 424,148	0.8%	\$ 55,625,620	\$ 1,157,516	2.1%
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Non-Operating Expenses	\$ 50,000	\$ 50,000	\$ -	0.0%	\$ 50,000	\$ -	0.0%
Total Expenses (B)	\$ 54,093,957	\$ 54,518,105	\$ 424,148	0.8%	\$ 55,675,620	\$ 1,157,516	2.1%
Change in Assets	\$ (1,841,301)	\$ (157,611)	\$ 1,683,690	-91.4%	\$ (359,894)	\$ (202,283)	128.3%
Fixed Assets							
Depreciation	\$ (1,579,801)	\$ (1,696,930)	\$ (117,129)	7.4%	\$ (1,969,314)	\$ (272,384)	16.1%
Computer & Software CapEx	1,556,100	1,556,100	-	0.0%	1,556,100	-	0.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	216,000	216,000	-	0.0%	216,000	-	0.0%
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ 192,299	\$ 75,170	\$ (117,129)	-60.9%	\$ (197,214)	\$ (202,283)	0.0%
TOTAL BUDGET (=B + C)	\$ 54,286,256	\$ 54,593,275	\$ 307,019	0.6%	\$ 55,478,406	\$ 1,157,516	2.1%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (2,033,600)	\$ (232,781)	\$ 1,800,819	-88.6%	\$ (162,680)	\$ 70,101	-30.1%
FTEs	186.25	191.75	5.50		194.00	2.25	

Section A — 2013 Business Plan and Budget

Reliability Standards

Reliability Standards Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	24.92	26.50	1.58
Direct Expenses	\$ 5,307,943	\$ 5,134,738	\$ (173,205)
Indirect Expenses	\$ 4,011,842	\$ 4,581,241	\$ 569,399
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (163,184)	\$ 59,109	\$ 222,293
TOTAL BUDGET	\$ 9,156,602	\$ 9,775,088	\$ 618,486

Background and Scope

NERC's Reliability Standards Program develops and maintains standards designed to ensure the reliability of the bulk power system in North America. The Reliability Standards Program carries out the ERO's statutory responsibility to develop, adopt, obtain approval of, and modify as and when appropriate, mandatory reliability standards (both continent-wide standards and regional reliability standards) for the reliable planning, operation and critical infrastructure protection of the North American bulk power system. This statutory responsibility is set forth in section 215(d) of the Federal Power Act as well as 18 C.F.R. §39.5. The Commission-approved ROP governing the operation of the Reliability Standards Program are ROP section 300 and Appendices 3A, 3B and 3D.

NERC's ANSI-accredited standards development process was reaccredited in 2011 and found to be open, balanced, and transparent. The process is very labor intensive with respect to the NERC and Regional staff and the industry technical experts upon which it relies heavily. Industry technical experts scope, draft, review and ultimately approve through a multi-cycle balloting and commenting process, the new or revised NERC Reliability Standards for adoption by NERC's Board of Trustees and filing with regulatory authorities in the United States and Canada.

NERC standard development advisors, coordinators and other standards staff facilitate standards drafting team activities, assist the drafting teams in maintaining adherence to the development process, and ensure that the quality of documents produced are appropriate for approval by industry and the NERC Board of Trustees. NERC manages the work of over 200 industry contributors serving on standards drafting, interpretation and other project teams for the development of NERC standards through its standards development program. Additionally, hundreds of industry volunteers within registered entities and other entities review and comment on the products of these teams.

The standards program also provides the eight Regional Entities with the mechanism to process regional standards when reliability gaps are detected at the regional level. The NERC standards staff supports each of the eight Regional Standards Development Processes by providing such services as technical advice, final quality review of regional standards, presentation to the NERC Board of Trustees and preparation of regional standards petition materials for submission to the applicable regulatory authorities in the United States and Canada for adoption.

An extensive regulatory interface capability provides active engagement with FERC standards staff in an effort to resolve the historical FERC standards directives. Additionally, projects that may lead to standards modifications, but which are not yet ripe for specific standards drafting team assignment include examples such as the Order 754 project examining single point of failure.²²

Key Standards Production Efforts in 2012

At the request of the Commission, through its processes and with the tremendous support of the industry, NERC successfully created and submitted a proposed new definition of the Bulk Electric System and an accompanying exception process to manage it effectively through its Rules of Procedure. The definition will clarify assets and applicability which should help registered entities better fulfill their obligations under the Reliability Standards. Standards modifications in the area of Critical Infrastructure Protection, Real-Time Operations, Disturbance and Sabotage Reporting are other high priority efforts for 2012.

Key process-related focus areas in 2012 included:

Standard Process Improvement Initiative

At the request of the NERC Board of Trustees, the Member Representatives Committee formed a Standards Process Input Group (SPIG) and sought industry feedback on ways to improve the quality, timeliness, efficiency and effectiveness of the standards development process, as well as the importance and significance of meeting ANSI requirements. The SPIG developed a proposal²³ calling for significant change in the approach used to plan overall ERO execution strategy, including a new approach designed to decide whether a risk issue should be directed towards standards development as the vehicle for mitigation. This will be undertaken through the establishment of a Reliability Issues Steering Committee (RISC), which will review risks and decide on a comprehensive risk mitigation strategy – through the use of standards, guidance, training, other vehicles, or a combination of these. The Board of Trustees has endorsed this proposal, and implementation is underway in 2012 with the capability expected to be fully operational in 2013. Some of the proposed changes are expected to increase the throughput of standards; however, it is unlikely the workload in the standards function will decrease as a result. Workload will increase due to the identified need for advanced project management skills and training, more comprehensive meeting facilitation, and the applications of more specialists with technical writing skills.

²² http://www.nerc.com/files/2012_Directives_Report_complete.pdf

²³ http://www.nerc.com/docs/mrc/Standard_Process_Input_Group-May_9_2012_FINAL.pdf

Formalize Rapid Revision Process

The Standards Committee used the draft “Rapid Revision” process in 2011 to successfully develop a permanent modification to a standard as an alternative to processing a request for interpretation. During the first quarter of 2012, the Standards Committee identified three additional requests for interpretation as candidates for Rapid Revision. The Standards Committee expects to use these additional projects to complete “field testing” of the draft procedure and will then formalize the Rapid Revision process in the Reliability Standards development process. This process uses the normal standard development process, but the initial formal 30-day comment period is waived because a “Rapid Revision” project is defined as a narrow revision to a standard that should not require as much industry technical vetting as more comprehensive revisions.

Internal Controls in Standards Development

In addition to the Standards Process improvement efforts, NERC staff is also working with stakeholders to facilitate registered entity internal controls programs as part of the standards development process. Historically, the ERO’s standards and compliance enforcement framework and related processes focused on the individual instances of non-compliance with standards without taking into account the existing or absence of the registered entity’s internal compliance controls program. For standards that cover a high volume process, compliance enforcement processes focused on individual instances of noncompliance may not sufficiently support the intended reliability objective, create significant administrative burdens and costs due to the enormous amount of data that must be organized and retained and do not necessarily assure future performance. The consideration of internal controls in standards development is a forward looking mechanism. Integrating internal controls recognition into standards development will facilitate a more programmatic approach to compliance auditing, reduce reliance on enforcement of individual instances of non-compliance, and reduce the administrative burdens and costs to both stakeholders and the ERO in connection with compliance enforcement.

Cost Effectiveness Analysis

The SPIG has also recommended that an effort to implement a cost effectiveness review of standards proposals be undertaken. The Standards Committee Process Subcommittee has formed a small team to review an initiative by Northeast Power Coordinating Council (NPCC) to consider cost effectiveness during the development of proposed regional standards. The small team is developing a procedure that will allow consideration of cost impacts associated with reliability standards during the standard development process.

Realignment of Quality Review to Occur Earlier in Standards Development

While the results of the quality review step added to the standards process have improved the overall quality of standards posted for comment, drafting teams and quality review volunteers have recommended moving the support provided by reviewers earlier in the process, before the team finalizes its initial draft of a proposed standard. The Standards Committee plans to assign additional industry personnel to newly formed drafting teams to provide legal and compliance support as the initial draft of the standard is developed. This modification improves efficiency in the standards development process.

Project Management

A structured project management environment has been created to manage standards development. The standards staff is working with the Standards Committee to ensure that the number and complexity of standards posted for comment and ballot at the same time do not exceed the ability of stakeholders to provide constructive, timely comments needed to reach technical consensus.

2013 Goals and Deliverables

In 2013, NERC will focus standards development in two areas: (1) develop risk-based standards focused on key reliability outcomes under the prioritization process first adopted in 2011 and (2) meet regulatory obligations for standards development and revisions, as specified in regulatory directives. Significant department activities will include:

- Working with industry to implement process changes emanating from the SPIG process and the Reliability Issues Steering Committee to improve the efficiency and timeliness of standards development such that high priority reliability risk mitigating standards may be targeted for completion. The objective of a one-year standards development cycle will be pursued.
- Implementing process changes proposed by the FERC in 2012 to identify and slate for removal administrative requirements from existing standards where feasible and improve the throughput of the standards development process, particularly with respect to emerging reliability risks while reducing the burden on industry.
- Supporting the three-year Standards Development Plan, including development of prioritized standards and the continuing transition to results-based standards.
- Responding on an accelerated basis to (and reducing the backlog of) FERC standards related directives. Current forecasts predict 2018 for completion of the backlog, which is deemed to be too long.
- Supporting the tracking and reporting on the status of directives and filing the required Directives Report with the Commission.
- Providing technical comments in the standards development process.
- Increasing coordination with compliance and enforcement functions in standards development by bringing compliance considerations into the standards drafting process through simultaneous drafting of RSAWs and technical guides to aid industry application of standards.

Resource Requirements

Personnel

As part of a three-year plan, commencing 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 adopted changes, consistent with ANSI requirements, for standards development and provided the potential to shorten standards development timeframes. In 2011, NERC finished and gained approval of the initial standards development prioritization effort. Also in 2011 and continuing into 2012, NERC initiated the standards "rapid development" initiative intended to assist in the development of key standards in a shorter amount of time (targeted for a year or less). However, even with these recent process improvements, there continues to be wide spread recognition that further changes in the standards development process to improve quality and increase through-put are needed.

Additionally, management proposes to increase staff to allow an appropriate focus in the areas of project management, facilitation, and technical writing (all areas recommended by the SPIG). This will include hiring additional resources with the appropriate credentials, as well as training and/or credentialing existing personnel.

Management proposes adding three (3) additional personnel to the Standards Program area in 2013. The three additional positions and their functions are:

- Two standards development advisors to increase the number of concurrent standards development projects that can be processed in support of the corporate goals of developing technically sufficient results-based reliability standards, working with industry to develop options to improve the efficiency and timeliness of standards development, as well as develop technical references or application guides for reliability standards to ensure clarity and facilitate implementation.
- One standards specialist with technical writing skills to aid drafting teams in the drafting of standards and associated documents developed during the standard development process. This resource addition will facilitate improvement in the quality of the standards from the initiation of the effort (rather than relying solely on drafting teams drawn from the industry and reduce the inefficiency resulting from subsequent revisions during later stages in standards processing). The standards specialist 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. This additional resource support will enable NERC to improve the quality of standards to reduce ambiguity, and improve compliance and reliability outcomes.
- The overall increase of 1.58 FTEs is the result of phasing of new hires during the year and the elimination of the chief reliability officer position and support staff which was partially allocated to this program area.

Contractors and Consultants

\$150k has been included in the 2013 contractor and consulting budget to support the SPIG initiatives described above.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
RELIABILITY STANDARDS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 9,152,737	\$ 9,152,737	\$ -	\$ 9,156,330	\$ 3,593
Penalty Sanctions	-	-	-	510,788	510,788
Total NERC Funding	\$ 9,152,737	\$ 9,152,737	\$ -	\$ 9,667,118	\$ 514,381
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	40,500	40,500	104,000	104,000
Interest	3,864	3,773	(91)	3,970	106
Miscellaneous	-	341	341	-	-
Total Funding (A)	\$ 9,156,601	\$ 9,197,351	\$ 40,750	\$ 9,775,088	\$ 618,487
Expenses					
Personnel Expenses					
Salaries	\$ 3,454,036	\$ 2,923,323	\$ (530,713)	\$ 3,335,519	\$ (118,517)
Payroll Taxes	222,559	187,744	(34,815)	213,052	(9,507)
Benefits	403,907	318,533	(85,374)	350,484	(53,423)
Retirement Costs	489,648	339,904	(149,744)	362,334	(127,314)
Total Personnel Expenses	\$ 4,570,150	\$ 3,769,504	\$ (800,646)	\$ 4,261,388	\$ (308,762)
Meeting Expenses					
Meetings	\$ 107,850	\$ 148,350	\$ 40,500	\$ 164,000	\$ 56,150
Travel	447,625	305,674	(141,951)	372,500	(75,125)
Conference Calls	108,500	72,795	(35,705)	108,500	-
Total Meeting Expenses	\$ 663,975	\$ 526,818	\$ (137,157)	\$ 645,000	\$ (18,975)
Operating Expenses					
Consultants & Contracts	\$ 15,000	\$ -	\$ (15,000)	\$ 150,000	\$ 135,000
Office Rent	-	-	-	-	-
Office Costs	57,818	88,046	30,228	77,850	20,032
Professional Services	-	684	684	-	-
Miscellaneous	1,000	1,000	-	500	(500)
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 73,818	\$ 89,730	\$ 15,912	\$ 228,350	\$ 154,532
Total Direct Expenses	\$ 5,307,943	\$ 4,386,052	\$ (921,891)	\$ 5,134,738	\$ (173,205)
Indirect Expenses	\$ 4,011,842	\$ 4,165,963	\$ 154,121	\$ 4,581,241	\$ 569,399
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 9,319,785	\$ 8,552,015	\$ (767,770)	\$ 9,715,979	\$ 396,194
Change in Assets	\$ (163,184)	\$ 645,336	\$ 808,520	\$ 59,109	\$ 222,293
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (163,184)	(82,689)	80,495	59,109	222,293
Inc(Dec) in Fixed Assets (C)	(163,184)	(82,689)	80,495	59,109	222,293
TOTAL BUDGET (=B + C)	\$ 9,156,601	\$ 8,469,326	\$ (687,275)	\$ 9,775,088	\$ 618,487
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 728,025	\$ 728,025	\$ -	\$ -
FTEs	24.92	22.31	(2.61)	26.50	1.58

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Personnel** – Total Personnel Expenses are projected to decrease in 2013 due to lower average salary costs and lower benefit and retirement costs that are the result of changes to NERC's employee benefit and retirement plans.
- **Meetings** – Includes the cost of workshops sponsored by the Standards Program. In 2012 and prior years, workshop expenses and the offsetting fees collected were budgeted in the Training Department but in 2013, workshop expenses and the offsetting fees are budgeted in the Program or Department sponsoring the event. In addition to workshops, Meeting Expenses also includes costs of the Standards Committee meetings and standards drafting team meetings.
- **Contractors and Consultants** – The increase is to support the SPIG initiatives as described above.

Compliance Monitoring and Enforcement and Organization Registration and Certification

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program carries out the ERO's statutory responsibility to monitor, enforce and achieve compliance with mandatory bulk power system reliability standards that have been developed, adopted and approved through the Reliability Standards Development program and placed into effect pursuant to orders of the Commission or to applicable governmental authorities in North America. This statutory responsibility is set forth in section 215(e) of the Federal Power Act as well as 18 C.F.R. §39.7. The Compliance Monitoring and Enforcement and Organization Registration and Certification Program includes the Organization Registration function, which is necessary to monitoring and enforcing compliance with mandatory reliability standards because it provides for the registration of bulk power system users, owners and operators as responsible to perform specified reliability functions to which requirements of mandatory reliability standards are applicable, thereby identifying the specific entities that are responsible to comply with the requirements of specific reliability standards. The Compliance Monitoring and Enforcement and Organization Registration and Certification Program also includes the Organization Certification function, which is necessary to monitoring and enforcing compliance with mandatory reliability standards because bulk power system users, owners and operators performing certain reliability functions (specifically, reliability coordinators, transmission operators, and balancing authorities) must be certified as having the personnel, knowledge, facilities, programs and other qualifications to carry out these important responsibilities. Requirements and activities for the Compliance Monitoring and Enforcement and Organization Registration and Certification Program are embodied in the following Commission-approved sections and appendices of the NERC ROP: ROP sections 400 (Compliance Monitoring and Enforcement), and 500 (Organization Registration and Certification), and Appendices 4A, 4B, 4C, 4D, 5A and 5B.

For 2011 and 2012, the Compliance Monitoring and Enforcement and Organization Registration and Certification Program was divided into three departments for operational and financial reporting purposes: (1) the Compliance Operations department; (2) the Enforcement department; and (3) Event Analysis and Investigations. Each of these departments continues to operate and has separate personnel and budgets. In 2012, NERC undertook an internal reorganization and grouped the Event Analysis department and Situation Awareness department under common leadership to better align the technical expertise within NERC to evaluate the reliability risk of events and disturbances. Financial information is being reported at the department level in order to facilitate year over year comparison.

Compliance Operations

Compliance Operations (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	21.66	18.00	(3.66)
Direct Expenses	\$ 4,733,724	\$ 3,552,694	\$ (1,181,029)
Indirect Expenses	\$ 3,487,018	\$ 3,111,786	\$ (375,232)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (360,718)	\$ (20,481)	\$ 340,238
TOTAL BUDGET	\$ 7,860,024	\$ 6,644,000	\$ (1,216,023)

Background and Scope

NERC's Compliance Operations department works jointly with the Regional Entities to ensure that mandatory compliance monitoring programs are effective and efficient. The department also supports industry efforts to establish and maintain targeted internal standards compliance programs.

The Compliance Operations department is responsible for the following activities and functions:

- ERO registration and certification programs, including education programs that support industry compliance, and the integration of internal controls;
- Development of the annual Compliance Monitoring and Enforcement Program (CMEP) Implementation Plan and Actively Monitored List (AML)
- Oversight of the Regional Entities' delegated compliance functions including:
 - CMEP planning, implementation, and reporting
 - Compliance operations and coordination
 - Auditor training
- Development and maintenance of Reliability Standards Audit Worksheets (RSAWs); and
- Support for the Operating (OC) and the Compliance and Certification Committees (CCC).

The department is making headway on its priority to streamline processes and products related to compliance monitoring activities in order to increase industry-wide consistency in practices and clarify compliance expectations.

One major achievement the department has made is the development of a risk-based compliance monitoring program for audited reliability standards. NERC and the Regional Entities refined the tiered approach for initial audit scope based on a greater analysis of historical compliance and enforcement data, events analysis data, major event review, and top

reliability risks. Providing Regional Entities the ability to focus compliance monitoring on an accurate, targeted, where-needed basis is essential for maximizing industry resources and focusing on the safety and reliability of the bulk power system.

2013 Goals and Deliverables

Registration Efficiencies

Throughout 2013, the Compliance Operations department, in coordination with the Regional Entities, will continue registered entity mapping activities to ensure the registry criteria is accurate and that gaps and duplicative registration and compliance monitoring do not occur. NERC takes its obligation seriously to ensure that all entities that should be registered are accounted for.

Part of that obligation includes enabling the registration process to be flexible and cost-effective. This is one way to increase the likelihood that applicable entities of all sizes and resource levels are able to become registered. Appropriate registration is critical to compliance monitoring activities and to enforcement activities, because it equates to better use of resources at both the registered entity level in the implementation of compliance programs, and at the Regional level in regard to overall compliance monitoring efforts.

Effective Compliance Programs and Reliability Risk Controls

The Compliance Operations department will continue efforts to ensure that all registered entities understand their compliance obligations and how compliance will be assessed. NERC staff will continue its work in reducing the variety of compliance documents currently produced and making the primary compliance tool the Reliability Standard Audit Worksheet (RSAW). An RSAW must provide sufficient information so that an auditor is able to assess compliance; as well, an entity should be able to utilize an RSAW as a tool to measure its compliance and prepare for an audit. NERC Compliance staff will continue its collaboration with industry early in the standards development process to provide suggestions to the drafting teams to include information on how compliance will be assessed. This will better ensure that an RSAW is in fact a supplement to the standard; and not expansive or additive to the requirements. After the NERC Board of Trustees approves a reliability standard and before the standard's effective date, NERC will conduct compliance trials to provide auditors and industry clear expectations of compliance.

NERC's long-term goal is for registered entities to have effective compliance programs and internal controls. Greater consideration of internal controls in the compliance monitoring program is a proactive and forward-looking method of supporting reliability. NERC, the Regional Entities, and industry collaborated to improve the risk-based compliance monitoring program. The result is an Entity Impact Evaluation template that will support a consistent, risk-based approach to how registered entities can be assessed and how compliance monitoring activities may be scoped. As this component of the risk-based compliance monitoring program matures, NERC will rely on industry volunteers for participation.

Effective Compliance Monitoring

The core concept of risk-based compliance monitoring is to provide guidance to Regional Entities regarding how to appropriately scope compliance monitoring activities and methods (frequency and scope of standards to be monitored) based on each entity's potential impact to the bulk power system. Through continued refinement of the risk-based compliance monitoring program, NERC seeks to ensure that registered entities are monitored in a cost-effective manner. Through pilot testing, NERC will identify and assess alternative risk-based approaches to monitoring compliance, such as the use of sampling methods. The ERO will encourage registered entities to use the Entity Impact Evaluation template as a self-assessment tool and to engage in discussions with their Regional Entities on appropriate compliance monitoring activities. The ERO will continuously assess the Actively Monitored List based on reliability trends, risks, and historical information and data to ensure that the focus remains on the most critical reliability standards.

Auditor Training

NERC will develop highly qualified and trained compliance operations and auditing staffs at NERC and the Regional Entities by: (1) increasing the qualifications for auditing, investigations, enforcement, certification evaluation, and other essential compliance roles; (2) improving training for certification teams; and (3) providing training on auditing, investigating, root cause, and human factors analysis. NERC will continue to conduct two ERO Compliance Enforcement Authority auditor workshops a year, each followed by a CIP auditor technical workshop. Two additional CIP auditor workshops will be held, for a total of four in 2013. Two auditor workshops for industry will also be conducted. NERC will hold two audit team lead courses per year and ensure all new ERO auditors complete initial integration training prior to participating in an audit.

NERC compliance auditor training is based on the United States Government Accountability Office (GAO) Generally Accepted Government Auditing Standards (GAGAS) for performance audits. The compliance auditor training material will continue to be improved based on feedback from compliance audit experiences and changes to the GAO GAGAS, the CMEP, and other NERC Rules of Procedure. A major focus for auditor training in 2013 will also include the consideration of internal controls at the entity and in auditing processes.

Support to Standards Development

In an effort to mitigate the need for additional compliance guidance documents after the implementation of a standard, the Compliance Operations department will provide greater support upfront during the standards development process. One way this will be accomplished is by providing compliance and enforcement information, statistics, and perspectives to standard drafting teams to foster the development of standards that provide an increased reliability benefit and clarifying compliance risks. For each Standards Authorization Request that is approved in 2013, NERC Compliance will similarly provide drafting teams with information to consider in the development of an RSAW.

Compliance application consistency issues or trends that arise either by CEA staff or from industry will continue to be assessed and passed to the NERC standards department for inclusion in the standards issue database.

Regional Entity Audit Oversight

NERC staff will oversee approximately 32 Regional Entity audits in 2013—generally two per Region for CIP and two per Region for operations and planning standards. The Compliance Operations department will also conduct two Key Reliability Standard Spot Checks—one for an operations and planning standard, and one for a CIP standard.

Resource Requirements

The Compliance Operations department is not proposing the addition of staff or an increase in its contractor and consulting budget in 2013. The reduction in FTEs is due to: (1) the elimination of the chief reliability officer position and support staff, which had been partially allocated to the Compliance Operations department in 2012; (2) the transfer of one position to the Information Technology Department; and (3) the transfer of one position to the corporate support function in within the General and Administrative Program Area. The department's budget for outside auditor support has been consolidated with the contractor and consulting budget for NERC's risk management and internal control function within the Finance department.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
COMPLIANCE OPERATIONS and ORGANIZATION REGISTRATION and CERTIFICATION					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,990,371	\$ 7,990,371	\$ -	\$ 6,254,353	\$ (1,736,018)
Penalty Sanctions	-	-	-	346,951	346,951
Total NERC Funding	\$ 7,990,371	\$ 7,990,371	\$ -	\$ 6,601,303	\$ (1,389,068)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	36,025	36,025	40,000	40,000
Interest	3,358	3,078	(280)	2,697	(661)
Miscellaneous	-	278	278	-	-
Total Funding (A)	\$ 7,993,729	\$ 8,029,752	\$ 36,023	\$ 6,644,000	\$ (1,349,729)
Expenses					
Personnel Expenses					
Salaries	\$ 3,022,812	\$ 2,404,759	\$ (618,053)	\$ 2,331,343	\$ (691,469)
Payroll Taxes	191,988	151,248	(40,740)	147,023	(44,965)
Benefits	353,659	245,736	(107,923)	250,296	(103,363)
Retirement Costs	423,911	262,416	(161,495)	267,168	(156,743)
Total Personnel Expenses	\$ 3,992,369	\$ 3,064,159	\$ (928,210)	\$ 2,995,829	\$ (996,540)
Meeting Expenses					
Meetings	\$ 31,175	\$ 84,785	\$ 53,610	\$ 80,000	\$ 48,825
Travel	416,000	252,022	(163,978)	325,500	(90,500)
Conference Calls	34,235	27,327	(6,908)	34,235	-
Total Meeting Expenses	\$ 481,410	\$ 364,134	\$ (117,276)	\$ 439,735	\$ (41,675)
Operating Expenses					
Consultants & Contracts	\$ -	\$ 9,780	\$ 9,780	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	39,063	49,857	10,794	56,000	16,937
Professional Services	-	558	558	-	-
Miscellaneous	2,000	2,000	-	500	(1,500)
Depreciation	218,882	197,203	(21,679)	60,630	(158,252)
Total Operating Expenses	\$ 259,945	\$ 259,399	\$ (546)	\$ 117,130	\$ (142,815)
Total Direct Expenses	\$ 4,733,724	\$ 3,687,691	\$ (1,046,033)	\$ 3,552,694	\$ (1,181,030)
Indirect Expenses	\$ 3,487,018	\$ 3,398,500	\$ (88,518)	\$ 3,111,786	\$ (375,232)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 8,220,742	\$ 7,086,191	\$ (1,134,551)	\$ 6,664,480	\$ (1,556,262)
Change in Assets	\$ (227,013)	\$ 943,561	\$ 1,170,574	\$ (20,481)	\$ 206,533
Fixed Assets					
Depreciation	(218,882)	(197,203)	21,679	(60,630)	158,252
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	\$ (141,836)	\$ (67,456)	74,380	40,149	181,986
Inc(Dec) in Fixed Assets (C)	\$ (360,718)	\$ (264,659)	\$ 96,059	\$ (20,481)	\$ 340,238
TOTAL BUDGET (=B + C)	\$ 7,860,024	\$ 6,821,532	\$ (1,038,492)	\$ 6,644,000	\$ (1,216,024)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 133,705	\$ 1,208,220	\$ 1,074,515	\$ -	\$ (133,705)
FTEs	21.66	18.20	(3.46)	18.00	(3.66)

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Personnel Expenses** – The decrease in Personnel Expenses is related to a reduction of 3.66 FTEs in the department who transferred to other departments in 2012, and related to changes in NERC's employee benefit and retirement plans as previously described.
- Meetings expense includes the cost of the Compliance Auditor workshops and meetings of the Compliance and Certification Committee. \$40k in projected workshop fees offset the \$48.8k increase in meetings expense.

Compliance Enforcement

Compliance Enforcement (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	21.00	21.00	-
Direct Expenses	\$ 3,284,789	\$ 3,047,746	\$ (237,042)
Indirect Expenses	\$ 3,380,765	\$ 3,630,417	\$ 249,652
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (137,515)	\$ 46,841	\$ 184,355
TOTAL BUDGET	\$ 6,528,039	\$ 6,725,004	\$ 196,966

Background and Scope

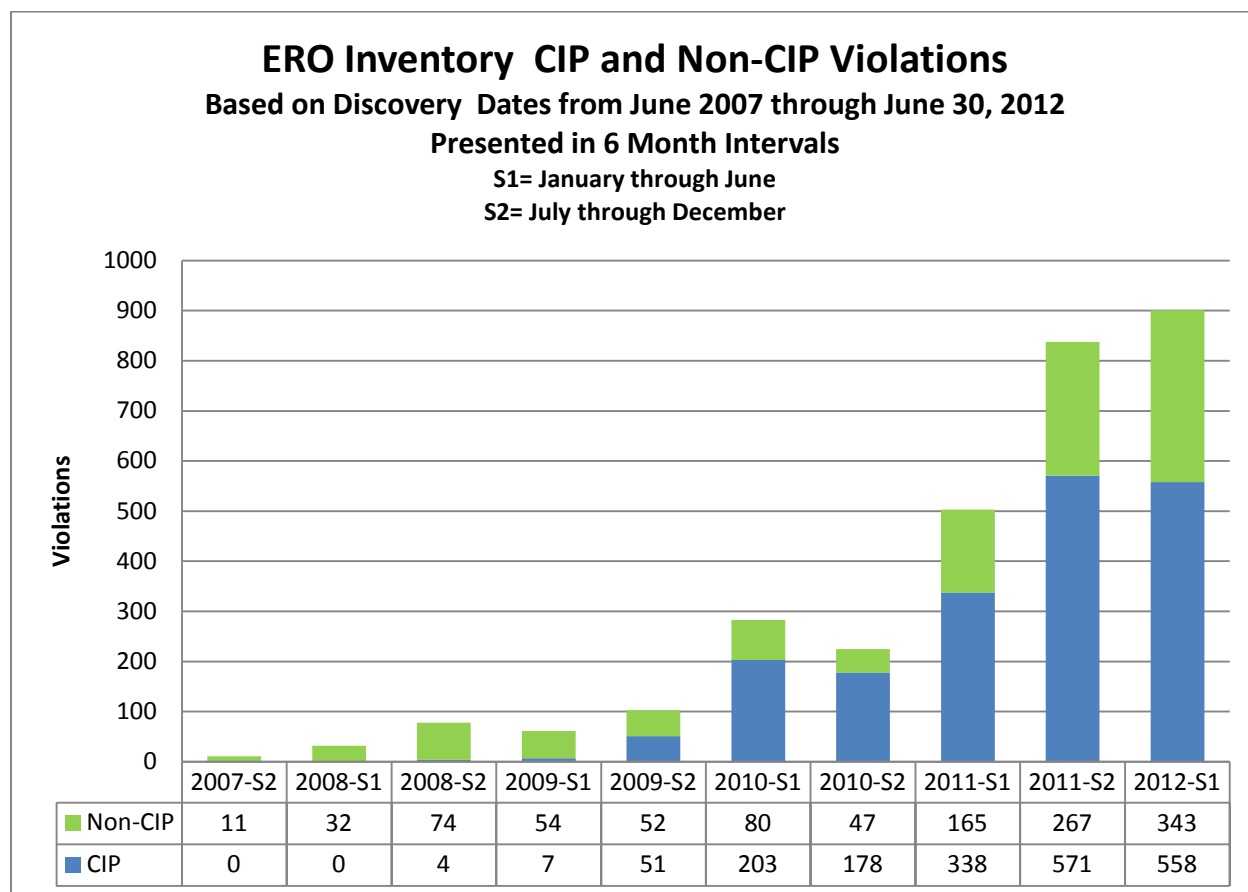
NERC's Compliance Enforcement department conducts all of NERC's enforcement activities, including:

- Docketing of all possible violations coming into the NERC enforcement program;
- Processing of compliance violation matters arising out of NERC-led investigations and audits;
- Reviewing all mitigation plans accepted and dismissals approved by Regional Entities;
- Processing of all compliance violations arising out of Regional Entity compliance, enforcement and monitoring activities; and
- Analyzing compliance statistics.

A priority for this department is to achieve greater efficiencies in enforcement processing by ensuring Possible Violations are mitigated and, at the same time, focusing both NERC and Regional Entity compliance enforcement resources on the cases that have the greatest impact on the reliability of the bulk power system.

NERC and the Regional Entities have made steady progress in closing out older cases in the outstanding caseload (violations that have not been filed with FERC, including those on hold

due to related jurisdictional issues).²⁴ Through June 30, 2012, NERC has reduced its outstanding caseload of violations discovered prior to January 1, 2011 (excluding those on hold due to related jurisdictional issues) by approximately 50 percent. As reflected in the figure below, less than ½ percent of the currently active violations were discovered in 2007 (11 of 3,035), less than 4 percent (110 of 3,035) were discovered in 2008, and about 5 percent (164 of 3,035) were discovered in 2009. Thus, about 74 percent of the current caseload is comprised of violations that were discovered in the 18-month period January 2011 to June 2012 and 57 percent (1,739 of 3,035) were discovered in the last 12 months.



2013 Goals and Deliverables

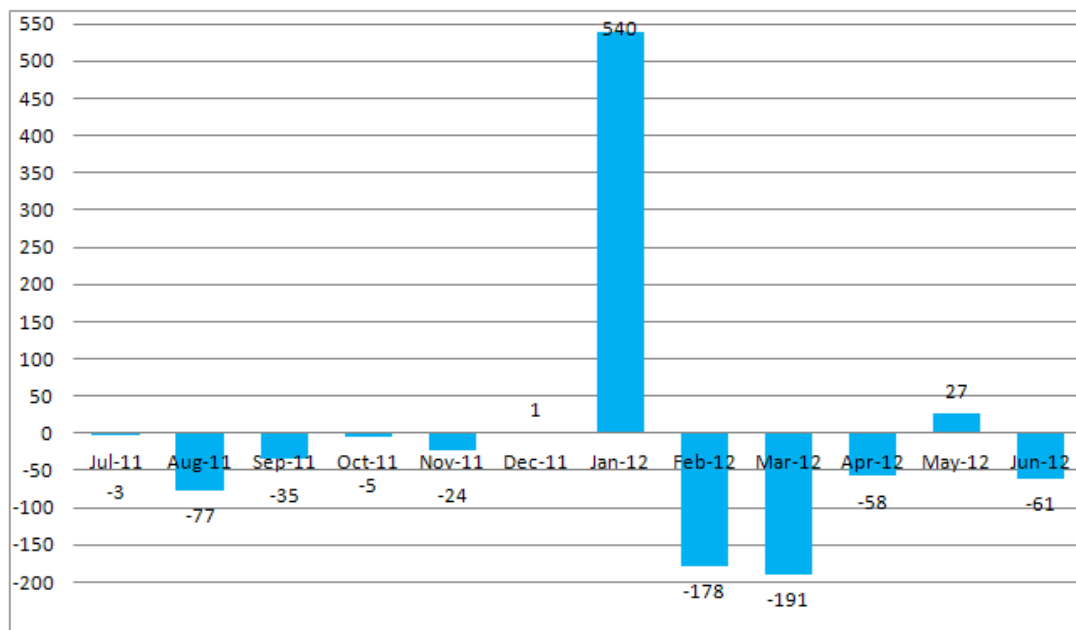
Increased Processing Efficiencies

Throughout 2013, NERC Compliance Enforcement will seek to develop further mechanisms to enhance processing efficiency. NERC has introduced two new concepts in enforcement processing through its Compliance Enforcement Initiative (CEI): the Spreadsheet NOP (SNOP), and Find, Fix, Track, and Report (FFT). These new approaches are designed to expedite and streamline violation processing, which allows focus to be re-directed to those risks that have the greatest impact on the reliability of the bulk power system. Implementation of these

²⁴ A summary of NERC and the Regional Entity caseload showing all current outstanding violations, summarized by state and Region as of June 30, 2012, is set forth following the Statement of Activities for this department. On July 19, 2012, the Commission issued its order upholding the assessment of a penalty against a federal entity. N. Am. Elec. Reliability Corp., 140 FERC ¶ 61,048 (2012). The cases on hold were awaiting the issuance of that decision. Requests for rehearing and a motion for stay remain pending before the Commission.

initiatives has reduced the overall ERO enforcement caseload and should allow NERC to close out cases more expeditiously to provide timely lessons learned to the industry. In recent months, due to the new CEI processes, the monthly processing rate (which includes both filed and dismissed violations) has resulted in more violations being processed than submitted in nine of the last 12 months, as shown in the chart below.

Violation Processing Within 12 Months



	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
New	211	166	262	247	212	203	693	229	168	106	194	149
Dismissed	89	123	79	93	105	57	24	269	209	39	53	68
Filed	125	120	218	159	131	145	129	138	150	125	114	142
Total Dismissed and Filed	214	243	297	252	236	202	153	407	359	164	167	210
Violation Processing	-3	-77	-35	-5	-24	1	540	-178	-191	-58	27	-61

Sustain and Expand CEI Processes

Throughout the remainder of 2012 and into 2013, NERC Compliance Enforcement will be focusing efforts on ensuring the sustainability and expandability of the FFT process. Sustainability requires that there be consistency in application. NERC intends to promote consistency through a series of training and outreach sessions for Regional Entity enforcement and compliance staff on the identification and disposition of possible violations as FFTs. Expandability not only applies to who may identify FFTs but also an expansion of the effectiveness of the program. Beginning in 2013, NERC will be expanding FFT identification to CEA compliance staff. CEA compliance staff will be able to recommend possible violations for FFT treatment to CEA enforcement staff. NERC anticipates that expanding FFT identification will broaden the range of issues that will be afforded FFT treatment much earlier in the compliance monitoring and enforcement process. This earlier identification will likely improve

mitigation results as there will be an increased incentive to mitigate minimal risk issues earlier on to qualify for FFT treatment. Faster identification and application of mitigation activities will result in improved reliability.

Reduction of Outstanding Caseload

Another aspect of caseload management is the timely processing of all violations, particularly those that pose greater risk to the bulk power system, and to provide lessons learned to the industry. Early dissemination of violation information to registered entities will enable them to learn from prior events and violations so they may take action to eliminate similar risks that may occur elsewhere on the bulk power system. There are approximately 793 possible violations spanning 2007 through 2010 (including those on hold due to related jurisdictional issues) of CIP and non-CIP standards that have not been filed with FERC. NERC Compliance Enforcement has initiated an effort to identify these aging possible violations and to identify the reason for their processing delay and identify which possible violations pose the greatest risk to reliability. Compliance Enforcement plans to work with the Regional Entities to significantly reduce this prior caseload by bringing the possible violations to closure and thereby provide information on prior violations to registered entities throughout the remainder of 2012 and in 2013.

Violation Trend Analysis

In 2013, Compliance Enforcement also plans to identify the causes and trends of violations in enforcement cases. Over the past five years, NERC has been collecting violations processing information in its Compliance Reporting and Tracking System (CRATS) database. This database now contains a significant amount of information pertaining to the facts and circumstances, risk evaluation and mitigation activities of prior violations. Review and evaluation of this information can yield insight into the effectiveness of NERC and the Regional Entities' training programs, registered entities application of past lessons learned and the NERC Reliability Standards in ensuring reliability, and thereby support the ERO's statutory responsibility to monitor, enforce and achieve compliance with mandatory reliability standards by bulk power system users, owners, and operators. Analysis of the information contained in NERC's CRATS database should enable NERC Compliance Enforcement to provide guidance on where additional training may be needed or where revisions to the standards could promote greater clarity.

Resource Requirements

Personnel

Departmental and Regional Entity resource enforcement capabilities have increased through the addition of staff over the past several years. Beginning in September 2011, NERC also introduced several new concepts in enforcement processing through its Compliance Enforcement Initiative. These new approaches are designed to expedite and streamline violation processing for minimal risk violations, which allow focus to be re-directed to those areas that have the greatest impact on the reliability of the bulk power system. It is still too early in the implementation of these approaches to determine the degree of overall efficiencies that will be gained. However, it is anticipated that the result will be a downward pressure on future enforcement staffing requirements in the 2014-2015 timeframe. As this timeframe is

approached, enforcement objectives and the commensurate resource requirements will be re-evaluated. No further enforcement resource additions are being proposed by NERC in 2013.

Contractor Expenses

No contractor or consulting resources are proposed within the group for 2013. Resource requirements associated with improvements to the applications supporting the department's compliance reporting, analysis and tracking needs have are budgeted under the IT department.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
COMPLIANCE ENFORCEMENT					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 6,442,202	\$ 6,442,202	\$ -	\$ 6,317,083	\$ (125,119)
Penalty Sanctions	-	-	-	404,776	404,776
Total NERC Funding	\$ 6,442,202	\$ 6,442,202	\$ -	\$ 6,721,858	\$ 279,656
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	3,256	3,125	(131)	3,146	(110)
Miscellaneous	-	282	282	-	-
Total Funding (A)	\$ 6,445,458	\$ 6,445,610	\$ 152	\$ 6,725,004	\$ 279,546
Expenses					
Personnel Expenses					
Salaries	\$ 2,310,485	\$ 1,967,734	\$ (342,751)	\$ 2,152,370	\$ (158,115)
Payroll Taxes	158,938	126,973	(31,965)	140,794	(18,144)
Benefits	334,684	245,172	(89,512)	274,883	(59,801)
Retirement Costs	329,353	210,686	(118,667)	247,200	(82,153)
Total Personnel Expenses	\$ 3,133,460	\$ 2,550,565	\$ (582,895)	\$ 2,815,246	\$ (318,214)
Meeting Expenses					
Meetings	\$ -	\$ 100	\$ 100	\$ 5,000	\$ 5,000
Travel	128,000	148,484	20,484	186,000	58,000
Conference Calls	-	6,620	6,620	-	-
Total Meeting Expenses	\$ 128,000	\$ 155,204	\$ 27,204	\$ 191,000	\$ 63,000
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	23,329	37,828	14,499	41,000	17,671
Professional Services	-	480	480	-	-
Miscellaneous	-	1,000	1,000	500	500
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 23,329	\$ 39,308	\$ 15,979	\$ 41,500	\$ 18,171
Total Direct Expenses	\$ 3,284,789	\$ 2,745,076	\$ (539,713)	\$ 3,047,746	\$ (237,043)
Indirect Expenses	\$ 3,380,765	\$ 3,450,784	\$ 70,019	\$ 3,630,417	\$ 249,652
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 6,665,554	\$ 6,195,861	\$ (469,693)	\$ 6,678,163	\$ 12,609
Change in Assets	\$ (220,096)	\$ 249,749	\$ 469,845	\$ 46,841	\$ 266,937
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	\$ (137,515)	\$ (68,494)	69,021	46,841	184,355
Inc(Dec) in Fixed Assets (C)	\$ (137,515)	\$ (68,494)	\$ 69,021	\$ 46,841	\$ 184,355
TOTAL BUDGET (=B + C)	\$ 6,528,039	\$ 6,127,367	\$ (400,673)	\$ 6,725,004	\$ 196,965
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (82,582)	\$ 318,243	\$ 400,824	\$ -	\$ 82,582
FTEs	21.00	18.48	(2.52)	21.00	-

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Personnel Expenses** – Related to lower average salary expense per FTE and due to changes to NERC's employee benefit and retirement plans as previously described.
- **Travel Expenses** – Related to having full staff for the entire year.

A summary of NERC and the Regional Entity caseload showing all current outstanding violations, summarized by state and region as of June 30, 2012, is set forth in the table below.

FERC Enforceable Alleged Violations Summarized by Enforcement Process State As of June 30, 2012							
Region	Assessment and Validation	Confirmation and NERC Enforcement Action	Settlement	Filed and Awaiting Closing Actions	Completed and Closed	Dismissed	Total
FRCC	90	0	5	59	273	169	596
MRO	117	0	7	48	191	123	486
NCEA	17	0	0	8	41	62	128
NPCC	180	2	22	15	220	46	485
RFC	577	13	0	166	554	245	1555
SERC	450	19	108	42	372	201	1192
SPP	253	2	41	73	295	177	841
TRE	261	18	44	46	165	130	664
WECC	252	203	354	181	1398	1768	4156
TOTAL	2197	257	581	638	3509	2921	10103

Reliability Assessment and Performance Analysis

Reliability Assessments and Performance Analysis (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	16.50	18.75	2.25
Direct Expenses	\$ 4,437,752	\$ 4,516,620	\$ 78,868
Indirect Expenses	\$ 2,656,316	\$ 3,241,444	\$ 585,128
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (125,208)	\$ 4,372	\$ 129,580
TOTAL BUDGET	\$ 6,968,860	\$ 7,762,436	\$ 793,575

Background and Scope

NERC's Reliability Assessments and Performance Analysis (RAPA) program carries out the ERO's statutory responsibility to conduct assessments of the reliability and adequacy of the bulk power system in North America. This statutory responsibility is embodied in section 215 of the Federal Power Act as well as 18 C.F.R. §39.11. The following sections of NERC's Commission-approved ROP pertain to the activities of the RAPA program: ROP sections 801 through 806 and 809 through 811. Further, as described in greater detail below, the activities of the RAPA program also support identification of reliability performance issues and areas of concern, (including equipment performance and reliability issues) for possible consideration in the development of new mandatory reliability standards or modification of existing standards through the Reliability Standards Development Program.

The 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 and assesses probability and severity of risks to reliability performance, measures progress in improving current reliability, tracks leading indicators of future reliability, develops risk control solutions, measures success of these solutions and provides risk-informed information into NERC's standards and compliance processes. Finally, RAPA provides engineering expertise on protection and control along with system analysis and modeling to simulate and study system disturbances, develop reliability guidelines, and support NERC Reliability Standards development. To support these activities, RAPA maintains detailed databases measuring the planned and ongoing reliability performance of generation, transmission and demand response resources.

RAPA also identifies and analyzes key emerging issues that may affect reliability, such as market practices; legislation; regulation; technology developments; high-impact, low-frequency (HILF) events; industry trends; interconnection-wide modeling improvement; and proposed public policy measures. RAPA documents these in special reliability assessments.

RAPA's resource needs are driven and supported by NERC's strategic plan, regulatory directives, the Board of Trustees, the Member Representatives Committee; and the Electricity Subsector Coordination Council; and the Planning, Operating, Critical Infrastructure Protection, Standards, and Compliance and Certification Committees' strategic work plans, as well as their subcommittees, working groups, and task forces.

Based on NERC and industry priorities, and to meet business planning goals, a number of issues and initiatives are not being pursued in 2013: probabilistic analysis of reserve margins for NERC's Long-term Reliability Assessment will be completed every two years rather than annually (none in 2013), the smart grid follow-on work plan will be taken up in 2014, transmission availability information (TADS) for 100-199 kV elements will be delayed until BES definition is completed, and wind generator availability information (GADS) will be re-programmed to the 2014-2015 time frame. To further, to improve effectiveness and efficiency, in 2013 RAPA will consolidate four reports into NERC's annual State of Reliability Report: the Post-Seasonal Reliability Assessment along with individual reports on transmission, generator and demand response data systems (TADS, GADS and DADS, respectively).

Further, RAPA will continue to leverage its activities with other organizations to amplify results and magnify the effectiveness of its efforts. For example, the Electric Power Research Institute (EPRI), Institute of Electrical and Electronic Engineers (IEEE) and the North American Transmission Forum (NATF) are providing a coordinated platform for NERC's GMD activities. Additionally, RAPA will continue to collaborate with the NATF on TADS, and both EPRI and IEEE on variable generation integration. Further, RAPA is partnering with the Interstate Natural Gas Association of America (INGAA) and the Natural Gas Supply Associations (NGSA) to study and address interdependency of gas and electric systems.

2013 Goals and Deliverables

- Issue reliability assessment reports, guidelines, recommendations and alerts as needed.
 - One 10-year Long-Term Reliability Assessment
 - Two seasonal assessments: Summer and Winter
 - Report on geomagnetic disturbance (GMD) bulk electric system effects and vulnerability assessment
 - Up to two additional special assessments addressing key reliability issues, such as:
 - Environmental regulations
 - Gas and electric interdependency and coordination
 - Changing resource mix
 - One Annual State of Reliability Report
 - Oversight of Generating, Transmission and Demand Response Availability Data Systems (GADS, TADS, and DADS), along with the Spare Equipment Database.

- Strengthen data collection and validation processes by designing, creating, testing, and implementing data checking systems for reliability assessment and risk analysis
- Provide quarterly updates on trends and measures of bulk electric system reliability
- Develop a risk registry and develop a systematic prioritization process. Develop control strategies and plans to address the highest priority existing or emerging risks to bulk electric system reliability.
- Support NERC Reliability Standard development and response to FERC Directives by providing technical and system analysis expertise.
- Support development of reliability standards to address deficiencies or needs revealed by reliability assessments and performance analysis.
- Provide support and leadership to the Planning Committee, and Standing Committees' subcommittees, working groups, and task forces serving the Standing Committees.
- Build and sustain an enterprise reliability assessment and performance analysis team.
- Depending on regulatory action, finalize Bulk Electric System and consequential load loss exception processes.

Resource Requirements

The department has not proposed incremental personnel or new contractor and consulting resources associated with the implementation of the bulk electric system (BES) exception process due to the uncertainty of the timing and impact on NERC's resource requirements. However, the BES exception process has been identified as a contingency for which operating reserves might be used to assist in the BES implementation process if necessary. For further information regarding the company's proposed Working Capital and Operating Reserve Policy and the amounts included for contingencies like BES please refer to Exhibit C.

Personnel

During 2012 the department added an engineer to support the reliability and system analysis activities and one engineer to spearhead NERC's bulk electric system risk identification and control strategy. The chart above reflects 2.25 FTE additions due to the full year effect of the timing of personnel additions in 2012.

In 2013, to further strengthen NERC's bulk electric system reliability risk processes, the department is proposing to add a risk control coordination specialist. This position will support NERC's initiatives to identify, evaluate and prioritize bulk power system risks as well as supporting NERC's special risk control project teams by providing project management and high-level risk measurement.

Contractor Expenses

The total projected contractor and consultant expenses for the department are projected at \$685k, which is below 2012 budgeted levels. The types of contractor and consultant resources required are generally consistent with historic needs and include support for the following:

- **Geomagnetic Disturbance (GMD) Vulnerability Assessment**

GMD is a concern to the North American bulk electric system due to potential to cause system disturbances and equipment damage. In an extreme case, GMD may cause wide spread electric disruption and damage a limited number of long-lead time equipment, such as transformers. Industry needs a clear understanding of the probable storm activity and system impact based on fact-based analysis to develop appropriate mitigation solutions. Additionally, an understanding of available technologies and operating procedures is needed to limit the extent and duration of GMD impact. This project's 2013 objectives are:

- Determine the likely impact of an extreme event on the North American bulk power system based on present system configuration, protection capability, and practices.
- Identify technologies and operating procedures available today to mitigate equipment damage, reduce the extent of the interruption, and speed recovery.

- **Scenario Consultant – Addressing Standing and Emerging Issues**

NERC will continue to develop ad-hoc Special and/or Scenario Assessments which are developed through the Emerging Issues process currently established in the LTRA.²⁵ Scenario assessments provide detailed quantitative and qualitative analyses which “stress” the reference planning case of the North American bulk power system. Scenario analysis can indicate the relative sensitivity of the *Reference Case* to changes in pre-specified conditions and may provide some insight into risks to Regional reliability. Based on feedback from FERC and industry, a deeper understanding is desired of the potential reliability implications from a focused spectrum of *Reference Case* sensitivities to measure the robustness of the *Reference Case* and to study potential impacts of scenarios on reliability.

Scenarios for Special Assessments are unknown at this time, but will focus on key reliability issues, such as:

- Environmental regulations;
- Gas and electric interdependency and coordination; and
- Changing resource mix.

- **Generator Controls Modeling**

Interconnection modeling and system protection and control improvement activities will continue into 2013. Work in 2013 will require engaging subject matter expert contractors in generation protection and control.

²⁵ **Special Assessments** are ad-hoc assessments focused on specific industry issues (emerging or standing). For these assessments, detailed quantitative and qualitative analysis, beyond what is included in the annual long-term and seasonal reliability assessments, is examined. These reports are generally published separately from the annual long-term and seasonal reliability assessments.

Scenario Assessments are ad-hoc assessments focused on specific, hypothetical industry conditions. For these assessments, detailed quantitative and qualitative analysis is performed which “stress” the Reference Case. Scenario assessments will be included as part of the annual long-term and seasonal reliability assessments to provide a sensitivity of potential outcomes.

- **Databases and Availability Systems**

- **Reliability Availability Data System (RADS) Assessment Database – Continued Development**

FERC has directed NERC to consider establishing permanent databases that could be automatically populated with: (i) new transmission projects data from the REs, (ii) generation interconnection queue data, and (iii) other data relevant for reliability assessment. The goal of the RADS is meet these requirements,²⁶ facilitating the collection of assessment area generation and transmission data used to quantify and analyze the reliability of the bulk power system in a standard, uniform method. The technical side of the RADS project, including database design, contractor selection, and acceptance testing will be managed cooperatively with the Regional Entities through the NERC Project Management Office (PMO). Specifications of the data to be collected in this system will be developed by the Reliability Assessment Data Working Group (RADWG). The RADS project was initiated and funded in NERC's FERC approved 2012 budget. These incremental funds will lead to its completion in 2013.

- **Metrics and Benchmarking Database – Enhancements and Maintenance**

Collects, records, and retrieves reliability metric information that quantifies characteristics of adequate level of reliability. The metric trends and performance analysis serve as technical input to Reliability Standards and project prioritization, compliance process improvement, event analysis, reliability assessment, and critical infrastructure protection.

- **Spare Equipment Database (SED) – Enhancements and Maintenance**

Collects and tracks spare long-lead time transformer information to used strengthen industry resiliency to withstand a significant event that damages large amounts of long lead time equipment The database provides industry a vital tool of communication and coordination for tracking spare equipment This ability will be extremely helpful in the aftermath of a HILF event, such as coordinated attack or extreme weather. Maintenance of the SED is specifically provided for in section 1003.2.4 of NERC's Commission-approved ROP.

- **Generation Availability Data System (GADS) – Enhancements and Maintenance**

Collects, records, and retrieves operating information on power plant availability, including event, performance, and design data. The information is used to support equipment reliability and availability analyses, as well as risk-informed decision making, including the reliability and adequacy of the bulk power system and the potential need for development of new or modified reliability standards. The 2013 budget reflects a reduction of \$250k in revenue from licensing the GADS software to third parties, which NERC no longer plans to actively pursue. In the event that NERC does receive revenue from third parties, these revenues will be captured as part of working capital.

²⁶ The Commission's directives to establish such databases are an example of an ERO activity that, as stated in the ERO Certification Order, is statutory because it is required by Commission order.

- **Transmission Availability Data System (TADS) – Enhancements and Maintenance**
Collects, records, and retrieves information used to measure transmission availability and performance. . This data is important to assessing the reliability and adequacy of the bulk power system and can also provide information indicating the need for development of new or modified reliability standards. The data reporting tool collects information about the transmission lines and transformers operating above 200kV, including outage details and cause codes
- **Demand Response Availability Data System (DADS) – Enhancements and Maintenance**
Collects demand response enrollment and event information to measure performance including its contribution to improved reliability, providing industry with a consistent basis for projecting contributions of dispatchable and non-dispatchable demand response supporting resource projections and operational reliability. Further, this data is important to assessing the reliability and adequacy of the bulk power system and can provide information indicating the need for development of new or modified reliability standards.

Exhibit B includes additional information regarding the amount of proposed contractor and consulting funding to support each of the above areas, together with a comparison to 2012 budgeted amounts.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 6,716,302	\$ 6,716,302	\$ -	\$ 7,358,220	\$ 641,918
Penalty Sanctions	-	-	-	361,407	361,407
Total NERC Funding	\$ 6,716,302	\$ 6,716,302	\$ -	\$ 7,719,627	\$ 1,003,325
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	250,000	125,000	(125,000)	-	(250,000)
Workshops	-	-	-	40,000	40,000
Interest	2,558	2,838	280	2,809	251
Miscellaneous	-	256	256	-	-
Total Funding (A)	\$ 6,968,860	\$ 6,844,396	\$ (124,464)	\$ 7,762,436	\$ 793,576
Expenses					
Personnel Expenses					
Salaries	\$ 2,189,610	\$ 2,250,982	\$ 61,373	\$ 2,429,590	\$ 239,980
Payroll Taxes	141,720	140,061	(1,659)	150,215	8,496
Benefits	266,523	224,362	(42,161)	262,762	(3,761)
Retirement Costs	313,238	258,614	(54,624)	269,736	(43,502)
Total Personnel Expenses	\$ 2,911,090	\$ 2,874,019	\$ (37,071)	\$ 3,112,303	\$ 201,213
Meeting Expenses					
Meetings	\$ 12,500	\$ 77,285	\$ 64,785	\$ 78,000	\$ 65,500
Travel	369,375	356,273	(13,102)	410,000	40,625
Conference Calls	31,950	25,988	(5,962)	31,950	-
Total Meeting Expenses	\$ 413,825	\$ 459,546	\$ 45,721	\$ 519,950	\$ 106,125
Operating Expenses					
Consultants & Contracts	\$ 998,000	\$ 996,800	\$ (1,200)	\$ 685,000	\$ (313,000)
Office Rent	-	-	-	-	-
Office Costs	93,676	131,908	38,232	161,416	67,740
Professional Services	-	498	498	-	-
Miscellaneous	4,000	597	(3,404)	500	(3,500)
Depreciation	17,161	44,713	27,552	37,450	20,289
Total Operating Expenses	\$ 1,112,837	\$ 1,174,516	\$ 61,679	\$ 884,366	\$ (228,471)
Total Direct Expenses	\$ 4,437,752	\$ 4,508,081	\$ 70,329	\$ 4,516,620	\$ 78,868
Indirect Expenses	\$ 2,656,316	\$ 3,133,342	\$ 477,026	\$ 3,241,444	\$ 585,128
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 7,094,068	\$ 7,641,423	\$ 547,355	\$ 7,758,064	\$ 663,996
Change in Assets	\$ (125,208)	\$ (797,027)	\$ (671,819)	\$ 4,372	\$ 129,580
Fixed Assets					
Depreciation	(17,161)	(44,713)	(27,552)	(37,450)	(20,289)
Computer & Software CapEx	-	15,726	15,726	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (108,047)	\$ (62,193)	\$ 45,854	41,822	149,869
Inc(Dec) in Fixed Assets (C)	\$ (125,208)	\$ (91,180)	\$ 34,028	\$ 4,372	\$ 129,580
TOTAL BUDGET (=B + C)	\$ 6,968,860	\$ 7,550,243	\$ 581,383	\$ 7,762,436	\$ 793,576
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (705,847)	\$ (705,847)	\$ -	\$ -
FTEs	16.50	16.78	0.28	18.75	2.25

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Funding from Services and Software** – The decrease in funding from Services and Software, which primarily comes licensing the GADS software to third parties, is due to NERC no longer actively pursuing these revenues.
- **Personnel Expenses** – Salaries and Payroll Taxes will increase in 2013 due to having 2.25 more FTEs on staff than 2012, while Benefits and Retirement Costs are projected to be lower due to changes to NERC's employee benefit and retirement plans.
- **Meeting, Travel and Conferencing Expenses** – Meetings expense includes costs related to workshops sponsored by the RAPA Program that were previously recorded in the Training Program. The increase in Meetings expense is substantially offset by \$40k in projected Workshop Fees. The increase in Travel expense is related to the additional FTEs budgeted in 2013.
- Contracts and Consultants expense decreased as described above.

Reliability Risk Management

NERC's Reliability Risk Management group carries out the ERO's statutory responsibility to perform assessments (including real-time or near-real-time assessments) of the reliability and adequacy of the bulk power system and, by identifying potential issues of concern relating to system, equipment, entity and human performance that may indicate the possible need to develop new or modified reliability standards. The Reliability Risk Management group includes three primary functions and two departments. The three primary functions include: (1) bulk power system awareness; (2) event analysis and investigations; and (3) assessment of human performance challenges affecting bulk power system reliability and identification of improvement opportunities. The functions and resources of this group are directly focused on proactive awareness of BPS system conditions and all BPE events over a threshold of impact, analyzing events and addressing the most significant risks to BPS reliability and ensuring that industry is well informed of system events, emerging trends, risk analysis, lessons learned and expected actions. These functions may also identify areas in which new or enhanced compliance monitoring and enforcement initiatives, pursuant to the ERO's statutory responsibility to monitor, enforce and achieve compliance with mandatory reliability standards, are warranted.

As noted above, the Reliability Risk Management group consists of two departments; the Situation Awareness Department²⁷ and the Event Analysis and Investigations Department²⁸. In the 2012 budget the Situation Awareness department was consolidated under the Situation Awareness and Critical Infrastructure Security Program Area and the budget for the Event Analysis and Investigations department was consolidated under the Compliance Enforcement and Organizational Registration Program Area.

The Reliability Risk Management group actively engages with and seeks comments and input from the NERC Standing Committees and industry reliability groups regarding operational alerts, technical lessons learned and the development and follow up of effective solutions and interventions to ensure the management of BPS reliability risk.

²⁷ This department is now called Bulk Power System Awareness. Situation awareness is a function within this group.

²⁸ Since there is only one person presently dedicated to the human performance function, personnel and other costs associated with this function are consolidated with Events Analysis department costs in order to protect the confidentiality of compensation information.

Situation Awareness Department

Situation Awareness (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	8.17	6.50	(1.67)
Direct Expenses	\$ 5,320,471	\$ 4,193,507	\$ (1,126,964)
Indirect Expenses	\$ 1,315,279	\$ 1,123,701	\$ (191,578)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	(101,353)	7,103	108,456
TOTAL BUDGET	\$ 6,534,397	\$ 5,324,311	\$ (1,210,086)

Background and Scope

The Situation Awareness department works with registered entities to monitor present conditions on the high voltage transmission lines, associated substations and large generators using various software tools and applications. NERC communicates and coordinates with registered entities to notify them of various types of disturbances (hurricanes, tornados, earthquakes, solar flares from the sun, etc.) that could negatively impact their ability to deliver power to homes and businesses. Additionally, when significant BPS disturbances occur, NERC facilitates the coordination of communications between registered entities and applicable governmental authorities.

In 2011, NERC executed a contract for the design, installation and maintenance of the SAFNR V2 platform for the collection and display of key system information from Reliability Coordinators. This platform permits NERC, the Regional Entities, the reliability coordinators and governmental authorities to collect and display key information with common screens 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. During 2012 SAFNR V2 became operational displaying bulk power system data from the 13 Reliability Coordinators from across the three United States interconnections. SAFNR will increase the ERO's awareness of all BPS events above a threshold of impact, ensure reporting and analysis are consistent to allow wide area assessment of trends and risks and ensure Industry is well informed of system events, emerging trends, risks analysis, lessons learned, and expected actions. This platform has not been designed nor is it intended to be used to direct registered entity operations.

The Situation Awareness department also provides funding to support the North American Synchro-Phasor Initiative (NASPI), which was initiated following the August 14, 2003 Northeast blackout. Synchro-Phasors can provide system operators with a critical indication of the health of the bulk power system and help predict weakened areas of the system. 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 amended their contract to provide 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”). 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. In addition to DOE funding, other entities are also providing funding support permitting NERC to further leverage its investment in keeping with NERC’s strategy to promote additional third-party funding and leverage investments where practical. NERC expects to conclude its funding of GPA by the end of 2013.

The Situation Awareness budget also includes funding for a number of reliability tools. The following is a further description of these tools:

- **Interchange Distribution Calculator (IDC)** — Used by reliability coordinators to manage interchange transactions and their curtailment during congestion on the bulk power system. NERC does not use the IDC to conduct its operations. With the support of NERC’s Standards Oversight and Technology Committee, NERC has provided the IDC vendor with written notice that it will not be renewing the IDC contract when it expires on March 31, 2013. The IDC users will assume responsibility for the costs of operating and maintain the IDC, as well as the related SDX and Book of Flow Gates tools described below, upon expiration of NERC’s contract.
- **Resource Adequacy (ACE Frequency) Tool** — provides continuous monitoring of key resource adequacy performance metrics; including pre-established thresholds and limits defined in standards. It alerts Reliability Coordinators and resource subcommittees to critical inadequacies conditions such as major tie error, inaccurate load forecast and inadequate frequency response.
- **Inadvertent Interchange** — facilitates the entering of monthly scheduling data and submittal of monthly inadvertent performance standards reports to NERC. It also assists in the monitoring and resolution of reliability issues originated by inadvertent interchange imbalances.
- **NERC Factor Viewer** — allows transmission customers in the eastern interconnection to view factors related to information congestion.
- **System Data Exchange (SDX)** — central repository of all scheduled and ongoing generator and transformer outages throughout the eastern interconnection. It provides input to the IDC.
- **Book of Flowgates** — a compendium of flowgates in the Eastern Interconnection and input to the IDC. NERC supports this tool by facilitating certain industry working groups and providing funding to support the development and operations of the book of flowgates by Open Access Technologies as part of the IDC contract described further below.
- **AIE Monitoring Tool** — an automatic data collection tool for post analysis of frequency excursions. It is used in major system disturbances as part of the frequency response analysis.

- **Frequency Monitoring and Analysis Tool** — detects frequency events and captures key frequency response information for each interconnection.
- **Intelligent Alarms Tool** — detects short-term and long-term frequency deviations using data transmitted to NERC by the Balancing Authorities. When coupled with the FNet²⁹ and Frequency Monitoring and Analysis tools, this tool allows immediate differentiation of the cause of a frequency deviation – a generator trip or a scheduling error.

2013 Goals and Deliverables

- **Complete Implementation of the SAFNR** — During third and fourth quarters of 2012, NERC expects to complete and put into production the SAFNR V2 application with NERC, FERC, Regional Entities and the reliability coordinators (RCs) as the users. Beginning in early 2013, all users will have information and data to facilitate wide area situation awareness of the bulk power system (230kV and above) in the United States which is expected to:
 - Ensure that the ERO is aware of all BPS events above a threshold of impact
 - Ensure sharing of information and data to facilitate wide area situational awareness
 - Reduce the need for NERC situation awareness staff engagement with RCs and Regional Entities when events occur or when reliability threats are identified
 - During crisis situations, enhance the ERO's ability to facilitate sharing of information among industry, regions, and government
- **Promote Reliability using new NERC Alert System** - The NERC Alert (Issuance of NERC Advisories, Recommendations and Essential Actions) System being used through December 2012 is a web-based system and, while functional, the system does not meet the needs and requirements of NERC's Reliability Risk Management (RRM) and Electricity Sector Information Sharing and Analysis (ESISAC) staff. The current system does not allow for efficient tracking of reports for actions taken and timely updates on progress towards resolving the issues identified in Recommendations and Essential Actions. In July 2012, NERC issued a Request for Proposal (RFP) to replace the existing NERC Alert system. The new NERC Alert system will increase the reliability of the BPS by:
 - Better informing industry of emerging reliability threats and risks to the BPS, and any expected actions
 - Ensures sharing of information and data to facilitate wide area situational awareness.
 - During crisis situations, enhances the ERO's ability to facilitate sharing of information among industry, regions, and government

²⁹ **FNet** – Operated by the [Power Information Technology Laboratory](#) at the [University of Tennessee](#), FNET is a low-cost, quickly deployable GPS-synchronized wide-area frequency measurement network. High dynamic accuracy Frequency Disturbance Recorders (FDRs) are used to measure the frequency, phase angle, and voltage of the power system at ordinary 120 V outlets. The measurement data are continuously transmitted via the Internet to the FNET servers hosted at the University of Tennessee and [Virginia Tech](#).

- Enhances tracking capability of reports for actions taken and timely updates on progress towards resolving the issues identified in Recommendations and Essential Actions
- **Monitor NASPI PMUs** - Synchro phasor data, coupled with the Real Time Dynamics Monitoring System (RTDMS) can provide valuable situation awareness information on the status of ongoing disturbances of the bulk power system. The NASPI community is working to advance the deployment and use of networked phasor measurement devices. Working with industry and RTDMS vendors, the department's goal is that
 - Time-synchronized, accurate, detailed data on actual grid events and normal system behavior for event analysis will be available resulting in improvements in situation awareness capabilities
 - The ERO and registered entities will have improved capabilities to analyze the sequence of events, root cause, risk to reliability, and mitigation, including quick dissemination of the frequency response and oscillatory behavior of an event
 - These additional capabilities will further improve the efficiency and effectiveness of information sharing between the ERO, industry and governmental authorities during high impact events
- **Triage of Event Data**- The department will continue to work with the Regional Entities in obtaining and reviewing information from registered entities regarding qualifying events and disturbances as outlined in the ERO Events Analysis Process. These reports are reviewed to verify the accuracy of information, as well as to ensure they include the information necessary for categorizing and cause coding of events. This information will then be used to further improve reliability by advancing:
 - ERO awareness of all BPS events above a threshold of impact
 - Timely dissemination to stakeholders of information regarding events, including aggregate trending and reliability data, as well as lessons learned
 - The accurate verification that reporting and analysis is consistent to allow wide area assessment of trends and risks information
 - Reportable events analysis for sequence of events, root cause, risk to reliability, and mitigation
 - Industry information of system events, emerging trends, risks analysis and lessons learned

Resource Requirements

Personnel

No additional personnel are projected for this group during 2013. The reduction in FTEs is due to the elimination of the chief reliability officer position and support staff which was partially allocated to this department in 2012.

Contractor Expenses

The overall funding of approximately \$2.7M for contractors and consultants to support the Situation Awareness department in 2013 is approximately \$845k below 2012 budget levels, primarily due to the termination of the IDC Contract at the end of March 2013. Approximately \$460k of the \$2.7M budget is for IDC contract costs prior to contract termination and approximately \$300k is for NERC's share of the cost of a secure third-party communications network used to support situation awareness capabilities. The balance of the costs is to support various situation awareness needs, as well as NASPI funding. A detailed breakdown of the 2013 contractor and consulting budget is included in Exhibit B, together with a comparison to 2012 budgeted amounts.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
SITUATION AWARENESS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 6,974,096	\$ 6,974,096	\$ -	\$ 5,093,049	\$ (1,881,047)
Penalty Sanctions	-	-	-	125,288	125,288
Total NERC Funding	\$ 6,974,096	\$ 6,974,096	\$ -	\$ 5,218,337	\$ (1,755,759)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	10,500	10,500	-	-
Workshops	-	103,175	103,175	105,000	105,000
Interest	3,902	3,902	-	974	(2,928)
Miscellaneous	-	87	87	-	-
Total Funding (A)	\$ 6,977,998	\$ 7,091,760	\$ 113,762	\$ 5,324,311	\$ (1,653,687)
Expenses					
Personnel Expenses					
Salaries	\$ 1,029,015	\$ 747,475	\$ (281,540)	\$ 856,927	\$ (172,088)
Payroll Taxes	68,901	51,029	(17,872)	56,925	(11,977)
Benefits	131,509	124,929	(6,580)	87,659	(43,849)
Retirement Costs	142,882	73,651	(69,231)	98,496	(44,386)
Total Personnel Expenses	\$ 1,372,307	\$ 997,084	\$ (375,223)	\$ 1,100,007	\$ (272,300)
Meeting Expenses					
Meetings	\$ 104,570	\$ 98,700	\$ (5,870)	\$ 198,000	\$ 93,430
Travel	131,000	50,499	(80,501)	72,500	(58,500)
Conference Calls	24,175	3,076	(21,099)	24,175	-
Total Meeting Expenses	\$ 259,745	\$ 152,274	\$ (107,471)	\$ 294,675	\$ 34,930
Operating Expenses					
Consultants & Contracts	\$ 3,588,116	\$ 4,067,872	\$ 479,756	\$ 2,743,180	\$ (844,936)
Office Rent	-	-	-	-	-
Office Costs	50,950	36,346	(14,604)	47,750	(3,200)
Professional Services	-	11,728	11,728	-	-
Miscellaneous	1,500	1,500	-	500	(1,000)
Depreciation	47,853	43,952	(3,901)	7,395	(40,458)
Total Operating Expenses	\$ 3,688,419	\$ 4,161,397	\$ 472,978	\$ 2,798,825	\$ (889,594)
Total Direct Expenses	\$ 5,320,471	\$ 5,310,756	\$ (9,715)	\$ 4,193,507	\$ (1,126,964)
Indirect Expenses	\$ 1,315,279	\$ 1,058,763	\$ (256,516)	\$ 1,123,701	\$ (191,578)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 6,635,750	\$ 6,369,519	\$ (266,231)	\$ 5,317,208	\$ (1,318,542)
Change in Assets	\$ 342,248	\$ 722,241	\$ 379,992	\$ 7,103	\$ (335,145)
Fixed Assets					
Depreciation	(47,853)	(43,952)	3,901	(7,395)	40,458
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (53,500)	\$ (21,015)	32,485	14,498	67,998
Inc(Dec) in Fixed Assets (C)	\$ (101,353)	\$ (64,967)	\$ 36,386	\$ 7,103	\$ 108,456
TOTAL BUDGET (=B + C)	\$ 6,534,397	\$ 6,304,552	\$ (229,845)	\$ 5,324,311	\$ (1,210,086)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 443,601	\$ 787,208	\$ 343,606	\$ -	\$ (443,601)
FTEs	8.17	5.67	(2.50)	6.50	(1.67)

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Personnel Expenses** – The decrease is due to the 1.67 reduction in FTEs in the department.
- **Meetings Expenses** – This includes the cost of NASPI workshops, which are offset by \$105k in projected Workshop Fees, and the cost of quarterly OC-PC meetings.
- **Contracts and Consultants** – The decrease is due to the termination of the IDC contract as described above.

Event Analysis and Investigations

Event Analysis and Investigations (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	13.00	15.50	2.50
Direct Expenses	\$ 3,118,744	\$ 3,309,257	\$ 190,515
Indirect Expenses	\$ 2,092,855	\$ 2,679,594	\$ 586,739
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (85,127)	\$ 34,573	\$ 119,700
TOTAL BUDGET	\$ 5,126,472	\$ 6,023,424	\$ 896,952

Background and Scope

The Event Analysis and Investigations Group 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 Event Analysis and Investigations department is divided between two separately staffed groups: (1) the event analysis group and (2) the event investigation group. The event analysis group is responsible for managing all NERC activities with respect to event analysis, assuring consistent, timely, and coordinated results. . The group ensures: (1) reporting and analysis are consistent to allow wide area assessment of trends and risks; (2) all reportable events are analyzed for sequence of events, root cause, risk to reliability and mitigation, and (3) the industry is well informed of system events, emerging trends, risk analysis, lessons learned and expected actions. The event investigation group is responsible for reviewing formal complaints and conducting non-public compliance investigations, as well as assisting in the review of registered entity compliance assessments to verify compliance gaps are assessed in all reportable events. The event investigation group supports NERC's statutory responsibility of reliability standards development and assessing the reliability and adequacy of the bulk power system, as well as the monitoring and enforcing compliance with mandatory reliability standards.³⁰

³⁰ See NERC Rules of Procedure sections 807-808 and Appendix 8, as well as Section 400 and Appendix 4C.

2013 Goals and Deliverables

- Ensuring that all reportable events are analyzed for sequence of events, root cause, risk to reliability, and mitigation.
- Refinement of risk-based methodologies to support more effective and efficient identification of reliability risks, including the use of more sophisticated cause codes for analysis
- Reporting and analysis are consistent to allow wide area assessment of trends and risks
- Tracking industry accountability for critical reliability recommendations
- Ensuring that industry is well informed of system events, emerging trends, risk analysis, lessons learned and expected actions
- Assessing compliance gaps in all reportable events and addressing if appropriate

Resource Requirements

Personnel

One additional position was added in 2012 to support the identification of emerging reliability risks and development of risk control strategies. The remaining increase in FTEs is the result of transferring the Human Performance function from another program area and the full year effect of one position added in 2012, but budgeted as 0.5 FTE.

Contractor Expenses

Consulting and contractor expenses for this department are primarily related to the retention of subject matter experts to assist in the event analysis program, as well as ongoing investigations. Examples of situations which have required the retention of additional outside consulting resources include the September 8, 2011 Southwest Outage event and the February 1-5 2011 Cold Snap event. \$120k is projected for contractors and consultants for 2013 which is consistent with the 2012 budget. To the extent events arise requiring the use of additional experts, funding will be provided from working capital reserves as further described in management's proposed working capital and contingency operating reserve policy and guidelines.

Human Performance Initiatives within the Reliability Risk Management Group

The Reliability Risk Management group's human performance initiatives will be focused on identifying human error risks and those precursory factors that allow human error to impact system reliability and educating industry regarding those risks and precursors and mitigation methods. These initiatives will also support compliance and standards training initiatives, as well as trending and analysis to identify emerging reliability risks to the bulk power system and therefore support NERC's performance of its statutory responsibilities to develop standards for the reliable operation of the bulk power system, monitor and enforce compliance with mandatory reliability standards, and assess the reliability and adequacy of the bulk power system.

The NERC human performance initiative will take place in collaboration with industry human performance projects, such as the Western Electricity Coordinating Council's (WECC's) Human Performance Working Group, the North American Transmission Forum's (NATF's) Human Performance Group and the Electric Power Research Institute.

NERC's Training, Education and Operator Certification Department budget includes training opportunities to increase awareness, knowledge and skills on human performance fundamentals; including web-based training development for ERO staff and/or industry on industry human performance fundamentals. NERC's training efforts will also focus on knowledge and skills development in a number of key areas, including human performance error reduction techniques, which may include workshops, webinars and participation in industry training events.

Resource Requirements

As previously described, NERC's 2013 budget includes resources associated with a human performance function which was established by NERC in 2011. Resources associated with this function are budgeted within the Event Analysis and Investigations department. The workshops are expected to operate close to a breakeven basis.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
EVENTS ANALYSIS and INVESTIGATIONS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 5,073,333	\$ 5,073,333	\$ 0	\$ 5,670,339	\$ 597,007
Penalty Sanctions	-	-	-	298,763	298,763
Total NERC Funding	\$ 5,073,333	\$ 5,073,333	\$ 0	\$ 5,969,102	\$ 895,769
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	66,000	66,000	52,000	52,000
Interest	2,016	2,410	394	2,322	306
Miscellaneous	-	218	218	-	-
Total Funding (A)	\$ 5,075,349	\$ 5,141,961	\$ 66,612	\$ 6,023,424	\$ 948,076
Expenses					
Personnel Expenses					
Salaries	\$ 1,943,198	\$ 2,073,632	\$ 130,434	\$ 2,211,375	\$ 268,178
Payroll Taxes	125,163	127,894	2,731	137,187	12,024
Benefits	212,843	217,755	4,912	200,619	(12,224)
Retirement Costs	278,926	228,459	(50,467)	254,052	(24,874)
Total Personnel Expenses	\$ 2,560,130	\$ 2,647,740	\$ 87,610	\$ 2,803,233	\$ 243,104
Meeting Expenses					
Meetings	\$ 10,000	\$ 66,584	\$ 56,584	\$ 62,000	\$ 52,000
Travel	395,000	201,058	(193,942)	270,000	(125,000)
Conference Calls	-	16,440	16,440	-	-
Total Meeting Expenses	\$ 405,000	\$ 284,082	\$ (120,918)	\$ 332,000	\$ (73,000)
Operating Expenses					
Consultants & Contracts	\$ 120,000	\$ 150,552	\$ 30,552	\$ 120,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	31,614	47,491	15,877	53,524	21,910
Professional Services	-	438	438	-	-
Miscellaneous	2,000	1,000	(1,000)	500	(1,500)
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 153,614	\$ 199,481	\$ 45,867	\$ 174,024	\$ 20,410
Total Direct Expenses	\$ 3,118,744	\$ 3,131,303	\$ 12,559	\$ 3,309,257	\$ 190,514
Indirect Expenses	\$ 2,092,855	\$ 2,660,913	\$ 568,058	\$ 2,679,594	\$ 586,739
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 5,211,599	\$ 5,792,217	\$ 580,618	\$ 5,988,851	\$ 777,252
Change in Assets	\$ (136,250)	\$ (650,256)	\$ (514,006)	\$ 34,573	\$ 170,823
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	\$ (85,127)	\$ (52,816)	32,311	34,573	119,700
Inc(Dec) in Fixed Assets (C)	\$ (85,127)	\$ (52,816)	\$ 32,311	\$ 34,573	\$ 119,700
TOTAL BUDGET (=B + C)	\$ 5,126,472	\$ 5,739,401	\$ 612,929	\$ 6,023,424	\$ 896,952
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (51,123)	\$ (597,440)	\$ (546,317)	\$ -	\$ 51,123
FTEs	13.00	14.25	1.25	15.50	2.50

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Personnel Expenses** – The increase in Salaries and Payroll Taxes is due to the 2.5 increase in FTEs in the department. Lower average costs per FTE for Benefits and Retirement due to changes to NERC’s employee benefit and retirement plans resulted in lower projected costs in 2013.
- **Meetings and Travel Expenses** – Meetings expense includes the projected cost of the Human Performance Workshop, which is offset by projected funding from workshop fees. The reduction in budgeted travel expense has been revised downward based on a review of actual and projected 2012 expenses.

Critical Infrastructure Department

Critical Infrastructure Department (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	17.00	19.25	2.25
Direct Expenses	\$ 5,214,260	\$ 5,089,407	\$ (124,853)
Indirect Expenses	\$ 2,736,810	\$ 3,327,882	\$ 591,072
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	(111,321)	42,937	154,258
TOTAL BUDGET	\$ 7,839,749	\$ 8,460,227	\$ 620,478

Background and Scope

The Critical Infrastructure Department (CID) supports CIP reliability standards initiatives, the Compliance Operations department's audit oversight function with respect to CIP reliability standards, CIP and cyber information sharing, incident analysis, alerts, system-level risk assessment, and enhanced coordination between industry and our governmental partners.

CID supports several industry-led activities and organizations, including: NERC's Critical Infrastructure Protection Committee, an industry-led committee comprised of industry experts in the areas of cyber security, physical security, and operational security; and the Electricity Sub-sector Coordinating Council, which works closely with Federal Government partners to discuss and identify critical infrastructure protection concepts, processes and resources, as well as to facilitate information sharing about cyber vulnerabilities and threats. For both groups, CID coordinates action items and deliverables the industry members identify and develop. In addition to supporting these industry-led groups, CID representatives participate as members of other industry-led groups, such as the Cross-Sector Cyber Security Working Group, the Industrial Control Systems Joint Working Group, and the Partnership for Infrastructure Security.

The activities of the CID support NERC's ERO statutory responsibilities of reliability standards development, monitoring, enforcing and achieving compliance with CIP standards, and assessing the reliability and adequacy for the bulk power system particularly with respect to cyber security issues, vulnerabilities and threats. Section 1003 of NERC's Commission-approved ROP specifically pertains to the activities of the CID. Section 1003 of the RIP states that "NERC shall coordinate electric industry activities to promote Critical Infrastructure Protection of the Bulk Power System in North America by taking a leadership role in Critical Infrastructure protection of the electricity sector so as to reduce vulnerability and improve mitigation and protection of the electricity sector's Critical Infrastructure," and lists numerous specific functions that NERC shall perform in order to accomplish these goals. Additionally, Appendix 4D of the ROP contains the procedure for requesting and receiving Technical Feasibility

Exceptions to certain CIP reliability standards, which is a process the CID participates in and supports.

2013 Goals and Deliverables

- Support the Standards Program area in CIP standards development to include: continuing engagement with industry on compliance with Version 3; preparing for Version 4 and Version 5 implementation through outreach presentations, webinars, and other training opportunities; and conducting training and outreach to the regional audit staff for audit approaches to both Version 4 and Version 5.
- Support the Compliance Operations department in its oversight of Regional Entity audits to improve the consistency of compliance program results, improve risk-based approaches for auditing and spot checking, and promote a culture of security and compliance through education, transparency, and incentives.
- Continue ES-ISAC capability enhancement and information sharing through portal development and alignment with the broader ISAC community. 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 to collaborate with government agencies in the United States 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 Regional Entities 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 consistency,
- 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 support to the Critical Infrastructure Protection Committee (CIPC), CIP Compliance Working Group, Electricity Sub-Sector Coordinating Council (ESCC), and working groups and task forces serving the Standing Committees.
- Apply resources to improve education and outreach related to both CIP standards compliance and general security risk management.
- Host four CIP auditor workshops in 2013 and work jointly with the Compliance Operations department to improve auditor training materials and programs.
- Facilitate) industry and staff training, awareness and security through interactive events such as the annual Grid Security Conference (GridSecCon), the bi-annual Grid Exercise

(GridEx), Cyber Risk Preparedness Assessments (CRPA), and the Sufficiency Review Program (SRP). Successfully support 10 SRPs and activities related to the voluntary White House/DOE Electricity Sub-sector Cybersecurity Maturity Model with the existing CRPA engagement process.

- Provide subject matter expertise and facilitation to Energy Security Public-Private Partnership Group, which is designed to address protected Defense-related mission assurance concerns.
- Provide technical, process facilitation, and critical infrastructure security subject matter expertise to standards development efforts designed to reduce directives, complete a Technical Reference Guide, and deliver CIP Version 5 training and education.
- Support efforts to reduce the NERC/Compliance Enforcement Caseload Index and improve the enforcement case closure rate.
- Offer technical security expertise to assist in system impact characterization and bulk power system risk for significant compliance violations, resulting in better informed bulk power system risk management practice development.
- Foster technical development of risk-based compliance monitoring to maximize reliability benefits and internal controls.
- Contribute technical expertise to establishment of a NERC enterprise-wide cause coding effort designed to inform sector risk-based analytics.

ES-ISAC

Authorities for all ISACs derive from Presidential Decision Directive 63 (PDD-63), which led to establishment of a framework to address critical infrastructure and key resource protection capabilities. ISACs represent a highly focused effort designed to meet these cross-sector information sharing requirements. NERC's activities as the ES-ISAC have been included as statutory activities in all six of NERC's annual business plans and budgets approved to date by the Commission.

The ES-ISAC operates under the requirements and authority set forth in §1003 of the Rules of Procedure which states that NERC shall, among other tasks:

- Serve as the electricity sector's sector coordinator and operate its Information Sharing and Analysis Center to gather information and communicate security-related threats and incidents within the sector, with United States and Canadian government agencies and with other Critical Infrastructure sectors. Improve the capability of the ES-ISAC to analyze security threats and incident information and provide situational assessments for the electricity sector and government.
- Work closely with the United States Department of Homeland Security, Department of Energy, Natural Resources Canada, and Public Safety and Emergency Preparedness Canada.

- Strengthen and expand these functions and working relationships with the electricity sector, other critical Infrastructure industries, governments, and government agencies throughout North America to ensure the protection of the infrastructure of the Bulk Power System.

NERC's activities as the ES-ISAC comprise an important function in assuring the reliability and security of the bulk power system, and they support NERC's ERO statutory responsibilities. In Order No. 672, the Commission stated that the statutory functions of the ERO include "monitoring the reliability of the Bulk-Power System."³¹ By serving as the ES-ISAC, NERC performs a critical role in real-time situation awareness and in protecting the electric industry's critical infrastructure against vulnerabilities. The ES-ISAC information sharing and analytical functions support the reliability of the bulk power system through dissemination of information to the industry regarding threats and vulnerabilities, disturbances, and off-normal occurrences. The information-sharing functions directly move analyses of threats to and impacts on the bulk power system from the ES-ISAC staff to the industry through a variety of means, such as the "Alerts" and "Notification" processes, web portals, webinars, and industry outreach presentations. These activities directly benefit the reliability and security of the bulk power system by educating industry on reliability issues and informing the industry on risks, vulnerabilities and mitigation strategies (as detailed in ROP §1003.1). The ES-ISAC's activities therefore fall squarely within the ERO function identified in Order No. 672 of "monitoring the reliability of the Bulk-Power System."

2013 Resource Requirements

Personnel

CID will have a total of four CIP auditors on staff at the end of 2012. To support projected increases in workload in connection with NERC audit oversight activities, transition to CIP Standards version 4, increased oversight activities, and additional ERO activities the CIP auditors support, CID proposes to add one additional CIP auditor in 2013. This will result in a total of 5 CIP auditors supporting the Compliance Operation Department's and Regional Entity CMEP audit assurance and compliance initiatives. In addition, a CIP Awareness Manager was added in 2012, filling a vacant budgeted position in the department. This position is responsible for developing and leading bulk power system security initiatives, providing program management for security training and exercises, and ongoing program risk assessment activities. The CIP Awareness Manager will also be responsible for conducting security outreach with registered entities. Two Cyber Security Specialist Positions will be added in 2013. Two Cyber Security Specialists will be added to the ES-ISAC team and a 2012 budgeted Cyber Security Specialist will also be added in 2013, one of which will be assigned to the ES-ISAC team. The cyber security specialists will research, analyze, and disseminate information regarding significant cyber and physical security incidents and the specialist assigned to the ES-ISAC will also support access to operations center positions in the Industrial Control Systems Cyber Emergency Response Team and at the DHS National Incident Coordination Center in Washington, DC. These resources are required to stand watch on the National Cybersecurity and Communications Integration Center

³¹ Order No. 672 at P 202.

floor on a rotating schedule. The 2.25 FTE increase in the chart at the beginning of this section is due to projected phasing and timing of hires.

Contractor Expenses

The total projected 2013 CID contractor and consulting budget is \$785k, a decrease of \$10k over the 2012 budget. The following is a description of the major areas of contractor and consulting support. A detailed breakdown of 2013 budgeted costs is set forth in Exhibit B, with a comparison to 2012.

- **ESCC Support** – CID manages the ESCC, which was established under the NIPP framework to foster and facilitate the coordination of sector-wide policy-related activities and initiatives to improve the reliability and resilience of the Electricity Sub-sector, including physical and cyber security infrastructure. (As noted above, ROP section 1003.1.1 specifies that NERC shall serve as the electricity sector’s sector coordinator.) NERC contracted with an industry expert to assist NERC in its support of the ESCC.
- **GridEx 2013 Support** – An exercise designed to validate the readiness of the Electricity Sub-sector to respond to a cyber security incident (CIP-008), strengthen utilities’ crisis response functions, and provide input for internal cyber security program improvements. This bi-annual exercise focuses solely on disruptions and recovery from cyber security incidents (CIP-009) to the Electricity Sub-sector and includes subject matter experts from government and industry. Section 1003.1.7 of the NERC ROP specifies that “NERC shall encourage and participate in coordinated Critical Infrastructure Protection exercises, including interdependencies with other Critical Infrastructure sectors.”
- **2013 ES-ISAC Members Conference** – The ES-ISAC is planning a one-day conference in conjunction with NERC’s 2013 Grid Security Conference. The purpose of this conference is to focus on the operational aspects of the ES-ISAC by sharing with entities the types of information the ES-ISAC receives from data feeds and other security partners, demonstrating tools the ES-ISAC and other security companies use to track and analyze data, and conducting security training on issues, vulnerabilities, and best practices. The Grid Security Conference is within the scope of NERC’s Situation Awareness and Infrastructure Security activities specified in section 1003 of the ROP, including strengthening relationships with federal, state, and provincial governments on CIP matters; working closely with DHS, DOE, Natural Resources Canada and Public Safety and Emergency Preparedness Canada, strengthening and expanding its functions and working relationships with the electricity sector, other Critical Infrastructure industries, governments and government agencies, throughout North America to ensure the protection of the infrastructure of the bulk power system, supporting implementation of the CIP standards through education and outreach, and conducting education and outreach initiatives to increase awareness and respond to the needs of the electricity sector.

- **ES-ISAC – Secure Portal** – The ES-ISAC portal build-out is underway in 2012 and includes a private, members-only portal to disseminate security information to members and to serve as collaboration “zones.” The members’ portal component will be segregated from the compliance and enforcement programs of NERC and include a variety of information sharing mechanisms. The portal build-out will allow for bi-directional information sharing between the ES-ISAC and industry. Initial build-out costs were incurred in 2012 and maintenance costs are required in 2013.
- **ES-ISAC – Secure Connection for Bi-directional Information Sharing** – Some emergent situations allow for quick transmission of secure information between the ES-ISAC and DHS’ United States Computer Emergency Readiness Team. This transmission occurs through formal and stringent technology requirements.
- **Cyber Risk Preparedness Assessment (CRPA)** – The CRPA is a project designed to assess the current cyber resiliency capabilities of bulk power system entities and the adequacy of existing reliability mechanisms related to the unique nature of cyber threats. Through these assessments, the ES-ISAC can target key areas for improvement and share areas of best practices with industry. The CRPA also provides the opportunity to educate participants and, through carefully defined deliverables, share effective practices and impart knowledge to all bulk power system entities. The cost to conduct a CRPA is based on contractor hourly fees, prepared materials, and travel expenses.
- **Attack Tree Threat Modeling** – Attack trees are hierarchical, graphical diagrams that show how low-level hostile activities interact and combine to achieve an adversary's objectives, usually with negative consequences for the attack victim. This tool provides the results needed to justify security choices to company executives and security practitioners. The product is equally applicable to information technology and physical security. The 2013 expenses to maintain this software is \$7,500 and is budgeted under Office Costs, which is where computer supplies and maintenance are reported.
- **Reporting Services – ES-ISAC** This service gives ES-ISAC staff increased understanding of continuing trends, breaking news, and implications to the bulk power system.
- **Aurora Webinars and Reporting** – NERC and the ES-ISAC have been working since 2007 to address the Aurora Vulnerability, a significant supply chain vulnerability that impacts digital protective control devices, which protect generators and motors in use throughout the bulk power system.
- **Analytic Capabilities** – A software service that provides cyber awareness and continuous monitoring, and helps organizations protect against targeted attacks by gathering, correlating, and analyzing threat information from within their own networks, supply chains, and the rest of the Internet. This tool provides real-time internet communications visibility and analytics.
- **Base Line Patterns and Analysis** – A technique where abnormal conditions, such as malicious software from a compromised system communicating to command and control locations that are globally dispersed, are determined by comparing to patterns established during normal conditions. This capability requires specialized tools and analysis to develop.

- **Integration Support Services for Visual Analytical Tools** – ES-ISAC personnel will utilize a visual analytical tool to bring together different representations, or overlays, of data. This capability requires that various data streams are “integrated”, which requires the assistance of specialized consultants.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
CRITICAL INFRASTRUCTURE DEPARTMENT					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,396,148	\$ 7,396,148	\$ -	\$ 7,991,299	\$ 595,151
Penalty Sanctions	-	-	-	371,044	371,044
Total NERC Funding	\$ 7,396,148	\$ 7,396,148	\$ -	\$ 8,362,343	\$ 966,195
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	95,000	95,000	95,000	95,000
Interest	-	-	-	2,884	2,884
Miscellaneous	-	245	245	-	-
Total Funding (A)	\$ 7,396,148	\$ 7,491,393	\$ 95,245	\$ 8,460,227	\$ 1,064,079
Expenses					
Personnel Expenses					
Salaries	\$ 2,946,168	\$ 2,579,910	\$ (366,258)	\$ 2,853,871	\$ (92,297)
Payroll Taxes	169,764	158,809	(10,955)	172,586	2,822
Benefits	280,269	224,257	(56,012)	250,885	(29,384)
Retirement Costs	409,489	265,266	(144,223)	312,315	(97,174)
Total Personnel Expenses	\$ 3,805,690	\$ 3,228,242	\$ (577,448)	\$ 3,589,657	\$ (216,033)
Meeting Expenses					
Meetings	\$ 104,570	\$ 143,000	\$ 38,430	\$ 145,000	\$ 40,430
Travel	440,000	316,785	(123,215)	420,000	(20,000)
Conference Calls	24,000	32,000	8,000	24,000	-
Total Meeting Expenses	\$ 568,570	\$ 491,785	\$ (76,785)	\$ 589,000	\$ 20,430
Operating Expenses					
Consultants & Contracts	\$ 795,000	\$ 600,270	\$ (194,730)	\$ 785,000	\$ (10,000)
Office Rent	-	-	-	-	-
Office Costs	45,000	104,382	59,382	125,250	80,250
Professional Services	-	468	468	-	-
Miscellaneous	-	302	302	500	500
Depreciation	-	1,042	1,042	-	-
Total Operating Expenses	\$ 840,000	\$ 706,464	\$ (133,536)	\$ 910,750	\$ 70,750
Total Direct Expenses	\$ 5,214,260	\$ 4,426,491	\$ (787,769)	\$ 5,089,407	\$ (124,853)
Indirect Expenses	\$ 2,736,810	\$ 2,993,294	\$ 256,484	\$ 3,327,882	\$ 591,072
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 7,951,070	\$ 7,419,785	\$ (531,285)	\$ 8,417,290	\$ 466,220
Change in Assets	\$ (554,922)	\$ 71,608	\$ 626,529	\$ 42,937	\$ 597,859
Fixed Assets					
Depreciation	-	(1,042)	(1,042)	-	-
Computer & Software CapEx	-	37,500	37,500	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (111,321)	\$ (59,413)	51,908	42,937	154,258
Inc(Dec) in Fixed Assets (C)	\$ (111,321)	\$ (22,955)	\$ 88,366	\$ 42,937	\$ 154,258
TOTAL BUDGET (=B + C)	\$ 7,839,749	\$ 7,396,830	\$ (442,919)	\$ 8,460,227	\$ 620,478
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (443,601)	\$ 94,562	\$ 538,163	\$ -	\$ 443,601
FTEs	17.00	16.03	(0.97)	19.25	2.25

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Personnel Expenses** – The decrease in Salaries and Payroll Taxes is due to lower average salaries per FTE in the department. Lower average costs per FTE for Benefits and Retirement due to changes to NERC’s employee benefit and retirement plans resulted in lower projected costs in 2013.
- **Meetings** expense includes the cost of the Grid Security Conference, which is offset by \$95k in projected funding from workshop fees, and quarterly Critical Infrastructure Protection Committee meetings.
- **Office Costs** – Primarily related to increases in cell phone and air card charges due to having more FTEs on staff and related to annual maintenance costs for software used to support activities of the ES-ISAC.

Training, Education, and Operator Certification

Training, Education and Operator Certification (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	6.75	8.00	1.25
Direct Expenses	\$ 2,055,655	\$ 2,170,906	\$ 115,251
Indirect Expenses	\$ 1,086,675	\$ 1,383,016	\$ 296,341
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (44,201)	\$ 17,844	\$ 62,045
TOTAL BUDGET	\$ 3,098,130	\$ 3,571,766	\$ 473,637

Background and Scope

NERC's Training and Education Program provides oversight and coordination of the delivery of training programs that support the ERO's statutory responsibilities. This program provides training to NERC and Regional Entity staff members, including compliance auditors, relating to their job responsibilities. It also provides training and education to industry participants on the requirements of reliability standards and the compliance monitoring and enforcement process. Further, this program provides training to industry participants on the reliability standards development process, thereby helping to support the more efficient and effective development of mandatory reliability standards. The Training and Education Program therefore supports the performance of NERC's statutory ERO responsibilities to develop, adopt and obtain approval of reliability standards and to monitor, enforce and achieve compliance with the mandatory standards. Section 901 of the NERC ROP addresses the Training and Education Program's activities in these areas.

NERC's Training and Education Program also supports NERC's System Operator Certification and Continuing Education (SOCCED) 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 required to work in system control centers across North America for over 6,000 system operators. The requirements of the SOCCED programs are encompassed in Sections 600 and 901 and Appendix 6 of the NERC ROP as well as in Article XII of the NERC Bylaws. NERC's system operator certification exam is designed to test specific knowledge of job skills and reliability standards. It also prepares operators to comply with requirements of reliability standards and appropriately operate the BPS during normal and emergency operations. Certification exams are created by the Personnel Certification Governance Committee, an industry group of operations experts, trainers, and supervisors. Under the PCGC oversight, the Examination Working Group periodically updates and publishes new exams. Once an operator passes the certification exam, certification is maintained by completing NERC-approved continuing education courses and activities. The Personnel

Subcommittee, composed of industry training experts, provides oversight of the Continuing Education program.

2013 Goals and Deliverables

In response to stakeholder and Regional Entity feedback, training and education opportunities will be further expanded and focused for NERC, Regional Entities and registered entities. For registered entities, this training and education will focus on objectives related to various reliability standards including how to best comply with standards and improve bulk power system reliability, as well as cyber related topics. For NERC and Regional Entity staff, the training and education will focus on consistent audit and investigation techniques and standards compliance reviews, including the Compliance Enforcement Initiative/FFT processing and other improvements in compliance and enforcement practices. NERC will continue to offer training in auditor skills to promote continued development of auditing expertise. NERC will leverage information technology systems to better deliver and share common training products and information with regional and registered entities. Other training will focus on knowledge and skills development in a number of key areas, including:

- Critical Infrastructure Protection standards information;
- Development and implementation of clear and technically sound reliability standards;
- Key lessons learned and trends from events;
- Identified themes from trending and common cause analyses;
- Risk-based assessment methods;
- Effective compliance cultures with practices, procedures and controls to address reliability risks;
- Effective root, apparent and common cause analysis methods;
- Quality improvement of registered entity self-reporting and self-certification;
- Currently-monitored standards;
- Entity registration process, issues, and alternatives;
- Human performance fundamentals; and
- Systematic approach to training

NERC will continue to provide learning opportunities through 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 opportunities. NERC's Training and Education group will also continue 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 (1) position will be added to provide administrative support, the cost of which will be funded through operator certification and testing fees. The 1.25 FTEs in the chart above is the result of reflecting the full year effect of a phasing in of 2012 personnel additions.

Contractor Expenses

The total proposed consulting and contractor expenses of approximately \$850k in 2013 represents an increase of approximately \$252k over 2012 levels. This increase is primarily the result of a multi-year project to continue improvements to the SOCCED database as recommended in the three year assessment. The project will provide improved and efficient interface and ease of use for system operators & supervisors, trainers, training providers, and staff, including automating many features currently done manually and/or individually.

Further detail in support of the proposed 2013 contractor and consulting budget to support Training, Education and Operator Certification is set forth in Exhibit B, including a comparison to 2012 budgeted amounts. The primary areas of contractor and consulting support include:

- Testing services to develop, administer, proctor, score, and support system operator certification exams across North America.
- Ongoing hosting and maintenance fees for the SOCCED database.
- Improvements to the SOCCED database described above.
- Supplemental support to Continuing Education Review Panel industry volunteers to review and audit over 2,500 individual learning activities and provider applications received each year.³²
- Audit team leader soft skills training delivered by certified NERC staff and/or consultants to support effective dialogue and communications between audit teams and registered entities will be provided quarterly using vendor licensed materials.
- Vendor supported BPS technical training for select NERC staff, including auditors, technical and support staff.
- Auditor training by recognized auditing specialists for NERC and Regional Entity staff to promote continued development of compliance staff.
- Web based training development for ERO staff and/or industry, including standards applications, risk assessment training, industry human performance fundamentals, and BPS events lessons learned.

Use of Working Capital Funds for System Operator Certification and Continuing Education Database Upgrades

Under the approved Working Capital and Operating Reserves Policy, that in the event NERC realizes higher levels of funding from operator certification testing and renewal fees above

³² Review and approval of learning activity applications results in over 400,000 hours of continuing education per year for the industry's certified system operators.

incurred expenses, this excess funding will be set aside as an operating reserve and used solely for operator training and certification needs as determined by management and the Personnel Certification Governance Committee. This is consistent with the requirements of Section 602.4.10 of the Rules of Procedure. Expenditures of these funds would be reported as part of NERC's quarterly variance reporting to the Finance and Audit Committee, which reports are also posted on NERC's website and reviewed on conference calls or meetings of the committee which are open to the public. The projected \$250K in 2013 costs for improvements to the System Operator Certification and Continuing Education Database are proposed to be funded through use of excess working capital reserve additions resulting from higher than anticipated revenues from system operator certification and continuing education program fees compared to program costs. This is part of a multiyear project that is estimated to cost approximately \$600k.

As further described in Exhibit C, NERC is projecting a \$1.750M operating reserve balance for the System Operator Certification Program by the end of 2012. Given the size of this projected balance, the Personnel Certification Governance Committee has decided to reduce fees for system operator exams and certificate renewals. The total reduction in the operating reserve balance for the System Operator Certification Program, after taking into account the revised fees and projects funded from reserves, is projected to be \$347.3k.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 916,083	\$ 916,083	\$ 1	\$ 1,449,793	\$ 533,711
Penalty Sanctions	-	-	-	93,484	93,484
Total NERC Funding	\$ 916,083	\$ 916,083	\$ 1	\$ 1,543,277	\$ 627,195
Membership Dues	-	-	-	-	-
Testing Fees	2,061,000	2,108,200	47,200	1,680,000	(381,000)
Services & Software	-	-	-	-	-
Workshops	120,000	-	(120,000)	-	(120,000)
Interest	1,047	1,106	59	1,199	152
Miscellaneous	-	100	100	-	-
Total Funding (A)	\$ 3,098,129	\$ 3,025,488	\$ (72,641)	\$ 3,224,476	\$ 126,347
Expenses					
Personnel Expenses					
Salaries	\$ 879,333	\$ 792,205	\$ (87,128)	\$ 837,645	\$ (41,688)
Payroll Taxes	57,024	50,428	(6,596)	54,087	(2,937)
Benefits	108,672	98,814	(9,858)	112,397	3,725
Retirement Costs	119,778	79,193	(40,585)	94,203	(25,575)
Total Personnel Expenses	\$ 1,164,807	\$ 1,020,640	\$ (144,167)	\$ 1,098,332	\$ (66,475)
Meeting Expenses					
Meetings	\$ 124,450	\$ 36,000	\$ (88,450)	\$ 30,000	\$ (94,450)
Travel	48,000	62,306	14,306	70,000	22,000
Conference Calls	58,100	26,914	(31,186)	27,000	(31,100)
Total Meeting Expenses	\$ 230,550	\$ 125,220	\$ (105,330)	\$ 127,000	\$ (103,550)
Operating Expenses					
Consultants & Contracts	\$ 596,448	\$ 810,501	\$ 214,053	\$ 848,574	\$ 252,126
Office Rent	-	-	-	-	-
Office Costs	63,600	92,791	29,191	96,500	32,900
Professional Services	-	7,500	7,500	-	-
Miscellaneous	250	250	-	500	250
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 660,298	\$ 911,042	\$ 250,744	\$ 945,574	\$ 285,276
Total Direct Expenses	\$ 2,055,655	\$ 2,056,901	\$ 1,246	\$ 2,170,906	\$ 115,251
Indirect Expenses	\$ 1,086,675	\$ 1,221,219	\$ 134,544	\$ 1,383,016	\$ 296,341
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 3,142,330	\$ 3,278,120	\$ 135,790	\$ 3,553,922	\$ 411,592
Change in Assets	\$ (44,201)	\$ (252,632)	\$ (208,431)	\$ (329,446)	\$ (285,245)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (44,201)	\$ (24,240)	19,961	17,844	62,045
Inc(Dec) in Fixed Assets (C)	\$ (44,201)	\$ (24,240)	\$ 19,961	\$ 17,844	\$ 62,045
TOTAL BUDGET (=B + C)	\$ 3,098,129	\$ 3,253,881	\$ 155,752	\$ 3,571,766	\$ 473,637
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (228,392)	\$ (228,392)	\$ (347,290)	\$ (347,290)
FTEs	6.75	6.54	(0.21)	8.00	1.25

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Testing Fees** – The decrease is due to a reduction in fees for system operator tests and certificate renewals, as described above.
- **Meetings Expense** – In 2012, all NERC-sponsored workshops and the projected funding from workshop fees were budgeted in the Training Department. In 2013, the projected funding from workshop fees and workshop expenses are recorded in the Program sponsoring the workshop.
- **Contracts and Consultants** – The increase is for the upgrade of the SOCCED database as described above.

Administrative Services

Administrative Services (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	47.75	52.75	5.00
Total Direct Expenses	\$ 20,767,559	\$ 23,079,081	\$ 2,311,523
Inc(Dec) in Fixed Assets	\$ (844,731)	\$ 297,774	\$ 1,142,505
Less: Other Funding Sources			\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 19,922,828	\$ 23,376,855	\$ 3,454,028
Funding Requirement for Working Capital	\$ (0)	\$ (1,686,309)	\$ (1,686,309)

Program Scope and Functional Description

NERC's Administrative Services area includes the budget for all business and administrative functions of the organization, including (1) technical committees and member forums, (2) General and Administrative, which includes Board of Trustees fees and expenses, the president and chief executive officer and support staff, communications and governmental affairs, and office rent (3) Legal and Regulatory, (4) Human Resources, (5) Information Technology, (6) Finance and Accounting, and general administrative expenses necessary to support program area activities. These functions are necessary to the existence and functioning of the organization and support the performance of NERC's ERO statutory activities. The costs of the Administrative Services functions are allocated to the five statutory programs. 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

While NERC management and staff will continue to interact with and support numerous reliability related forums, including but not limited to the North American Transmission Forum and Generator Forum, NERC's 2013 budget does not contain specific funding for any additional forum activities.

General and Administrative

General and Administrative (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	7.00	8.00	1.00
Total Direct Expenses	\$ 6,800,249	\$ 7,325,556	\$ 525,307
Inc(Dec) in Fixed Assets	\$ (255,775)	\$ (350,526)	\$ (94,751)
Working Capital Requirement	\$ -	\$ (1,686,309)	\$ (1,686,309)

Background and Scope

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.

The following table details the Board of Trustees costs included in the total costs of the General and Administrative area. The increase in the 2013 budget for quarterly Board of Trustee Meetings is based on a slight increase in 2012 costs compared to budget which was not known at the time the 2012 Projection was developed. The 2012 Projection and 2013 Budget for Trustee Travel are based upon 2011 actual results and the 2012 YTD trend, both of which reflect increased Board of Trustee attendance as observers at Regional Entity board meetings, as well as participation in key stakeholder meetings. Travel expense includes the cost of travel, lodging and meals, consistent with employee travel expenses. The 2012 budget and projection for trustee search fees is for two new trustees to be appointed in 2013. Actual search fees in excess of budget are expected to be funded in 2012 from operating reserves and will be included in future variance reports.

Board of Trustee Expenses	Budget 2012	Projection 2012	Budget 2013	2013 v 2012 Budget	Variance %
Meetings and Travel Expenses					
Quarterly Board Meetings	\$ 224,000	\$ 224,000	\$ 234,000	\$ 10,000	4.46%
Trustee Travel	110,000	155,000	155,000	45,000	40.91%
Total Board of Trustees Meetings and Travel Expenses	334,000	379,000	389,000	55,000	16.47%
Professional Services					
Independent Trustee Fees	980,000	980,000	980,000	-	0.00%
Trustee Search Fees	75,000	75,000	-	(75,000)	-100.00%
Total Board of Trustee Professional Services Expenses	1,055,000	1,055,000	980,000	(75,000)	-7.11%
Total Board of Trustee Expenses	\$ 1,389,000	\$ 1,434,000	\$ 1,369,000	\$ (20,000)	-1.44%

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
GENERAL and ADMINISTRATIVE					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ (1,686,309)	\$ (1,686,309)
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ (1,686,309)	\$ (1,686,309)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ (1,686,309)	\$ (1,686,309)
Expenses					
Personnel Expenses					
Salaries	\$ 1,561,193	\$ 1,793,637	\$ 232,445	\$ 1,342,080	\$ (219,113)
Payroll Taxes	67,331	77,007	9,676	60,640	(6,691)
Benefits	208,278	190,443	(17,835)	156,238	(52,040)
Retirement Costs	236,295	92,019	(144,276)	175,179	(61,116)
Total Personnel Expenses	\$ 2,073,097	\$ 2,153,106	\$ 80,010	\$ 1,734,136	\$ (338,960)
Meeting Expenses					
Meetings	\$ 224,000	\$ 224,600	\$ 600	\$ 260,000	\$ 36,000
Travel	265,120	321,651	56,531	322,000	56,880
Conference Calls	57,500	50,292	(7,208)	57,500	-
Total Meeting Expenses	\$ 546,620	\$ 596,543	\$ 49,923	\$ 639,500	\$ 92,880
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000
Office Rent	2,304,257	2,784,036	479,779	2,756,840	452,583
Office Costs	480,500	456,983	(23,517)	507,000	26,500
Professional Services	1,130,000	1,265,096	135,096	1,132,053	2,053
Miscellaneous	10,000	10,050	50	5,500	(4,500)
Depreciation	255,775	378,783	123,008	350,526	94,751
Total Operating Expenses	\$ 4,180,532	\$ 4,894,947	\$ 714,415	\$ 4,901,919	\$ 721,387
Total Direct Expenses	\$ 6,800,249	\$ 7,644,597	\$ 844,348	\$ 7,275,556	\$ 475,307
Indirect Expenses	\$ (6,800,249)	\$ (7,705,597)	\$ (905,348)	\$ (7,325,556)	\$ (525,307)
Other Non-Operating Expenses	\$ -	\$ 61,000	\$ 61,000	\$ 50,000	\$ 50,000
Total Expenses (B)	\$ -	\$ -	\$ 0	\$ -	\$ 0
Change in Assets	\$ -	\$ -	\$ (0)	\$ (1,686,309)	\$ (1,686,309)
Fixed Assets					
Depreciation	(255,775)	(378,783)	(123,008)	(350,526)	(94,751)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	212	212	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	112,299	112,299	-	-
Allocation of Fixed Assets	\$ 255,775	\$ 266,272	10,497	350,526	94,751
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ 0	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ 0	\$ -	\$ 0
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ (0)	\$ (1,686,309)	\$ (1,686,309)
FTEs	7.00	9.40	2.40	8.00	1.00

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Personnel Expenses** – The average cost of all personnel expense categories is lower in 2013 as previously explained.
- **Meetings** – This includes the cost of quarterly Board of Trustee and Member Representatives Committee meetings, ERO executive staff meetings, and employee meetings.
- **Consultants and Contracts** – The budget to support external affairs was moved from the Legal and Regulatory Program to Government Relations which is part of the General and Administrative Program. The legal department formerly provided oversight of these activities prior to the company hiring a senior external affairs professional.
- **Rent** – The increased rent expense reflects the amortization of the lease costs for NERC office space over the term of the leases and the estimated cost of increasing leased space in Atlanta.
- **Miscellaneous Expenses** – The 2012 budget included \$10k for employee rewards and recognition expenses, which has been budgeted in Human Resources in 2013. This budget is intended to cover the token gifts to retiring employees, condolence flowers a death in the family, and similar types of expenses. \$5k of the 2013 Budget for Miscellaneous Expenses included in this Program is for a new initiative of Community Responsibility and Employee Engagement. These funds would be used to purchase items like tee shirts and/or box lunches for employees volunteering to support local community charitable activities in Atlanta and Washington, D.C. A new account has been added to the System of Accounts to track expenses of this initiative. (Refer to Table B-9 on page 119). A budget is not being presented for, nor does the company expect to incur, expenses for employee entertainment.

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	13.00	14.00	1.00
Total Direct Expenses	\$ 4,021,294	\$ 4,045,729	\$ 24,435
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Background and Scope

The Legal and Regulatory department provides legal and regulatory support to the organization. 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.

Resource Requirements

One FTE was transferred to Legal and Regulatory in 2012 to provide administrative support for the Washington, DC office. No additional staff is proposed to be added to the legal and regulatory areas in 2013.

Outside law firms and consultants supporting this area are budgeted and tracked as Professional Services. The 2013 Professional Services budget is \$950K for 2013, an increase of \$200K over the 2012 budget, of which \$150k is to support the next ERO Performance Assessment.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
LEGAL and REGULATORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions		\$ -		-	
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 2,317,740	\$ 2,266,547	\$ (51,193)	\$ 2,325,293	\$ 7,553
Payroll Taxes	118,966	116,701	(2,265)	119,177	211
Benefits	249,428	167,961	(81,467)	185,835	(63,593)
Retirement Costs	327,545	243,161	(84,384)	261,724	(65,821)
Total Personnel Expenses	<u>\$ 3,013,679</u>	<u>\$ 2,794,370</u>	<u>\$ (219,309)</u>	<u>\$ 2,892,029</u>	<u>\$ (121,650)</u>
Meeting Expenses					
Meetings	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ -
Travel	74,000	113,463	39,463	144,500	70,500
Conference Calls	3,200	1,500	(1,700)	3,200	-
Total Meeting Expenses	<u>\$ 82,200</u>	<u>\$ 119,963</u>	<u>\$ 37,763</u>	<u>\$ 152,700</u>	<u>\$ 70,500</u>
Operating Expenses					
Consultants & Contracts	\$ 141,750	\$ 141,750	\$ -	\$ -	\$ (141,750)
Office Rent	-	-	-	-	-
Office Costs	32,915	55,959	23,044	50,500	17,585
Professional Services	750,000	1,350,000	600,000	950,000	200,000
Miscellaneous	750	750	-	500	(250)
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 925,415</u>	<u>\$ 1,548,459</u>	<u>\$ 623,044</u>	<u>\$ 1,001,000</u>	<u>\$ 75,585</u>
Total Direct Expenses	<u>\$ 4,021,294</u>	<u>\$ 4,462,792</u>	<u>\$ 441,498</u>	<u>\$ 4,045,729</u>	<u>\$ 24,435</u>
Indirect Expenses	<u>\$ (4,021,294)</u>	<u>\$ (4,462,792)</u>	<u>\$ (441,498)</u>	<u>\$ (4,045,729)</u>	<u>\$ (24,435)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ (0)</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ 0</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx		-		-	-
Furniture & Fixtures CapEx		-		-	-
Equipment CapEx		-		-	-
Leasehold Improvements		-		-	-
Allocation of Fixed Assets		\$ -		-	
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ (0)</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ 0</u>
FTEs	13.00	12.39	(0.61)	14.00	1.00

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Personnel Expense** – As previously described, the decrease is due to lower average costs per FTE and changes to NERC’s employee benefits and retirement plans.
- **Travel** – Legal staff travel will increase due to increased participation in standards drafting team meetings and ERO legal working group meetings.
- **Consultants and Contracts** – The budget for support of external affairs was moved from Legal and Regulatory to the General and Administrative Program.
- **Professional Services** – This is \$200K over the 2012 budget and \$150k of which is included in the 2013 Budget to support the next ERO performance assessment.

Information Technology

Information Technology (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	12.75	16.75	4.00
Total Direct Expenses	\$ 6,629,579	\$ 7,978,705	\$ 1,349,126
Inc(Dec) in Fixed Assets	\$ (588,185)	\$ 649,098	\$ 1,237,283
Working Capital Requirement	\$ (0)	\$ -	\$ 0

Background and Scope

NERC’s Information Technology Department is responsible for planning, designing, implementing and operating technology in support of the ERO’s goals and objectives. An important IT initiative in 2013 involves the implementation of a centralized data repository with the necessary infrastructure to accept inbound data and catalog this data in one location for access across the ERO. The data repository will provide the necessary visibility to information required by NERC and the Regional Entities in order to gain better data intelligence and collaboration and effectively and efficiently perform key functions.

The ERO has many methods by which to obtain data required to ensure the reliability of the bulk electric system. However there presently is no one single location in which to capture and mine data across the ERO to give broad spectrum visibility across multiple disciplines: standards, compliance operations, enforcement, critical infrastructure protection, event analysis, reliability risk assessment and management. Implementation of a single data repository designed to capture information across disciplines within the ERO sets the stage for improved reporting, data consistency, improved efficiency and adherence to regulatory requirements. The next phase of implementation will leverage tools such as Microsoft SharePoint 2010 in addition to other business intelligence tools to create applications for both NERC and the Regional Entities for a single, holistic look at data across the ERO. The resulting single repository of data will be more efficient across NERC and the Regional Entities, coupled

with lower resource utilization required in support of the current multi-database, multi-application infrastructure.

NERC's 2013 IT budget sets the framework to commence implementation of a single data repository. The proposed contract, consulting, operations and maintenance budget amounts are tailored to ensure the building blocks are in place to support this and other strategic ERO initiatives and applications started in 2012.

Utilizing recommendations from the Deloitte and Touche "IT Architecture" study conducted in Q4/ 2011, NERC embarked upon an aggressive strategy to design and implement a development strategy following industry best practice for application development. Implementation of a development, QA and production environment sets the stage, in collaboration with the Regional Entities and PMO to create consistent applications deemed strategic to the ERO. A survey of NERC and the Regional Entities identified 95 applications either in use, or items requested in support of ERO functions. In order to reduce the backlog of those applications deemed strategic to the ERO, it will require a concentrated effort by NERC, the Regional Entities and contract and consultant resources working in concert to conduct in-depth business analysis of requirements, development of request for proposal and consideration of in-house development, or outsourced development by contract and consultant resources, as applicable. Several of the applications identified during the survey are substantial in nature and will require a multi-year approach to define, develop and implement throughout the ERO. As applications are defined, additional development, QA and production hardware will be required to enhance the virtual environment.

2013 Goals and Deliverables

- (Multi-year effort) With the Regional Entities and external consulting support, deploy a common, enterprise-wide technology platform that embraces the requirements of Regional Entities and stakeholders for reliable, secure, efficient, and cost-effective systems and services.
- (Multi-year effort) design a data warehouse capability - single repository of data designed to provide a reliable, stable, secure environment for reporting across multiple disciplines e.g., RAPA, Compliance, Standards, Enforcement, etc.
- Implement disaster recovery of critical IT resources (e.g., Exchange (email), NERC forward facing web-site, MS SQL, etc.)
- Laptop backup application – back up files and folders on the desktop, or in folders other than the "my documents" folder
- Implement Phase II NERC public web-site upgrade. Multi-lingual support, Business Intelligence capabilities, mobile support, enhanced user management, etc.
- (Multi-year effort) Reduce backlog of 95+ NERC and ERO projects currently identified as business needs to the Project Management Office.
- Re-write ERO Membership Service Agreement application, which is a specialized version of the NERC My Account described below. The ERO Membership Service Agreement

application captures additional information that may not be required by the NERC My Account Service.

- Re-write NERC My Account Service Agreement application, which is a single user account that, when granted rights, allows the user to request access to multiple secured NERC sites. The registration process collects the required information from the requestor to allow the NERC resource to vet the request and determine if the requestor should be granted access to the requested secure site.
- Re-write User Management Program (UMP) Service Agreement application. UMP provides external persons who need or desire access to NERC tools a way to request approved access. The UMP application is archaic in its approach to delivery of user access and rewriting the application using SharePoint 2010 will greatly reduce NERC employee manual input.

Resource Requirements

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

Personnel

In 2012, three positions which were previously under the chief reliability officer and allocated among several Program areas were transferred to the Information Technology department when the chief reliability officer position was eliminated. The reason for this transfer was based on an independent consultant's recommendation as part of a corporate process improvement initiative to create a Project Management Office (PMO) within the Information Technology department. The PMO is responsible for managing the identification, prioritization, design and deployment of IT applications supporting various departmental business needs, as well as supporting the common IT business needs of NERC and the Regional Entities. The individuals who were transferred were each involved in the management of IT applications supporting various program areas, including compliance database and standards balloting redesign, as well as process improvement and enterprise architecture redesign initiatives. Only one additional Information Technology resource will be added in 2013, a SharePoint Administrator/Developer with responsibility for developing business applications in SharePoint 2010 and Visual Studio 2010. The role will be a dual capacity function and will need to possess strong SharePoint administration background along with experience developing and maintaining Enterprise class applications in a SharePoint environment. The role will be instrumental in replacing several internal NERC applications to increase efficiency and productivity. The role will also be leveraged to ensure ERO Enterprise class applications are designed consistent with SharePoint best practices.

In addition to the one (1) resource being added in 2013, the existing compliment of Information Technology resources are optimized following industry best practice for service support:

- Information Technology Support Center (ITSC) provides reactive support for help desk assistance for all NERC employees and requests as received from entities for access to NERC resources.

- System and Network Administration senior level resources are responsible for proactive support and strategic implementation of system, network and security across the enterprise.
- Development senior level resources are responsible for designing and creating applications across NERC and the ERO to increase collaboration, reduce duplication of effort and improve data intelligence capabilities.
- Project Management junior and senior level resources are responsible for gathering business requirements and translating into technology scope for creation by development or outsourcing as appropriate.

Contractor Expenses

The following is a list of the 2013 budgeted contractor and consulting expenditures, the cost of which are set forth in Exhibit B. The overall 2013 budget for contractors and consultants represents a \$1,303,000 increase over the 2012 budget.

- **NERC Website Design** – Major initiative to complete redesign and rewrite of the NERC public website using SharePoint 2010. The effort will entail usage of multiple contract resources with knowledge of SharePoint governance rules for document management; to include metadata tagging, quality assurance and exposure to the public facing website.
- Re-write ERO Membership Service Agreement application, which is a specialized version of the NERC My Account described below. The ERO Membership Service Agreement application captures additional information that may not be required by the NERC My Account Service.
- Re-write NERC My Account Service Agreement application, which is a single user account that, when granted rights, allows the user to request access to multiple secured NERC sites. The registration process collects the required information from the requestor to allow the NERC resource to vet the request and determine if the requestor should be granted access to the requested secure site.
- Re-write User Management Program (UMP) Service Agreement application. UMP provides external persons who need or desire access to NERC tools a way to request approved access. The UMP application is archaic in its approach to delivery of user access and rewriting the application using SharePoint 2010 will greatly reduce NERC employee manual input.
- **Security Vulnerability Testing** – Ongoing intrusion detection and vulnerability testing of the NERC public website, NERC network and systems. Testing is conducted by an outside vendor using the latest intrusion techniques to test the security of the NERC network. Multiple attempts are made to gain access and any vulnerabilities identified are documented and provided to NERC Information Technology for rapid remediation.
- **Infrastructure Design and Integration** – Hardware and software required to support development and ongoing NERC production activities. Multiple infrastructure items are targeted in the 2013 budget to include: server and laptop replacement, remote access,

improved storage capability, Local and wide-area network monitoring and alerting, virtualization and consolidation.

- **Compliance Database** – Redesign of the compliance database modules: Standards, Registration and Technical Feasibility Exception (TFE) using SharePoint 2010.
- **Standards Balloting** – Complete re-write of the Standards Balloting application using SharePoint 2010. The initial re-write and redesign of the application will be completed in 2012, but additional capability will be built into the application in 2013 for greater ease of commenting and response capability for Registered Entities.
- Project management, application development, support and maintenance (listed as Contractor Project Manager, Contractor Business Analyst and Contractor programming and development support on Exhibit B).
- Project management tools designed to track and monitor project, resource and budget adherence across NERC. The tool would also be used by the Standards team as a replacement for the existing tool which lacks core capability and functionality to track activities.
- **Quality Assurance Testing** – Quality Assurance (QA) for applications created by development or by outside contractors. The tool would allow for writing of QA scripts in plain English to test user screens for full functionality versus manual QA of the application. QA tools would greatly decrease coding errors and increase user satisfaction with the final product.
- **Data Warehouse Design** – A data warehouse is commonly used as a consolidated location for massive volumes of data. In this context a data warehouse would be created leveraging best of class hardware and consulting services to stream data into a consolidated database accessible across the ERO. The data warehouse would be constructed in such a manner to build upon efforts started in 2012 to consolidate the multiple databases and streams of information into a consolidated warehouse allowing for the creation of applications and mining of data in a centralized repository for increased data sharing across a broad spectrum of disciplines *e.g.*, RAPA, Compliance, Standards, etc.
- **Common Technology Platform** – Through collaboration and information sharing among NERC and the Regional Entities a concentrated effort would be initiated to choose a best of class application designed to provide a secure, easy to use ERO application.
- **Studies and Assessments** – Vendor studies and assessments that would be required in the event an application or database could not be delivered by NERC in-house development due to resource or time constraints. Studies and assessments are required in many instances to map out existing applications to the associated database and to gather technology requirements in order to scope the best technical solution for the business need.
- **Disaster Recovery** – Hardware and applications required to set up an initial disaster recovery site as a backup option in the event the NERC primary data center is unavailable. Primary business tools such as critical grid alerting tools, Microsoft

Exchange, remote telephony and other tools designed to ensure the continued operation of NERC business entities would be part of the initial design.

- **Backup of Electronic Files** – Purchase of greatly improved backup and recovery software designed to backup Microsoft Exchange, Laptop and Server data to meet retention and storage requirements.

2013 IT Operating and Capital Expense Budget

As indicated above, 2013 IT planning was based on a multi-year strategy designed to reduce complexity, improve productivity and gain a consolidated view of data across the ERO. Several criteria were considered during the planning phase to include a NERC IT Architecture study conducted by Deloitte and Touche in the fourth quarter of 2011, the need for visibility to aggregate data across the ERO and vastly improved collaboration among NERC and the Regional Entities.

The NERC IT Architecture study determined that many of the ERO applications designed in prior years were shown to be in silos and unable to look across multiple disciplines in order to obtain an aggregate view of events or trending across the grid. Implementation of enterprise-class tools such as SharePoint, SQL Server 2008, Virtualization and centralized data warehouse capability was deemed critical to provide greater productivity and efficiency, enhanced visibility to data and vastly improved collaboration.

In addition to setting the stage for implementation of core technologies in 2013, IT initiatives in 2012 were built using industry-standard best practices designed to build upon many of the recommendations of the Deloitte and Touche IT Architecture study. Tools such as SharePoint 2010, workflow automation – K2 Black Pearl in addition to best practices for centralized management and methodology through the Project Management Office, along with development, Quality Assurance and Production build the framework for 2013 operating and capital budget request described in greater detail below.

The 2013 IT operating and capital budget builds on industry best-practices and are focused on greater visibility, accountability and reliability of data across multiple disciplines.

2013 IT Operating Expenses

A summary of the major categories of IT Operating Expenses are set forth in the following table followed by a discussion.

Office Costs		Budget 2013
Telephone	\$	175,000
Internet		335,000
Computer Supplies and Maintenance		
Computers		3,000
Computer Supplies		116,900
Maintenance & Service Agreements		1,226,325
Software		37,500
Total Office Costs	\$	1,893,725

Telephone Expenses

Office telephone costs are items associated with cellular phone, mobile laptop cellular air card, bonded T1 Voice over Internet Protocol (VoIP) data circuits and conference calling expenses.

- NERC-issued cell phones are provided to employees to ensure access and productivity before, during and after business hours and cost is minimized by leveraging pooled minutes. Individual NERC employees are provided with a basic pooled cell phone plan of 450 minutes including a basic-level subscription for texting and data. This plan is designed to ensure persons who travel frequently have additional cell phone minutes, by taking advantage of limited usage by employees who travel less frequently. In addition, employees are encouraged to connect via wireless whenever possible to reduce cellular charges for data usage. The basic texting plan is provided for those instances when calling or email is not optimal. Cellular calling costs are included in the telephone expense item.
- Mobile laptop cellular air cards are provided to ensure connectivity while traveling or in locations where wireless connectivity is unavailable. Employees are encouraged whenever possible to connect via wireless versus cellular to reduce usage fees. Wireless or cellular connectivity to the NERC network is enabled using virtual private network technology to ensure maximum security, logging and encryption.
- Information Technology support persons are required to be available for support 24x7x365 that in almost all instances requires access to systems and network via secure internet connectivity. Included in the line item “telephone” are those monthly costs associated with internet access for systems, application, network and security to enable IT resources to provide support, conduct emergency and non-emergency patching of systems, routers, firewalls, etc., as required to ensure the stability of the NERC technology environment.
- Conference calling is conducted via an external service provider in order to minimize internal hardware, Information Technology support, and internal conference lines capable of providing access to an external audience. Information Technology conference calling, webinars, recorded events, etc., are included in the telephone cost line item.
- Bonded T1 circuits provide access for VoIP service for NERC desk phones in lieu of having a very expensive, support intensive in-house phone switch (e.g., Private Branch

Exchange) that requires senior-level telecommunication resources to support and manage.

Internet Expense

Internet expense is comprised of data circuits, Plain old Telephone Service (POTS), and redundant capability in the event of primary service provider failure. Individual detail is outlined below:

- **Atlanta Headquarters (HQ)** – The Atlanta HQ office is connected to Washington, DC and the offsite co-location data center via direct (metro-E) data circuits and via backup internet and secondary carrier. In the event of a primary circuit failure, the HQ location automatically fails over to a secondary circuit in order to access over one hundred (100) servers, network devices, intrusion protection and detection, firewall, routers and switches located at the co-location data center. Co-location was chosen to minimize cost associated with adding, maintaining, cooling, fire protection, etc., of a NERC-owned data center. NERC employees must have connectivity (via primary and secondary) to the co-location facility in order to access all industry, back-office and office productivity applications. Internet connectivity, in addition to providing limited access in the event of primary and secondary carrier failure is used to ensure access by remote users e.g., VPN connected laptops, etc., in order to access NERC computer resources.
- **Washington, DC (DC)** – The DC office has similar connectivity back to the co-location data center located in Atlanta, Georgia. The DC office connectivity is primarily via high speed remote private circuit with backup connectivity to the Atlanta HQ location in the event of a primary circuit failure. The DC office also has internet access in a similar fashion to the HQ location.
- NERCNet Data circuits between the Carteret, New Jersey data center and the Atlanta co-location facility are included in the internet expense line item to ensure primary and secondary connectivity for NERCNet nodes.
- POTS Lines and bonded T1 data service are leveraged to provide access for conference calling and for internal desk phones. POTS lines have been installed in each conference room to be used for conference calling to ensure maximum voice quality due to the magnitude of calls conducted, number of external audio and video members and reliability.

Computers

Computers are items that do not meet the criteria considered a capital expense such as desktop computers or iPads. Desktop computers enable conference webinars, internet access, training room functionality, etc., for those instances when a presenter does not have a computer device available to conduct presentations. In addition, NERC will on a case-by-case basis and as justified by extensive travel or consistent out of office meetings provide an iPad with cellular data access for persons who require functionality but are unable to use a laptop for computing needs.

Computer Supplies

Computer supplies are expense items required for infrastructure support to include computer monitors, mice, keyboard, cell phones, cables, encrypted hard drives, encrypted thumb drives, encryption keys, uninterruptible power supplies (UPS), privacy screens, phone headsets, docking stations, computer memory and any other computer supplies or components required to support the technology infrastructure.

Maintenance and Service Agreements

Maintenance and Service Agreements comprise those items required to support internal and external access to routers, switches, firewalls, intrusion protection, 100-file servers, audio visual, storage area network, data backup services, network and security monitoring, co-location data center services, video conferencing, digital certificates, development and virtualization software. Service agreements related to the co-location data center, offsite backup of over 100-terabytes of data, conference calling, network and security monitoring consume a large portion of the maintenance and service agreements budget. Additional detail is provided here:

- **Co-location Data Center** – NERC leverages a co-location facility in order to minimize the cost associated with maintenance, support and resources required to maintain a fixed data center. Infrastructure such as redundant UPS, cooling, carrier diversity, physical security, generator and raised computer flooring are contained within the co-location facility where NERC houses the majority of computing resources for the Atlanta HQ and Washington DC office.
- **Offsite Backup** – NERC ensures reliability and consistency of over 100-terabytes of data storage by leveraging an offsite backup service provider. Data is streamed from disk to an offsite hardened storage facility capable of providing data backup and restoration based upon retention and storage procedures.
- **Conference Calling Services** – Conference calling services are provided by an external service provider designed to minimize the need for an internal conference bridge or associated hardware and support persons. NERC conducts several hundred industry focused conference calls, webinars, training etc. per year and in order to ensure consistency and reliability conference calling service by an external provider was chosen.
- **Network Monitoring** – Network monitoring is real time by industry leading tools designed to proactively alert network resources of network degradation, equipment failure, or loss of connectivity. Network monitoring is utilized to ensure the stability, security and reliability of the NERC network primary and secondary Wide Area Network (WAN) and internal Local Area Network (LAN) connections.
- **Security monitoring.** Monitoring is provided by an industry recognized leader in security monitoring and implementation of best practices.

Software

Tools such as SharePoint Designer, Microsoft Visio and Crystal Reports Developer are included under this line item. The tools are primarily used for NERC infrastructure purposes to develop SharePoint workflow, create development process flows and reporting.

2013 IT Fixed Asset (Capital) Expenses

The following table presents a summary of NERC's 2013 fixed asset budget for 2013. The applicable text is crossed referenced to the budget line items in the table.

Fixed Assets	Budget 2013
Computer & Software CapEx	
Data Warehouse Hardware (1)	\$ 600,000
ERO Single Application (2)	50,000
Disaster Recovery (3)	300,000
Laptops for New Staff and Replacement (4)	174,000
Data Back-up and Storage (5)	100,000
Development Servers (6)	65,000
Software (7)	267,100
Total Computer & Software CapEx	\$ 1,556,100
Equipment CapEx	
ERO Single Application (2)	\$ 63,000
Network Devices (8)	153,000
Total Equipment CapEx	\$ 216,000

In order to provide access, visibility and analysis of data from many different sources across the ERO, it will require significant investment in hardware, software and associated tools and technology. The overarching theme is to gain a holistic view of data across the enterprise in support of reliability and accountability of the bulk power system. Adding capability to centralize and mine data, in addition to foundational elements such as disaster recovery and application development, set the stage for vastly improved reporting, business intelligence and capability for collaboration and sharing of information vital to the ERO's mission.

Among the significant investments required to support efficiency and consistency across the enterprise listed in the 2013 budget draft include Data Warehouse, ERO single application infrastructure, Disaster Recovery (DR) and associated virtualization, network, server hardware and software that consume a large portion of the OPEX/CAPEX expenditure in 2013. In addition, internal NERC environmental upgrades are required which include servers, laptops, back up and associated hardware items.

Data Warehouse Hardware (1)

A data warehouse is a repository of data, designed to provide a reliable, stable, secure environment for reporting across multiple disciplines (e.g., RAPA, Compliance, Standards, Enforcement, etc.) and requires a significant investment in large scale database and storage architecture.

As illustrated by the IT Architecture Project conducted by Deloitte and Touche conducted in first quarter 2012, NERC and the Regional Entities have many disparate sources of data, none of which are closely integrated for a holistic view across the enterprise. Implementation of a centralized data warehouse, through collaboration and consensus with the Regional Entities,

will build upon to-be-defined data input from multiple sources (e.g., Events Analysis, TADS, GADS, DADS, CRATS, etc.), providing an aggregate view across the enterprise. Design of a data warehouse is a multi-year effort that requires significant investment in hardware to store incoming transactional data from disparate data sources into a hierarchical structure targeted at building a single source of secure, reliable information. Alignment of data from disparate sources is a foundational element required to build the framework for business intelligence tools to mine data across the enterprise, build executive dashboards and establish long term trending and analysis.

ERO Single Application Infrastructure Hardware (2)

SharePoint 2010 is the tool of choice for reliable, secure, efficient, and cost effective sharing of information and collaboration with the Regional Entities and external stakeholders. SharePoint 2010 is a robust web application platform capable of supporting multiple organizations that can be coupled with third party solutions such as Enterprise Resource Planning (ERP), Customer Relationship Management (CRM) and Business Intelligence (BI) tools as required by the ERO. Implementation of SharePoint 2010 sets the foundation for integration with the Regional Entities through creation of web portals and applications designed to reduce the complexity associated with document sharing, data mining and improved productivity by reducing the need to combine data from multiple sources onto spreadsheets.

A clear example of improved efficiency is the concept developed to use SharePoint to tie violation documents to the violation. Previously there were no automated mechanisms to associate the violation record with the violation data, resulting in considerable manual effort by the Enforcement team. Through collaboration and consensus with the Regions, a concept was developed to automate the process through implementation of SharePoint document management. Further capability through claims-based management builds the framework to reduce numerous spreadsheet applications for much greater productivity and enhanced design capabilities.

In order to implement SharePoint on an enterprise scale, investment in hardware (servers), network (routers, firewalls, switches) and virtualization software is required to promote collaboration and consistency across the ERO.

Disaster Recovery Hardware (3)

Implementation of a disaster recovery plan to include hardware in support of critical IT resources (e.g., Exchange email, NERC forward facing web-site, MS SQL, etc.) is imperative for NERC in 2013. Disaster recovery is a multi-year effort that will entail both plan creation and purchase of associated hardware.

Disaster recovery is designed to put the initial framework in place to ensure survivability of the most critical assets required to sustain ERO functions. Items such as payroll, accounting, exchange messaging, internet access and phone service fall into items considered critical-to-business-operations, in addition to other applications considered necessary for the reliability of the grid. The initial implementation would be based on a risk assessment conducted by IT,

assisted by external vendors and the business to determine those items deemed most critical to the ERO's mission.

Implementation of a disaster recovery plan is a multi-year endeavor that will require continuous tuning and testing to ensure all facets of the plan are well-scripted and understood to ensure that staff, vendors and Regional Entities are prepared to enact upon declaration of a disaster event. Initial steps in 2013 include plan creation and procurement of hardware in support of essential business functions.

Laptop Replacement Hardware (4)

NERC issued laptop computers are on a three-year depreciation cycle and are rotated out as they are determined to have reached the end of the productive business cycle. Each year during the business planning and budget cycle an analysis is conducted to determine those computers that are coming due for refresh and the associated number are accounted for in the planning cycle. Throughout the year computers are refreshed as their warranty expires, or they have been determined to no longer provide effective business functions.

Servers, Network and Storage Area Network Hardware (6)

Servers located at the co-location data center are on a five year depreciation cycle designed to take advantage of the longer operational life of server equipment versus laptop equipment. Approximately 80 servers are located at the co-location data center and an analysis is conducted each year to determine those devices that are near, or at the end of the five year cycle. Servers that have been determined to no longer provide useful business functions are refreshed following the five year cycle or sooner if their operational capacity has been exceeded to lack of expansion capability.

Data Backup and Storage (5)

NERC data and information located at the co-location data center is continually backed up using a data service and appliances to back up the information to disk and then to an off-site storage location. Data is backed up every 15 minutes and follows industry best-practice for daily, weekly, monthly, quarterly and yearly backup cycles. The data is encrypted in transit and maintained following NERC established retention policies. This item includes the hardware required to backup the massive amount of ERO data anticipated for the Data Warehouse and associated environment (e.g., SharePoint collaboration sites, in addition NERC laptops and desktops).

Software (7)

Capitalized software includes items that are not covered under the standard Microsoft Enterprise Agreement (EA). Items such as Lyris Listserv licenses, Matricon, SolarWinds, KACE (support desk), Visio, Script Logic, K2-Blackpearl, Modeling software (PSLF), etc., required in support of back-office and development of both internal NERC and ERO applications.

Network Devices (8)

Network equipment such as routers, switches, firewalls, intrusion detection and protection devices are on a similar depreciation schedule as the server equipment discussed above. Each

device is designed with expansion capability in mind and is tailored to serve the ever growing demand for network bandwidth and access to vital data in support of the ERO's mission. Storage Area Network (SAN) equipment is also located at the co-location data center and is where most data is housed. The SAN equipment is a multi-terabyte storage device with several layers of redundancy to effectively store and protect NERC information.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
INFORMATION TECHNOLOGY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 1,412,180	\$ 1,673,683	\$ 261,504	\$ 1,651,076	\$ 238,897
Payroll Taxes	100,329	113,726	13,397	114,954	14,625
Benefits	204,053	187,354	(16,699)	224,184	20,132
Retirement Costs	203,123	185,994	(17,129)	178,464	(24,659)
Total Personnel Expenses	<u>\$ 1,919,684</u>	<u>\$ 2,160,757</u>	<u>\$ 241,073</u>	<u>\$ 2,168,678</u>	<u>\$ 248,994</u>
Meeting Expenses					
Meetings	\$ -	\$ 132	\$ 132	\$ 5,000	\$ 5,000
Travel	26,750	87,922	61,172	62,000	35,250
Conference Calls	4,800	4,295	(505)	4,800	-
Total Meeting Expenses	<u>\$ 31,550</u>	<u>\$ 92,349</u>	<u>\$ 60,799</u>	<u>\$ 71,800</u>	<u>\$ 40,250</u>
Operating Expenses					
Consultants & Contracts	\$ 1,418,000	\$ 1,489,402	\$ 71,402	\$ 2,721,000	\$ 1,303,000
Office Rent	-	-	-	-	-
Office Costs	1,898,470	1,868,907	(29,563)	1,893,725	(4,745)
Professional Services	-	574	574	-	-
Miscellaneous	1,600	348	(1,252)	500	(1,100)
Depreciation	1,360,275	943,335	(416,940)	1,123,002	(237,273)
Total Operating Expenses	<u>\$ 4,678,345</u>	<u>\$ 4,302,566</u>	<u>\$ (375,779)</u>	<u>\$ 5,738,227</u>	<u>\$ 1,059,882</u>
Total Direct Expenses	<u>\$ 6,629,579</u>	<u>\$ 6,555,672</u>	<u>\$ (73,907)</u>	<u>\$ 7,978,705</u>	<u>\$ 1,349,126</u>
Indirect Expenses	<u>(6,629,579)</u>	<u>(6,563,575)</u>	<u>\$ 66,004</u>	<u>(7,978,705)</u>	<u>(1,349,126)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 0</u>	<u>\$ (7,903)</u>	<u>\$ (7,904)</u>	<u>\$ -</u>	<u>\$ (0)</u>
Change in Assets	<u>\$ (0)</u>	<u>\$ 7,903</u>	<u>\$ 7,904</u>	<u>\$ -</u>	<u>\$ 0</u>
Fixed Assets					
Depreciation	(1,360,275)	(943,335)	416,940	(1,123,002)	237,273
Computer & Software CapEx	772,090	681,132	(90,958)	1,556,100	784,010
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	90,958	90,958	216,000	216,000
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 588,185	\$ 171,245	(416,940)	(649,098)	(1,237,283)
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ 0</u>	<u>\$ (7,903)</u>	<u>\$ (7,904)</u>	<u>\$ -</u>	<u>\$ (0)</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ (0)</u>	<u>\$ 7,903</u>	<u>\$ 7,904</u>	<u>\$ -</u>	<u>\$ 0</u>
FTEs	12.75	15.97	3.22	16.75	4.00

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Personnel Expense** – Salaries, Payroll Taxes and Benefits costs are increasing due to the increase in FTEs in the department, but due to the change in NERC's retirement plan, the average cost per FTE resulted in a decrease in costs in 2013.
- **Contracts and Consultants** – The increase is described in detail above.
- **Fixed Assets** – The increase is described in detail above.

Human Resources

Human Resources (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	6.00	3.00	(3.00)
Total Direct Expenses	\$ 1,444,141	\$ 1,527,797	\$ 83,656
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Background and Scope

The Human Resources (HR) 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. In 2010, NERC implemented a more robust, objective and auditable performance management system to track corporate, departmental and individual performance against pre-established goals, objectives and measures. Each year NERC continues to refine and improve this system. In 2011, it became fully automated. In 2012, NERC implemented a new time accounting system to facilitate tracking of time by functional activities or, where appropriate, specific projects.

2013 Goals and Objectives

Executive Training and Development

As the NERC risk-based methodology to improve reliability is further developed and deployed, experienced consultants will be used to provide strategic guidance and training for the executive team to frame problems according to highest potential risk factors and prioritize to solve big issues. The executive leadership team may also receive additional training and development initiatives geared towards promoting collaboration and consensus-building to improve knowledge-sharing and coordinated efforts on solving big reliability issues.

Staff Development

Management believes that access to knowledge is a key differentiator for NERC, ensures retention and high performance, and NERC therefore will invest in learning opportunities for staff in several areas. First, HR will continue to host and optimize an e-learning platform, SkillsSoft, to provide staff resources for improving soft and technical skills. Second, HR will provide staff development training through real-world access via tours of and training on control centers, electric substations, and power plants. Finally, staff will have access to additional education including but not limited to degree-oriented university education, pursuit of specialized certifications, and other in-house and external training that provides essential knowledge and skills development that will lead to improved staff performance.

Compensation Consulting

HR will continue to rely on market data to drive its attraction, engagement, and retention model. Periodically, HR will have a compensation consultant examine the current market data to ensure that all decisions affecting compensation are made in light of the current market climate and that qualified employees are attracted and retained within a defined total remuneration range. To protect NERC's substantial investment in human capital, HR will also engage consultants to consider compensation models and practices prevalent within the market that have been successful in attracting, engaging, and retaining talent. Similarly, HR may partner with compensation subject matter experts to perform periodic assessments of the BOT compensation model to ensure alignment with market practices. NERC's compensation policy and analysis of market data will be based on total remuneration, taking into account base and incentive compensation, as well as benefits.

Surveys

HR will retain a vendor to design stakeholder and other surveys, as well as to analyze survey results and will assist in identifying and implementing improvements in the Board of Trustees, Member Representatives Committee, and NERC Board of Trustees' committees surveys, as well as launch additional surveys including: (1) a Compliance and Certification Committee (CCC) survey to evaluate industry's perspectives on NERC's effectiveness in improving reliability and (2) an internal employee climate survey.

Succession Planning

Critical to continued success towards ensuring the reliability of the bulk power system is minimizing disruption of knowledge/skill/experience bases of key staff. HR will partner with TalentQuest to leverage best practices and software tools to systemically identify essential roles and develop strategies to build pipelines and contingency plans for any loss of staff.

HR Products and Services Automation

Paramount to an effective/efficient HR department is the use of electronic and automated products and services. HR will continue development of a user-friendly, easy-to-access suite of HR solutions by continuing investment in electronic platforms. These investments include converting HR to a "paperless" function, launching a single sign on for employees whereby they can access all tools with one set of log-in credentials, adding additional capabilities including an online benefits enrollment system, and optimizing online time and attendance, training, and performance management tools.

Resource Requirements

Personnel

Two FTEs transferred to other departments in 2012. In addition, HR staffing will be reduced by one (1) FTE in 2013.

Contractor Expenses

Contractor and consultant expenses are roughly in line with 2012 budgeted amounts and are set forth in additional detail in Exhibit B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
HUMAN RESOURCES					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 711,539	\$ 572,531	\$ (139,008)	\$ 498,724	\$ (212,815)
Payroll Taxes	37,353	28,299	(9,054)	22,610	(14,743)
Benefits	294,372	97,030	(197,342)	573,737	279,365
Retirement Costs	70,798	48,809	(21,989)	41,348	(29,450)
Total Personnel Expenses	<u>\$ 1,114,062</u>	<u>\$ 746,669</u>	<u>\$ (367,393)</u>	<u>\$ 1,136,419</u>	<u>\$ 22,357</u>
Meeting Expenses					
Meetings	\$ 11,385	\$ 11,385	\$ -	\$ 5,000	\$ (6,385)
Travel	7,000	16,607	9,607	21,000	14,000
Conference Calls	600	2,472	1,872	600	-
Total Meeting Expenses	<u>\$ 18,985</u>	<u>\$ 30,465</u>	<u>\$ 11,480</u>	<u>\$ 26,600</u>	<u>\$ 7,615</u>
Operating Expenses					
Consultants & Contracts	\$ 290,000	\$ 321,324	\$ 31,324	\$ 288,500	\$ (1,500)
Office Rent	-	-	-	-	-
Office Costs	13,094	50,964	37,870	42,500	29,406
Professional Services	5,000	9,000	4,000	23,278	18,278
Miscellaneous	3,000	3,000	-	10,500	7,500
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 311,094</u>	<u>\$ 384,288</u>	<u>\$ 73,194</u>	<u>\$ 364,778</u>	<u>\$ 53,684</u>
Total Direct Expenses	<u>\$ 1,444,141</u>	<u>\$ 1,161,422</u>	<u>\$ (282,719)</u>	<u>\$ 1,527,797</u>	<u>\$ 83,656</u>
Indirect Expenses	<u>\$ (1,444,141)</u>	<u>\$ (1,161,422)</u>	<u>\$ 282,719</u>	<u>\$ (1,527,797)</u>	<u>\$ (83,656)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
FTEs	6.00	4.00	(2.00)	3.00	(3.00)

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Personnel Expense** – Salaries, Payroll Taxes and Retirement costs are decreasing is due to having 3.0 fewer FTEs in the department in 2013. The increase in Benefits expense is primarily due to including the cost of providing parking for employees (formerly part of Office Rent expense) at the Atlanta and Washington, D.C. offices. The cost of providing employee parking was abated for most of 2012 in Atlanta per the terms of the lease agreement.
- **Travel** – The increase in travel is related to time spent in the Washington, DC office and to quarterly Board of Trustees meetings.
- **Office Costs** – The increase is due to annual maintenance fees for software that provides employee training courses.
- **Professional Services** – The increase is related to implementation of a third-party Human Resources Information System that provides employees access to their entire payroll and benefit information through an online system.
- **Miscellaneous Expenses** – As previously described, the increase is related to \$10k budgeted solely in Human Resources for employee rewards and recognition. NERC has added a new account to the System of Accounts which will roll-up with other miscellaneous expenses and will be used to track actual employee rewards and recognition expenses in 2013. (Refer to Table B-9 on page 119).

Finance and Accounting

Accounting and Finance (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	9.00	11.00	2.00
Total Direct Expenses	\$ 1,872,296	\$ 2,201,294	\$ 328,998
Inc(Dec) in Fixed Assets	\$ (771)	\$ (798)	\$ (27)
Working Capital Requirement	\$ 0	\$ -	\$ (0)

Background and Scope

NERC's Finance and Accounting department manages all finance and accounting functions, including employee payroll, 401(k) and 457(b) plans, 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. Over the past several years, NERC's Finance and Accounting department implemented additional policies, procedures and controls governing day to day practices including contract and personnel procurements, meeting, conference planning and travel, expense reimbursement and back office systems and procedures. The department will

continue to refine, improve and where necessary implement additional procedures and controls.

Resource Requirements

Personnel

One (1) FTE was added in 2012 to provide facilities management and one (1) FTE was added in 2012 to provide additional administrative and internal controls support. No new FTE additions are planned for 2013.

Contractor Expenses

\$325k is budgeted for outside auditors to support audit program review and Regional Entity oversight by the the Compliance Operations and Critical Infrastructure Protection departments as part of the internal controls and risk management function. The budget is consistent with 2012. To the extent that consulting support is required address regulatory directives affecting NERC's financial, accounting, budgeting processes and/or systems these additional costs will be funded from operating reserves in accordance with the company's approved Working Capital and Operating Reserve Guidelines.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
FINANCE and ACCOUNTING					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 1,023,527	\$ 1,198,983	\$ 175,456	\$ 1,230,355	\$ 206,828
Payroll Taxes	64,896	67,861	2,965	70,460	5,564
Benefits	142,111	137,107	(5,004)	149,964	7,853
Retirement Costs	144,750	132,414	(12,336)	140,368	(4,382)
Total Personnel Expenses	<u>\$ 1,375,285</u>	<u>\$ 1,536,365</u>	<u>\$ 161,081</u>	<u>\$ 1,591,146</u>	<u>\$ 215,862</u>
Meeting Expenses					
Meetings	\$ 500	\$ 500	\$ -	\$ 5,000	\$ 4,500
Travel	40,000	54,566	14,566	62,500	22,500
Conference Calls	1,850	1,000	(850)	1,850	-
Total Meeting Expenses	<u>\$ 42,350</u>	<u>\$ 56,066</u>	<u>\$ 13,716</u>	<u>\$ 69,350</u>	<u>\$ 27,000</u>
Operating Expenses					
Consultants & Contracts	\$ 325,000	\$ 434,723	\$ 109,723	\$ 325,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	8,790	41,341	32,551	28,500	19,710
Professional Services	120,000	120,000	-	186,000	66,000
Miscellaneous	100	100	-	500	400
Depreciation	771	798	27	798	27
Total Operating Expenses	<u>\$ 454,661</u>	<u>\$ 596,962</u>	<u>\$ 142,301</u>	<u>\$ 540,798</u>	<u>\$ 86,137</u>
Total Direct Expenses	<u>\$ 1,872,296</u>	<u>\$ 2,189,394</u>	<u>\$ 317,099</u>	<u>\$ 2,201,294</u>	<u>\$ 328,999</u>
Indirect Expenses	<u>\$ (1,872,296)</u>	<u>\$ (2,189,394)</u>	<u>\$ (317,098)</u>	<u>\$ (2,201,294)</u>	<u>\$ (328,998)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>
Change in Assets	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>
Fixed Assets					
Depreciation	(771)	(798)	(27)	(798)	(27)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 771	\$ 798	\$ 27	\$ 798	\$ 27
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>
FTEs	9.00	10.79	1.79	11.00	2.00

Summary of Variances by Category – 2013 Budget Compared to the 2012 Budget

- **Personnel Expenses** – Salaries, Payroll Taxes and Benefits expenses are projected to increase in 2013 due to adding 2.0 FTEs, but the change to NERC's retirement plans reduced Retirement Costs per FTE and resulted in a projected decrease in 2013.
- **Travel Expenses** – The increase is related to adding 2.0 FTEs and to an increase in travel for meeting planning and the internal controls and risk management functions.
- **Office Costs** – Higher cell phone and wireless air card charges associated with additional FTEs on staff.
- **Professional Services** – Accounting and Auditing Fees are projected to increase in 2013 due to higher fees associated with the external audit of NERC's financial records and the 401k Plan

Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2012-2013					
STATUTORY					
	Total Reserve	Working Capital	Operating Reserve	Contingency Reserve	System Operator Testing-PCGC
Beginning Working Capital Reserve (Deficit), December 31, 2011	3,836,373	2,403,271			1,433,102
Plus: 2012 Funding (from LSEs or designees)	50,661,271	50,661,271			
Plus: 2012 Other funding sources	2,606,236	1,137,206			1,469,031
Less: 2012 Projected expenses & capital expenditures	(51,663,132)	(50,515,438)			(1,147,693)
Projected Working Capital Reserve (Deficit), December 31, 2012	5,440,748	3,686,309	0	0	1,754,439
Desired Working Capital Reserve, December 31, 2013 ¹	3,407,149	0	1,000,000	1,000,000	1,407,149
Minus: Projected Working Capital Reserve, December 31, 2012	5,440,748	3,686,309	0	0	1,754,439
Increase(decrease) in funding requirement to achieve Working Capital Reserve	(2,033,600)	(3,686,309)	1,000,000	1,000,000	(347,290)
2013 Expenses and Capital Expenditures	54,286,256				
Less: Penalty Sanctions ²	(2,512,500)				
Less: Other Funding Sources	(2,136,000)				
Adjustment to achieve desired Working Capital Reserve	(2,033,600)				
2013 NERC Assessment	47,604,156				

¹ On August 16, 2012, the NERC Board of Trustees approved the proposed Working Capital and Operating Reserves Policy set forth herein.

² Represents collections on or prior to June 30, 2012.

Breakdown by Statement of Activity Sections

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

Penalty Monies

Penalty monies received prior to June 30, 2012 are to be used to offset assessments in the 2013 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, 2012 through June 30, 2013 will be used to offset assessments in the 2014 Budget.

All penalties received prior to June 30, 2012 are detailed below, including the amount and date received.

Allocation Method

Penalty payments received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Operations and Organization Registration and

Certification; Compliance Enforcement; Reliability Assessments and Performance Analysis; Training and Education; Situational Awareness; Events Analysis and Investigations; and the Critical Infrastructure Department. 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-2

Penalty Sanctions Received On or Prior to June 30, 2012		Date Received	Amount Received
		7/17/2011	\$ 175,000
		9/9/2011	175,000
		9/14/2011	100,000
		12/7/2011	1,962,500
		6/28/2012	100,000
Total Penalties Received			<u>\$ 2,512,500</u>

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget
Reliability Standards				
Workshops		\$ 40,500	\$ 104,000	\$ 104,000
Interest Allocation	3,864	3,773	3,970	106
Total	\$ 3,864	\$ 44,273	\$ 107,970	\$ 104,106
Compliance Operations and Enforcement				
Workshops	\$ -	\$ 36,025	\$ 40,000	\$ 40,000
Interest Allocation	6,614	6,203	5,843	(771)
Total	\$ 6,614	\$ 42,228	\$ 45,843	\$ 39,229
Reliability Assessments and Performance Analysis				
pc_GAR Software	\$ 75,000	\$ -	\$ -	\$ (75,000)
GADS Services	175,000	125,000	-	(175,000)
Workshops		-	40,000	40,000
Interest Allocation	2,558	2,838	2,809	251
Total	\$ 252,558	\$ 127,838	\$ 42,809	\$ (209,749)
Training and Education				
Testing Fees and Certificate Renewals	\$ 1,461,000	\$ 1,469,000	\$ 1,080,000	\$ (381,000)
CEH Fees	600,000	639,200	600,000	-
Workshops	120,000	-	-	(120,000)
Interest Allocation	1,047	1,106	1,199	152
Total	\$ 2,182,047	\$ 2,109,306	\$ 1,681,199	\$ (500,848)
Event Analysis and Investigations				
Workshops	\$ -	\$ 66,000	\$ 52,000	\$ 52,000
Interest Allocation	2,016	2,410	2,322	306
Total	\$ 2,016	\$ 68,410	\$ 54,322	\$ 52,306
Situation Awareness				
Workshops	\$ -	\$ 103,175	\$ 105,000	\$ 105,000
FIST Royalties		10,500		-
Interest Allocation	3,902	959	974	(2,928)
Total	\$ 3,902	\$ 114,634	\$ 105,974	\$ 102,072
Critical Infrastructure Protection				
Workshops	\$ -	\$ 95,000	\$ 95,000	\$ 95,000
Interest Allocation	-	2,711	2,884	2,884
Total	\$ -	\$ 97,711	\$ 97,884	\$ 97,884
General and Administrative				
Miscellaneous Income	\$ -	\$ 1,806	\$ -	\$ -
Total	\$ -	\$ 1,806	\$ -	\$ -
Total Outside Funding	\$ 2,451,001	\$ 2,606,206	\$ 2,136,000	\$ (315,001)

Explanation of Significant Variances – 2103 Budget versus 2012 Budget

- All Workshop Fees and related expenses were budgeted in the Training and Education Program in 2012, but Projected 2012 and Budgeted 2013 fees and expenses are being recorded in the Program sponsoring the workshop.

- Reliability Assessments and Performance Analysis - The decrease in funding from Services and Software, which primarily comes from licensing the GADS software to third parties, is due to NERC no longer actively pursuing these revenues.
- Training and Education – The reduction in Testing Fees and Certificate Renewals is due to the decision by the Personnel Certification Governance Committee to reduce testing and certificate renewal fees in 2013 to levels below the amount needed to offset the projected 2013 expenses of the System Operator Testing and Certification Program to reduce the level of excess working capital generated from 2010 through 2012 as explained in further detail in the “Working Capital and Operating Reserve Policy”, which follows in Exhibit C.

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Total Salaries	\$ 24,800,833	\$ 23,245,401	\$ 24,056,166	\$ (744,667)	-3.0%
Total Payroll Taxes	1,524,935	1,397,780	1,459,710	(65,225)	-4.3%
Total Benefits	3,190,308	2,479,453	3,079,941	(110,367)	-3.5%
Total Retirement	3,489,736	2,420,586	2,702,588	(787,148)	-22.6%
Total Personnel Costs	<u>\$ 33,005,812</u>	<u>\$ 29,543,220</u>	<u>\$ 31,298,405</u>	<u>\$ (1,707,407)</u>	<u>-5.2%</u>
FTEs	176.75	170.81	186.25	9.50	5.4%
Cost per FTE					
Salaries	\$ 140,316	\$ 136,089	\$ 129,161	(11,155)	-8.0%
Payroll Taxes	8,628	8,183	7,837	(790)	-9.2%
Benefits	18,050	14,516	16,537	(1,513)	-8.4%
Retirement	19,744	14,171	14,511	(5,233)	-26.5%
Total Cost per FTE	\$ 186,737	\$ 172,960	\$ 168,045	\$ (18,692)	-10.0%

- **Explanation of Significant Variances – 2103 Budget versus 2012 Budget** Salary and Payroll Taxes - In addition to phasing the timing of new hires in 2013, NERC assumed a 3% personnel attrition rate based on current trends, which reduced the budget for Salaries and Payroll Tax expenses even though 9.5 FTEs are being added and reduced the average cost per FTE.
- Changes to NERC’s employee benefit and retirement plans resulted in a lower budget and lower average costs per FTE in 2013 compared to the 2012 budget.

Consultants and Contracts**Table B-5*****NOTE: This table has been replaced by Exhibit B*****Office Rent****Table B-6**

Rent	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Office Rent	\$ 2,304,257	\$ 2,784,036	\$ 2,756,840	\$ 452,583	19.64%
Utilities			-	-	
Maintenance			-	-	
Total Office Rent	\$ 2,304,257	\$ 2,784,036	\$ 2,756,840	\$ 452,583	19.64%

Explanation of Significant Variances – 2103 Budget versus 2012 Budget

The increased rent expense reflects the amortization of the lease costs for NERC office space over the term of the leases and the estimated cost of increasing leased space in Atlanta.

Office Costs

Table B-7

Office Costs	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Telephone	\$ 441,280	\$ 565,221	\$ 527,000	\$ 85,720	19.43%
Telephone Answering Srv	2,400	2,167	-	(2,400)	-100.00%
Internet	312,900	644,744	354,000	41,100	13.14%
Office Supplies	170,600	160,663	172,500	1,900	1.11%
Computer Supplies and Maintenance	-	-	-	-	
Computers	37,000	14,103	3,000	(34,000)	-91.89%
Computer Supplies	91,400	147,708	116,900	25,500	27.90%
Maintenance & Service Agreements	1,168,400	1,024,211	1,404,265	235,865	20.19%
Software	130,670	13,449	38,500	(92,170)	-70.54%
Network Supplies	-	597	-	-	
Publications & Subscriptions	50,500	74,653	73,000	22,500	44.55%
Dues	33,250	40,692	42,750	9,500	28.57%
Postage	24,200	17,616	20,100	(4,100)	-16.94%
Express Shipping	49,000	54,985	64,500	15,500	31.63%
Copying	139,000	123,270	135,000	(4,000)	-2.88%
Reports	3,219	1,380	8,000	4,781	148.52%
Stationary/Forms	15,000	-	15,000	-	0.00%
Equipment Repair/Service Contracts	25,000	65,537	30,000	5,000	20.00%
Bank Charges	15,000	28,092	25,000	10,000	66.67%
Taxes	50,000	121	50,000	-	0.00%
Merchant Card Fees	80,000	83,592	102,000	22,000	27.50%
Total Office Costs	\$ 2,838,819	\$ 3,062,803	\$ 3,181,515	\$ 342,696	12.07%

Explanation of Significant Variances – 2103 Budget versus 2012 Budget

- Telephone expense is for cell phone and wireless internet access and the increase is related to having more staff using these services.
- Maintenance and Service Agreements – The increase is primarily related to expanded space requirements at the offsite data center and higher costs associated with off-site backup and security monitoring agreements.
- Publications and Subscriptions – The increase is primarily related to critical intelligence publications budgeted in the Critical Infrastructure Department
- Merchant Card Fees – Primarily due to an increase in the number of workshops which are funded by fees charged and paid primarily with credit cards.

Professional Services

Table B-8

Professional Services	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Independent Trustee Fees	\$ 980,000	\$ 980,000	\$ 980,000	\$ -	0.00%
Trustee Search Fee	75,000	75,000	-	(75,000)	-100.00%
Outside Legal	700,000	1,316,290	900,000	200,000	28.57%
Lobbying Fees	50,000	50,000	50,000	-	0.00%
Accounting & Auditing Fees	125,000	242,735	242,278	117,278	93.82%
Insurance Commercial	75,000	103,000	110,000	35,000	46.67%
Total Services	\$ 2,005,000	\$ 2,767,025	\$ 2,282,278	\$ 277,278	13.83%

Explanation of Significant Variances – 2103 Budget versus 2012 Budget

- Two Trustees will be appointed to the Board in 2013, however the estimated fees associated with the search for the new trustees will be incurred in 2012. Any excess cost above the 2012 Budget will be funded through operating reserves.
- Outside Legal – Outside law firms are used to support NERC's internal legal and regulatory staff due to increased demands and responsibilities
- Accounting and Auditing Fees are projected to increase in 2013 due to higher fees associated with the external audit of NERC's financial records and the 401k Plan, implementation of a full Human Resources Information System and implementation of a new timekeeping system
- Insurance costs are increasing as a result of NERC's investments and expansions of its offices and data center

Miscellaneous

Table B-9

Miscellaneous Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Miscellaneous Expense	\$ 21,500	\$ 21,896	\$ 6,500	\$ (15,000)	-69.77%
Employee Rewards and Recognition		-	\$ 10,000	10,000	
Community Resp & Employee Engagement	-		5,000	5,000	
Total Miscellaneous Expenses	\$ 21,500	\$ 21,896	\$ 21,500	\$ -	0.00%

Explanation of Significant Variances – 2103 Budget versus 2012 Budget

NERC is adding two new accounts to the System of Accounts to separately track Employee Rewards and Recognition expenses and a new initiative for Community Responsibility and Employee Engagement.

Other Non-Operating Expenses**Table B-10**

Other Non-Operating Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Gain/Loss from Sale of Assets	\$ -	\$ -	\$ -	\$ -	
Property Tax Expense		50,000	\$ 50,000	50,000	
Office Relocation	-	18,903	-	-	
Total Other Non-Operating Expenses	\$ -	\$ 68,903	\$ 50,000	\$ 50,000	

Explanation of Significant Variances – 2103 Budget versus 2012 Budget

NERC is subject to property tax expense in Atlanta, Georgia based on the value of property and equipment in the Atlanta office and data center locations.

Section C — Non-Statutory Activity

NERC has no non-statutory activities.

Section D — Supplemental Financial Statements

Statement of Financial Position			
2011 Audited, 2012 Projection, and 2013 Budget			
STATUTORY			
	(Per Audit) 31-Dec-11	Projected 31-Dec-12	Budget 31-Dec-13
ASSETS			
Cash - unrestricted	16,603,649	14,614,351	12,288,295
Cash - restricted	2,412,500	2,512,500	
Trade Accounts receivable, net of allowance for uncollectible accounts of \$152,323 (2009)	3,542,891	3,542,891	3,542,891
Prepaid expenses and other current assets	551,841	551,841	551,841
Security deposit	114,903	114,903	114,903
Cash value of insurance policies	282,098	282,098	282,098
Property and equipment	5,088,886	4,416,886	4,609,185
Total Assets	28,596,769	26,035,471	21,389,213
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	3,870,395	3,870,395	3,870,395
Deferred Rent	880,941	1,607,864	1,491,165
Deferred income	2,644,176	2,644,176	2,644,176
Regional assessments	4,675,028	-	-
Deferred compensation	594,629	594,629	594,629
Accrued retirement liabilities	1,682,481	1,364,403	1,524,265
Accrued incentive compensation	2,911,359	3,583,900	3,248,280
Total Liabilities	17,259,010	13,665,367	13,372,910
Net Assets - unrestricted	8,925,258	9,857,603	8,016,302
Net Assets -temporarily restricted	2,412,500	2,512,500	
Total Liabilities and Net Assets	28,596,768	26,035,471	21,389,213

NORTH AMERICAN ELECTRIC RELIABILITY COPORATION

				Statutory Activities														
Statement of Activities, Fixed Asset Expenditures and Change in Working Capital by Program 2013 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance Operations and Organization Registration and Certification	Compliance Enforcement	Reliability Assessment and Performance Analysis	Training and Education	Event Analysis & Investigations	Situation Awareness and Infrastructure Security	Critical Infrastructure Protection	Committee and Member Forums	General and Administrative (Excludes Executive and Gov't Relations)	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding																		
ERO Funding																		
NERC Assessments	47,604,156	47,604,156	-	47,604,156	9,156,330	6,254,353	6,317,083	7,358,220	1,449,793	5,670,339	5,093,049	7,991,299	-	(1,686,309)	-	-	-	-
Penalty Sanctions	2,512,500	2,512,500	-	2,512,500	510,788	346,951	404,776	361,407	93,484	298,763	125,288	371,044	-	-	-	-	-	-
Total NERC Funding	50,116,656	50,116,656	-	50,116,656	9,667,118	6,601,303	6,721,858	7,719,627	1,543,277	5,969,102	5,218,337	8,362,343	-	(1,686,309)	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	1,680,000	1,680,000	-	1,680,000	-	-	-	-	1,680,000	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	436,000	436,000	-	436,000	104,000	40,000	-	40,000	-	52,000	105,000	95,000	-	-	-	-	-	-
Interest	20,000	20,000	-	20,000	3,970	2,697	3,146	2,809	1,199	2,322	974	2,884	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	52,252,656	52,252,656	-	52,252,656	9,775,088	6,644,000	6,725,004	7,762,436	3,224,476	6,023,424	5,324,311	8,460,227	-	(1,686,309)	-	-	-	-
Expenses																		
Personnel Expenses																		
Salaries	24,056,166	24,056,166	-	24,056,166	3,335,519	2,331,343	2,152,370	2,429,590	837,645	2,211,375	856,927	2,853,871	-	1,342,080	2,325,293	1,651,076	498,724	1,230,355
Payroll Taxes	1,459,710	1,459,710	-	1,459,710	213,052	147,023	140,794	150,215	54,087	137,187	56,925	172,586	-	60,640	119,177	114,954	22,610	70,460
Benefits	3,079,941	3,079,941	-	3,079,941	350,484	250,296	274,883	262,762	112,397	200,619	87,659	250,885	-	156,238	185,835	224,184	573,737	149,964
Retirement Costs	2,702,588	2,702,588	-	2,702,588	362,334	267,168	247,200	269,736	94,203	254,052	98,496	312,315	-	175,179	261,724	178,464	41,348	140,368
Total Personnel Expenses	31,298,405	31,298,405	-	31,298,405	4,261,388	2,995,829	2,815,246	3,112,301	1,098,332	2,803,233	1,100,007	3,589,657	-	1,734,136	2,892,029	2,168,678	1,136,419	1,591,146
Meeting Expenses																		
Meetings	1,042,000	1,042,000	-	1,042,000	164,000	80,000	5,000	78,000	30,000	62,000	198,000	145,000	-	260,000	5,000	5,000	5,000	5,000
Travel	2,738,500	2,738,500	-	2,738,500	372,500	325,500	186,000	410,000	70,000	270,000	72,500	420,000	-	144,500	62,000	21,000	62,500	62,500
Conference Calls	317,810	317,810	-	317,810	108,500	34,235	-	31,950	27,000	-	24,175	24,000	-	57,500	3,200	4,800	600	1,850
Total Meeting Expenses	4,098,310	4,098,310	-	4,098,310	645,000	439,735	191,000	519,950	127,000	332,000	294,675	589,000	-	639,500	152,700	71,800	26,600	69,350
Operating Expenses																		
Consultants & Contracts	8,816,254	8,816,254	-	8,816,254	150,000	-	-	685,000	848,574	120,000	2,743,180	785,000	-	150,000	-	2,721,000	288,500	325,000
Office Rent	2,756,840	2,756,840	-	2,756,840	-	-	-	-	-	-	-	-	-	2,756,840	-	-	-	-
Office Costs	3,181,515	3,181,515	-	3,181,515	77,850	56,000	41,000	161,416	96,500	53,524	47,750	125,250	-	507,000	50,500	1,893,725	42,500	28,500
Professional Services	2,291,331	2,291,331	-	2,291,331	-	-	-	-	-	-	-	-	-	1,132,053	950,000	-	23,278	186,000
Miscellaneous	21,500	21,500	-	21,500	500	500	500	500	500	500	500	500	-	5,500	500	500	10,500	500
Depreciation	1,579,801	1,579,801	-	1,579,801	-	60,630	-	37,450	-	-	7,395	-	-	350,526	-	1,123,002	-	798
Total Operating Expenses	18,647,242	18,647,242	-	18,647,242	228,350	117,130	41,500	884,366	945,574	174,024	2,798,825	910,750	-	4,901,919	1,001,000	5,738,227	364,778	540,798
Total Direct Expenses	54,043,957	54,043,957	-	54,043,957	5,134,738	3,552,694	3,047,746	4,516,620	2,170,906	3,309,257	4,193,507	5,089,407	-	7,275,556	4,045,729	7,978,705	1,527,797	2,201,294
Indirect Expenses	-	-	-	-	4,581,241	3,111,786	3,630,417	3,241,444	1,383,016	2,679,594	1,123,701	3,327,882	-	(7,325,556)	(4,045,729)	(7,978,705)	(1,527,797)	(2,201,294)
Other Non-Operating Expenses	50,000	50,000	-	50,000	-	-	-	-	-	-	-	-	-	50,000	-	-	-	-
Total Expenses (B)	54,093,957	54,093,957	-	54,093,957	9,715,979	6,664,480	6,678,163	7,758,064	3,553,922	5,988,851	5,317,208	8,417,290	-	-	-	-	-	-
Change in Assets	(1,841,301)	(1,841,301)	-	(1,841,301)	59,109	(20,481)	46,841	4,372	(329,446)	34,573	7,103	42,937	-	(1,686,309)	-	-	-	-
Fixed Assets																		
Depreciation	(1,579,801)	(1,579,801)	-	(1,579,801)	-	(60,630)	-	(37,450)	-	-	(7,395)	-	-	(350,526)	-	(1,123,002)	-	(798)
Computer & Software CapEx	1,556,100	1,556,100	-	1,556,100	-	-	-	-	-	-	-	-	-	-	-	1,556,100	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	216,000	216,000	-	216,000	-	-	-	-	-	-	-	-	-	-	-	216,000	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	59,109	40,149	46,841	41,822	17,844	34,573	14,498	42,937	-	350,526	-	(649,098)	-	798
Inc(Dec) in Fixed Assets (C)	192,299	192,299	-	192,299	59,109	(20,481)	46,841	4,372	17,844	34,573	7,103	42,937	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	54,286,256	54,286,256	-	54,286,256	9,775,088	6,644,000	6,725,004	7,762,436	3,571,766	6,023,424	5,324,311	8,460,227	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(2,033,600)	(2,033,600)	-	(2,033,600)	(0)	0	0	0	(347,290)	0	(0)	0	-	(1,686,309)	-	-	-	-
FTEs	186.25	186.25	-	186.25	26.50	18.00	21.00	18.75	8.00	15.50	6.50	19.25	-	8.00	14.00	16.75	3.00	11.00

Exhibit A — Common Assumptions

Shared Business Plan and Budget Assumptions

NERC and the Regional Entities

2013-2015 Planning Period

Commencing in December 2011, NERC and the eight Regional Entities have been collaborating in the development of a common set of business planning goals, objectives and assumptions for the 2013-2015 planning period. This effort included the development of a mutually agreed upon Strategic Plan (http://www.nerc.com/filez/business_plan_2013.html).

As part of the implementation of the Strategic Plan, NERC and the Regional Entities developed a set of common assumptions that are now used to guide resource projections over the planning period for each entity and the ERO overall, recognizing there are often unique factors that drive differences in each organization's final determination of its resource needs and budget. The specific resource needs and budget of NERC and each Regional Entity will continue to be publicly posted for review and approved in open session by NERC's Finance and Audit Committee as part of the annual business plan and budget process.

It continues to be the objective of NERC and the Regional Entities to strive to identify and implement process and other improvements to increase the overall efficiency and effectiveness of the ERO, with due recognition and sensitivity to the cost of compliance by industry and the critical nature of industry support and participation to the success of the ERO regulatory model as contemplated by the Energy Policy Act of 2005. It is neither the goal nor objective of NERC and the Regional Entities to simply expand the scope of program areas or resources. Efforts have been made to focus on assumptions affecting resource requirements versus specific program area goals, objectives and actions. This document is an update to the initial draft of the common business plan and budget assumptions which were posted on NERC's website on February 21, 2012 and reflects consideration of the comments received on that draft, which are also posted on NERC's website.

Legal and Operating Framework

NERC and the Regional Entities are expected to continue to work under the existing regulatory framework governing the establishment and enforcement of reliability standards for the bulk power system established by applicable governmental authorities in the United States and Canada, as well as the authorizations contained in FERC's order approving NERC as the ERO. No significant changes to this framework are assumed to occur over the planning period. However, the final determination of what constitutes the Bulk Electric System (BES) may affect the scope of ERO jurisdictional facilities. This is not expected to be known until 2013.

The terms of the existing delegation agreements between NERC and the Regional Entities are also assumed to continue to apply over the planning period. With respect to day to day routine operation of the ERO, the Regional Entities are expected to have the primary responsibility for interactions with registered entities. NERC will provide oversight of the Regional Entities and

otherwise ensure that its responsibilities as the ERO are fulfilled. Over the planning period, NERC and the Regional Entities are also expected to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measureable reliability outcomes, consistent with their respective roles and responsibilities.

Business Environment

NERC and the Regional Entities will work collaboratively to identify additional ways to improve efficiency and leverage overall ERO resources. Industry concerns relative to the overall cost of compliance with ERO requirements will likely continue.

Cost pressures may affect stakeholder resources available to participate in NERC and Regional Entity activities. NERC and the Regional Entities business plans, budgets, and resource requirements will continue to be established based upon the assumption of continued industry participation in support of key program areas, including but not limited to standards development, event analysis and reliability assessments. Any significant change in the quality or availability of industry resources will likely affect ERO resource requirements.

General

External factors will continue to affect both resource needs and allocation. These factors will likely include, but not be limited to:

- FERC orders, directives, audits, and performance assessment
- The final definition of the BES, as well as the number of exception requests
- The rate of entity violations
- The assessment of the impact of new technologies
- Proposed and actual changes in applicable laws and regulations, including environmental and others

The activities of the transmission, generator and other forums are expected to compliment ERO activities and place downward pressure on the need to add incremental resources which might otherwise be required in the absence of these forums.

NERC and the Regional Entities expect gains in efficiency, year-upon-year, as programs and initiatives mature, experience is gained, standards are improved and internal process and performance improvements are achieved.

Key Assumptions by Program Area

Reliability Standards Program

1. While NERC standards development has historically been managed on a “projects” basis, experience has shown that increased project management discipline is necessary to satisfy standards development goals and priorities, including the assurance of a requisite level of quality. Examples of efforts to increase project management discipline during the planning period include but are not necessarily limited to:

- a. Specific timeframes for standards process milestones;
 - b. Increased industry resource dedication over shorter periods; and
 - c. Clear criteria for cancellation of projects that have not yielded timely results.
2. NERC will need to allocate additional resources to support improvements in the quality of standards development and guidance, including related training activities.
3. Review and modifications to the standards process may impact resources within the standards program area. Significant increases in standards processing may create additional resource needs to review and comment on proposed standards, support regulatory filings and oversee new standards as they become effective. However, any incremental resource needs are expected to be offset by improvements in the efficiency of the standards development process.
4. Implementing a cost effectiveness analysis or assessment of proposed standards is likely to impact resource requirements, but the extent of the impact cannot be fully assessed at this time.
5. The number of interpretation and guidance requests is expected to decrease over time, reflecting the impact of the results-based standards initiative and improved standards development process.
6. The number of projects contained in the Reliability Standards Development Plan is expected to increase over the planning period. However, the scope of these projects is generally expected to be narrower than would otherwise exist in the absence of the results-based standards initiative.
7. Activity associated with regional standards development is expected to decrease, together with staffing resources supporting this area.
8. Improvements in the quality of standards drafting and implementation should result in improvements in the efficiency and effectiveness of auditing and enforcement activities towards the end of the planning period.
9. NERC will increase the quality and effectiveness of regulatory filings. Efforts will include but not necessarily be limited to:
 - i. Greater use of pre-filing meetings which will include opportunities for regional and stakeholder participation;
 - ii. Greater dialogue with regulatory authorities regarding the form and requirements for regulatory filings, including reducing the requirement for exhibits by instead relying on publicly available documentation on NERC's website; and
 - iii. Seeking engagement with regulatory authorities to obtain formal regulatory authority input during standards development.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance and Enforcement

1. NERC and Regional Entities will have sufficient staff, supervision, and technical specialists with adequate collective professional competence and other resources, as needed, to perform the compliance work and to meet expected time frames for completing the work.
2. Staffing resources required for compliance and enforcement activities at NERC, are expected to be flat during the planning period; if minor resource additions are required, they will be offset by operating efficiencies in other areas.
3. Staffing resources required for compliance and enforcement activities at the Regional Entities over the planning period will vary based on regional needs and circumstances, with any increases generally expected to be mitigated through operating efficiencies in other areas.
4. Resource implications associated with the Find, Fix and Track (FFT) process are unclear at this time given the nascent state of the program. However, efficiency gains are expected as the program matures.
5. Results of implementation of the FFT process over the planning period will lead to continued refinement, improvement and prioritization of risk based compliance monitoring efforts.
6. Prospective entity impact evaluations will be accomplished using existing resources. Entity impact evaluations were previously titled entity risk assessments but have been changed based on continuing work with industry to further refine this topic.
7. Changes in TFE processing, including equipment class-based exceptions, audit sampling, and elimination of much of the reporting and review burden, must be implemented to improve efficiency.
8. The future use of spots checks will increase as risk-based monitoring is rolled out, but is not expected to affect overall resource requirements.
9. Improvements in consistency among the Regional Entities may facilitate more efficient resource allocation within the compliance and enforcement areas at NERC, as well as potentially reduce compliance costs for some registered entities.
10. Improvements in audit guidance may increase ERO efficiency, support improvements to resource allocation and help mitigate overall compliance costs.
11. Improvements in consistency among Regional Entities, and registered entities is expected from an improved centralized compliance, registration, and analysis and tracking system. A significant multiyear investment will be required to develop and implement the system.

12. As risk-based monitoring activities increase, strong consideration will be given to modifying the current three (3) and six (6) year audit cycles for registered entities. Changes to the three year audit cycle requirement for certified functions will require a change to the Rules of Procedure. The rigor, scope, depth and recurrence of audits and spot checks will be driven by reliability risk and not a predetermined schedule. As standards are improved, the need for clarifying documents, such as Compliance Application Notices (CANs) or interpretations, should decrease. Until the standards have been improved, CAN and interpretation activity is anticipated to occur at current levels.
13. The number of non-CIP violations discovered in 2011 is expected to decrease as most registered entities have now been audited at least once and the standards and their application has matured. The number of CIP violations is not expected to decrease and may increase over the planning period until all entities have undergone a CIP audit and until a measure of stability in the standards is reached.
14. Integration of the assessment of registered entity internal controls programs as part of the compliance monitoring program will allow NERC and the Regional Entities to further prioritize risk-based compliance monitoring activities. Greater emphasis on internal controls provide positive incentives for industry to demonstrate effective management of compliance programs that are focused on reliability, as well as place downward pressure on compliance resource requirements for both industry, NERC and the Regional Entities.
15. Further auditing efficiencies can be achieved by continued refinement of auditing procedures focused on the purpose, intent and reliability risk associated with applicable standards as well as the assessment of evidence.

Organization Registration and Certification

1. Implementation of the BES definition may place additional resource demands in the Registration area but the significance cannot be fully assessed at this time. If a high number of BES exceptions are requested, the potential for a backlog situation in the first years of implementation is possible.

Reliability Assessment and Performance Analysis Program

1. Implementation of a BES exception process is expected to impact resources requirements in this program area, but the significance of the impact cannot be fully assessed at this time, as resource requirements will be driven by the number of exception requests received. It's also expected that there may be resource impacts at the Regional Entity level. More information regarding these potential impacts will be addressed in the first draft of the NERC and Regional Entities' Business Plans and Budgets.
2. Investments will be needed to develop and implement improved data collection and analysis systems and capabilities and should improve overall ERO resource allocation and efficiency in the long term.

3. Resource impacts associated with new technologies and environmental regulations are uncertain at this point.
4. Implementation of an outcome based approach to achieve measureable improvements in reliability will likely require allocation of resources to this program area, the significance of which from an overall budget perspective cannot be determined at this time.

Training, Education, and Operator Certification Program

1. Both NERC and the Regional Entities agree that there are opportunities for improvements in the coordination, content and manner of internal and external training programs.
2. While additional or different resources will be required for certain training initiatives, it is not clear at this time whether these needs will translate into a significant increase in NERC's or any of the Regional Entities' budgets. The general sense at this point is that improvements with minimal budgetary impact can be achieved through better coordination, planning and management of training programs. The possible exception is in the area of additional resources need to support CEA staff auditor training, as further discussed below.
3. Implementation of auditor credentialing may result in resource impacts due to time period required to obtain necessary credentials.

Situation Awareness and Event Analysis Program

- NERC will restructure this program area by merging the Situation Awareness function into the Event Analysis department and include the ES-ISAC within the CIP department for budgeting purposes. NERC will budget and manage Event Analysis separately from the Compliance and Enforcement functions. NERC will budget the ES-ISAC as part of its CIP department.
- NERC will propose amendments to the Rules of Procedure to reflect this reorganization.
- NERC will cease providing contracted funding support for GPA and the NASPI initiative at the end of 2013.
- NERC will cease funding the IDC at the conclusion of its existing contract in March 2013.
- NERC will continue to review the appropriateness of continued funding of other reliability tools, with any proposed changes thereto subject to review and input from the Regional Entities, appropriate NERC committees and working groups, and other affected parties.
- SAFNR will provide additional situational awareness capabilities at both NERC and Regional Entity levels. Significant additional resource investments are not anticipated to be necessary for the Regional Entities to utilize SAFNR. NERC will continue to budget and incur costs to operate and maintain SAFNR.

- The number of “system occurrences” are expected to increase based on recent trends. However, it is unclear whether this increase will lead to an increase in the number of “qualified system events” requiring more detailed analysis.³³

Critical Infrastructure Protection

1. NERC will need to increase CIP resource support for auditor training and credentialing, as well as compliance enforcement activities. The increased support will likely be in retaining outside experts to train/credential NERC and Regional staff as opposed to increasing the size of NERC staff.
2. The ES-ISAC will be budgeted as part of the CIP department.
3. NERC will continue to conduct and budget grid security exercises.

Information Technology

1. Significant investments will be required over the planning period to develop and implement program area and enterprise wide applications to support business needs, including compliance, registration and tracking systems and other project, data management and analysis tools to provide greater cost efficiency and uniformity across the ERO. NERC and the Regional Entities have put in place a framework to define business requirements, establish priorities, and define and manage resource requirements associated with ERO IT investments over the planning period. NERC has also established a more rigorous and coordinated program for assessing its own internal IT needs. Further information regarding these frameworks, as well as preliminary projected resource requirements over the planning period, will be included in NERC’s draft 2013 Business Plan and Budget.
2. Ongoing investments will be required to develop, implement and maintain enhancements to the NERC and Regional Entity websites.

Finance and Administrative

1. It’s too early to predict any potential additional resource requirements associated with the implementation of the ERO Risk Management framework, however monies were budgeted for this activity in 2012 and expenditures and resource requirements will at least be at that level. Regional Entities do not anticipate increased resource requirements due to this effort.
2. NERC and the Regional Entities will work cooperatively to reduce overall operating expenses, focusing on opportunities to further reduce and/or improve the efficiency of travel, meeting, conference call, software licensing and hardware purchases, and

³³ The phrase “system occurrences” means events submitted and tracked that do not meet the ERO event analysis process categorization criteria (Category 1-5). Occurrence also include copper theft, substation intrusions and other occurrences on the bulk electric system which may be reported. The phrase “qualified system events” means events affecting the Bulk Electric System which meet the ERO event analysis process categorization criteria (Category 1-5).

insurance costs. Efforts will be made to improve the transparency of information regarding these categories of costs as part of the annual business plan and budget process.

3. NERC and the Regional Entities will work to improve budgeting and forecasting capabilities, as well as variance reporting.
4. NERC and the Regional Entities will work cooperatively to establish a common set of principles regarding the determination of working capital and contingency reserve requirements. However, working capital requirements will continue to be established on an entity by entity basis, with the requirements clearly set forth in and subject to review and approval as part of the annual business plan and budget process at the Regional Entity and NERC level.

Exhibit B – 2013 Consultants & Contracts Budget Detail

Program	Consultants & Contracts	2013 BUDGET	INC (DEC) OVER 2012
Reliability Standards	Subject Matter Experts -Std Development	-	(15,000)
	SPIG Recommendations	150,000	150,000
	Total Reliability Standards	150,000	135,000
Event Analysis & Investigations	SME's - Event Analysis	120,000	-
		120,000	-
			-
Reliability Assessments, System Analysis, GADS, TADS, & DADS			
RAPA	Automatic Reliability Reports (Reclass to Maintenance Agreements)		(100,000)
	Reliability affects of GMD	250,000	50,000
	Metrics - Centralized data collection-Change Orders	50,000	(25,000)
	RADS Assessment Database	100,000	25,000
	Scenario Consultant	70,000	-
	Publishing Consultant	-	(5,000)
	Probabilistic Assessment		(50,000)
		470,000	(105,000)
System Analysis	Modeling Initiative		(50,000)
		-	(50,000)
GADS/TADS/DADS	GADS Programming Support		(200,000)
	GADS Maintenance	42,000	42,000
	TADS Change management	50,000	-
	TADS Monthly maintenance	30,000	-
	Consulting	30,000	-
	DADS Programming Support		
	DADS Monthly Maintenance	43,000	-
	Spare Equipment Database	20,000	-
		215,000	(158,000)
	Total Reliability Assessments and Performance Analysis	685,000	(313,000)

Program	Consultants & Contracts	INC (DEC) OVER	
		2013 BUDGET	2012
Situation Awareness	Synchro Phasor (NASPI)	700,000	-
		110,000	110,000
	Resource Adequacy (ACE Frequency) Tool	80,000	-
	Inadvertent Interchange (Srv. Agreement)	35,000	-
	AIE Monitoring (Srv. Agreement)	35,000	-
	Frequency Monitoring and Analysis Tool (FMA)	45,000	45,000
	Intelligent Alarms/DARA (Srv. Agreement)	55,000	-
	Secure Alerting System	150,000	2,180
	Secure Alerting System Help Desk		(92,386)
	Secure Alert Change Management	50,000	-
	SAFNR - Phase II	725,500	251,904
	Total Situation Awareness (excluding IDC and Frame Relay)	1,985,500	316,698
			-
Critical Infrastructure	Cyber Risk Preparedness Assessment	150,000	60,000
	NIST/DOE Risk Guidelines		(25,000)
	ESCC Support	130,000	-
	GridEx Support	200,000	200,000
	ES-ISAC		
	ES-ISAC secure portal platform and annual hosting for communications systems	90,000	(160,000)
	Secure connection to US-CERT for bi-directional information sharing	25,000	(25,000)
			(250,000)
	Technical assistance to prepare and deliver Aurora Webinars	15,000	15,000
	Analytic capabilities	60,000	60,000
	Baseline Patterns and Analysis	30,000	30,000
	Integration Support Services for the the Wall of Knowledge	55,000	55,000
	ES-ISAC Members Conference	30,000	30,000
	TOTAL ES-ISAC	305,000	(245,000)
	Total Critical Infrastructure Department	785,000	(10,000)

Program	Consultants & Contracts	INC (DEC) OVER	
		2013 BUDGET	2012
Operator Certification	System Operator Testing Expenses 2011 1,025 @ \$70)	63,124	(8,626)
	System Operator Examination Development	113,690	25,454
	Examination Analysis (750 exams @\$17 per exam)	13,600	850
	System Operator Certification and Continuing Education Database		
	Database Development	20,000	(20,000)
	Database Maintenance	12,330	474
	SOCCE Database Improvement Project (funded from Working Capital generated from fees in excess of expenses)	250,000	250,000
	Total Operator Certification	472,744	248,152
Training & Education	Continuing Education Program		
	Individual Learning Activity Reviewers	120,000	20,000
	Database Development	20,000	(20,000)
	Database Maintenance	12,330	474
	Web-based course hosting (Learning Management System)	26,500	(73,500)
	Web-based course development		(120,000)
	standards applications for industry, CEA staff	43,750	43,750
	risk assessment training for CEA staff, industry	20,000	20,000
	human performance fundamentals for staff, industry	43,750	43,750
	BPS events lessons learned for industry	12,500	12,500
	Training Services-NERC and Regional Entities		
	Regional Entity and NERC Auditor staff communications training	20,000	20,000
	Regional Entity and NERC Auditor certification training	27,000	27,000
	Training Services-NERC Staff Only Technical Training		
	NERC Staff BPS system training	30,000	30,000
	Total CE, Training & Education	375,830	3,974
	Total Training, Education and Operator Certification	848,574	252,126
Government Relations	External Affairs	150,000	150,000
	Total Government Relations	150,000	150,000
Legal and Regulatory	External Affairs	-	(141,750)
	Total Legal	-	(141,750)

Program	Consultants & Contracts	INC (DEC) OVER	
		2013 BUDGET	2012
Information Technology	NERC Website Re-Design	175,000	75,000
	Security vulnerability testing of NERC website & network	200,000	-
	ERO Membership Service Agreement (Maintenance during re-write in 2013)	24,000	-
	NERC My Account Service Agreement (Maintenance during re-write in 2013)	30,000	-
		42,000	-
	Infrastructure Integration and Design	300,000	(200,000)
	Meeting Manager (Not implemented due to move to SharePoint)		(5,000)
	Compliance Database/IT Tools (CRATS)	250,000	(25,000)
	Compliance Database -(CITS/CUG)		(50,000)
	Guidance Database Development-User Guided Content	50,000	(25,000)
	Standards Balloting-Upgrade		(75,000)
	Standards Balloting Maintenance	20,000	(22,000)
	Contractor Project Manager	100,000	100,000
	Contractor Business Analyst	100,000	100,000
	Contract programming & development support	100,000	100,000
	Maintenance / Change Management - ERO Applications	250,000	250,000
	Outsourced Quality Assurance tester	50,000	50,000
	Data Warehouse design	250,000	250,000
	Common ERO technology platform - (SharePoint / Other)	500,000	500,000
	Studies & Assessments	100,000	100,000
	Disaster Recovery	150,000	150,000
	Iron Mountain Laptop Backup	30,000	30,000
		2,721,000	1,303,000
Human Resources	Executive Training and Development		-
	Strategic consulting on Risk-based, risk-avoidance compliance approach	75,000	-
	Collaboration and team-building leadership training	15,000	(10,000)
	Instruction Technologists-Staff Development		(90,000)
	Online Training	40,000	40,000
	NERC Staff Project Management training	12,000	12,000
	NERC Staff Communications skills (presentations and writing)	17,000	17,000
	NERC Staff IT applications training	17,000	17,000
	NERC Staff developmental training	20,000	20,000
	Executive Recruiting (Budget \$100k 2013 - 2015 in Personnel Expenses)		(100,000)
	Compensation Consulting	30,000	30,000
	Employee, industry and Board Surveys, succession planning	35,000	35,000
	HR Process Improvements		
	Single sign-on employee self-service	20,000	20,000
	Paperless HR	7,500	7,500
		288,500	(1,500)

Program	Consultants & Contracts	INC (DEC) OVER	
		2013 BUDGET	2012
Finance and Accounting	Risk Management	205,000	(120,000)
	Assessment of CIP Auditing Practices and reports (Budgeted in Finance)	60,000	60,000
	Assessment of operations and planning standards Audits: Procedures, Practices, Tools and reports and reports (Budgeted in Finance)	60,000	60,000
		325,000	-
Situation Awareness	Contract - IDC		
	IDC Billing (46000)		
	IDC Base Contract	367,200	(1,095,220)
	Generation-to-Load Reporting (CO-283)	40,170	40,170
	Incentive availability performance	11,016	11,016
	NERC Factor Viewer	4,500	(13,500)
	SDX Maintenance (2010 - using on CO-283)	15,000	(45,000)
	SDX 2010 Deferred Change Orders		
	DF Support Services Agreement.	12,500	(37,500)
	Book of Flowgate Database	7,200	(21,600)
	Book of Flowgate Database-Maintenance (2010 - using on CO-283)		
	Contracts - IDC Total	457,586	(1,161,634)
Situation Awareness			
	Frame Relay Billing (46100)		
	Frame Relay-RC's	300,094	
	Contracts - Total Frame Relay	300,094	-
	TOTAL CONSULTANTS, CONTRACTS, IDC AND FRAME RELAY	8,816,254	528,940

Exhibit C - Working Capital and Operating Reserve Policy

This policy governs the determination of the company's annual working capital and operating reserve requirements and the authorization of management to access these funds.

The company's working capital requirement shall be the amount necessary to satisfy projected annual cash flow and cash balance requirements. Annual cash flow and cash balance requirements shall be determined based on a review of: (a) the company's projected cash flow needs over the applicable year and (b) cash balances required to satisfy any covenant under the terms of any loan, credit or other agreement to which the company is a party. To the extent that during the year the cash balances required to satisfy covenant obligations under the terms of any loan, credit or other agreement are reduced, such excess cash balance will be transferred to the company's operating reserve for unforeseen contingencies described below.

The company's operating reserves shall include: (1) an amount necessary to satisfy known contingencies where the specific timing and amount is uncertain, (2) an amount available to be utilized for unforeseen contingency, and (3) excess funds applicable to the Personnel Certification and Operator Training Program.

The amount of the company's working capital and operating reserves, by category, shall be separately identified and quantified each year in the business plan and budget submitted to and approved by the Board of Trustees. Transfers of working capital to operating reserves and transfers of operating reserve funds between categories shall require approval of the Board of Trustees, after review and recommendation by the Finance and Audit Committee.

The following guidelines shall apply to the determination of the company's operating reserves.

(1) Known Contingencies Where the Amount and Timing Are Uncertain

This category of operating reserves represents estimated funding reserves for known contingencies where the timing and amount of funding to satisfy the contingency when it materializes is uncertain. An example would be the need for additional resources to address a requirement or process where regulatory or other governmental authorizations or directives are pending or anticipated but an order has not yet been issued so the amount of the impact and timing is uncertain, but management has nevertheless concluded that additional resources are likely to be required.

(2) Unforeseen Contingencies

This category of operating reserves represents a funding reserve for unknown contingencies which were not anticipated at the time of preparation and approval of the business plan and budget. Examples of unforeseen contingencies might include supplemental resources required to assist in the evaluation of significant unforeseen events affecting the bulk power system, such as the February Cold Weather Event and Southwest Outage or to address unforeseen regulatory directives.

(3) Excess Funds applicable to the Personnel Certification and Operator Training Program

In the event the company realizes higher levels of funding from operator certification and training above incurred expenses, this excess funding shall constitute a separate category of operating reserve and shall be used solely for operator training and certification needs, as determined by the company and the Personnel Certification Governance Committee. This is consistent with the intent of Section 602.4.10 of the Rules of Procedures.

Guidelines and Authorities Applicable to Expenditures of Working Capital and Operating Reserves

The following guidelines, limitations and authorities shall apply to expenditures of working capital and operating reserves.

1. The Chief Financial and Administrative Officer shall have the authority to draw on budgeted working capital reserves to the extent necessary to satisfy daily cash flow requirements. Any such draws of working capital reserves shall to the extent possible be promptly replenished from future excess cash flow.
2. For expenditures of operating reserves for budgeted known contingencies, the company's president and chief executive officer is authorized to expend such reserves up to the amount set forth in the company's budget.
3. For budgeted expenditures of excess funds associated with the Personnel Certification and Operator Training Program, the company's president and chief executive officer is authorized to expend such reserves up to the amount set forth in the company's budget.
4. For expenditure of operating reserves budgeted for unforeseen contingencies and for unbudgeted expenditures of excess funds associated with the Personnel Certification and Operator Training Program:
 - i. The president and chief executive officer shall have authority to make expenditures up to \$250,000;
 - ii. For expenditures greater than \$250,000 but less than \$500,000 prior approval of the Finance and Audit Committee is required; and
 - iii. For expenditures in excess of \$500,000 approval of the Board of Trustees is required, after notice to and recommendation by the Finance and Audit Committee.
5. Any expenditure of funds in excess of the company's approved budget, inclusive of budgeted working capital and operating reserves, requires the prior approval of the Board of Trustees, after notice to and recommendation of the Finance and Audit Committee.

All expenditures of contingency funds are subject to other applicable company policies and procedures, including currently effective procurement policies and delegations of authority, and shall be separately reported in the budget variance reports prepared by management and

included in the quarterly Finance and Audit Committee agenda materials, which are posted on the company's website.

The procedures set forth in Section 1108 of the Rules of Procedure, including Board of Trustees and FERC approval, shall continue to apply in circumstances where the company requires funding between normal annual budget cycles in excess of amounts available through approved assessments, working capital and operating reserve resources.

Guidelines and Authorities Required to Reallocate Budgeted Expenditures on an Intra-year Basis

During the course of the year, events may unfold such that some approved budget areas may run below budget, making funds available to satisfy other resource needs based on changing priorities. In the event such under runs occur, these excess funds shall be added to the unforeseen contingency operating reserve and the president and chief executive officer shall have the authority to expend such funds, and management shall also be responsible for reporting such expenditures, in the same manner as the expenditure of funds for other unforeseen contingencies set forth above.

Addition of Unbudgeted FTE or Headcount Additions

Any FTE or headcount additions, regardless of the source of and availability of funding, which are in excess of the total FTEs or total headcount, respectively, set forth in the company's approved business plan and budget for the applicable budget year shall require approval of the Board of Trustees, after review by the Corporate Governance and Human Resources Committee and the Finance and Audit Committee.

Proposed 2013 Working Capital and Operating Reserve Amounts

Working Capital – \$0

Based upon its 2013 cash flow projection and taking into account the historic manner in which NERC's assessments have been billed and paid, including the fact that WECC collects and pays its annual allocated share of the NERC assessments during the 1st quarter of the year, NERC does not anticipate needing access to working capital in 2013 to meet monthly cash flow needs. In the unlikely event NERC experiences a temporary cash flow shortage it has the ability to either request authorization from the Finance and Audit Committee and Board of Trustees to temporarily access operating reserve funds or draw on its \$4M line of credit so long as NERC is in compliance with the covenants under its bank credit agreement.

NERC's credit agreement currently requires NERC to maintain a minimum of \$1.250M in net assets (total assets minus intangible assets minus total liabilities).

NERC has also posted letters of credit totaling approximately \$134,146 in lieu of cash security deposits in connection with its offices leases. In the event these lines of credit get drawn on, NERC is required to reimburse the draws in full. Management does not recommend at this time that working capital be maintained as security for this reimbursement obligation.

Operating Reserves – \$3.4M (Known Contingency Category-\$1.M + Unforeseen Contingency Category \$1M + Personnel Certification and Operating Training Excess Revenues \$1.4M)

Operating reserve amounts are divided into three categories: (1) known contingencies, (2) unknown contingencies and (3) excess revenues from the Personnel Certification and Operator Training Programs. Management's proposal with respect to the amount of 2013 reserves for each of these categories is set forth below.

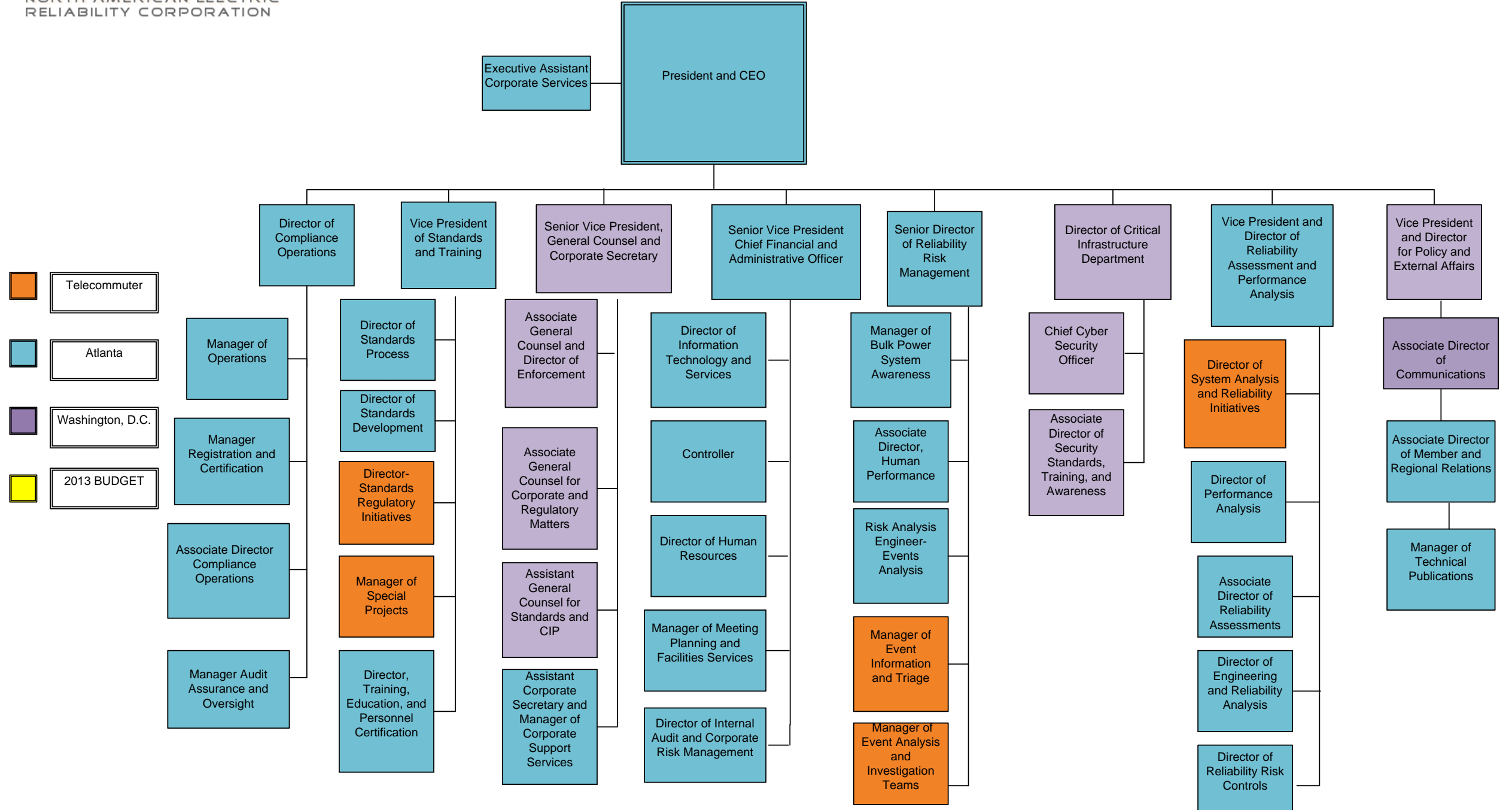
- (1) Known Contingencies where timing and amount uncertain³⁴ — \$1.0M representing a discount from the maximum aggregate estimated cost of \$2.5M for the following known contingencies:
 - a. BES implementation- Outside contractor (subject matter experts) support-\$0-\$300k. Software application for submittal, processing and management of exclusion requests. \$0-\$300k
 - i. NERC will be in a better position to develop a more informed forecast of this need after the FERC issues an order on the proposed definition of BES pending in FERC Docket RM12-6-000.
 - b. Implementation of NERC's revision to the Transmission Planning Reliability Standard, TPL-002-ob, Table 1, footnote b (FERC Docket No. RM11-18-000) — Outside contractor (subject matter expert) support — \$0-\$250k

³⁴ To the extent that proposed reserves in this category become unnecessary due, for example, the terms and conditions of a FERC order, pursuant to the proposed Working Capital and Operating Reserve Policy management could make a request to the NERC Finance and Audit Committee and Board of Trustees to set aside funds for other specific contingencies which became known after Board approval of the budget or request that all or a portion of the amount be transferred to the Unforeseen Contingencies category.

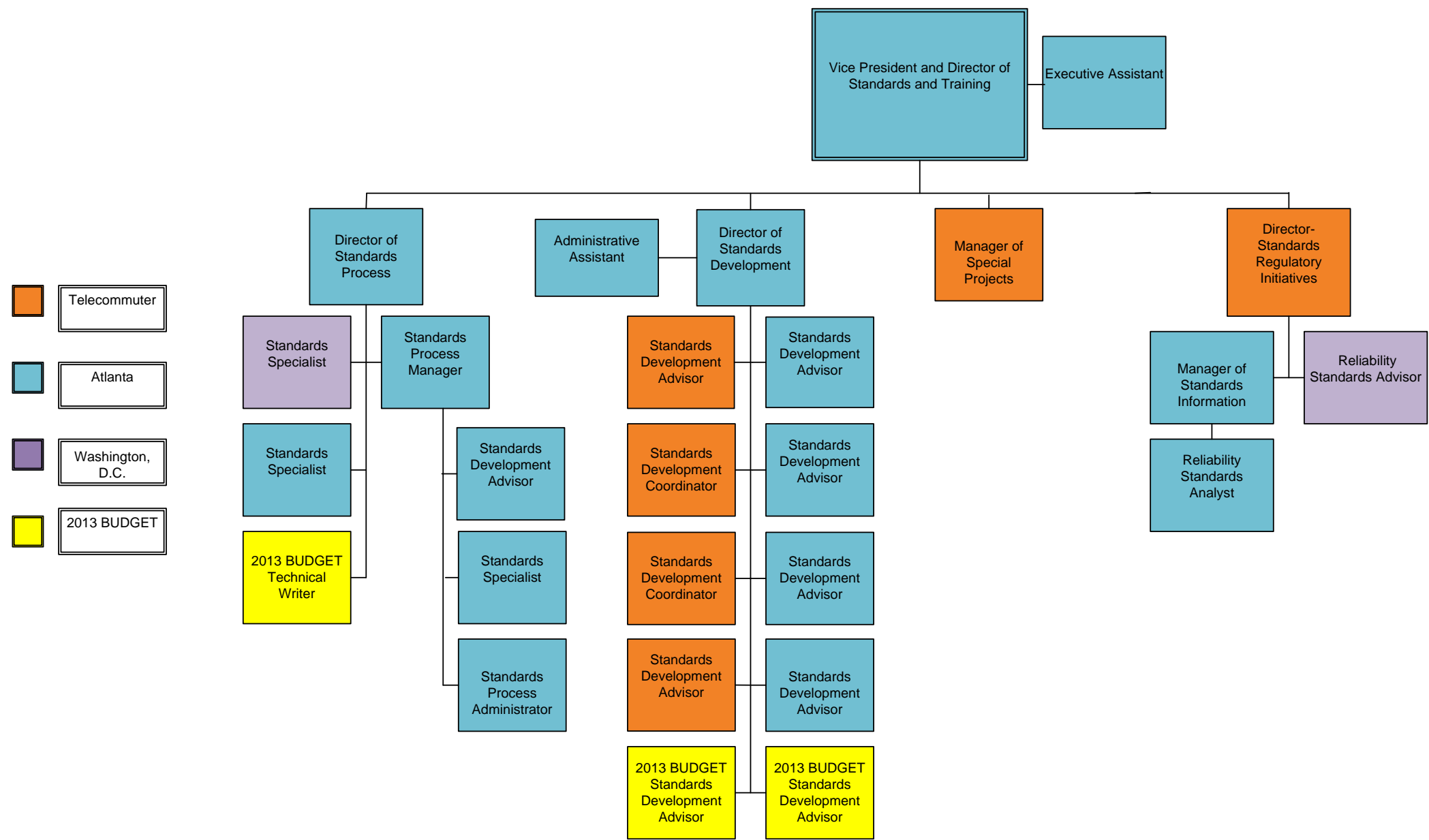
- i. NERC will be in a position to develop a more informed forecast of this need once the results of the NERC Rules of Procedure Section 1600 Data Request, regarding the use of Table 1, footnote b (i.e., planned load shed in the event of a single contingency) have been received and reviewed.
 - c. Events Information database to enable NERC and the Regional Entities to uniquely identify each event, track documentation, critical dates and status and provide for secure transfers of information between NERC and the Regional Entities — \$0-\$300k
 - d. Automated system to collect reliability assessment data used for RAPA BPS assessments, reducing administrative burdens associated with collection of 500,000 data points annually — \$0-\$200k
 - e. Generation protection and controls modeling support to the extent DOE funding is no longer available — \$0-\$50k
 - f. FERC audit implementation — \$0-\$1.0M
 - i. Compensation studies — \$0-\$200k
 - ii. Accounting system upgrades — \$0-\$500k
 - iii. Additional accounting staff — \$0-\$100k
 - iv. Other Consultants — \$0-\$200k
 - g. Additional CIP audit support, as well as audit support for CCC compliance audits, in excess of 2013 budgeted internal CIP resources and external audit budget under Risk Management under Finance and Accounting — \$0-\$100k
- (2) Unforeseen Contingencies — \$1M
- a. Represents a contingency for unknowns including significant litigation, compliance with new governmental or regulatory mandates, major system event investigations, etc.
- (3) System Operator Certification Program — \$1.4M
- a. In 2010 and 2011, the System Operator Testing and Certification Program generated \$1.4M in excess revenues over expenses
 - b. In 2012, the Program is projected to generate approximately \$321.3k in excess revenues over expenses
 - c. The 2013 budget includes a reduction of \$347k of the excess revenues over expenses generated between 2010 and 2012, to fund 2013 expenses for the System Operator Testing and Certification Program which are projected to be in excess of fees collected.

Total Working Capital + Operating Reserves – \$3.4M

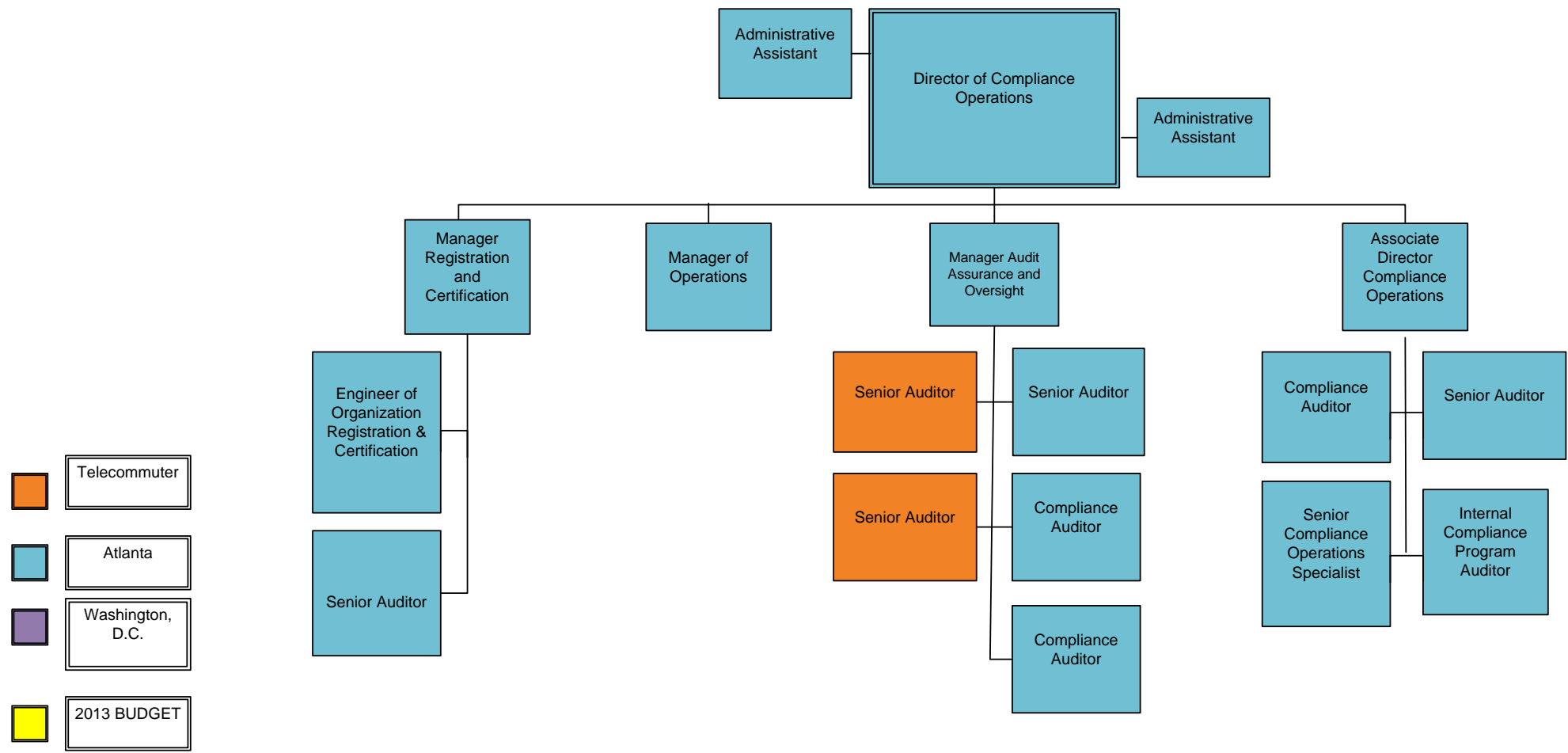
NERC Staff Organization Chart 2012 - 2013 Budget



Reliability Standards 2012 - 2013



Compliance Operations 2012 - 2013



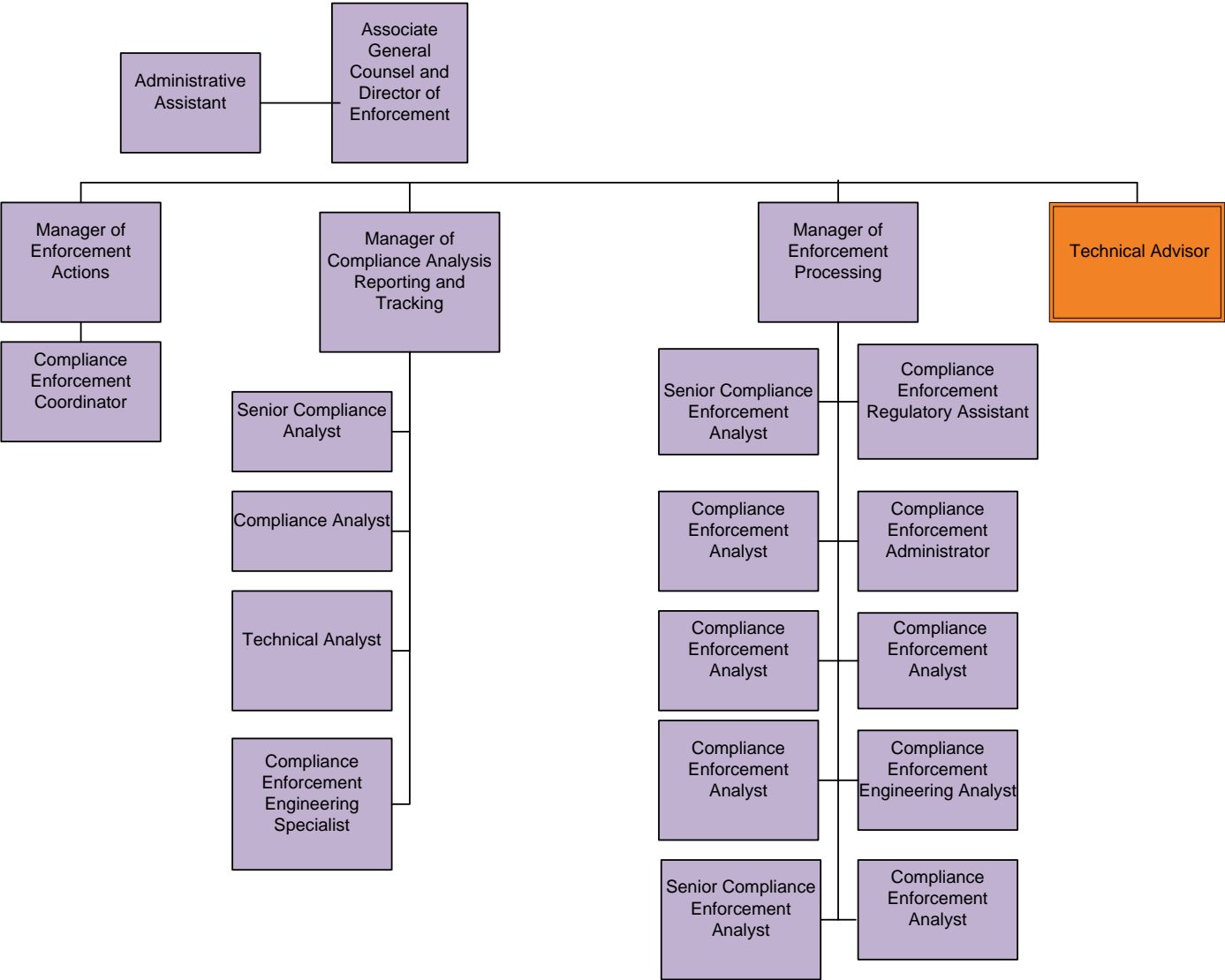
Compliance Enforcement 2012 - 2013

Telecommuter

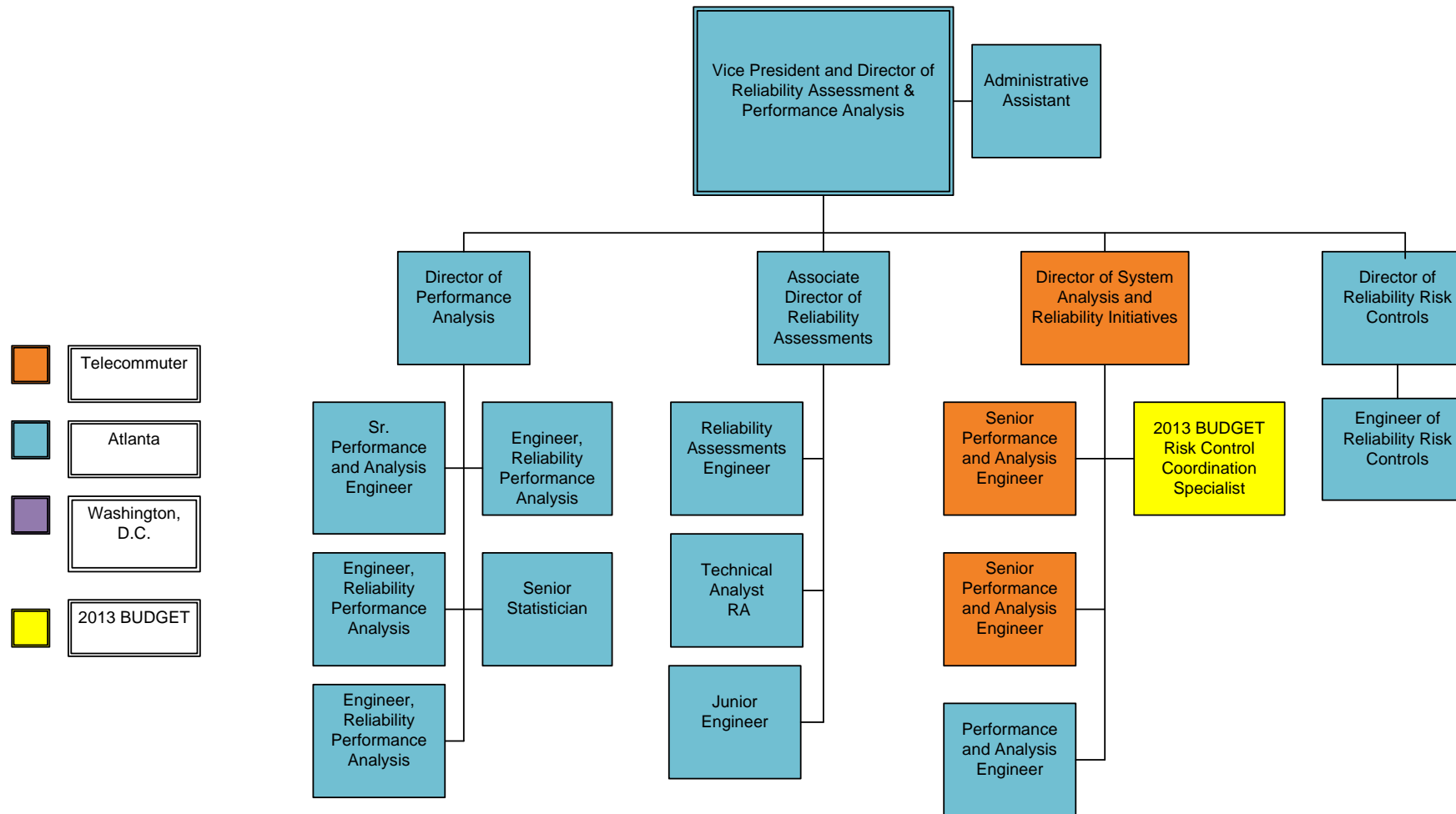
Atlanta

Washington, D.C.

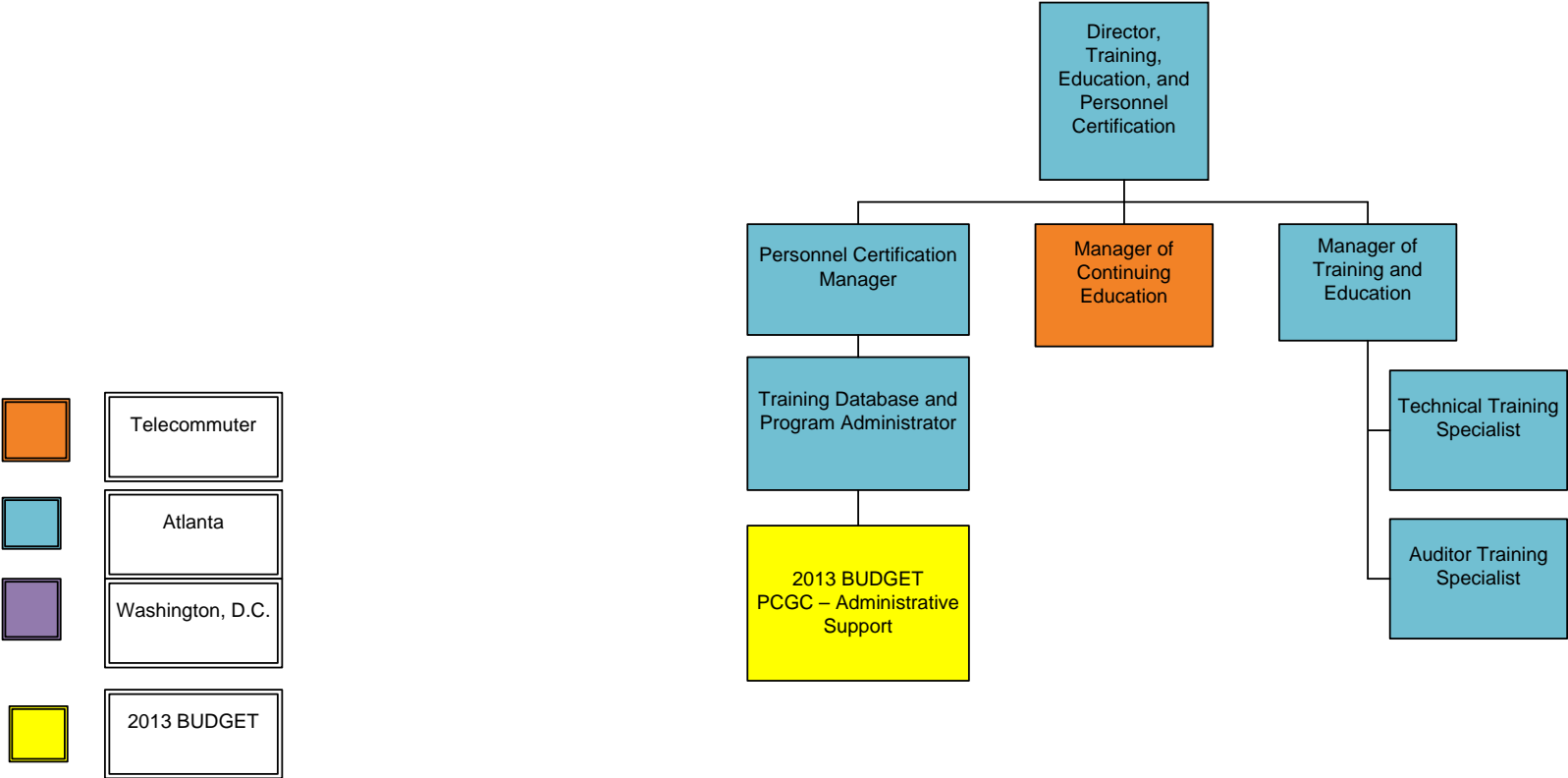
2013 BUDGET



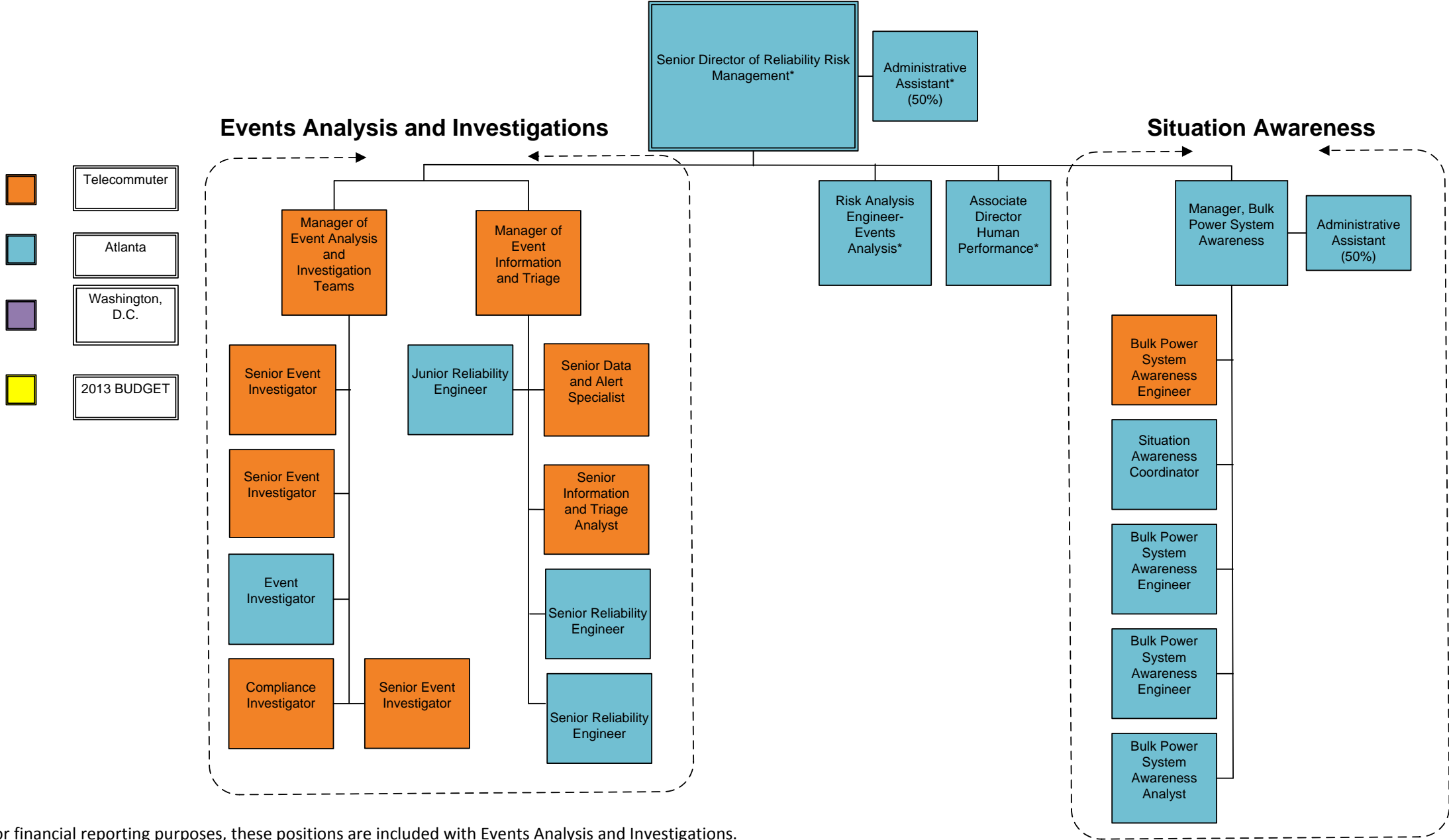
Reliability Assessment & Performance Analysis 2012-2013



Training, Education and Operator Certification 2012-2013



Reliability Risk Management 2012 - 2013



*For financial reporting purposes, these positions are included with Events Analysis and Investigations.



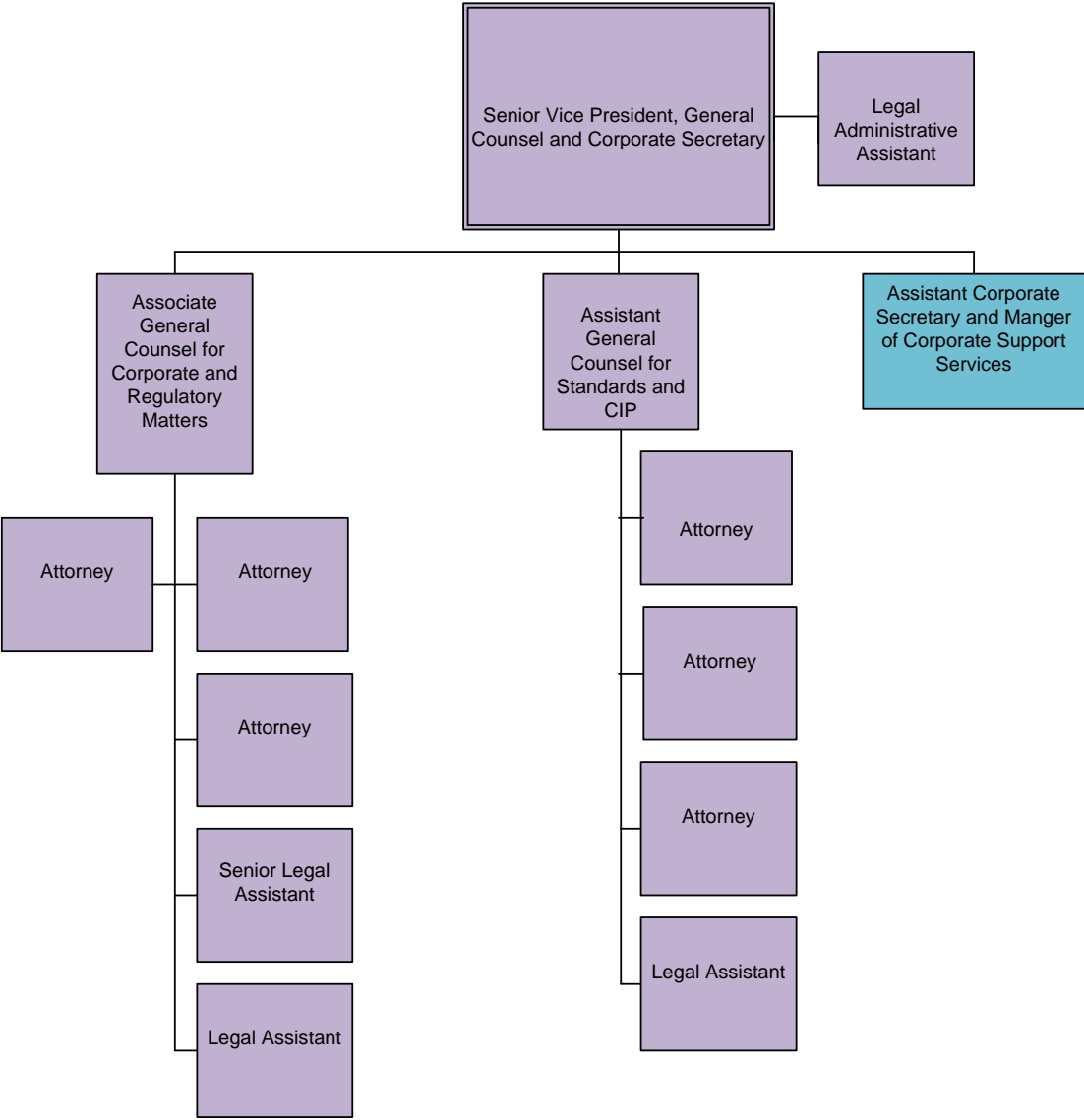
Legal and Regulatory 2012 - 2013

Telecommuter

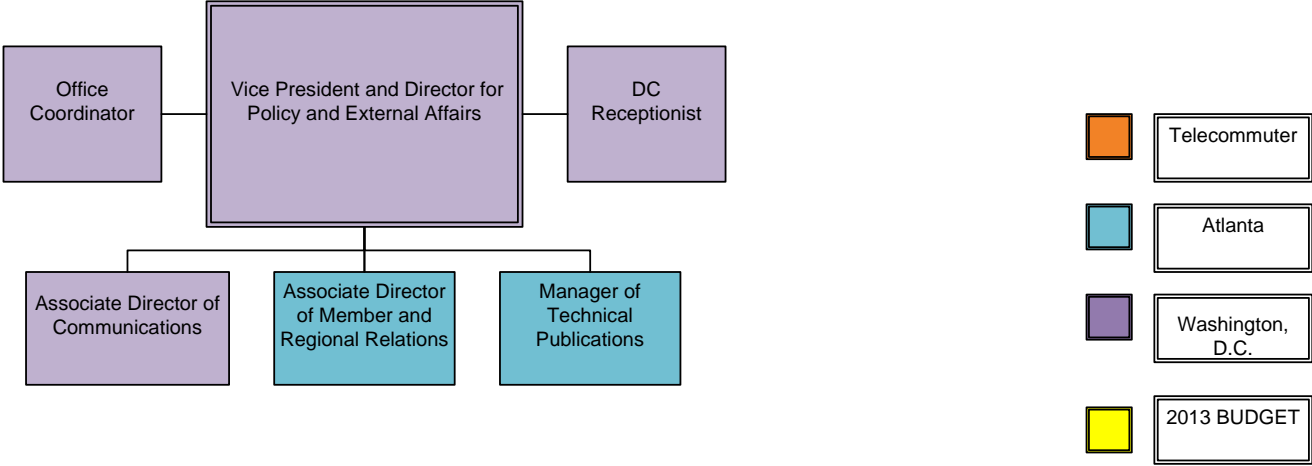
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Washington,
D.C.

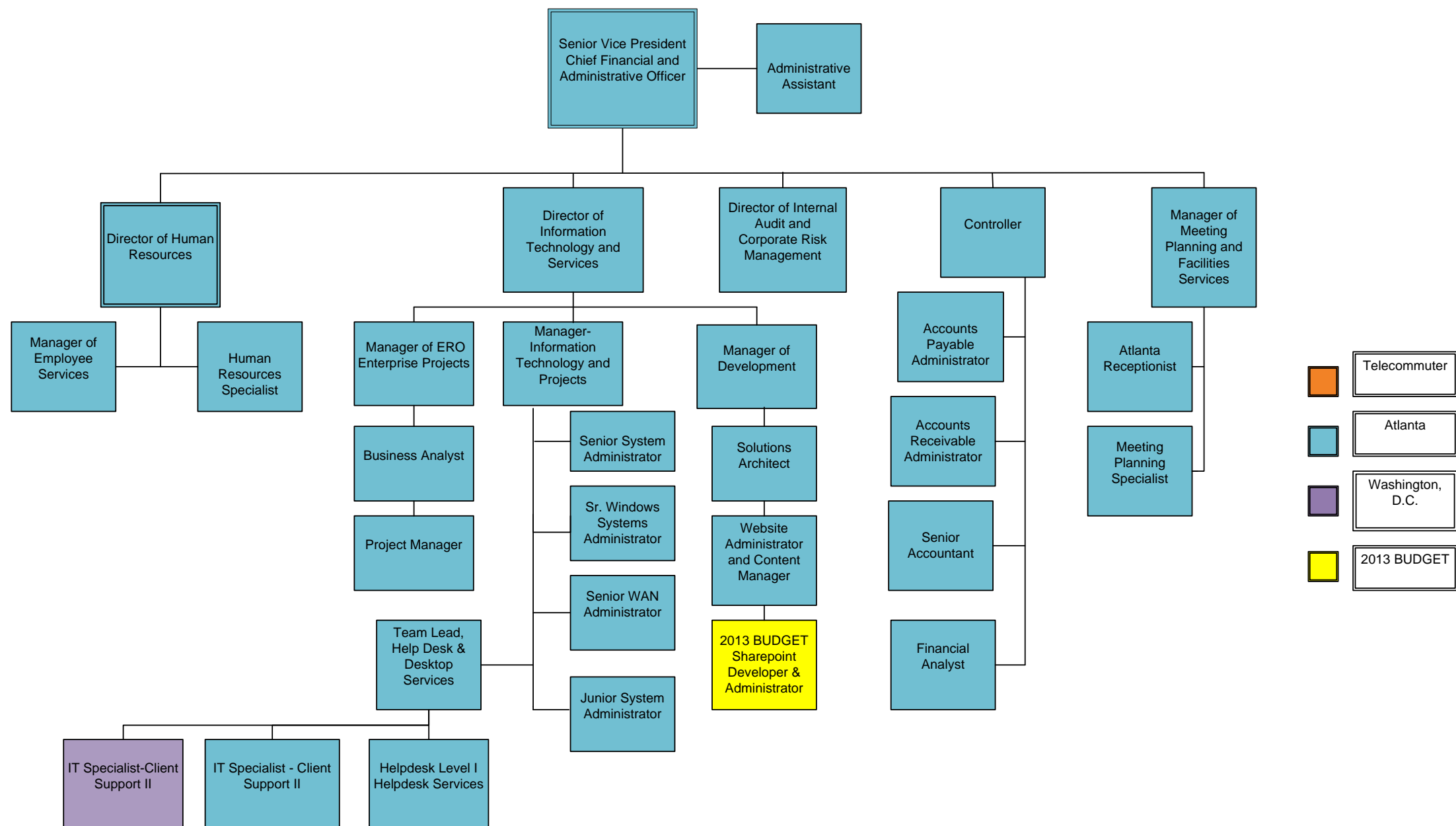
2013 BUDGET



Governmental Relations 2012 - 2013



Accounting and Finance, Information Technology and Human Resources 2012 - 2013



2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-A

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
2011	FRCC	1074	Alachua, City of	U.S.	127,922	127,922			0.057%	0.057%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2011	FRCC	1075	Bartow, City of	U.S.	277,100	277,100			0.124%	0.124%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	FRCC	1076	Chattahoochee, City of	U.S.	41,040	41,040			0.018%	0.018%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	699,000	699,000			0.312%	0.312%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2011	FRCC	1078	Florida Power & Light Co.	U.S.	110,279,500	110,279,500			49.253%	49.253%	0.000%	0.000%	2.436%	2.436%	0.000%	0.000%	2.760%
2011	FRCC	1079	Florida Public Utilities Company	U.S.	405,000	405,000			0.181%	0.181%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2011	FRCC	1080	Gainesville Regional Utilities	U.S.	1,822,179	1,822,179			0.814%	0.814%	0.000%	0.000%	0.040%	0.040%	0.000%	0.000%	0.046%
2011	FRCC	1081	Homestead, City of	U.S.	495,000	495,000			0.221%	0.221%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2011	FRCC	1082	JEA	U.S.	12,575,000	12,575,000			5.616%	5.616%	0.000%	0.000%	0.278%	0.278%	0.000%	0.000%	0.315%
2011	FRCC	1083	Lakeland Electric	U.S.	2,893,000	2,893,000			1.292%	1.292%	0.000%	0.000%	0.064%	0.064%	0.000%	0.000%	0.072%
2011	FRCC	1626	Lee County Electric Cooperative, Inc	U.S.	1,177,900	1,177,900			0.526%	0.526%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.029%
2011	FRCC	1084	Mount Dora, City of	U.S.	90,700	90,700			0.041%	0.041%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	387,000	387,000			0.173%	0.173%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2011	FRCC	1086	Orlando Utilities Commission	U.S.	5,654,900	5,654,900			2.526%	2.526%	0.000%	0.000%	0.125%	0.125%	0.000%	0.000%	0.142%
2011	FRCC	1087	Progress Energy Florida	U.S.	40,039,700	40,039,700			17.883%	17.883%	0.000%	0.000%	0.885%	0.885%	0.000%	0.000%	1.002%
2011	FRCC	1088	Quincy, City of	U.S.	142,900	142,900			0.064%	0.064%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2011	FRCC	1089	Reedy Creek Improvement District	U.S.	1,208,000	1,208,000			0.540%	0.540%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.030%
2011	FRCC	1090	St. Cloud, City of (OUC)	U.S.	590,000	590,000			0.264%	0.264%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.015%
2011	FRCC	1091	Tallahassee, City of	U.S.	2,799,000	2,799,000			1.250%	1.250%	0.000%	0.000%	0.062%	0.062%	0.000%	0.000%	0.070%
2011	FRCC	1092	Tampa Electric Company	U.S.	19,205,600	19,205,600			8.578%	8.578%	0.000%	0.000%	0.424%	0.424%	0.000%	0.000%	0.481%
2011	FRCC	1603	City of Vero Beach	U.S.	741,000	741,000			0.331%	0.331%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.019%
2011	FRCC	1093	Wauchula, City of	U.S.	63,000	63,000			0.028%	0.028%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2011	FRCC	1094	Williston, City of	U.S.	33,165	33,165			0.015%	0.015%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	FRCC	1095	Winter Park, City of	U.S.	442,300	442,300			0.198%	0.198%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2011	FRCC	1072	Florida Municipal Power Agency	U.S.	6,022,040	6,022,040			2.690%	2.690%	0.000%	0.000%	0.133%	0.133%	0.000%	0.000%	0.151%
2011	FRCC	1073	Seminole Electric Cooperative	U.S.	15,689,986	15,689,986			7.008%	7.008%	0.000%	0.000%	0.347%	0.347%	0.000%	0.000%	0.393%
TOTAL FRCC					223,901,932	223,901,932	-	-	100.000%	100.000%	0.000%	0.000%	4.946%	4.946%	0.000%	0.000%	5.603%
2011	MRO	1199	Basin Electric Power Cooperative	U.S.	12,876,292	12,876,292	-		4.551%	4.551%	0.000%	0.000%	0.284%	0.284%	0.000%	0.000%	0.322%
2011	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	2,792,947	2,792,947	-		0.987%	0.987%	0.000%	0.000%	0.062%	0.062%	0.000%	0.000%	0.070%
2011	MRO	1204	Corn Belt Power Cooperative	U.S.	1,771,700	1,771,700	-		0.626%	0.626%	0.000%	0.000%	0.039%	0.039%	0.000%	0.000%	0.044%
2011	MRO	1207	Dairyland Power Cooperative	U.S.	5,260,600	5,260,600	-		1.859%	1.859%	0.000%	0.000%	0.116%	0.116%	0.000%	0.000%	0.132%
2011	MRO	1210	Great River Energy	U.S.	13,485,724	13,485,724	-		4.766%	4.766%	0.000%	0.000%	0.298%	0.298%	0.000%	0.000%	0.337%
2011	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	4,041,580	4,041,580	-		1.428%	1.428%	0.000%	0.000%	0.089%	0.089%	0.000%	0.000%	0.101%
2011	MRO	1230	Nebraska Public Power District	U.S.	12,792,317	12,792,317	-		4.521%	4.521%	0.000%	0.000%	0.283%	0.283%	0.000%	0.000%	0.320%
2011	MRO	1232	Omaha Public Power District	U.S.	11,294,498	11,294,498	-		3.992%	3.992%	0.000%	0.000%	0.250%	0.250%	0.000%	0.000%	0.283%
2011	MRO	1237	Southern Montana Generation and Transmission	U.S.	4,101	4,101	-		0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	MRO	1240	Western Area Power Administration (UM)	U.S.	8,979,222	8,979,222	-		3.173%	3.173%	0.000%	0.000%	0.198%	0.198%	0.000%	0.000%	0.225%
2011	MRO	1239	Western Area Power Administration (LM)	U.S.	126,885	126,885	-		0.045%	0.045%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2011	MRO	1217	Manitoba Hydro	CAN	22,687,015		22,687,015		8.018%	0.000%	8.018%	0.000%	0.501%	0.000%	0.501%	0.000%	0.000%
2011	MRO	1235	SaskPower	CAN	21,611,000		21,611,000		7.638%	0.000%	7.638%	0.000%	0.477%	0.000%	0.477%	0.000%	0.000%
2011	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	28,659,140	28,659,140	-		10.129%	10.129%	0.000%	0.000%	0.633%	0.633%	0.000%	0.000%	0.717%
2011	MRO	1216	Madison, Gas and Electric	U.S.	3,483,114	3,483,114	-		1.231%	1.231%	0.000%	0.000%	0.077%	0.077%	0.000%	0.000%	0.087%
2011	MRO	1220	MidAmerican Energy Company	U.S.	27,733,598	27,733,598	-		9.801%	9.801%	0.000%	0.000%	0.613%	0.613%	0.000%	0.000%	0.694%
2011	MRO	1221	Minnesota Power	U.S.	13,185,574	13,185,574	-		4.660%	4.660%	0.000%	0.000%	0.291%	0.291%	0.000%	0.000%	0.330%
2011	MRO	1226	Montana-Dakota Utilities Co.	U.S.	2,776,082	2,776,082	-		0.981%	0.981%	0.000%	0.000%	0.061%	0.061%	0.000%	0.000%	0.069%
2011	MRO	1231	NorthWestern Energy	U.S.	1,503,637	1,503,637	-		0.531%	0.531%	0.000%	0.000%	0.033%	0.033%	0.000%	0.000%	0.038%
2011	MRO	1233	Otter Tail Power Company	U.S.	4,340,620	4,340,620	-		1.534%	1.534%	0.000%	0.000%	0.096%	0.096%	0.000%	0.000%	0.109%
2011	MRO	1243	Integrus Energy Group (WPS and UPPCO)	U.S.	13,495,958	13,495,958	-		4.770%	4.770%	0.000%	0.000%	0.298%	0.298%	0.000%	0.000%	0.338%
2011	MRO	1244	Xcel Energy Company (NSP)	U.S.	46,149,635	46,149,635	-		16.310%	16.310%	0.000%	0.000%	1.020%	1.020%	0.000%	0.000%	1.155%
2011	MRO	1196	Ames Municipal Electric System	U.S.	776,022	776,022	-		0.274%	0.274%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2011	MRO	1604	Atlantic Municipal Utilities	U.S.	70,850	70,850	-		0.025%	0.025%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	MRO	1476	Badger Power Marketing Authority of Wisconsin, In	U.S.	412,684	412,684	-		0.146%	0.146%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2011	MRO	1200	Cedar Falls Municipal Utilities	U.S.	518,347	518,347	-		0.183%	0.183%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-A

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
2011	MRO	1477	Central Minnesota Municipal Power Agency (CMMF)	U.S.	473,123	473,123	-		0.167%	0.167%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2011	MRO	1605	City of Pella	U.S.	198,568	198,568	-		0.070%	0.070%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2011	MRO	1203	Escanaba Municipal Electric Utility	U.S.	152,753	152,753	-		0.054%	0.054%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2011	MRO	1205	Falls City Water & Light Department	U.S.	56,484	56,484	-		0.020%	0.020%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	MRO	1206	Fremont Department of Utilities	U.S.	439,487	439,487	-		0.155%	0.155%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2011	MRO	1208	Geneseo Municipal Utilities	U.S.	67,256	67,256	-		0.024%	0.024%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2011	MRO	1209	Grand Island Utilities Department	U.S.	749,418	749,418	-		0.265%	0.265%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2011	MRO	1606	Harlan Municipal Utilities	U.S.	24,145	24,145	-		0.009%	0.009%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	MRO	1211	Hastings Utilities	U.S.	430,025	430,025	-		0.152%	0.152%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2011	MRO	1212	Heartland Consumers Power District	U.S.	851,022	851,022	-		0.301%	0.301%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.021%
2011	MRO	1213	Hutchinson Utilities Commission	U.S.	302,337	302,337	-		0.107%	0.107%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	MRO	1215	Lincoln Electric System	U.S.	3,220,742	3,220,742	-		1.138%	1.138%	0.000%	0.000%	0.071%	0.071%	0.000%	0.000%	0.081%
2011	MRO	1218	Manitowoc Public Utilities	U.S.	537,247	537,247	-		0.190%	0.190%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2011	MRO	1223	Missouri River Energy Services	U.S.	2,236,676	2,236,676	-		0.790%	0.790%	0.000%	0.000%	0.049%	0.049%	0.000%	0.000%	0.056%
2011	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	1,454,647	1,454,647	-		0.514%	0.514%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.036%
2011	MRO	1607	Montezuma Municipal Light & Power	U.S.	35,057	35,057	-		0.012%	0.012%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	1,161,634	1,161,634	-		0.411%	0.411%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.029%
2011	MRO	1228	Muscatine Power and Water	U.S.	879,516	879,516	-		0.311%	0.311%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2011	MRO	1229	Nebraska City Utilities	U.S.	175,634	175,634	-		0.062%	0.062%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2011	MRO	1234	Rochester Public Utilities	U.S.	8,902	8,902	-		0.003%	0.003%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	2,961,297	2,961,297	-		1.047%	1.047%	0.000%	0.000%	0.065%	0.065%	0.000%	0.000%	0.074%
2011	MRO	1241	Willmar Municipal Utilities	U.S.	266,050	266,050	-		0.094%	0.094%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	MRO	1242	Wisconsin Public Power, Inc. (East and West region)	U.S.	5,442,541	5,442,541	-		1.923%	1.923%	0.000%	0.000%	0.120%	0.120%	0.000%	0.000%	0.136%
TOTAL MRO					282,953,703	238,655,688	44,298,015	-	100.00%	84.344%	15.656%	0.000%	6.251%	5.272%	0.979%	0.000%	5.972%
2011	NPCC	1336	New England	U.S.	134,915,000	134,915,000			20.647%	20.647%	0.000%	0.000%	2.980%	2.980%	0.000%	0.000%	3.376%
2011	NPCC	1339	New York	U.S.	162,787,000	162,787,000			24.913%	24.913%	0.000%	0.000%	3.596%	3.596%	0.000%	0.000%	4.074%
2011	NPCC	1337	Ontario	Canada	143,343,000		143,343,000		21.937%	0.000%	21.937%	0.000%	3.167%	0.000%	3.167%	0.000%	
2011	NPCC	1341	Quebec	Canada	186,613,000		186,613,000		28.559%	0.000%	28.559%	0.000%	4.123%	0.000%	4.123%	0.000%	
2011	NPCC	1338	New Brunswick	Canada	13,866,000		13,866,000		2.122%	0.000%	2.122%	0.000%	0.306%	0.000%	0.306%	0.000%	
2011	NPCC	1340	Nova Scotia	Canada	11,908,000		11,908,000		1.822%	0.000%	1.822%	0.000%	0.263%	0.000%	0.263%	0.000%	
TOTAL NPCC					653,432,000	297,702,000	355,730,000	-	100.000%	45.560%	54.440%	0.000%	14.435%	6.577%	7.859%	0.000%	7.450%
2011	RFC	1104	Bay City	U.S.	332,819	332,819			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	RFC	1102	Cannelton Utilities	U.S.	16,407	16,407			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	RFC	1105	City of Chelsea	U.S.	97,746	97,746			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	RFC	1106	City of Croswell	U.S.	38,974	38,974			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	RFC	1108	City of Eaton Rapids	U.S.	97,463	97,463			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	RFC	1111	City of Hart	U.S.	46,414	46,414			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	RFC	1490	City of Lansing	U.S.	2,228,163	2,228,163			0.244%	0.244%	0.000%	0.000%	0.049%	0.049%	0.000%	0.000%	0.056%
2011	RFC	1112	City of Marquette Board of Light & Power	U.S.	330,549	330,549			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	RFC	1114	City of Portland	U.S.	35,899	35,899			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	RFC	1116	City of St. Louis	U.S.	38,881	38,881			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	RFC	1118	City of Wyandotte	U.S.	182,481	182,481			0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2011	RFC	1120	Cloverland Electric Cooperative	U.S.	880,550	880,550			0.096%	0.096%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2011	RFC	1122	CMS ERM Michigan LLC	U.S.	193,267	193,267			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-A

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
2011	RFC	1124	Constellation New Energy (MECS-CONS)	U.S.	1,291,190	1,291,190			0.141%	0.141%	0.000%	0.000%	0.029%	0.029%	0.000%	0.000%	0.032%
2011	RFC	1123	Constellation New Energy (MECS-DET)	U.S.	1,204,038	1,204,038			0.132%	0.132%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.030%
2011	RFC	1126	Consumers Energy Company	U.S.	33,602,986	33,602,986			3.679%	3.679%	0.000%	0.000%	0.742%	0.742%	0.000%	0.000%	0.841%
2011	RFC	1128	Detroit Edison Company	U.S.	45,338,158	45,338,158			4.964%	4.964%	0.000%	0.000%	1.002%	1.002%	0.000%	0.000%	1.135%
2011	RFC	1166	Duke Energy Indiana	U.S.	30,382,510	30,382,510			3.327%	3.327%	0.000%	0.000%	0.671%	0.671%	0.000%	0.000%	0.760%
2011	RFC	1135	Ferdinand Municipal Light & Water	U.S.	41,443	41,443			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	RFC		FirstEnergy Solutions (MECS-DET)	U.S.	22,045	22,045			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2011	RFC	1549	FirstEnergy Solutions (MECS-DET)	U.S.	2,011,437	2,011,437			0.220%	0.220%	0.000%	0.000%	0.044%	0.044%	0.000%	0.000%	0.050%
2011	RFC	1612	Glacial Energy (MECS-DET)	U.S.	465,052	465,052			0.051%	0.051%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2011	RFC	1144	Holland Board of Public Works	U.S.	791,998	791,998			0.087%	0.087%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.020%
2011	RFC	1145	Hoosier Energy	U.S.	7,261,372	7,261,372			0.795%	0.795%	0.000%	0.000%	0.160%	0.160%	0.000%	0.000%	0.182%
2011	RFC	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	2,955,759	2,955,759			0.324%	0.324%	0.000%	0.000%	0.065%	0.065%	0.000%	0.000%	0.074%
2011	RFC	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	419,342	419,342			0.046%	0.046%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2011	RFC	1486	Indiana Municipal Power Agency (SIGE)	U.S.	597,854	597,854			0.065%	0.065%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.015%
2011	RFC	1149	Indianapolis Power & Light Co.	U.S.	15,081,179	15,081,179			1.651%	1.651%	0.000%	0.000%	0.333%	0.333%	0.000%	0.000%	0.377%
2011	RFC	1553	Integrus Energy Services (MECS-CONS)	U.S.	479,640	479,640			0.053%	0.053%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2011	RFC	1554	Integrus Energy Services (MECS-DET)	U.S.	361,468	361,468			0.040%	0.040%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2011	RFC	1614	Just Energy (MECS-DET)	U.S.	20,088	20,088			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2011	RFC	1154	Michigan Public Power Agency	U.S.	1,217,681	1,217,681			0.133%	0.133%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.030%
2011	RFC	1155	Michigan South Central Power Agency	U.S.	569,075	569,075			0.062%	0.062%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.014%
2011	RFC	1158	MidAmerican Energy Company Retail	U.S.	94,412	94,412			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	RFC	1163	Northern Indiana Public Service Co.	U.S.	17,649,919	17,649,919			1.933%	1.933%	0.000%	0.000%	0.390%	0.390%	0.000%	0.000%	0.442%
2011	RFC	1164	Ontonagon County Rural Electrification Assoc.	U.S.	29,071	29,071			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	RFC	1265	PJM Interconnection, LLC	U.S.	700,638,595	700,638,595			76.716%	76.716%	0.000%	0.000%	15.478%	15.478%	0.000%	0.000%	17.532%
2011	RFC	1172	Sempra Energy Solutions (MECS-CONS)	U.S.	1,138,144	1,138,144			0.125%	0.125%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.028%
2011	RFC	1171	Sempra Energy Solutions (MECS-DET)	U.S.	1,003,770	1,003,770			0.110%	0.110%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2011	RFC	1176	Direct Energy (fka:Strategic Energy,LLC) (MECS-CON	U.S.	9,008	9,008			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	RFC	1174	Direct Energy (fka:Strategic Energy,LLC) (MECS-DET)	U.S.	353,412	353,412			0.039%	0.039%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2011	RFC	1581	Spartan Renewable Energy	U.S.	62,962	62,962			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2011	RFC	1180	Thumb Electric Cooperative	U.S.	169,977	169,977			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2011	RFC	1627	US Department of Energy	U.S.	253,186	253,186			0.028%	0.028%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2011	RFC	1181	Vectren Energy Delivery of IN	U.S.	5,901,730	5,901,730			0.646%	0.646%	0.000%	0.000%	0.130%	0.130%	0.000%	0.000%	0.148%
2011	RFC	1183	Village of Sebawaing	U.S.	37,737	37,737			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	RFC	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	2,721,459	2,721,459			0.298%	0.298%	0.000%	0.000%	0.060%	0.060%	0.000%	0.000%	0.068%
2011	RFC	1487	Wabash Valley Power Association Inc. (MECS CONS	U.S.	149,784	149,784			0.016%	0.016%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2011	RFC	1488	Wabash Valley Power Association Inc.(NIPSCO)	U.S.	1,645,995	1,645,995			0.180%	0.180%	0.000%	0.000%	0.036%	0.036%	0.000%	0.000%	0.041%
2011	RFC	1185	Wisconsin Electric Power Co.	U.S.	29,113,348	29,113,348			3.188%	3.188%	0.000%	0.000%	0.643%	0.643%	0.000%	0.000%	0.729%
2011	RFC	1189	Wolverine Power Marketing Cooperative	U.S.	1,048,142	1,048,142			0.115%	0.115%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2011	RFC	1191	Wolverine Power Supply Cooperative	U.S.	2,505,464	2,505,464			0.274%	0.274%	0.000%	0.000%	0.055%	0.055%	0.000%	0.000%	0.063%
2011	RFC	1190	Wolverine Power Marketing Cooperative	U.S.	128,517	128,517			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
TOTAL RELIABILITYFIRST					913,288,560	913,288,560	-	-	100.000%	100.000%	0.000%	0.000%	20.176%	20.176%	0.000%	0.000%	22.854%
2011	SERC	1267	Alabama Municipal Electric Authority	U.S.	3,584,000	3,584,000	-		0.344%	0.344%	0.000%	0.000%	0.079%	0.079%	0.000%	0.000%	0.090%
2011	SERC	1268	Alabama Power Company	U.S.	60,762,935	60,762,935	-		5.825%	5.825%	0.000%	0.000%	1.342%	1.342%	0.000%	0.000%	1.521%
2011	SERC	1269	Ameren - Illinois	U.S.	43,172,000	43,172,000	-		4.139%	4.139%	0.000%	0.000%	0.954%	0.954%	0.000%	0.000%	1.080%
2011	SERC	1271	Ameren - Missouri	U.S.	42,325,000	42,325,000	-		4.058%	4.058%	0.000%	0.000%	0.935%	0.935%	0.000%	0.000%	1.059%
2011	SERC	1272	APGI - Yadkin Division	U.S.	23,688	23,688	-		0.002%	0.002%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SERC	1273	Associated Electric Cooperative Inc.	U.S.	19,604,990	19,604,990	-		1.879%	1.879%	0.000%	0.000%	0.433%	0.433%	0.000%	0.000%	0.491%
2011	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	1,098,669	1,098,669	-		0.105%	0.105%	0.000%	0.000%	0.024%	0.024%	0.000%	0.000%	0.027%
2011	SERC	1462	Benton Utility District	U.S.	291,067	291,067	-		0.028%	0.028%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	SERC	1274	Big Rivers Electric Corporation	U.S.	10,699,333	10,699,333	-		1.026%	1.026%	0.000%	0.000%	0.236%	0.236%	0.000%	0.000%	0.268%
2011	SERC	1275	Black Warrior EMC	U.S.	442,854	442,854	-		0.042%	0.042%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2011	SERC	1276	Blue Ridge EMC	U.S.	1,393,046	1,393,046	-		0.134%	0.134%	0.000%	0.000%	0.031%	0.031%	0.000%	0.000%	0.035%
2011	SERC	1628	Brazos Electric Power Cooperative, Inc.	U.S.	426,252	426,252	-		0.041%	0.041%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-A

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
2011	SERC	1463	Canton, MS	U.S.	129,759	129,759	-		0.012%	0.012%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2011	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	16,018,210	16,018,210	-		1.536%	1.536%	0.000%	0.000%	0.354%	0.354%	0.000%	0.000%	0.401%
2011	SERC	1278	City of Blountstown FL	U.S.	40,730	40,730	-		0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SERC	1279	City of Camden SC	U.S.	204,997	204,997	-		0.020%	0.020%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2011	SERC	1280	City of Collins MS	U.S.	47,686	47,686	-		0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SERC	1281	City of Columbia MO	U.S.	1,186,640	1,186,640	-		0.114%	0.114%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.030%
2011	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	1,054,201	1,054,201	-		0.101%	0.101%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2011	SERC	1284	City of Evergreen AL	U.S.	61,707	61,707	-		0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2011	SERC	1285	City of Hampton GA	U.S.	26,787	26,787	-		0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SERC	1286	City of Hartford AL	U.S.	34,292	34,292	-		0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	622,844	622,844	-		0.060%	0.060%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2011	SERC	1288	City of North Little Rock AR (DENL)	U.S.	990,134	990,134	-		0.095%	0.095%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2011	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	757,337	757,337	-		0.073%	0.073%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2011	SERC	1290	City of Robertsdale AL	U.S.	87,822	87,822	-		0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	SERC	1291	City of Ruston LA (DERS)	U.S.	291,155	291,155	-		0.028%	0.028%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	SERC	1292	City of Seneca SC	U.S.	163,232	163,232	-		0.016%	0.016%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2011	SERC	1115	City of Springfield (CWLP)	U.S.	1,873,853	1,873,853	-		0.180%	0.180%	0.000%	0.000%	0.041%	0.041%	0.000%	0.000%	0.047%
2011	SERC	1465	City of Thayer, MO	U.S.	20,289	20,289	-		0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2011	SERC	1293	City of Troy AL	U.S.	419,171	419,171	-		0.040%	0.040%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2011	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	394,287	394,287	-		0.038%	0.038%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2011	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	680,273	680,273	-		0.065%	0.065%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2011	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	263,860	263,860	-		0.025%	0.025%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	SERC	1283	Dalton Utilities	U.S.	1,520,674	1,520,674	-		0.146%	0.146%	0.000%	0.000%	0.034%	0.034%	0.000%	0.000%	0.038%
2011	SERC	1585	Dixie Electric Membership Corporation	U.S.	2,334,200	2,334,200	-		0.224%	0.224%	0.000%	0.000%	0.052%	0.052%	0.000%	0.000%	0.058%
2011	SERC	1295	Dominion Virginia Power	U.S.	84,117,446	84,117,446	-		8.064%	8.064%	0.000%	0.000%	1.858%	1.858%	0.000%	0.000%	2.105%
2011	SERC	1296	Duke Energy Carolinas, LLC	U.S.	83,342,027	83,342,027	-		7.990%	7.990%	0.000%	0.000%	1.841%	1.841%	0.000%	0.000%	2.086%
2011	SERC	1466	Durant, MS	U.S.	28,078	28,078	-		0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SERC	1478	E.ON U.S. Services Inc.	U.S.	34,754,832	34,754,832	-		3.332%	3.332%	0.000%	0.000%	0.768%	0.768%	0.000%	0.000%	0.870%
2011	SERC	1297	East Kentucky Power Cooperative	U.S.	12,504,726	12,504,726	-		1.199%	1.199%	0.000%	0.000%	0.276%	0.276%	0.000%	0.000%	0.313%
2011	SERC	1298	East Mississippi Electric Power Association	U.S.	475,932	475,932	-		0.046%	0.046%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2011	SERC	1629	East Texas Electric Cooperative Inc	U.S.	2,099,953	2,099,953	-		0.201%	0.201%	0.000%	0.000%	0.046%	0.046%	0.000%	0.000%	0.053%
2011	SERC	1299	Electric Energy Inc.	U.S.	1,328,066	1,328,066	-		0.127%	0.127%	0.000%	0.000%	0.029%	0.029%	0.000%	0.000%	0.033%
2011	SERC	1300	EnergyUnited EMC	U.S.	2,529,521	2,529,521	-		0.242%	0.242%	0.000%	0.000%	0.056%	0.056%	0.000%	0.000%	0.063%
2011	SERC	1301	Entergy	U.S.	117,912,951	117,912,951	-		11.304%	11.304%	0.000%	0.000%	2.605%	2.605%	0.000%	0.000%	2.951%
2011	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	2,241,224	2,241,224	-		0.215%	0.215%	0.000%	0.000%	0.050%	0.050%	0.000%	0.000%	0.056%
2011	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	343,671	343,671	-		0.033%	0.033%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2011	SERC	1304	French Broad EMC	U.S.	557,067	557,067	-		0.053%	0.053%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2011	SERC	1305	Georgia Power Company	U.S.	91,530,659	91,530,659	-		8.775%	8.775%	0.000%	0.000%	2.022%	2.022%	0.000%	0.000%	2.290%
2011	SERC	1306	Georgia System Optns Corporation	U.S.	39,145,419	39,145,419	-		3.753%	3.753%	0.000%	0.000%	0.865%	0.865%	0.000%	0.000%	0.980%
2011	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	283,965	283,965	-		0.027%	0.027%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	266,127	266,127	-		0.026%	0.026%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	SERC	1308	Gulf Power Company	U.S.	12,253,385	12,253,385	-		1.175%	1.175%	0.000%	0.000%	0.271%	0.271%	0.000%	0.000%	0.307%
2011	SERC	1586	Haywood EMC	U.S.	301,762	301,762	-		0.029%	0.029%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	SERC	1309	Illinois Municipal Electric Agency	U.S.	1,939,000	1,939,000	-		0.186%	0.186%	0.000%	0.000%	0.043%	0.043%	0.000%	0.000%	0.049%
2011	SERC	1480	Itta Bena, MS	U.S.	16,464	16,464	-		0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	276,583	276,583	-		0.027%	0.027%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	SERC	1617	Kentucky Municipal Power	U.S.	739,760	739,760	-		0.071%	0.071%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.019%
2011	SERC	1481	Kosciusko, MS	U.S.	77,043	77,043	-		0.007%	0.007%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	SERC	1482	Leland, MS	U.S.	34,439	34,439	-		0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SERC	1313	McCormick Commission of Public Works	U.S.	17,681	17,681	-		0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	SERC	1314	Mississippi Power Company	U.S.	10,765,370	10,765,370	-		1.032%	1.032%	0.000%	0.000%	0.238%	0.238%	0.000%	0.000%	0.269%
2011	SERC	1630	Mt. Carmel Public Utility	U.S.	110,658	110,658	-		0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2011	SERC	1315	Municipal Electric Authority of Georgia	U.S.	11,042,776	11,042,776	-		1.059%	1.059%	0.000%	0.000%	0.244%	0.244%	0.000%	0.000%	0.276%
2011	SERC	1316	N.C. Electric Membership Corp.	U.S.	12,412,638	12,412,638	-		1.190%	1.190%	0.000%	0.000%	0.274%	0.274%	0.000%	0.000%	0.311%

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-A

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
2011	SERC	1317	North Carolina Eastern Municipal Power Agency	U.S.	7,634,375	7,634,375	-		0.732%	0.732%	0.000%	0.000%	0.169%	0.169%	0.000%	0.000%	0.191%
2011	SERC	1318	North Carolina Municipal Power Agency #1	U.S.	4,784,635	4,784,635	-		0.459%	0.459%	0.000%	0.000%	0.106%	0.106%	0.000%	0.000%	0.120%
2011	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	300,400	300,400			0.029%	0.029%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	SERC	1574	Northern Virginia Electric Cooperative	U.S.	3,765,576	3,765,576			0.361%	0.361%	0.000%	0.000%	0.083%	0.083%	0.000%	0.000%	0.094%
2011	SERC	1319	Old Dominion Electric Cooperative	U.S.	5,935,200	5,935,200	-		0.569%	0.569%	0.000%	0.000%	0.131%	0.131%	0.000%	0.000%	0.149%
2011	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	182,326	182,326			0.017%	0.017%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2011	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	908,159	908,159	-		0.087%	0.087%	0.000%	0.000%	0.020%	0.020%	0.000%	0.000%	0.023%
2011	SERC	1322	Piedmont EMC in Duke and Progress Areas	U.S.	508,975	508,975	-		0.049%	0.049%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2011	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	2,357,985	2,357,985			0.226%	0.226%	0.000%	0.000%	0.052%	0.052%	0.000%	0.000%	0.059%
2011	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	265,492	265,492			0.025%	0.025%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	SERC	1266	PowerSouth Energy	U.S.	8,545,996	8,545,996	-		0.819%	0.819%	0.000%	0.000%	0.189%	0.189%	0.000%	0.000%	0.214%
2011	SERC	1330	Prairie Power, Inc.	U.S.	1,552,685	1,552,685	-		0.149%	0.149%	0.000%	0.000%	0.034%	0.034%	0.000%	0.000%	0.039%
2011	SERC	1324	Progress Energy Carolinas	U.S.	46,239,000	46,239,000	-		4.433%	4.433%	0.000%	0.000%	1.021%	1.021%	0.000%	0.000%	1.157%
2011	SERC	1325	Rutherford EMC	U.S.	1,299,678	1,299,678	-		0.125%	0.125%	0.000%	0.000%	0.029%	0.029%	0.000%	0.000%	0.033%
2011	SERC	1631	Sam Rayburn G&T Electric Cooperative Inc.	U.S.	1,887,147	1,887,147			0.181%	0.181%	0.000%	0.000%	0.042%	0.042%	0.000%	0.000%	0.047%
2011	SERC	1326	South Carolina Electric & Gas Company	U.S.	23,293,409	23,293,409	-		2.233%	2.233%	0.000%	0.000%	0.515%	0.515%	0.000%	0.000%	0.583%
2011	SERC	1327	South Carolina Public Service Authority	U.S.	11,320,555	11,320,555	-		1.085%	1.085%	0.000%	0.000%	0.250%	0.250%	0.000%	0.000%	0.283%
2011	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	650,698	650,698			0.062%	0.062%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2011	SERC	1328	South Mississippi Electric Power Association	U.S.	10,345,945	10,345,945	-		0.992%	0.992%	0.000%	0.000%	0.229%	0.229%	0.000%	0.000%	0.259%
2011	SERC	1329	Southern Illinois Power Cooperative	U.S.	1,470,000	1,470,000	-		0.141%	0.141%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.037%
2011	SERC	1591	Southwest Louisiana Electric Membership Corporat	U.S.	2,603,178	2,603,178			0.250%	0.250%	0.000%	0.000%	0.058%	0.058%	0.000%	0.000%	0.065%
2011	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	462,555	462,555			0.044%	0.044%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2011	SERC	1331	Tennessee Valley Authority	U.S.	168,496,918	168,496,918	-		16.153%	16.153%	0.000%	0.000%	3.722%	3.722%	0.000%	0.000%	4.216%
2011	SERC	1632	Tex-La Electric Cooperative of Texas, Inc	U.S.	212,806	212,806			0.020%	0.020%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2011	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	151,225	151,225	-		0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2011	SERC	1592	Town of Black Creek, N.C.	U.S.	12,732	12,732			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	SERC	1593	Town of Lucama, N.C.	U.S.	21,018	21,018			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2011	SERC	1594	Town of Sharpsburg, N.C.	U.S.	20,449	20,449			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2011	SERC	1595	Town of Stantonsburg, N.C.	U.S.	22,980	22,980			0.002%	0.002%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SERC	1333	Town of Waynesville NC	U.S.	91,149	91,149	-		0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	SERC	1334	Town of Winnsboro SC	U.S.	54,708	54,708	-		0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SERC	1335	Town of Winterville NC	U.S.	53,282	53,282	-		0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SERC	1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	1,161,646	1,161,646			0.111%	0.111%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.029%
			TOTAL SERC		1,043,110,079	1,043,110,079	-	-	100.000%	100.000%	0.000%	0.000%	23.044%	23.044%	0.000%	0.000%	26.102%
2011	SPP	1246	American Electric Power	U.S.	38,000,922	38,000,922			17.410%	17.410%	0.000%	0.000%	0.839%	0.839%	0.000%	0.000%	0.951%
2011	SPP	1435	Arkansas Electric Cooperative Corporation (AEP)	U.S.	4,762,650	4,762,650			2.182%	2.182%	0.000%	0.000%	0.105%	0.105%	0.000%	0.000%	0.119%
2011	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	2,479,695	2,479,695			1.136%	1.136%	0.000%	0.000%	0.055%	0.055%	0.000%	0.000%	0.062%
2011	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	923,166	923,166			0.423%	0.423%	0.000%	0.000%	0.020%	0.020%	0.000%	0.000%	0.023%
2011	SPP		Carthage City Water & Light	U.S.	287,614	287,614			0.132%	0.132%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	SPP	1469	Central Valley Electric Cooperative	U.S.	778,930	778,930			0.357%	0.357%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2011	SPP	1556	City of Bentonville	U.S.	634,058	634,058			0.290%	0.290%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2011	SPP	1557	City of Clarksdale, Mississippi	U.S.	174,717	174,717			0.080%	0.080%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2011	SPP	1633	City of Lindsborg	U.S.	31,659	31,659			0.015%	0.015%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SPP	1558	Hope Water & Light (HWL)	U.S.	299,422	299,422			0.137%	0.137%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.007%
2011	SPP	1559	City of Minden	U.S.	177,361	177,361			0.081%	0.081%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2011	SPP	1634	City of Mulvane	U.S.	45,630	45,630			0.021%	0.021%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SPP	1635	The City of Osage City	U.S.	36,095	36,095			0.017%	0.017%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SPP	1636	City of Prescott	U.S.	89,896	89,896			0.041%	0.041%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	1,132,656	1,132,656			0.519%	0.519%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.028%
2011	SPP	1436	City Utilities of Springfield, MO	U.S.	3,275,267	3,275,267			1.501%	1.501%	0.000%	0.000%	0.072%	0.072%	0.000%	0.000%	0.082%
2011	SPP	1249	Cleco Power LLC	U.S.	11,954,457	11,954,457			5.477%	5.477%	0.000%	0.000%	0.264%	0.264%	0.000%	0.000%	0.299%
2011	SPP	1437	East Texas Electric Coop, Inc.	U.S.	452,191	452,191			0.207%	0.207%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2011	SPP	1250	The Empire District Electric Company	U.S.	5,452,111	5,452,111			2.498%	2.498%	0.000%	0.000%	0.120%	0.120%	0.000%	0.000%	0.136%

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-A

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
2011	SPP	1470	Farmers' Electric Coop	U.S.	478,341	478,341			0.219%	0.219%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2011	SPP	1438	Golden Spread Electric Coop	U.S.	5,824,681	5,824,681			2.669%	2.669%	0.000%	0.000%	0.129%	0.129%	0.000%	0.000%	0.146%
2011	SPP	1251	Grand River Dam Authority	U.S.	4,822,987	4,822,987			2.210%	2.210%	0.000%	0.000%	0.107%	0.107%	0.000%	0.000%	0.121%
2011	SPP		Jonesboro City Water & Light	U.S.	1,358,065	1,358,065			0.622%	0.622%	0.000%	0.000%	0.030%	0.030%	0.000%	0.000%	0.034%
2011	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	16,244,874	16,244,874			7.442%	7.442%	0.000%	0.000%	0.359%	0.359%	0.000%	0.000%	0.407%
2011	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	2,220,417	2,220,417			1.017%	1.017%	0.000%	0.000%	0.049%	0.049%	0.000%	0.000%	0.056%
2011	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	801,867	801,867			0.367%	0.367%	0.000%	0.000%	0.018%	0.018%	0.000%	0.000%	0.020%
2011	SPP	1637	Kansas Power Pool	U.S.	1,430,947	1,430,947			0.656%	0.656%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.036%
2011	SPP	1560	Kaw Valley Electric Cooperative, Inc.	U.S.	169,360	169,360			0.078%	0.078%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2011	SPP		Kennett Board of Public Works	U.S.	156,363	156,363			0.072%	0.072%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2011	SPP	1598	KCP&L GMOG (Greater Missouri Operations Comp	U.S.	8,934,041	8,934,041			4.093%	4.093%	0.000%	0.000%	0.197%	0.197%	0.000%	0.000%	0.224%
2011	SPP	1471	Lafayette Utilities System	U.S.	2,176,688	2,176,688			0.997%	0.997%	0.000%	0.000%	0.048%	0.048%	0.000%	0.000%	0.054%
2011	SPP	1472	Lea County Electric Coop	U.S.	1,315,605	1,315,605			0.603%	0.603%	0.000%	0.000%	0.029%	0.029%	0.000%	0.000%	0.033%
2011	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	1,000,906	1,000,906			0.459%	0.459%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2011	SPP		Malden Board of Public Works	U.S.	52,879	52,879			0.024%	0.024%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SPP	1441	Midwest Energy Inc.	U.S.	1,821,226	1,821,226			0.834%	0.834%	0.000%	0.000%	0.040%	0.040%	0.000%	0.000%	0.046%
2011	SPP	1443	Missouri Joint Municipal Electric Utility Commission	U.S.	2,619,748	2,619,748			1.200%	1.200%	0.000%	0.000%	0.058%	0.058%	0.000%	0.000%	0.066%
2011	SPP	1638	Nemaha Marshall Electric Cooperative (NMEC)	U.S.	61,376	61,376			0.028%	0.028%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2011	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.	3,409,158	3,409,158			1.562%	1.562%	0.000%	0.000%	0.075%	0.075%	0.000%	0.000%	0.085%
2011	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	29,341,893	29,341,893			13.443%	13.443%	0.000%	0.000%	0.648%	0.648%	0.000%	0.000%	0.734%
2011	SPP	1444	Oklahoma Municipal Power Auth	U.S.	2,992,564	2,992,564			1.371%	1.371%	0.000%	0.000%	0.066%	0.066%	0.000%	0.000%	0.075%
2011	SPP	1639	OzMo Ozark Missouri, West Plains MO	U.S.	209,318	209,318			0.096%	0.096%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2011	SPP		Paragould Light, Water & Cable	U.S.	603,309	603,309			0.276%	0.276%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.015%
2011	SPP		Piggott Municipal Light, Water & Sewer	U.S.	44,661	44,661			0.020%	0.020%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	SPP		Poplar Bluff Municipal Utilities	U.S.	393,303	393,303			0.180%	0.180%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2011	SPP	1561	Public Service Commission of Yazoo City of Mississi	U.S.	128,251	128,251			0.059%	0.059%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2011	SPP	1473	Roosevelt County Electric Coop	U.S.	233,180	233,180			0.107%	0.107%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2011	SPP	1468	Sharyland Utilities, LP	U.S.	1,094,986	1,094,986			0.502%	0.502%	0.000%	0.000%	0.024%	0.024%	0.000%	0.000%	0.027%
2011	SPP		Sikeston Board of Municipal Utilities	U.S.	371,573	371,573			0.170%	0.170%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2011	SPP	1258	Southwestern Power Administration (SPA)	U.S.	255,186	255,186			0.117%	0.117%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2011	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.	16,984,981	16,984,981			7.782%	7.782%	0.000%	0.000%	0.375%	0.375%	0.000%	0.000%	0.425%
2011	SPP	1256	Sunflower Electric Power Cooperative	U.S.	5,821,500	5,821,500			2.667%	2.667%	0.000%	0.000%	0.129%	0.129%	0.000%	0.000%	0.146%
2011	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	535,530	535,530			0.245%	0.245%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2011	SPP	1475	Tri County Electric Coop	U.S.	423,163	423,163			0.194%	0.194%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2011	SPP	1260	Westar Energy, Inc.	U.S.	22,029,873	22,029,873			10.093%	10.093%	0.000%	0.000%	0.487%	0.487%	0.000%	0.000%	0.551%
2011	SPP	1259	Western Farmers Electric Cooperative	U.S.	7,933,878	7,933,878			3.635%	3.635%	0.000%	0.000%	0.175%	0.175%	0.000%	0.000%	0.199%
2011	SPP	1501	West Texas Municipal Power Agency	U.S.	2,988,130	2,988,130			1.369%	1.369%	0.000%	0.000%	0.066%	0.066%	0.000%	0.000%	0.075%
			TOTAL SPP		218,273,305	218,273,305	-	-	100.000%	100.000%	0.000%	0.000%	4.822%	4.822%	0.000%	0.000%	5.462%
2011	TRE	1019	ERCOT	U.S.	335,000,176	335,000,176			100.000%	100.000%	0.000%	0.000%	7.401%	7.401%	0.000%	0.000%	8.383%
					335,000,176	335,000,176	-	-	100.000%	100.000%	0.000%	0.000%	7.401%	7.401%	0.000%	0.000%	8.383%
2011	WECC		Alberta Electric System Operator	Canada	58,737,634		58,737,634		6.857%	0.000%	6.857%	0.000%	1.298%	0.000%	1.298%	0.000%	0.000%
2011	WECC		British Columbia Hydro & Power Authority	Canada	60,568,272		60,568,272		7.070%	0.000%	7.070%	0.000%	1.338%	0.000%	1.338%	0.000%	0.000%
2011	WECC		Comision Federal de Electricidad	Mexico	11,041,442			11,041,442	1.289%	0.000%	0.000%	1.289%	0.244%	0.000%	0.000%	0.244%	0.000%
2011	WECC		Aha Macav Power Service	U.S.	26,075	26,075			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Ajo Improvement District	U.S.	14,043	14,043			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Ak-Chin	U.S.	33,615	33,615			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Alcoa Inc	U.S.	3,207,048	3,207,048			0.374%	0.374%	0.000%	0.000%	0.071%	0.071%	0.000%	0.000%	0.080%
2011	WECC		Arizona Public Service Company	U.S.	30,576,014	30,576,014			3.569%	3.569%	0.000%	0.000%	0.675%	0.675%	0.000%	0.000%	0.765%
2011	WECC		Arkansas River Power Authority (ARPA)	U.S.	303,725	303,725			0.035%	0.035%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	WECC		Avista Corporation	U.S.	9,374,611	9,374,611			1.094%	1.094%	0.000%	0.000%	0.207%	0.207%	0.000%	0.000%	0.235%
2011	WECC		Avista Corporation	U.S.	178,261	178,261			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2011	WECC		Barrick Goldstrike Mines Inc.	U.S.	1,178,391	1,178,391			0.138%	0.138%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.029%

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-A

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
2011	WECC		Basin Electric Power Cooperative	U.S.	3,339,670	3,339,670			0.390%	0.390%	0.000%	0.000%	0.074%	0.074%	0.000%	0.000%	0.084%
2011	WECC		Basin Electric Power Cooperative	U.S.	56,271	56,271			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Benton REA	U.S.	543,059	543,059			0.063%	0.063%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2011	WECC		Big Bend Electric Cooperative, Inc.	U.S.	134,232	134,232			0.016%	0.016%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2011	WECC		Big Bend Electric Cooperative, Inc.	U.S.	342,497	342,497			0.040%	0.040%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2011	WECC		Big Bend Electric Cooperative, Inc.	U.S.	37,310	37,310			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Blachly-Lane Electric Cooperative	U.S.	160,310	160,310			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2011	WECC		Black Hills Power	U.S.	1,884,095	1,884,095			0.220%	0.220%	0.000%	0.000%	0.042%	0.042%	0.000%	0.000%	0.047%
2011	WECC		Black Hills Power/Cheyenne Light Fuel & Power	U.S.	3,590,754	3,590,754			0.419%	0.419%	0.000%	0.000%	0.079%	0.079%	0.000%	0.000%	0.090%
2011	WECC		Bonneville Power Administration	U.S.	4,542,410	4,542,410			0.530%	0.530%	0.000%	0.000%	0.100%	0.100%	0.000%	0.000%	0.114%
2011	WECC		Bonneville Power Administration	U.S.	1,671,451	1,671,451			0.195%	0.195%	0.000%	0.000%	0.037%	0.037%	0.000%	0.000%	0.042%
2011	WECC		Bonneville Power Administration	U.S.	766,543	766,543			0.089%	0.089%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2011	WECC		Bonneville Power Administration	U.S.	6,303	6,303			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Bonneville Power Administration	U.S.	16,779	16,779			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		BPA - USBR Load	U.S.	133,479	133,479			0.016%	0.016%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2011	WECC		Bureau of Reclamation (Desalter) - c/o DSW EMMO	U.S.	1,376	1,376			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Bureau of Reclamation (Wellfield) - c/o DSW EMMC	U.S.	5,137	5,137			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		California Independent System Operator	U.S.	229,559,674	229,559,674			26.797%	26.797%	0.000%	0.000%	5.071%	5.071%	0.000%	0.000%	5.744%
2011	WECC		Canby Public Utility Board	U.S.	178,411	178,411			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2011	WECC		Central Arizona Water Conservation District	U.S.	1,844,273	1,844,273			0.215%	0.215%	0.000%	0.000%	0.041%	0.041%	0.000%	0.000%	0.046%
2011	WECC		Central Arizona Water Conservation District	U.S.	1,457,739	1,457,739			0.170%	0.170%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.036%
2011	WECC		Central Electric Cooperative	U.S.	517,142	517,142			0.060%	0.060%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2011	WECC		Central Lincoln PUD	U.S.	1,356,113	1,356,113			0.158%	0.158%	0.000%	0.000%	0.030%	0.030%	0.000%	0.000%	0.034%
2011	WECC		Central Montana Electric Power Cooperative	U.S.	30,692	30,692			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Central Montana Electric Power Cooperative	U.S.	91,421	91,421			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		City of Aztec Electric Dept	U.S.	34,682	34,682			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		City of Bandon	U.S.	67,417	67,417			0.008%	0.008%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2011	WECC		City of Blaine	U.S.	79,509	79,509			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		City of Bonners Ferry	U.S.	67,686	67,686			0.008%	0.008%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2011	WECC		City of Boulder City	U.S.	162,539	162,539			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2011	WECC		City of Cascade Locks	U.S.	19,883	19,883			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		City of Centralia	U.S.	277,850	277,850			0.032%	0.032%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	WECC		City of Cheney	U.S.	143,878	143,878			0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2011	WECC		City of Chewelah	U.S.	24,502	24,502			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		City of Drain	U.S.	16,879	16,879			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		City of Ellensburg	U.S.	205,752	205,752			0.024%	0.024%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2011	WECC		City of Fallon	U.S.	116,364	116,364			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2011	WECC		City of Forest Grove	U.S.	244,705	244,705			0.029%	0.029%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2011	WECC		City of Gallup	U.S.	220,126	220,126			0.026%	0.026%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2011	WECC		City of Henderson	U.S.	14,207	14,207			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		City of Hermiston, DBA Hermiston Energy Services	U.S.	109,377	109,377			0.013%	0.013%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2011	WECC		City of Las Vegas	U.S.	45,810	45,810			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		City of McCleary	U.S.	30,023	30,023			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		City of McMinnville	U.S.	744,405	744,405			0.087%	0.087%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.019%
2011	WECC		City of Mesa	U.S.	257,789	257,789			0.030%	0.030%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2011	WECC		City of Milton	U.S.	63,719	63,719			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2011	WECC		City of Milton-Freewater	U.S.	110,129	110,129			0.013%	0.013%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2011	WECC		City of Monmouth	U.S.	73,209	73,209			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		City of Needles	U.S.	31,761	31,761			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		City of Plummer	U.S.	35,274	35,274			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		City of Port Angeles	U.S.	755,462	755,462			0.088%	0.088%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-A

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
2011	WECC		City of Redding	U.S.	1,223,197	1,223,197			0.143%	0.143%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.031%
2011	WECC		City of Richland	U.S.	882,177	882,177			0.103%	0.103%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2011	WECC		City of Roseville	U.S.	798,162	798,162			0.093%	0.093%	0.000%	0.000%	0.018%	0.018%	0.000%	0.000%	0.020%
2011	WECC		City of Shasta Lake	U.S.	184,342	184,342			0.022%	0.022%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2011	WECC		City of Sumas	U.S.	30,510	30,510			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		City of Tacoma DBA Tacoma Power	U.S.	356	356			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		City of Tacoma DBA Tacoma Power	U.S.	5,074,707	5,074,707			0.592%	0.592%	0.000%	0.000%	0.112%	0.112%	0.000%	0.000%	0.127%
2011	WECC		City of Troy	U.S.	18,306	18,306			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		City of Williams	U.S.	40,053	40,053			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Clark County Water Resources	U.S.	6,075	6,075			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Clark Public Utilities	U.S.	4,510,772	4,510,772			0.527%	0.527%	0.000%	0.000%	0.100%	0.100%	0.000%	0.000%	0.113%
2011	WECC		Clatskanie PUD	U.S.	794,783	794,783			0.093%	0.093%	0.000%	0.000%	0.018%	0.018%	0.000%	0.000%	0.020%
2011	WECC		Clearwater Cooperative, Inc	U.S.	166,107	166,107			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2011	WECC		Clearwater Cooperative, Inc	U.S.	40,060	40,060			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	14,673	14,673			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Colorado River Commission of Nevada	U.S.	801,002	801,002			0.094%	0.094%	0.000%	0.000%	0.018%	0.018%	0.000%	0.000%	0.020%
2011	WECC		Colorado Springs Utilities	U.S.	81,611	81,611			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		Colorado Springs Utilities	U.S.	19,936	19,936			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Columbia Basin Electric Cooperative, Inc.	U.S.	106,648	106,648			0.012%	0.012%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2011	WECC		Columbia Falls Aluminum Company	U.S.	4,261	4,261			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Columbia Power Cooperative Association	U.S.	21,326	21,326			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2011	WECC		Columbia River PUD	U.S.	170,280	170,280			0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2011	WECC		Columbia River PUD	U.S.	321,069	321,069			0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	WECC		Columbia Rural Electric Association (REA)	U.S.	306,470	306,470			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	WECC		Consolidated Irrigation District No. 19	U.S.	5,621	5,621			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Constellation New Energy, Inc.	U.S.	73,225	73,225			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		Consumers Power, Inc.	U.S.	425,329	425,329			0.050%	0.050%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2011	WECC		Coos-Curry Electric Cooperative, Inc	U.S.	358,171	358,171			0.042%	0.042%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2011	WECC		Deseret Generation & Transmission Cooperative	U.S.	4,582,559	4,582,559			0.535%	0.535%	0.000%	0.000%	0.101%	0.101%	0.000%	0.000%	0.115%
2011	WECC		Deseret Generation & Transmission Cooperative	U.S.	86,987	86,987			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		Douglas Electric Cooperative, Inc.	U.S.	96,236	96,236			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		Douglas Palisades	U.S.	17,936	17,936			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		El Paso Electric Company	U.S.	8,342,238	8,342,238			0.974%	0.974%	0.000%	0.000%	0.184%	0.184%	0.000%	0.000%	0.209%
2011	WECC		Electrical District #2	U.S.	182,634	182,634			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2011	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	9,066	9,066			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Electrical Districts 1 & 3	U.S.	668,791	668,791			0.078%	0.078%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2011	WECC		Elmhurst Mutual Power & Light Company	U.S.	281,937	281,937			0.033%	0.033%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	WECC		Emerald PUD	U.S.	693,945	693,945			0.081%	0.081%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2011	WECC		Energy Northwest	U.S.	26,743	26,743			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Eugene Water & Electric Board	U.S.	2,494,514	2,494,514			0.291%	0.291%	0.000%	0.000%	0.055%	0.055%	0.000%	0.000%	0.062%
2011	WECC		Farmington Electric Utility System	U.S.	1,043,492	1,043,492			0.122%	0.122%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2011	WECC		Flathead Electric Cooperative, Inc	U.S.	1,448,399	1,448,399			0.169%	0.169%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.036%
2011	WECC		Frederickson Power LP	U.S.	5,209	5,209			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Grand Valley Power	U.S.	228,043	228,043			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2011	WECC		Harney Electric Cooperative, Inc.	U.S.	111,061	111,061			0.013%	0.013%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2011	WECC		Harney Electric Cooperative, Inc.	U.S.	66,827	66,827			0.008%	0.008%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2011	WECC		Hermiston Power LLC	U.S.	5,921	5,921			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Holy Cross Energy	U.S.	731,002	731,002			0.085%	0.085%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2011	WECC		Hood River Electric Cooperative	U.S.	41,501	41,501			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-A

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
2011	WECC		Idaho County Light and Power Cooperative Associat	U.S.	57,727	57,727			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Idaho Power Company	U.S.	14,979,668	14,979,668			1.749%	1.749%	0.000%	0.000%	0.331%	0.331%	0.000%	0.000%	0.375%
2011	WECC		Imperial Irrigation District	U.S.	3,598,464	3,598,464			0.420%	0.420%	0.000%	0.000%	0.079%	0.079%	0.000%	0.000%	0.090%
2011	WECC		Inland Power and Light Company	U.S.	467,156	467,156			0.055%	0.055%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2011	WECC		Inland Power and Light Company	U.S.	485,239	485,239			0.057%	0.057%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2011	WECC		Intermountain Rural Electric Association	U.S.	1,115,860	1,115,860			0.130%	0.130%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.028%
2011	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	313,878	313,878			0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	WECC		Kootenai Electric Cooperative, Inc.	U.S.	473,760	473,760			0.055%	0.055%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2011	WECC		Lakeview Light & Power	U.S.	281,756	281,756			0.033%	0.033%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	WECC		Lane Electric Cooperative, Inc.	U.S.	229,262	229,262			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2011	WECC		Las Vegas Valley Water District	U.S.	90,574	90,574			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		Lincoln County Power District No. 1	U.S.	90,235	90,235			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		Lincoln Electric Cooperative, Inc.	U.S.	120,259	120,259			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2011	WECC		Los Angeles Department of Water and Power	U.S.	28,863,039	28,863,039			3.369%	3.369%	0.000%	0.000%	0.638%	0.638%	0.000%	0.000%	0.722%
2011	WECC		Majority Districts	U.S.	669,890	669,890			0.078%	0.078%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2011	WECC		Merced Irrigation District	U.S.	454,316	454,316			0.053%	0.053%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2011	WECC		Midstate Electric Cooperative, Inc.	U.S.	403,143	403,143			0.047%	0.047%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2011	WECC		Mission Valley Power	U.S.	394,767	394,767			0.046%	0.046%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2011	WECC		Modern Electric Water Company	U.S.	235,291	235,291			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2011	WECC		Modesto Irrigation District	U.S.	2,524,529	2,524,529			0.295%	0.295%	0.000%	0.000%	0.056%	0.056%	0.000%	0.000%	0.063%
2011	WECC		Montana-Dakota Utilities Co.	U.S.	16,940	16,940			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Mt. Wheeler Power	U.S.	531,438	531,438			0.062%	0.062%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2011	WECC		Municipal Energy Agency of Nebraska	U.S.	182,998	182,998			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2011	WECC		Municipal Energy Agency of Nebraska	U.S.	28,470	28,470			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Navajo Tribal Utility Authority	U.S.	44,785	44,785			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Navajo Tribal Utility Authority	U.S.	313,385	313,385			0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	WECC		Navopache Electric Cooperative, Inc.	U.S.	436,712	436,712			0.051%	0.051%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2011	WECC		Nebraska Public Power Marketing	U.S.	555,674	555,674			0.065%	0.065%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2011	WECC		Nespelem Valley Electric Cooperative, Inc.	U.S.	50,524	50,524			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Nevada Power Company dba NV Energy	U.S.	21,639,158	21,639,158			2.526%	2.526%	0.000%	0.000%	0.478%	0.478%	0.000%	0.000%	0.541%
2011	WECC		Noble Americas Energy Solutions, LLC	U.S.	952,212	952,212			0.111%	0.111%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.024%
2011	WECC		Northern Lights, Inc.	U.S.	36,281	36,281			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Northern Lights, Inc.	U.S.	304,368	304,368			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	WECC		Northern Wasco County PUD	U.S.	572,298	572,298			0.067%	0.067%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.014%
2011	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	9,000,254	9,000,254			1.051%	1.051%	0.000%	0.000%	0.199%	0.199%	0.000%	0.000%	0.225%
2011	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	305,408	305,408			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	WECC		Ohop Mutual Light Company	U.S.	88,819	88,819			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		Orcas Power and Light Cooperative	U.S.	219,124	219,124			0.026%	0.026%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2011	WECC		Operations Office	U.S.	194,777	194,777			0.023%	0.023%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2011	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	333,948	333,948			0.039%	0.039%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	WECC		Overton Power District No. 5	U.S.	378,808	378,808			0.044%	0.044%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2011	WECC		PacifiCorp	U.S.	58,032	58,032			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		PacifiCorp	U.S.	2,095	2,095			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		PacifiCorp	U.S.	47,858,167	47,858,167			5.587%	5.587%	0.000%	0.000%	1.057%	1.057%	0.000%	0.000%	1.198%
2011	WECC		PacifiCorp	U.S.	1,793	1,793			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		PacifiCorp	U.S.	3,797	3,797			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		PacifiCorp West (PACW)	U.S.	20,883,821	20,883,821			2.438%	2.438%	0.000%	0.000%	0.461%	0.461%	0.000%	0.000%	0.523%
2011	WECC		Page Electric Utility	U.S.	14,926	14,926			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Parkland Light and Water Company	U.S.	123,577	123,577			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2011	WECC		Pend Oreille County PUD No. 1	U.S.	998,876	998,876			0.117%	0.117%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2011	WECC		Peninsula Light Company, Inc.	U.S.	620,196	620,196			0.072%	0.072%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2011	WECC		Platte River Power Authority	U.S.	3,250,442	3,250,442			0.379%	0.379%	0.000%	0.000%	0.072%	0.072%	0.000%	0.000%	0.081%
2011	WECC		Port of Seattle - Seattle-Tacoma International Airpo	U.S.	144,959	144,959			0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-A

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
2011	WECC		Port Townsend Paper Corporation	U.S.	202,411	202,411			0.024%	0.024%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2011	WECC		Portland General Electric Company	U.S.	47,576	47,576			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Portland General Electric Company	U.S.	19,064,923	19,064,923			2.226%	2.226%	0.000%	0.000%	0.421%	0.421%	0.000%	0.000%	0.477%
2011	WECC		Public Service Company of Colorado (Xcel)	U.S.	31,503,951	31,503,951			3.678%	3.678%	0.000%	0.000%	0.696%	0.696%	0.000%	0.000%	0.788%
2011	WECC		Public Service Company of Colorado (Xcel)	U.S.	172,066	172,066			0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2011	WECC		Public Service Company of New Mexico	U.S.	10,891,068	10,891,068			1.271%	1.271%	0.000%	0.000%	0.241%	0.241%	0.000%	0.000%	0.273%
2011	WECC		Public Utility District No. 1 of Chelan County	U.S.	3,782,502	3,782,502			0.442%	0.442%	0.000%	0.000%	0.084%	0.084%	0.000%	0.000%	0.095%
2011	WECC		PUD No. 1 of Asotin County	U.S.	4,480	4,480			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		PUD No. 1 of Asotin County	U.S.	314	314			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		PUD No. 1 of Benton County	U.S.	1,702,301	1,702,301			0.199%	0.199%	0.000%	0.000%	0.038%	0.038%	0.000%	0.000%	0.043%
2011	WECC		PUD No. 1 of Clallam County	U.S.	695,379	695,379			0.081%	0.081%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2011	WECC		PUD No. 1 of Cowlitz County	U.S.	5,114,848	5,114,848			0.597%	0.597%	0.000%	0.000%	0.113%	0.113%	0.000%	0.000%	0.128%
2011	WECC		PUD No. 1 of Cowlitz County	U.S.	4,788	4,788			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		PUD No. 1 of Douglas County	U.S.	9,031	9,031			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		PUD No. 1 of Douglas County	U.S.	1,435,488	1,435,488			0.168%	0.168%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.036%
2011	WECC		PUD No. 1 of Ferry County	U.S.	107,730	107,730			0.013%	0.013%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2011	WECC		PUD No. 1 of Franklin County	U.S.	1,025,213	1,025,213			0.120%	0.120%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2011	WECC		PUD No. 1 of Grays Harbor	U.S.	1,184,510	1,184,510			0.138%	0.138%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.030%
2011	WECC		PUD No. 1 of Kittitas County	U.S.	70,436	70,436			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		PUD No. 1 of Kittitas County	U.S.	7,881	7,881			0.001%	0.000%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		PUD No. 1 of Kittitas County	U.S.	16,993	16,993			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		PUD No. 1 of Klickitat County	U.S.	264,286	264,286			0.031%	0.000%	0.000%	0.031%	0.006%	0.006%	0.000%	0.000%	0.007%
2011	WECC		PUD No. 1 of Lewis County	U.S.	980,372	980,372			0.114%	0.114%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2011	WECC		PUD No. 1 of Mason County	U.S.	80,885	80,885			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		PUD No. 1 of Skamania County	U.S.	136,771	136,771			0.016%	0.016%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2011	WECC		PUD No. 1 of Snohomish County	U.S.	7,195,316	7,195,316			0.840%	0.840%	0.000%	0.000%	0.159%	0.159%	0.000%	0.000%	0.180%
2011	WECC		PUD No. 1 of Wahkiakum County	U.S.	45,538	45,538			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		PUD No. 1 of Whatcom County	U.S.	219,958	219,958			0.026%	0.000%	0.026%	0.000%	0.005%	0.000%	0.005%	0.000%	0.006%
2011	WECC		PUD No. 1 of Whatcom County	U.S.	10,934	10,934			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		PUD No. 2 of Grant County	U.S.	85,713	85,713			0.010%	0.000%	0.000%	0.010%	0.002%	0.000%	0.000%	0.002%	0.002%
2011	WECC		PUD No. 2 of Grant County	U.S.	48,941	48,941			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		PUD No. 2 of Grant County	U.S.	3,954,105	3,954,105			0.462%	0.462%	0.000%	0.000%	0.087%	0.087%	0.000%	0.000%	0.099%
2011	WECC		PUD No. 2 of Pacific County	U.S.	311,816	311,816			0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	WECC		PUD No. 3 of Mason County	U.S.	701,214	701,214			0.082%	0.082%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.018%
2011	WECC		Puget Sound Energy, Inc.	U.S.	24,784,274	24,784,274			2.893%	2.893%	0.000%	0.000%	0.548%	0.548%	0.000%	0.000%	0.620%
2011	WECC		Rocky Mountain Generation Cooperative, Inc.	U.S.	33,055	33,055			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Sacramento Municipal Utility District	U.S.	11,194,192	11,194,192			1.307%	1.307%	0.000%	0.000%	0.247%	0.247%	0.000%	0.000%	0.280%
2011	WECC		Salem Electric	U.S.	330,465	330,465			0.039%	0.039%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2011	WECC		Salt River Project	U.S.	28,515,865	28,515,865			3.329%	3.329%	0.000%	0.000%	0.630%	0.630%	0.000%	0.000%	0.714%
2011	WECC		San Carlos Indian Irrigation Project	U.S.	112	112			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Seattle City Light	U.S.	10,188,883	10,188,883			1.189%	1.189%	0.000%	0.000%	0.225%	0.225%	0.000%	0.000%	0.255%
2011	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	8,734,530	8,734,530			1.020%	1.020%	0.000%	0.000%	0.193%	0.193%	0.000%	0.000%	0.219%
2011	WECC		Southern Montana Electric Generation & Transmiss	U.S.	188,819	188,819			0.022%	0.022%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2011	WECC		Southern Montana Electric Generation & Transmiss	U.S.	697,891	697,891			0.081%	0.081%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2011	WECC		Southern Nevada Water Authority	U.S.	790,997	790,997			0.092%	0.092%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.020%
2011	WECC		Southwest Transmission Cooperative, Inc.	U.S.	2,691,777	2,691,777			0.314%	0.314%	0.000%	0.000%	0.059%	0.059%	0.000%	0.000%	0.067%
2011	WECC		Springfield Utility Board	U.S.	847,249	847,249			0.099%	0.099%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.021%
2011	WECC		Surprise Valley Electrification Corporation	U.S.	30,871	30,871			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Tanner Electric Cooperative	U.S.	96,583	96,583			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		The Incorporated County of Los Alamos	U.S.	368,884	368,884			0.043%	0.043%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2011	WECC		Tillamook People's Utility District	U.S.	377,963	377,963			0.044%	0.044%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-A

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
2011	WECC		Tohono O'Odham Utility Authority	U.S.	69,071	69,071			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		Town of Center	U.S.	10,472	10,472			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Town of Coulee	U.S.	17,608	17,608			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Town of Eatonville	U.S.	30,780	30,780			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Town of Fredonia	U.S.	1,557	1,557			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Town of Steilacoom	U.S.	42,406	42,406			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Town of Wickenburg	U.S.	28,469	28,469			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Tri-State Generation & Transmission Assoc. Inc - Rel	U.S.	2,071,082	2,071,082			0.242%	0.242%	0.000%	0.000%	0.046%	0.046%	0.000%	0.000%	0.052%
2011	WECC		Tri-State Generation & Transmission Assoc. Inc - Rel	U.S.	44,085	44,085			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Tri-State Generation & Transmission Assoc. Inc - Rel	U.S.	33,358	33,358			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		Tri-State Generation & Transmission Association, In	U.S.	2,568,574	2,568,574			0.300%	0.300%	0.000%	0.000%	0.057%	0.057%	0.000%	0.000%	0.064%
2011	WECC		Truckee Donner Public Utility District	U.S.	151,988	151,988			0.018%	0.018%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2011	WECC		Tucson Electric Power Company	U.S.	13,594,185	13,594,185			1.587%	1.587%	0.000%	0.000%	0.300%	0.300%	0.000%	0.000%	0.340%
2011	WECC		Turlock Irrigation District	U.S.	2,044,912	2,044,912			0.239%	0.239%	0.000%	0.000%	0.045%	0.045%	0.000%	0.000%	0.051%
2011	WECC		U.S. Army Yuma Proving Ground	U.S.	4,490	4,490			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		U.S. BOR Columbia Basin	U.S.	28,687	28,687			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	3,566	3,566			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		U.S. Bor Spokane Indian Development`	U.S.	3,299	3,299			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		U.S. BOR The Dalles Project	U.S.	16,327	16,327			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		U.S. DOE National Energy Technology Laboratory	U.S.	4,721	4,721			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Umatilla Electric Cooperative Association	U.S.	969,290	969,290			0.113%	0.113%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.024%
2011	WECC		Unit B Irrigation District	U.S.	23	23			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		US Air Force Base, Fairchild	U.S.	49,952	49,952			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		US Dept of Energy - Kirtland AFB	U.S.	423,846	423,846			0.049%	0.049%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2011	WECC		USN Naval Station, Bremerton	U.S.	257,040	257,040			0.030%	0.030%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2011	WECC		USN Naval Station, Everett	U.S.	13,257	13,257			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		USN Submarine Base, Bangor	U.S.	180,858	180,858			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2011	WECC		Valley Electric Association, Inc.	U.S.	413,528	413,528			0.048%	0.048%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2011	WECC		Vera Water and Power	U.S.	231,952	231,952			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2011	WECC		Vigilante Electric Cooperative, Inc.	U.S.	16,140	16,140			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Wasco Electric Cooperative	U.S.	95,917	95,917			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2011	WECC		Wells Rural Electric Cooperative	U.S.	645,809	645,809			0.075%	0.075%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2011	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	19,234	19,234			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		West Oregon Electric Cooperative, Inc.	U.S.	54,937	54,937			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2011	WECC		West Oregon Electric Cooperative, Inc.	U.S.	13,348	13,348			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Western Area Power - Loveland, CO	U.S.	342,166	342,166			0.040%	0.040%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2011	WECC		Western Area Power - Loveland, CO	U.S.	246,234	246,234			0.029%	0.029%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2011	WECC		Western Area Power Administration - CRSP	U.S.	1,760,142	1,760,142			0.205%	0.205%	0.000%	0.000%	0.039%	0.039%	0.000%	0.000%	0.044%
2011	WECC		Western Area Power Administration - Sierra Nevada	U.S.	1,528,329	1,528,329			0.178%	0.178%	0.000%	0.000%	0.034%	0.034%	0.000%	0.000%	0.038%
2011	WECC		Western Area Power Administration-Desert Southw	U.S.	2,694,858	2,694,858			0.315%	0.315%	0.000%	0.000%	0.060%	0.060%	0.000%	0.000%	0.067%
2011	WECC		Western Area Power Administration-Upper Great Pl	U.S.	191,552	191,552			0.022%	0.022%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2011	WECC		Western Area Power Administration-Upper Great Pl	U.S.	1,474,154	1,474,154			0.172%	0.172%	0.000%	0.000%	0.033%	0.033%	0.000%	0.000%	0.037%
2011	WECC		Western Area Power Administration-Upper Great Pl	U.S.	214,398	214,398			0.025%	0.025%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2011	WECC		Wyoming Municipal Power Agency	U.S.	7,389,913	7,389,913			0.863%	0.863%	0.000%	0.000%	0.163%	0.163%	0.000%	0.000%	0.185%
2011	WECC		Yakama Power	U.S.	19,439	19,439			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Yampa Valley Electric Association	U.S.	585,674	585,674			0.068%	0.068%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.015%
2011	WECC		Yuma Irrigation District	U.S.	3,091	3,091			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2011	WECC		Yuma-Mesa Irrigation District	U.S.	152	152			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
TOTAL WECC					856,656,372	726,309,024	119,305,906	11,041,442	100.000%	84.717%	13.954%	1.330%	18.925%	16.039%	2.641%	0.246%	18.175%
TOTAL ERO					4,526,616,128	3,996,240,765	519,333,921	11,041,442	800.000%	714.621%	84.049%	1.330%	100.000%	88.276%	11.478%	0.246%	100.000%

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-A

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
Summary by Regional Entity					Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL									
2011	FRCC				223,901,932	223,901,932	-	-	100.000%	100.000%	0.000%	0.000%	4.946%	4.946%	0.000%	0.000%	5.603%
2011	MRO				282,953,703	238,655,688	44,298,015	-	100.000%	84.344%	15.656%	0.000%	6.251%	5.272%	0.979%	0.000%	5.972%
2011	NPCC				653,432,000	297,702,000	355,730,000	-	100.000%	45.560%	54.440%	0.000%	14.435%	6.577%	7.859%	0.000%	7.450%
2011	RFC				913,288,560	913,288,560	-	-	100.000%	100.000%	0.000%	0.000%	20.176%	20.176%	0.000%	0.000%	22.854%
2011	SERC				1,043,110,079	1,043,110,079	-	-	100.000%	100.000%	0.000%	0.000%	23.044%	23.044%	0.000%	0.000%	26.102%
2011	SPP				218,273,305	218,273,305	-	-	100.000%	100.000%	0.000%	0.000%	4.822%	4.822%	0.000%	0.000%	5.462%
2011	TRE				335,000,176	335,000,176	-	-	100.000%	100.000%	0.000%	0.000%	7.401%	7.401%	0.000%	0.000%	8.383%
2011	WECC				856,656,372	726,309,024	119,305,906	11,041,442	100.000%	84.717%	13.954%	1.330%	18.925%	16.039%	2.641%	0.246%	18.175%
Total					4,526,616,128	3,996,240,765	519,333,921	11,041,442	800.000%	714.621%	84.049%	1.330%	100.000%	88.276%	11.478%	0.246%	100.000%

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2011	FRCC	1074	Alachua, City of	U.S.	4,786	4,786	-	-	1,382	1,382	-	-	3,404	3,404	-	-
2011	FRCC	1075	Bartow, City of	U.S.	10,368	10,368	-	-	2,994	2,994	-	-	7,374	7,374	-	-
2011	FRCC	1076	Chattahoochee, City of	U.S.	1,535	1,535	-	-	443	443	-	-	1,092	1,092	-	-
2011	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	26,153	26,153	-	-	7,553	7,553	-	-	18,600	18,600	-	-
2011	FRCC	1078	Florida Power & Light Co.	U.S.	4,126,065	4,126,065	-	-	1,191,557	1,191,557	-	-	2,934,508	2,934,508	-	-
2011	FRCC	1079	Florida Public Utilities Company	U.S.	15,153	15,153	-	-	4,376	4,376	-	-	10,777	10,777	-	-
2011	FRCC	1080	Gainesville Regional Utilities	U.S.	68,176	68,176	-	-	19,688	19,688	-	-	48,488	48,488	-	-
2011	FRCC	1081	Homestead, City of	U.S.	18,520	18,520	-	-	5,348	5,348	-	-	13,172	13,172	-	-
2011	FRCC	1082	JEA	U.S.	470,489	470,489	-	-	135,871	135,871	-	-	334,617	334,617	-	-
2011	FRCC	1083	Lakeland Electric	U.S.	108,240	108,240	-	-	31,259	31,259	-	-	76,982	76,982	-	-
2011	FRCC	1626	Lee County Electric Cooperative, Inc	U.S.	44,071	44,071	-	-	12,727	12,727	-	-	31,344	31,344	-	-
2011	FRCC	1084	Mount Dora, City of	U.S.	3,394	3,394	-	-	980	980	-	-	2,414	2,414	-	-
2011	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	14,479	14,479	-	-	4,181	4,181	-	-	10,298	10,298	-	-
2011	FRCC	1086	Orlando Utilities Commission	U.S.	211,576	211,576	-	-	61,101	61,101	-	-	150,475	150,475	-	-
2011	FRCC	1087	Progress Energy Florida	U.S.	1,498,070	1,498,070	-	-	432,624	432,624	-	-	1,065,446	1,065,446	-	-
2011	FRCC	1088	Quincy, City of	U.S.	5,347	5,347	-	-	1,544	1,544	-	-	3,803	3,803	-	-
2011	FRCC	1089	Reedy Creek Improvement District	U.S.	45,197	45,197	-	-	13,052	13,052	-	-	32,145	32,145	-	-
2011	FRCC	1090	St. Cloud, City of (OUC)	U.S.	22,075	22,075	-	-	6,375	6,375	-	-	15,700	15,700	-	-
2011	FRCC	1091	Tallahassee, City of	U.S.	104,724	104,724	-	-	30,243	30,243	-	-	74,481	74,481	-	-
2011	FRCC	1092	Tampa Electric Company	U.S.	718,570	718,570	-	-	207,514	207,514	-	-	511,056	511,056	-	-
2011	FRCC	1603	City of Vero Beach	U.S.	27,724	27,724	-	-	8,006	8,006	-	-	19,718	19,718	-	-
2011	FRCC	1093	Wauchula, City of	U.S.	2,357	2,357	-	-	681	681	-	-	1,676	1,676	-	-
2011	FRCC	1094	Williston, City of	U.S.	1,241	1,241	-	-	358	358	-	-	883	883	-	-
2011	FRCC	1095	Winter Park, City of	U.S.	16,548	16,548	-	-	4,779	4,779	-	-	11,769	11,769	-	-
2011	FRCC	1072	Florida Municipal Power Agency	U.S.	225,312	225,312	-	-	65,067	65,067	-	-	160,245	160,245	-	-
2011	FRCC	1073	Seminole Electric Cooperative	U.S.	587,035	587,035	-	-	169,528	169,528	-	-	417,506	417,506	-	-
TOTAL FRCC					8,377,204	8,377,204	-	-	2,419,233	2,419,233	-	-	5,957,971	5,957,971	-	-
2011	MRO	1199	Basin Electric Power Cooperative	U.S.	554,837	554,837	-	-	140,893	140,893	-	-	413,944	413,944	-	-
2011	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	120,347	120,347	-	-	30,560	30,560	-	-	89,787	89,787	-	-
2011	MRO	1204	Corn Belt Power Cooperative	U.S.	76,342	76,342	-	-	19,386	19,386	-	-	56,956	56,956	-	-
2011	MRO	1207	Dairyland Power Cooperative	U.S.	226,678	226,678	-	-	57,562	57,562	-	-	169,117	169,117	-	-
2011	MRO	1210	Great River Energy	U.S.	581,097	581,097	-	-	147,561	147,561	-	-	433,536	433,536	-	-
2011	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	174,151	174,151	-	-	44,223	44,223	-	-	129,928	129,928	-	-
2011	MRO	1230	Nebraska Public Power District	U.S.	551,218	551,218	-	-	139,974	139,974	-	-	411,244	411,244	-	-
2011	MRO	1232	Omaha Public Power District	U.S.	486,677	486,677	-	-	123,585	123,585	-	-	363,093	363,093	-	-
2011	MRO	1237	Southern Montana Generation and Transmission	U.S.	177	177	-	-	45	45	-	-	132	132	-	-
2011	MRO	1240	Western Area Power Administration (UM)	U.S.	386,913	386,913	-	-	98,251	98,251	-	-	288,662	288,662	-	-
2011	MRO	1239	Western Area Power Administration (LM)	U.S.	5,467	5,467	-	-	1,388	1,388	-	-	4,079	4,079	-	-
2011	MRO	1217	Manitoba Hydro	CAN	993,173	-	993,173	-	262,505	-	262,505	-	730,668	-	730,668	-
2011	MRO	1235	SaskPower	CAN	946,068	-	946,068	-	250,055	-	250,055	-	696,013	-	696,013	-
2011	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	1,234,916	1,234,916	-	-	313,589	313,589	-	-	921,327	921,327	-	-
2011	MRO	1216	Madison, Gas and Electric	U.S.	150,087	150,087	-	-	38,112	38,112	-	-	111,974	111,974	-	-
2011	MRO	1220	MidAmerican Energy Company	U.S.	1,195,035	1,195,035	-	-	303,462	303,462	-	-	891,573	891,573	-	-
2011	MRO	1221	Minnesota Power	U.S.	568,164	568,164	-	-	144,277	144,277	-	-	423,887	423,887	-	-
2011	MRO	1226	Montana-Dakota Utilities Co.	U.S.	119,621	119,621	-	-	30,376	30,376	-	-	89,245	89,245	-	-
2011	MRO	1231	NorthWestern Energy	U.S.	64,791	64,791	-	-	16,453	16,453	-	-	48,339	48,339	-	-
2011	MRO	1233	Otter Tail Power Company	U.S.	187,036	187,036	-	-	47,495	47,495	-	-	139,541	139,541	-	-
2011	MRO	1243	Integrus Energy Group (WPS and UPPCO)	U.S.	581,538	581,538	-	-	147,673	147,673	-	-	433,865	433,865	-	-
2011	MRO	1244	Xcel Energy Company (NSP)	U.S.	1,988,578	1,988,578	-	-	504,970	504,970	-	-	1,483,607	1,483,607	-	-
2011	MRO	1196	Ames Municipal Electric System	U.S.	33,439	33,439	-	-	8,491	8,491	-	-	24,947	24,947	-	-
2011	MRO	1604	Atlantic Municipal Utilities	U.S.	3,053	3,053	-	-	775	775	-	-	2,278	2,278	-	-
2011	MRO	1476	Badger Power Marketing Authority of Wisconsin, Inc	U.S.	17,782	17,782	-	-	4,516	4,516	-	-	13,267	13,267	-	-
2011	MRO	1200	Cedar Falls Municipal Utilities	U.S.	22,335	22,335	-	-	5,672	5,672	-	-	16,664	16,664	-	-
2011	MRO	1477	Central Minnesota Municipal Power Agency (CMMP)	U.S.	20,387	20,387	-	-	5,177	5,177	-	-	15,210	15,210	-	-
2011	MRO	1605	City of Pella	U.S.	8,556	8,556	-	-	2,173	2,173	-	-	6,384	6,384	-	-
2011	MRO	1203	Escanaba Municipal Electric Utility	U.S.	6,582	6,582	-	-	1,671	1,671	-	-	4,911	4,911	-	-
2011	MRO	1205	Falls City Water & Light Department	U.S.	2,434	2,434	-	-	618	618	-	-	1,816	1,816	-	-
2011	MRO	1206	Fremont Department of Utilities	U.S.	18,937	18,937	-	-	4,809	4,809	-	-	14,129	14,129	-	-
2011	MRO	1208	Geneseo Municipal Utilities	U.S.	2,898	2,898	-	-	736	736	-	-	2,162	2,162	-	-
2011	MRO	1209	Grand Island Utilities Department	U.S.	32,292	32,292	-	-	8,200	8,200	-	-	24,092	24,092	-	-

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2011	MRO	1606	Harlan Municipal Utilities	U.S.	1,040	1,040	-	-	264	264	-	-	776	776	-	-
2011	MRO	1211	Hastings Utilities	U.S.	18,530	18,530	-	-	4,705	4,705	-	-	13,824	13,824	-	-
2011	MRO	1212	Heartland Consumers Power District	U.S.	36,670	36,670	-	-	9,312	9,312	-	-	27,358	27,358	-	-
2011	MRO	1213	Hutchinson Utilities Commission	U.S.	13,028	13,028	-	-	3,308	3,308	-	-	9,719	9,719	-	-
2011	MRO	1215	Lincoln Electric System	U.S.	138,781	138,781	-	-	35,241	35,241	-	-	103,540	103,540	-	-
2011	MRO	1218	Manitowoc Public Utilities	U.S.	23,150	23,150	-	-	5,879	5,879	-	-	17,271	17,271	-	-
2011	MRO	1223	Missouri River Energy Services	U.S.	96,378	96,378	-	-	24,474	24,474	-	-	71,904	71,904	-	-
2011	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	62,680	62,680	-	-	15,917	15,917	-	-	46,764	46,764	-	-
2011	MRO	1607	Montezuma Municipal Light & Power	U.S.	1,511	1,511	-	-	384	384	-	-	1,127	1,127	-	-
2011	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	50,055	50,055	-	-	12,711	12,711	-	-	37,344	37,344	-	-
2011	MRO	1228	Muscatine Power and Water	U.S.	37,898	37,898	-	-	9,624	9,624	-	-	28,274	28,274	-	-
2011	MRO	1229	Nebraska City Utilities	U.S.	7,568	7,568	-	-	1,922	1,922	-	-	5,646	5,646	-	-
2011	MRO	1234	Rochester Public Utilities	U.S.	384	384	-	-	97	97	-	-	286	286	-	-
2011	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	127,602	127,602	-	-	32,403	32,403	-	-	95,199	95,199	-	-
2011	MRO	1241	Willmar Municipal Utilities	U.S.	11,464	11,464	-	-	2,911	2,911	-	-	8,553	8,553	-	-
2011	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	234,518	234,518	-	-	59,552	59,552	-	-	174,966	174,966	-	-
TOTAL MRO					12,222,863	10,283,622	1,939,241	-	3,123,936	2,611,375	512,561	-	9,098,927	7,672,246	1,426,681	-
2011	NPCC	1336	New England	U.S.	4,820,460	4,820,460	-	-	1,447,974	1,447,974	-	-	3,372,486	3,372,486	-	-
2011	NPCC	1339	New York	U.S.	5,816,315	5,816,315	-	-	1,747,110	1,747,110	-	-	4,069,205	4,069,205	-	-
2011	NPCC	1337	Ontario	Canada	2,786,712	-	2,786,712	-	1,035,450	-	1,035,450	-	1,751,262	-	1,751,262	-
2011	NPCC	1341	Quebec	Canada	4,270,497	-	4,270,497	-	1,509,375	-	1,509,375	-	2,761,122	-	2,761,122	-
2011	NPCC	1338	New Brunswick	Canada	269,567	-	269,567	-	100,162	-	100,162	-	169,405	-	169,405	-
2011	NPCC	1340	Nova Scotia	Canada	364,074	-	364,074	-	135,289	-	135,289	-	228,784	-	228,784	-
TOTAL NPCC					18,327,625	10,636,775	7,690,849	-	5,975,361	3,195,085	2,780,276	-	12,352,264	7,441,691	4,910,573	-
2011	RFC	1104	Bay City	U.S.	8,756	8,756	-	-	3,594	3,594	-	-	5,162	5,162	-	-
2011	RFC	1102	Cannelton Utilities	U.S.	432	432	-	-	177	177	-	-	254	254	-	-
2011	RFC	1105	City of Chelsea	U.S.	2,572	2,572	-	-	1,055	1,055	-	-	1,516	1,516	-	-
2011	RFC	1106	City of Crosswell	U.S.	1,025	1,025	-	-	421	421	-	-	605	605	-	-
2011	RFC	1108	City of Eaton Rapids	U.S.	2,564	2,564	-	-	1,052	1,052	-	-	1,512	1,512	-	-
2011	RFC	1111	City of Hart	U.S.	1,221	1,221	-	-	501	501	-	-	720	720	-	-
2011	RFC	1490	City of Lansing	U.S.	58,620	58,620	-	-	24,059	24,059	-	-	34,561	34,561	-	-
2011	RFC	1112	City of Marquette Board of Light & Power	U.S.	8,696	8,696	-	-	3,569	3,569	-	-	5,127	5,127	-	-
2011	RFC	1114	City of Portland	U.S.	944	944	-	-	388	388	-	-	557	557	-	-
2011	RFC	1116	City of St. Louis	U.S.	1,023	1,023	-	-	420	420	-	-	603	603	-	-
2011	RFC	1118	City of Wyandotte	U.S.	4,801	4,801	-	-	1,970	1,970	-	-	2,830	2,830	-	-
2011	RFC	1120	Cloverland Electric Cooperative	U.S.	23,166	23,166	-	-	9,508	9,508	-	-	13,658	13,658	-	-
2011	RFC	1122	CMS ERM Michigan LLC	U.S.	5,085	5,085	-	-	2,087	2,087	-	-	2,998	2,998	-	-
2011	RFC	1124	Constellation New Energy (MECS-CONS)	U.S.	33,969	33,969	-	-	13,942	13,942	-	-	20,027	20,027	-	-
2011	RFC	1123	Constellation New Energy (MECS-DET)	U.S.	31,676	31,676	-	-	13,001	13,001	-	-	18,676	18,676	-	-
2011	RFC	1126	Consumers Energy Company	U.S.	884,043	884,043	-	-	362,833	362,833	-	-	521,210	521,210	-	-
2011	RFC	1128	Detroit Edison Company	U.S.	1,192,777	1,192,777	-	-	489,545	489,545	-	-	703,232	703,232	-	-
2011	RFC	1166	Duke Energy Indiana	U.S.	799,317	799,317	-	-	328,059	328,059	-	-	471,257	471,257	-	-
2011	RFC	1135	Ferdinand Municipal Light & Water	U.S.	1,090	1,090	-	-	447	447	-	-	643	643	-	-
2011	RFC		FirstEnergy Solutions (MECS-DET)	U.S.	580	580	-	-	238	238	-	-	342	342	-	-
2011	RFC	1549	FirstEnergy Solutions (MECS-DET)	U.S.	52,918	52,918	-	-	21,719	21,719	-	-	31,199	31,199	-	-
2011	RFC	1612	Glacial Energy (MECS-DET)	U.S.	12,235	12,235	-	-	5,021	5,021	-	-	7,213	7,213	-	-
2011	RFC	1144	Holland Board of Public Works	U.S.	20,836	20,836	-	-	8,552	8,552	-	-	12,285	12,285	-	-
2011	RFC	1145	Hoosier Energy	U.S.	191,035	191,035	-	-	78,406	78,406	-	-	112,630	112,630	-	-
2011	RFC	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	77,761	77,761	-	-	31,915	31,915	-	-	45,846	45,846	-	-
2011	RFC	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	11,032	11,032	-	-	4,528	4,528	-	-	6,504	6,504	-	-
2011	RFC	1486	Indiana Municipal Power Agency (SIGE)	U.S.	15,729	15,729	-	-	6,455	6,455	-	-	9,273	9,273	-	-
2011	RFC	1149	Indianapolis Power & Light Co.	U.S.	396,762	396,762	-	-	162,841	162,841	-	-	233,921	233,921	-	-
2011	RFC	1553	Integrus Energy Services (MECS-CONS)	U.S.	12,619	12,619	-	-	5,179	5,179	-	-	7,440	7,440	-	-
2011	RFC	1554	Integrus Energy Services (MECS-DET)	U.S.	9,510	9,510	-	-	3,903	3,903	-	-	5,607	5,607	-	-
2011	RFC	1614	Just Energy (MECS-DET)	U.S.	528	528	-	-	217	217	-	-	312	312	-	-
2011	RFC	1154	Michigan Public Power Agency	U.S.	32,035	32,035	-	-	13,148	13,148	-	-	18,887	18,887	-	-
2011	RFC	1155	Michigan South Central Power Agency	U.S.	14,971	14,971	-	-	6,145	6,145	-	-	8,827	8,827	-	-
2011	RFC	1158	MidAmerican Energy Company Retail	U.S.	2,484	2,484	-	-	1,019	1,019	-	-	1,464	1,464	-	-
2011	RFC	1163	Northern Indiana Public Service Co.	U.S.	464,342	464,342	-	-	190,577	190,577	-	-	273,765	273,765	-	-

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2011	RFC	1164	Ontonagon County Rural Electrification Assoc.	U.S.	765	765	-	-	314	314	-	-	451	451	-	-
2011	RFC	1265	PJM Interconnection, LLC	U.S.	18,432,718	18,432,718	-	-	7,565,244	7,565,244	-	-	10,867,474	10,867,474	-	-
2011	RFC	1172	Sempra Energy Solutions (MECS-CONS)	U.S.	29,943	29,943	-	-	12,289	12,289	-	-	17,654	17,654	-	-
2011	RFC	1171	Sempra Energy Solutions (MECS-DET)	U.S.	26,408	26,408	-	-	10,838	10,838	-	-	15,569	15,569	-	-
2011	RFC	1176	Direct Energy (fka:Strategic Energy,LLC) (MECS-CON	U.S.	237	237	-	-	97	97	-	-	140	140	-	-
2011	RFC	1174	Direct Energy (fka:Strategic Energy,LLC) (MECS-DET)	U.S.	9,298	9,298	-	-	3,816	3,816	-	-	5,482	5,482	-	-
2011	RFC	1581	Spartan Renewable Energy	U.S.	1,656	1,656	-	-	680	680	-	-	977	977	-	-
2011	RFC	1180	Thumb Electric Cooperative	U.S.	4,472	4,472	-	-	1,835	1,835	-	-	2,636	2,636	-	-
2011	RFC	1627	US Department of Energy	U.S.	6,661	6,661	-	-	2,734	2,734	-	-	3,927	3,927	-	-
2011	RFC	1181	Vectren Energy Delivery of IN	U.S.	155,265	155,265	-	-	63,725	63,725	-	-	91,541	91,541	-	-
2011	RFC	1183	Village of Sebewaing	U.S.	993	993	-	-	407	407	-	-	585	585	-	-
2011	RFC	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	71,597	71,597	-	-	29,385	29,385	-	-	42,212	42,212	-	-
2011	RFC	1487	Wabash Valley Power Association Inc. (MECS CONS	U.S.	3,941	3,941	-	-	1,617	1,617	-	-	2,323	2,323	-	-
2011	RFC	1488	Wabash Valley Power Association Inc.(NIPSCO)	U.S.	43,304	43,304	-	-	17,773	17,773	-	-	25,531	25,531	-	-
2011	RFC	1185	Wisconsin Electric Power Co.	U.S.	765,927	765,927	-	-	314,355	314,355	-	-	451,572	451,572	-	-
2011	RFC	1189	Wolverine Power Marketing Cooperative	U.S.	27,575	27,575	-	-	11,317	11,317	-	-	16,258	16,258	-	-
2011	RFC	1191	Wolverine Power Supply Cooperative	U.S.	65,915	65,915	-	-	27,053	27,053	-	-	38,862	38,862	-	-
2011	RFC	1190	Wolverine Power Marketing Cooperative	U.S.	3,381	3,381	-	-	1,388	1,388	-	-	1,993	1,993	-	-
TOTAL RELIABILITYFIRST					24,027,209	24,027,209	-	-	9,861,361	9,861,361	-	-	14,165,848	14,165,848	-	-
2011	SERC	1267	Alabama Municipal Electric Authority	U.S.	86,135	86,135	-	-	38,617	38,617	-	-	47,518	47,518	-	-
2011	SERC	1268	Alabama Power Company	U.S.	1,460,325	1,460,325	-	-	654,711	654,711	-	-	805,614	805,614	-	-
2011	SERC	1269	Ameren - Illinois	U.S.	1,037,560	1,037,560	-	-	465,172	465,172	-	-	572,388	572,388	-	-
2011	SERC	1271	Ameren - Missouri	U.S.	1,017,204	1,017,204	-	-	456,046	456,046	-	-	561,158	561,158	-	-
2011	SERC	1272	APGI - Yadkin Division	U.S.	569	569	-	-	255	255	-	-	314	314	-	-
2011	SERC	1273	Associated Electric Cooperative Inc.	U.S.	471,170	471,170	-	-	211,241	211,241	-	-	259,929	259,929	-	-
2011	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	26,404	26,404	-	-	11,838	11,838	-	-	14,566	14,566	-	-
2011	SERC	1462	Benton Utility District	U.S.	6,995	6,995	-	-	3,136	3,136	-	-	3,859	3,859	-	-
2011	SERC	1274	Big Rivers Electric Corporation	U.S.	257,139	257,139	-	-	115,284	115,284	-	-	141,855	141,855	-	-
2011	SERC	1275	Black Warrior EMC	U.S.	10,643	10,643	-	-	4,772	4,772	-	-	5,871	5,871	-	-
2011	SERC	1276	Blue Ridge EMC	U.S.	33,479	33,479	-	-	15,010	15,010	-	-	18,469	18,469	-	-
2011	SERC	1628	Brazos Electric Power Cooperative, Inc.	U.S.	10,244	10,244	-	-	4,593	4,593	-	-	5,651	5,651	-	-
2011	SERC	1463	Canton, MS	U.S.	3,119	3,119	-	-	1,398	1,398	-	-	1,720	1,720	-	-
2011	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	384,968	384,968	-	-	172,594	172,594	-	-	212,374	212,374	-	-
2011	SERC	1278	City of Blountstown FL	U.S.	979	979	-	-	439	439	-	-	540	540	-	-
2011	SERC	1279	City of Camden SC	U.S.	4,927	4,927	-	-	2,209	2,209	-	-	2,718	2,718	-	-
2011	SERC	1280	City of Collins MS	U.S.	1,146	1,146	-	-	514	514	-	-	632	632	-	-
2011	SERC	1281	City of Columbia MO	U.S.	28,519	28,519	-	-	12,786	12,786	-	-	15,733	15,733	-	-
2011	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	25,336	25,336	-	-	11,359	11,359	-	-	13,977	13,977	-	-
2011	SERC	1284	City of Evergreen AL	U.S.	1,483	1,483	-	-	665	665	-	-	818	818	-	-
2011	SERC	1285	City of Hampton GA	U.S.	644	644	-	-	289	289	-	-	355	355	-	-
2011	SERC	1286	City of Hartford AL	U.S.	824	824	-	-	369	369	-	-	455	455	-	-
2011	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	14,969	14,969	-	-	6,711	6,711	-	-	8,258	8,258	-	-
2011	SERC	1288	City of North Little Rock AR (DENL)	U.S.	23,796	23,796	-	-	10,669	10,669	-	-	13,128	13,128	-	-
2011	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	18,201	18,201	-	-	8,160	8,160	-	-	10,041	10,041	-	-
2011	SERC	1290	City of Robertsedale AL	U.S.	2,111	2,111	-	-	946	946	-	-	1,164	1,164	-	-
2011	SERC	1291	City of Ruston LA (DERS)	U.S.	6,997	6,997	-	-	3,137	3,137	-	-	3,860	3,860	-	-
2011	SERC	1292	City of Seneca SC	U.S.	3,923	3,923	-	-	1,759	1,759	-	-	2,164	2,164	-	-
2011	SERC	1115	City of Springfield (CWLP)	U.S.	45,035	45,035	-	-	20,190	20,190	-	-	24,844	24,844	-	-
2011	SERC	1465	City of Thayer, MO	U.S.	488	488	-	-	219	219	-	-	269	269	-	-
2011	SERC	1293	City of Troy AL	U.S.	10,074	10,074	-	-	4,517	4,517	-	-	5,557	5,557	-	-
2011	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	9,476	9,476	-	-	4,248	4,248	-	-	5,228	5,228	-	-
2011	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	16,349	16,349	-	-	7,330	7,330	-	-	9,019	9,019	-	-
2011	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	6,341	6,341	-	-	2,843	2,843	-	-	3,498	3,498	-	-
2011	SERC	1283	Dalton Utilities	U.S.	36,547	36,547	-	-	16,385	16,385	-	-	20,162	20,162	-	-
2011	SERC	1585	Dixie Electric Membership Corporation	U.S.	56,098	56,098	-	-	25,151	25,151	-	-	30,948	30,948	-	-
2011	SERC	1295	Dominion Virginia Power	U.S.	2,021,608	2,021,608	-	-	906,353	906,353	-	-	1,115,255	1,115,255	-	-
2011	SERC	1296	Duke Energy Carolinas, LLC	U.S.	2,002,972	2,002,972	-	-	897,998	897,998	-	-	1,104,975	1,104,975	-	-
2011	SERC	1466	Durant, MS	U.S.	675	675	-	-	303	303	-	-	372	372	-	-
2011	SERC	1478	E.ON U.S. Services Inc.	U.S.	835,268	835,268	-	-	374,478	374,478	-	-	460,790	460,790	-	-
2011	SERC	1297	East Kentucky Power Cooperative	U.S.	300,528	300,528	-	-	134,737	134,737	-	-	165,792	165,792	-	-

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2011	SERC	1298	East Mississippi Electric Power Association	U.S.	11,438	11,438	-	-	5,128	5,128	-	-	6,310	6,310	-	-
2011	SERC	1629	East Texas Electric Cooperative Inc	U.S.	50,469	50,469	-	-	22,627	22,627	-	-	27,842	27,842	-	-
2011	SERC	1299	Electric Energy Inc.	U.S.	31,918	31,918	-	-	14,310	14,310	-	-	17,608	17,608	-	-
2011	SERC	1300	EnergyUnited EMC	U.S.	60,792	60,792	-	-	27,255	27,255	-	-	33,537	33,537	-	-
2011	SERC	1301	Entergy	U.S.	2,833,821	2,833,821	-	-	1,270,494	1,270,494	-	-	1,563,327	1,563,327	-	-
2011	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	53,864	53,864	-	-	24,149	24,149	-	-	29,715	29,715	-	-
2011	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	8,260	8,260	-	-	3,703	3,703	-	-	4,556	4,556	-	-
2011	SERC	1304	French Broad EMC	U.S.	13,388	13,388	-	-	6,002	6,002	-	-	7,386	7,386	-	-
2011	SERC	1305	Georgia Power Company	U.S.	2,199,771	2,199,771	-	-	986,229	986,229	-	-	1,213,542	1,213,542	-	-
2011	SERC	1306	Georgia System Optns Corporation	U.S.	940,788	940,788	-	-	421,786	421,786	-	-	519,002	519,002	-	-
2011	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	6,825	6,825	-	-	3,060	3,060	-	-	3,765	3,765	-	-
2011	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	6,396	6,396	-	-	2,867	2,867	-	-	3,528	3,528	-	-
2011	SERC	1308	Gulf Power Company	U.S.	294,488	294,488	-	-	132,028	132,028	-	-	162,459	162,459	-	-
2011	SERC	1586	Haywood EMC	U.S.	7,252	7,252	-	-	3,251	3,251	-	-	4,001	4,001	-	-
2011	SERC	1309	Illinois Municipal Electric Agency	U.S.	46,600	46,600	-	-	20,892	20,892	-	-	25,708	25,708	-	-
2011	SERC	1480	Itta Bena, MS	U.S.	396	396	-	-	177	177	-	-	218	218	-	-
2011	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	6,647	6,647	-	-	2,980	2,980	-	-	3,667	3,667	-	-
2011	SERC	1617	Kentucky Municipal Power	U.S.	17,779	17,779	-	-	7,971	7,971	-	-	9,808	9,808	-	-
2011	SERC	1481	Kosciusko, MS	U.S.	1,852	1,852	-	-	830	830	-	-	1,021	1,021	-	-
2011	SERC	1482	Leland, MS	U.S.	828	828	-	-	371	371	-	-	457	457	-	-
2011	SERC	1313	McCormick Commission of Public Works	U.S.	425	425	-	-	191	191	-	-	234	234	-	-
2011	SERC	1314	Mississippi Power Company	U.S.	258,726	258,726	-	-	115,995	115,995	-	-	142,731	142,731	-	-
2011	SERC	1630	Mt. Carmel Public Utility	U.S.	2,659	2,659	-	-	1,192	1,192	-	-	1,467	1,467	-	-
2011	SERC	1315	Municipal Electric Authority of Georgia	U.S.	265,393	265,393	-	-	118,984	118,984	-	-	146,409	146,409	-	-
2011	SERC	1316	N.C. Electric Membership Corp.	U.S.	298,315	298,315	-	-	133,744	133,744	-	-	164,571	164,571	-	-
2011	SERC	1317	North Carolina Eastern Municipal Power Agency	U.S.	183,478	183,478	-	-	82,259	82,259	-	-	101,219	101,219	-	-
2011	SERC	1318	North Carolina Municipal Power Agency #1	U.S.	114,990	114,990	-	-	51,554	51,554	-	-	63,436	63,436	-	-
2011	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	7,220	7,220	-	-	3,237	3,237	-	-	3,983	3,983	-	-
2011	SERC	1574	Northern Virginia Electric Cooperative	U.S.	90,499	90,499	-	-	40,574	40,574	-	-	49,925	49,925	-	-
2011	SERC	1319	Old Dominion Electric Cooperative	U.S.	142,642	142,642	-	-	63,951	63,951	-	-	78,691	78,691	-	-
2011	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	4,382	4,382	-	-	1,965	1,965	-	-	2,417	2,417	-	-
2011	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	21,826	21,826	-	-	9,785	9,785	-	-	12,041	12,041	-	-
2011	SERC	1322	Piedmont EMC in Duke and Progress Areas	U.S.	12,232	12,232	-	-	5,484	5,484	-	-	6,748	6,748	-	-
2011	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	56,670	56,670	-	-	25,407	25,407	-	-	31,263	31,263	-	-
2011	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	6,381	6,381	-	-	2,861	2,861	-	-	3,520	3,520	-	-
2011	SERC	1266	PowerSouth Energy	U.S.	205,387	205,387	-	-	92,082	92,082	-	-	113,305	113,305	-	-
2011	SERC	1330	Prairie Power, Inc.	U.S.	37,316	37,316	-	-	16,730	16,730	-	-	20,586	20,586	-	-
2011	SERC	1324	Progress Energy Carolinas	U.S.	1,111,269	1,111,269	-	-	498,218	498,218	-	-	613,051	613,051	-	-
2011	SERC	1325	Rutherford EMC	U.S.	31,235	31,235	-	-	14,004	14,004	-	-	17,232	17,232	-	-
2011	SERC	1631	Sam Rayburn G&T Electric Cooperative Inc.	U.S.	45,354	45,354	-	-	20,334	20,334	-	-	25,020	25,020	-	-
2011	SERC	1326	South Carolina Electric & Gas Company	U.S.	559,814	559,814	-	-	250,983	250,983	-	-	308,831	308,831	-	-
2011	SERC	1327	South Carolina Public Service Authority	U.S.	272,069	272,069	-	-	121,977	121,977	-	-	150,091	150,091	-	-
2011	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	15,638	15,638	-	-	7,011	7,011	-	-	8,627	8,627	-	-
2011	SERC	1328	South Mississippi Electric Power Association	U.S.	248,646	248,646	-	-	111,476	111,476	-	-	137,170	137,170	-	-
2011	SERC	1329	Southern Illinois Power Cooperative	U.S.	35,329	35,329	-	-	15,839	15,839	-	-	19,490	19,490	-	-
2011	SERC	1591	Southwest Louisiana Electric Membership Corporati	U.S.	62,563	62,563	-	-	28,049	28,049	-	-	34,514	34,514	-	-
2011	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	11,117	11,117	-	-	4,984	4,984	-	-	6,133	6,133	-	-
2011	SERC	1331	Tennessee Valley Authority	U.S.	4,049,514	4,049,514	-	-	1,815,529	1,815,529	-	-	2,233,985	2,233,985	-	-
2011	SERC	1632	Tex-La Electric Cooperative of Texas, Inc	U.S.	5,114	5,114	-	-	2,293	2,293	-	-	2,821	2,821	-	-
2011	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	3,634	3,634	-	-	1,629	1,629	-	-	2,005	2,005	-	-
2011	SERC	1592	Town of Black Creek, N.C.	U.S.	306	306	-	-	137	137	-	-	169	169	-	-
2011	SERC	1593	Town of Lucama, N.C.	U.S.	505	505	-	-	226	226	-	-	279	279	-	-
2011	SERC	1594	Town of Sharpsburg, N.C.	U.S.	491	491	-	-	220	220	-	-	271	271	-	-
2011	SERC	1595	Town of Stantonburg, N.C.	U.S.	552	552	-	-	248	248	-	-	305	305	-	-
2011	SERC	1333	Town of Waynesville NC	U.S.	2,191	2,191	-	-	982	982	-	-	1,208	1,208	-	-
2011	SERC	1334	Town of Winnsboro SC	U.S.	1,315	1,315	-	-	589	589	-	-	725	725	-	-
2011	SERC	1335	Town of Winterville NC	U.S.	1,281	1,281	-	-	574	574	-	-	706	706	-	-
2011	SERC	1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	27,918	27,918	-	-	12,517	12,517	-	-	15,401	15,401	-	-
TOTAL SERC					25,069,232	25,069,232	-	-	11,239,354	11,239,354	-	-	13,829,878	13,829,878	-	-

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2011	SPP	1246	American Electric Power	U.S.	1,901,534	1,901,534	-	-	416,469	416,469	-	-	1,485,064	1,485,064	-	-
2011	SPP	1435	Arkansas Electric Cooperative Corporation (AEP)	U.S.	238,319	238,319	-	-	52,196	52,196	-	-	186,123	186,123	-	-
2011	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	124,082	124,082	-	-	27,176	27,176	-	-	96,906	96,906	-	-
2011	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	46,194	46,194	-	-	10,117	10,117	-	-	36,077	36,077	-	-
2011	SPP		Carthage City Water & Light	U.S.	14,392	14,392	-	-	3,152	3,152	-	-	11,240	11,240	-	-
2011	SPP	1469	Central Valley Electric Cooperative	U.S.	38,977	38,977	-	-	8,537	8,537	-	-	30,440	30,440	-	-
2011	SPP	1556	City of Bentonville	U.S.	31,728	31,728	-	-	6,949	6,949	-	-	24,779	24,779	-	-
2011	SPP	1557	City of Clarksdale, Mississippi	U.S.	8,743	8,743	-	-	1,915	1,915	-	-	6,828	6,828	-	-
2011	SPP	1633	City of Lindsborg	U.S.	1,584	1,584	-	-	347	347	-	-	1,237	1,237	-	-
2011	SPP	1558	Hope Water & Light (HWL)	U.S.	14,983	14,983	-	-	3,282	3,282	-	-	11,701	11,701	-	-
2011	SPP	1559	City of Minden	U.S.	8,875	8,875	-	-	1,944	1,944	-	-	6,931	6,931	-	-
2011	SPP	1634	City of Mulvane	U.S.	2,283	2,283	-	-	500	500	-	-	1,783	1,783	-	-
2011	SPP	1635	The City of Osage City	U.S.	1,806	1,806	-	-	396	396	-	-	1,411	1,411	-	-
2011	SPP	1636	City of Prescott	U.S.	4,498	4,498	-	-	985	985	-	-	3,513	3,513	-	-
2011	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	56,677	56,677	-	-	12,413	12,413	-	-	44,264	44,264	-	-
2011	SPP	1436	City Utilities of Springfield, MO	U.S.	163,892	163,892	-	-	35,895	35,895	-	-	127,996	127,996	-	-
2011	SPP	1249	Cleco Power LLC	U.S.	598,191	598,191	-	-	131,014	131,014	-	-	467,177	467,177	-	-
2011	SPP	1437	East Texas Electric Coop, Inc.	U.S.	22,627	22,627	-	-	4,956	4,956	-	-	17,671	17,671	-	-
2011	SPP	1250	The Empire District Electric Company	U.S.	272,819	272,819	-	-	59,752	59,752	-	-	213,067	213,067	-	-
2011	SPP	1470	Farmers' Electric Coop	U.S.	23,936	23,936	-	-	5,242	5,242	-	-	18,693	18,693	-	-
2011	SPP	1438	Golden Spread Electric Coop	U.S.	291,462	291,462	-	-	63,835	63,835	-	-	227,627	227,627	-	-
2011	SPP	1251	Grand River Dam Authority	U.S.	241,338	241,338	-	-	52,857	52,857	-	-	188,481	188,481	-	-
2011	SPP		Jonesboro City Water & Light	U.S.	67,956	67,956	-	-	14,884	14,884	-	-	53,073	53,073	-	-
2011	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	812,880	812,880	-	-	178,035	178,035	-	-	634,845	634,845	-	-
2011	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	111,108	111,108	-	-	24,335	24,335	-	-	86,773	86,773	-	-
2011	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	40,125	40,125	-	-	8,788	8,788	-	-	31,337	31,337	-	-
2011	SPP	1637	Kansas Power Pool	U.S.	71,603	71,603	-	-	15,682	15,682	-	-	55,921	55,921	-	-
2011	SPP	1560	Kaw Valley Electric Cooperative, Inc.	U.S.	8,475	8,475	-	-	1,856	1,856	-	-	6,619	6,619	-	-
2011	SPP		Kennett Board of Public Works	U.S.	7,824	7,824	-	-	1,714	1,714	-	-	6,111	6,111	-	-
2011	SPP	1598	KCP&L GMOC (Greater Missouri Operations Compa	U.S.	447,052	447,052	-	-	97,912	97,912	-	-	349,140	349,140	-	-
2011	SPP	1471	Lafayette Utilities System	U.S.	108,920	108,920	-	-	23,855	23,855	-	-	85,064	85,064	-	-
2011	SPP	1472	Lea County Electric Coop	U.S.	65,832	65,832	-	-	14,418	14,418	-	-	51,413	51,413	-	-
2011	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	50,084	50,084	-	-	10,969	10,969	-	-	39,115	39,115	-	-
2011	SPP		Malden Board of Public Works	U.S.	2,646	2,646	-	-	580	580	-	-	2,066	2,066	-	-
2011	SPP	1441	Midwest Energy Inc.	U.S.	91,133	91,133	-	-	19,960	19,960	-	-	71,173	71,173	-	-
2011	SPP	1443	Missouri Joint Municipal Electric Utility Commissior	U.S.	131,090	131,090	-	-	28,711	28,711	-	-	102,379	102,379	-	-
2011	SPP	1638	Nemaha Marshall Electric Cooperative (NMEC)	U.S.	3,071	3,071	-	-	673	673	-	-	2,399	2,399	-	-
2011	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.	170,591	170,591	-	-	37,363	37,363	-	-	133,229	133,229	-	-
2011	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	1,468,243	1,468,243	-	-	321,571	321,571	-	-	1,146,672	1,146,672	-	-
2011	SPP	1444	Oklahoma Municipal Power Auth	U.S.	149,745	149,745	-	-	32,797	32,797	-	-	116,948	116,948	-	-
2011	SPP	1639	OzMo Ozark Missouri, West Plains MO	U.S.	10,474	10,474	-	-	2,294	2,294	-	-	8,180	8,180	-	-
2011	SPP		Paragould Light, Water & Cable	U.S.	30,189	30,189	-	-	6,612	6,612	-	-	23,577	23,577	-	-
2011	SPP		Piggott Municipal Light, Water & Sewer	U.S.	2,235	2,235	-	-	489	489	-	-	1,745	1,745	-	-
2011	SPP		Poplar Bluff Municipal Utilities	U.S.	19,681	19,681	-	-	4,310	4,310	-	-	15,370	15,370	-	-
2011	SPP	1561	Public Service Commission of Yazoo City of Mississi	U.S.	6,418	6,418	-	-	1,406	1,406	-	-	5,012	5,012	-	-
2011	SPP	1473	Roosevelt County Electric Coop	U.S.	11,668	11,668	-	-	2,556	2,556	-	-	9,113	9,113	-	-
2011	SPP	1468	Sharyland Utilities, LP	U.S.	54,792	54,792	-	-	12,000	12,000	-	-	42,792	42,792	-	-
2011	SPP		Sikeston Board of Municipal Utilities	U.S.	18,593	18,593	-	-	4,072	4,072	-	-	14,521	14,521	-	-
2011	SPP	1258	Southwestern Power Administration (SPA)	U.S.	12,769	12,769	-	-	2,797	2,797	-	-	9,973	9,973	-	-
2011	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.	849,914	849,914	-	-	186,146	186,146	-	-	663,768	663,768	-	-
2011	SPP	1256	Sunflower Electric Power Cooperative	U.S.	291,303	291,303	-	-	63,800	63,800	-	-	227,502	227,502	-	-
2011	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	26,797	26,797	-	-	5,869	5,869	-	-	20,928	20,928	-	-
2011	SPP	1475	Tri County Electric Coop	U.S.	21,175	21,175	-	-	4,638	4,638	-	-	16,537	16,537	-	-
2011	SPP	1260	Westar Energy, Inc.	U.S.	1,102,356	1,102,356	-	-	241,435	241,435	-	-	860,921	860,921	-	-
2011	SPP	1259	Western Farmers Electric Cooperative	U.S.	397,005	397,005	-	-	86,951	86,951	-	-	310,054	310,054	-	-
2011	SPP	1501	West Texas Municipal Power Agency	U.S.	149,523	149,523	-	-	32,748	32,748	-	-	116,775	116,775	-	-
			TOTAL SPP		10,922,211	10,922,211	-	-	2,392,157	2,392,157	-	-	8,530,054	8,530,054	-	-
2011	TRE	1019	ERCOT	U.S.	11,724,917	11,724,917	-	-	3,572,397	3,572,397	-	-	8,152,520	8,152,520	-	-
					11,724,917	11,724,917	-	-	3,572,397	3,572,397	-	-	8,152,520	8,152,520	-	-

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2011	WECC		Alberta Electric System Operator	Canada	2,704,750	-	2,704,750	-	466,437	-	466,437	-	2,238,313	-	2,238,313	-
2011	WECC		British Columbia Hydro & Power Authority	Canada	3,889,239	-	3,889,239	-	683,972	-	683,972	-	3,205,267	-	3,205,267	-
2011	WECC		Comision Federal de Electricidad	Mexico	708,998	-	-	708,998	124,686	-	-	124,686	584,312	-	-	584,312
2011	WECC		Aha Macav Power Service	U.S.	1,551	1,551	-	-	278	278	-	-	1,273	1,273	-	-
2011	WECC		Ajo Improvement District	U.S.	836	836	-	-	150	150	-	-	686	686	-	-
2011	WECC		Ak-Chin	U.S.	2,000	2,000	-	-	358	358	-	-	1,642	1,642	-	-
2011	WECC		Alcoa Inc	U.S.	190,816	190,816	-	-	34,200	34,200	-	-	156,616	156,616	-	-
2011	WECC		Arizona Public Service Company	U.S.	1,819,240	1,819,240	-	-	326,058	326,058	-	-	1,493,182	1,493,182	-	-
2011	WECC		Arkansas River Power Authority (ARPA)	U.S.	18,071	18,071	-	-	3,239	3,239	-	-	14,832	14,832	-	-
2011	WECC		Avista Corporation	U.S.	557,779	557,779	-	-	99,970	99,970	-	-	457,810	457,810	-	-
2011	WECC		Avista Corporation	U.S.	10,606	10,606	-	-	1,901	1,901	-	-	8,705	8,705	-	-
2011	WECC		Barrick Goldstrike Mines Inc.	U.S.	70,113	70,113	-	-	12,566	12,566	-	-	57,547	57,547	-	-
2011	WECC		Basin Electric Power Cooperative	U.S.	198,707	198,707	-	-	35,614	35,614	-	-	163,093	163,093	-	-
2011	WECC		Basin Electric Power Cooperative	U.S.	3,348	3,348	-	-	600	600	-	-	2,748	2,748	-	-
2011	WECC		Benton REA	U.S.	32,311	32,311	-	-	5,791	5,791	-	-	26,520	26,520	-	-
2011	WECC		Big Bend Electric Cooperative, Inc.	U.S.	7,987	7,987	-	-	1,431	1,431	-	-	6,555	6,555	-	-
2011	WECC		Big Bend Electric Cooperative, Inc.	U.S.	20,378	20,378	-	-	3,652	3,652	-	-	16,726	16,726	-	-
2011	WECC		Big Bend Electric Cooperative, Inc.	U.S.	2,220	2,220	-	-	398	398	-	-	1,822	1,822	-	-
2011	WECC		Blachly-Lane Electric Cooperative	U.S.	9,538	9,538	-	-	1,710	1,710	-	-	7,829	7,829	-	-
2011	WECC		Black Hills Power	U.S.	112,102	112,102	-	-	20,092	20,092	-	-	92,010	92,010	-	-
2011	WECC		Black Hills Power/Cheyenne Light Fuel & Power	U.S.	213,646	213,646	-	-	38,291	38,291	-	-	175,355	175,355	-	-
2011	WECC		Bonneville Power Administration	U.S.	270,269	270,269	-	-	48,440	48,440	-	-	221,829	221,829	-	-
2011	WECC		Bonneville Power Administration	U.S.	99,450	99,450	-	-	17,824	17,824	-	-	81,625	81,625	-	-
2011	WECC		Bonneville Power Administration	U.S.	45,608	45,608	-	-	8,174	8,174	-	-	37,434	37,434	-	-
2011	WECC		Bonneville Power Administration	U.S.	375	375	-	-	67	67	-	-	308	308	-	-
2011	WECC		Bonneville Power Administration	U.S.	998	998	-	-	179	179	-	-	819	819	-	-
2011	WECC		BPA - USBR Load	U.S.	7,942	7,942	-	-	1,423	1,423	-	-	6,518	6,518	-	-
2011	WECC		Bureau of Reclamation (Desalter) - c/o DSW EMMO	U.S.	82	82	-	-	15	15	-	-	67	67	-	-
2011	WECC		Bureau of Reclamation (Wellfield) - c/o DSW EMMO	U.S.	306	306	-	-	55	55	-	-	251	251	-	-
2011	WECC		California Independent System Operator	U.S.	13,658,555	13,658,555	-	-	2,447,993	2,447,993	-	-	11,210,561	11,210,561	-	-
2011	WECC		Canby Public Utility Board	U.S.	10,615	10,615	-	-	1,903	1,903	-	-	8,713	8,713	-	-
2011	WECC		Central Arizona Water Conservation District	U.S.	109,732	109,732	-	-	19,667	19,667	-	-	90,065	90,065	-	-
2011	WECC		Central Arizona Water Conservation District	U.S.	86,734	86,734	-	-	15,545	15,545	-	-	71,189	71,189	-	-
2011	WECC		Central Electric Cooperative	U.S.	30,769	30,769	-	-	5,515	5,515	-	-	25,255	25,255	-	-
2011	WECC		Central Lincoln PUD	U.S.	80,687	80,687	-	-	14,461	14,461	-	-	66,226	66,226	-	-
2011	WECC		Central Montana Electric Power Cooperative	U.S.	1,826	1,826	-	-	327	327	-	-	1,499	1,499	-	-
2011	WECC		Central Montana Electric Power Cooperative	U.S.	5,439	5,439	-	-	975	975	-	-	4,465	4,465	-	-
2011	WECC		City of Aztec Electric Dept	U.S.	2,064	2,064	-	-	370	370	-	-	1,694	1,694	-	-
2011	WECC		City of Bandon	U.S.	4,011	4,011	-	-	719	719	-	-	3,292	3,292	-	-
2011	WECC		City of Blaine	U.S.	4,731	4,731	-	-	848	848	-	-	3,883	3,883	-	-
2011	WECC		City of Bonners Ferry	U.S.	4,027	4,027	-	-	722	722	-	-	3,305	3,305	-	-
2011	WECC		City of Boulder City	U.S.	9,671	9,671	-	-	1,733	1,733	-	-	7,938	7,938	-	-
2011	WECC		City of Cascade Locks	U.S.	1,183	1,183	-	-	212	212	-	-	971	971	-	-
2011	WECC		City of Centralia	U.S.	16,532	16,532	-	-	2,963	2,963	-	-	13,569	13,569	-	-
2011	WECC		City of Cheney	U.S.	8,561	8,561	-	-	1,534	1,534	-	-	7,026	7,026	-	-
2011	WECC		City of Chewelah	U.S.	1,458	1,458	-	-	261	261	-	-	1,197	1,197	-	-
2011	WECC		City of Drain	U.S.	1,004	1,004	-	-	180	180	-	-	824	824	-	-
2011	WECC		City of Ellensburg	U.S.	12,242	12,242	-	-	2,194	2,194	-	-	10,048	10,048	-	-
2011	WECC		City of Fallon	U.S.	6,924	6,924	-	-	1,241	1,241	-	-	5,683	5,683	-	-
2011	WECC		City of Forest Grove	U.S.	14,560	14,560	-	-	2,610	2,610	-	-	11,950	11,950	-	-
2011	WECC		City of Gallup	U.S.	13,097	13,097	-	-	2,347	2,347	-	-	10,750	10,750	-	-
2011	WECC		City of Henderson	U.S.	845	845	-	-	152	152	-	-	694	694	-	-
2011	WECC		City of Hermiston, DBA Hermiston Energy Services	U.S.	6,508	6,508	-	-	1,166	1,166	-	-	5,341	5,341	-	-
2011	WECC		City of Las Vegas	U.S.	2,726	2,726	-	-	489	489	-	-	2,237	2,237	-	-
2011	WECC		City of Mc Cleary	U.S.	1,786	1,786	-	-	320	320	-	-	1,466	1,466	-	-
2011	WECC		City of McMinville	U.S.	44,291	44,291	-	-	7,938	7,938	-	-	36,353	36,353	-	-
2011	WECC		City of Mesa	U.S.	15,338	15,338	-	-	2,749	2,749	-	-	12,589	12,589	-	-
2011	WECC		City of Milton	U.S.	3,791	3,791	-	-	679	679	-	-	3,112	3,112	-	-
2011	WECC		City of Milton-Freewater	U.S.	6,553	6,553	-	-	1,174	1,174	-	-	5,378	5,378	-	-
2011	WECC		City of Monmouth	U.S.	4,356	4,356	-	-	781	781	-	-	3,575	3,575	-	-
2011	WECC		City of Needles	U.S.	1,890	1,890	-	-	339	339	-	-	1,551	1,551	-	-

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2011	WECC		City of Plummer	U.S.	2,099	2,099	-	-	376	376	-	-	1,723	1,723	-	-
2011	WECC		City of Port Angeles	U.S.	44,949	44,949	-	-	8,056	8,056	-	-	36,893	36,893	-	-
2011	WECC		City of Redding	U.S.	72,779	72,779	-	-	13,044	13,044	-	-	59,735	59,735	-	-
2011	WECC		City of Richland	U.S.	52,489	52,489	-	-	9,407	9,407	-	-	43,081	43,081	-	-
2011	WECC		City of Roseville	U.S.	47,490	47,490	-	-	8,511	8,511	-	-	38,978	38,978	-	-
2011	WECC		City of Shasta Lake	U.S.	10,968	10,968	-	-	1,966	1,966	-	-	9,002	9,002	-	-
2011	WECC		City of Sumas	U.S.	1,815	1,815	-	-	325	325	-	-	1,490	1,490	-	-
2011	WECC		City of Tacoma DBA Tacoma Power	U.S.	21	21	-	-	4	4	-	-	17	17	-	-
2011	WECC		City of Tacoma DBA Tacoma Power	U.S.	301,940	301,940	-	-	54,116	54,116	-	-	247,824	247,824	-	-
2011	WECC		City of Troy	U.S.	1,089	1,089	-	-	195	195	-	-	894	894	-	-
2011	WECC		City of Williams	U.S.	2,383	2,383	-	-	427	427	-	-	1,956	1,956	-	-
2011	WECC		Clark County Water Resources	U.S.	361	361	-	-	65	65	-	-	297	297	-	-
2011	WECC		Clark Public Utilities	U.S.	268,386	268,386	-	-	48,102	48,102	-	-	220,284	220,284	-	-
2011	WECC		Clatskanie PUD	U.S.	47,289	47,289	-	-	8,475	8,475	-	-	38,813	38,813	-	-
2011	WECC		Clearwater Cooperative, Inc	U.S.	9,883	9,883	-	-	1,771	1,771	-	-	8,112	8,112	-	-
2011	WECC		Clearwater Cooperative, Inc	U.S.	2,384	2,384	-	-	427	427	-	-	1,956	1,956	-	-
2011	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	873	873	-	-	156	156	-	-	717	717	-	-
2011	WECC		Colorado River Commission of Nevada	U.S.	47,659	47,659	-	-	8,542	8,542	-	-	39,117	39,117	-	-
2011	WECC		Colorado Springs Utilities	U.S.	4,856	4,856	-	-	870	870	-	-	3,985	3,985	-	-
2011	WECC		Colorado Springs Utilities	U.S.	1,186	1,186	-	-	213	213	-	-	974	974	-	-
2011	WECC		Columbia Basin Electric Cooperative, Inc.	U.S.	6,345	6,345	-	-	1,137	1,137	-	-	5,208	5,208	-	-
2011	WECC		Columbia Falls Aluminum Company	U.S.	254	254	-	-	45	45	-	-	208	208	-	-
2011	WECC		Columbia Power Cooperative Association	U.S.	1,269	1,269	-	-	227	227	-	-	1,041	1,041	-	-
2011	WECC		Columbia River PUD	U.S.	10,131	10,131	-	-	1,816	1,816	-	-	8,316	8,316	-	-
2011	WECC		Columbia River PUD	U.S.	19,103	19,103	-	-	3,424	3,424	-	-	15,679	15,679	-	-
2011	WECC		Columbia Rural Electric Association (REA)	U.S.	18,235	18,235	-	-	3,268	3,268	-	-	14,966	14,966	-	-
2011	WECC		Consolidated Irrigation District No. 19	U.S.	334	334	-	-	60	60	-	-	275	275	-	-
2011	WECC		Constellation New Energy, Inc.	U.S.	4,357	4,357	-	-	781	781	-	-	3,576	3,576	-	-
2011	WECC		Consumers Power, Inc.	U.S.	25,307	25,307	-	-	4,536	4,536	-	-	20,771	20,771	-	-
2011	WECC		Coos-Curry Electric Cooperative, Inc	U.S.	21,311	21,311	-	-	3,819	3,819	-	-	17,491	17,491	-	-
2011	WECC		Deseret Generation & Transmission Cooperative	U.S.	272,657	272,657	-	-	48,868	48,868	-	-	223,790	223,790	-	-
2011	WECC		Deseret Generation & Transmission Cooperative	U.S.	5,176	5,176	-	-	928	928	-	-	4,248	4,248	-	-
2011	WECC		Douglas Electric Cooperative, Inc.	U.S.	5,726	5,726	-	-	1,026	1,026	-	-	4,700	4,700	-	-
2011	WECC		Douglas Palisades	U.S.	1,067	1,067	-	-	191	191	-	-	876	876	-	-
2011	WECC		El Paso Electric Company	U.S.	496,354	496,354	-	-	88,961	88,961	-	-	407,394	407,394	-	-
2011	WECC		Electrical District #2	U.S.	10,867	10,867	-	-	1,948	1,948	-	-	8,919	8,919	-	-
2011	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	539	539	-	-	97	97	-	-	443	443	-	-
2011	WECC		Electrical Districts 1 & 3	U.S.	39,792	39,792	-	-	7,132	7,132	-	-	32,660	32,660	-	-
2011	WECC		Elmhurst Mutual Power & Light Company	U.S.	16,775	16,775	-	-	3,007	3,007	-	-	13,768	13,768	-	-
2011	WECC		Emerald PUD	U.S.	41,289	41,289	-	-	7,400	7,400	-	-	33,889	33,889	-	-
2011	WECC		Energy Northwest	U.S.	1,591	1,591	-	-	285	285	-	-	1,306	1,306	-	-
2011	WECC		Eugene Water & Electric Board	U.S.	148,421	148,421	-	-	26,601	26,601	-	-	121,820	121,820	-	-
2011	WECC		Farmington Electric Utility System	U.S.	62,087	62,087	-	-	11,128	11,128	-	-	50,959	50,959	-	-
2011	WECC		Flathead Electric Cooperative, Inc	U.S.	86,178	86,178	-	-	15,446	15,446	-	-	70,733	70,733	-	-
2011	WECC		Frederickson Power LP	U.S.	310	310	-	-	56	56	-	-	254	254	-	-
2011	WECC		Grand Valley Power	U.S.	13,568	13,568	-	-	2,432	2,432	-	-	11,136	11,136	-	-
2011	WECC		Harney Electric Cooperative, Inc.	U.S.	6,608	6,608	-	-	1,184	1,184	-	-	5,424	5,424	-	-
2011	WECC		Harney Electric Cooperative, Inc.	U.S.	3,976	3,976	-	-	713	713	-	-	3,264	3,264	-	-
2011	WECC		Hermiston Power LLC	U.S.	352	352	-	-	63	63	-	-	289	289	-	-
2011	WECC		Holy Cross Energy	U.S.	43,494	43,494	-	-	7,795	7,795	-	-	35,699	35,699	-	-
2011	WECC		Hood River Electric Cooperative	U.S.	2,469	2,469	-	-	443	443	-	-	2,027	2,027	-	-
2011	WECC		Idaho County Light and Power Cooperative Associat	U.S.	3,435	3,435	-	-	616	616	-	-	2,819	2,819	-	-
2011	WECC		Idaho Power Company	U.S.	891,274	891,274	-	-	159,741	159,741	-	-	731,533	731,533	-	-
2011	WECC		Imperial Irrigation District	U.S.	214,105	214,105	-	-	38,374	38,374	-	-	175,731	175,731	-	-
2011	WECC		Inland Power and Light Company	U.S.	27,795	27,795	-	-	4,982	4,982	-	-	22,814	22,814	-	-
2011	WECC		Inland Power and Light Company	U.S.	28,871	28,871	-	-	5,175	5,175	-	-	23,697	23,697	-	-
2011	WECC		Intermountain Rural Electric Association	U.S.	66,392	66,392	-	-	11,899	11,899	-	-	54,493	54,493	-	-
2011	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	18,675	18,675	-	-	3,347	3,347	-	-	15,328	15,328	-	-
2011	WECC		Kootenai Electric Cooperative, Inc.	U.S.	28,188	28,188	-	-	5,052	5,052	-	-	23,136	23,136	-	-
2011	WECC		Lakeview Light & Power	U.S.	16,764	16,764	-	-	3,005	3,005	-	-	13,760	13,760	-	-
2011	WECC		Lane Electric Cooperative, Inc.	U.S.	13,641	13,641	-	-	2,445	2,445	-	-	11,196	11,196	-	-

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2011	WECC		Las Vegas Valley Water District	U.S.	5,389	5,389	-	-	966	966	-	-	4,423	4,423	-	-
2011	WECC		Lincoln County Power District No. 1	U.S.	5,369	5,369	-	-	962	962	-	-	4,407	4,407	-	-
2011	WECC		Lincoln Electric Cooperative, Inc.	U.S.	7,155	7,155	-	-	1,282	1,282	-	-	5,873	5,873	-	-
2011	WECC		Los Angeles Department of Water and Power	U.S.	1,717,320	1,717,320	-	-	307,792	307,792	-	-	1,409,528	1,409,528	-	-
2011	WECC		Majority Districts	U.S.	39,858	39,858	-	-	7,144	7,144	-	-	32,714	32,714	-	-
2011	WECC		Merced Irrigation District	U.S.	27,031	27,031	-	-	4,845	4,845	-	-	22,187	22,187	-	-
2011	WECC		Midstate Electric Cooperative, Inc.	U.S.	23,987	23,987	-	-	4,299	4,299	-	-	19,688	19,688	-	-
2011	WECC		Mission Valley Power	U.S.	23,488	23,488	-	-	4,210	4,210	-	-	19,278	19,278	-	-
2011	WECC		Modern Electric Water Company	U.S.	14,000	14,000	-	-	2,509	2,509	-	-	11,490	11,490	-	-
2011	WECC		Modesto Irrigation District	U.S.	150,207	150,207	-	-	26,921	26,921	-	-	123,286	123,286	-	-
2011	WECC		Montana-Dakota Utilities Co.	U.S.	1,008	1,008	-	-	181	181	-	-	827	827	-	-
2011	WECC		Mt. Wheeler Power	U.S.	31,620	31,620	-	-	5,667	5,667	-	-	25,953	25,953	-	-
2011	WECC		Municipal Energy Agency of Nebraska	U.S.	10,888	10,888	-	-	1,951	1,951	-	-	8,937	8,937	-	-
2011	WECC		Municipal Energy Agency of Nebraska	U.S.	1,694	1,694	-	-	304	304	-	-	1,390	1,390	-	-
2011	WECC		Navajo Tribal Utility Authority	U.S.	2,665	2,665	-	-	478	478	-	-	2,187	2,187	-	-
2011	WECC		Navajo Tribal Utility Authority	U.S.	18,646	18,646	-	-	3,342	3,342	-	-	15,304	15,304	-	-
2011	WECC		Navapache Electric Cooperative, Inc.	U.S.	25,984	25,984	-	-	4,657	4,657	-	-	21,327	21,327	-	-
2011	WECC		Nebraska Public Power Marketing	U.S.	33,062	33,062	-	-	5,926	5,926	-	-	27,136	27,136	-	-
2011	WECC		Nespelem Valley Electric Cooperative, Inc.	U.S.	3,006	3,006	-	-	539	539	-	-	2,467	2,467	-	-
2011	WECC		Nevada Power Company dba NV Energy	U.S.	1,287,507	1,287,507	-	-	230,757	230,757	-	-	1,056,750	1,056,750	-	-
2011	WECC		Noble Americas Energy Solutions, LLC	U.S.	56,656	56,656	-	-	10,154	10,154	-	-	46,501	46,501	-	-
2011	WECC		Northern Lights, Inc.	U.S.	2,159	2,159	-	-	387	387	-	-	1,772	1,772	-	-
2011	WECC		Northern Lights, Inc.	U.S.	18,110	18,110	-	-	3,246	3,246	-	-	14,864	14,864	-	-
2011	WECC		Northern Wasco County PUD	U.S.	34,051	34,051	-	-	6,103	6,103	-	-	27,948	27,948	-	-
2011	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	535,505	535,505	-	-	95,977	95,977	-	-	439,528	439,528	-	-
2011	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	18,171	18,171	-	-	3,257	3,257	-	-	14,915	14,915	-	-
2011	WECC		Ohop Mutual Light Company	U.S.	5,285	5,285	-	-	947	947	-	-	4,337	4,337	-	-
2011	WECC		Orcas Power and Light Cooperative	U.S.	13,038	13,038	-	-	2,337	2,337	-	-	10,701	10,701	-	-
2011	WECC		Operations Office	U.S.	11,589	11,589	-	-	2,077	2,077	-	-	9,512	9,512	-	-
2011	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	19,870	19,870	-	-	3,561	3,561	-	-	16,308	16,308	-	-
2011	WECC		Overton Power District No. 5	U.S.	22,539	22,539	-	-	4,040	4,040	-	-	18,499	18,499	-	-
2011	WECC		PacifiCorp	U.S.	3,453	3,453	-	-	619	619	-	-	2,834	2,834	-	-
2011	WECC		PacifiCorp	U.S.	125	125	-	-	22	22	-	-	102	102	-	-
2011	WECC		PacifiCorp	U.S.	2,847,510	2,847,510	-	-	510,353	510,353	-	-	2,337,157	2,337,157	-	-
2011	WECC		PacifiCorp	U.S.	107	107	-	-	19	19	-	-	88	88	-	-
2011	WECC		PacifiCorp	U.S.	226	226	-	-	40	40	-	-	185	185	-	-
2011	WECC		PacifiCorp West (PACW)	U.S.	1,242,565	1,242,565	-	-	222,702	222,702	-	-	1,019,863	1,019,863	-	-
2011	WECC		Page Electric Utility	U.S.	888	888	-	-	159	159	-	-	729	729	-	-
2011	WECC		Parkland Light and Water Company	U.S.	7,353	7,353	-	-	1,318	1,318	-	-	6,035	6,035	-	-
2011	WECC		Pend Oreille County PUD No. 1	U.S.	59,432	59,432	-	-	10,652	10,652	-	-	48,780	48,780	-	-
2011	WECC		Peninsula Light Company, Inc.	U.S.	36,901	36,901	-	-	6,614	6,614	-	-	30,287	30,287	-	-
2011	WECC		Platte River Power Authority	U.S.	193,398	193,398	-	-	34,662	34,662	-	-	158,736	158,736	-	-
2011	WECC		Port of Seattle - Seattle-Tacoma International Airpo	U.S.	8,625	8,625	-	-	1,546	1,546	-	-	7,079	7,079	-	-
2011	WECC		Port Townsend Paper Corporation	U.S.	12,043	12,043	-	-	2,158	2,158	-	-	9,885	9,885	-	-
2011	WECC		Portland General Electric Company	U.S.	2,831	2,831	-	-	507	507	-	-	2,323	2,323	-	-
2011	WECC		Portland General Electric Company	U.S.	1,134,343	1,134,343	-	-	203,306	203,306	-	-	931,037	931,037	-	-
2011	WECC		Public Service Company of Colorado (Xcel)	U.S.	1,874,451	1,874,451	-	-	335,954	335,954	-	-	1,538,497	1,538,497	-	-
2011	WECC		Public Service Company of Colorado (Xcel)	U.S.	10,238	10,238	-	-	1,835	1,835	-	-	8,403	8,403	-	-
2011	WECC		Public Service Company of New Mexico	U.S.	648,007	648,007	-	-	116,141	116,141	-	-	531,866	531,866	-	-
2011	WECC		Public Utility District No. 1 of Chelan County	U.S.	225,055	225,055	-	-	40,336	40,336	-	-	184,719	184,719	-	-
2011	WECC		PUD No. 1 of Asotin County	U.S.	267	267	-	-	48	48	-	-	219	219	-	-
2011	WECC		PUD No. 1 of Asotin County	U.S.	19	19	-	-	3	3	-	-	15	15	-	-
2011	WECC		PUD No. 1 of Benton County	U.S.	101,285	101,285	-	-	18,153	18,153	-	-	83,132	83,132	-	-
2011	WECC		PUD No. 1 of Clallam County	U.S.	41,374	41,374	-	-	7,415	7,415	-	-	33,959	33,959	-	-
2011	WECC		PUD No. 1 of Cowlitz County	U.S.	304,328	304,328	-	-	54,544	54,544	-	-	249,784	249,784	-	-
2011	WECC		PUD No. 1 of Cowlitz County	U.S.	285	285	-	-	51	51	-	-	234	234	-	-
2011	WECC		PUD No. 1 of Douglas County	U.S.	537	537	-	-	96	96	-	-	441	441	-	-
2011	WECC		PUD No. 1 of Douglas County	U.S.	85,410	85,410	-	-	15,308	15,308	-	-	70,102	70,102	-	-
2011	WECC		PUD No. 1 of Ferry County	U.S.	6,410	6,410	-	-	1,149	1,149	-	-	5,261	5,261	-	-
2011	WECC		PUD No. 1 of Franklin County	U.S.	60,999	60,999	-	-	10,933	10,933	-	-	50,066	50,066	-	-
2011	WECC		PUD No. 1 of Grays Harbor	U.S.	70,477	70,477	-	-	12,631	12,631	-	-	57,846	57,846	-	-

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APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2011	WECC		PUD No. 1 of Kittitas County	U.S.	4,191	4,191	-	-	751	751	-	-	3,440	3,440	-	-
2011	WECC		PUD No. 1 of Kittitas County	U.S.	469	469	-	-	84	84	-	-	385	385	-	-
2011	WECC		PUD No. 1 of Kittitas County	U.S.	1,011	1,011	-	-	181	181	-	-	830	830	-	-
2011	WECC		PUD No. 1 of Klickitat County	U.S.	15,725	15,725	-	-	2,818	2,818	-	-	12,906	12,906	-	-
2011	WECC		PUD No. 1 of Lewis County	U.S.	58,331	58,331	-	-	10,455	10,455	-	-	47,877	47,877	-	-
2011	WECC		PUD No. 1 of Mason County	U.S.	4,813	4,813	-	-	863	863	-	-	3,950	3,950	-	-
2011	WECC		PUD No. 1 of Skamania County	U.S.	8,138	8,138	-	-	1,459	1,459	-	-	6,679	6,679	-	-
2011	WECC		PUD No. 1 of Snohomish County	U.S.	428,114	428,114	-	-	76,730	76,730	-	-	351,384	351,384	-	-
2011	WECC		PUD No. 1 of Wahkiakum County	U.S.	2,709	2,709	-	-	486	486	-	-	2,224	2,224	-	-
2011	WECC		PUD No. 1 of Whatcom County	U.S.	13,087	13,087	-	-	2,346	2,346	-	-	10,742	10,742	-	-
2011	WECC		PUD No. 1 of Whatcom County	U.S.	651	651	-	-	117	117	-	-	534	534	-	-
2011	WECC		PUD No. 2 of Grant County	U.S.	5,100	5,100	-	-	914	914	-	-	4,186	4,186	-	-
2011	WECC		PUD No. 2 of Grant County	U.S.	2,912	2,912	-	-	522	522	-	-	2,390	2,390	-	-
2011	WECC		PUD No. 2 of Grant County	U.S.	235,265	235,265	-	-	42,166	42,166	-	-	193,099	193,099	-	-
2011	WECC		PUD No. 2 of Pacific County	U.S.	18,553	18,553	-	-	3,325	3,325	-	-	15,228	15,228	-	-
2011	WECC		PUD No. 3 of Mason County	U.S.	41,721	41,721	-	-	7,478	7,478	-	-	34,244	34,244	-	-
2011	WECC		Puget Sound Energy, Inc.	U.S.	1,474,638	1,474,638	-	-	264,296	264,296	-	-	1,210,342	1,210,342	-	-
2011	WECC		Rocky Mountain Generation Cooperative, Inc.	U.S.	1,967	1,967	-	-	352	352	-	-	1,614	1,614	-	-
2011	WECC		Sacramento Municipal Utility District	U.S.	666,042	666,042	-	-	119,373	119,373	-	-	546,669	546,669	-	-
2011	WECC		Salem Electric	U.S.	19,662	19,662	-	-	3,524	3,524	-	-	16,138	16,138	-	-
2011	WECC		Salt River Project	U.S.	1,696,663	1,696,663	-	-	304,089	304,089	-	-	1,392,574	1,392,574	-	-
2011	WECC		San Carlos Indian Irrigation Project	U.S.	7	7	-	-	1	1	-	-	5	5	-	-
2011	WECC		Seattle City Light	U.S.	606,228	606,228	-	-	108,653	108,653	-	-	497,575	497,575	-	-
2011	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	519,695	519,695	-	-	93,144	93,144	-	-	426,551	426,551	-	-
2011	WECC		Southern Montana Electric Generation & Transmiss	U.S.	11,235	11,235	-	-	2,014	2,014	-	-	9,221	9,221	-	-
2011	WECC		Southern Montana Electric Generation & Transmiss	U.S.	41,524	41,524	-	-	7,442	7,442	-	-	34,082	34,082	-	-
2011	WECC		Southern Nevada Water Authority	U.S.	47,063	47,063	-	-	8,435	8,435	-	-	38,628	38,628	-	-
2011	WECC		Southwest Transmission Cooperative, Inc.	U.S.	160,158	160,158	-	-	28,705	28,705	-	-	131,453	131,453	-	-
2011	WECC		Springfield Utility Board	U.S.	50,410	50,410	-	-	9,035	9,035	-	-	41,375	41,375	-	-
2011	WECC		Surprise Valley Electrification Corporation	U.S.	1,837	1,837	-	-	329	329	-	-	1,508	1,508	-	-
2011	WECC		Tanner Electric Cooperative	U.S.	5,747	5,747	-	-	1,030	1,030	-	-	4,717	4,717	-	-
2011	WECC		The Incorporated County of Los Alamos	U.S.	21,948	21,948	-	-	3,934	3,934	-	-	18,014	18,014	-	-
2011	WECC		Tillamook People's Utility District	U.S.	22,488	22,488	-	-	4,031	4,031	-	-	18,458	18,458	-	-
2011	WECC		Tohono O'Odham Utility Authority	U.S.	4,110	4,110	-	-	737	737	-	-	3,373	3,373	-	-
2011	WECC		Town of Center	U.S.	623	623	-	-	112	112	-	-	511	511	-	-
2011	WECC		Town of Coulee	U.S.	1,048	1,048	-	-	188	188	-	-	860	860	-	-
2011	WECC		Town of Eatonville	U.S.	1,831	1,831	-	-	328	328	-	-	1,503	1,503	-	-
2011	WECC		Town of Fredonia	U.S.	93	93	-	-	17	17	-	-	76	76	-	-
2011	WECC		Town of Steilacoom	U.S.	2,523	2,523	-	-	452	452	-	-	2,071	2,071	-	-
2011	WECC		Town of Wickenburg	U.S.	1,694	1,694	-	-	304	304	-	-	1,390	1,390	-	-
2011	WECC		Tri-State Generation & Transmission Assoc. Inc - Rel	U.S.	123,227	123,227	-	-	22,086	22,086	-	-	101,141	101,141	-	-
2011	WECC		Tri-State Generation & Transmission Assoc. Inc - Rel	U.S.	2,623	2,623	-	-	470	470	-	-	2,153	2,153	-	-
2011	WECC		Tri-State Generation & Transmission Assoc. Inc - Rel	U.S.	1,985	1,985	-	-	356	356	-	-	1,629	1,629	-	-
2011	WECC		Tri-State Generation & Transmission Association, In	U.S.	152,827	152,827	-	-	27,391	27,391	-	-	125,436	125,436	-	-
2011	WECC		Truckee Donner Public Utility District	U.S.	9,043	9,043	-	-	1,621	1,621	-	-	7,422	7,422	-	-
2011	WECC		Tucson Electric Power Company	U.S.	808,839	808,839	-	-	144,967	144,967	-	-	663,873	663,873	-	-
2011	WECC		Turlock Irrigation District	U.S.	121,670	121,670	-	-	21,807	21,807	-	-	99,863	99,863	-	-
2011	WECC		U.S. Army Yuma Proving Ground	U.S.	267	267	-	-	48	48	-	-	219	219	-	-
2011	WECC		U.S. BOR Columbia Basin	U.S.	1,707	1,707	-	-	306	306	-	-	1,401	1,401	-	-
2011	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	212	212	-	-	38	38	-	-	174	174	-	-
2011	WECC		U.S. Bor Spokane Indian Development`	U.S.	196	196	-	-	35	35	-	-	161	161	-	-
2011	WECC		U.S. BOR The Dalles Project	U.S.	971	971	-	-	174	174	-	-	797	797	-	-
2011	WECC		U.S. DOE National Energy Technology Laboratory	U.S.	281	281	-	-	50	50	-	-	231	231	-	-
2011	WECC		Umatilla Electric Cooperative Association	U.S.	57,672	57,672	-	-	10,336	10,336	-	-	47,336	47,336	-	-
2011	WECC		Unit B Irrigation District	U.S.	1	1	-	-	0	0	-	-	1	1	-	-
2011	WECC		US Air Force Base, Fairchild	U.S.	2,972	2,972	-	-	533	533	-	-	2,439	2,439	-	-
2011	WECC		US Dept of Energy - Kirtland AFB	U.S.	25,218	25,218	-	-	4,520	4,520	-	-	20,699	20,699	-	-
2011	WECC		USN Naval Station, Bremerton	U.S.	15,294	15,294	-	-	2,741	2,741	-	-	12,553	12,553	-	-
2011	WECC		USN Naval Station, Everett	U.S.	789	789	-	-	141	141	-	-	647	647	-	-
2011	WECC		USN Submarine Base, Bangor	U.S.	10,761	10,761	-	-	1,929	1,929	-	-	8,832	8,832	-	-
2011	WECC		Valley Electric Association, Inc.	U.S.	24,604	24,604	-	-	4,410	4,410	-	-	20,195	20,195	-	-

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2011	WECC		Vera Water and Power	U.S.	13,801	13,801	-	-	2,474	2,474	-	-	11,327	11,327	-	-
2011	WECC		Vigilante Electric Cooperative, Inc.	U.S.	960	960	-	-	172	172	-	-	788	788	-	-
2011	WECC		Wasco Electric Cooperative	U.S.	5,707	5,707	-	-	1,023	1,023	-	-	4,684	4,684	-	-
2011	WECC		Wells Rural Electric Cooperative	U.S.	38,425	38,425	-	-	6,887	6,887	-	-	31,538	31,538	-	-
2011	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	1,144	1,144	-	-	205	205	-	-	939	939	-	-
2011	WECC		West Oregon Electric Cooperative, Inc.	U.S.	3,269	3,269	-	-	586	586	-	-	2,683	2,683	-	-
2011	WECC		West Oregon Electric Cooperative, Inc.	U.S.	794	794	-	-	142	142	-	-	652	652	-	-
2011	WECC		Western Area Power - Loveland, CO	U.S.	20,359	20,359	-	-	3,649	3,649	-	-	16,710	16,710	-	-
2011	WECC		Western Area Power - Loveland, CO	U.S.	14,651	14,651	-	-	2,626	2,626	-	-	12,025	12,025	-	-
2011	WECC		Western Area Power Administration - CRSP	U.S.	104,727	104,727	-	-	18,770	18,770	-	-	85,957	85,957	-	-
2011	WECC		Western Area Power Administration - Sierra Nevada	U.S.	90,934	90,934	-	-	16,298	16,298	-	-	74,636	74,636	-	-
2011	WECC		Western Area Power Administration-Desert Southw	U.S.	160,341	160,341	-	-	28,738	28,738	-	-	131,604	131,604	-	-
2011	WECC		Western Area Power Administration-Upper Great Pl	U.S.	11,397	11,397	-	-	2,043	2,043	-	-	9,354	9,354	-	-
2011	WECC		Western Area Power Administration-Upper Great Pl	U.S.	87,711	87,711	-	-	15,720	15,720	-	-	71,990	71,990	-	-
2011	WECC		Western Area Power Administration-Upper Great Pl	U.S.	12,756	12,756	-	-	2,286	2,286	-	-	10,470	10,470	-	-
2011	WECC		Wyoming Municipal Power Agency	U.S.	439,692	439,692	-	-	78,805	78,805	-	-	360,887	360,887	-	-
2011	WECC		Yakama Power	U.S.	1,157	1,157	-	-	207	207	-	-	949	949	-	-
2011	WECC		Yampa Valley Electric Association	U.S.	34,847	34,847	-	-	6,246	6,246	-	-	28,601	28,601	-	-
2011	WECC		Yuma Irrigation District	U.S.	184	184	-	-	33	33	-	-	151	151	-	-
2011	WECC		Yuma-Mesa Irrigation District	U.S.	9	9	-	-	2	2	-	-	7	7	-	-
TOTAL WECC					50,517,596	43,214,609	6,593,988	708,998	9,020,357	7,745,261	1,150,409	124,686	41,497,239	35,469,348	5,443,579	584,312
TOTAL ERO					161,188,857	144,255,780	16,224,079	708,998	47,604,156	43,036,224	4,443,246	124,686	113,584,701	101,219,556	11,780,833	584,312
Summary by Regional Entity																
2011	FRCC				8,377,204	8,377,204	-	-	2,419,233	2,419,233	-	-	5,957,971	5,957,971	-	-
2011	MRO				12,222,863	10,283,622	1,939,241	-	3,123,936	2,611,375	512,561	-	9,098,927	7,672,246	1,426,681	-
2011	NPCC				18,327,625	10,636,775	7,690,849	-	5,975,361	3,195,085	2,780,276	-	12,352,264	7,441,691	4,910,573	-
2011	RFC				24,027,209	24,027,209	-	-	9,861,361	9,861,361	-	-	14,165,848	14,165,848	-	-
2011	SERC				25,069,232	25,069,232	-	-	11,239,354	11,239,354	-	-	13,829,878	13,829,878	-	-
2011	SPP				10,922,211	10,922,211	-	-	2,392,157	2,392,157	-	-	8,530,054	8,530,054	-	-
2011	TRE				11,724,917	11,724,917	-	-	3,572,397	3,572,397	-	-	8,152,520	8,152,520	-	-
2011	WECC				50,517,596	43,214,609	6,593,988	708,998	9,020,357	7,745,261	1,150,409	124,686	41,497,239	35,469,348	5,443,579	584,312
Total					161,188,857	144,255,780	16,224,079	708,998	47,604,156	43,036,224	4,443,246	124,686	113,584,701	101,219,556	11,780,833	584,312

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-C

					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
2011	FRCC	1074	Alachua, City of	U.S.	1,382	1,382	-	-	1,403	1,403	-	-	(80)	(80)	41	41	-	-	18	18	-
2011	FRCC	1075	Bartow, City of	U.S.	2,994	2,994	-	-	3,040	3,040	-	-	(174)	(174)	89	89	-	-	39	39	-
2011	FRCC	1076	Chattahoochee, City of	U.S.	443	443	-	-	450	450	-	-	(26)	(26)	13	13	-	-	6	6	-
2011	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	7,553	7,553	-	-	7,668	7,668	-	-	(439)	(439)	225	225	-	-	99	99	-
2011	FRCC	1078	Florida Power & Light Co.	U.S.	1,191,557	1,191,557	-	-	1,209,817	1,209,817	-	-	(69,334)	(69,334)	35,523	35,523	-	-	15,551	15,551	-
2011	FRCC	1079	Florida Public Utilities Company	U.S.	4,376	4,376	-	-	4,443	4,443	-	-	(255)	(255)	130	130	-	-	57	57	-
2011	FRCC	1080	Gainesville Regional Utilities	U.S.	19,688	19,688	-	-	19,990	19,990	-	-	(1,146)	(1,146)	587	587	-	-	257	257	-
2011	FRCC	1081	Homestead, City of	U.S.	5,348	5,348	-	-	5,430	5,430	-	-	(311)	(311)	159	159	-	-	70	70	-
2011	FRCC	1082	JEA	U.S.	135,871	135,871	-	-	137,954	137,954	-	-	(7,906)	(7,906)	4,051	4,051	-	-	1,773	1,773	-
2011	FRCC	1083	Lakeland Electric	U.S.	31,259	31,259	-	-	31,738	31,738	-	-	(1,819)	(1,819)	932	932	-	-	408	408	-
2011	FRCC	1626	Lee County Electric Cooperative, Inc	U.S.	12,727	12,727	-	-	12,922	12,922	-	-	(741)	(741)	379	379	-	-	166	166	-
2011	FRCC	1084	Mount Dora, City of	U.S.	980	980	-	-	995	995	-	-	(57)	(57)	29	29	-	-	13	13	-
2011	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	4,181	4,181	-	-	4,246	4,246	-	-	(243)	(243)	125	125	-	-	55	55	-
2011	FRCC	1086	Orlando Utilities Commission	U.S.	61,101	61,101	-	-	62,037	62,037	-	-	(3,555)	(3,555)	1,822	1,822	-	-	797	797	-
2011	FRCC	1087	Progress Energy Florida	U.S.	432,624	432,624	-	-	439,254	439,254	-	-	(25,174)	(25,174)	12,898	12,898	-	-	5,646	5,646	-
2011	FRCC	1088	Quincy, City of	U.S.	1,544	1,544	-	-	1,568	1,568	-	-	(90)	(90)	46	46	-	-	20	20	-
2011	FRCC	1089	Reedy Creek Improvement District	U.S.	13,052	13,052	-	-	13,252	13,252	-	-	(759)	(759)	389	389	-	-	170	170	-
2011	FRCC	1090	St. Cloud, City of (OUC)	U.S.	6,375	6,375	-	-	6,473	6,473	-	-	(371)	(371)	190	190	-	-	83	83	-
2011	FRCC	1091	Tallahassee, City of	U.S.	30,243	30,243	-	-	30,706	30,706	-	-	(1,760)	(1,760)	902	902	-	-	395	395	-
2011	FRCC	1092	Tampa Electric Company	U.S.	207,514	207,514	-	-	210,694	210,694	-	-	(12,075)	(12,075)	6,186	6,186	-	-	2,708	2,708	-
2011	FRCC	1603	City of Vero Beach	U.S.	8,006	8,006	-	-	8,129	8,129	-	-	(466)	(466)	239	239	-	-	104	104	-
2011	FRCC	1093	Wauchula, City of	U.S.	681	681	-	-	691	691	-	-	(40)	(40)	20	20	-	-	9	9	-
2011	FRCC	1094	Williston, City of	U.S.	358	358	-	-	364	364	-	-	(21)	(21)	11	11	-	-	5	5	-
2011	FRCC	1095	Winter Park, City of	U.S.	4,779	4,779	-	-	4,852	4,852	-	-	(278)	(278)	142	142	-	-	62	62	-
2011	FRCC	1072	Florida Municipal Power Agency	U.S.	65,067	65,067	-	-	66,065	66,065	-	-	(3,786)	(3,786)	1,940	1,940	-	-	849	849	-
2011	FRCC	1073	Seminole Electric Cooperative	U.S.	169,528	169,528	-	-	172,126	172,126	-	-	(9,865)	(9,865)	5,054	5,054	-	-	2,213	2,213	-
TOTAL FRCC					2,419,233	2,419,233	-	-	2,456,308	2,456,308	-	-	(140,771)	(140,771)	72,123	72,123	-	-	31,573	31,573	-
					-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2011	MRO	1199	Basin Electric Power Cooperative	U.S.	140,893	140,893	-	-	141,259	141,259	-	-	(8,096)	(8,096)	4,148	4,148	-	-	3,582	3,582	-
2011	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	30,560	30,560	-	-	30,640	30,640	-	-	(1,756)	(1,756)	900	900	-	-	777	777	-
2011	MRO	1204	Corn Belt Power Cooperative	U.S.	19,386	19,386	-	-	19,436	19,436	-	-	(1,114)	(1,114)	571	571	-	-	493	493	-
2011	MRO	1207	Dairyland Power Cooperative	U.S.	57,562	57,562	-	-	57,711	57,711	-	-	(3,307)	(3,307)	1,695	1,695	-	-	1,463	1,463	-
2011	MRO	1210	Great River Energy	U.S.	147,561	147,561	-	-	147,945	147,945	-	-	(8,479)	(8,479)	4,344	4,344	-	-	3,751	3,751	-
2011	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	44,223	44,223	-	-	44,338	44,338	-	-	(2,541)	(2,541)	1,302	1,302	-	-	1,124	1,124	-
2011	MRO	1230	Nebraska Public Power District	U.S.	139,974	139,974	-	-	140,338	140,338	-	-	(8,043)	(8,043)	4,121	4,121	-	-	3,558	3,558	-
2011	MRO	1232	Omaha Public Power District	U.S.	123,585	123,585	-	-	123,906	123,906	-	-	(7,101)	(7,101)	3,638	3,638	-	-	3,142	3,142	-
2011	MRO	1237	Southern Montana Generation and Transmission	U.S.	45	45	-	-	45	45	-	-	(3)	(3)	1	1	-	-	1	1	-
2011	MRO	1240	Western Area Power Administration (UM)	U.S.	98,251	98,251	-	-	98,506	98,506	-	-	(5,645)	(5,645)	2,892	2,892	-	-	2,498	2,498	-
2011	MRO	1239	Western Area Power Administration (LM)	U.S.	1,388	1,388	-	-	1,392	1,392	-	-	(80)	(80)	41	41	-	-	35	35	-
2011	MRO	1217	Manitoba Hydro	CAN	262,505	-	262,505	-	248,887	-	248,887	-	-	-	7,308	-	7,308	-	6,310	-	6,310
2011	MRO	1235	SaskPower	CAN	250,055	-	250,055	-	237,083	-	237,083	-	-	-	6,961	-	6,961	-	6,011	-	6,011
2011	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPI	U.S.	313,589	313,589	-	-	314,404	314,404	-	-	(18,018)	(18,018)	9,232	9,232	-	-	7,972	7,972	-
2011	MRO	1216	Madison, Gas and Electric	U.S.	38,112	38,112	-	-	38,211	38,211	-	-	(2,190)	(2,190)	1,122	1,122	-	-	969	969	-
2011	MRO	1220	MidAmerican Energy Company	U.S.	303,462	303,462	-	-	304,250	304,250	-	-	(17,437)	(17,437)	8,934	8,934	-	-	7,714	7,714	-
2011	MRO	1221	Minnesota Power	U.S.	144,277	144,277	-	-	144,652	144,652	-	-	(8,290)	(8,290)	4,247	4,247	-	-	3,668	3,668	-
2011	MRO	1226	Montana-Dakota Utilities Co.	U.S.	30,376	30,376	-	-	30,455	30,455	-	-	(1,745)	(1,745)	894	894	-	-	772	772	-
2011	MRO	1231	NorthWestern Energy	U.S.	16,453	16,453	-	-	16,496	16,496	-	-	(945)	(945)	484	484	-	-	418	418	-
2011	MRO	1233	Otter Tail Power Company	U.S.	47,495	47,495	-	-	47,619	47,619	-	-	(2,729)	(2,729)	1,398	1,398	-	-	1,207	1,207	-
2011	MRO	1243	Integrus Energy Group (WPS and UPPCO)	U.S.	147,673	147,673	-	-	148,057	148,057	-	-	(8,485)	(8,485)	4,347	4,347	-	-	3,754	3,754	-
2011	MRO	1244	Xcel Energy Company (NSP)	U.S.	504,970	504,970	-	-	506,283	506,283	-	-	(29,015)	(29,015)	14,866	14,866	-	-	12,837	12,837	-
2011	MRO	1196	Ames Municipal Electric System	U.S.	8,491	8,491	-	-	8,513	8,513	-	-	(488)	(488)	250	250	-	-	216	216	-
2011	MRO	1604	Atlantic Municipal Utilities	U.S.	775	775	-	-	777	777	-	-	(45)	(45)	23	23	-	-	20	20	-
2011	MRO	1476	Badger Power Marketing Authority of Wisconsin, Ir	U.S.	4,516	4,516	-	-	4,527	4,527	-	-	(259)	(259)	133	133	-	-	115	115	-
2011	MRO	1200	Cedar Falls Municipal Utilities	U.S.	5,672	5,672	-	-	5,687	5,687	-	-	(326)	(326)	167	167	-	-	144	144	-
2011	MRO	1477	Central Minnesota Municipal Power Agency (CMM	U.S.	5,177	5,177	-	-	5,190	5,190	-	-	(297)	(297)	1						

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-C

					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
2011	NPCC	1336	New England	U.S.	1,447,974	1,447,974	-	-	1,480,080	1,480,080	-	-	(84,823)	(84,823)	43,459	43,459	-	-	9,259	9,259	-
2011	NPCC	1339	New York	U.S.	1,747,110	1,747,110	-	-	1,785,849	1,785,849	-	-	(102,347)	(102,347)	52,437	52,437	-	-	11,172	11,172	-
2011	NPCC	1337	Ontario	Canada	1,035,450	-	1,035,450	-	1,572,539	-	1,572,539	-	-	-	(546,926)	-	(546,926)	-	9,837	-	9,837
2011	NPCC	1341	Quebec	Canada	1,509,375	-	1,509,375	-	2,047,231	-	2,047,231	-	-	-	(550,663)	-	(550,663)	-	12,807	-	12,807
2011	NPCC	1338	New Brunswick	Canada	100,162	-	100,162	-	152,116	-	152,116	-	-	-	(52,906)	-	(52,906)	-	952	-	952
2011	NPCC	1340	Nova Scotia	Canada	135,289	-	135,289	-	130,636	-	130,636	-	-	-	3,836	-	3,836	-	817	-	817
TOTAL NPCC					5,975,361	3,195,085	2,780,276	-	7,168,451	3,265,928	3,902,522	-	(187,170)	(187,170)	(1,050,764)	95,895	(1,146,659)	-	44,843	20,431	24,413
2011	RFC	1104	Bay City	U.S.	3,594	3,594	-	-	3,651	3,651	-	-	(209)	(209)	107	107	-	-	45	45	-
2011	RFC	1102	Cannelton Utilities	U.S.	177	177	-	-	180	180	-	-	(10)	(10)	5	5	-	-	2	2	-
2011	RFC	1105	City of Chelsea	U.S.	1,055	1,055	-	-	1,072	1,072	-	-	(61)	(61)	31	31	-	-	13	13	-
2011	RFC	1106	City of Crosswell	U.S.	421	421	-	-	428	428	-	-	(25)	(25)	13	13	-	-	5	5	-
2011	RFC	1108	City of Eaton Rapids	U.S.	1,052	1,052	-	-	1,069	1,069	-	-	(61)	(61)	31	31	-	-	13	13	-
2011	RFC	1111	City of Hart	U.S.	501	501	-	-	509	509	-	-	(29)	(29)	15	15	-	-	6	6	-
2011	RFC	1490	City of Lansing	U.S.	24,059	24,059	-	-	24,444	24,444	-	-	(1,401)	(1,401)	718	718	-	-	298	298	-
2011	RFC	1112	City of Marquette Board of Light & Power	U.S.	3,569	3,569	-	-	3,626	3,626	-	-	(208)	(208)	106	106	-	-	44	44	-
2011	RFC	1114	City of Portland	U.S.	388	388	-	-	394	394	-	-	(23)	(23)	12	12	-	-	5	5	-
2011	RFC	1116	City of St. Louis	U.S.	420	420	-	-	427	427	-	-	(24)	(24)	13	13	-	-	5	5	-
2011	RFC	1118	City of Wyandotte	U.S.	1,970	1,970	-	-	2,002	2,002	-	-	(115)	(115)	59	59	-	-	24	24	-
2011	RFC	1120	Cloverland Electric Cooperative	U.S.	9,508	9,508	-	-	9,660	9,660	-	-	(554)	(554)	284	284	-	-	118	118	-
2011	RFC	1122	CMS ERM Michigan LLC	U.S.	2,087	2,087	-	-	2,120	2,120	-	-	(122)	(122)	62	62	-	-	26	26	-
2011	RFC	1124	Constellation New Energy (MECS-CONS)	U.S.	13,942	13,942	-	-	14,165	14,165	-	-	(812)	(812)	416	416	-	-	173	173	-
2011	RFC	1123	Constellation New Energy (MECS-DET)	U.S.	13,001	13,001	-	-	13,209	13,209	-	-	(757)	(757)	388	388	-	-	161	161	-
2011	RFC	1126	Consumers Energy Company	U.S.	362,833	362,833	-	-	368,640	368,640	-	-	(21,127)	(21,127)	10,824	10,824	-	-	4,495	4,495	-
2011	RFC	1128	Detroit Edison Company	U.S.	489,545	489,545	-	-	497,381	497,381	-	-	(28,505)	(28,505)	14,604	14,604	-	-	6,065	6,065	-
2011	RFC	1166	Duke Energy Indiana	U.S.	328,059	328,059	-	-	333,310	333,310	-	-	(19,102)	(19,102)	9,787	9,787	-	-	4,064	4,064	-
2011	RFC	1135	Ferdinand Municipal Light & Water	U.S.	447	447	-	-	455	455	-	-	(26)	(26)	13	13	-	-	6	6	-
2011	RFC		FirstEnergy Solutions (MECS-DET)	U.S.	238	238	-	-	242	242	-	-	(14)	(14)	7	7	-	-	3	3	-
2011	RFC	1549	FirstEnergy Solutions (MECS-DET)	U.S.	21,719	21,719	-	-	22,066	22,066	-	-	(1,265)	(1,265)	648	648	-	-	269	269	-
2011	RFC	1612	Glacial Energy (MECS-DET)	U.S.	5,021	5,021	-	-	5,102	5,102	-	-	(292)	(292)	150	150	-	-	62	62	-
2011	RFC	1144	Holland Board of Public Works	U.S.	8,552	8,552	-	-	8,689	8,689	-	-	(498)	(498)	255	255	-	-	106	106	-
2011	RFC	1145	Hoosier Energy	U.S.	78,406	78,406	-	-	79,661	79,661	-	-	(4,565)	(4,565)	2,339	2,339	-	-	971	971	-
2011	RFC	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	31,915	31,915	-	-	32,426	32,426	-	-	(1,858)	(1,858)	952	952	-	-	395	395	-
2011	RFC	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	4,528	4,528	-	-	4,600	4,600	-	-	(264)	(264)	135	135	-	-	56	56	-
2011	RFC	1486	Indiana Municipal Power Agency (SIEG)	U.S.	6,455	6,455	-	-	6,559	6,559	-	-	(376)	(376)	193	193	-	-	80	80	-
2011	RFC	1149	Indianapolis Power & Light Co.	U.S.	162,841	162,841	-	-	165,448	165,448	-	-	(9,482)	(9,482)	4,858	4,858	-	-	2,017	2,017	-
2011	RFC	1553	Integrus Energy Services (MECS-CONS)	U.S.	5,179	5,179	-	-	5,262	5,262	-	-	(302)	(302)	155	155	-	-	64	64	-
2011	RFC	1554	Integrus Energy Services (MECS-DET)	U.S.	3,903	3,903	-	-	3,965	3,965	-	-	(227)	(227)	116	116	-	-	48	48	-
2011	RFC	1614	Just Energy (MECS-DET)	U.S.	217	217	-	-	220	220	-	-	(13)	(13)	6	6	-	-	3	3	-
2011	RFC	1154	Michigan Public Power Agency	U.S.	13,148	13,148	-	-	13,359	13,359	-	-	(766)	(766)	392	392	-	-	163	163	-
2011	RFC	1155	Michigan South Central Power Agency	U.S.	6,145	6,145	-	-	6,243	6,243	-	-	(358)	(358)	183	183	-	-	76	76	-
2011	RFC	1158	MidAmerican Energy Company Retail	U.S.	1,019	1,019	-	-	1,036	1,036	-	-	(59)	(59)	30	30	-	-	13	13	-
2011	RFC	1163	Northern Indiana Public Service Co.	U.S.	190,577	190,577	-	-	193,628	193,628	-	-	(11,097)	(11,097)	5,685	5,685	-	-	2,361	2,361	-
2011	RFC	1164	Ontonagon County Rural Electrification Assoc.	U.S.	314	314	-	-	319	319	-	-	(18)	(18)	9	9	-	-	4	4	-
2011	RFC	1265	PJM Interconnection, LLC	U.S.	7,565,244	7,565,244	-	-	7,686,329	7,686,329	-	-	(440,503)	(440,503)	225,689	225,689	-	-	93,728	93,728	-
2011	RFC	1172	Sempra Energy Solutions (MECS-CONS)	U.S.	12,289	12,289	-	-	12,486	12,486	-	-	(716)	(716)	367	367	-	-	152	152	-
2011	RFC	1171	Sempra Energy Solutions (MECS-DET)	U.S.	10,838	10,838	-	-	11,012	11,012	-	-	(631)	(631)	323	323	-	-	134	134	-
2011	RFC	1176	Direct Energy (Ika-Strategic Energy,LLC) (MECS-CON)	U.S.	97	97	-	-	99	99	-	-	(6)	(6)	3	3	-	-	1	1	-
2011	RFC	1174	Direct Energy (Ika-Strategic Energy,LLC) (MECS-DET)	U.S.	3,816	3,816	-	-	3,877	3,877	-	-	(222)	(222)	114	114	-	-	47	47	-
2011	RFC	1581	Spartan Renewable Energy	U.S.	680	680	-	-	691	691	-	-	(40)	(40)	20	20	-	-	8	8	-
2011	RFC	1180	Thumb Electric Cooperative	U.S.	1,835	1,835	-	-	1,865	1,865	-	-	(107)	(107)	55	55	-	-	23	23	-
2011	RFC	1627	US Department of Energy	U.S.	2,734	2,734	-	-	2,778	2,778	-	-	(159)	(159)	82	82	-	-	34	34	-
2011	RFC	1181	Vectren Energy Delivery of IN	U.S.	63,725	63,725	-	-	64,745	64,745	-	-	(3,711)	(3,711)	1,901	1,901	-	-	790	790	-
2011	RFC	1183	Village of Sebawaing	U.S.	407	407	-	-	414	414	-	-	(24)	(24)	12	12	-	-	5	5	-
2011	RFC	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	29,385	29,385	-	-	29,856	29,856	-	-	(1,711)	(1,711)	877	877	-	-	364	364	-
2011	RFC	1487	Wabash Valley Power Association Inc. (MECS CON)	U.S.	1,617	1,617	-	-	1,643	1,643	-	-	(94)	(94)	48	48	-	-	20	20	-
2011	RFC	1488	Wabash Valley Power Association Inc. (NIPSCO)	U.S.	17,773	17,773	-	-	18,057												

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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	Canada Total	Mexico Total	Total	US Total	Canada Total
2011	SERC	1278	City of Blountstown FL	U.S.	439	439	-	-	447	447	-	-	(26)	(26)	13	13			5	5	
2011	SERC	1279	City of Camden SC	U.S.	2,209	2,209	-	-	2,249	2,249	-	-	(129)	(129)	66	66			23	23	
2011	SERC	1280	City of Collins MS	U.S.	514	514	-	-	523	523	-	-	(30)	(30)	15	15			5	5	
2011	SERC	1281	City of Columbia MO	U.S.	12,786	12,786	-	-	13,018	13,018	-	-	(746)	(746)	382	382			132	132	
2011	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	11,359	11,359	-	-	11,565	11,565	-	-	(663)	(663)	340	340			117	117	
2011	SERC	1284	City of Evergreen AL	U.S.	665	665	-	-	677	677	-	-	(39)	(39)	20	20			7	7	
2011	SERC	1285	City of Hampton GA	U.S.	289	289	-	-	294	294	-	-	(17)	(17)	9	9			3	3	
2011	SERC	1286	City of Hartford AL	U.S.	369	369	-	-	376	376	-	-	(22)	(22)	11	11			4	4	
2011	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	6,711	6,711	-	-	6,833	6,833	-	-	(392)	(392)	201	201			69	69	
2011	SERC	1288	City of North Little Rock AR (DENL)	U.S.	10,669	10,669	-	-	10,862	10,862	-	-	(623)	(623)	319	319			110	110	
2011	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	8,160	8,160	-	-	8,308	8,308	-	-	(476)	(476)	244	244			84	84	
2011	SERC	1290	City of Robertsdale AL	U.S.	946	946	-	-	963	963	-	-	(55)	(55)	28	28			10	10	
2011	SERC	1291	City of Ruston LA (DERS)	U.S.	3,137	3,137	-	-	3,194	3,194	-	-	(183)	(183)	94	94			32	32	
2011	SERC	1292	City of Seneca SC	U.S.	1,759	1,759	-	-	1,791	1,791	-	-	(103)	(103)	53	53			18	18	
2011	SERC	1115	City of Springfield (CWLP)	U.S.	20,190	20,190	-	-	20,557	20,557	-	-	(1,178)	(1,178)	604	604			208	208	
2011	SERC	1465	City of Thayer, MO	U.S.	219	219	-	-	223	223	-	-	(13)	(13)	7	7			2	2	
2011	SERC	1293	City of Troy AL	U.S.	4,517	4,517	-	-	4,598	4,598	-	-	(264)	(264)	135	135			47	47	
2011	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	4,248	4,248	-	-	4,326	4,326	-	-	(248)	(248)	127	127			44	44	
2011	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	7,330	7,330	-	-	7,463	7,463	-	-	(428)	(428)	219	219			75	75	
2011	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	2,843	2,843	-	-	2,895	2,895	-	-	(166)	(166)	85	85			29	29	
2011	SERC	1283	Dalton Utilities	U.S.	16,385	16,385	-	-	16,682	16,682	-	-	(956)	(956)	490	490			169	169	
2011	SERC	1585	Dixie Electric Membership Corporation	U.S.	25,151	25,151	-	-	25,607	25,607	-	-	(1,468)	(1,468)	752	752			259	259	
2011	SERC	1295	Dominion Virginia Power	U.S.	906,353	906,353	-	-	922,807	922,807	-	-	(52,886)	(52,886)	27,096	27,096			9,336	9,336	
2011	SERC	1296	Duke Energy Carolinas, LLC	U.S.	897,998	897,998	-	-	914,301	914,301	-	-	(52,398)	(52,398)	26,846	26,846			9,250	9,250	
2011	SERC	1466	Durant, MS	U.S.	303	303	-	-	308	308	-	-	(18)	(18)	9	9			3	3	
2011	SERC	1478	E.ON U.S. Services Inc.	U.S.	374,478	374,478	-	-	381,277	381,277	-	-	(21,851)	(21,851)	11,195	11,195			3,857	3,857	
2011	SERC	1297	East Kentucky Power Cooperative	U.S.	134,737	134,737	-	-	137,183	137,183	-	-	(7,862)	(7,862)	4,028	4,028			1,388	1,388	
2011	SERC	1298	East Mississippi Electric Power Association	U.S.	5,128	5,128	-	-	5,221	5,221	-	-	(299)	(299)	153	153			53	53	
2011	SERC	1629	East Texas Electric Cooperative Inc	U.S.	22,627	22,627	-	-	23,037	23,037	-	-	(1,320)	(1,320)	676	676			233	233	
2011	SERC	1299	Electric Energy Inc.	U.S.	14,310	14,310	-	-	14,569	14,569	-	-	(835)	(835)	428	428			147	147	
2011	SERC	1300	EnergyUnited EMC	U.S.	27,255	27,255	-	-	27,750	27,750	-	-	(1,590)	(1,590)	815	815			281	281	
2011	SERC	1301	Entergy	U.S.	1,270,494	1,270,494	-	-	1,293,560	1,293,560	-	-	(74,134)	(74,134)	37,982	37,982			13,087	13,087	
2011	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	24,149	24,149	-	-	24,587	24,587	-	-	(1,409)	(1,409)	722	722			249	249	
2011	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	3,703	3,703	-	-	3,770	3,770	-	-	(216)	(216)	111	111			38	38	
2011	SERC	1304	French Broad EMC	U.S.	6,002	6,002	-	-	6,111	6,111	-	-	(350)	(350)	179	179			62	62	
2011	SERC	1305	Georgia Power Company	U.S.	986,229	986,229	-	-	1,004,134	1,004,134	-	-	(57,547)	(57,547)	29,484	29,484			10,159	10,159	
2011	SERC	1306	Georgia System Optns Corporation	U.S.	421,786	421,786	-	-	429,443	429,443	-	-	(24,611)	(24,611)	12,609	12,609			4,345	4,345	
2011	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	3,060	3,060	-	-	3,115	3,115	-	-	(179)	(179)	91	91			32	32	
2011	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	2,867	2,867	-	-	2,920	2,920	-	-	(167)	(167)	86	86			30	30	
2011	SERC	1308	Gulf Power Company	U.S.	132,028	132,028	-	-	134,425	134,425	-	-	(7,704)	(7,704)	3,947	3,947			1,360	1,360	
2011	SERC	1586	Haywood EMC	U.S.	3,251	3,251	-	-	3,310	3,310	-	-	(190)	(190)	97	97			33	33	
2011	SERC	1309	Illinois Municipal Electric Agency	U.S.	20,892	20,892	-	-	21,272	21,272	-	-	(1,219)	(1,219)	625	625			215	215	
2011	SERC	1480	Itta Bena, MS	U.S.	177	177	-	-	181	181	-	-	(10)	(10)	5	5			2	2	
2011	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	2,980	2,980	-	-	3,034	3,034	-	-	(174)	(174)	89	89			31	31	
2011	SERC	1617	Kentucky Municipal Power	U.S.	7,971	7,971	-	-	8,116	8,116	-	-	(465)	(465)	238	238			82	82	
2011	SERC	1481	Kosciusko, MS	U.S.	830	830	-	-	845	845	-	-	(48)	(48)	25	25			9	9	
2011	SERC	1482	Leland, MS	U.S.	371	371	-	-	378	378	-	-	(22)	(22)	11	11			4	4	
2011	SERC	1313	McCormick Commission of Public Works	U.S.	191	191	-	-	194	194	-	-	(11)	(11)	6	6			2	2	
2011	SERC	1314	Mississippi Power Company	U.S.	115,995	115,995	-	-	118,101	118,101	-	-	(6,768)	(6,768)	3,468	3,468			1,195	1,195	
2011	SERC	1630	Mt. Carmel Public Utility	U.S.	1,192	1,192	-	-	1,214	1,214	-	-	(70)	(70)	36	36			12	12	
2011	SERC	1315	Municipal Electric Authority of Georgia	U.S.	118,984	118,984	-	-	121,144	121,144	-	-	(6,943)	(6,943)	3,557	3,557			1,226	1,226	
2011	SERC	1316	N.C. Electric Membership Corp.	U.S.	133,744	133,744	-	-	136,172	136,172	-	-	(7,804)	(7,804)	3,998	3,998			1,378	1,378	
2011	SERC	1317	North Carolina Eastern Municipal Power Agency	U.S.	82,259	82,259	-	-	83,753	83,753	-	-	(4,800)	(4,800)	2,459	2,459			847	847	
2011	SERC	1318	North Carolina Municipal Power Agency #1	U.S.	51,554	51,554	-	-	52,490	52,490	-	-	(3,008)	(3,008)	1,541	1,541			531	531	
2011	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	3,237	3,237	-	-	3,296	3,296	-	-	(189)	(189)	97	97			33	33	
2011	SERC	1574	Northern Virginia Electric Cooperative	U.S.	40,574	40,574	-	-	41,310	41,310	-	-	(2,367)	(2,367)	1,213	1,213			418	418	
2011	SERC	1319	Old Dominion Electric Cooperative	U.S.	63,951	63,951	-	-	65,1												

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					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
2011	SERC	1593	Town of Lucama, N.C.	U.S.	226	226	-	-	231	231	-	-	(13)	(13)	7	7			2	2	
2011	SERC	1594	Town of Sharpsburg, N.C.	U.S.	220	220	-	-	224	224	-	-	(13)	(13)	7	7			2	2	
2011	SERC	1595	Town of Stantonsburg, N.C.	U.S.	248	248	-	-	252	252	-	-	(14)	(14)	7	7			3	3	
2011	SERC	1333	Town of Waynesville NC	U.S.	982	982	-	-	1,000	1,000	-	-	(57)	(57)	29	29			10	10	
2011	SERC	1334	Town of Winnsboro SC	U.S.	589	589	-	-	600	600	-	-	(34)	(34)	18	18			6	6	
2011	SERC	1335	Town of Winterville NC	U.S.	574	574	-	-	585	585	-	-	(33)	(33)	17	17			6	6	
2011	SERC	1597	Washington-St. Tammany Electric Cooperative, Inc.	U.S.	12,517	12,517	-	-	12,744	12,744	-	-	(730)	(730)	374	374			129	129	
TOTAL SERC					11,239,354	11,239,354	-	-	11,443,399	11,443,399	-	-	(655,820)	(655,820)	336,006	336,006	-	-	115,769	115,769	-

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-C

					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
2011	SPP	1246	American Electric Power	U.S.	416,469	416,469	-	-	416,888	416,888	-	-	(23,892)	(23,892)	12,241	12,241	-	-	11,233	11,233	-
2011	SPP	1435	Arkansas Electric Cooperative Corporation (AEP)	U.S.	52,196	52,196	-	-	52,248	52,248	-	-	(2,994)	(2,994)	1,534	1,534	-	-	1,408	1,408	-
2011	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	27,176	27,176	-	-	27,203	27,203	-	-	(1,559)	(1,559)	799	799	-	-	733	733	-
2011	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	10,117	10,117	-	-	10,128	10,128	-	-	(580)	(580)	297	297	-	-	273	273	-
2011	SPP		Carthage City Water & Light	U.S.	3,152	3,152	-	-	3,155	3,155	-	-	(181)	(181)	93	93	-	-	85	85	-
2011	SPP	1469	Central Valley Electric Cooperative	U.S.	8,537	8,537	-	-	8,545	8,545	-	-	(490)	(490)	251	251	-	-	230	230	-
2011	SPP	1556	City of Bentonville	U.S.	6,949	6,949	-	-	6,956	6,956	-	-	(399)	(399)	204	204	-	-	187	187	-
2011	SPP	1557	City of Clarksdale, Mississippi	U.S.	1,915	1,915	-	-	1,917	1,917	-	-	(110)	(110)	56	56	-	-	52	52	-
2011	SPP	1633	City of Lindsborg	U.S.	347	347	-	-	347	347	-	-	(20)	(20)	10	10	-	-	9	9	-
2011	SPP	1558	Hope Water & Light (HWL)	U.S.	3,282	3,282	-	-	3,285	3,285	-	-	(188)	(188)	96	96	-	-	89	89	-
2011	SPP	1559	City of Minden	U.S.	1,944	1,944	-	-	1,946	1,946	-	-	(112)	(112)	57	57	-	-	52	52	-
2011	SPP	1634	City of Mulvane	U.S.	500	500	-	-	501	501	-	-	(29)	(29)	15	15	-	-	13	13	-
2011	SPP	1635	The City of Osage City	U.S.	396	396	-	-	396	396	-	-	(23)	(23)	12	12	-	-	11	11	-
2011	SPP	1636	City of Prescott	U.S.	985	985	-	-	986	986	-	-	(57)	(57)	29	29	-	-	27	27	-
2011	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	12,413	12,413	-	-	12,426	12,426	-	-	(712)	(712)	365	365	-	-	335	335	-
2011	SPP	1436	City Utilities of Springfield, MO	U.S.	35,895	35,895	-	-	35,931	35,931	-	-	(2,059)	(2,059)	1,055	1,055	-	-	968	968	-
2011	SPP	1249	Cleco Power LLC	U.S.	131,014	131,014	-	-	131,146	131,146	-	-	(7,516)	(7,516)	3,851	3,851	-	-	3,534	3,534	-
2011	SPP	1437	East Texas Electric Coop, Inc.	U.S.	4,956	4,956	-	-	4,961	4,961	-	-	(284)	(284)	146	146	-	-	134	134	-
2011	SPP	1250	The Empire District Electric Company	U.S.	59,752	59,752	-	-	59,812	59,812	-	-	(3,428)	(3,428)	1,756	1,756	-	-	1,612	1,612	-
2011	SPP	1470	Farmers' Electric Coop	U.S.	5,242	5,242	-	-	5,248	5,248	-	-	(301)	(301)	154	154	-	-	141	141	-
2011	SPP	1438	Golden Spread Electric Coop	U.S.	63,835	63,835	-	-	63,899	63,899	-	-	(3,662)	(3,662)	1,876	1,876	-	-	1,722	1,722	-
2011	SPP	1251	Grand River Dam Authority	U.S.	52,857	52,857	-	-	52,910	52,910	-	-	(3,032)	(3,032)	1,554	1,554	-	-	1,426	1,426	-
2011	SPP		Jonesboro City Water & Light	U.S.	14,884	14,884	-	-	14,899	14,899	-	-	(854)	(854)	437	437	-	-	401	401	-
2011	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	178,035	178,035	-	-	178,214	178,214	-	-	(10,213)	(10,213)	5,233	5,233	-	-	4,802	4,802	-
2011	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	24,335	24,335	-	-	24,359	24,359	-	-	(1,396)	(1,396)	715	715	-	-	656	656	-
2011	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	8,788	8,788	-	-	8,797	8,797	-	-	(504)	(504)	258	258	-	-	237	237	-
2011	SPP	1637	Kansas Power Pool	U.S.	15,682	15,682	-	-	15,698	15,698	-	-	(900)	(900)	461	461	-	-	423	423	-
2011	SPP	1560	Kaw Valley Electric Cooperative, Inc.	U.S.	1,856	1,856	-	-	1,858	1,858	-	-	(106)	(106)	55	55	-	-	50	50	-
2011	SPP		Kennett Board of Public Works	U.S.	1,714	1,714	-	-	1,715	1,715	-	-	(98)	(98)	50	50	-	-	46	46	-
2011	SPP	1598	KCP&L GMOG (Greater Missouri Operations Comp	U.S.	97,912	97,912	-	-	98,011	98,011	-	-	(5,617)	(5,617)	2,878	2,878	-	-	2,641	2,641	-
2011	SPP	1471	Lafayette Utilities System	U.S.	23,855	23,855	-	-	23,879	23,879	-	-	(1,369)	(1,369)	701	701	-	-	643	643	-
2011	SPP	1472	Lea County Electric Coop	U.S.	14,418	14,418	-	-	14,433	14,433	-	-	(827)	(827)	424	424	-	-	389	389	-
2011	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	10,969	10,969	-	-	10,980	10,980	-	-	(629)	(629)	322	322	-	-	296	296	-
2011	SPP		Malden Board of Public Works	U.S.	580	580	-	-	580	580	-	-	(33)	(33)	17	17	-	-	16	16	-
2011	SPP	1441	Midwest Energy Inc.	U.S.	19,960	19,960	-	-	19,980	19,980	-	-	(1,145)	(1,145)	587	587	-	-	538	538	-
2011	SPP	1443	Missouri Joint Municipal Electric Utility Commissi	U.S.	28,711	28,711	-	-	28,740	28,740	-	-	(1,647)	(1,647)	844	844	-	-	774	774	-
2011	SPP	1638	Nemaha Marshall Electric Cooperative (NMEC)	U.S.	673	673	-	-	673	673	-	-	(39)	(39)	20	20	-	-	18	18	-
2011	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.	37,363	37,363	-	-	37,400	37,400	-	-	(2,143)	(2,143)	1,098	1,098	-	-	1,008	1,008	-
2011	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	321,571	321,571	-	-	321,894	321,894	-	-	(18,448)	(18,448)	9,452	9,452	-	-	8,673	8,673	-
2011	SPP	1444	Oklahoma Municipal Power Auth	U.S.	32,797	32,797	-	-	32,830	32,830	-	-	(1,881)	(1,881)	964	964	-	-	885	885	-
2011	SPP	1639	OzMo Ozark Missouri, West Plains MO	U.S.	2,294	2,294	-	-	2,296	2,296	-	-	(132)	(132)	67	67	-	-	62	62	-
2011	SPP		Paragould Light, Water & Cable	U.S.	6,612	6,612	-	-	6,619	6,619	-	-	(379)	(379)	194	194	-	-	178	178	-
2011	SPP		Piggott Municipal Light, Water & Sewer	U.S.	489	489	-	-	490	490	-	-	(28)	(28)	14	14	-	-	13	13	-
2011	SPP		Poplar Bluff Municipal Utilities	U.S.	4,310	4,310	-	-	4,315	4,315	-	-	(247)	(247)	127	127	-	-	116	116	-
2011	SPP	1561	Public Service Commission of Yazoo City of Missis	U.S.	1,406	1,406	-	-	1,407	1,407	-	-	(81)	(81)	41	41	-	-	38	38	-
2011	SPP	1473	Roosevelt County Electric Coop	U.S.	2,556	2,556	-	-	2,558	2,558	-	-	(147)	(147)	75	75	-	-	69	69	-
2011	SPP	1468	Sharyland Utilities, LP	U.S.	12,000	12,000	-	-	12,013	12,013	-	-	(688)	(688)	353	353	-	-	324	324	-
2011	SPP		Sikeston Board of Municipal Utilities	U.S.	4,072	4,072	-	-	4,076	4,076	-	-	(234)	(234)	120	120	-	-	110	110	-
2011	SPP	1258	Southwestern Power Administration (SPA)	U.S.	2,797	2,797	-	-	2,800	2,800	-	-	(160)	(160)	82	82	-	-	75	75	-
2011	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.	186,146	186,146	-	-	186,333	186,333	-	-	(10,679)	(10,679)	5,471	5,471	-	-	5,021	5,021	-
2011	SPP	1256	Sunflower Electric Power Cooperative	U.S.	63,800	63,800	-	-	63,865	63,865	-	-	(3,660)	(3,660)	1,875	1,875	-	-	1,721	1,721	-
2011	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	5,869	5,869	-	-	5,875	5,875	-	-	(337)	(337)	173	173	-	-	158	158	-
2011	SPP	1475	Tri County Electric Coop	U.S.	4,638	4,638	-	-	4,642	4,642	-	-	(266)	(266)	136	136	-	-	125	125	-
2011	SPP	1260	Westar Energy, Inc.	U.S.	241,435	241,435	-	-	241,678	241,678	-	-	(13,851)	(13,851)	7,096	7,096	-	-	6,512	6,512	-
2011	SPP	1259	Western Farmers Electric Cooperative	U.S.	86,951	86,951	-	-	87,038	87,038	-	-	(4,988)	(4,988)	2,556	2,556	-	-	2,345	2,345	-
2011	SPP	1501																			

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-C

					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
2011	WECC		Big Bend Electric Cooperative, Inc.	U.S.	398	398	-	-	409	409	-	-	(23)	(23)	12	12	-	-	-	-	-
2011	WECC		Blachly-Lane Electric Cooperative	U.S.	1,710	1,710	-	-	1,759	1,759	-	-	(101)	(101)	52	52	-	-	-	-	-
2011	WECC		Black Hills Power	U.S.	20,092	20,092	-	-	20,669	20,669	-	-	(1,185)	(1,185)	607	607	-	-	-	-	-
2011	WECC		Black Hills Power/Cheyenne Light Fuel & Power	U.S.	38,291	38,291	-	-	39,392	39,392	-	-	(2,258)	(2,258)	1,157	1,157	-	-	-	-	-
2011	WECC		Bonneville Power Administration	U.S.	48,440	48,440	-	-	49,832	49,832	-	-	(2,856)	(2,856)	1,463	1,463	-	-	-	-	-
2011	WECC		Bonneville Power Administration	U.S.	17,824	17,824	-	-	18,337	18,337	-	-	(1,051)	(1,051)	538	538	-	-	-	-	-
2011	WECC		Bonneville Power Administration	U.S.	8,174	8,174	-	-	8,409	8,409	-	-	(482)	(482)	247	247	-	-	-	-	-
2011	WECC		Bonneville Power Administration	U.S.	67	67	-	-	69	69	-	-	(4)	(4)	2	2	-	-	-	-	-
2011	WECC		Bonneville Power Administration	U.S.	179	179	-	-	184	184	-	-	(11)	(11)	5	5	-	-	-	-	-
2011	WECC		BPA - USBR Load	U.S.	1,423	1,423	-	-	1,464	1,464	-	-	(84)	(84)	43	43	-	-	-	-	-
2011	WECC		Bureau of Reclamation (Desalter) - c/o DSW EMM	U.S.	15	15	-	-	15	15	-	-	(1)	(1)	0	0	-	-	-	-	-
2011	WECC		Bureau of Reclamation (Wellfield) - c/o DSW EMM	U.S.	55	55	-	-	56	56	-	-	(3)	(3)	2	2	-	-	-	-	-
2011	WECC		California Independent System Operator	U.S.	2,447,993	2,447,993	-	-	2,518,376	2,518,376	-	-	(144,328)	(144,328)	73,946	73,946	-	-	-	-	-
2011	WECC		Canby Public Utility Board	U.S.	1,903	1,903	-	-	1,957	1,957	-	-	(112)	(112)	57	57	-	-	-	-	-
2011	WECC		Central Arizona Water Conservation District	U.S.	19,667	19,667	-	-	20,233	20,233	-	-	(1,160)	(1,160)	594	594	-	-	-	-	-
2011	WECC		Central Arizona Water Conservation District	U.S.	15,545	15,545	-	-	15,992	15,992	-	-	(917)	(917)	470	470	-	-	-	-	-
2011	WECC		Central Electric Cooperative	U.S.	5,515	5,515	-	-	5,673	5,673	-	-	(325)	(325)	167	167	-	-	-	-	-
2011	WECC		Central Lincoln PUD	U.S.	14,461	14,461	-	-	14,877	14,877	-	-	(853)	(853)	437	437	-	-	-	-	-
2011	WECC		Central Montana Electric Power Cooperative	U.S.	327	327	-	-	337	337	-	-	(19)	(19)	10	10	-	-	-	-	-
2011	WECC		Central Montana Electric Power Cooperative	U.S.	975	975	-	-	1,003	1,003	-	-	(57)	(57)	29	29	-	-	-	-	-
2011	WECC		City of Aztec Electric Dept	U.S.	370	370	-	-	380	380	-	-	(22)	(22)	11	11	-	-	-	-	-
2011	WECC		City of Bandon	U.S.	719	719	-	-	740	740	-	-	(42)	(42)	22	22	-	-	-	-	-
2011	WECC		City of Blaine	U.S.	848	848	-	-	872	872	-	-	(50)	(50)	26	26	-	-	-	-	-
2011	WECC		City of Bonners Ferry	U.S.	722	722	-	-	743	743	-	-	(43)	(43)	22	22	-	-	-	-	-
2011	WECC		City of Boulder City	U.S.	1,733	1,733	-	-	1,783	1,783	-	-	(102)	(102)	52	52	-	-	-	-	-
2011	WECC		City of Cascade Locks	U.S.	212	212	-	-	218	218	-	-	(13)	(13)	6	6	-	-	-	-	-
2011	WECC		City of Centralia	U.S.	2,963	2,963	-	-	3,048	3,048	-	-	(175)	(175)	90	90	-	-	-	-	-
2011	WECC		City of Cheney	U.S.	1,534	1,534	-	-	1,578	1,578	-	-	(90)	(90)	46	46	-	-	-	-	-
2011	WECC		City of Chewelah	U.S.	261	261	-	-	269	269	-	-	(15)	(15)	8	8	-	-	-	-	-
2011	WECC		City of Drain	U.S.	180	180	-	-	185	185	-	-	(11)	(11)	5	5	-	-	-	-	-
2011	WECC		City of Ellensburg	U.S.	2,194	2,194	-	-	2,257	2,257	-	-	(129)	(129)	66	66	-	-	-	-	-
2011	WECC		City of Fallon	U.S.	1,241	1,241	-	-	1,277	1,277	-	-	(73)	(73)	37	37	-	-	-	-	-
2011	WECC		City of Forest Grove	U.S.	2,610	2,610	-	-	2,685	2,685	-	-	(154)	(154)	79	79	-	-	-	-	-
2011	WECC		City of Gallup	U.S.	2,347	2,347	-	-	2,415	2,415	-	-	(138)	(138)	71	71	-	-	-	-	-
2011	WECC		City of Henderson	U.S.	152	152	-	-	156	156	-	-	(9)	(9)	5	5	-	-	-	-	-
2011	WECC		City of Hermiston, DBA Hermiston Energy Services	U.S.	1,166	1,166	-	-	1,200	1,200	-	-	(69)	(69)	35	35	-	-	-	-	-
2011	WECC		City of Las Vegas	U.S.	489	489	-	-	503	503	-	-	(29)	(29)	15	15	-	-	-	-	-
2011	WECC		City of McCleary	U.S.	320	320	-	-	329	329	-	-	(19)	(19)	10	10	-	-	-	-	-
2011	WECC		City of McMinnville	U.S.	7,938	7,938	-	-	8,166	8,166	-	-	(468)	(468)	240	240	-	-	-	-	-
2011	WECC		City of Mesa	U.S.	2,749	2,749	-	-	2,828	2,828	-	-	(162)	(162)	83	83	-	-	-	-	-
2011	WECC		City of Milton	U.S.	679	679	-	-	699	699	-	-	(40)	(40)	21	21	-	-	-	-	-
2011	WECC		City of Milton-Freewater	U.S.	1,174	1,174	-	-	1,208	1,208	-	-	(69)	(69)	35	35	-	-	-	-	-
2011	WECC		City of Monmouth	U.S.	781	781	-	-	803	803	-	-	(46)	(46)	24	24	-	-	-	-	-
2011	WECC		City of Needles	U.S.	339	339	-	-	348	348	-	-	(20)	(20)	10	10	-	-	-	-	-
2011	WECC		City of Plummer	U.S.	376	376	-	-	387	387	-	-	(22)	(22)	11	11	-	-	-	-	-
2011	WECC		City of Port Angeles	U.S.	8,056	8,056	-	-	8,288	8,288	-	-	(475)	(475)	243	243	-	-	-	-	-
2011	WECC		City of Redding	U.S.	13,044	13,044	-	-	13,419	13,419	-	-	(769)	(769)	394	394	-	-	-	-	-
2011	WECC		City of Richland	U.S.	9,407	9,407	-	-	9,678	9,678	-	-	(555)	(555)	284	284	-	-	-	-	-
2011	WECC		City of Roseville	U.S.	8,511	8,511	-	-	8,756	8,756	-	-	(502)	(502)	257	257	-	-	-	-	-
2011	WECC		City of Shasta Lake	U.S.	1,966	1,966	-	-	2,022	2,022	-	-	(116)	(116)	59	59	-	-	-	-	-
2011	WECC		City of Sumas	U.S.	325	325	-	-	335	335	-	-	(19)	(19)	10	10	-	-	-	-	-
2011	WECC		City of Tacoma DBA Tacoma Power	U.S.	4	4	-	-	4	4	-	-	(0)	(0)	0	0	-	-	-	-	-
2011	WECC		City of Tacoma DBA Tacoma Power	U.S.	54,116	54,116	-	-	55,672	55,672	-	-	(3,191)	(3,191)	1,635	1,635	-	-	-	-	-
2011	WECC		City of Troy	U.S.	195	195	-	-	201	201	-	-	(12)	(12)	6	6	-	-	-	-	-
2011	WECC		City of Williams	U.S.	427	427	-	-	439	439	-	-	(25)	(25)	13	13	-	-	-	-	-
2011	WECC		Clark County Water Resources	U.S.	65	65	-	-	67	67	-	-	(4)	(4)	2	2	-	-	-	-	-
2011	WECC		Clark Public Utilities	U.S.	48,102	48,102	-	-	49,485	49,485	-	-	(2,836)	(2,836)	1,453	1,453	-	-	-	-	-
2011	WECC		Clatskanie PUD	U.S.	8,475	8,475	-	-	8,719	8,719	-	-	(500)	(500)	256	256	-	-	-	-	-
2011	WECC		Clearwater Cooperative, Inc	U.S.	1,771	1,771	-	-	1,822	1,822	-	-	(104)	(104)	54	54	-	-	-	-	-
2011	WECC		Clearwater Cooperative, Inc	U.S.	427	427	-	-	439	439	-	-	(25)	(25)	13	13	-	-	-	-	-
2011	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	156	156	-	-	161	161	-	-	(9)	(9)	5	5	-	-	-	-	-
2011	WECC		Colorado River Commission of Nevada	U.S.	8,542	8,542	-	-	8,787	8,787	-	-	(504)	(504)	258	258	-				

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-C

					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
2011	WECC		El Paso Electric Company	U.S.	88,961	88,961	-	-	91,518	91,518	-	-	(5,245)	(5,245)	2,687	2,687	-	-	-	-	-
2011	WECC		Electrical District #2	U.S.	1,948	1,948	-	-	2,004	2,004	-	-	(115)	(115)	59	59	-	-	-	-	-
2011	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	97	97	-	-	99	99	-	-	(6)	(6)	3	3	-	-	-	-	-
2011	WECC		Electrical Districts 1 & 3	U.S.	7,132	7,132	-	-	7,337	7,337	-	-	(420)	(420)	215	215	-	-	-	-	-
2011	WECC		Elmhurst Mutual Power & Light Company	U.S.	3,007	3,007	-	-	3,093	3,093	-	-	(177)	(177)	91	91	-	-	-	-	-
2011	WECC		Emerald PUD	U.S.	7,400	7,400	-	-	7,613	7,613	-	-	(436)	(436)	224	224	-	-	-	-	-
2011	WECC		Energy Northwest	U.S.	285	285	-	-	293	293	-	-	(17)	(17)	9	9	-	-	-	-	-
2011	WECC		Eugene Water & Electric Board	U.S.	26,601	26,601	-	-	27,366	27,366	-	-	(1,568)	(1,568)	804	804	-	-	-	-	-
2011	WECC		Farmington Electric Utility System	U.S.	11,128	11,128	-	-	11,448	11,448	-	-	(656)	(656)	336	336	-	-	-	-	-
2011	WECC		Flathead Electric Cooperative, Inc	U.S.	15,446	15,446	-	-	15,890	15,890	-	-	(911)	(911)	467	467	-	-	-	-	-
2011	WECC		Frederickson Power LP	U.S.	56	56	-	-	57	57	-	-	(3)	(3)	2	2	-	-	-	-	-
2011	WECC		Grand Valley Power	U.S.	2,432	2,432	-	-	2,502	2,502	-	-	(143)	(143)	73	73	-	-	-	-	-
2011	WECC		Harney Electric Cooperative, Inc.	U.S.	1,184	1,184	-	-	1,218	1,218	-	-	(70)	(70)	36	36	-	-	-	-	-
2011	WECC		Harney Electric Cooperative, Inc.	U.S.	713	713	-	-	733	733	-	-	(42)	(42)	22	22	-	-	-	-	-
2011	WECC		Hermiston Power LLC	U.S.	63	63	-	-	65	65	-	-	(4)	(4)	2	2	-	-	-	-	-
2011	WECC		Holy Cross Energy	U.S.	7,795	7,795	-	-	8,019	8,019	-	-	(460)	(460)	235	235	-	-	-	-	-
2011	WECC		Hood River Electric Cooperative	U.S.	443	443	-	-	455	455	-	-	(26)	(26)	13	13	-	-	-	-	-
2011	WECC		Idaho County Light and Power Cooperative Associa	U.S.	616	616	-	-	633	633	-	-	(36)	(36)	19	19	-	-	-	-	-
2011	WECC		Idaho Power Company	U.S.	159,741	159,741	-	-	164,334	164,334	-	-	(9,418)	(9,418)	4,825	4,825	-	-	-	-	-
2011	WECC		Imperial Irrigation District	U.S.	38,374	38,374	-	-	39,477	39,477	-	-	(2,262)	(2,262)	1,159	1,159	-	-	-	-	-
2011	WECC		Inland Power and Light Company	U.S.	4,982	4,982	-	-	5,125	5,125	-	-	(294)	(294)	150	150	-	-	-	-	-
2011	WECC		Inland Power and Light Company	U.S.	5,175	5,175	-	-	5,323	5,323	-	-	(305)	(305)	156	156	-	-	-	-	-
2011	WECC		Intermountain Rural Electric Association	U.S.	11,899	11,899	-	-	12,241	12,241	-	-	(702)	(702)	359	359	-	-	-	-	-
2011	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	3,347	3,347	-	-	3,443	3,443	-	-	(197)	(197)	101	101	-	-	-	-	-
2011	WECC		Kootenai Electric Cooperative, Inc.	U.S.	5,052	5,052	-	-	5,197	5,197	-	-	(298)	(298)	153	153	-	-	-	-	-
2011	WECC		Lakeview Light & Power	U.S.	3,005	3,005	-	-	3,091	3,091	-	-	(177)	(177)	91	91	-	-	-	-	-
2011	WECC		Lane Electric Cooperative, Inc.	U.S.	2,445	2,445	-	-	2,515	2,515	-	-	(144)	(144)	74	74	-	-	-	-	-
2011	WECC		Las Vegas Valley Water District	U.S.	966	966	-	-	994	994	-	-	(57)	(57)	29	29	-	-	-	-	-
2011	WECC		Lincoln County Power District No. 1	U.S.	962	962	-	-	990	990	-	-	(57)	(57)	29	29	-	-	-	-	-
2011	WECC		Lincoln Electric Cooperative, Inc.	U.S.	1,282	1,282	-	-	1,319	1,319	-	-	(76)	(76)	39	39	-	-	-	-	-
2011	WECC		Los Angeles Department of Water and Power	U.S.	307,792	307,792	-	-	316,641	316,641	-	-	(18,147)	(18,147)	9,297	9,297	-	-	-	-	-
2011	WECC		Majority Districts	U.S.	7,144	7,144	-	-	7,349	7,349	-	-	(421)	(421)	216	216	-	-	-	-	-
2011	WECC		Merced Irrigation District	U.S.	4,845	4,845	-	-	4,984	4,984	-	-	(286)	(286)	146	146	-	-	-	-	-
2011	WECC		Midstate Electric Cooperative, Inc.	U.S.	4,299	4,299	-	-	4,423	4,423	-	-	(253)	(253)	130	130	-	-	-	-	-
2011	WECC		Mission Valley Power	U.S.	4,210	4,210	-	-	4,331	4,331	-	-	(248)	(248)	127	127	-	-	-	-	-
2011	WECC		Modern Electric Water Company	U.S.	2,509	2,509	-	-	2,581	2,581	-	-	(148)	(148)	76	76	-	-	-	-	-
2011	WECC		Modesto Irrigation District	U.S.	26,921	26,921	-	-	27,695	27,695	-	-	(1,587)	(1,587)	813	813	-	-	-	-	-
2011	WECC		Montana-Dakota Utilities Co.	U.S.	181	181	-	-	186	186	-	-	(11)	(11)	5	5	-	-	-	-	-
2011	WECC		Mt. Wheeler Power	U.S.	5,667	5,667	-	-	5,830	5,830	-	-	(334)	(334)	171	171	-	-	-	-	-
2011	WECC		Municipal Energy Agency of Nebraska	U.S.	1,951	1,951	-	-	2,008	2,008	-	-	(115)	(115)	59	59	-	-	-	-	-
2011	WECC		Municipal Energy Agency of Nebraska	U.S.	304	304	-	-	312	312	-	-	(18)	(18)	9	9	-	-	-	-	-
2011	WECC		Navajo Tribal Utility Authority	U.S.	478	478	-	-	491	491	-	-	(28)	(28)	14	14	-	-	-	-	-
2011	WECC		Navajo Tribal Utility Authority	U.S.	3,342	3,342	-	-	3,438	3,438	-	-	(197)	(197)	101	101	-	-	-	-	-
2011	WECC		Navapache Electric Cooperative, Inc.	U.S.	4,657	4,657	-	-	4,791	4,791	-	-	(275)	(275)	141	141	-	-	-	-	-
2011	WECC		Nebraska Public Power Marketing	U.S.	5,926	5,926	-	-	6,096	6,096	-	-	(349)	(349)	179	179	-	-	-	-	-
2011	WECC		Nespelem Valley Electric Cooperative, Inc.	U.S.	539	539	-	-	554	554	-	-	(32)	(32)	16	16	-	-	-	-	-
2011	WECC		Nevada Power Company dba NV Energy	U.S.	230,757	230,757	-	-	237,392	237,392	-	-	(13,605)	(13,605)	6,970	6,970	-	-	-	-	-
2011	WECC		Noble Americas Energy Solutions, LLC	U.S.	10,154	10,154	-	-	10,446	10,446	-	-	(599)	(599)	307	307	-	-	-	-	-
2011	WECC		Northern Lights, Inc.	U.S.	387	387	-	-	398	398	-	-	(23)	(23)	12	12	-	-	-	-	-
2011	WECC		Northern Lights, Inc.	U.S.	3,246	3,246	-	-	3,339	3,339	-	-	(191)	(191)	98	98	-	-	-	-	-
2011	WECC		Northern Wasco County PUD	U.S.	6,103	6,103	-	-	6,278	6,278	-	-	(360)	(360)	184	184	-	-	-	-	-
2011	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	95,977	95,977	-	-	98,737	98,737	-	-	(5,659)	(5,659)	2,899	2,899	-	-	-	-	-
2011	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	3,257	3,257	-	-	3,350	3,350	-	-	(192)	(192)	98	98	-	-	-	-	-
2011	WECC		Ohop Mutual Light Company	U.S.	947	947	-	-	974	974	-	-	(56)	(56)	29	29	-	-	-	-	-
2011	WECC		Orcas Power and Light Cooperative	U.S.	2,337	2,337	-	-	2,404	2,404	-	-	(138)	(138)	71	71	-	-	-	-	-
2011	WECC		Operations Office	U.S.	2,077	2,077	-	-	2,137	2,137	-	-	(122)	(122)	63	63	-	-	-	-	-
2011	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	3,561	3,561	-	-	3,664	3,664	-	-	(210)	(210)	108	108	-	-	-	-	-
2011	WECC		Overton Power District No. 5	U.S.	4,040	4,040	-	-	4,156	4,156	-	-	(238)	(238)	122	122	-	-	-	-	-
2011	WECC		PacificCorp	U.S.	619	619	-	-	637	637	-	-	(36)	(36)	19	19	-	-	-	-	-
2011	WECC		PacificCorp	U.S.	22	22	-	-	23	23	-	-	(1)	(1)	1	1	-	-	-	-	-
2011	WECC		PacificCorp	U.S.	510,353	510,353	-	-	52												

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-C

					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
2011	WECC		PUD No. 1 of Asotin County	U.S.	3	3	-	-	3	3	-	-	(0)	(0)	0	0	-	-	-	-	-
2011	WECC		PUD No. 1 of Benton County	U.S.	18,153	18,153	-	-	18,675	18,675	-	-	(1,070)	(1,070)	548	548	-	-	-	-	-
2011	WECC		PUD No. 1 of Clallam County	U.S.	7,415	7,415	-	-	7,629	7,629	-	-	(437)	(437)	224	224	-	-	-	-	-
2011	WECC		PUD No. 1 of Cowlitz County	U.S.	54,544	54,544	-	-	56,112	56,112	-	-	(3,216)	(3,216)	1,648	1,648	-	-	-	-	-
2011	WECC		PUD No. 1 of Cowlitz County	U.S.	51	51	-	-	53	53	-	-	(3)	(3)	2	2	-	-	-	-	-
2011	WECC		PUD No. 1 of Douglas County	U.S.	96	96	-	-	99	99	-	-	(6)	(6)	3	3	-	-	-	-	-
2011	WECC		PUD No. 1 of Douglas County	U.S.	15,308	15,308	-	-	15,748	15,748	-	-	(903)	(903)	462	462	-	-	-	-	-
2011	WECC		PUD No. 1 of Ferry County	U.S.	1,149	1,149	-	-	1,182	1,182	-	-	(68)	(68)	35	35	-	-	-	-	-
2011	WECC		PUD No. 1 of Franklin County	U.S.	10,933	10,933	-	-	11,247	11,247	-	-	(645)	(645)	330	330	-	-	-	-	-
2011	WECC		PUD No. 1 of Grays Harbor	U.S.	12,631	12,631	-	-	12,995	12,995	-	-	(745)	(745)	382	382	-	-	-	-	-
2011	WECC		PUD No. 1 of Kittitas County	U.S.	751	751	-	-	773	773	-	-	(44)	(44)	23	23	-	-	-	-	-
2011	WECC		PUD No. 1 of Kittitas County	U.S.	84	84	-	-	86	86	-	-	(5)	(5)	3	3	-	-	-	-	-
2011	WECC		PUD No. 1 of Kittitas County	U.S.	181	181	-	-	186	186	-	-	(11)	(11)	5	5	-	-	-	-	-
2011	WECC		PUD No. 1 of Klickitat County	U.S.	2,818	2,818	-	-	2,899	2,899	-	-	(166)	(166)	85	85	-	-	-	-	-
2011	WECC		PUD No. 1 of Lewis County	U.S.	10,455	10,455	-	-	10,755	10,755	-	-	(616)	(616)	316	316	-	-	-	-	-
2011	WECC		PUD No. 1 of Mason County	U.S.	863	863	-	-	887	887	-	-	(51)	(51)	26	26	-	-	-	-	-
2011	WECC		PUD No. 1 of Skamania County	U.S.	1,459	1,459	-	-	1,500	1,500	-	-	(86)	(86)	44	44	-	-	-	-	-
2011	WECC		PUD No. 1 of Snohomish County	U.S.	76,730	76,730	-	-	78,936	78,936	-	-	(4,524)	(4,524)	2,318	2,318	-	-	-	-	-
2011	WECC		PUD No. 1 of Wahkiakum County	U.S.	486	486	-	-	500	500	-	-	(29)	(29)	15	15	-	-	-	-	-
2011	WECC		PUD No. 1 of Whatcom County	U.S.	2,346	2,346	-	-	2,413	2,413	-	-	(138)	(138)	71	71	-	-	-	-	-
2011	WECC		PUD No. 1 of Whatcom County	U.S.	117	117	-	-	120	120	-	-	(7)	(7)	4	4	-	-	-	-	-
2011	WECC		PUD No. 2 of Grant County	U.S.	914	914	-	-	940	940	-	-	(54)	(54)	28	28	-	-	-	-	-
2011	WECC		PUD No. 2 of Grant County	U.S.	522	522	-	-	537	537	-	-	(31)	(31)	16	16	-	-	-	-	-
2011	WECC		PUD No. 2 of Grant County	U.S.	42,166	42,166	-	-	43,378	43,378	-	-	(2,486)	(2,486)	1,274	1,274	-	-	-	-	-
2011	WECC		PUD No. 2 of Pacific County	U.S.	3,325	3,325	-	-	3,421	3,421	-	-	(196)	(196)	100	100	-	-	-	-	-
2011	WECC		PUD No. 3 of Mason County	U.S.	7,478	7,478	-	-	7,693	7,693	-	-	(441)	(441)	226	226	-	-	-	-	-
2011	WECC		Puget Sound Energy, Inc.	U.S.	264,296	264,296	-	-	271,895	271,895	-	-	(15,582)	(15,582)	7,983	7,983	-	-	-	-	-
2011	WECC		Rocky Mountain Generation Cooperative, Inc.	U.S.	352	352	-	-	363	363	-	-	(21)	(21)	11	11	-	-	-	-	-
2011	WECC		Sacramento Municipal Utility District	U.S.	119,373	119,373	-	-	122,805	122,805	-	-	(7,038)	(7,038)	3,606	3,606	-	-	-	-	-
2011	WECC		Salem Electric	U.S.	3,524	3,524	-	-	3,625	3,625	-	-	(208)	(208)	106	106	-	-	-	-	-
2011	WECC		Salt River Project	U.S.	304,089	304,089	-	-	312,832	312,832	-	-	(17,928)	(17,928)	9,186	9,186	-	-	-	-	-
2011	WECC		San Carlos Indian Irrigation Project	U.S.	1	1	-	-	1	1	-	-	(0)	(0)	0	0	-	-	-	-	-
2011	WECC		Seattle City Light	U.S.	108,653	108,653	-	-	111,777	111,777	-	-	(6,406)	(6,406)	3,282	3,282	-	-	-	-	-
2011	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	93,144	93,144	-	-	95,822	95,822	-	-	(5,492)	(5,492)	2,814	2,814	-	-	-	-	-
2011	WECC		Southern Montana Electric Generation & Transmis:	U.S.	2,014	2,014	-	-	2,071	2,071	-	-	(119)	(119)	61	61	-	-	-	-	-
2011	WECC		Southern Montana Electric Generation & Transmis:	U.S.	7,442	7,442	-	-	7,656	7,656	-	-	(439)	(439)	225	225	-	-	-	-	-
2011	WECC		Southern Nevada Water Authority	U.S.	8,435	8,435	-	-	8,678	8,678	-	-	(497)	(497)	255	255	-	-	-	-	-
2011	WECC		Southwest Transmission Cooperative, Inc.	U.S.	28,705	28,705	-	-	29,530	29,530	-	-	(1,692)	(1,692)	867	867	-	-	-	-	-
2011	WECC		Springfield Utility Board	U.S.	9,035	9,035	-	-	9,295	9,295	-	-	(533)	(533)	273	273	-	-	-	-	-
2011	WECC		Surprise Valley Electrification Corporation	U.S.	329	329	-	-	339	339	-	-	(19)	(19)	10	10	-	-	-	-	-
2011	WECC		Tanner Electric Cooperative	U.S.	1,030	1,030	-	-	1,060	1,060	-	-	(61)	(61)	31	31	-	-	-	-	-
2011	WECC		The Incorporated County of Los Alamos	U.S.	3,934	3,934	-	-	4,047	4,047	-	-	(232)	(232)	119	119	-	-	-	-	-
2011	WECC		Tillamook People's Utility District	U.S.	4,031	4,031	-	-	4,146	4,146	-	-	(238)	(238)	122	122	-	-	-	-	-
2011	WECC		Tohono O'Odham Utility Authority	U.S.	737	737	-	-	758	758	-	-	(43)	(43)	22	22	-	-	-	-	-
2011	WECC		Town of Center	U.S.	112	112	-	-	115	115	-	-	(7)	(7)	3	3	-	-	-	-	-
2011	WECC		Town of Coulee	U.S.	188	188	-	-	193	193	-	-	(11)	(11)	6	6	-	-	-	-	-
2011	WECC		Town of Eatonville	U.S.	328	328	-	-	338	338	-	-	(19)	(19)	10	10	-	-	-	-	-
2011	WECC		Town of Fredonia	U.S.	17	17	-	-	17	17	-	-	(1)	(1)	1	1	-	-	-	-	-
2011	WECC		Town of Steilacoom	U.S.	452	452	-	-	465	465	-	-	(27)	(27)	14	14	-	-	-	-	-
2011	WECC		Town of Wickenburg	U.S.	304	304	-	-	312	312	-	-	(18)	(18)	9	9	-	-	-	-	-
2011	WECC		Tri-State Generation & Transmission Assoc. Inc - R	U.S.	22,086	22,086	-	-	22,721	22,721	-	-	(1,302)	(1,302)	667	667	-	-	-	-	-
2011	WECC		Tri-State Generation & Transmission Assoc. Inc - R	U.S.	470	470	-	-	484	484	-	-	(28)	(28)	14	14	-	-	-	-	-
2011	WECC		Tri-State Generation & Transmission Assoc. Inc - R	U.S.	356	356	-	-	366	366	-	-	(21)	(21)	11	11	-	-	-	-	-
2011	WECC		Tri-State Generation & Transmission Association, I	U.S.	27,391	27,391	-	-	28,178	28,178	-	-	(1,615)	(1,615)	827	827	-	-	-	-	-
2011	WECC		Truckee Donner Public Utility District	U.S.	1,621	1,621	-	-	1,667	1,667	-	-	(96)	(96)	49	49	-	-	-	-	-
2011	WECC		Tucson Electric Power Company	U.S.	144,967	144,967	-	-	149,134	149,134	-	-	(8,547)	(8,547)	4,379	4,379	-	-	-	-	-
2011	WECC		Turlock Irrigation District	U.S.	21,807	21,807	-	-	22,434	22,434	-	-	(1,286)	(1,286)	659	659	-	-	-	-	-
2011	WECC		U.S. Army Yuma Proving Ground	U.S.	48	48	-	-	49	49	-	-	(3)	(3)	1	1	-	-	-	-	-
2011	WECC		U.S. BOR Columbia Basin	U.S.	306	306	-	-	315	315	-	-	(18)	(18)	9	9	-	-	-	-	-
2011	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	38	38	-	-	39	39	-	-	(2)	(2)	1	1	-	-	-	-	-
2011	WECC		U.S. Bor Spokane Indian Development	U.S.	35	355															

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-C

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				NERC IDC Assessments		
					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
2011	WECC		Western Area Power - Loveland, CO	U.S.	3,649	3,649	-	-	3,754	3,754	-	-	(215)	(215)	110	110	-	-	-	-	-
2011	WECC		Western Area Power - Loveland, CO	U.S.	2,626	2,626	-	-	2,701	2,701	-	-	(155)	(155)	79	79	-	-	-	-	-
2011	WECC		Western Area Power Administration - CRSP	U.S.	18,770	18,770	-	-	19,310	19,310	-	-	(1,107)	(1,107)	567	567	-	-	-	-	-
2011	WECC		Western Area Power Administration - Sierra Nevad	U.S.	16,298	16,298	-	-	16,766	16,766	-	-	(961)	(961)	492	492	-	-	-	-	-
2011	WECC		Western Area Power Administration-Desert Southw	U.S.	28,738	28,738	-	-	29,564	29,564	-	-	(1,694)	(1,694)	868	868	-	-	-	-	-
2011	WECC		Western Area Power Administration-Upper Great F	U.S.	2,043	2,043	-	-	2,101	2,101	-	-	(120)	(120)	62	62	-	-	-	-	-
2011	WECC		Western Area Power Administration-Upper Great F	U.S.	15,720	15,720	-	-	16,172	16,172	-	-	(927)	(927)	475	475	-	-	-	-	-
2011	WECC		Western Area Power Administration-Upper Great F	U.S.	2,286	2,286	-	-	2,352	2,352	-	-	(135)	(135)	69	69	-	-	-	-	-
2011	WECC		Wyoming Municipal Power Agency	U.S.	78,805	78,805	-	-	81,071	81,071	-	-	(4,646)	(4,646)	2,380	2,380	-	-	-	-	-
2011	WECC		Yakama Power	U.S.	207	207	-	-	213	213	-	-	(12)	(12)	6	6	-	-	-	-	-
2011	WECC		Yampa Valley Electric Association	U.S.	6,246	6,246	-	-	6,425	6,425	-	-	(368)	(368)	189	189	-	-	-	-	-
2011	WECC		Yuma Irrigation District	U.S.	33	33	-	-	34	34	-	-	(2)	(2)	1	1	-	-	-	-	-
2011	WECC		Yuma-Mesa Irrigation District	U.S.	2	2	-	-	2	2	-	-	(0)	(0)	0	0	-	-	-	-	-
TOTAL WECC					9,020,357	7,745,261	1,150,409	124,686	9,397,916	7,967,946	1,308,841	121,130	(456,642)	(456,642)	79,083	233,958	(158,432)	3,557	-	-	-
TOTAL ERO					47,604,156	43,036,224	4,443,246	124,686	49,659,070	43,840,607	5,697,333	121,130	(2,512,500)	(2,512,500)	-	1,287,265	(1,290,822)	3,557	457,586	420,851	36,735
Summary by Regional Entity																					
2011	FRCC				2,419,233	2,419,233	-	-	2,456,308	2,456,308	-	-	(140,771)	(140,771)	72,123	72,123	-	-	31,573	31,573	-
2011	MRO				3,123,936	2,611,375	512,561	-	3,104,133	2,618,163	485,970	-	(150,047)	(150,047)	91,145	76,876	14,269	-	78,705	66,383	12,322
2011	NPCC				5,975,361	3,195,085	2,780,276	-	7,168,451	3,265,928	3,902,522	-	(187,170)	(187,170)	(1,050,764)	95,895	(1,146,659)	-	44,843	20,431	24,413
2011	RFC				9,861,361	9,861,361	-	-	10,019,197	10,019,197	-	-	(574,199)	(574,199)	294,188	294,188	-	-	122,175	122,175	-
2011	SERC				11,239,354	11,239,354	-	-	11,443,399	11,443,399	-	-	(655,820)	(655,820)	336,006	336,006	-	-	115,769	115,769	-
2011	SPP				2,392,157	2,392,157	-	-	2,394,559	2,394,559	-	-	(137,232)	(137,232)	70,310	70,310	-	-	64,520	64,520	-
2011	TRE				3,572,397	3,572,397	-	-	3,675,107	3,675,107	-	-	(210,620)	(210,620)	107,910	107,910	-	-	-	-	-
2011	WECC				9,020,357	7,745,261	1,150,409	124,686	9,397,916	7,967,946	1,308,841	121,130	(456,642)	(456,642)	79,083	233,958	(158,432)	3,557	-	-	-
Total					47,604,156	43,036,224	4,443,246	124,686	49,659,070	43,840,607	5,697,333	121,130	(2,512,500)	(2,512,500)	-	1,287,265	(1,290,822)	3,557	457,586	420,851	36,735

APPENDIX 2-D

Appendix 2-D, Regional Entity Assessments

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-D

				Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC 40% CORC excluding US Only Staff			NPCC 60% CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments				
Regional																												
Data Year	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	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2011	RFC	1120	Cloverland Electric Cooperative	U.S.	13,658	13,658	-	-	16,531	16,531	-	-	(2,873)	(2,873)														
2011	RFC	1122	CMS ERM Michigan LLC	U.S.	2,998	2,998	-	-	3,628	3,628	-	-	(631)	(631)														
2011	RFC	1124	Constellation New Energy (MECS-CONS)	U.S.	20,027	20,027	-	-	24,240	24,240	-	-	(4,213)	(4,213)														
2011	RFC	1123	Constellation New Energy (MECS-DET)	U.S.	18,676	18,676	-	-	22,604	22,604	-	-	(3,928)	(3,928)														
2011	RFC	1126	Consumers Energy Company	U.S.	521,210	521,210	-	-	630,847	630,847	-	-	(109,637)	(109,637)														
2011	RFC	1128	Detroit Edison Company	U.S.	703,232	703,232	-	-	851,157	851,157	-	-	(147,925)	(147,925)														
2011	RFC	1166	Duke Energy Indiana	U.S.	471,257	471,257	-	-	570,387	570,387	-	-	(99,129)	(99,129)														
2011	RFC	1135	Ferdinand Municipal Light & Water	U.S.	643	643	-	-	778	778	-	-	(135)	(135)														
2011	RFC		FirstEnergy Solutions (MECS-DET)	U.S.	342	342	-	-	414	414	-	-	(72)	(72)														
2011	RFC	1549	FirstEnergy Solutions (MECS-DET)	U.S.	31,199	31,199	-	-	37,762	37,762	-	-	(6,563)	(6,563)														
2011	RFC	1612	Glacial Energy (MECS-DET)	U.S.	7,213	7,213	-	-	8,731	8,731	-	-	(1,517)	(1,517)														
2011	RFC	1144	Holland Board of Public Works	U.S.	12,285	12,285	-	-	14,869	14,869	-	-	(2,584)	(2,584)														
2011	RFC	1145	Hoosier Energy	U.S.	112,630	112,630	-	-	136,322	136,322	-	-	(23,692)	(23,692)														
2011	RFC	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	45,846	45,846	-	-	55,490	55,490	-	-	(9,644)	(9,644)														
2011	RFC	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	6,504	6,504	-	-	7,873	7,873	-	-	(1,368)	(1,368)														
2011	RFC	1486	Indiana Municipal Power Agency (SIGE)	U.S.	9,273	9,273	-	-	11,224	11,224	-	-	(1,951)	(1,951)														
2011	RFC	1149	Indianapolis Power & Light Co.	U.S.	233,921	233,921	-	-	283,127	283,127	-	-	(49,206)	(49,206)														
2011	RFC	1553	Integrus Energy Services (MECS-CONS)	U.S.	7,440	7,440	-	-	9,005	9,005	-	-	(1,565)	(1,565)														
2011	RFC	1554	Integrus Energy Services (MECS-DET)	U.S.	5,607	5,607	-	-	6,786	6,786	-	-	(1,179)	(1,179)														
2011	RFC	1614	Just Energy (MECS-DET)	U.S.	312	312	-	-	377	377	-	-	(66)	(66)														
2011	RFC	1154	Michigan Public Power Agency	U.S.	18,887	18,887	-	-	22,860	22,860	-	-	(3,973)	(3,973)														
2011	RFC	1155	Michigan South Central Power Agency	U.S.	8,827	8,827	-	-	10,684	10,684	-	-	(1,857)	(1,857)														
2011	RFC	1158	MidAmerican Energy Company Retail	U.S.	1,464	1,464	-	-	1,772	1,772	-	-	(308)	(308)														
2011	RFC	1163	Northern Indiana Public Service Co.	U.S.	273,765	273,765	-	-	331,351	331,351	-	-	(57,587)	(57,587)														
2011	RFC	1164	Ontonagon County Rural Electrification Assoc.	U.S.	451	451	-	-	546	546	-	-	(95)	(95)														
2011	RFC	1265	PJM Interconnection, LLC	U.S.	10,867,474	10,867,474	-	-	13,153,458	13,153,458	-	-	(2,285,984)	(2,285,984)														
2011	RFC	1172	Sempra Energy Solutions (MECS-CONS)	U.S.	17,654	17,654	-	-	21,367	21,367	-	-	(3,713)	(3,713)														
2011	RFC	1171	Sempra Energy Solutions (MECS-DET)	U.S.	15,569	15,569	-	-	18,844	18,844	-	-	(3,275)	(3,275)														
2011	RFC	1176	Direct Energy (Ika-Strategic Energy,LLC) (MECS-CON	U.S.	140	140	-	-	169	169	-	-	(29)	(29)														
2011	RFC	1174	Direct Energy (Ika-Strategic Energy,LLC) (MECS-DET)	U.S.	5,482	5,482	-	-	6,635	6,635	-	-	(1,153)	(1,153)														
2011	RFC	1581	Spartan Renewable Energy	U.S.	977	977	-	-	1,182	1,182	-	-	(205)	(205)														
2011	RFC	1180	Thumb Electric Cooperative	U.S.	2,636	2,636	-	-	3,191	3,191	-	-	(555)	(555)														
2011	RFC	1627	US Department of Energy	U.S.	3,927	3,927	-	-	4,753	4,753	-	-	(826)	(826)														
2011	RFC	1181	Vectren Energy Delivery of IN	U.S.	91,541	91,541	-	-	110,796	110,796	-	-	(19,256)	(19,256)														
2011	RFC	1183	Village of Sebewaing	U.S.	585	585	-	-	708	708	-	-	(123)	(123)														
2011	RFC	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	42,212	42,212	-	-	51,091	51,091	-	-	(8,879)	(8,879)														
2011	RFC	1487	Wabash Valley Power Association Inc. (MECS CONS	U.S.	2,323	2,323	-	-	2,812	2,812	-	-	(489)	(489)														
2011	RFC	1488	Wabash Valley Power Association Inc.(NIPSCO)	U.S.	25,531	25,531	-	-	30,901	30,901	-	-	(5,370)	(5,370)														
2011	RFC	1185	Wisconsin Electric Power Co.	U.S.	451,572	451,572	-	-	546,560	546,560	-	-	(94,989)	(94,989)														
2011	RFC	1189	Wolverine Power Marketing Cooperative	U.S.	16,258	16,258	-	-	19,677	19,677	-	-	(3,420)	(3,420)														
2011	RFC	1191	Wolverine Power Supply Cooperative	U.S.	38,862	38,862	-	-	47,036	47,036	-	-	(8,175)	(8,175)														
2011	RFC	1190	Wolverine Power Marketing Cooperative	U.S.	1,993	1,993	-	-	2,413	2,413	-	-	(419)	(419)														
TOTAL RELIABILITYFIRST					14,165,848	14,165,848	-	-	17,145,648	17,145,648	-	-	(2,979,800)	(2,979,800)														
2011	SERC	1267	Alabama Municipal Electric Authority	U.S.	47,518	47,518	-	-	47,693	47,693	-	-	(175)	(175)														
2011	SERC	1268	Alabama Power Company	U.S.	805,614	805,614	-	-	808,585	808,585	-	-	(2,971)	(2,971)														
2011	SERC	1269	Ameren - Illinois	U.S.	572,388	572,388	-	-	574,499	574,499	-	-	(2,111)	(2,111)														
2011	SERC	1271	Ameren - Missouri	U.S.	561,158	561,158	-	-	563,227	563,227	-	-	(2,069)	(2,069)														
2011	SERC	1272	APGI - Yadkin Division	U.S.	314	314	-	-	315	315	-	-	(1)	(1)														
2011	SERC	1273	Associated Electric Cooperative Inc.	U.S.	259,929	259,929	-	-	260,888	260,888	-	-	(959)	(959)														
2011	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	14,566	14,566	-	-	14,620	14,620	-	-	(54)	(54)														
2011	SERC	1462	Benton Utility District	U.S.	3,859	3,859	-	-	3																			

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-D

					Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC 40% CORC excluding US Only Staff			NPCC 60% CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
	Regional																											
Data Year	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	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2011	SERC	1586	Haywood EMC	U.S.	4,001	4,001	-	-	4,016	4,016	-	-	(15)	(15)														
2011	SERC	1309	Illinois Municipal Electric Agency	U.S.	25,708	25,708	-	-	25,803	25,803	-	-	(95)	(95)														
2011	SERC	1480	Rta Bena, MS	U.S.	218	218	-	-	219	219	-	-	(1)	(1)														
2011	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	3,667	3,667	-	-	3,681	3,681	-	-	(14)	(14)														
2011	SERC	1617	Kentucky Municipal Power	U.S.	9,808	9,808	-	-	9,844	9,844	-	-	(36)	(36)														
2011	SERC	1481	Kosciusko, MS	U.S.	1,021	1,021	-	-	1,025	1,025	-	-	(4)	(4)														
2011	SERC	1482	Leland, MS	U.S.	457	457	-	-	458	458	-	-	(2)	(2)														
2011	SERC	1313	McCormick Commission of Public Works	U.S.	234	234	-	-	235	235	-	-	(1)	(1)														
2011	SERC	1314	Mississippi Power Company	U.S.	142,731	142,731	-	-	143,257	143,257	-	-	(526)	(526)														
2011	SERC	1630	Mt. Carmel Public Utility	U.S.	1,467	1,467	-	-	1,473	1,473	-	-	(5)	(5)														
2011	SERC	1315	Municipal Electric Authority of Georgia	U.S.	146,409	146,409	-	-	146,948	146,948	-	-	(540)	(540)														
2011	SERC	1316	N.C. Electric Membership Corp.	U.S.	164,571	164,571	-	-	165,177	165,177	-	-	(607)	(607)														
2011	SERC	1317	North Carolina Eastern Municipal Power Agency	U.S.	101,219	101,219	-	-	101,592	101,592	-	-	(373)	(373)														
2011	SERC	1318	North Carolina Municipal Power Agency #1	U.S.	63,436	63,436	-	-	63,670	63,670	-	-	(234)	(234)														
2011	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	3,983	3,983	-	-	3,997	3,997	-	-	(15)	(15)														
2011	SERC	1574	Northern Virginia Electric Cooperative	U.S.	49,925	49,925	-	-	50,109	50,109	-	-	(184)	(184)														
2011	SERC	1319	Old Dominion Electric Cooperative	U.S.	78,691	78,691	-	-	78,981	78,981	-	-	(290)	(290)														
2011	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	2,417	2,417	-	-	2,426	2,426	-	-	(9)	(9)														
2011	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	12,041	12,041	-	-	12,085	12,085	-	-	(44)	(44)														
2011	SERC	1322	Piedmont EMC in Duke and Progress Areas	U.S.	6,748	6,748	-	-	6,773	6,773	-	-	(25)	(25)														
2011	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	31,263	31,263	-	-	31,378	31,378	-	-	(115)	(115)														
2011	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	3,520	3,520	-	-	3,533	3,533	-	-	(13)	(13)														
2011	SERC	1266	PowerSouth Energy	U.S.	113,305	113,305	-	-	113,723	113,723	-	-	(418)	(418)														
2011	SERC	1330	Prairie Power, Inc.	U.S.	20,586	20,586	-	-	20,662	20,662	-	-	(76)	(76)														
2011	SERC	1324	Progress Energy Carolinas	U.S.	613,051	613,051	-	-	615,312	615,312	-	-	(2,261)	(2,261)														
2011	SERC	1325	Rutherford EMC	U.S.	17,232	17,232	-	-	17,295	17,295	-	-	(64)	(64)														
2011	SERC	1631	Sam Rayburn G&T Electric Cooperative Inc.	U.S.	25,020	25,020	-	-	25,113	25,113	-	-	(92)	(92)														
2011	SERC	1326	South Carolina Electric & Gas Company	U.S.	308,831	308,831	-	-	309,970	309,970	-	-	(1,139)	(1,139)														
2011	SERC	1327	South Carolina Public Service Authority	U.S.	150,091	150,091	-	-	150,645	150,645	-	-	(553)	(553)														
2011	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	8,627	8,627	-	-	8,659	8,659	-	-	(32)	(32)														
2011	SERC	1328	South Mississippi Electric Power Association	U.S.	137,170	137,170	-	-	137,676	137,676	-	-	(506)	(506)														
2011	SERC	1329	Southern Illinois Power Cooperative	U.S.	19,490	19,490	-	-	19,562	19,562	-	-	(72)	(72)														
2011	SERC	1591	Southwest Louisiana Electric Membership Corporati	U.S.	34,514	34,514	-	-	34,641	34,641	-	-	(127)	(127)														
2011	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	6,133	6,133	-	-	6,155	6,155	-	-	(23)	(23)														
2011	SERC	1331	Tennessee Valley Authority	U.S.	2,233,985	2,233,985	-	-	2,242,223	2,242,223	-	-	(8,238)	(8,238)														
2011	SERC	1632	Tex-La Electric Cooperative of Texas, Inc	U.S.	2,821	2,821	-	-	2,832	2,832	-	-	(10)	(10)														
2011	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	2,005	2,005	-	-	2,012	2,012	-	-	(7)	(7)														
2011	SERC	1592	Town of Black Creek, N.C.	U.S.	169	169	-	-	169	169	-	-	(1)	(1)														
2011	SERC	1593	Town of Lucama, N.C.	U.S.	279	279	-	-	280	280	-	-	(1)	(1)														
2011	SERC	1594	Town of Sharpsburg, N.C.	U.S.	271	271	-	-	272	272	-	-	(1)	(1)														
2011	SERC	1595	Town of Stantonsburg, N.C.	U.S.	305	305	-	-	306	306	-	-	(1)	(1)														
2011	SERC	1333	Town of Waynesville NC	U.S.	1,208	1,208	-	-	1,213	1,213	-	-	(4)	(4)														
2011	SERC	1334	Town of Wintnsboro SC	U.S.	725	725	-	-	728	728	-	-	(3)	(3)														
2011	SERC	1335	Town of Winterville NC	U.S.	706	706	-	-	709	709	-	-	(3)	(3)														
2011	SERC	1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	15,401	15,401	-	-	15,458	15,458	-	-	(57)	(57)														
TOTAL SERC					13,829,878	13,829,878	-	-	13,880,878	13,880,878	-	-	(51,000)	(51,000)														

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-D

					Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC 40% CORC excluding US Only Staff			NPCC 60% CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
	Regional				Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico 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
Data Year	Entity	ID	Entity	Country																								
2011	SPP	1246	American Electric Power	U.S.	1,485,064	1,485,064	-	-	1,658,295	1,658,295	-	-	(173,231)	(173,231)														
2011	SPP	1435	Arkansas Electric Cooperative Corporation (AEP)	U.S.	186,123	186,123	-	-	207,834	207,834	-	-	(21,711)	(21,711)														
2011	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	96,906	96,906	-	-	108,210	108,210	-	-	(11,304)	(11,304)														
2011	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	36,077	36,077	-	-	40,285	40,285	-	-	(4,208)	(4,208)														
2011	SPP		Carthage City Water & Light	U.S.	11,240	11,240	-	-	12,551	12,551	-	-	(1,311)	(1,311)														
2011	SPP	1469	Central Valley Electric Cooperative	U.S.	30,440	30,440	-	-	33,991	33,991	-	-	(3,551)	(3,551)														
2011	SPP	1556	City of Bentonville	U.S.	24,779	24,779	-	-	27,669	27,669	-	-	(2,890)	(2,890)														
2011	SPP	1557	City of Clarksdale, Mississippi	U.S.	6,828	6,828	-	-	7,624	7,624	-	-	(796)	(796)														
2011	SPP	1633	City of Lindborg	U.S.	1,237	1,237	-	-	1,382	1,382	-	-	(144)	(144)														
2011	SPP	1558	Hope Water & Light (HWL)	U.S.	11,701	11,701	-	-	13,066	13,066	-	-	(1,365)	(1,365)														
2011	SPP	1559	City of Minden	U.S.	6,931	6,931	-	-	7,740	7,740	-	-	(809)	(809)														
2011	SPP	1634	City of Mulvane	U.S.	1,783	1,783	-	-	1,991	1,991	-	-	(208)	(208)														
2011	SPP	1635	The City of Osage City	U.S.	1,411	1,411	-	-	1,575	1,575	-	-	(165)	(165)														
2011	SPP	1636	City of Prescott	U.S.	3,513	3,513	-	-	3,923	3,923	-	-	(410)	(410)														
2011	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	44,264	44,264	-	-	49,427	49,427	-	-	(5,163)	(5,163)														
2011	SPP	1436	City Utilities of Springfield, MO	U.S.	127,996	127,996	-	-	142,927	142,927	-	-	(14,931)	(14,931)														
2011	SPP	1249	Cleco Power LLC	U.S.	467,177	467,177	-	-	521,672	521,672	-	-	(54,496)	(54,496)														
2011	SPP	1437	East Texas Electric Coop, Inc.	U.S.	17,671	17,671	-	-	19,733	19,733	-	-	(2,061)	(2,061)														
2011	SPP	1250	The Empire District Electric Company	U.S.	213,067	213,067	-	-	237,921	237,921	-	-	(24,854)	(24,854)														
2011	SPP	1470	Farmers' Electric Coop	U.S.	18,693	18,693	-	-	20,874	20,874	-	-	(2,181)	(2,181)														
2011	SPP	1438	Golden Spread Electric Coop	U.S.	227,627	227,627	-	-	254,179	254,179	-	-	(26,552)	(26,552)														
2011	SPP	1251	Grand River Dam Authority	U.S.	188,481	188,481	-	-	210,467	210,467	-	-	(21,986)	(21,986)														
2011	SPP		Jonesboro City Water & Light	U.S.	53,073	53,073	-	-	59,264	59,264	-	-	(6,191)	(6,191)														
2011	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	634,845	634,845	-	-	708,899	708,899	-	-	(74,054)	(74,054)														
2011	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	86,773	86,773	-	-	96,895	96,895	-	-	(10,122)	(10,122)														
2011	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	31,337	31,337	-	-	34,992	34,992	-	-	(3,655)	(3,655)														
2011	SPP	1637	Kansas Power Pool	U.S.	55,921	55,921	-	-	62,444	62,444	-	-	(6,523)	(6,523)														
2011	SPP	1560	Kaw Valley Electric Cooperative, Inc.	U.S.	6,619	6,619	-	-	7,391	7,391	-	-	(772)	(772)														
2011	SPP		Kennett Board of Public Works	U.S.	6,111	6,111	-	-	6,823	6,823	-	-	(713)	(713)														
2011	SPP	1598	KCP&L GMMOC (Greater Missouri Operations Compa	U.S.	349,140	349,140	-	-	389,866	389,866	-	-	(40,727)	(40,727)														
2011	SPP	1471	Lafayette Utilities System	U.S.	85,064	85,064	-	-	94,987	94,987	-	-	(9,923)	(9,923)														
2011	SPP	1472	Lea County Electric Coop	U.S.	51,413	51,413	-	-	57,411	57,411	-	-	(5,997)	(5,997)														
2011	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	39,115	39,115	-	-	43,678	43,678	-	-	(4,563)	(4,563)														
2011	SPP		Malden Board of Public Works	U.S.	2,066	2,066	-	-	2,308	2,308	-	-	(241)	(241)														
2011	SPP	1441	Midwest Energy Inc.	U.S.	71,173	71,173	-	-	79,475	79,475	-	-	(8,302)	(8,302)														
2011	SPP	1443	Missouri Joint Municipal Electric Utility Commissio	U.S.	102,379	102,379	-	-	114,321	114,321	-	-	(11,942)	(11,942)														
2011	SPP	1638	Nemaha Marshall Electric Cooperative (NMEC)	U.S.	2,399	2,399	-	-	2,678	2,678	-	-	(280)	(280)														
2011	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.	133,229	133,229	-	-	148,770	148,770	-	-	(15,541)	(15,541)														
2011	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	1,146,672	1,146,672	-	-	1,280,430	1,280,430	-	-	(133,758)	(133,758)														
2011	SPP	1444	Oklahoma Municipal Power Auth	U.S.	116,948	116,948	-	-	130,590	130,590	-	-	(13,642)	(13,642)														
2011	SPP	1639	OzMo Ozark Missouri, West Plains MO	U.S.	8,180	8,180	-	-	9,134	9,134	-	-	(954)	(954)														
2011	SPP		Paragould Light, Water & Cable	U.S.	23,577	23,577	-	-	26,327	26,327	-	-	(2,750)	(2,750)														
2011	SPP		Piggott Municipal Light, Water & Sewer	U.S.	1,745	1,745	-	-	1,949	1,949	-	-	(204)	(204)														
2011	SPP		Poplar Bluff Municipal Utilities	U.S.	15,370	15,370	-	-	17,163	17,163	-	-	(1,793)	(1,793)														
2011	SPP	1561	Public Service Commission of Yazoo City of Mississi	U.S.	5,012	5,012	-	-	5,597	5,597	-	-	(585)	(585)														
2011	SPP	1473	Roosevelt County Electric Coop	U.S.	9,113	9,113	-	-	10,176	10,176	-	-	(1,063)	(1,063)														
2011	SPP	1468	Sharyland Utilities, LP	U.S.	42,792	42,792	-	-	47,783	47,783	-	-	(4,992)	(4,992)														
2011	SPP		Sikeston Board of Municipal Utilities	U.S.	14,521	14,521	-	-	16,215	16,215	-	-	(1,694)	(1,694)														
2011	SPP	1258	Southwestern Power Administration (SPA)	U.S.	9,973	9,973	-	-	11,136	11,136	-	-	(1,163)	(1,163)														
2011	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.	663,768	663,768	-	-	741,196	741,196	-	-	(77,428)	(77,428)														
2011	SPP	1256	Sunflower Electric Power Cooperative	U.S.	227,502	227,502	-	-	254,040	254,040	-	-	(26,538)	(26,538)														

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-D

					Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC 40% CORC excluding US Only Staff			NPCC 60% CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments					
	Regional				Total		US Total		Canada Total		Mexico Total		Total		US Total		Total			Total			Total		Total		Total		Total	
Data Year	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	Total	US Total	Canada Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total
2011	WECC		City of Aztec Electric Dept	U.S.	1,694	1,694	-	-	1,778	1,778	-	-	(142)	(142)				35	35			22	22							
2011	WECC		City of Bandon	U.S.	3,292	3,292	-	-	3,457	3,457	-	-	(275)	(275)				68	68			42	42							
2011	WECC		City of Blaine	U.S.	3,883	3,883	-	-	4,077	4,077	-	-	(325)	(325)				81	81			50	50							
2011	WECC		City of Bonners Ferry	U.S.	3,305	3,305	-	-	3,471	3,471	-	-	(276)	(276)				69	69			42	42							
2011	WECC		City of Boulder City	U.S.	7,938	7,938	-	-	8,335	8,335	-	-	(664)	(664)				165	165			101	101							
2011	WECC		City of Cascade Locks	U.S.	971	971	-	-	1,020	1,020	-	-	(81)	(81)				20	20			12	12							
2011	WECC		City of Centralia	U.S.	13,569	13,569	-	-	14,248	14,248	-	-	(1,135)	(1,135)				282	282			173	173							
2011	WECC		City of Cheney	U.S.	7,026	7,026	-	-	7,378	7,378	-	-	(588)	(588)				146	146			90	90							
2011	WECC		City of Chewelah	U.S.	1,197	1,197	-	-	1,256	1,256	-	-	(100)	(100)				25	25			15	15							
2011	WECC		City of Drain	U.S.	824	824	-	-	866	866	-	-	(69)	(69)				17	17			11	11							
2011	WECC		City of Ellensburg	U.S.	10,048	10,048	-	-	10,551	10,551	-	-	(840)	(840)				209	209			128	128							
2011	WECC		City of Fallon	U.S.	5,683	5,683	-	-	5,967	5,967	-	-	(475)	(475)				118	118			73	73							
2011	WECC		City of Forest Grove	U.S.	11,950	11,950	-	-	12,548	12,548	-	-	(1,000)	(1,000)				249	249			153	153							
2011	WECC		City of Gallup	U.S.	10,750	10,750	-	-	11,288	11,288	-	-	(899)	(899)				224	224			137	137							
2011	WECC		City of Henderson	U.S.	694	694	-	-	729	729	-	-	(58)	(58)				14	14			9	9							
2011	WECC		City of Hermiston, DBA Hermiston Energy Services	U.S.	5,341	5,341	-	-	5,609	5,609	-	-	(447)	(447)				111	111			68	68							
2011	WECC		City of Las Vegas	U.S.	2,237	2,237	-	-	2,349	2,349	-	-	(187)	(187)				47	47			29	29							
2011	WECC		City of McClary	U.S.	1,466	1,466	-	-	1,540	1,540	-	-	(123)	(123)				30	30			19	19							
2011	WECC		City of McMinnville	U.S.	36,353	36,353	-	-	38,173	38,173	-	-	(3,041)	(3,041)				756	756			465	465							
2011	WECC		City of Mesa	U.S.	12,589	12,589	-	-	13,219	13,219	-	-	(1,053)	(1,053)				262	262			161	161							
2011	WECC		City of Milton	U.S.	3,112	3,112	-	-	3,268	3,268	-	-	(260)	(260)				65	65			40	40							
2011	WECC		City of Milton-Freewater	U.S.	5,378	5,378	-	-	5,647	5,647	-	-	(450)	(450)				112	112			69	69							
2011	WECC		City of Monmouth	U.S.	3,575	3,575	-	-	3,754	3,754	-	-	(299)	(299)				74	74			46	46							
2011	WECC		City of Needles	U.S.	1,551	1,551	-	-	1,629	1,629	-	-	(130)	(130)				32	32			20	20							
2011	WECC		City of Plummer	U.S.	1,723	1,723	-	-	1,809	1,809	-	-	(144)	(144)				36	36			22	22							
2011	WECC		City of Port Angeles	U.S.	36,893	36,893	-	-	38,740	38,740	-	-	(3,086)	(3,086)				767	767			472	472							
2011	WECC		City of Redding	U.S.	59,735	59,735	-	-	62,726	62,726	-	-	(4,997)	(4,997)				1,242	1,242			763	763							
2011	WECC		City of Richland	U.S.	43,081	43,081	-	-	45,238	45,238	-	-	(3,604)	(3,604)				896	896			551	551							
2011	WECC		City of Roseville	U.S.	38,978	38,978	-	-	40,930	40,930	-	-	(3,260)	(3,260)				811	811			498	498							
2011	WECC		City of Shasta Lake	U.S.	9,002	9,002	-	-	9,453	9,453	-	-	(753)	(753)				187	187			115	115							
2011	WECC		City of Sumas	U.S.	1,490	1,490	-	-	1,565	1,565	-	-	(125)	(125)				31	31			19	19							
2011	WECC		City of Tacoma DBA Tacoma Power	U.S.	17	17	-	-	18	18	-	-	(1)	(1)				0	0			0	0							
2011	WECC		City of Tacoma DBA Tacoma Power	U.S.	247,824	247,824	-	-	260,231	260,231	-	-	(20,729)	(20,729)				5,154	5,154			3,167	3,167							
2011	WECC		City of Troy	U.S.	894	894	-	-	939	939	-	-	(75)	(75)				19	19			11	11							
2011	WECC		City of Williams	U.S.	1,956	1,956	-	-	2,054	2,054	-	-	(164)	(164)				41	41			25	25							
2011	WECC		Clark County Water Resources	U.S.	297	297	-	-	312	312	-	-	(25)	(25)				6	6			4	4							
2011	WECC		Clark Public Utilities	U.S.	220,284	220,284	-	-	231,313	231,313	-	-	(18,426)	(18,426)				4,581	4,581			2,815	2,815							
2011	WECC		Clatskanie PUD	U.S.	38,813	38,813	-	-	40,757	40,757	-	-	(3,247)	(3,247)				807	807			496	496							
2011	WECC		Cleaverwater Cooperative, Inc.	U.S.	8,112	8,112	-	-	8,518	8,518	-	-	(679)	(679)				169	169			104	104							
2011	WECC		Cleaverwater Cooperative, Inc.	U.S.	1,956	1,956	-	-	2,054	2,054	-	-	(164)	(164)				41	41			25	25							
2011	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	717	717	-	-	752	752	-	-	(60)	(60)				15	15			9	9							
2011	WECC		Colorado River Commission of Nevada	U.S.	39,117	39,117	-	-	41,075	41,075	-	-	(3,272)	(3,272)				814	814			500	500							
2011	WECC		Colorado Springs Utilities	U.S.	3,985	3,985	-	-	4,185	4,185	-	-	(333)	(333)				83	83			51	51							
2011	WECC		Colorado Springs Utilities	U.S.	974	974	-	-	1,022	1,022	-	-	(81)	(81)				20	20			12	12							
2011	WECC		Columbia Basin Electric Cooperative, Inc.	U.S.	5,208	5,208	-	-	5,469	5,469	-	-	(436)	(436)				108	108			67	67							
2011	WECC		Columbia Falls Aluminum Company	U.S.	208	208	-	-	219	219	-	-	(17)	(17)				4	4			3	3							
2011	WECC		Columbia Power Cooperative Association	U.S.	1,041	1,041	-	-	1,094	1,094	-	-	(87)	(87)				22	22			13	13							
2011	WECC		Columbia River PUD	U.S.	8,316	8,316	-	-	8,732	8,732	-	-	(696)	(696)				173	173			106	106							
2011	WECC																													

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-D

					Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC 40% CORC excluding US Only Staff			NPCC 60% CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
Regional					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico 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
Data Year	Entity	ID	Entity	Country																								
2011	WECC		Municipal Energy Agency of Nebraska	U.S.	1,390	1,390	-	-	1,460	1,460	-	-	(116)	(116)				29	29			18	18					
2011	WECC		Navajo Tribal Utility Authority	U.S.	2,187	2,187	-	-	2,297	2,297	-	-	(183)	(183)				45	45			28	28					
2011	WECC		Navajo Tribal Utility Authority	U.S.	15,304	15,304	-	-	16,070	16,070	-	-	(1,280)	(1,280)				318	318			196	196					
2011	WECC		Navapaho Electric Cooperative, Inc.	U.S.	21,327	21,327	-	-	22,395	22,395	-	-	(1,784)	(1,784)				444	444			273	273					
2011	WECC		Nebraska Public Power Marketing	U.S.	27,136	27,136	-	-	28,495	28,495	-	-	(2,270)	(2,270)				564	564			347	347					
2011	WECC		Nespelem Valley Electric Cooperative, Inc.	U.S.	2,467	2,467	-	-	2,591	2,591	-	-	(206)	(206)				51	51			32	32					
2011	WECC		Nevada Power Company dba NV Energy	U.S.	1,056,750	1,056,750	-	-	1,109,657	1,109,657	-	-	(88,392)	(88,392)				21,978	21,978			13,506	13,506					
2011	WECC		Noble Americas Energy Solutions, LLC	U.S.	46,501	46,501	-	-	48,829	48,829	-	-	(3,890)	(3,890)				967	967			594	594					
2011	WECC		Northern Lights, Inc.	U.S.	1,772	1,772	-	-	1,860	1,860	-	-	(148)	(148)				37	37			23	23					
2011	WECC		Northern Lights, Inc.	U.S.	14,864	14,864	-	-	15,608	15,608	-	-	(1,243)	(1,243)				309	309			190	190					
2011	WECC		Northern Wasco County PUD	U.S.	27,948	27,948	-	-	29,347	29,347	-	-	(2,338)	(2,338)				581	581			357	357					
2011	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	439,528	439,528	-	-	461,534	461,534	-	-	(36,765)	(36,765)				9,141	9,141			5,618	5,618					
2011	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	14,915	14,915	-	-	15,661	15,661	-	-	(1,248)	(1,248)				310	310			191	191					
2011	WECC		Ohop Mutual Light Company	U.S.	4,337	4,337	-	-	4,555	4,555	-	-	(363)	(363)				90	90			55	55					
2011	WECC		Orcas Power and Light Cooperative	U.S.	10,701	10,701	-	-	11,237	11,237	-	-	(895)	(895)				223	223			137	137					
2011	WECC		Operations Office	U.S.	9,512	9,512	-	-	9,988	9,988	-	-	(796)	(796)				198	198			122	122					
2011	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	16,308	16,308	-	-	17,125	17,125	-	-	(1,364)	(1,364)				339	339			208	208					
2011	WECC		Overton Power District No. 5	U.S.	18,499	18,499	-	-	19,425	19,425	-	-	(1,547)	(1,547)				385	385			236	236					
2011	WECC		PacificCorp	U.S.	2,834	2,834	-	-	2,976	2,976	-	-	(237)	(237)				59	59			36	36					
2011	WECC		PacificCorp	U.S.	102	102	-	-	107	107	-	-	(9)	(9)				2	2			1	1					
2011	WECC		PacificCorp	U.S.	2,337,157	2,337,157	-	-	2,454,170	2,454,170	-	-	(195,493)	(195,493)				48,608	48,608			29,871	29,871					
2011	WECC		PacificCorp	U.S.	88	88	-	-	92	92	-	-	(7)	(7)				2	2			1	1					
2011	WECC		PacificCorp	U.S.	185	185	-	-	195	195	-	-	(16)	(16)				4	4			2	2					
2011	WECC		PacificCorp West (PACW)	U.S.	1,019,863	1,019,863	-	-	1,070,924	1,070,924	-	-	(85,307)	(85,307)				21,211	21,211			13,035	13,035					
2011	WECC		Page Electric Utility	U.S.	729	729	-	-	765	765	-	-	(61)	(61)				15	15			9	9					
2011	WECC		Parkland Light and Water Company	U.S.	6,035	6,035	-	-	6,337	6,337	-	-	(505)	(505)				126	126			77	77					
2011	WECC		Pend Oreille County PUD No. 1	U.S.	48,780	48,780	-	-	51,222	51,222	-	-	(4,080)	(4,080)				1,015	1,015			623	623					
2011	WECC		Peninsula Light Company, Inc.	U.S.	30,287	30,287	-	-	31,804	31,804	-	-	(2,533)	(2,533)				630	630			387	387					
2011	WECC		Platte River Power Authority	U.S.	158,736	158,736	-	-	166,683	166,683	-	-	(13,278)	(13,278)				3,301	3,301			2,029	2,029					
2011	WECC		Port of Seattle - Seattle-Tacoma International Airpo	U.S.	7,079	7,079	-	-	7,434	7,434	-	-	(592)	(592)				147	147			90	90					
2011	WECC		Port Townsend Paper Corporation	U.S.	9,885	9,885	-	-	10,380	10,380	-	-	(827)	(827)				206	206			126	126					
2011	WECC		Portland General Electric Company	U.S.	2,323	2,323	-	-	2,440	2,440	-	-	(194)	(194)				48	48			30	30					
2011	WECC		Portland General Electric Company	U.S.	931,037	931,037	-	-	977,651	977,651	-	-	(77,877)	(77,877)				19,364	19,364			11,900	11,900					
2011	WECC		Public Service Company of Colorado (Xcel)	U.S.	1,538,497	1,538,497	-	-	1,615,525	1,615,525	-	-	(128,688)	(128,688)				31,997	31,997			19,664	19,664					
2011	WECC		Public Service Company of Colorado (Xcel)	U.S.	8,403	8,403	-	-	8,824	8,824	-	-	(703)	(703)				175	175			107	107					
2011	WECC		Public Service Company of New Mexico	U.S.	531,866	531,866	-	-	558,495	558,495	-	-	(44,488)	(44,488)				11,062	11,062			6,798	6,798					
2011	WECC		Public Utility District No. 1 of Chelan County	U.S.	184,719	184,719	-	-	193,967	193,967	-	-	(15,451)	(15,451)				3,842	3,842			2,361	2,361					
2011	WECC		PUD No. 1 of Asotin County	U.S.	219	219	-	-	230	230	-	-	(18)	(18)				5	5			3	3					
2011	WECC		PUD No. 1 of Asotin County	U.S.	15	15	-	-	16	16	-	-	(1)	(1)				0	0			0	0					
2011	WECC		PUD No. 1 of Benton County	U.S.	83,132	83,132	-	-	87,294	87,294	-	-	(6,954)	(6,954)				1,729	1,729			1,063	1,063					
2011	WECC		PUD No. 1 of Clallam County	U.S.	33,959	33,959	-	-	35,659	35,659	-	-	(2,841)	(2,841)				706	706			434	434					
2011	WECC		PUD No. 1 of Cowlitz County	U.S.	249,784	249,784	-	-	262,290	262,290	-	-	(20,893)	(20,893)				5,195	5,195			3,192	3,192					
2011	WECC		PUD No. 1 of Cowlitz County	U.S.	234	234	-	-	246	246	-	-	(20)	(20)				5	5			3	3					
2011	WECC		PUD No. 1 of Douglas County	U.S.	441	441	-	-	463	463	-	-	(37)	(37)				40	40			6	6					
2011	WECC		PUD No. 1 of Douglas County	U.S.	70,102	70,102	-	-	73,612	73,612	-	-	(5,864)	(5,864)				1,458	1,458			896	896					
2011	WECC		PUD No. 1 of Ferry County	U.S.	5,261	5,261	-	-	5,524	5,524	-	-	(440)	(440)				109	109			67	67					
2011	WECC		PUD No. 1 of Franklin County	U.S.	50,066	50,066	-	-	52,573	52,573	-	-	(4,188)	(4,188)				1,041	1,041			640	640					
2011	WECC		PUD No. 1 of Grays Harbor	U.S.	57,846	57,846	-	-	60,742	60,742	-	-	(4,839)	(4,839)				1,203	1,203			739	739					

2011 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2013 NERC and RE Assessments

APPENDIX 2-D

				Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC 40% CORC excluding US Only Staff			NPCC 60% CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments					
	Regional				Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico 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	
2011	WECC		U.S. Bor Spokane Indian Development*	U.S.	161	161	-	-	169	169	-	-	(13)	(13)								3	3			2	2		
2011	WECC		U.S. BOR The Dalles Project	U.S.	797	797	-	-	837	837	-	-	(67)	(67)								17	17			10	10		
2011	WECC		U.S. DOE National Energy Technology Laboratory	U.S.	231	231	-	-	242	242	-	-	(19)	(19)								5	5			3	3		
2011	WECC		Umatilla Electric Cooperative Association	U.S.	47,335	47,335	-	-	49,705	49,705	-	-	(3,959)	(3,959)								984	984			605	605		
2011	WECC		Unit B Irrigation District	U.S.	1	1	-	-	1	1	-	-	(0)	(0)								0	0			0	0		
2011	WECC		US Air Force Base, Fairchild	U.S.	2,439	2,439	-	-	2,562	2,562	-	-	(204)	(204)								51	51			31	31		
2011	WECC		US Dept of Energy - Kirtland AFB	U.S.	20,699	20,699	-	-	21,735	21,735	-	-	(1,731)	(1,731)								430	430			265	265		
2011	WECC		USN Naval Station, Bremerton	U.S.	12,553	12,553	-	-	13,181	13,181	-	-	(1,050)	(1,050)								261	261			160	160		
2011	WECC		USN Naval Station, Everett	U.S.	647	647	-	-	680	680	-	-	(54)	(54)								13	13			8	8		
2011	WECC		USN Submarine Base, Bangor	U.S.	8,832	8,832	-	-	9,274	9,274	-	-	(739)	(739)								184	184			113	113		
2011	WECC		Valley Electric Association, Inc.	U.S.	20,195	20,195	-	-	21,206	21,206	-	-	(1,689)	(1,689)								420	420			258	258		
2011	WECC		Vera Water and Power	U.S.	11,327	11,327	-	-	11,895	11,895	-	-	(947)	(947)								236	236			145	145		
2011	WECC		Vigilante Electric Cooperative, Inc.	U.S.	788	788	-	-	828	828	-	-	(66)	(66)								16	16			10	10		
2011	WECC		Wasco Electric Cooperative	U.S.	4,684	4,684	-	-	4,919	4,919	-	-	(392)	(392)								97	97			60	60		
2011	WECC		Wells Rural Electric Cooperative	U.S.	31,538	31,538	-	-	33,117	33,117	-	-	(2,638)	(2,638)								656	656			403	403		
2011	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	939	939	-	-	986	986	-	-	(79)	(79)								20	20			12	12		
2011	WECC		West Oregon Electric Cooperative, Inc.	U.S.	2,683	2,683	-	-	2,817	2,817	-	-	(224)	(224)								56	56			34	34		
2011	WECC		West Oregon Electric Cooperative, Inc.	U.S.	652	652	-	-	684	684	-	-	(55)	(55)								14	14			8	8		
2011	WECC		Western Area Power - Loveland, CO	U.S.	16,710	16,710	-	-	17,546	17,546	-	-	(1,398)	(1,398)								348	348			214	214		
2011	WECC		Western Area Power - Loveland, CO	U.S.	12,025	12,025	-	-	12,627	12,627	-	-	(1,006)	(1,006)								250	250			154	154		
2011	WECC		Western Area Power Administration - CRSP	U.S.	85,957	85,957	-	-	90,260	90,260	-	-	(7,190)	(7,190)								1,788	1,788			1,099	1,099		
2011	WECC		Western Area Power Administration - Sierra Nevada	U.S.	74,636	74,636	-	-	78,373	78,373	-	-	(6,243)	(6,243)								1,552	1,552			954	954		
2011	WECC		Western Area Power Administration-Desert Southw	U.S.	131,604	131,604	-	-	138,193	138,193	-	-	(11,008)	(11,008)								2,737	2,737			1,682	1,682		
2011	WECC		Western Area Power Administration-Upper Great P	U.S.	9,354	9,354	-	-	9,823	9,823	-	-	(782)	(782)								195	195			120	120		
2011	WECC		Western Area Power Administration-Upper Great P	U.S.	71,990	71,990	-	-	75,595	75,595	-	-	(6,022)	(6,022)								1,497	1,497			920	920		
2011	WECC		Western Area Power Administration-Upper Great P	U.S.	10,470	10,470	-	-	10,994	10,994	-	-	(876)	(876)								218	218			134	134		
2011	WECC		Wyoming Municipal Power Agency	U.S.	360,887	360,887	-	-	378,955	378,955	-	-	(30,187)	(30,187)								7,506	7,506			4,612	4,612		
2011	WECC		Yakama Power	U.S.	949	949	-	-	997	997	-	-	(79)	(79)								20	20			12	12		
2011	WECC		Yampa Valley Electric Association	U.S.	28,601	28,601	-	-	30,033	30,033	-	-	(2,392)	(2,392)								595	595			366	366		
2011	WECC		Yuma Irrigation District	U.S.	151	151	-	-	159	159	-	-	(13)	(13)								3	3			2	2		
2011	WECC		Yuma-Mesa Irrigation District	U.S.	7	7	-	-	8	8	-	-	(1)	(1)								0	0			0	0		
TOTAL WECC					41,497,239	35,469,348	5,443,579	584,312	43,929,397	37,245,176	6,118,015	566,206	(2,966,850)	(2,966,850)				(0)	737,687	(748,902)	11,214	534,692	453,334	74,466	6,892				
TOTAL ERO					113,584,701	101,219,556	11,780,833	584,312	113,730,146	102,966,790	10,197,150	566,206	(8,457,470)	(8,457,470)	3,110,933	1,417,333	1,693,600	4,666,400	4,101,881	564,519	(0)	737,687	(748,902)	11,214	534,692	453,334	74,466	6,892	
Summary by Regional Entity																													
2011	FRCC				5,957,971	5,957,971	-	-	6,262,471	6,262,471	-	-	(304,500)	(304,500)	-	-	-	-	-	-	-	-	-	-	-	-	-		
2011	MRO				9,098,927	7,672,246	1,426,681	-	9,112,927	7,686,246	1,426,681	-	(14,000)	(14,000)	-	-	-	-	-	-	-	-	-	-	-	-	-		
2011	NPCC				12,152,264	7,441,691	4,910,573	-	4,872,231	2,219,776	2,652,455	-	(297,300)	(297,300)	3,110,933	1,417,333	1,693,600	4,666,400	4,101,881	564,519	-	-	-	-	-	-			
2011	RFC				14,165,848	14,165,848	-	-	17,145,648	17,145,648	-	-	(2,979,800)	(2,979,800)	-	-	-	-	-	-	-	-	-	-	-	-	-		
2011	SERC				13,829,878	13,829,878	-	-	13,880,878	13,880,878	-	-	(51,000)	(51,000)	-	-	-	-	-	-	-	-	-	-	-	-	-		
2011	SPP				8,530,054	8,530,054	-	-	9,525,074	9,525,074	-	-	(995,020)	(995,020)	-	-	-	-	-	-	-	-	-	-	-	-	-		
2011	TRE				8,152,520	8,152,520	-	-	9,001,520	9,001,520	-	-	(849,000)	(849,000)	-	-	-	-	-	-	-	-	-	-	-	-	-		
2011	WECC				41,497,239	35,469,348	5,443,579	584,312	43,929,397	37,245,176	6,118,015	566,206	(2,966,850)	(2,966,850)	-	-	-	-	-	-	-	(0)	737,687	(748,902)	11,214	534,692	453,334	74,466	6,892
Total					113,584,701	101,219,556	11,780,833	584,312	113,730,146	102,966,790	10,197,150	566,206	(8,457,470)	(8,457,470)	3,110,933	1,417,333	1,693,600	4,666,400	4,101,881	564,519	(0)	737,687	(748,902)	11,214	534,692	453,334	74,466	6,892	

DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 3

FLORIDA RELIABILITY COORDINATING COUNCIL

PROPOSED 2013 BUSINESS PLAN AND BUDGET



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FINAL

2013 Business Plan and Budget

Florida Reliability Coordinating Council, Inc.

Approved by: FRCC Board of Directors

DATE: June 28, 2012

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2013 Budget	U.S.	Canada	Mexico
Statutory FTEs	30.1			
Non-statutory FTEs	14.7			
Total FTEs	44.8			
Statutory Expenses	\$ 6,596,036			
Non-Statutory Expenses	\$ 6,507,411			
Total Expenses	\$ 13,103,447			
Statutory Inc(Dec) in Fixed Assets	\$ (64,254)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ 54,564			
Total Inc(Dec) in Fixed Assets	\$ (9,690)			
Statutory Working Capital Requirement*	(157,311)			
Non-Statutory Working Capital Requirement**	0			
Total Working Capital Requirement	(157,311)			
Total Statutory Funding Requirement	\$ 6,374,471			
Total Non-Statutory Funding Requirement	\$ 6,561,975			
Total Funding Requirement	\$ 12,936,446			
Statutory Funding Assessments	\$ 5,957,971	\$ 5,957,971		
Non-Statutory Fees	\$ 6,250,975	\$ 6,250,975		
NEL	-	-		
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 70 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 is 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 first 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 NERC, as 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 adherence to such voluntary 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, telecommunication tools and infrastructure. Each year, the total FRCC budget is presented to the FRCC Board of Directors in the second quarter 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 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 31 FRCC members in the Regional Entity Division and 23 FRCC members in the Member Services Division including affiliate and adjunct members.

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 that became effective January 1, 2011. 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 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 (“RSD”) - Section 300
- Compliance Monitoring and Enforcement (“CMEP”) - 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 (“RA”) - Section 800 (including necessary data gathering activities and Events Analysis)
- Training, Education and Operator Certification (“TE”) - Section 900
- Situation Awareness and Infrastructure Security (“SA”) - Section 1000

2013 Goals and Key Deliverables (Regional Entity Division)

- Support NERC’s improvements in the standards development process, for continent wide standards as well as regional standards, that include setting specific timeframes for standards process milestones; setting clear criteria for cancellation of projects that have not yielded timely results; and implementing a cost effectiveness analysis or assessment of how proposed standards will impact resources.
- Continue to work closely with NERC and the industry to develop clear, results-based mandatory reliability standards that establish threshold requirements for ensuring the Bulk Electric System (“BES”) is designed, planned, maintained, and operated in a manner that minimizes risks of cascading failures or interruptions of bulk power supply.
- Implement an exception process that will be required upon FERC approval of the revised definition of the BES.

-
- Work with NERC and the other seven (7) Regional Entities, to continue refinement, improvement and prioritization of risk based compliance monitoring efforts. Start the transition to performance based audits focused on the purpose, intent and reliability risk associated with applicable standards.
 - Work with NERC and the other regions for better coordination, planning and management of training programs.
 - Work with NERC and the other regions to develop and implement an Auditor credentialing program.
 - Perform delegated functions with independence, without conflict of interest, with objectivity and fairness and with increased transparency.
 - Continue to improve consistency, quality, timeliness and cost effectiveness of NERC and Regional Entity data collection, analysis systems and capabilities through process improvements and more effective coordination and collaboration.
 - Support NERC's efforts to move toward and implement an outcome based approach in Reliability Assessments to achieve measureable improvements in the BES reliability.
 - Work 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 as a collaborative enterprise.

2013 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions (see Exhibit A of the 2013 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 2013 business plan include:

1. NERC and the Regional Entities are expected to continue to work under the existing regulatory framework established in the United States and Canada, as well as the authorizations contained in FERC's order approving NERC as the ERO.
2. The framework for delegation to Regional Entities is expected to remain relatively constant over the next three (3) years and the terms of the existing delegation agreements will continue to apply over the planning period. NERC and the Regional Entities will work to refine and revise procedures and processes to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency and to achieve measurable reliability outcomes.
3. Cost pressures continue to strain stakeholder participation in NERC and Regional Entity activities. However, the assumption of continued industry participation in support of key program areas such as event analysis, reliability assessments and standards development is included in this business plan and budget.
4. Additional resources will be needed to support improvements in the quality of standards development and guidance, including related training activities for stakeholders.
5. Implementation of a BES exception process is expected to impact resource requirements and will be based on the number of exception requests, which are unpredictable at this time. Implementation of the BES definition is not expected to place large resource

demands in the Registration area for the FRCC region but there may be significant resource demands in the Reliability Assessment area processing exception requests depending upon the number of requests.

6. NERC will continue to budget and incur costs to operate and maintain the situation awareness tool for FERC, NERC, Regional Entities (“SAFNR”) and stakeholder needs. However, NERC will continue to review the appropriateness of continued funding of other reliability tools, with any proposed changes thereto subject to review and input from the Regional Entities, NERC Committees and working groups, and other affected parties.
7. The number of events requiring review, analysis, and reporting will increase but is not expected to impact resource requirements.
8. The number of non-CIP violations discovered is expected to decrease as most registered entities have now been audited at least once and the standards and their application has matured.
9. The number of CIP violations is not expected to decrease and may increase over the planning period until all entities have undergone a CIP audit and until a measure of stability in the standards is reached.
10. Integration of the assessment of registered entity internal controls programs as part of the compliance monitoring program will allow NERC and the Regional Entities to further prioritize risk based compliance monitoring activities. Greater emphasis on internal controls provide positive incentives for industry to demonstrate effective management of compliance programs that are focused on reliability, as well as place downward pressure on compliance resource requirements for both industry, NERC and the Regional Entities.

2013 Overview of Cost Impacts

The FRCC’s proposed 2013 Statutory Expense Budget (see page 3) is \$6,596,036, which is a \$155,443 or 2.4% increase over the 2012 budget. The major drivers of this increase are the net effect of:

- Addition of one (1) position to support increased activity in Reliability Standards Development and the processing of BES exception requests.
- Deletion of three (3) positions from the 2012 Business Plan and Budget in Compliance Monitoring and Enforcement. The improved internal efficiencies gained with the implementation of additional compliance enforcement discretion have allowed the FRCC not to fill two (2) Enforcement positions. Additionally, the FRCC Compliance staff has improved internal procedures such that the filling of (1) Compliance Program Administrator, budgeted for 2012, became unnecessary.
- Increase in time spent in Reliability Assessment and Training for 2013.
- Increase in lease commitment and space moving to new headquarters.
- Increased meeting costs associated with the System Operator Training (which is offset by increased funding for the seminars).

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 2013, are allocated to the delegated program areas by their respective FTEs and are shown on one line of each delegated program area Statement of Activities 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.

2013 Key Deliverables

In 2013, 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 utilizing more of a project management discipline. Develop regional reliability standards as needed to support NERC's prioritized work plan and provide increased coordination of standards development activities. Using 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 CMEP and NERC Rules of Procedure ("ROP") for the near term while working with NERC and the other Regional Entities to further refine the risk-based approach to compliance monitoring and enforcement. Enforce compliance with mandatory reliability standards by Registered Entities, in accordance with the CMEP and NERC ROP while consistency, quality, timeliness and utilization of more enforcement discretion for those violations that have minimal impact to the reliability of the BES continues to improve. 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. Promote a culture of compliance excellence through education, transparency, information sharing, and incentives.

- **Event Analysis** — Continue to support improved reliability through reporting and categorizing of system events and security incidents. Provide timely written lessons learned and recommendations to be published through the NERC Event Analysis Subcommittee (EAS). Work with NERC to develop and provide root cause analysis training and other related training.
- **Critical Infrastructure Protection and Cyber Security** — Facilitate, educate and support Registered Entities in complying with CIP reliability standards and responding to cyber security alerts. 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. Assist Registered Entities with the implementation of the bright-line criteria for identification of critical BES assets.
- **Reliability Assessments** — Provide annual, seasonal, post-seasonal, probabilistic, scenario and special reliability assessments of the reliability of the FRCC BES in accordance with definitions and requirements. Work with NERC to 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.
- **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 continue to work together to improve the overall ERO business planning and budgeting process, including long-term resource and financial planning. The 2013 Business Plan and Budget process builds upon the improvements made over the past several years including 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 (attachment Exhibit A of the 2013 NERC Business Plan and Budget) incorporate assumptions affecting resource demands through the 2016 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

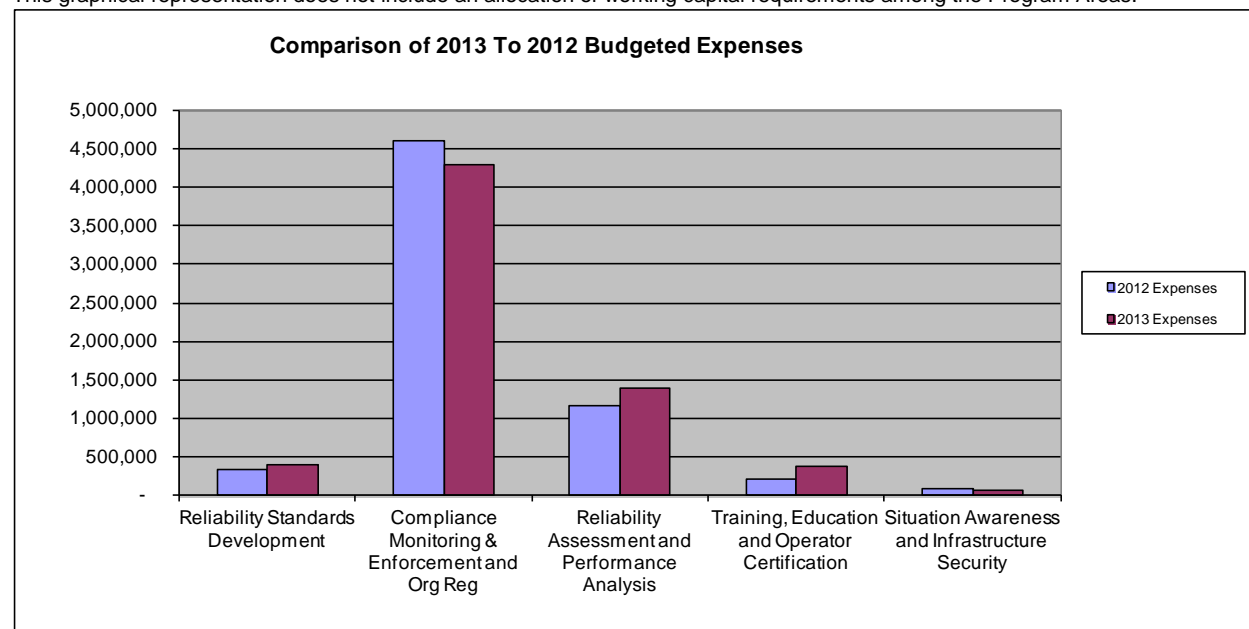
the overall effectiveness and efficiency of ERO operations and improve the reliability of the BES of North America.

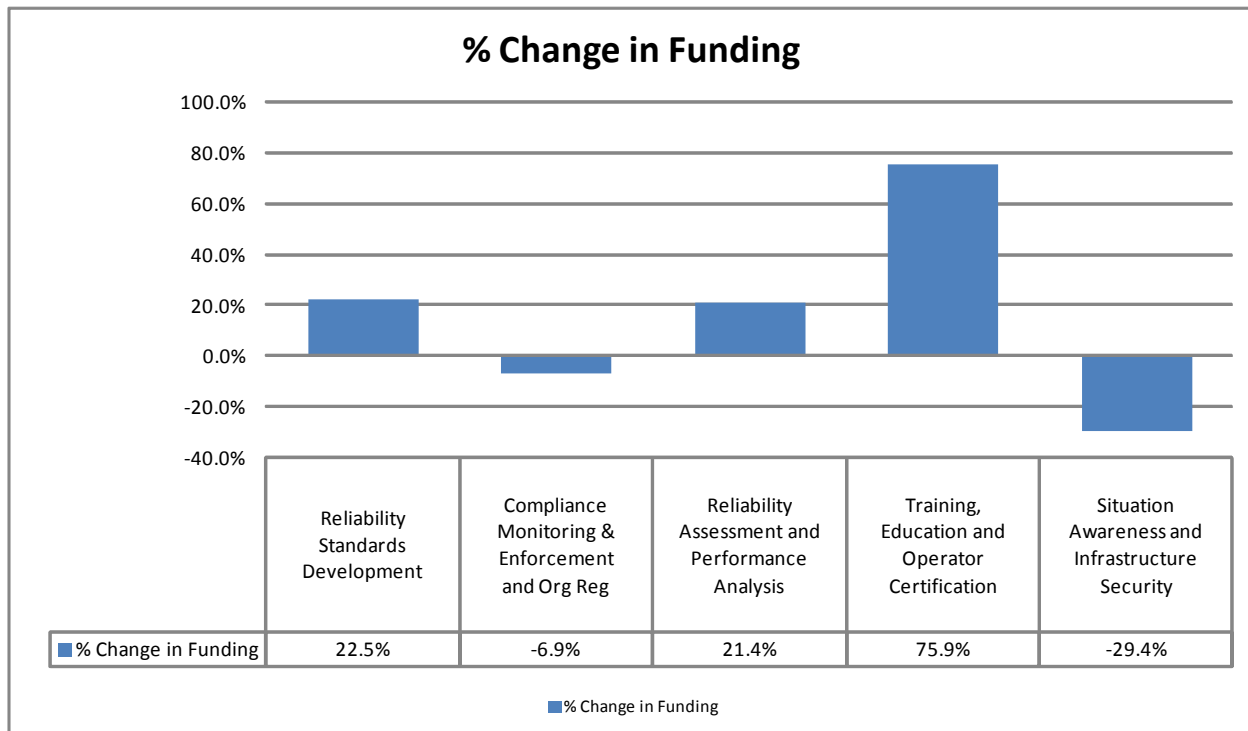
Detailed Business Plans and Budgets by Program

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 2012	Projection 2012	Budget 2013	Variance	
				2013 Budget v 2012 Budget	Variance %
Reliability Standards Development	327,091	327,091	400,675	73,584	22.5%
Compliance Monitoring & Enforcement and Org Reg	4,608,999	4,608,999	4,289,553	(319,447)	-6.9%
Reliability Assessment and Performance Analysis	1,152,785	1,150,945	1,399,000	246,215	21.4%
Training, Education and Operator Certification	215,487	208,127	378,953	163,466	75.9%
Situation Awareness and Infrastructure Security	90,092	90,092	63,601	(26,491)	-29.4%
Total Funding All Sources	6,394,454	6,385,254	6,531,782	137,328	2.1%

This graphical representation does not include an allocation of working capital requirements among the Program Areas.





Total FTE's by Program Area	Budget 2012	Projection 2012	Direct FTEs 2013 Budget	Shared FTEs ¹ 2013 Budget	Total FTEs 2013 Budget	Change from 2012 Budget
STATUTORY						
Operational Programs						
Reliability Standards Development	1.34	1.73		1.65	1.65	0.31
Compliance Monitoring & Enforcement and Org Reg	19.94	15.46	17.93		17.93	-2.01
Reliability Assessment and Performance Analysis	4.56	4.03		5.43	5.43	0.87
Training, Education and Operator Certification	0.49	0.38		1.11	1.11	0.62
Situation Awareness and Infrastructure Security	0.34	0.23		0.25	0.25	-0.09
Total FTEs Operational Programs	26.67	21.83	17.93	8.44	26.37	-0.30
Administrative Programs						
General & Administrative	4.02	3.62		3.75	3.75	-0.27
Total FTEs Administrative Programs	4.02	3.62	0.00	3.75	3.75	-0.27
Total FTEs	30.69	25.45	17.93	12.19	30.12	-0.57

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

2012 Statutory Budget and Projection and 2013 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
STATUTORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 4,424,850	\$ 4,424,850	\$ -	5,957,971	\$ 1,533,121
Penalty Sanctions	874,700	874,700	-	304,500	(570,200)
Total ERO Funding	\$ 5,299,550	\$ 5,299,550	\$ -	\$ 6,262,471	\$ 962,921
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	22,000	20,160	(1,840)	22,000	-
Workshops	79,430	72,070	(7,360)	90,000	10,570
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 5,400,980	\$ 5,391,780	\$ (9,200)	\$ 6,374,471	\$ 973,491
Expenses					
Personnel Expenses					
Salaries	\$ 3,667,708	3,421,708	\$ (246,000)	\$ 3,741,113	\$ 73,405
Payroll Taxes	246,785	281,835	35,050	240,656	(6,129)
Benefits	550,278	449,303	(100,975)	533,629	(16,649)
Retirement Costs	501,111	490,161	(10,950)	526,863	25,752
Total Personnel Expenses	\$ 4,965,882	\$ 4,643,007	\$ (322,875)	\$ 5,042,261	\$ 76,379
Meeting Expenses					
Meetings	\$ 62,776	\$ 61,206	\$ (1,570)	\$ 83,259	\$ 20,483
Travel	239,180	194,180	(45,000)	232,363	(6,817)
Conference Calls	19,858	16,914	(2,944)	19,347	(511)
Total Meeting Expenses	\$ 321,814	\$ 272,300	\$ (49,514)	\$ 334,969	\$ 13,155
Operating Expenses					
Consultants & Contracts	\$ 203,016	\$ 333,823	\$ 130,807	\$ 176,977	\$ (26,039)
Office Rent	437,647	425,847	(11,800)	572,285	134,638
Office Costs	183,959	103,559	(80,400)	199,513	15,554
Professional Services	177,376	191,242	13,866	176,538	(838)
Miscellaneous	-	-	-	-	-
Depreciation	150,899	133,179	(17,720)	93,493	(57,406)
Total Operating Expenses	\$ 1,152,897	\$ 1,187,650	\$ 34,753	\$ 1,218,806	\$ 65,909
Total Direct Expenses	\$ 6,440,593	\$ 6,102,957	\$ (337,636)	\$ 6,596,036	\$ 155,443
Indirect Expenses	\$ 0	\$ -	\$ (0)	\$ -	\$ (0)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 6,440,593	\$ 6,102,957	\$ (337,636)	\$ 6,596,036	\$ 155,443
Change in Assets	\$ (1,039,613)	\$ (711,177)	\$ 328,436	\$ (221,565)	\$ 818,048
Fixed Assets					
Depreciation	\$ (150,899)	\$ (133,179)	\$ 17,720	\$ (93,493)	\$ 57,406
Total Fixed Asset Purchases	104,760	89,209	(15,615)	29,239	(75,521)
Change in Fixed Assets	46,139	43,970	(2,105)	64,254	18,115
TOTAL BUDGET	\$ 6,394,454	\$ 6,058,987	\$ (335,531)	\$ 6,531,782	\$ 137,328
TOTAL CHANGE IN WORKING CAPITAL	\$ (993,474)	\$ (667,207)	\$ 326,331	\$ (157,311)	\$ 836,163
FTEs	30.69	25.45	(5.24)	30.12	(0.57)

Section A – Statutory Programs
2013 Business Plan and Budget

Reliability Standards Development Program

Reliability Standards Development Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.34	1.65	0.31
Direct Expenses	\$ 293,116	\$ 359,836	\$ 66,720
Indirect Expenses	\$ 35,028	\$ 41,958	\$ 6,930
Inc(Dec) in Fixed Assets	\$ (1,053)	\$ (1,119)	\$ (66)
Total Funding Requirement	\$ 327,091	\$ 400,675	\$ 73,584

Program Scope and Functional Description

The FRCC may develop, through the FRCC Regional Reliability Standards 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 Standards 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.

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.

FRCC staff follows and participates 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.

Regional Standards Process

The FRCC Regional Reliability Standards 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 a potential ballot participant 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 adoption. When adopted by NERC, they will be submitted to FERC for approval.

The FRCC Regional Reliability Standards Development Process shall be administered by the FRCC Manager of Reliability Standards who will ensure the integrity of the process and the consistency of quality and completeness of the FRCC Regional Reliability Standards.

2013 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. NERC will work to increase a project management discipline which it believes is necessary to satisfy standards development goals and priorities, including the assurance of a requisite level of quality.
2. The number of projects contained in NERC's Reliability Standards Development Plan is expected to increase over the planning period. However, the scope of these projects is generally expected to be narrower than would otherwise exist in the absence of the results-based standards initiative.
3. The number of interpretation and guidance requests is expected to decrease over time, reflecting the impact of the results-based standards initiative and improved standards development initiative.

4. NERC and the Regions will address and appropriately prioritize all fill-in-the-blank standards.
5. FRCC will continue to keep several regional standards development projects on hold while NERC development, on standards addressing the same reliability issues, proceeds to a conclusion. At that time, the need for a regional standard will be reassessed to determine if the regional standards development project is to continue, a regional variance to the NERC standard is to be developed or the regional project is to be terminated.
6. NERC will modify the standards development process to improve speed and quality, and to explicitly address cost-effectiveness while maintaining ANSI accreditation.
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.
8. FERC Orders associated with the revision of the NERC Glossary of Terms definition of Bulk Electric System include regional entity responsibilities associated with the implementation of regional “transition plans” and administration of the Rules of Procedure Exception Process. Therefore, the FRCC standards staff will lead the implementation of the NERC ROP BES Exception Process. This will include coordination with other FRCC departments and committees (Compliance, Reliability Assessment, Planning and Operations Committees).

2013 Goals and Key Deliverables

The Standards Program objectives for 2013 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.
- Implement the NERC ROP for the BES Exception Process. This will include coordinating with other FRCC departments and committees (Compliance, Reliability Assessment, Planning and Operations Committees for example).
- Participate in the development and approval of NERC Reliability Standards.
- Assist the FRCC members and registered entities in following and understanding NERC standards development activities by increasing education and outreach programs to include:
 - Development and presentation at Standards Workshops, Webinars and committee meetings to address continent-wide and regional reliability issues.
 - Develop and deliver project level communications, education and training for new or revised reliability standards.

- Develop enhanced Standards reports that provide a broader view of the NERC and FRCC standards development activities and provide detailed information on standards under development. This additional information will assist the members and registered entities in increasing their understanding of future standards and will help them develop specific comments for consideration of standard drafting teams.
- Review, analyze and identify potential Regional concerns associated with NERC Reliability Standards under development.
- Establish a stronger relationship with the FRCC standing committees to fully vet the concerns and assist in articulating the concern to support regional communication efforts between functional entities within the region.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Personnel Expenses – The addition of one engineer is budgeted to accommodate the BES exception process and to accomplish the 2013 Goals and Deliverables. With this addition, a reduction of time spent by shared staff will offset the impact of this full time person and enable the shared staff to enhance other RE programs.

Operating Expenses – Increase in lease commitment and space moving to new headquarters.

Reliability Standards Development Program

Funding sources and related expenses for the reliability standards section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
Reliability Standards Development					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 283,143	\$ 283,143	\$ -	\$ 381,622	\$ 98,479
Penalty Sanctions	\$ 43,948	\$ 43,948		19,053	(24,895)
Total ERO Funding	\$ 327,091	\$ 327,091	\$ -	\$ 400,675	\$ 73,584
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 327,091	\$ 327,091	\$ -	\$ 400,675	\$ 73,584
Expenses					
Personnel Expenses					
Salaries	\$ 160,141	\$ 222,141	\$ 62,000	\$ 204,940	\$ 44,799
Payroll Taxes	10,775	21,275	10,500	13,183	2,408
Benefits	27,479	26,679	(800)	34,059	6,580
Retirement Costs	21,880	32,380	10,500	28,862	6,982
Total Personnel Expenses	\$ 220,275	\$ 302,475	\$ 82,200	\$ 281,044	\$ 60,769
Meeting Expenses					
Meetings	\$ 2,814	\$ 714	\$ (2,100)	\$ 1,002	\$ (1,812)
Travel	45,423	37,423	(8,000)	35,721	(9,702)
Conference Calls	118	918	800	767	649
Total Meeting Expenses	\$ 48,355	\$ 39,055	\$ (9,300)	\$ 37,490	\$ (10,865)
Operating Expenses					
Consultants & Contracts	\$ 86	\$ 86	\$ -	\$ -	\$ (86)
Office Rent	9,018	11,418	2,400	18,690	9,672
Office Costs	6,585	7,385	800	9,136	2,551
Professional Services	7,744	17,844	10,100	12,134	4,390
Miscellaneous	-	-	-	-	-
Depreciation	1,053	2,653	1,600	1,342	289
Total Operating Expenses	\$ 24,486	\$ 39,386	\$ 14,900	\$ 41,302	\$ 16,816
Total Direct Expenses	\$ 293,116	\$ 380,916	\$ 87,800	\$ 359,836	\$ 66,720
Indirect Expenses	\$ 35,028	\$ 52,028	\$ 17,000	\$ 41,958	\$ 6,930
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 328,144	\$ 432,944	\$ 104,800	\$ 401,794	\$ 73,650
Change in Assets	\$ (1,053)	\$ (105,853)	\$ (104,800)	\$ (1,119)	\$ (66)
Fixed Assets					
Depreciation	\$ (1,053)	\$ (2,653)	\$ (1,600)	\$ (1,342)	\$ (289)
Total Fixed Asset Purchases	-	3,815	3,815	223	223
Change in Fixed Assets	\$ 1,053	\$ (1,162)	\$ (2,215)	\$ 1,119	\$ 66
TOTAL BUDGET	\$ 327,091	\$ 434,106	\$ 107,015	\$ 400,675	\$ 73,584
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ (107,015)	\$ (107,015)	\$ -	\$ -
FTEs	1.34	1.73	0.39	1.65	0.31

Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	19.94	17.93	(2.01)
Direct Expenses	\$ 4,116,882	\$ 3,887,367	\$ (229,515)
Indirect Expenses	\$ 521,241	\$ 455,943	\$ (65,299)
Inc(Dec) in Fixed Assets	\$ (29,124)	\$ (53,757)	\$ (24,633)
Total Funding Requirement	\$ 4,608,999	\$ 4,289,553	\$ (319,447)

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 and transparency as possible in the implementation of the CMEP.

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 and maintain reliability risk profiles of the 70 registered entities along with the workload increase due to additional spot checks anticipated. In addition increased outreach and education of registered entities and increased training of compliance auditors and enforcement personnel will continue in 2013. However, the increased efficiencies developed through collaboration and coordination of NERC and the Regional Entities and the efficiencies of increased enforcement

discretion capabilities will enable the additional work to be accomplished without the need for additional staff resources in the compliance program.

2013 Highlights Compliance Monitoring and Enforcement Processes

In 2013 the FRCC will monitor, assess and enforce compliance with Reliability Standards using seven (7) monitoring processes (Compliance Audits, Self-Certifications, Spot Checking, Compliance Investigations, Self-Reporting, Periodic Data Submittals, and Complaints) to collect information in order to make assessments of compliance to Reliability Standards. However as risk based monitoring activities increase, strong consideration will be given by NERC and the Regions to modifying the current three (3) and six (6) year audit cycles for registered entities. The rigor, scope, depth and recurrence of audits and spot checks will be assessed by the reliability risk and not a predetermined schedule.

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. Currently there are 70 Registered Entities with a total of 244 registered functions. In addition, there are three (3) Joint Registration Organization (JRO) registrations covering TO, DP and GO functions. 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. While expectations of increased activity are associated with the implementation of the BES Exception Process, we do not expect significant increases in activity associated with registration and certification of registered entities.

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 brought significant advances in enforcement discretion of violations with minimal impact to the reliability of the BES. This additional discretion will continue in 2013 allowing for more focus being placed on those violations that pose more of a risk to the reliability of the BES.

2013 Key Assumptions

- Audits will continue under the schedule to complete BA, TOP, and RC audits every three years and other entities every six years in 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.
- Staffing resources required for CMEP activities are expected to be flat, as compared to 2012 actual results, during the planning period.

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- Resource implications associated with the FERC approved Find Fix and Track (FFT) process are unclear at this point but are expected to lead to continued refinement, improvement and prioritization of risk based compliance monitoring efforts.
 - In general the number of CIP violations is not expected to decrease and may increase over the planning period until all entities have undergone a CIP audit and until a measure of stability in the standards is reached. The CIP-002 V4 Reliability Standard, if approved by FERC, in particular, 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 is expected to require significant staffing resources at NERC and across the industry as the Regional Entities perform reviews and gauge compensating measures. NERC and the Regional Entities are assessing possible changes in the TFE processing to improve efficiency.
 - 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, consistency and transparency of compliance processes and procedures.
 - The current trend of alleged violations is expected to continue during the planning period. The number of non-CIP violations is expected to decrease while an increase in CIP violations is expected to continue until the CIP standards reach a level of stability.
 - NERC will continue to 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.
 - Integration of the assessment of registered entity internal controls programs as part of the compliance monitoring program will allow NERC and the Regional Entities to further prioritize risk based compliance monitoring activities. Greater emphasis on internal controls provide positive incentives for industry to demonstrate effective management of compliance programs that are focused on reliability, as well as place downward pressure on compliance resource requirements for industry, NERC and the Regional Entities.

2013 Goals and Key Deliverables

The Compliance Monitoring and Enforcement Program objectives for 2013 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.
- Enforce compliance with mandatory reliability standards in accordance with the CMEP and ROP while improving consistency, quality, timeliness and utilizing more enforcement discretion for those violations that have minimal impact to the reliability of the BES.
- Develop and maintain reliability risk profiles of all registered entities in the FRCC Region for use in the continued transition to a more risk-based compliance monitoring.

- Work with NERC Compliance staff and other Regional Entity Compliance staff to modify compliance procedures to promote greater process transparency to registered entities and greater consistency in the determination of violations and penalties.
- Conduct periodic audits, spot checks, self-certifications, and compliance investigations as required by the NERC Compliance Monitoring and Enforcement Program. There are currently fourteen (14) Operations & Planning Audits and eleven (11) CIP Audits planned for 2013. In addition, the FRCC plans to conduct four (4) CIP Mock Audits in 2013 to assist Registered Entities in their readiness for implementation of the CIP Version 4 standards.
- Ensure timely and thorough mitigation of all violations of mandatory reliability standards.
- Promote a culture of compliance excellence through education, transparency, information sharing and incentives.
- Fully implement and convert all Compliance documents to the Document Management System including all documents currently in storage, thus alleviating all need for paper copies of documents.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Personnel Expenses– This decrease is the result of not filling 2 enforcement staff positions budgeted for in 2012 and 1 administrative assistant which were determined not to be needed as the result of improved internal efficiencies and the FERC approval of increased enforcement discretion (the Find Fix and Track process).

Operating Expenses – Increase in lease commitment and space moving to new headquarters.

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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
Compliance Monitoring & Enforcement and Organization Registration & Certification					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 3,955,024	\$ 3,955,024	\$ -	\$ 4,082,511	\$ 127,487
Penalty Sanctions	653,975	653,975		207,042	(446,934)
Total ERO Funding	\$ 4,608,999	\$ 4,608,999	\$ -	\$ 4,289,553	\$ (319,447)
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 4,608,999	\$ 4,608,999	\$ -	\$ 4,289,553	\$ (319,447)
Expenses					
Personnel Expenses					
Salaries	\$ 2,382,994	\$ 2,020,994	\$ (362,000)	\$ 2,227,031	\$ (155,963)
Payroll Taxes	160,342	165,342	5,000	143,260	(17,082)
Benefits	382,775	298,775	(84,000)	321,490	(61,285)
Retirement Costs	325,583	289,583	(36,000)	313,634	(11,949)
Total Personnel Expenses	\$ 3,251,694	\$ 2,774,694	\$ (477,000)	\$ 3,005,415	\$ (246,279)
Meeting Expenses					
Meetings	\$ 5,849	\$ 5,849	\$ -	\$ 6,501	\$ 652
Travel	131,240	104,240	(27,000)	131,336	96
Conference Calls	4,053	7,253	3,200	3,285	(768)
Total Meeting Expenses	\$ 141,142	\$ 117,342	\$ (23,800)	\$ 141,122	\$ (20)
Operating Expenses					
Consultants & Contracts	\$ 28,284	\$ 147,613	\$ 119,329	\$ 16,800	\$ (11,484)
Office Rent	365,307	359,307	(6,000)	434,212	68,905
Office Costs	84,535	61,935	(22,600)	91,091	6,556
Professional Services	115,246	128,846	13,600	117,809	2,563
Miscellaneous	-	-	-	-	-
Depreciation	130,674	104,674	(26,000)	80,918	(49,756)
Total Operating Expenses	\$ 724,046	\$ 802,375	\$ 78,329	\$ 740,830	\$ 16,784
Total Direct Expenses	\$ 4,116,882	\$ 3,694,411	\$ (422,471)	\$ 3,887,367	\$ (229,515)
Indirect Expenses	\$ 521,241	\$ 455,241	\$ (66,000)	\$ 455,943	\$ (65,299)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 4,638,123	\$ 4,149,652	\$ (488,471)	\$ 4,343,310	\$ (294,814)
Change in Assets	\$ (29,124)	\$ 459,347	\$ 488,471	\$ (53,757)	\$ (24,633)
Fixed Assets					
Depreciation	\$ (130,674)	\$ (104,674)	26,000	(80,918)	49,756
Total Fixed Asset Purchases	101,550	83,000	(18,550)	27,161	(74,389)
Change in Fixed Assets	\$ 29,124	\$ 21,674	\$ (7,450)	\$ 53,757	\$ 24,633
TOTAL BUDGET	\$ 4,608,999	\$ 4,127,978	\$ (481,021)	\$ 4,289,553	\$ (319,447)
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ 481,021	\$ 481,021	\$ -	\$ 0
FTEs	19.94	15.46	(4.48)	17.93	(2.01)

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	4.56	5.43	0.87
Direct Expenses	\$ 1,035,173	\$ 1,265,546	\$ 230,373
Indirect Expenses	\$ 119,201	\$ 138,080	\$ 18,879
Inc(Dec) in Fixed Assets	\$ (1,589)	\$ (4,626)	\$ (3,037)
Total Funding Requirement	\$ 1,152,785	\$ 1,399,000	\$ 246,215

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 planned system is robust, reliable and stable. The FRCC will participate in Event Analysis Teams to analyze any disturbances that may occur within the FRCC region and lead the Event Analysis Teams when disturbances occur within the FRCC region and are a category 3 or greater as defined in the Event Analysis Procedure.

The FRCC performs transmission reliability studies in order to provide an assessment to NERC for their periodic NERC Reliability Assessments. These studies evaluate regional and inter-regional facilities. The FRCC prepares a minimum of six reliability assessments each year in support of NERC Reliability Assessments:

- 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 evaluate 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 actively participates 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 impact 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 for the purpose of reporting and categorizing system events and security incidents, 2) provide timely publication of lessons learned and recommendations to prevent events in the future through the NERC Event Analysis Subcommittee (EAS) (formerly called the Event Analysis Working Group), and 3) work with NERC to develop and provide root cause analysis training and other related training as the need may arise.

The logging, reviewing, and tracking of reports and analysis of events in accordance with NERC's event analysis initiatives will continue.

2013 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 continue to be mandatory in 2013. 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.
- Implementation of a BES exception process is expected to have a minimal impact on resource requirements, since we do not expect many requests and resource requirements will be driven by the number of exception requests received.
- To meet NERC's 3-year assessment commitments:
 - NERC will continue to vet metric development, collection and analysis with industry stakeholders through the Performance and Analysis Subcommittee (PAS).
 - NERC will provide quarterly updates of metric analysis results through NERC's website, NERC News, and via Webinars, and an annual report of the state-of-reliability in North America based on metric trends and technical analysis.

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- 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 assessments overviews: 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 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 existing practices.
 - NERC will continue to support 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.

2013 Goals and Key Deliverables

The Reliability Assessment and Performance Analysis Objectives for 2013 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.
- Support the implementation of the BES exception process. This will include providing a technical review of exception requests that are submitted by the registered entities.
- 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 that impact 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., Florida Public Service Commission (FPSC), Department of Energy (DOE), FERC, Energy Information Administration (EIA), etc.).
- Develop new and enhance existing regional reliability assessment processes, regional criteria, and methodologies to ensure BES reliability.
- Support NERC's event analysis initiatives.
- Develop methods of sharing best practice for transmission planning to ensure reliability.
- Maintain a databank of power flow, short circuit and 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 – More time (0.87 FTE) is budgeted to be spent here.

Operating Expenses – Increase in lease commitment and space moving to new headquarters and increase in legal fees associated with the implementation of the BES exception process.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget Reliability Assessment and Performance Analysis					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 981,230	\$ 981,230	\$ -	\$ 1,314,298	\$ 333,069
Penalty Sanctions	149,555	149,555	-	62,701	(86,854)
Total ERO Funding	\$ 1,130,785	\$ 1,130,785	\$ -	\$ 1,377,000	\$ 246,215
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	22,000	20,160	(1,840)	22,000	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,152,785	\$ 1,150,945	\$ (1,840)	\$ 1,399,000	\$ 246,215
Expenses					
Personnel Expenses					
Salaries	\$ 544,958	\$ 615,958	\$ 71,000	\$ 674,444	\$ 129,486
Payroll Taxes	36,668	59,068	22,400	43,385	6,717
Benefits	74,167	60,167	(14,000)	97,086	22,919
Retirement Costs	74,456	90,206	15,750	94,982	20,526
Total Personnel Expenses	\$ 730,249	\$ 825,399	\$ 95,150	\$ 909,897	\$ 179,648
Meeting Expenses					
Meetings	\$ 4,548	\$ 4,278	\$ (270)	\$ 4,810	\$ 262
Travel	48,214	39,214	(9,000)	49,865	1,651
Conference Calls	10,847	4,847	(6,000)	10,387	(460)
Total Meeting Expenses	\$ 63,609	\$ 48,339	\$ (15,270)	\$ 65,062	\$ 1,453
Operating Expenses					
Consultants & Contracts	\$ 115,471	\$ 127,471	\$ 12,000	\$ 115,177	\$ (294)
Office Rent	30,685	26,685	(4,000)	61,504	30,819
Office Costs	64,005	16,005	(48,000)	71,379	7,374
Professional Services	26,355	37,555	11,200	37,218	10,863
Miscellaneous	-	-	-	-	-
Depreciation	4,799	5,999	1,200	5,309	510
Total Operating Expenses	\$ 241,315	\$ 213,715	\$ (27,600)	\$ 290,587	\$ 49,272
Total Direct Expenses	\$ 1,035,173	\$ 1,087,453	\$ 52,280	\$ 1,265,546	\$ 230,373
Indirect Expenses	\$ 119,201	\$ 117,401	\$ (1,800)	\$ 138,080	\$ 18,879
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,154,374	\$ 1,204,854	\$ 50,480	\$ 1,403,626	\$ 249,252
Change in Assets	\$ (1,589)	\$ (53,909)	\$ (52,320)	\$ (4,626)	\$ (3,037)
Fixed Assets					
Depreciation	\$ (4,799)	\$ (5,999)	(1,200)	(5,309)	(510)
Total Fixed Asset Purchases	3,210	2,296	(914)	683	(2,527)
Change in Fixed Assets	\$ 1,589	\$ 3,703	\$ 2,114	\$ 4,626	\$ 3,037
TOTAL BUDGET	\$ 1,152,785	\$ 1,201,151	\$ 48,366	\$ 1,399,000	\$ 246,215
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ (50,206)	\$ (50,206)	\$ -	\$ -
FTEs	4.56	4.03	(0.53)	5.43	0.87

Training, Education, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	0.49	1.11	0.62
Direct Expenses	\$ 203,593	\$ 350,412	\$ 146,819
Indirect Expenses	\$ 12,809	\$ 28,226	\$ 15,417
Inc(Dec) in Fixed Assets	\$ (915)	\$ 315	\$ 1,230
Total Funding Requirement	\$ 215,487	\$ 378,953	\$ 163,466

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.

The FRCC provides educational workshops and web based outreach seminars on improving Registered Entity understanding of the FRCC CMEP, NERC Standards Development and CIP topics and trends. These outreach efforts are aimed at improving the effectiveness, understanding of and adherence to NERC reliability initiatives. The workshops also improve the working relationships between the FRCC Regional Entity program areas and the Registered Entities within the FRCC region.

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 2013 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 apprised 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 2013 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 2013. 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.

In addition to supporting other FRCC workshops, the FRCC Standards Development program plans to hold quarterly webinars to increase education and understanding of reliability standards under development and to increase understanding of new or revised reliability standards that have been approved and will be subject to mandatory enforcement.

Critical Infrastructure Protection Workshops

The FRCC will be conducting two Critical Infrastructure Protection (CIP) informational workshops during 2013. The workshops will be designed to inform FRCC Members and Registered Entities about current issues and expected changes related to protecting critical infrastructure by concentrating on lessons learned by Registered Entities within the region.

2013 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 2013. 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.

2013 Goals and Key Deliverables

The training, education and operator certification program objectives for 2013 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.
- Host Reliability Standards Webinars open to all interested industry participants aimed at providing updates concerning reliability standards under development, as well as new or revised approved reliability standards that will be subject to mandatory enforcement.
- 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.
- Work with NERC and the other Regional Entities to achieve improvements in the coordination, content and manner of internal and external training programs.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Other Funding is increasing due to increased System Operator Seminar costs which are funded primarily by attendees.

Personnel Expenses – Utilization of internal staff to teach workshops and training versus using outside personnel for new subjects, thus more time will be spent on this program.

Meeting Expenses – This increase is due primarily to the CIPS seminar expense being held in a hotel rather than on site, as well the cost of SOS costs increasing.

Operating Expenses – Increase in lease commitment and space moving to new headquarters.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget Training, Education and Operator Certification					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 119,986	\$ 119,986	\$ -	\$ 276,136	\$ 156,150
Penalty Sanctions	16,071	16,071	-	12,817	(3,253)
Total ERO Funding	\$ 136,057	\$ 136,057	\$ -	\$ 288,953	\$ 152,896
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	79,430	72,070	(7,360)	90,000	10,570
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 215,487	\$ 208,127	\$ (7,360)	\$ 378,953	\$ 163,466
Expenses					
Personnel Expenses					
Salaries	\$ 58,559	\$ 57,559	\$ (1,000)	\$ 137,870	\$ 79,311
Payroll Taxes	3,940	3,890	(50)	8,869	4,929
Benefits	6,617	6,542	(75)	18,009	11,392
Retirement Costs	8,001	7,901	(100)	19,416	11,415
Total Personnel Expenses	\$ 77,117	\$ 75,892	\$ (1,225)	\$ 184,164	\$ 107,047
Meeting Expenses					
Meetings	\$ 48,863	\$ 49,663	\$ 800	\$ 70,908	\$ 22,045
Travel	10,327	9,827	(500)	12,228	1,901
Conference Calls	4,771	3,871	(900)	4,902	131
Total Meeting Expenses	\$ 63,961	\$ 63,361	\$ (600)	\$ 88,038	\$ 24,077
Operating Expenses					
Consultants & Contracts	\$ 48,894	\$ 48,394	\$ (500)	\$ 45,000	\$ (3,894)
Office Rent	3,297	4,297	1,000	12,573	9,276
Office Costs	6,577	7,577	1,000	12,312	5,735
Professional Services	2,832	5,832	3,000	7,502	4,670
Miscellaneous	-	-	-	-	-
Depreciation	915	1,715	800	823	(92)
Total Operating Expenses	\$ 62,515	\$ 67,815	\$ 5,300	\$ 78,210	\$ 15,695
Total Direct Expenses	\$ 203,593	\$ 207,068	\$ 3,475	\$ 350,412	\$ 146,819
Indirect Expenses	\$ 12,809	\$ 19,309	\$ 6,500	\$ 28,226	\$ 15,417
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 216,402	\$ 226,377	\$ 9,975	\$ 378,638	\$ 162,236
Change in Assets	\$ (915)	\$ (18,250)	\$ (17,335)	\$ 315	\$ 1,230
Fixed Assets					
Depreciation	\$ (915)	\$ (1,715)	\$ (800)	\$ (823)	\$ 92
Total Fixed Asset Purchases	-	34	34	1,138	1,138
Change in Fixed Assets	\$ 915	\$ 1,681	\$ 766	\$ (315)	\$ (1,230)
TOTAL BUDGET	\$ 215,487	\$ 224,696	\$ 9,209	\$ 378,953	\$ 163,466
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ (16,569)	\$ (16,569)	\$ -	\$ -
FTEs	0.49	0.38	(0.11)	1.11	0.62

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	0.34	0.25	(0.09)
Direct Expenses	\$ 92,655	\$ 59,771	\$ (32,884)
Indirect Expenses	\$ 8,888	\$ 6,357	\$ (2,531)
Inc(Dec) in Fixed Assets	\$ (11,451)	\$ (2,527)	\$ 8,924
Total Funding Requirement	\$ 90,092	\$ 63,601	\$ (26,491)

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 BES 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) Version 2 project and the FRCC satellite phone for situation awareness.

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.

2013 Key Assumptions

- 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.

2013 Goals and Key Deliverables

- 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)

Personnel Expenses – Less time is budgeted to be spent on this program.

Operating Expenses – Increase in lease commitment and space moving to new headquarters offset by the costs for operating and maintenance of the NERC SAFNR tools not having to be spent in 2013.

- **Situation Awareness and Infrastructure Security Program**

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
Situation Awareness and Infrastructure Security					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 78,941	\$ 78,941	\$ -	\$ 60,714	\$ (18,226)
Penalty Sanctions	11,151	11,151	-	2,887	(8,264)
Total ERO Funding	\$ 90,092	\$ 90,092	\$ -	\$ 63,601	\$ (26,491)
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 90,092	\$ 90,092	\$ -	\$ 63,601	\$ (26,491)
Expenses					
Personnel Expenses					
Salaries	\$ 40,633	\$ 34,633	\$ (6,000)	\$ 31,052	\$ (9,581)
Payroll Taxes	2,734	2,334	(400)	1,997	(737)
Benefits	4,955	4,355	(600)	4,070	(885)
Retirement Costs	5,552	4,752	(800)	4,373	(1,179)
Total Personnel Expenses	\$ 53,874	\$ 46,074	\$ (7,800)	\$ 41,492	\$ (12,382)
Meeting Expenses					
Meetings	\$ 331	\$ 331	\$ -	\$ 38	\$ (293)
Travel	3,976	3,476	(500)	3,213	(763)
Conference Calls	5	25	20	6	1
Total Meeting Expenses	\$ 4,312	\$ 3,832	\$ (480)	\$ 3,257	\$ (1,055)
Operating Expenses					
Consultants & Contracts	\$ 10,022	\$ 10,000	\$ (22)	\$ -	\$ (10,022)
Office Rent	2,288	1,088	(1,200)	2,831	543
Office Costs	8,743	7,943	(800)	7,755	(988)
Professional Services	1,965	1,165	(800)	1,875	(90)
Miscellaneous	-	-	-	-	-
Depreciation	11,451	15,851	4,400	2,561	(8,890)
Total Operating Expenses	\$ 34,469	\$ 36,047	\$ 1,578	\$ 15,022	\$ (19,447)
Total Direct Expenses	\$ 92,655	\$ 85,953	\$ (6,702)	\$ 59,771	\$ (32,884)
Indirect Expenses	\$ 8,888	\$ 3,388	\$ (5,500)	\$ 6,357	\$ (2,531)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 101,543	\$ 89,341	\$ (12,202)	\$ 66,128	\$ (35,415)
Change in Assets	\$ (11,451)	\$ 751	\$ 12,202	\$ (2,527)	\$ 8,924
Fixed Assets					
Depreciation	\$ (11,451)	\$ (15,851)	(4,400)	(2,561)	8,890
Total Fixed Asset Purchases	-	64		34	34
Change in Fixed Assets	\$ 11,451	\$ 15,787	\$ 4,400	\$ 2,527	\$ (8,924)
TOTAL BUDGET	\$ 90,092	\$ 73,554	\$ (16,602)	\$ 63,601	\$ (26,491)
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ 16,538	\$ 16,602	\$ -	\$ -
FTEs	0.34	0.23	(0.11)	0.25	(0.09)

General and Administrative

General and Administrative (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	4.02	3.75	(0.27)
Expenses	\$ 699,174	\$ 673,104	\$ (26,070)
Inc(Dec) in Fixed Assets	\$ (2,007)	\$ (2,540)	\$ (533)
Total Allocation to Statutory Programs	\$ 697,167	\$ 670,564	\$ (26,603)
Working Capital Requirement	\$ (993,474)	\$ (157,311)	\$ 836,163

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.

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.

2013 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), the FRCC corporate website, as well as other systems for collaboration, communication, data gathering and analysis.

2013 Goals and Key Deliverables

- Maintain IT and telecommunications systems and resources for efficient utilization of FRCC personnel to support keeping staffing levels constant for the planning period.
- 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.
- Expand IT support of the FRCC CMEP and provide additional metrics to improve accuracy and tracking within the CMEP processes.
- Fully implement and complete the Document Management conversion of all Compliance documents including those documents currently in storage.
- Continue the process of Document Management conversion in the Operating and Planning programs.
- Assist in the build out and move to the new facility.

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.

2013 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.

2013 Goals and Key Deliverables

- Prepare the 2014 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
- Complete the build out and move of the corporation to the new facility.

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 – Less time spent in General & Administrative.

Operating Expenses – Increase in lease commitment and space moving to new headquarters offset by less being budgeted for legal expenses.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget General and Administrative					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ (993,474)	\$ (993,474)	\$ -	\$ (157,311)	\$ 836,163
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	\$ (993,474)	\$ (993,474)	\$ -	\$ (157,311)	\$ 836,163
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ (993,474)	\$ (993,474)	\$ -	\$ (157,311)	\$ 836,163
Expenses					
Personnel Expenses					
Salaries	\$ 480,423	\$ 470,423	\$ (10,000)	\$ 465,776	\$ (14,647)
Payroll Taxes	32,326	29,926	(2,400)	29,962	(2,364)
Benefits	54,285	52,785	(1,500)	58,915	4,630
Retirement Costs	65,639	65,339	(300)	65,596	(43)
Total Personnel Expenses	\$ 632,673	\$ 618,473	\$ (14,200)	\$ 620,249	\$ (12,424)
Meeting Expenses					
Meetings	\$ 371	\$ 371	\$ -	\$ -	\$ (371)
Travel	-	-	-	-	-
Conference Calls	64	-	(64)	-	(64)
Total Meeting Expenses	\$ 435	\$ 371	\$ (64)	\$ -	\$ (435)
Operating Expenses					
Consultants & Contracts	\$ 259	\$ 259	\$ -	\$ -	\$ (259)
Office Rent	27,052	23,052	(4,000)	42,475	15,423
Office Costs	13,514	2,714	(10,800)	7,840	(5,674)
Professional Services	23,234	-	(23,234)	-	(23,234)
Miscellaneous	-	-	-	-	-
Depreciation	2,007	2,287	280	2,540	533
Total Operating Expenses	\$ 66,066	\$ 28,312	\$ (37,754)	\$ 52,855	\$ (13,211)
Total Direct Expenses	\$ 699,174	\$ 647,156	\$ (52,018)	\$ 673,104	\$ (26,070)
Indirect Expenses	\$ (697,167)	\$ (647,367)	\$ 49,800	\$ (670,564)	\$ 26,603
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,007	\$ (211)	\$ (2,218)	\$ 2,540	\$ 533
Change in Assets	\$ (995,481)	\$ (993,263)	\$ 2,218	\$ (159,851)	\$ 835,630
Fixed Assets					
Depreciation	\$ (2,007)	\$ (2,287)	\$ (280)	\$ (2,540)	(533)
Total Fixed Asset Purchases	-	-	-	-	-
Change in Fixed Assets	\$ 2,007	\$ 2,287	\$ 280	\$ 2,540	\$ 533
TOTAL BUDGET	\$ -	\$ (2,498)	\$ (2,498)	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL	\$ (993,474)	\$ (990,976)	\$ 2,498	\$ (157,311)	\$ 836,163
FTEs	4.02	3.62	(0.40)	3.75	(0.27)

Section B – Supplemental Financial Information
2013 Business Plan and Budget

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2012-2013	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2011	
	1,455,607
Less: Penalty sanctions being held to be used as offset to 2013 assessments ¹	(304,500)
Plus: 2012 ERO Funding (from LSEs or designees)	4,424,850
Plus: Projected 2012 Other funding sources	92,230
Plus: Penalty Sanctions Applied	874,700
Less: 2012 Projected expenses & capital expenditures	(6,058,987)
Projected Working Capital Reserve Surplus/(Deficit), December 31, 2012	483,900
Desired Working Capital Reserve, December 31, 2013	² 326,589
Less: Projected Working Capital Reserve, December 31, 2012	(483,900)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(157,311)
2013 Assessment for Expenses and Capital Expenditures	6,531,782
Less: Penalty Sanctions ¹	(304,500)
Less: Other Funding Sources	(112,000)
Adjustment to achieve desired Working Capital Reserve	(157,311)
2013 Assessment	5,957,971

¹ Represents collections prior to June 30, 2012.

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 2013 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, 2012 are to be used to offset assessments in the 2013 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, 2012 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, 2012		
	Date Received	Amount Received
Penalty #1	7/12/2011	17,000
Penalty #2	7/28/2011	3,000
Penalty #3	8/15/2011	1,000
Penalty #4	8/22/2011	3,500
Penalty #5	9/20/2011	4,500
Penalty #6	9/27/2011	1,500
Penalty #7	9/26/2011	14,000
Penalty #8	10/17/2011	40,000
Penalty #9	11/7/2011	30,000
Penalty #10	11/14/2011	38,000
Penalty #11	12/28/2011	75,000
Penalty #12	12/28//2011	55,000
Penalty #13	4/16/2012	22,000
Total Penalties Received		\$ 304,500

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program		Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget
Reliability Standards Development					
Total		\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration					
Total		\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis					
Services & Software Fees		\$ 22,000	\$ 20,160	\$ 22,000	\$ -
Total		\$ 22,000	\$ 20,160	\$ 22,000	\$ -
Training, Education and Operator Certification					
Workshops		\$ 79,430	\$ 72,070	\$ 90,000	\$ 10,570
Total		\$ 79,430	\$ 72,070	\$ 90,000	\$ 10,570
Situation Awareness and Infrastructure Security					
Total		\$ -	\$ -	\$ -	\$ -
General and Administrative*					
Interest		\$ -	\$ -	\$ -	\$ -
Total		\$ -	\$ -	\$ -	\$ -
Total Outside Funding		\$ 101,430	\$ 92,230	\$ 112,000	\$ 10,570

Assumes that no appreciable excess cash will be in the Bank Accounts and due to current low interest rates, no Interest is being budgeted.

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Salaries					
Total Salaries	\$ 3,667,708	\$ 3,421,708	\$ 3,741,113	\$ 73,405	2.00%
Total Payroll Taxes	\$ 246,785	\$ 281,835	\$ 240,656	\$ (6,129)	-2.48%
Benefits					
Workers Compensation	\$ 9,168	\$ 9,168	\$ 10,849	\$ 1,681	18.34%
Medical, LTD, STD Insurances	384,587	375,111	442,191	57,604	14.98%
Employment Fees	30,500	-	-	(30,500)	-100.00%
Education	45,006	45,006	48,315	3,309	7.35%
Employee Welfare	20,018	20,018	32,274	12,256	61.22%
Relocation	61,000	-	-	(61,000)	-100.00%
Total Benefits	\$ 550,278	\$ 449,303	\$ 533,629	\$ (16,650)	-3.03%
Retirement					
Retirement Costs	\$ 501,111	\$ 490,161	\$ 526,863	\$ 25,752	5.14%
Total Retirement	\$ 501,111	\$ 490,161	\$ 526,863	\$ 25,752	5.14%
Total Personnel Costs	\$ 4,965,882	\$ 4,643,007	\$ 5,042,261	\$ 76,378	1.54%
FTEs	30.69	25.45	30.12	(0.6)	-1.86%
Cost per FTE					
Salaries	\$ 119,508	\$ 134,448	\$ 124,207	4,699	3.93%
Payroll Taxes	8,041	11,074	7,990	(51)	-0.64%
Benefits	17,930	17,654	17,717	(213)	-1.19%
Retirement	16,328	19,260	17,492	1,164	7.13%
Total Cost per FTE	\$ 161,808	\$ 182,436	\$ 167,406	\$ 5,598	3.46%

Consultants and Contracts

Table B-5

Consultants and Contracts	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012	Variance %
Consultants					
Reliability Standards Development	\$ 86	\$ 86	\$ -	\$ (86)	-100.00%
Compliance Monitoring & Enforcement and Org Reg	28,284	147,613	16,800	(11,484)	-40.60%
Reliability Assessment and Performance Analysis	115,471	127,471	115,177	(294)	-0.25%
Training, Education and Operator Certification	48,894	48,394	45,000	(3,894)	-7.96%
Situation Awareness and Infrastructure Security	10,022	10,000	-	(10,022)	-100.00%
General and Administrative	259	259	-	(259)	-100.00%
Total Consulting and Contracts	\$ 203,016	\$ 333,823	\$ 176,977	\$ (26,039)	-12.83%

“The budgeted amount for Consultants & Contracts in the Compliance Monitoring and Enforcement Program includes \$15,000 estimated by SERC as the costs for SERC to perform compliance monitoring and enforcement responsibilities for the FRCC registered functions.”

Office Rent**Table B-6**

Office Rent	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Office Rent	\$ 437,647	\$ 425,847	\$ 572,285	\$ 134,638	30.76%
Total Office Rent	\$ 437,647	\$ 425,847	\$ 572,285	\$ 134,638	30.76%

Moving to new space in 2013 to consolidate staff in one location and increase meeting space.

Office Costs**Table B-7**

Office Costs	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Telephone*	\$ 47,363	\$ 47,363	\$ 63,897	\$ 16,534	34.91%
Internet	7,247	7,247	7,124	\$ (123)	-1.70%
Office Supplies*	2,964	2,964	6,914	\$ 3,950	133.27%
Computer Supplies*	36,850	11,450	9,559	\$ (27,291)	-74.06%
Publications, Subscriptions & Dues	2,081	2,081	1,796	\$ (285)	-13.70%
Postage	2,241	2,241	1,619	\$ (622)	-27.76%
Equipment Maintenance*	46,805	6,805	80,228	\$ 33,423	71.41%
Copying	11,347	6,347	9,181	\$ (2,166)	-19.09%
Printing	15,201	5,201	7,238	\$ (7,963)	-52.38%
Stationary Forms		-		\$ -	
Commerical Insurance	11,860	11,860	11,957	\$ 97	0.82%
Miscellaneous		-		\$ -	
Total Office Costs	\$ 183,959	\$ 103,559	\$ 199,513	\$ 15,554	8.46%

*Expenses associated with equipment for the new space and increased meeting space.

Professional Services**Table B-8**

Professional Services	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Outside Legal	\$ 164,725	\$ 178,591	\$ 161,925	\$ (2,800)	-1.70%
Accounting & Auditing Fees	12,651	12,651	14,613	\$ 1,962	15.51%
Total Services	\$ 177,376	\$ 191,242	\$ 176,538	\$ (838)	-0.47%

Other Non-Operating Expenses

Table B-9

Other Non-Operating Expenses	Budget 2012	Projection 2012	Budget 2013	Variance	
				2013 Budget v 2012 Budget	Variance %
Interest Expense	\$ -	\$ -		\$ -	
Office Relocation	-	-		\$ -	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

2013, 2014 and 2015 Projections

Table B-10

Statement of Activities and Capital Expenditures 2013, 2014 and 2015 Projections STATUTORY										
	2012 Budget	2013 Budget	\$ Change 2013:2012 Over(Under)	% Chg 2013:2012 Over(Under)	2014 Projection	\$ Change 2014:2013 Over(Under)	% Chg 2014:2013 Over(Under)	2015 Projection	\$ Change 2015:2014 Over(Under)	% Chg 2015:2014 Over(Under)
Funding										
ERO Funding										
ERO Assessments	\$ 4,424,850	\$ 5,957,971	\$ 1,533,121	34.65%	\$ 7,154,806	\$ 1,196,835	20.09%	\$ 7,265,743	\$ 110,937	1.55%
Penalty Sanctions	874,700	304,500	(570,200)	0.00%	-	-	-100.00%	-	-	-
Total ERO Funding	\$ 5,299,550	\$ 6,262,471	\$ 962,921	18.17%	\$ 7,154,806	\$ 1,196,835	14.25%	\$ 7,265,743	\$ 110,937	1.55%
Membership Dues	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Testing Fees	-	-	-	-	-	-	-	-	-	-
Services & Software	22,000	22,000	-	0.00%	22,000	-	0.00%	22,000	-	0.00%
Workshops	79,430	90,000	10,570	13.31%	90,000	-	0.00%	90,000	-	0.00%
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Funding	\$ 5,400,980	\$ 6,374,471	\$ 973,491	18.02%	\$ 7,266,806	\$ 1,196,835	14.00%	\$ 7,377,743	\$ 110,937	1.53%
Expenses										
Personnel Expenses										
Salaries	\$ 3,667,708	\$ 3,741,113	\$ 73,405	2.00%	\$ 4,199,513	\$ 458,400	12.25%	\$ 4,419,513	\$ 220,000	5.24%
Payroll Taxes	246,785	240,656	(6,129)	-2.48%	268,769	28,113	11.68%	282,849	14,080	5.24%
Benefits	550,278	533,629	(16,649)	-3.03%	595,219	61,590	11.54%	645,980	50,761	8.53%
Retirement Costs	501,111	526,863	25,752	5.14%	579,549	52,686	10.00%	608,527	28,977	5.00%
Total Personnel Expenses	\$ 4,965,882	\$ 5,042,261	\$ 76,379	1.54%	\$ 5,643,050	\$ 600,789	11.92%	\$ 5,956,869	\$ 313,818	5.56%
Meeting Expenses										
Meetings	\$ 62,776	\$ 83,259	\$ 20,483	32.63%	\$ 85,757	\$ 2,498	3.00%	\$ 88,329	\$ 2,573	3.00%
Travel	239,180	232,363	(6,817)	-2.85%	255,599	23,236	10.00%	268,379	12,780	5.00%
Conference Calls	19,858	19,347	(511)	-2.57%	19,927	580	3.00%	20,525	598	3.00%
Total Meeting Expenses	\$ 321,814	\$ 334,969	\$ 13,155	4.09%	\$ 361,283	\$ 26,314	7.86%	\$ 377,234	\$ 15,950	4.41%
Operating Expenses										
Consultants & Contracts	\$ 203,016	\$ 176,977	\$ (26,039)	-12.83%	\$ 316,186	\$ 139,209	78.66%	\$ 187,596	\$ (128,591)	-40.67%
Office Rent	437,647	572,285	134,638	30.76%	589,454	17,169	3.00%	607,137	17,684	3.00%
Office Costs	183,959	199,513	15,554	8.46%	205,498	5,985	3.00%	211,663	6,165	3.00%
Professional Services	177,376	176,538	(838)	-0.47%	130,334	(46,204)	-26.17%	31,244	(99,090)	-76.03%
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation	150,899	93,493	(57,406)	-38.04%	96,298	2,805	3.00%	99,187	2,889	3.00%
Total Operating Expenses	\$ 1,152,897	\$ 1,218,806	\$ 65,909	5.72%	\$ 1,337,770	\$ 118,964	9.76%	\$ 1,136,827	\$ (200,943)	-15.02%
Total Direct Expenses	\$ 6,440,593	\$ 6,596,036	\$ 155,443	2.41%	\$ 7,342,104	\$ 746,068	11.31%	\$ 7,470,930	\$ 128,826	1.75%
Indirect Expenses	\$ 0	\$ -	\$ (0)	-	\$ -	\$ (0)	#DIV/0!	\$ -	\$ 128,826	#DIV/0!
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses	\$ 6,440,593	\$ 6,596,036	\$ 155,443	2.41%	\$ 7,342,104	\$ 746,068	11.31%	\$ 7,470,930	\$ 257,651	1.75%
Change in Assets	\$ (1,039,613)	\$ (221,565)	\$ 818,048	-78.69%	\$ (75,298)	\$ 450,767	-66.02%	\$ (93,187)	\$ (146,715)	23.76%
Fixed Assets										
Depreciation	\$ (150,899)	\$ (93,493)	\$ 57,406	-38.04%	\$ (96,298)	\$ (2,805)	3.00%	\$ (99,187)	\$ (2,889)	3.00%
Total Fixed Asset Purchases	104,760	29,239	(75,521)	-72.09%	21,000	(8,239)	-28.18%	6,000	(15,000)	-71.43%
Change in Fixed Assets	\$ 46,139	\$ 64,254	\$ 18,115	39.26%	\$ 75,298	\$ 11,044	17.19%	\$ 93,187	\$ 17,889	23.76%
TOTAL BUDGET	\$ 6,394,454	\$ 6,531,782	\$ 137,328	# 2.15%	\$ 7,266,806	\$ 735,024	11.25%	\$ 7,377,743	\$ 239,763	1.53%
TOTAL CHANGE IN WORKING CAPITAL	\$ (993,474)	\$ (157,311)	\$ 836,163	-84.17%	\$ -	\$ 461,811	-100.00%	\$ -	\$ (128,826)	-
FTEs	30.69	30.12	(0.57)	-1.86%	35.12	5.00	16.60%	37.12	2.0	5.69%

Section C – Non-Statutory Activities
2013 Business Plan and Budget

Member Services Activities (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	14.2	14.7	0.5
Direct Expenses	5,821,231	6,507,411	686,180
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	90,946	54,564	(36,382)
Total Funding Requirement	5,912,177	6,561,975	649,798

Non-Statutory Functional Scope Background

The Member Services division of the FRCC provides, coordinates and 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 23 FRCC Members in 2012 and is not expected to change in 2013.

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 within the FRCC Region by assessing and encouraging 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 BES and non-BES transmission facilities. 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 following the Regional Transmission 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).

The MS-PC ensures reliable operations are maintained through the implementation and oversight of the FRCC Planning Authority (PA) function as established in the Regional Reliability Plan.

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, Extreme Event Study and other assessments in support of the FRCC Regional Transmission Planning Process. The SWG annually develops FRCC dynamic models.

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 annually develops a FRCC Transmission Map, FRCC power flow models and FRCC short circuit models.

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), Operations Planning Working Group (OPWG), System Operator Subcommittee (SOS), Telecommunications Subcommittee (TS), System Protection and Control Subcommittee (SPCS) and the Critical Infrastructure Protection Subcommittee (CIPS). The MS-OC ensures reliable operations are maintained through the implementation and oversight of the FRCC Reliability Coordinator (RC) functions as established in the Regional Reliability Plan.

The FRCC RC responsibilities include the real-time operating function and the next-day operations planning function. The RC tasks are performed by a designated of the FRCC with direction and oversight by FRCC committees and support staff. The designated agent performs real-time operations and next-day planning operations. 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* document.

The FRCC RC function is accountable to the FRCC Operating Committee who has overall responsibility of the administration, development and implementation of operating procedures provided by the Operating Reliability Subcommittee (ORS) for the NERC Operations & Planning (Non-CIP) Standards. The FRCC CIPS Subcommittee reviews, implements and supports the FRCC Internal Compliance Program (ICP) for all CIP-002 through CIP-009 NERC Reliability Standards that affect the FRCC RC.

The FRCC continues to improve FRCC PA and RC compliance management programs under the Member Services Division based on the evolving regulatory requirements. The FRCC has improved its oversight of PA and RC functions by creating an independent Member Services Regulatory Department with a dedicated Regulatory Manager who reports directly to the FRCC President and CEO and who has direct access to the Member Services Board of Directors. This position is responsible for the implementation, maintenance and oversight of the FRCC ICP including all compliance activities for the FRCC registered entity functions and is the primary interface for all regulatory activities associated with the FRCC Member Services committees and is the FRCC liaison between external Compliance Enforcement Authorities.

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 for non-CIP NERC Standards. 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 operating entities. 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.

Operations Planning Working Group (OPWG)

The OPWG, as a part of the ORS, has been established to provide oversight, guidelines and procedures to the FRCC Operations Planning Coordinator (OPC) in accordance with the Reliability Process for the FRCC BES document. The OPWG focuses on BES reliability and developing processes and documentation that support regional reliability and adherence to the NERC Reliability Standards as they relate to the OPC function.

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. The CIPS has the primary oversight of the RC function for the NERC CIP Standards.

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) monitors, tracks and reports for the FRCC Reliability Coordinator (RC) and Planning Authority (PA) functions. The CMTS is responsible for the FRCC Internal Compliance Program (ICP) as well as the Member Services compliance training activities.

Standards Review Subcommittee (SRSC)

The Standards Review Subcommittee (SRSC) acts 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 pursues other methods to influence reliability related regulation from a FRCC regional perspective.

Major 2013 Cost Impacts

The FRCC's proposed 2013 Members Services Budget is \$6,507,411, which is a \$603,382 or 10.2% increase over the 2012 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 2013 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 (PA) functions and all other Member Services PC activities. In 2013, staff will spend additional time enhancing FRCC planning studies to meet requirements of the proposed NERC Planning Standard and enhancing the FRCC PA internal compliance program.

The 2013 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 2013 are made up of a 2013 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. In 2013, staff will spend additional time coordinating activities with member companies to ensure continued reliability and compliance with changing NERC Reliability Standards.

The 2013 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 both the FRCC Reliability Coordinator (RC) and Member Services entity's reliability functions and includes 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 2013 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 two groups to support MS Compliance Activities. These groups are the Member Services Compliance Monitoring & Training Subcommittee (MS-CMTS) 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. However, due to the small amount over the targeted balance that is projected at 12/31/2012, will be held over for the future rather than be offset against the 2013 funding.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Personnel Expenses –The addition of the RA Engineer in 2012 allows for more time to be spent by planners on Member Services projects and studies.

Meeting Expenses – Travel to SERC and NERC seminars for the Members Services Regulatory staff to enhance their knowledge of the changes in the compliance of the PA and RC functions and to get insights into Best Practices of each of these registered functions.

Operating Expenses – Increase in lease commitment and space moving to new headquarters, increased legal fees concerning the CIP “double jeopardy” filing and disposition, increased cost associated with the start up of the IDC RC Consortium and an RC Restoration Drill Consultant.

2012 Member Services Budget and Projection and 2013 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
NON-STATUTORY MEMBER SERVICES					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	\$ 5,674,177	6,374,177	\$ 700,000	\$ 6,250,975	\$ 576,798
Testing Fees	-	-	-	-	-
Services & Software	234,000	277,000	43,000	311,000	77,000
Workshops	4,000	4,000	-	-	(4,000)
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ 5,912,177</u>	<u>\$ 6,655,177</u>	<u>\$ 743,000</u>	<u>\$ 6,561,975</u>	<u>\$ 649,798</u>
Expenses					
Personnel Expenses					
Salaries	\$ 1,694,972	\$ 1,686,972	\$ (8,000)	\$ 1,828,681	\$ 133,709
Payroll Taxes	114,048	117,548	3,500	117,635	3,587
Benefits	240,923	244,923	4,000	237,308	(3,615)
Retirement Costs	231,580	236,580	5,000	257,534	25,954
Total Personnel Expenses	<u>\$ 2,281,523</u>	<u>\$ 2,286,023</u>	<u>\$ 4,500</u>	<u>\$ 2,441,158</u>	<u>\$ 159,635</u>
Meeting Expenses					
Meetings	\$ 17,162	\$ 15,162	\$ (2,000)	\$ 15,410	\$ (1,752)
Travel	62,941	57,941	(5,000)	78,424	15,483
Conference Calls	22,392	23,192	800	23,196	804
Total Meeting Expenses	<u>\$ 102,495</u>	<u>\$ 96,295</u>	<u>\$ (6,200)</u>	<u>\$ 117,030</u>	<u>\$ 14,535</u>
Operating Expenses					
Consultants & Contracts	\$ 2,906,982	\$ 3,151,682	\$ 244,700	\$ 3,015,722	\$ 108,740
Office Rent	95,440	97,440	2,000	166,759	71,319
Office Costs	406,391	389,391	(17,000)	496,879	90,488
Professional Services	91,824	117,824	26,000	245,966	154,142
Miscellaneous	-	-	-	-	-
Depreciation	19,374	27,054	7,680	23,897	4,523
Total Operating Expenses	<u>\$ 3,520,011</u>	<u>\$ 3,783,391</u>	<u>\$ 263,380</u>	<u>\$ 3,949,223</u>	<u>\$ 429,212</u>
Total Direct Expenses	<u>\$ 5,904,029</u>	<u>\$ 6,165,709</u>	<u>\$ 261,680</u>	<u>\$ 6,507,411</u>	<u>\$ 603,382</u>
Indirect Expenses	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Other Non-Operating Expenses	<u>\$ (82,798)</u>	<u>\$ -</u>	<u>\$ 82,798</u>	<u>\$ -</u>	<u>\$ 82,798</u>
Total Expenses	<u>\$ 5,821,231</u>	<u>\$ 6,165,709</u>	<u>\$ 344,478</u>	<u>\$ 6,507,411</u>	<u>\$ 686,180</u>
Change in Assets	<u>\$ 90,946</u>	<u>\$ 489,468</u>	<u>\$ 398,522</u>	<u>\$ 54,564</u>	<u>\$ 36,382</u>
Fixed Assets					
Depreciation	\$ (19,374)	\$ (27,054)	\$ (7,680)	\$ (23,897)	\$ (4,523)
Total Fixed Asset Purchases	110,320	122,320	12,000	78,461	(31,859)
Change in Fixed Assets	<u>\$ (90,946)</u>	<u>\$ (95,266)</u>	<u>\$ (4,320)</u>	<u>\$ (54,564)</u>	<u>\$ 36,382</u>
TOTAL BUDGET	<u>\$ 5,912,177</u>	<u>\$ 6,260,975</u>	<u>\$ 348,798</u>	<u>\$ 6,561,975</u>	<u>\$ 649,798</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ -</u>	<u>\$ 394,202</u>	<u>\$ 394,202</u>	<u>\$ -</u>	<u>\$ (0)</u>
FTEs	14.19	14.36	0.17	14.72	0.53

Personnel Analysis

Total FTE's by Program Area	Budget 2012	Projection 2012	Direct FTEs 2013 Budget	Shared FTEs ¹ 2013 Budget	Total FTEs 2013 Budget	Change from 2012 Budget
NON-STATUTORY						
Operational Programs						
Operations Committee	8.20	7.89		8.38	8.38	0.18
Planning Committee	2.44	2.94		3.00	3.00	0.56
Total FTEs Operational Programs	10.64	10.83	0.00	11.38	11.38	0.74
Administrative Programs						
General & Administrative	3.55	3.53		3.34	3.34	-0.21
Total FTEs Administrative Programs	3.55	3.53	0.00	3.34	3.34	-0.21
Total FTEs	14.19	14.36	0.00	14.72	14.72	0.53

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

Member Services Reserve Analysis — 2012–2013

Working Capital Reserve Analysis 2012-2013		
NON-STATUTORY MEMBER SERVICES		
Beginning Working Capital Reserve (Deficit), December 31, 2011		
	2012 Funding (from members)	157,942
	2012 Projected Other funding sources	6,374,177
Total Cash Available 2012		<u>281,000</u>
		<u>6,813,119</u>
Cash Needed 2012		
	Less: '2012 Projected expenses & capital expenditures	(6,260,975)
Projected Working Capital Reserve Surplus/(Deficit), December 31, 2012		<u>552,144</u>
Desired Working Capital Reserve, December 31, 2013		
	¹	546,831
	Less: Projected Working Capital Reserve, December 31, 2012	(552,144)
Increase(decrease) in assessments to achieve desired Working Capital Reserve		<u>(5,313)</u>
2013 Funding (reserve adjustment)		
	2013 Funding for Expenses and Capital Expenditures	6,561,975
	Less: Other Funding Sources	(311,000)
	Adjustment to achieve desired Working Capital Reserve	-
2013 Funding (reserve adjustment)		<u><u>6,250,975</u></u>

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 working capital.

Section D – Additional Consolidated Financial
Statements
2013 Business Plan and Budget

Section D — 2013 Additional Consolidated Financial Information

				Functions in Delegation Agreement							Non-Statutory Functions		
Statement of Activities and Capital Expenditures by Program 2013 Budget	Total	Statutory Total	Non-Statutory Total	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 Total	Operating Committee	Planning Committee
Funding													
ERO Funding													
ERO Assessments	\$ 5,957,971	\$ 5,957,971	\$ -	\$ 5,957,971	\$ 381,622	\$ 4,082,511	\$ 1,314,298	\$ 276,136	\$ 60,714	\$ (157,311)	\$ -	\$ -	\$ -
Penalty Sanctions	304,500	304,500	-	304,500	19,053	207,042	62,701	12,817	2,887		-	-	-
Total ERO Funding	6,262,471	6,262,471	-	6,262,471	400,675	4,289,553	1,377,000	288,953	63,601	(157,311)	-	-	-
Membership Dues	\$ 6,250,975	\$ -	\$ 6,250,975	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,250,975	\$ 5,444,045	\$ 806,930
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	333,000	22,000	311,000	22,000			22,000				311,000	311,000	
Workshops	90,000	90,000	-	90,000				90,000			-		
Interest	-	-	-	-							-		
Miscellaneous	-	-	-	-							-		
Total Funding	\$ 12,936,446	\$ 6,374,471	\$ 6,561,975	\$ 6,374,471	\$ 400,675	\$ 4,289,553	\$ 1,399,000	\$ 378,953	\$ 63,601	\$ (157,311)	\$ 6,561,975	\$ 5,755,045	\$ 806,930
Expenses													
Personnel Expenses													
Salaries	\$ 5,569,794	\$ 3,741,113	\$ 1,828,681	\$ 3,741,113	\$ 204,940	\$ 2,227,031	\$ 674,444	\$ 137,870	\$ 31,052	\$ 465,776	\$ 1,828,681	\$ 1,360,825	\$ 467,856
Payroll Taxes	358,291	240,656	117,635	240,656	13,183	143,260	43,385	8,869	1,997	29,962	117,635	87,539	30,096
Benefits	770,937	533,629	237,308	533,629	34,059	321,490	97,086	18,009	4,070	58,915	237,308	173,605	63,703
Retirement Costs	784,397	526,863	257,534	526,863	28,862	313,634	94,982	19,416	4,373	65,596	257,534	191,646	65,888
Total Personnel Expenses	\$ 7,483,419	\$ 5,042,261	\$ 2,441,158	\$ 5,042,261	\$ 281,044	\$ 3,005,415	\$ 909,897	\$ 184,164	\$ 41,492	\$ 620,249	\$ 2,441,158	\$ 1,813,615	\$ 627,543
Meeting Expenses													
Meetings	\$ 98,669	\$ 83,259	\$ 15,410	\$ 83,259	\$ 1,002	\$ 6,501	\$ 4,810	\$ 70,908	\$ 38		\$ 15,410	\$ 11,804	\$ 3,606
Travel	310,787	232,363	78,424	232,363	35,721	131,336	49,865	12,228	3,213		78,424	66,973	11,451
Conference Calls	42,543	19,347	23,196	19,347	767	3,285	10,387	4,902	6		23,196	17,875	5,321
Total Meeting Expenses	\$ 451,999	\$ 334,969	\$ 117,030	\$ 334,969	\$ 37,490	\$ 141,122	\$ 65,062	\$ 88,038	\$ 3,257	\$ -	\$ 117,030	\$ 96,652	\$ 20,378
Operating Expenses													
Consultants & Contracts	\$ 3,192,699	\$ 176,977	\$ 3,015,722	\$ 176,977		\$ 16,800	\$ 115,177	\$ 45,000			\$ 3,015,722	\$ 2,981,426	\$ 34,296
Office Rent	739,044	572,285	166,759	572,285	18,690	434,212	61,504	12,573	2,831	42,475	166,759	124,095	42,664
Office Costs	696,392	199,513	496,879	199,513	9,136	91,091	71,379	12,312	7,755	7,840	496,879	467,296	29,583
Professional Services	422,504	176,538	245,966	176,538	12,134	117,809	37,218	7,502	1,875		245,966	220,664	25,302
Miscellaneous	-	-	-	-							-		
Depreciation	117,390	93,493	23,897	93,493	1,342	80,918	5,309	823	2,561	2,540	23,897	15,716	8,181
Total Operating Expenses	\$ 5,168,029	\$ 1,218,806	\$ 3,949,223	\$ 1,218,806	\$ 41,302	\$ 740,830	\$ 290,587	\$ 78,210	\$ 15,022	\$ 52,855	\$ 3,949,223	\$ 3,809,197	\$ 140,026
Total Direct Expenses	\$ 13,103,447	\$ 6,596,036	\$ 6,507,411	\$ 6,596,036	\$ 359,836	\$ 3,887,367	\$ 1,265,546	\$ 350,412	\$ 59,771	\$ 673,104	\$ 6,507,411	\$ 5,719,464	\$ 787,947
Indirect Expenses	-	-	-	-	41,958	455,943	138,080	28,226	6,357	(670,564)	-	-	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 13,103,447	\$ 6,596,036	\$ 6,507,411	\$ 6,596,036	\$ 401,794	\$ 4,343,310	\$ 1,403,626	\$ 378,638	\$ 66,128	\$ 2,540	\$ 6,507,411	\$ 5,719,464	\$ 787,947
Change in Assets	\$ (167,001)	\$ (221,565)	\$ 54,564	\$ (221,565)	\$ (1,119)	\$ (53,757)	\$ (4,626)	\$ 315	\$ (2,527)	\$ (159,851)	\$ 54,564	\$ 35,581	\$ 18,983
2013 FRCC Business Plan and Budget	\$ (167,390)	\$ (93,493)	\$ (23,897)	\$ (93,493)	\$ (1,342)	\$ (80,918)	\$ (5,309)	\$ (823)	\$ (2,561)	\$ (2,540)	\$ (23,897)	\$ (15,716)	\$ (8,181)
Total Fixed Asset Purchases	107,700	29,239	78,461	29,239	223	27,161	683	1,138	34		78,461	51,297	27,164
Change in Fixed Assets	\$ 9,690	\$ 64,254	\$ (54,564)	\$ 64,254	\$ 1,119	\$ 53,757	\$ 4,626	\$ (315)	\$ 2,527	\$ 2,540	\$ (54,564)	\$ (35,581)	\$ (18,983)
TOTAL CHANGE IN WORKING CAPITAL	\$ (157,311)	\$ (157,311)	\$ -	\$ (157,311)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (157,311)	\$ -	\$ -	\$ -

Statement of Financial Position

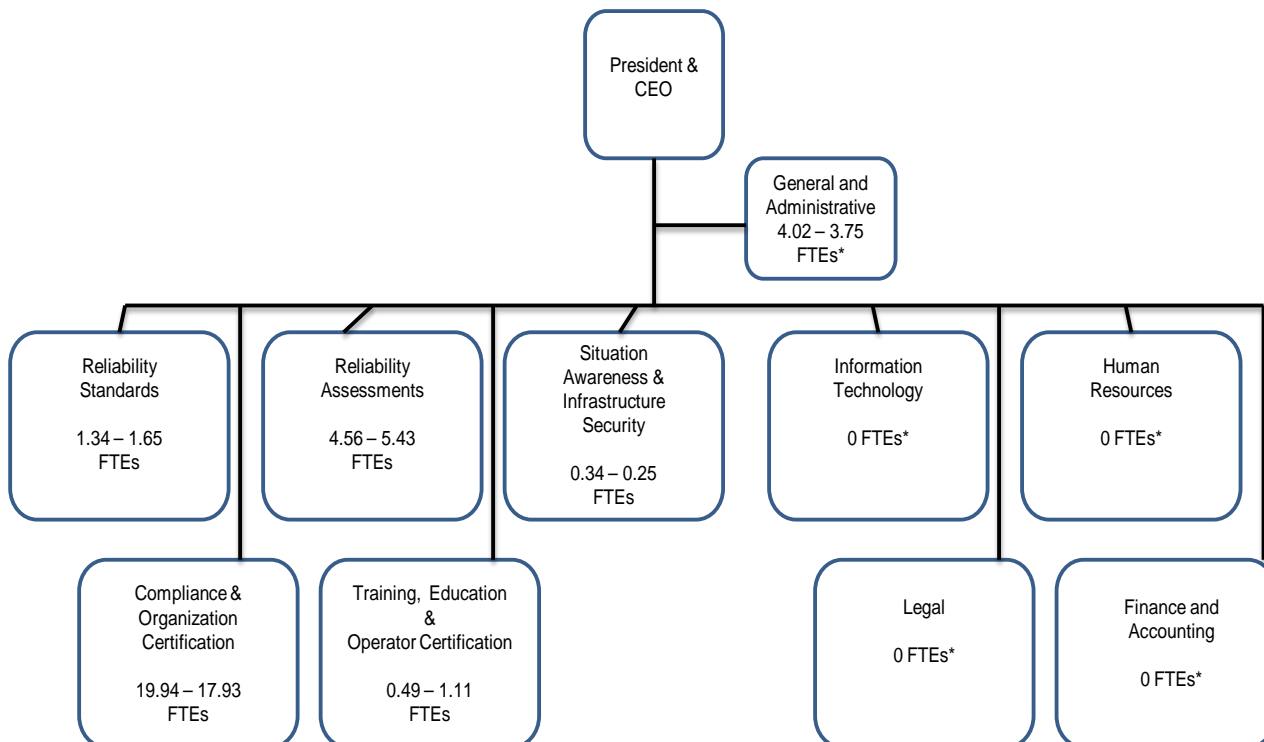
Statement of Financial Position				
2011 Audited, 2012 Projection, 2013 Budget and 2014 Projected				
STATUTORY and NON-STATUTORY				
	(Per Audit) 12/31/2011	Projected 12/31/2012	Budget 12/31/2013	Projected 12/31/2014
ASSETS				
Cash	4,329,540	4,073,420	3,873,420	3,873,420
Accounts receivable	2,214,745	3,052,237	3,252,237	3,452,237
Other receivables	24,722	23,000	23,000	23,000
Prepaid expenses and other current assets	15,145	16,000	16,000	16,000
Other Assets	76,210	76,210	176,210	176,210
Property and equipment (net of depreciation)	383,540	428,347	418,657	328,745
Total Assets	7,043,902	7,669,214	7,759,524	7,869,612
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	1,356,349	1,751,275	1,800,000	1,900,000
Deferred income	2,548,531	3,052,237	3,252,237	3,452,237
Compliance Penalty Assessment	449,000	-	-	-
Accrued postretirement benefits obligation	623,181	654,340	687,057	721,410
Total Liabilities	4,977,061	5,457,852	5,739,294	6,073,646
Net Assets - unrestricted	2,066,841	2,211,362	2,020,230	1,795,965
Total Liabilities and Net Assets	7,043,902	7,669,214	7,759,524	7,869,612

Statutory Organizational Chart

Florida Reliability Coordinating Council, Inc. Statutory Organization Chart

2012 Budgeted FTEs 30.69

2013 Budgeted FTEs 30.12



*All FTEs for Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative

DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 4

MIDWEST RELIABILITY ORGANIZATION

PROPOSED 2013 BUSINESS PLAN AND BUDGET



MIDWEST RELIABILITY ORGANIZATION

2013 Business Plan and Budget

**Approved by:
MRO Board of Directors**

**Date
June 28, 2012**



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Summary of Financials and Resources

Summary of Financials and Resources				
		Total Resources (in whole dollars)		
	2013 Budget	U.S.	Canada	Mexico
Statutory FTEs	37.75			
Non-statutory FTEs				
Total FTEs	37.75			
Statutory Expenses	\$ 9,199,353			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 9,199,353			
Statutory Inc(Dec) in Fixed Assets	\$ 84,186			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 84,186			
Statutory Working Capital Requirement	\$ (170,612)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (170,612)			
Total Statutory Funding Requirement	\$ 9,112,927			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 9,112,927			
Statutory Funding Assessments	\$ 9,112,927			
Non-Statutory Fees				
NEL	282,953,703	238,655,688	44,298,015	-
NEL%	100.00%	84.34%	15.66%	0.00%

Midwest Reliability Organization (“MRO”) 2013 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 System¹ (“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 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.² 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.

In Manitoba, the Manitoba Reliability Regulation became effective April 1, 2012, authorizing MRO to conduct compliance monitoring and enforcement for all entities in Manitoba that meet the registration criteria. MRO expects less than ten new entities within Manitoba will meet the NERC Registration Criteria. These entities will become subject to compliance monitoring and mandatory enforcement of Reliability Standards on September 28, 2012.

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:

¹ See the Compliance Registry Listing by Regional Entity posted on NERC’s website at <http://www.nerc.com/page.php?cid=3/25>

² The MRO board and its members have approved a change to its bylaws which would, in part, (1) eliminate the large and small end-use sectors; (2) add two independent directors; and (3) add a non-voting adjunct class of members. The proposed changes were approved by the NERC Board of Trustees in May 2012 and approved by the Federal Energy Regulatory Commission on June 25, 2012.

- 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)
- Small End-Use Electricity Customer (1)
- Transmission System Operator (3)

In 2012, the members of MRO approved revised bylaws to include independent Board members. MRO plans to seat the independent board members after the bylaws are approved by applicable regulators.

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 at no cost, affords organizations the opportunity to participate in the technical activities and governance of the organization. MRO has approximately fifty members.

For 2012, the governance structure of MRO is currently a balanced stakeholder board³ whereby no two sectors can control a vote. In 2012, the members of MRO approved revised bylaws to include independent Board members. MRO plans to seat the independent board members after the bylaws are approved by applicable regulators. The change in governance is budgeted beginning in 2013.

The current and proposed governance structure are permitted under the Energy Policy Act of 2005 for Regional Entities operating under delegated authority from the Electric Reliability Organization. The Board has four committees:

- Dispute Resolution Committee
- Finance and Audit Committee (FAC)
- Governance and Personnel Committee (GPC)
- Hearing Body

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

³ MRO has proposed a hybrid board. See footnote 2.

of the Board fulfills the obligations in the conduct of hearings, a mandated function under the Hearing Procedures 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 published on MRO’s website and the processes for all organizational groups are defined in Policy and Procedure 3 (Establishment, Responsibilities, and Procedures of Organizational Groups).⁴

3. Statutory Functional Scope

The primary purposes of MRO are:

1. Determine compliance with Reliability Standards, including enforcement determinations in a non-discriminatory manner consistent with the Rules.
2. Perform seasonal, long-term, and other assessments of reliability.
3. Provide independent technical analysis of systems events and work with industry on recommendations and lessons learned.
4. Develop, propose, and/or adopt Reliability Standards or variances to Reliability Standards.
5. 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

⁴ 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/PP3_%20Organizational%20Groups.pdf

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 2013 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 system events.

4. 2013 Account Methodology

2013 Personnel Expenses

Budgeted FTEs per program are based on the projected time spent per employee per program. MRO staff tracks their time by program on an 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 2012 and 2013, the budgeted benefits are based on an average cost per employee. For the last two years (2011 and projected 2012), MRO's actuals have come in lower than budgeted amounts for Employee Benefits. MRO believes that this trend will continue in 2013 in retrospect to the 2012 Budget. MRO is proposing a modest increase in 2013 using the 2012 actuals as the baseline.

In developing the 2012 budgeted Personnel Expenses, MRO made an error in assigning costs to the Salaries, Payroll Taxes, Benefits and Retirement sub-categories. The total Personnel Expenses in the budget were the intended amount, but the individual components were incorrectly stated in the budget. MRO subsequently discovered this error and has corrected the source of it going forward. However, this error results in large variances between the 2012 Budget and 2012 Projection and the 2012 Budget and 2013 Budget with respect to the 4 line-item components of Personnel Expenses.

See table below.

	Approved 2012 Budget	Pct	Revised Allocation	Pct	Difference
Salaries	4,513,031	77.8%	4,406,281	76.0%	(106,750)
Payroll Tax	300,540	5.2%	282,448	4.9%	(18,092)
Benefits	412,899	7.1%	335,991	5.8%	(76,908)
Retirement	574,474	9.9%	776,224	13.4%	201,750
Total	5,800,944	100.0%	5,800,944	100.0%	

2013 Travel

The 2011 Budget assumed 100% participation in our member reimbursement which was not realized. MRO did not assume 100% participation in the 2012 and 2013 Budget for member reimbursement. However, in 2013 we are anticipating higher airline costs so we increased the 2013 budget by 10% for all travel for staff and member reimbursement.

5. 2013 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 2013 Business Plan and Budget.

6. 2013 Goals and Key Deliverables

The vision of MRO is to oversee a reliable regional bulk power system in North America. MRO's purpose is to strive to assure each bulk electric system owner, operator, and planner within the region is a highly effective reliable organization. MRO will apply an expert-based approach, leveraging industry experts to address risks and improve reliability and security for the overall benefit of regional reliability. Through stakeholder processes, MRO will provide clarity on expectations and requirements, look to embed risk controls for assurance across the networked bulk power system, and demonstrate results that improve reliability. For more information on MRO's Vision, Purpose, and Principles, please refer to MRO's website at <http://www.midwestreliability.org/>.

MRO's business planning is driven by the annual strategic initiatives, which are used in conjunction with the organizational vision, purpose, and principles:

1. Work to improve quality and speed of Reliability Standards development.
 - a. Focus on risk, significance, and clarity on the technical application of standards
2. Work with stakeholders and NERC to:
 - a. Identify and address reliability risks and communicate lessons learned and trends in a timely manner,
 - b. Develop guidance on standards and model controls/procedures to assure compliance,
 - c. Establish key indicators of reliable and secure performance.
3. Establish internal metrics for effectiveness and efficiency of key program areas.
4. Closer coordination within the Eastern Interconnection.
5. Communicate with state and provincial regulators.

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 2013 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 2013 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 2013 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. 2013 Overview of Cost Impacts

MRO proposes to increase its operating budget from \$9.06 million to \$9.30 million, an increase of \$226,309. Due to an expected reduction in the collection of applicable penalties and change in working capital, funding assessments will increase by \$749,898 or 8.98%.

Operational Programs

Funding Requirements — Explanation of Increase (Decrease)

Standards

For 2013, MRO will maintain flat staffing levels in the Standards area. MRO will continue to focus on continent-wide standards and leveraging experts from the industry to assure proper technical application of existing standards.

Compliance

MRO has three independent programs within the NERC defined compliance monitoring and enforcement program:

Compliance

The mission of the compliance staff is to conduct audits, spot checks, and maintain accurate registrations. Budgeted costs for this program will decrease in 2013.

Risk Assessment and Mitigation

This program conducts risk assessment of any “findings” from compliance audit staff or from self-reports. This includes a validation of any “findings” of possible violations. Also, this program works with Registered Entities on comprehensive mitigation plans. Finally, this program handles investigations. MRO is budgeting an increase in costs for this program in 2013.

Enforcement

After a risk assessment is complete, and facts and circumstances confirmed, possible violations are turned over to enforcement for final disposition and resolution. Costs for this program are budgeted to remain flat in 2013.

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. Through the MRO Standards Committee, Subject Matter Expert ("SME") teams have been established to provide training on best practices and model programs for compliance, operations, and CIP.

Reliability Assessment and Performance Analysis

In 2013, 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. In addition, MRO staff will continue to independently assess the work from registered entities in long-term and other assessments. MRO expects a slight decrease in the costs of this program in 2013.

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 ensure timely reporting, effective communication of potential risks, and mitigation of the risks to the BES as a result of any events and incidents. MRO 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 2013 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 year over year.

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 2013 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. The 2013 Budget reflects the lower trending in 2012, however, in the 2013 Budget we are anticipating higher airline costs so we increased the 2013 Budget by 10%.

The 2013 Budget includes an increase in professional services due to the costs for independent MRO board members.

Information Technology

In 2013, MRO continues to maintain security of its IT systems and information, along with addressing any recommendations from external and internal evaluations. MRO uses independent, third parties to provide periodic assessments of its infrastructure security. MRO subscribes to compliance and standards applications from a third party vendor; these applications are subject to independent, third party audits and reside on a secure platform.

Greater efficiencies are budgeted with this third party vendor as additional regions expand the common IT platform increasing scale and reducing costs by spreading costs across the increased number of participating regions.

In 2012 MRO projections and 2013 Budget, MRO has increased staff in this area. By using in-sourced “core” responsibilities, MRO is reducing third party consultant and contractor costs significantly.

Legal and Regulatory

For 2013, MRO overall costs will remain relatively flat. There was an additional staff of approximately .50 FTE added which is offset by anticipated reduction in professional services. Again, by using in-sourced “core” responsibilities MRO can reduce outside professional costs.

Accounting / Human Resources

Personnel Costs - Employee Paid Benefits

The 2013 Budget has an increase in the number of FTEs from 2.76 to 3.01. Part of the additional staff came from a part-time staff becoming full-time. MRO’s overall FTE staffing has increased from 20.00 in 2007 to 37.75 in 2013 Budget. This is the first increase in staff in HR/Finance from 2 to 3 FTEs. In addition, the budget includes an increase in Building, Rent and Facilities costs to reflect 12 months higher new facility lease costs in 2013 (MRO moved to new facilities in April 2012).

The 2012 Budget included some non-operating increases relating to the 2012 facility move that were one-time costs and therefore are not included in 2013 Budget.

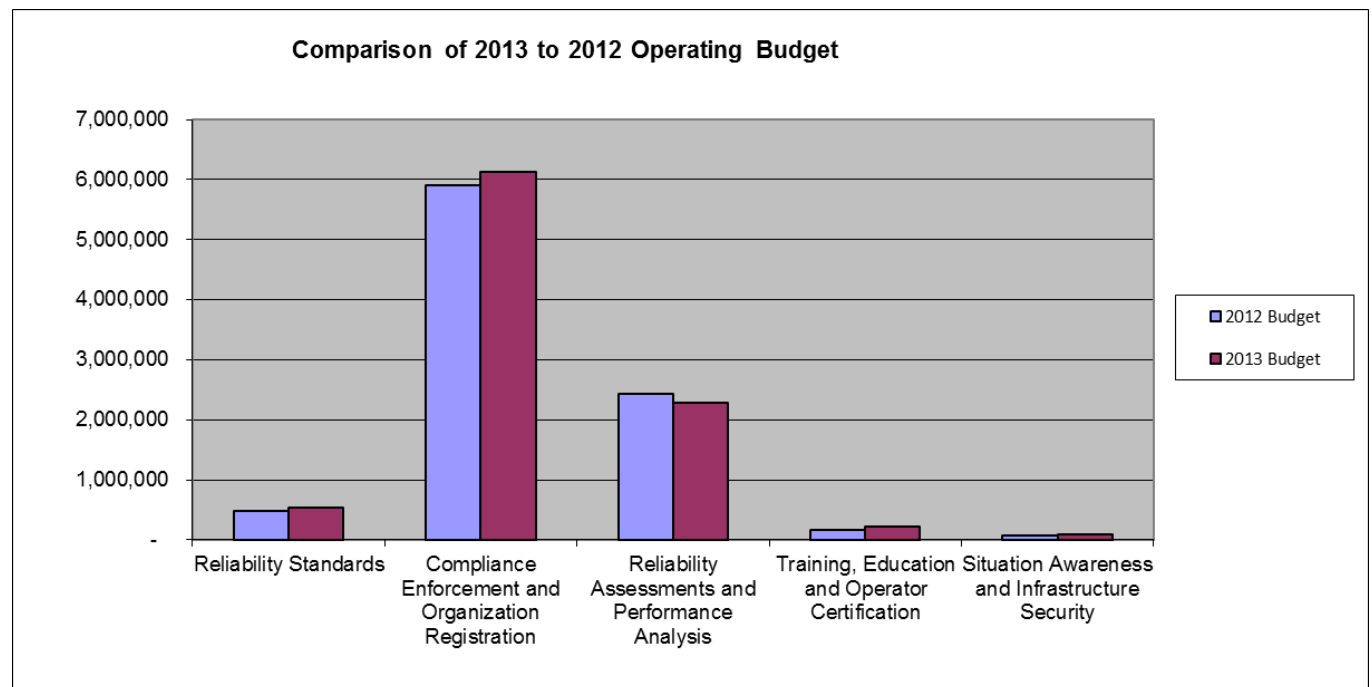
New Facility

The 2012 Budget included budgeted Leasehold Improvements for a new facility. MRO staff was given the authority to seek alternative facilities to address MRO's growing need for additional space for the higher number of FTEs and provide more opportunities to host meetings. The 2013 Budget reflects 12 months of lower per meeting costs with the new facility due to elimination of meeting room and audio visual rentals as well as lower catering costs.

Other Non-Operating Expenses

The 2012 Budget included a one-time relocation cost relating to a budgeted facility move of \$77,484 and are not necessary in the 2013 Budget.

Program	2012 Budget	2013 Budget
Reliability Standards	477,617	543,602
Compliance Enforcement and Organization Registration	5,898,707	6,135,726
Reliability Assessments and Performance Analysis	2,434,989	2,277,446
Training, Education and Operator Certification	173,788	229,418
Situation Awareness and Infrastructure Security	72,131	97,348
TOTAL BUDGET	9,057,232	9,283,539



Introduction

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2012	2012	2013	FTEs ¹ 2013	2013	from 2012
	Budget	Budget	Budget	Budget	Budget	Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.59	1.51	1.51		1.51	(0.08)
Compliance and Organization Registration and Certific	19.16	17.17	18.99		18.99	(0.17)
Training and Education	0.18	0.27	0.27		0.27	0.09
Reliability Assessment and Performance Analysis	8.04	6.68	6.68		6.68	(1.36)
Situation Awareness and Infrastructure Security	0.18	0.29	0.30		0.30	0.12
Total FTEs Operational Programs	29.15	25.92	27.75	-	27.75	(1.40)
Administrative Programs						
Technical Committees and Member Forums	0.71	1.35	1.35		1.35	0.64
General & Administrative	1.53	1.32	1.32		1.32	(0.21)
Legal and Regulatory	0.73	1.22	1.22		1.22	0.49
Information Technology	2.12	3.01	3.10		3.10	0.98
Human Resources	-	-	-		-	-
Finance and Accounting	2.76	3.01	3.01		3.01	0.25
Total FTEs Administrative Programs	7.85	9.91	10.00	-	10.00	2.15
Total FTEs	37.00	35.83	37.75	-	37.75	0.75

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

Introduction

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
STATUTORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 8,349,029	\$ 8,349,029	\$ -	\$ 9,098,927	\$ 749,898
Penalty Sanctions	418,499	418,499	-	14,000	(404,499)
Total NERC Funding	\$ 8,767,528	\$ 8,767,528	\$ -	\$ 9,112,927	\$ 345,399
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 8,767,528	\$ 8,767,528	\$ -	\$ 9,112,927	\$ 345,399
Expenses					
Personnel Expenses					
Salaries	\$ 4,513,033	\$ 4,406,281	\$ (106,752)	\$ 4,772,320	\$ 259,287
Payroll Taxes	300,538	282,448	(18,090)	312,394	11,856
Benefits	412,900	335,991	(76,909)	394,086	(18,814)
Retirement Costs	574,473	776,224	201,751	833,228	258,755
Total Personnel Expenses	\$ 5,800,944	\$ 5,800,944	\$ -	\$ 6,312,028	\$ 511,084
Meeting Expenses					
Meetings	\$ 134,254	\$ 132,454	\$ (1,800)	\$ 132,464	\$ (1,790)
Travel	578,440	592,970	14,530	630,765	52,325
Conference Calls	50,500	50,500	-	41,700	(8,800)
Total Meeting Expenses	\$ 763,194	\$ 775,924	\$ 12,730	\$ 804,929	\$ 41,735
Operating Expenses					
Consultants & Contracts	\$ 796,776	\$ 796,776	\$ -	\$ 573,100	\$ (223,676)
Office Rent	391,680	429,774	38,094	528,827	137,147
Office Costs	471,719	436,719	(35,000)	428,304	(43,415)
Professional Services	194,000	194,000	-	246,500	52,500
Miscellaneous	-	-	-	-	-
Depreciation	388,498	388,498	-	305,665	(82,833)
Total Operating Expenses	\$ 2,242,673	\$ 2,245,767	\$ 3,094	\$ 2,082,396	\$ (160,277)
Total Direct Expenses	\$ 8,806,811	\$ 8,822,635	\$ 15,824	\$ 9,199,353	\$ 392,542
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ (0)
Other Non-Operating Expenses	\$ 77,484	\$ 77,484	\$ -	\$ -	\$ (77,484)
Total Expenses (B)	\$ 8,884,295	\$ 8,900,119	\$ 15,824	\$ 9,199,353	\$ 315,058
Change in Assets	\$ (116,767)	\$ (132,591)	\$ (15,824)	\$ (86,426)	\$ 30,341
Fixed Assets					
Depreciation	\$ (388,498)	\$ (388,498)	\$ -	\$ (305,665)	\$ 82,833
Computer & Software CapEx	350,435	310,435	(40,000)	339,851	(10,584)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	211,000	653,450	-	50,000	(161,000)
Allocation of Fixed Assets	\$ (2)	\$ (2)	\$ -	\$ -	\$ 2
Inc(Dec) in Fixed Assets (C)	172,935	575,385	(40,000)	84,186	(88,749)
TOTAL BUDGET (=B + C)	\$ 9,057,230	\$ 9,475,504	\$ (24,176)	\$ 9,283,539	\$ 226,309
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (289,702)	\$ (707,976)	\$ 24,176	\$ (170,612)	\$ 119,090
FTEs	37.00	35.83	(1.91)	37.75	0.75



Section A – Statutory Programs

2013 Business Plan and Budget

Section A — 2013 Business Plan

1. Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.59	1.51	(0.08)
Direct Expenses	\$ 291,042	\$ 340,889	\$ 49,847
Indirect Expenses	\$ 176,678	\$ 198,132	\$ 21,454
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 9,896	\$ 4,581	\$ (5,315)
Total Funding Requirement	\$ 477,617	\$ 543,602	\$ 65,985

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 sound, timely, just, reasonable, not unduly discriminatory or preferential, in the public interest, and consistent with other applicable requirements.

2013 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 2013 Business Plan and Budget.

MRO utilizes a balanced stakeholder Standards Committee ("SC") to administer the regional standards program, to educate stakeholders about the application of Reliability Standards, and to provide regional input to NERC Standards development efforts and the SC 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

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- 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 2013 Business Plan and Budget as Exhibit A supports the significant effort required by MRO to participate in standards development.

2013 Goals and Key Deliverables

- 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 2013, MRO will maintain flat staffing levels in the Standards area. Since Standards are primarily an industry activity, MRO has leveraged staff from Registered Entities in drafting teams and in other areas to gain more subject matter expertise applied to the standards process. While MRO reimburses travel expenses for approved representatives, there are staff cost savings.

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

- MRO continues to facilitate additional technical resources from the industry in drafting teams and in other areas to augment staff involvement, which has resulted in a stabilized number of FTEs. MRO reimburses travel expenses for stakeholder participation.
- Please refer to Section 4 Account Methodology, Personnel Expenses which explains MRO's 2012 personnel cost fluctuations most notable in the retirement costs.
- The 2013 budgeted Salaries is higher than 2012 budget, with no increase in FTEs due to the position requiring more senior staff.

Meeting Expenses

- 2013 Meeting expenses will be reduced from the 2012 Budget. The reduction is a reflection of lower meeting costs by using the new facility – for details please refer to the 2013 Overview of Cost Impacts section under Accounting, page 13. The 2013 member travel reimbursement will be reduced to reflect the 2011 trend of subject matter experts avoiding travel by using frequent conference calls.

Operating Expenses

- 2013 Consultant and Contract costs will remain at the same level as the 2012 Budget.

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- 2013 Office costs will increase in departmental training for required hours for maintaining certifications.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2013 as a result of higher FTEs in the Administrative Services, as well as an increase in the new facility lease costs. The facility cost increase is offset by a reduction in costs for meetings.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- 2013 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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
RELIABILITY STANDARDS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 454,789	\$ 454,789	\$ -	\$ 542,840	\$ 88,051
Penalty Sanctions	22,827	22,827	-	762	(22,065)
Total NERC Funding	\$ 477,616	\$ 477,616	\$ -	\$ 543,602	\$ 65,986
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 477,616	\$ 477,616	\$ -	\$ 543,602	\$ 65,986
Expenses					
Personnel Expenses					
Salaries	\$ 153,497	\$ 205,888	\$ 52,391	\$ 210,558	\$ 57,061
Payroll Taxes	12,655	11,716	(939)	12,362	(293)
Benefits	18,238	13,700	(4,538)	15,154	(3,084)
Retirement Costs	20,652	32,340	11,688	32,835	12,183
Total Personnel Expenses	\$ 205,042	\$ 263,644	\$ 58,602	\$ 270,909	\$ 65,867
Meeting Expenses					
Meetings	\$ 13,000	\$ 13,000	\$ -	\$ 7,500	\$ (5,500)
Travel	42,000	42,000	-	28,900	(13,100)
Conference Calls	18,000	18,000	-	15,000	(3,000)
Total Meeting Expenses	\$ 73,000	\$ 73,000	\$ -	\$ 51,400	\$ (21,600)
Operating Expenses					
Consultants & Contracts	\$ 12,000	\$ 12,000	\$ -	\$ 12,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	1,000	1,000	-	6,580	5,580
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 13,000	\$ 13,000	\$ -	\$ 18,580	\$ 5,580
Total Direct Expenses	\$ 291,042	\$ 349,644	\$ 58,602	\$ 340,889	\$ 49,847
Indirect Expenses	\$ 176,678	\$ 176,678	\$ -	\$ 198,132	\$ 21,454
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 467,720	\$ 526,322	\$ 58,602	\$ 539,021	\$ 71,301
Change in Assets	\$ 9,896	\$ (48,706)	\$ (58,602)	\$ 4,581	\$ (5,315)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 9,896	9,896	-	4,581	(5,315)
Inc(Dec) in Fixed Assets (C)	9,896	9,896	-	4,581	(5,315)
TOTAL BUDGET (=B + C)	\$ 477,616	\$ 536,218	\$ 58,602	\$ 543,602	\$ 65,986
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (58,602)	\$ (58,602)	\$ -	\$ -
FTEs	1.59	1.51	(0.08)	1.51	(0.08)

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

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	19.16	18.99	(0.2)
Direct Expenses	\$ 3,650,422	\$ 3,586,378	\$ (64,043)
Indirect Expenses	\$ 2,129,027	\$ 2,491,737	\$ 362,710
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 119,255	\$ 57,611	\$ (61,644)
Total Funding Requirement	\$ 5,898,704	\$ 6,135,726	\$ 237,023

Program Scope and Functional Description

In 2013, the MRO Compliance Monitoring and Enforcement Program (CMEP) includes performing CMEP activities with approximately 125 Registered Entities in the MRO Region.

All Registered Entities are subject to periodic audit and/or spot checks. For 2013, there are a total of 20 compliance audits planned and spot checks will be done as needed.

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 2013. Investigations are handled through MRO's Risk Assessment and Mitigation team.

2013 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 2013 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.

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.

2013 Compliance Monitoring Program Goals and Key Deliverables

- Conduct secondary independent review to assure all determinations of possible violations are accurate, complete, and technically sufficient
- 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
- Conduct system performance compliance monitoring (such as due diligence review of misoperations, physical inspections, etc.)
- 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
- 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 – 2013 Budget versus 2012 Budget

Entity (Organization) Registration

- 2013 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 2012 (125 Registered Entities/502 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

- 2013 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 2013 (no change).

Annual Implementation Plan

- 2013 Variance: increase of workload.
- The scope of the compliance program plan is assumed to maintain steady in 2013.
 - Monitor compliance with all regulatory approved Reliability Standards as defined in the NERC Annual Implementation Plan.
 - It is assumed that the NERC 2013 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 2012 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-certifications or events

Planned Audits (Operating and Planning Standards)

- 2013 Variance: increase of workload.
- The number of audits to be performed in 2013 is 20, which is an increase by one compared to 2012.

Planned Audits (CIP Standards)

- 2013 Variance: consistent workload.
- The number of audits to be performed in 2013 is 20, which is consistent compared to 2012. In addition, Technical Feasibility Exceptions (TFEs) will continue to be managed on an ongoing basis, and will be included in the audit.

Annual Self-Certification Requirement

- 2013 Variance: consistent in workload.
- The number of entities participating in the annual self-certification is 125 for 2013.
- It is assumed that the NERC 2013 Implementation Plan, which identifies the Reliability Standard requirements to be monitored through annual self-certification, is reduced due to the reduction in the number of standards audited at an entity.

Compliance Investigations (CIs)

- 2013 Variance: increase in workload.
- MRO compliance staff will assume the lead on investigations in MRO region, rather than relying on NERC (because NERC resources are being used on larger events).

Compliance Possible Violation Discovery

- 2013 Variance: increase of workload.
- Will be reduced by the number of standards monitored through compliance audits.
- For every possible violation, the MRO mitigation and risk assessment 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

- 2013 Variance: increase of workload in 2013 from 2012.
- 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 – 2013 Budget versus 2012 Budget***2013 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 2012 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 2013, while the number of alleged violations of the Critical Infrastructure Protection Standards is expected to continue to increase in 2013. For every Possible Violation identified by MRO compliance staff or a 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 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 both a Disposition Document and Notice of Alleged Violation for each alleged violation or a Notice of Find, Fix, Track and Report (FFT) processing for each unmediated issue. Where a Notice of Alleged Violation is issued, a proposed penalty is calculated and 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 small percentage of violations will be resolved through the settlement process. MRO expects the FFT process to reduce administrative costs in the enforcement area.

Mitigation Plan Acceptance and Verification of Completion

- 2013 Variance: consistent with 2012 workload
- MRO uses number of days in violation process (DIVP) and violation aging as key indicators for process efficiency and effectiveness. Due primarily to CIP violations, the number of days has increased and therefore, we are devoting more resources in this area. Further, MRO assumes an increase in the number and frequency of violations discovered with the inclusion of the CIP Standards and 41 Requirements.
- For every Alleged Violation identified by MRO staff, a mitigation plan must be submitted. MRO mitigation and risk assessment staff reviews each submitted mitigation plan to assess whether the proposed plan will mitigate and prevent reoccurrence of the subject violation. The development of the mitigation plan provides the information necessary to determine the potential and actual risk to the reliability of the BES

Record Development and Maintenance

- Processes have been formalized and necessary documentation identified to complete the record. The webCDMS application provides for a central repository accessible to each Registered Entity to submit and review its evidence.

Funding Sources and Requirements — Explanation of Increase (Decrease)

For 2013, the compliance monitoring workload will remain consistent.

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 remain steady over the 2012 when compared to the FTE count at year-end 2012.
- Budgeted payroll taxes, benefits and retirement costs reflect an average cost per employee. Please refer to Section 4 Account Methodology, Personnel Expenses which explains MRO's 2012 personnel cost fluctuations most notable in the retirement costs.

Meeting Expenses

- Recognizing new facility savings in meeting costs due to hosting more meetings in the office versus renting a meeting room.

Travel Expense

- Expenditures in the "travel" account will be slightly increased in 2013 primarily due to anticipation of higher airline costs.

Conference Calls

- Expenditures in conference calls in 2013 are expected to remain steady. These efficiencies are identified as improved communications with Registered Entities, as well as reduced time spent on-site.

Operating Expenses

- **Consultants and Contracts**

Expenditures on contracts in 2013 will decrease due to the additional staff hired in 2012. By using in-sourced “core” responsibilities MRO is reducing consultant and contractor costs.

Greater efficiencies are expected with the third party vendor as additional regions expand the common IT platform increasing scale and reducing costs by spreading costs across the increased number of participating regions.

- **Office Costs**

The “office costs” account for 2013 will decrease in training costs for the staff due to reduction in tuition, as the existing staff has acquired the necessary certifications in 2011 and 2012. MRO has its own credential and experience requirements for personnel in the audit area. As our current staff gains experience, as well as hiring experienced staff in 2011, we are using in-sourced “core” responsibilities and MRO can reduce their training/tuition costs.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses in 2013 Budget as a result of higher FTEs in the Administrative Services, as well as an increase in the new facility lease costs. The facility cost increase is offset by a reduction in costs for meetings.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- 2013 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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 5,623,628	\$ 5,623,628	\$ -	\$ 6,126,145	\$ 502,517
Penalty Sanctions	275,076	275,076	-	9,581	(265,495)
Total NERC Funding	\$ 5,898,704	\$ 5,898,704	\$ -	\$ 6,135,726	\$ 237,022
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 5,898,704	\$ 5,898,704	\$ -	\$ 6,135,726	\$ 237,022
Expenses					
Personnel Expenses					
Salaries	\$ 2,393,505	\$ 2,084,057	\$ (309,448)	\$ 2,372,105	\$ (21,400)
Payroll Taxes	146,389	138,581	(7,808)	159,443	13,054
Benefits	219,744	164,401	(55,343)	203,097	(16,647)
Retirement Costs	285,616	350,057	64,441	393,579	107,963
Total Personnel Expenses	\$ 3,045,254	\$ 2,737,096	\$ (308,158)	\$ 3,128,224	\$ 82,970
Meeting Expenses					
Meetings	\$ 6,200	\$ 6,200	\$ -	\$ 5,600	\$ (600)
Travel	189,199	203,729	14,530	200,300	11,101
Conference Calls	9,200	9,200	-	8,400	(800)
Total Meeting Expenses	\$ 204,599	\$ 219,129	\$ 14,530	\$ 214,300	\$ 9,701
Operating Expenses					
Consultants & Contracts	\$ 302,000	\$ 302,000	\$ -	\$ 157,000	\$ (145,000)
Office Rent	-	-	-	-	-
Office Costs	83,572	83,572	-	79,354	(4,218)
Professional Services	15,000	15,000	-	7,500	(7,500)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 400,572	\$ 400,572	\$ -	\$ 243,854	\$ (156,718)
Total Direct Expenses	\$ 3,650,425	\$ 3,356,797	\$ (293,628)	\$ 3,586,378	\$ (64,047)
Indirect Expenses	\$ 2,129,027	\$ 2,129,027	\$ -	\$ 2,491,737	\$ 362,710
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 5,779,452	\$ 5,485,824	\$ (293,628)	\$ 6,078,115	\$ 298,663
Change in Assets	\$ 119,252	\$ 412,880	\$ 293,628	\$ 57,611	\$ (61,641)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	\$ 119,255	119,255	-	57,611	(61,644)
Inc(Dec) in Fixed Assets (C)	\$ 119,255	\$ 119,255	\$ -	\$ 57,611	\$ (61,644)
TOTAL BUDGET (=B + C)	\$ 5,898,707	\$ 5,605,079	\$ (293,628)	\$ 6,135,726	\$ 237,019
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (3)	\$ 293,625	\$ 293,628	\$ -	\$ 3
FTEs	19.16	17.17	(1.99)	18.99	(0.17)

3. Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	8.04	6.68	(1.36)
Direct Expenses	\$ 1,491,556	\$ 1,380,677	\$ (110,879)
Indirect Expenses	\$ 893,391	\$ 876,504	\$ (16,887)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 50,042	\$ 20,265	\$ (29,777)
Total Funding Requirement	\$ 2,434,989	\$ 2,277,446	\$ (157,544)

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 by Registered Entities 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 until those functions are assigned to registered entities through Reliability Standards (fill in the blank standards).
5. Support MRO stakeholder groups and participate in NERC efforts.

2013 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 2013 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 Planning Authorities, and reviewed by the MRO Operating Committee ("OC") and the Planning Committee ("PC"), 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 2013, 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. The collection and validation of GADS, TADS and DADS will add to MRO’s workload as will efforts related to BES exception reporting. MRO did not include any resource requirements directly relating to the BES exception reporting due to the uncertainty.

2013 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 responsibilities 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 is expected to decrease due to a lower FTE in 2013 than in 2012 Budget. MRO replaced a FTE with a seasonal FTE. Combined with existing staff that allows us to do more with less FTEs. Please refer to Section 4 Account Methodology, Personnel Expenses which explains MRO's 2012 personnel cost fluctuations most notable in the retirement costs.

Meeting Expenses

- Recognizing new facility savings in meeting costs due to hosting more meetings in the office versus renting a meeting room. Expenditures in the "meeting expense" account are expected to be lower 2013.

Operating Expenses

- Contracts expense increases in 2013. Cost includes administration of the NERC Alerts and Event Analysis work.
- Consulting costs increases in 2013 due to higher future costs for renewal or replacement of contracts reaching expiration.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. This method of accounting results in a decrease compared to 2012 based upon a reduction in FTEs in this program.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- 2013 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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 2,319,561	\$ 2,319,561	\$ -	\$ 2,274,076	\$ (45,485)
Penalty Sanctions	115,428	115,428	-	3,370	(112,058)
Total NERC Funding	\$ 2,434,989	\$ 2,434,989	\$ -	\$ 2,277,446	\$ (157,543)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,434,989	\$ 2,434,989	\$ -	\$ 2,277,446	\$ (157,543)
Expenses					
Personnel Expenses					
Salaries	\$ 897,570	\$ 777,555	\$ (120,015)	\$ 795,326	\$ (102,244)
Payroll Taxes	70,021	51,486	(18,535)	54,654	(15,367)
Benefits	92,219	64,020	(28,199)	71,795	(20,424)
Retirement Costs	127,696	155,615	27,919	160,752	33,056
Total Personnel Expenses	\$ 1,187,506	\$ 1,048,676	\$ (138,830)	\$ 1,082,527	\$ (104,979)
Meeting Expenses					
Meetings	\$ 35,000	\$ 35,000	\$ -	\$ 20,000	\$ (15,000)
Travel	96,500	96,500	-	106,150	9,650
Conference Calls	7,500	7,500	-	2,500	(5,000)
Total Meeting Expenses	\$ 139,000	\$ 139,000	\$ -	\$ 128,650	\$ (10,350)
Operating Expenses					
Consultants & Contracts	\$ 124,700	\$ 124,700	\$ -	\$ 141,100	\$ 16,400
Office Rent	-	-	-	-	-
Office Costs	40,350	40,350	-	28,400	(11,950)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 165,050	\$ 165,050	\$ -	\$ 169,500	\$ 4,450
Total Direct Expenses	\$ 1,491,556	\$ 1,352,726	\$ (138,830)	\$ 1,380,677	\$ (110,879)
Indirect Expenses	\$ 893,391	\$ 893,391	\$ -	\$ 876,504	\$ (16,887)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,384,947	\$ 2,246,117	\$ (138,830)	\$ 2,257,181	\$ (127,766)
Change in Assets	\$ 50,042	\$ 188,872	\$ 138,830	\$ 20,265	\$ (29,777)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 50,042	50,042	\$ -	20,265	(29,777)
Inc(Dec) in Fixed Assets (C)	\$ 50,042	\$ 50,042	\$ -	\$ 20,265	\$ (29,777)
TOTAL BUDGET (=B + C)	\$ 2,434,989	\$ 2,296,159	\$ (138,830)	\$ 2,277,446	\$ (157,543)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 138,830	\$ 138,830	\$ -	\$ -
FTEs	8.04	6.68	(1.36)	6.68	(1.36)

4. Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	0.18	0.27	0.09
Direct Expenses	\$ 152,666	\$ 193,171	\$ 40,505
Indirect Expenses	\$ 20,001	\$ 35,428	\$ 15,427
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 1,120	\$ 819	\$ (301)
Total Funding Requirement	\$ 173,788	\$ 229,418	\$ 55,631

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, performing quality event analysis, identifying 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.

2013 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 2013 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, and the Planning and Operating Committees contribute to planning Reliability Conferences

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.

2013 Goals and Key Deliverables

In addition to the 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 Standards Workshop, and one Hearing Body training conference).

Funding Sources and Requirements — Explanation of Increase (Decrease)

For 2013, 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 increase in the actual trend of executive involvement in the workshops, newsletters, and speaker engagements.

Meeting Expenses

- Expenditures in the "meeting expense" account will increase in 2013. Although our new facility enables a lower cost per meeting, we are anticipating a higher number of meetings with application guides and model controls and procedures developed and presented by stakeholders.

Travel Expenses

- Expenditures in "travel expense" account will decrease in 2013. The 2013 Budget reflects the lower trending in 2012 of member reimbursement for stakeholders presenting to other stakeholders.

Operating Expenses

- Office Costs – "office costs" account will hold steady in 2013.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses in 2013 Budget as a result of higher FTEs in the Administrative Services, as well as an increase in

the new facility lease costs. The facility increase is offset by a reduction in costs for meetings.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- 2013 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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 171,203	\$ 171,203	\$ -	\$ 229,281	\$ 58,078
Penalty Sanctions	2,584	2,584	-	136	(2,448)
Total NERC Funding	\$ 173,787	\$ 173,787	\$ -	\$ 229,418	\$ 55,631
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 173,787	\$ 173,787	\$ -	\$ 229,418	\$ 55,631
Expenses					
Personnel Expenses					
Salaries	\$ 35,852	\$ 69,667	\$ 33,815	\$ 65,436	\$ 29,584
Payroll Taxes	2,095	2,439	344	2,231	136
Benefits	2,065	1,849	(216)	1,935	(130)
Retirement Costs	6,154	12,270	6,116	11,469	5,315
Total Personnel Expenses	\$ 46,166	\$ 86,225	\$ 40,059	\$ 81,071	\$ 34,905
Meeting Expenses					
Meetings	\$ 48,500	\$ 46,700	\$ (1,800)	\$ 63,500	\$ 15,000
Travel	38,000	38,000	-	28,600	(9,400)
Conference Calls	15,000	15,000	-	15,000	-
Total Meeting Expenses	\$ 101,500	\$ 99,700	\$ (1,800)	\$ 107,100	\$ 5,600
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	\$ 152,666	\$ 190,925	\$ 38,259	\$ 193,171	\$ 40,505
Indirect Expenses	\$ 20,001	\$ 20,001	\$ -	\$ 35,428	\$ 15,427
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 172,667	\$ 210,926	\$ 38,259	\$ 228,599	\$ 55,932
Change in Assets	\$ 1,120	\$ (37,139)	\$ (38,259)	\$ 819	\$ (301)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 1,120	1,120	-	819	(301)
Inc(Dec) in Fixed Assets (C)	\$ 1,120	\$ 1,120	\$ -	\$ 819	\$ (301)
TOTAL BUDGET (=B + C)	\$ 173,787	\$ 212,046	\$ 38,259	\$ 229,418	\$ 55,631
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (38,259)	\$ (38,259)	\$ -	\$ -
FTEs	0.18	0.27	0.09	0.27	0.09

5. Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	0.18	0.30	0.12
Direct Expenses	\$ 59,508	\$ 57,074	\$ (2,434)
Indirect Expenses	\$ 20,001	\$ 39,364	\$ 19,363
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	(7,378)	910	8,288
Total Funding Requirement	\$ 72,131	\$ 97,348	\$ 25,217

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.

2013 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 2013 Business Plan and Budget.

The Situation Awareness program includes costs and resources to review and to respond to incidents and events that impact the reliability of the BES and respond to inquiries by NERC or others.

2013 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 2013, 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.

2013 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 2013 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 Operations Group within MRO have Situational Awareness responsibilities, which are budgeted in their respective areas.

2013 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 2013 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

- Personnel costs for 2013 Budget have a slight increase. Costs are anticipated to be relatively steady year over year.

Meeting Expenses

- Meeting expenses will reduce slightly. The 2013 Budget reflects the lower trending in 2011 and 2012 of travel costs.

Operating Expenses

- Office expenses are increased slightly with anticipated additional staff SCADA training. Overall operating expenses have reduced due to the elimination of the depreciation expense relating to the former facility and no longer amortizing the Situation Room which had been a leasehold improvement at MRO's former facility.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses in 2013 Budget as a result of higher FTEs in the Administrative Services, as well as an increase in the new facility lease costs. The facility increase is offset by a reduction in costs for meetings.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- 2013 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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 69,547	\$ 69,547	\$ -	\$ 97,197	\$ 27,650
Penalty Sanctions	2,584	2,584	-	151	(2,433)
Total NERC Funding	\$ 72,131	\$ 72,131	\$ -	\$ 97,348	\$ 25,217
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 72,131	\$ 72,131	\$ -	\$ 97,348	\$ 25,217
Expenses					
Personnel Expenses					
Salaries	\$ 30,779	\$ 30,181	\$ (598)	\$ 37,373	\$ 6,594
Payroll Taxes	2,031	1,368	(663)	1,824	(207)
Benefits	2,065	1,388	(677)	1,935	(130)
Retirement Costs	6,135	6,475	340	7,642	1,507
Total Personnel Expenses	\$ 41,010	\$ 39,412	\$ (1,598)	\$ 48,774	\$ 7,764
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	7,000	7,000	-	3,300	(3,700)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 7,000	\$ 7,000	\$ -	\$ 3,300	\$ (3,700)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	3,000	3,000	-	5,000	2,000
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	8,498	8,498	-	-	(8,498)
Total Operating Expenses	\$ 11,498	\$ 11,498	\$ -	\$ 5,000	\$ (6,498)
Total Direct Expenses	\$ 59,508	\$ 57,910	\$ (1,598)	\$ 57,074	\$ (2,434)
Indirect Expenses	\$ 20,001	\$ 20,001	\$ -	\$ 39,364	\$ 19,363
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 79,509	\$ 77,911	\$ (1,598)	\$ 96,438	\$ 16,929
Change in Assets	\$ (7,378)	\$ (5,780)	\$ 1,598	\$ 910	\$ 8,288
Fixed Assets					
Depreciation	(8,498)	(8,498)	-	-	8,498
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 1,120	1,120	-	910	(210)
Inc(Dec) in Fixed Assets (C)	\$ (7,378)	\$ (7,378)	\$ -	\$ 910	\$ 8,288
TOTAL BUDGET (=B + C)	\$ 72,131	\$ 70,533	\$ (1,598)	\$ 97,348	\$ 25,217
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 1,598	\$ 1,598	\$ -	\$ -
FTEs	0.18	0.29	0.11	0.30	0.12

6. Administrative Services

Administrative Services (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	7.85	10.00	2.15
Total Direct Expenses	\$ 3,239,099	\$ 3,641,164	\$ 402,065
Inc(Dec) in Fixed Assets	\$ 181,435	\$ 84,186	\$ (97,249)
Less: Other Funding Sources			\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 3,420,534	\$ 3,725,350	\$ 304,816
Funding Requirement for Working Capital	\$ (289,699)	\$ (170,612)	\$ 119,087

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 Committees and Member Forums (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	0.71	1.35	0.64
Total Direct Expenses	\$ 295,946	\$ 577,314	\$ 281,368
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.

2013 Key Assumptions

This budget item covers all travel costs for MRO staff participation in various NERC committees. When a NERC committee meeting occurs in conjunction with NERC BOT meetings, all costs are budgeted in this account. When a NERC committee meeting occurs as a stand-alone meeting, it is budgeted in the related substantive cost center. This budget also covers MRO's reimbursement of approved stakeholder travel costs for participation in the NERC committees as a MRO representative.

2013 Goals and Key Deliverables

MRO's goal is to actively participate in NERC committees to develop best practices and continuously improve the ERO; to ensure consistency among the Regions; and to meet the goals of the MRO Registered Entities to be highly effective reliability organizations.

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 2013, 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 be higher in 2013. Based on the 2011 and 2012 trending there is a higher participation of the MRO higher-salaried senior staff rather than lower-salaried junior staff on the NERC Committees, Task Forces, BOT and MRC meetings.

Meeting Expenses

- MRO does reimburse travel expenses for approved regional representatives. The 2013 Budget shows an increase to reflect the general increase in the number of staff and stakeholder participation as well as an anticipated increase in air travel costs.

Operating Expenses

- No operating expenses are budgeted in 2013.

Indirect Expenses

- Indirect program costs are allocated to the direct programs based on FTE count to the direct programs for 2013.

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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
TECHNICAL COMMITTEES and MEMBER FORUMS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues		-	-	-	-
Testing Fees		-	-	-	-
Services & Software		-	-	-	-
Workshops		-	-	-	-
Interest		-	-	-	-
Miscellaneous		-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 120,863	\$ 291,192	\$ 170,329	\$ 297,396	\$ 176,533
Payroll Taxes	7,352	16,030	8,678	16,595	9,243
Benefits	8,144	17,351	9,207	18,916	10,772
Retirement Costs	19,587	56,941	37,354	57,407	37,820
Total Personnel Expenses	<u>\$ 155,946</u>	<u>\$ 381,514</u>	<u>\$ 225,568</u>	<u>\$ 390,314</u>	<u>\$ 234,368</u>
Meeting Expenses					
Meetings		\$ -	\$ -	\$ -	\$ -
Travel	140,000	140,000	-	187,000	47,000
Conference Calls		-	-	-	-
Total Meeting Expenses	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ 187,000</u>	<u>\$ 47,000</u>
Operating Expenses					
Consultants & Contracts		\$ -	\$ -	\$ -	\$ -
Office Rent		-	-	-	-
Office Costs		-	-	-	-
Professional Services		-	-	-	-
Miscellaneous		-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ 295,946</u>	<u>\$ 521,514</u>	<u>\$ 225,568</u>	<u>\$ 577,314</u>	<u>\$ 281,368</u>
Indirect Expenses	<u>\$ (295,946)</u>	<u>\$ (295,946)</u>		<u>\$ (577,314)</u>	<u>\$ (281,368)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ 225,568</u>	<u>\$ 225,568</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ (225,568)</u>	<u>\$ (225,568)</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -		-	
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ 225,568</u>	<u>\$ 225,568</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ (225,568)</u>	<u>\$ (225,568)</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	0.71	1.35	1	1	1

6b. General and Administrative

General and Administrative (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.53	1.32	(0.21)
Total Direct Expenses	\$ 532,968	\$ 559,018	\$ 26,050
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (289,699)	\$ (170,612)	\$ 119,087

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.

2013 Key Assumptions

- The current economic downturn will continue into 2013 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.
- Additional costs of \$100,000 are anticipated for the addition of two independent Board members.

2013 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 2013 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 2012 and 2013, 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.

At the March 29, 2012 board meeting, the Finance and Audit committee's recommendation to apply the 2011 budget under-run to the 2012 revised budget target of \$9,475,504 was approved by the MRO Board of Directors. At the June 28, 2012 board meeting, the Finance and Audit Committee's recommendation to apply the remaining 2011 budget under-run to the 2013 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 2013.

Funding Sources (Other than ERO Assessments)

- In 2013, 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 FTE remained steady in 2013. However, there was a shift of executive staff giving support in the other programs and an increase in administrative staff support.

Meeting Expenses

- The 2013 Budget meeting dollars increased from 2012 Budget due to the number of meetings at the new facility has increased. Travel dollars have increased in 2013 primarily due to anticipation of higher airline costs.

Operating Expenses

- The 2013 Budget for consultants and contracts reduced costs based on past trends as well as media training costs being moved from General and Administrative to Legal where the MRO Crisis Communication Team will be headed by internal legal sources.
- The 2013 Budget for Professional Services has increased to cover the costs of two independent board members. It is anticipated that these two board members would be included by January 1, 2013. Costs include travel reimbursements.

Indirect Expenses

- Indirect program costs are allocated to the direct programs based on FTE count to the direct programs for 2013.

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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
GENERAL and ADMINISTRATIVE					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (289,699)	\$ (289,699)	\$ -	\$ (170,612)	\$ 119,087
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ (289,699)	\$ (289,699)	\$ -	\$ (170,612)	\$ 119,087
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ (289,699)	\$ (289,699)	\$ -	\$ (170,612)	\$ 119,087
Expenses					
Personnel Expenses					
Salaries	\$ 253,887	\$ 185,824	\$ (68,063)	\$ 192,366	\$ (61,521)
Payroll Taxes	14,231	9,363	(4,868)	10,760	(3,471)
Benefits	17,549	11,976	(5,573)	13,435	(4,114)
Retirement Costs	32,554	32,392	(162)	34,693	2,139
Total Personnel Expenses	\$ 318,221	\$ 239,555	\$ (78,666)	\$ 251,254	\$ (66,967)
Meeting Expenses					
Meetings	\$ 31,554	\$ 31,554	\$ -	\$ 35,864	\$ 4,310
Travel	53,541	53,541	-	60,000	6,459
Conference Calls	800	800	-	800	-
Total Meeting Expenses	\$ 85,895	\$ 85,895	\$ -	\$ 96,664	\$ 10,769
Operating Expenses					
Consultants & Contracts	\$ 60,000	\$ 60,000	\$ -	\$ 40,000	\$ (20,000)
Office Rent	-	-	-	-	-
Office Costs	68,852	68,852	-	71,100	2,248
Professional Services	-	-	-	100,000	100,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 128,852	\$ 128,852	\$ -	\$ 211,100	\$ 82,248
Total Direct Expenses	\$ 532,968	\$ 454,302	\$ (78,666)	\$ 559,018	\$ 26,050
Indirect Expenses	\$ (532,968)	\$ (532,968)	\$ -	\$ (559,018)	\$ (26,050)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ (78,666)	\$ (78,666)	\$ -	\$ -
Change in Assets	\$ (289,699)	\$ (211,033)	\$ 78,666	\$ (170,612)	\$ 119,087
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ (78,666)	\$ (78,666)	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (289,699)	\$ (211,033)	\$ 78,666	\$ (170,612)	\$ 119,087
FTEs	1.53	1.32	(0.21)	1.32	(0.21)

6c. Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	0.73	1.22	0.49
Total Direct Expenses	\$ 339,971	\$ 344,983	\$ 5,012
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

MRO maintains 1.22 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.

2013 Key Assumptions

- In the 2013 Budget, as in the 2012 and 2011 budgets, there are no specific funds for hearings under CMEP Rules, and MRO would use its current budget and reserves in the first instance.
- MRO reduced its Professional Services budget in 2012 by 43% and will reduce it another 40% in light of the additional internal legal resources.
- Travel costs will increase due to external affairs and communication activities as well as participation in the ERO Legal and Regional Communicators committees.

2013 Goals and Key Deliverables

Legal and Regulatory functions are responsible for general corporate legal advice, legal training, and timely, accurate filings to Regulatory authorities. This function is staff to the MRO Board Governance and Personnel Committee. External affairs and communications are also incorporated into this function and includes outreach to members, various constituencies of the ERO enterprise and regulators (federal, state and provincial).

Media training has been moved from General and Administrative to Legal and Regulatory where the MRO Crisis Communication Team will be headed by internal legal sources.

Outside legal will be used exclusively for any hearings and to supplement internal resources as necessary.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- In 2013, the expenses related to the indirect program areas are allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Personnel Expenses

- 2013 Budget has increased by .49 FTE reflecting part-time legal going to 1 FTE. Please refer to Section 4 Account Methodology, Personnel Expenses which explains MRO's 2012 personnel cost fluctuations most notable in the retirement costs.

Meeting Expenses

- For 2013, meeting expenses, which were eliminated in the 2011 budget, remain at zero. Travel costs were increased to reflect both the increase in personnel resources and the continued outreach to state commissions through individual meetings and through the National Association of Regulatory Commissions and NERC trade association meetings.

Operating Expenses

- The 2013 Professional Services account was reduced from 2012 to recognize the additional 0.49 FTE corporate internal legal counsel which will offset in part the need for outside counsel, again showing MRO's trend of using in-sourced "core" responsibilities thereby reducing costs significantly.

Indirect Expenses

- Indirect program costs are allocated to the direct programs based on FTE count to the direct programs for 2013.

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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
LEGAL and REGULATORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 196,526	\$ 185,830	\$ (10,696)	\$ 219,355	\$ 22,829
Payroll Taxes	11,569	10,538	(1,031)	11,538	(31)
Benefits	2,638	1,796	(842)	2,150	(488)
Retirement Costs	22,443	33,537	11,094	37,375	14,932
Total Personnel Expenses	<u>\$ 233,176</u>	<u>\$ 231,701</u>	<u>\$ (1,475)</u>	<u>\$ 270,418</u>	<u>\$ 37,242</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	4,200	4,200	-	9,515	5,315
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 4,200</u>	<u>\$ 4,200</u>	<u>\$ -</u>	<u>\$ 9,515</u>	<u>\$ 5,315</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	2,595	2,595	-	5,050	2,455
Professional Services	100,000	100,000	-	60,000	(40,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 102,595</u>	<u>\$ 102,595</u>	<u>\$ -</u>	<u>\$ 65,050</u>	<u>\$ (37,545)</u>
Total Direct Expenses	<u>\$ 339,971</u>	<u>\$ 338,496</u>	<u>\$ (1,475)</u>	<u>\$ 344,983</u>	<u>\$ 5,012</u>
Indirect Expenses	<u>\$ (339,971)</u>	<u>\$ (339,971)</u>	<u>\$ -</u>	<u>\$ (344,983)</u>	<u>\$ (5,012)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ (1,475)</u>	<u>\$ (1,475)</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ 1,475</u>	<u>\$ 1,475</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets		\$ -		-	
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ (1,475)</u>	<u>\$ (1,475)</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ 1,475</u>	<u>\$ 1,475</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	0.73	1.22		1.22	0.49

6d. Information Technology

Information Technology (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	2.12	3.10	0.98
Total Direct Expenses	\$ 1,100,652	\$ 1,019,203	\$ (81,449)
Inc(Dec) in Fixed Assets	\$ (29,565)	\$ 34,186	\$ 63,751
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

MRO's Information Technology ("IT") program provides the technology and communications tools for staff to perform Regional Entity functions.

2013 Key Assumptions

IT provides support and guidance for the technologies deployed at MRO. Technologies include secure networks, systems and business applications, office equipment such as copiers and faxes, servers to support connected and shared resources, printers, handheld devices, telephony, remote access and conference solutions.

IT provides leadership in using technology effectively and securely. In doing so, users are more productive. The result is a keen focus on availability of networks and systems, maintenance of those systems, investigation of issues, and deployment of new tools.

2013 Goals and Key Deliverables

The IT program's goal is 99.81% uptime on all systems.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Improvements in documentation of processes, automation of repetitive tasks, along with efficiency improvements and staff training are resulting in lower annual IT costs.

Funding Sources (Other than ERO Assessments)

- In 2013, 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 are increased for an additional .98 FTE in 2013 which are offset in lowering costs in consultants and contracts. Please refer to Section 4 Account Methodology, Personnel Expenses which explains MRO's 2012 personnel cost fluctuations most notably in the retirement costs.

Meeting Expenses

- Travel costs are slightly lower based on recent trends.

Operating Expenses

- 2013 Contracts expense has gone down due to staff training and efforts to perform more upgrades and system maintenance in house.
- 2013 Office costs have gone down as well due to MRO's trend of using in-sourced "core" responsibilities reducing computer supplies and maintenance offsetting the higher costs that would be expected with the higher FTE at MRO.

Indirect Expenses

- Indirect program costs are allocated to the direct programs based on FTE count to the direct programs for 2013.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- 2013 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs. Other efficiencies of the in-sourced "core" responsibilities are reducing the overall cost of fixed asset additions in the 2013 Budget.

Information Technology

Funding sources and related expenses for the Information Technology section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
INFORMATION TECHNOLOGY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 178,051	\$ 287,962	\$ 109,911	\$ 291,579	\$ 113,528
Payroll Taxes	14,134	21,517	7,383	22,502	8,368
Benefits	24,316	30,259	5,943	33,318	9,002
Retirement Costs	19,401	41,111	21,710	40,739	21,338
Total Personnel Expenses	<u>\$ 235,902</u>	<u>\$ 380,849</u>	<u>\$ 144,947</u>	<u>\$ 388,138</u>	<u>\$ 152,236</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	5,000	5,000	-	4,000	(1,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ (1,000)</u>
Operating Expenses					
Consultants & Contracts	\$ 278,500	\$ 278,500	\$ -	\$ 177,500	\$ (101,000)
Office Rent	-	-	-	-	-
Office Costs	201,250	166,250	(35,000)	143,900	(57,350)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	380,000	380,000	-	305,665	(74,335)
Total Operating Expenses	<u>\$ 859,750</u>	<u>\$ 824,750</u>	<u>\$ (35,000)</u>	<u>\$ 627,065</u>	<u>\$ (232,685)</u>
Total Direct Expenses	<u>\$ 1,100,652</u>	<u>\$ 1,210,599</u>	<u>\$ 109,947</u>	<u>\$ 1,019,203</u>	<u>\$ (81,449)</u>
Indirect Expenses	<u>(1,100,652)</u>	<u>\$ (1,100,652)</u>	<u>\$ -</u>	<u>\$ (1,019,203)</u>	<u>\$ 81,449</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ 109,947</u>	<u>\$ 109,947</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ (109,947)</u>	<u>\$ (109,947)</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	(380,000)	(380,000)	-	(305,665)	74,335
Computer & Software CapEx	350,435	310,435	(40,000)	339,851	(10,584)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 29,565	\$ 29,565	-	\$ (34,186)	\$ (63,751)
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ 69,947</u>	<u>\$ 69,947</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ (69,947)</u>	<u>\$ (69,947)</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	2.12	3.01	0.89	3.10	0.98

6e. Human Resources

Human Resources costs are included in Finance and Accounting.

6f. Human Resources, Finance, and Accounting

Human Resources (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	2.76	3.01	0.25
Total Direct Expenses	\$ 969,562	\$ 1,140,646	\$ 171,084
Inc(Dec) in Fixed Assets	\$ 211,000	\$ 50,000	\$ (161,000)
Working Capital Requirement	\$ 0	\$ -	\$ (0)

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 developed a culture and talent management program that features an in-depth communication and training plan. The program also facilitates MRO's enterprise-wide corporate compliance and ethics program. MRO has enhanced its support of compliance and ethics through its improved employee screening, enhanced employee on-board training, training and certification of staff, and creating additional opportunities for 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 measure to review and develop policies, continue the training and education of staff, and organize compliance and ethics awareness events. MRO also researches opportunities to add new benefits for the overall employee development of staff, including wellness programs, virtual learning tools, and lessons learned practicums.

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; and oversees financial and accounting system controls and standards.

2013 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's 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 2013, 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 2013 reflecting an increase of 0.25 FTEs.
- Please refer to Section 4 Account Methodology, Personnel Expenses which explains MRO's 2012 personnel cost fluctuations most notable in the retirement costs.

Meeting Expenses

- Costs are expected to remain flat and consistent for attending regional budget group meetings.

Operating Expenses

- The 2012 Budget included budgeted Leasehold Improvements, and a related increase in budgeted Office Rent, for 12 months at the new facility. MRO staff moved into its new facility in April 2012. The 2013 budget reflects normalized post move operating costs.
- An increase in Consultant and Contracts costs are due to the cost of recruiting an additional FTE.
- Professional Services expenses remain steady as a result of negotiated service costs.

Indirect Expenses

- Indirect program costs are allocated to the direct programs based on FTE count to the direct programs for 2013.

Other Non-Operating Expenses

- No dollars were necessary in 2013.

Fixed Asset Additions

- 2013 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.
- Leasehold Improvements
2012 Budget included the one-time costs related to leasehold improvements in the new facility.

Human Resources, Finance, and Accounting

Funding sources and related expenses for the Human Resources, Accounting, and Finance section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
FINANCE and ACCOUNTING					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 252,503	\$ 288,125	\$ 35,622	\$ 290,826	\$ 38,323
Payroll Taxes	20,061	19,410	(651)	20,485	424
Benefits	25,922	29,251	3,329	32,351	6,429
Retirement Costs	34,235	55,486	21,251	56,737	22,502
Total Personnel Expenses	\$ 332,722	\$ 392,272	\$ 59,551	\$ 400,399	\$ 67,678
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,000	3,000	-	3,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 3,000	\$ 3,000	\$ -	\$ 3,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ 19,576	\$ 19,576	\$ -	\$ 45,500	\$ 25,924
Office Rent	391,680	429,774	38,094	528,827	137,147
Office Costs	66,100	66,100	-	83,920	17,820
Professional Services	79,000	79,000	-	79,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 556,356	\$ 594,450	\$ 38,094	\$ 737,247	\$ 180,891
Total Direct Expenses	\$ 892,078	\$ 989,722	\$ 97,645	\$ 1,140,646	\$ 248,569
Indirect Expenses	\$ (969,561)	\$ (969,561)	\$ -	\$ (1,140,646)	\$ (171,085)
Other Non-Operating Expenses	\$ 77,484	\$ 77,484	\$ -	\$ -	\$ (77,484)
Total Expenses (B)	\$ (0)	\$ 97,645	\$ 97,644	\$ -	\$ -
Change in Assets	\$ 0	\$ (97,645)	\$ (97,644)	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	211,000	653,450	-	50,000	(161,000)
Allocation of Fixed Assets	\$ (211,000)	(211,000)	\$ -	(50,000)	161,000
Inc(Dec) in Fixed Assets (C)	\$ -	\$ 442,450	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ 540,095	\$ 97,644	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (540,095)	\$ (97,644)	\$ -	\$ -
FTEs	2.76	3.01		3.01	0.25



Section B – Supplemental Financial Information

2013 Business Plan and Budget

Section B — Supplemental Financial Information

1. Supplemental Financial Information Reserve Balance

Table B-1

Working Capital Reserve Analysis 2012-2013	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2011	2,023,133
Plus: 2012 MRO Funding (from LSEs or designees)	8,767,529
Less: 2012 Projected expenses & capital expenditures	(9,475,504)
Projected Working Capital Reserve (Deficit), December 31, 2012	1,315,158
 Desired Working Capital Reserve, December 31, 2013	 2 1,144,546
Less: Projected Working Capital Reserve, December 31, 2012	(1,315,158)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(170,612)
 2013 Expenses and Capital Expenditures	9,283,539
Less: Penalty Sanctions ¹	(14,000)
Less: Other Funding Sources	0
Adjustment to achieve desired Working Capital Reserve	(170,612)
 2013 MRO Assessment	 9,098,927

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 2012 and 2013, 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 2012 assess the LSE's to the full 45 reserve days, thus reaching the current cash reserve policy in 2012.

At the March 29, 2012 board meeting, the Finance and Audit committee's recommendation to apply the 2010 budget under-run to the 2012 revised budget target of \$9,475,504 was approved by the MRO Board of Directors. At the June 28, 2012 board meeting, the Finance and Audit Committee's recommendation to apply the remaining 2011 budget under-run to the 2013 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 2013.

3. Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities on page 15 of the 2013 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, 2012 are to be used to offset assessments in the 2013 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, 2012 through June 30, 2013 will be used to offset assessments in the 2014 Budget.

All penalties received prior to June 30, 2012 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, 2012		
	Date Received	Amount Received
	7/1/2011	\$ 10,000
	5/2/2012	4,000
Total Penalties Received		<u>\$ 14,000</u>

*Supplemental Funding***Table B-3**

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget
Compliance Monitoring, Enforcement & Org. Registration				
	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reliability Assessment and Performance Analysis				
	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Training and Education				
Testing Fees and Certificate Renewals	\$ -	\$ -	\$ -	-
CEH Fees	-	-	-	-
Workshops	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Situation Awareness and Infrastructure Security				
FIST Royalties	\$ -	\$ -	\$ -	-
TSIN Fees				
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General and Administrative				
Interest Income	\$ -	\$ -	\$ -	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Outside Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Explanation of Significant Variances – 2013 Budget versus 2012 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 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Total Salaries	\$ 4,513,030	\$ 4,406,281	\$ 4,772,320	\$ 259,290	5.7%
Total Payroll Taxes	300,538	282,448	312,394	11,856	3.9%
Total Benefits	412,900	335,991	394,086	(18,814)	-4.6%
Total Retirement	574,473	776,224	833,228	258,755	45.0%
Total Personnel Costs	<u>\$ 5,800,941</u>	<u>\$ 5,800,944</u>	<u>\$ 6,312,028</u>	<u>\$ 511,087</u>	<u>8.8%</u>
FTEs	37.00	35.83	37.75	0.75	2.0%
Cost per FTE					
Salaries	\$ 121,974	\$ 122,977	\$ 126,419	4,445	3.6%
Payroll Taxes	8,123	7,883	8,275	153	1.9%
Benefits	11,159	9,377	10,439	(720)	-6.5%
Retirement	15,526	21,664	22,072	6,546	42.2%
Total Cost per FTE	\$ 156,782	\$ 161,902	\$ 167,206	\$ 10,424	6.6%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

Please refer to Section 4 Account Methodology, Personnel Expenses which explains MRO's 2012 personnel cost fluctuations most notable in the retirement costs.

5. Consultants and Contracts

Table B-5

Consultants	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	131,000	131,000	33,000	(98,000)	-75%
Reliability Assessment and Performance Analysis (Secure Portal Dev for Periodic Data Collection)	40,000	40,000	30,000	(10,000)	-25%
Event Analysis	-	-	20,000	20,000	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	60,000	60,000	40,000	(20,000)	-33%
Legal and Regulatory	-	-	-	-	
Information Technology	120,000	120,000	40,000	(80,000)	-67%
Human Resources	-	-	-	-	
Accounting and Finance	5,000	5,000	5,000	-	0
Consultants Total	\$ 356,000	\$ 356,000	\$ 168,000	\$ (188,000)	-53%
Contracts	2012	2012	2013	2013 Budget v	%
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	\$ 171,000	\$ 171,000	\$ 124,000	(47,000)	-27%
	\$ 171,000	\$ 171,000	\$ 124,000	(47,000)	-27%
Model Series Development (MRO's portion of expenses of the MMWG/ERAG)	\$ 24,000	\$ 24,000	\$ 22,600	(1,400)	-6%
Model Building	38,000	38,000	45,800	7,800	21%
PTI Software	22,700	22,700	22,700	-	0%
Subtotal - Reliability Assessments Contracts	\$ 84,700	\$ 84,700	\$ 91,100	6,400	8%
Cisco	20,000	20,000	20,000	-	0%
Barracuda	8,000	8,000	5,000	(3,000)	-38%
Facilities / Security	-	-	-	-	
Lyris	2,000	2,000	-	(2,000)	-100%
DigiCert SSL	-	-	-	-	
Verisign - Domain Renewal	800	800	500	(300)	-38%
Great Plains	8,500	8,500	-	(8,500)	-100%
Globalscape EFT	6,500	6,500	-	(6,500)	-100%
Symantec Antivirus	14,000	14,000	5,000	(9,000)	-64%
Varonis File Maintenance	4,000	4,000	8,000	4,000	100%
Net App Data Storage Maintenance	38,000	38,000	25,000	(13,000)	-34%
Net App Shelves	3,000	3,000	3,000	-	0%
Net App 2050 & 2040	15,000	15,000	-	(15,000)	-100%
VMWare	14,000	14,000	14,000	-	0%
OCS Maintenance	3,000	3,000	-	(3,000)	-100%
Sharepoint Maintenance	17,000	17,000	15,000	(2,000)	-12%
SmartPhone Maintenance	2,000	2,000	6,000	4,000	200%
Server Support	2,700	2,700	5,000	2,300	85%
Great Plains Upgrade	-	-	13,000	13,000	
IT Security Audit	-	-	18,000	18,000	
Subtotal - Information Technology Contracts	\$ 158,500	\$ 158,500	\$ 137,500	\$ (21,000)	-13%
401K / 457b, 457f 3rd Party Administrator	5,000	5,000	4,000	(1,000)	-20%
FSA 3rd Party Administrator	1,200	1,200	1,200	-	0%
Transportation 3rd Party Administrator	-	-	2,800	2,800	
Benefits 3rd Party Administrator	2,376	2,376	2,000	(376)	-16%
CPI-457b 3rd Party Administrator	-	-	-	-	
Payroll 3rd Party Administrator	6,000	6,000	5,500	(500)	-8%
HR-Employment Costs	-	-	25,000	25,000	
Subtotal - HR and Finance Contracts	\$ 14,576	\$ 14,576	\$ 40,500	25,924	178%
Contracts Total	\$ 440,776	\$ 440,776	\$ 405,100	\$ (35,676)	-8%
Total Consulting and Contracts	\$ 796,776	\$ 796,776	\$ 573,100	\$ (223,676)	-28%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

Consulting Expenses

- Compliance and Organization Registration consulting expenses are budgeted to decrease in 2013. By using in-sourced “core” responsibilities MRO is reducing consultant and contractor costs significantly.
- Reliability Assessments and Performance Analysis costs includes costs to administer the NERC Alerts and Event Analysis work if necessary.
- Information Technology uses outside consultants for new technology implementation.

Contract Expenses

- Compliance and Organization Registration costs decreased for 2013 due to the webCDMS. Greater efficiencies are budgeted with this third party vendor as additional regions expand the common IT platform increasing efficiency and effectiveness as well as lower costs by spreading costs across the increased number of participating regions.
- Reliability Assessments and Performance Analysis costs slightly increase for 2013 due to higher future costs for renewal or replacement of contracts reaching expiration.
- Information Technology costs decreased due to MRO’s trend of using in-sourced “core” responsibilities reducing third-party contracts.
- Human Resources and Finance costs increased for 2013 due to an increase in hiring costs.

Table B-6

Office Rent	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Office Rent	\$ 340,780	\$ 378,874	\$ 513,827	\$ 173,047	50.8%
Utilities	18,300	18,300	5,000	(13,300)	-72.7%
Maintenance	10,000	10,000	10,000	-	0.0%
Office Cleaning	20,000	20,000	-	(20,000)	-100.0%
Waste Management	2,600	2,600	-	(2,600)	-100.0%
Total Office Rent	\$ 391,680	\$ 429,774	\$ 528,827	\$ 137,147	35.02%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

Office Rent

- The 2013 Budget includes budgeted Leasehold Improvements and associated Office Rent for a new facility. The higher lease costs are partially offset by lower costs for meetings which MRO will be able to hold on-site eliminating meeting room and audiovisual rentals as well as lower catering costs.

Table B-7

Office Costs	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Phone Service					
Data Curciut (qmoe)	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	0.00%
Data Circuit (dsl)	-	-	-	-	
Inbound long distance	8,400	8,400	-	(8,400)	-100.00%
Voice Circuits	12,000	12,000	13,000	1,000	8.33%
Business Cable	3,300	3,300	3,300	-	0.00%
Sunguard 1/	-	-	33,000	33,000	
Internet/Cell	30,656	30,656	44,307	13,651	44.53%
Office Supplies	26,252	26,252	26,350	98	0.37%
Employee Member Events	17,800	17,800	17,800	-	0.00%
Employee Related Expense (Drug Testing, I	8,500	8,500	8,500	-	0.00%
Computer Supplies and Maintenance	57,000	57,000	37,000	(20,000)	-35.09%
Publications & Subscriptions	5,250	5,250	5,400	150	2.86%
Professional Dues	11,583	11,583	13,859	2,276	19.65%
Postage	2,000	2,000	2,700	700	35.00%
Temporary Services	-	-	-	-	
Finance-Filing/Reg Fees	5,000	5,000	6,000	1,000	20.00%
Equipment Repair/Service Contracts 1/	92,350	92,350	25,000	(67,350)	-72.93%
Bank Charges	12,400	12,400	15,500	3,100	25.00%
Sales & Use Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity & Supplies Promot	3,000	3,000	3,000	-	0.00%
Departmental Functional Training	121,228	121,228	108,588	(12,640)	-10.43%
Insurance Expense	35,000	35,000	45,000	10,000	28.57%
Total Office Costs	\$ 471,719	\$ 471,719	\$ 428,304	\$ (43,415)	-9.20%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget**Office Costs**

- Computer Supplies and Maintenance and service contracts costs decreased for 2013. By using in-sourced “core” responsibilities, MRO reduced computer supplies and maintenance.

Departmental Functional and Training Costs

- Compliance and Organization Registration costs hold steady for 2013. MRO will work with NERC to use less costly alternatives to in-person attendance for training.

Table B-8

Professional Services	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Independent Trustee Fees	\$ -	\$ -	\$ 100,000	\$ 100,000	
Outside Legal	115,000	115,000	67,500	(47,500)	-41.30%
Accounting & Auditing Fees	53,000	53,000	53,000	-	0.00%
Actuarial Fees	26,000	26,000	26,000	-	0.00%
Total Services	\$ 194,000	\$ 194,000	\$ 246,500	\$ 52,500	27.06%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- Independent Trustee fees have been added to the 2013 Budget. For 2012, the governance structure of MRO was a balanced stakeholder board whereby no two sectors can control a vote. In 2012, the members of MRO approved revised bylaws to include independent board members. MRO plans to seat the independent board members after the bylaws are approved by applicable regulators. The change in governance is budgeted beginning in 2013.
- Reduced costs for Outside Legal due to increasing internal Legal and Regulatory staff.
- Accounting and Auditing fees were held steady year over year.
- Actuarial fees were held steady in 2013.

Table B-9

Other Non-Operating Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment		-		-	
Office Relocation	77,484	77,484	-	(77,484)	-100.00%
Total Non-Operating Expenses	\$ 77,484	\$ 77,484	\$ -	\$ (77,484)	100.00%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

The 2012 Budget included a one-time relocation cost relating to budgeted facility move of \$77,484. No dollars were necessary in 2013 Budget.



Section C – Non-Statutory Activities

2013 Business Plan and Budget

Section C — 2012 Non-Statutory Business Plan and Budget

In the 2013 Business Plan and Budget, MRO will not have non-statutory functions.



Section D – Additional Consolidated Financial Statements

2013 Business Plan and Budget

Section D - Additional Financial Statements

1. 2013 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Section D — Additional Financial Statements

2013 Consolidated Statement of Activities

				Statutory Activities												Non-Statutory Functions
Statement of Activities and Capital Expenditures by Program 2013 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																
NERC Assessments	9,098,927	9,098,927	-	9,098,927	542,840	6,126,145	2,274,076	229,281	97,197	-	(170,612)	-	-	-	-	-
Penalty Sanctions	14,000	14,000	-	14,000	762	9,581	3,370	136	151	-	-	-	-	-	-	-
Total NERC Funding	9,112,927	9,112,927	-	9,112,927	543,602	6,135,726	2,277,446	229,418	97,348	-	(170,612)	-	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	9,112,927	9,112,927	-	9,112,927	543,602	6,135,726	2,277,446	229,418	97,348	-	(170,612)	-	-	-	-	-
Expenses																
Personnel Expenses																
Salaries	4,772,320	4,772,320	-	4,772,320	210,558	2,372,105	795,326	65,436	37,373	297,396	192,366	219,355	291,579	-	290,826	-
Payroll Taxes	312,394	312,394	-	312,394	12,362	159,443	54,654	2,231	1,824	16,595	10,760	11,538	22,502	-	20,485	-
Benefits	394,086	394,086	-	394,086	15,154	203,097	71,795	1,935	1,935	18,916	13,435	2,150	33,318	-	32,351	-
Retirement Costs	833,228	833,228	-	833,228	32,835	393,579	160,752	11,469	7,642	57,407	34,693	37,375	40,739	-	56,737	-
Total Personnel Expenses	6,312,028	6,312,028	-	6,312,028	270,909	3,128,224	1,082,527	81,071	48,774	390,314	251,254	270,418	388,138	-	400,399	-
Meeting Expenses																
Meetings	132,464	132,464	-	132,464	7,500	5,600	20,000	63,500	-	-	35,864	-	-	-	-	-
Travel	630,765	630,765	-	630,765	28,900	200,300	106,150	28,600	3,300	187,000	60,000	9,515	4,000	-	3,000	-
Conference Calls	41,700	41,700	-	41,700	15,000	8,400	2,500	15,000	-	-	800	-	-	-	-	-
Total Meeting Expenses	804,929	804,929	-	804,929	51,400	214,300	128,650	107,100	3,300	187,000	96,664	9,515	4,000	-	3,000	-
Operating Expenses																
Consultants & Contracts	573,100	573,100	-	573,100	12,000	157,000	141,100	-	-	-	40,000	-	177,500	-	45,500	-
Office Rent	528,827	528,827	-	528,827	-	-	-	-	-	-	-	-	-	-	528,827	-
Office Costs	428,304	428,304	-	428,304	6,580	79,354	28,400	5,000	5,000	-	71,100	5,050	143,900	-	83,920	-
Professional Services	246,500	246,500	-	246,500	-	7,500	-	-	-	-	100,000	60,000	-	-	79,000	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	305,665	305,665	-	305,665	-	-	-	-	-	-	-	-	305,665	-	-	-
Total Operating Expenses	2,082,396	2,082,396	-	2,082,396	18,580	243,854	169,500	5,000	5,000	-	211,100	65,050	627,065	-	737,247	-
Total Direct Expenses	9,199,353	9,199,353	-	9,199,353	340,889	3,586,378	1,380,677	193,171	57,074	577,314	559,018	344,983	1,019,203	-	1,140,646	-
Indirect Expenses	-	-	-	-	198,132	2,491,737	876,504	35,428	39,364	(577,314)	(559,018)	(344,983)	(1,019,203)	-	(1,140,646)	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	9,199,353	9,199,353	-	9,199,353	539,021	6,078,115	2,257,181	228,599	96,438	-	-	-	-	-	-	-
Change in Assets	(86,426)	(86,426)	-	(86,426)	4,581	57,611	20,265	819	910	-	(170,612)	-	-	-	-	-
Fixed Assets																
Depreciation	(305,665)	(305,665)	-	(305,665)	-	-	-	-	-	-	-	-	(305,665)	-	-	-
Computer & Software CapEx	339,851	339,851	-	339,851	-	-	-	-	-	-	-	-	339,851	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-	-	-	-	-	-	-	-	-	-	50,000	-
Allocation of Fixed Assets	-	-	-	-	4,581	57,611	20,265	819	910	-	-	-	(34,186)	-	(50,000)	-
Inc(Dec) in Fixed Assets (C)	84,186	84,186	-	84,186	4,581	57,611	20,265	819	910	-	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	9,283,539	9,283,539	-	9,283,539	543,602	6,135,726	2,277,446	229,418	97,348	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	9,197,113	9,197,113	-	(170,612)	(0)	(0)	0	0	(0)	-	(170,612)	-	-	-	-	-
FFEs	37.7%	37.7%		37.7%	1.61	18.09	6.68	0.27	0.30	1.35	1.32	1.32	3.10		3.01	

Midwest Reliability Organization: 2013 Business Plan and Budget
 Approved by MRO Board of Directors: June 28, 2012

2. Statement of Financial Position

- As of December 31, 2011, per audit
- As of December 31, 2012, projected
- As of December 31, 2013, as budgeted

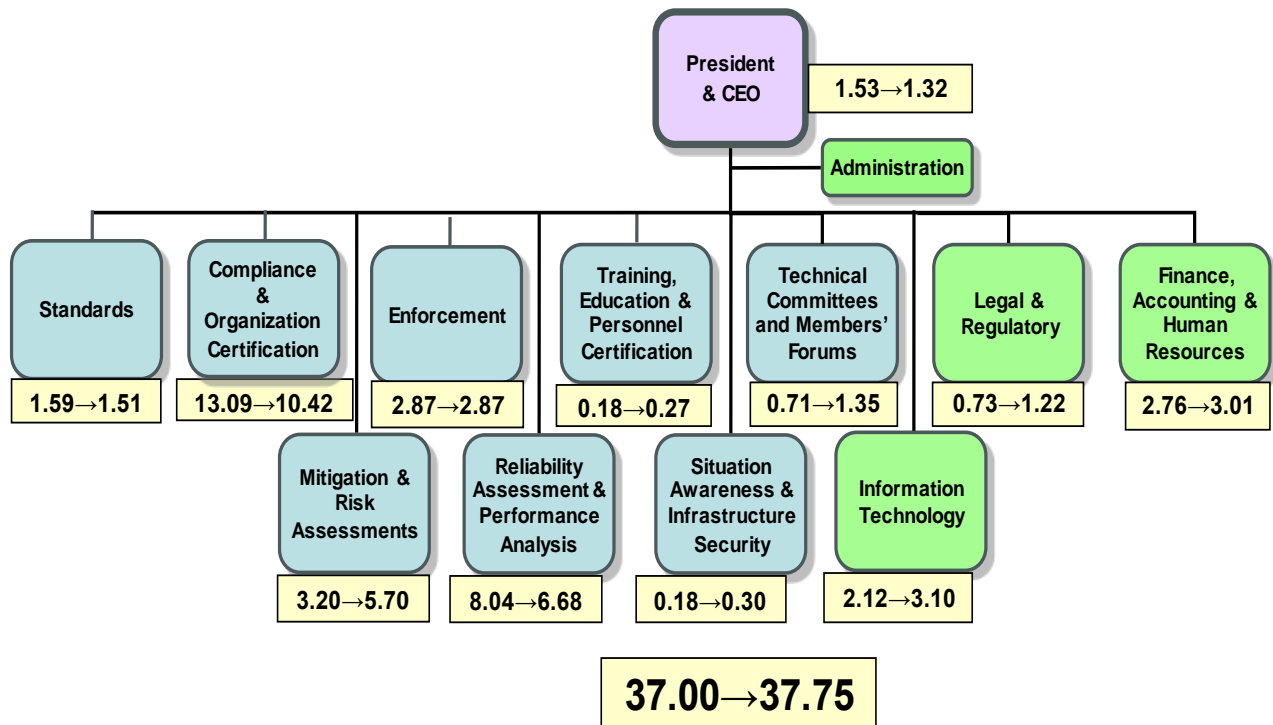
Statement of Financial Position 2011 Audited, 2012 Projection, and 2013 Budget			
STATUTORY			
	(Per Audit) 31-Dec-11	Projected 31-Dec-12	Budget 31-Dec-13
ASSETS			
Cash	3,042,970	1,315,158	1,144,546
Trade Accounts receivable, net of allowance for uncollectible accounts of \$152,323 (2009)	-	-	-
Other Receivables	-	-	-
Prepaid expenses and other current assets	549,444	549,444	549,444
Security deposit	39,858	39,858	39,858
Restricted Cash - non-current	10,000	-	-
Property and equipment and capitalized software	655,154	1,097,604	1,000,000
Total Assets	4,297,426	3,002,064	2,733,848
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	1,569,281	1,447,478	865,826
Postretirement medical benefit obligation	188,064	288,064	388,064
Deferred assessments - non-current	10,000	-	-
Deferred rent - non-current	-	121,976	300,163
Total Liabilities	1,767,345	1,857,518	1,554,053
Net Assets - unrestricted	2,530,081	1,144,546	1,179,795
Total Liabilities and Net Assets	4,297,426	3,002,064	2,733,848

3. Statement of Activities and Capital Expenditures

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget 2012 Budget & Projected 2013 and 2014 Budgets								
	2013 Budget	2014 Projection	\$ Change 14 v 13	% Change 14 v 13	2015 Projection	\$ Change 15 v 14	% Change 15 v 14	
Funding								
ERO Funding								
NERC Assessments	\$ 9,098,927	\$ 9,569,450	\$ 470,523	5.17%	\$ 9,892,630	\$ 323,180	3.3%	
Penalty Sanctions	14,000	-	(14,000)	-100.00%	-	-		
Total NERC Funding	\$ 9,112,927	\$ 9,569,450	\$ 456,523	5.0%	\$ 9,892,630	\$ 323,180	3.3%	
Membership Dues	-	-	-		-	-		
Testing Fees	-	-	-		-	-		
Services & Software	-	-	-		-	-		
Workshops	-	-	-		-	-		
Interest	-	-	-		-	-		
Miscellaneous	-	-	-		-	-		
Total Funding (A)	\$ 9,112,927	\$ 9,569,450	\$ 456,523	5.0%	\$ 9,892,630	\$ 323,180	3.4%	
Expenses								
Personnel Expenses								
Salaries	\$ 4,772,320	\$ 4,988,213	\$ 215,893	4.5%	\$ 5,187,741	\$ 199,529	4.0%	
Payroll Taxes	312,394	324,890	12,496	4.0%	337,885	12,996	4.0%	
Benefits	394,086	409,849	15,763	4.0%	426,243	16,394	4.0%	
Retirement Costs	833,228	866,557	33,329	4.0%	901,219	34,662	4.0%	
Total Personnel Expenses	\$ 6,312,028	\$ 6,589,509	\$ 277,481	4.4%	\$ 6,853,089	\$ 263,580	4.0%	
Meeting Expenses								
Meetings	\$ 132,464	\$ 135,113	\$ 2,649	2.0%	\$ 137,816	2,702	2.0%	
Travel	630,765	643,380	12,615	2.0%	656,248	12,868	2.0%	
Conference Calls	41,700	42,534	834	2.0%	43,385	851	2.0%	
Total Meeting Expenses	\$ 804,929	\$ 821,028	\$ 16,099	2.0%	\$ 837,448	\$ 16,421	2.0%	
Operating Expenses								
Consultants & Contracts	\$ 573,100	\$ 584,562	11,462	2.0%	\$ 596,253	11,691	2.0%	
Office Rent	528,827	539,404	10,577	2.0%	550,192	10,788	2.0%	
Office Costs	428,304	436,870	8,566	2.0%	445,607	8,737	2.0%	
Professional Services	246,500	251,430	4,930	2.0%	256,459	5,029	2.0%	
Miscellaneous	-	-	-		-	-		
Depreciation	305,665	311,778	6,113	2.0%	318,014	6,236	2.0%	
Total Operating Expenses	\$ 2,082,396	\$ 2,124,044	\$ 41,648	2.0%	\$ 2,166,525	\$ 42,481	2.0%	
Total Direct Expenses	\$ 9,199,353	\$ 9,534,581	\$ 335,228	3.6%	\$ 9,857,062	\$ 322,482	3.4%	
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Total Expenses (B)	\$ 9,199,353	\$ 9,534,581	\$ 335,228	3.6%	\$ 9,857,062	\$ 322,482	3.4%	
Change in Assets	\$ (86,426)	\$ 34,869	\$ 121,295	-140.3%	\$ 35,568	\$ 698	2.0%	
Fixed Assets								
Depreciation	\$ (305,665)	\$ (311,778)	\$ (6,113)	2.0%	\$ (318,014)	\$ (6,236)	2.0%	
Computer & Software CapEx	339,851	346,648	6,797	2.0%	353,581	6,933	2.0%	
Furniture & Fixtures CapEx	-	-	-		-	-		
Equipment CapEx	-	-	-		-	-		
Leasehold Improvements	50,000	-	(50,000)	-100.0%	-	-		
Allocation of Fixed Assets								
Inc(Dec) in Fixed Assets (C)	\$ 84,186	\$ 34,870	\$ (49,316)	-58.6%	\$ 35,567	\$ 698	0.0%	
TOTAL BUDGET (=B + C)	\$ 9,283,539	\$ 9,569,450	\$ 285,911	3.1%	\$ 9,892,630	\$ 322,482	3.4%	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (170,612)	\$ (0)	\$ 170,612	-100.0%	\$ 0	\$ 1	-238.5%	
FTEs	37.75	40.00	2.25		40.00	-		

Attachment A

2012 to 2013 Full Time Equivalent (FTE) Comparison Organization Chart



FTE Trend from 2012 to 2015

2012	2013	2014 Estimate	2015 Estimate
37.0	37.75	40.0	40.0

DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 5

NORTHEAST POWER COORDINATING COUNCIL, INC.

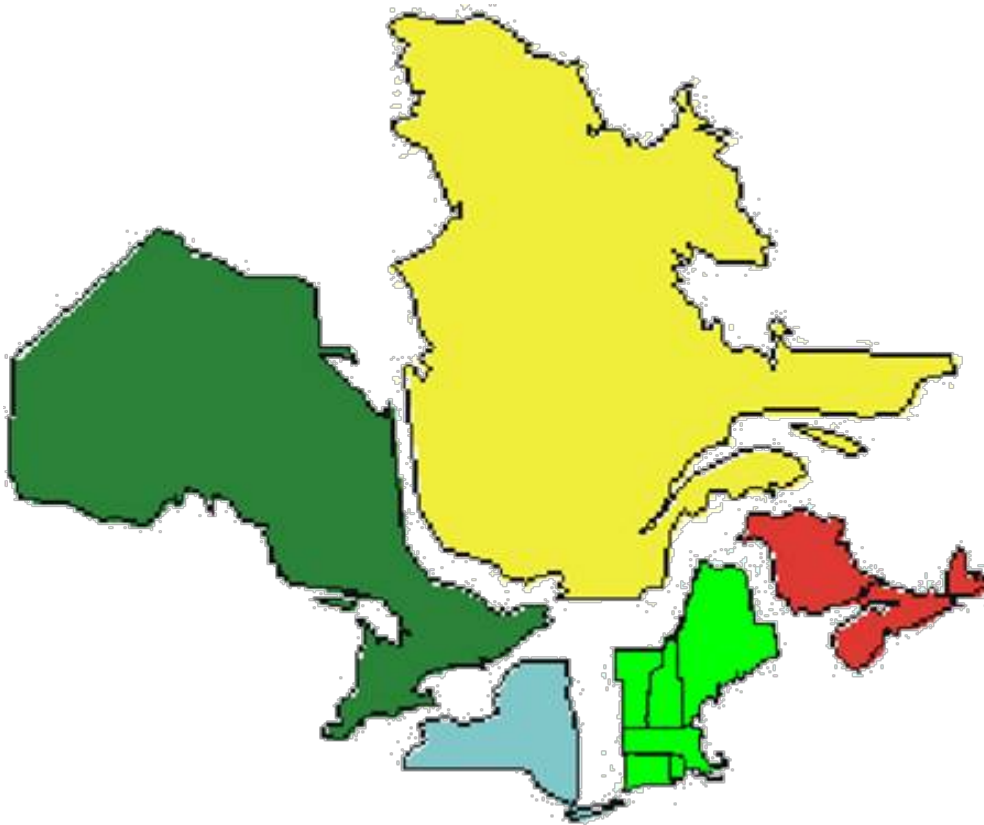
PROPOSED 2013 BUSINESS PLAN AND BUDGET



NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE. OF THE AMERICAS, NEW YORK, NY 10018 (212) 840-1070 FAX (212) 302-2782

Northeast Power Coordinating Council, Inc. (NPCC)

2013 Business Plan and Budget



**Approved by the
NPCC Board of Directors
at its June 26, 2012 Meeting and
Resubmitted to NERC August 9, 2012**

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Introduction

Total NPCC Resources (in whole dollars)				
	2013 Budget	U.S.	Canada	Mexico
Regional Entity Division FTEs	35.86			
Criteria Services Division FTEs	2.14			
Total FTEs	38.0			
Regional Entity Division Expenses	\$14,071,736			
Criteria Services Division Expenses	\$1,036,662			
Total Expenses	\$15,108,398			
Regional Entity Division Inc(Dec) in Fixed Assets	(\$192,510)			
Criteria Services Division Inc(Dec) in Fixed Assets	(\$14,490)			
Total Inc(Dec) in Fixed Assets	(\$207,000)			
Regional Entity Division Working Capital Requirement**	(\$1,115,163)			
Criteria Services Division Working Capital Requirement***	\$117,518			
Total Working Capital Requirement	(\$997,644)			
Total Regional Entity Division Funding Requirement	\$12,764,064			
Total Criteria Services Division Funding Requirement	\$1,139,690			
Total Funding Requirement	\$13,903,753			
Regional Entity Division Assessments	\$12,352,264	\$7,441,691	\$4,910,573	
Regional Entity Division Assessments Percentage	100.0%	60.2%	39.8%	
Criteria Services Division Membership Fees	\$1,139,690	\$519,240	\$620,450	
Total NPCC Assessments & Membership Fees	\$13,491,953	\$7,960,931	\$5,531,023	
NEL	653,432,000	297,702,000	355,730,000	
NEL %	100%	45.56%	54.44%	

** Refer to Table B-1 on page 73 in Section B.

*** Refer to the Reserve Analysis on page 92 in Section C.

2013 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 decrease its total funding requirement from \$14,314,467 to \$13,903,753 in 2013, a decrease of \$410,714 or 2.9%. The proposed 2013 funding requirements will be satisfied by a Regional Entity division assessment of \$12,352,264 and Criteria Services division fees of \$1,139,690, an overall decrease of 0.12% compared to the 2012 total funding requirements of \$13,508,467. 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, 2012, 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 2013 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 2012 NPCC Business Plan and Budget tasked NPCC with establishing a base operating budget for 2013 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 2013 targeted staffing level of 38 power industry professionals and support personnel. Details of the 2013 business plans and budget for each program area are included in Section A for the Regional Entity division. The 2013 Regional Entity division schedules are shown in Section B. Section C details the 2013 criteria services division business plan and budget.

Membership and Governance

NPCC monitors approximately 292 registered entities and some 577 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.

Since January 1, 2012 NPCC is 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.

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 and June 29, 2010, respectively. A decision from the NSUARB on both NERC and NPCC filings was rendered on July 20, 2011. Hence, the standards and criteria are 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 delegated compliance role of Regional Entities as an important means to enhancing reliability, 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.

2013 Key Assumptions and 2013 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 2013 through 2015 period. The results from that collaboration are included as a set of common assumptions in Exhibit A to the NERC 2013 Business Plan and Budget and may be referenced by the users of this document.

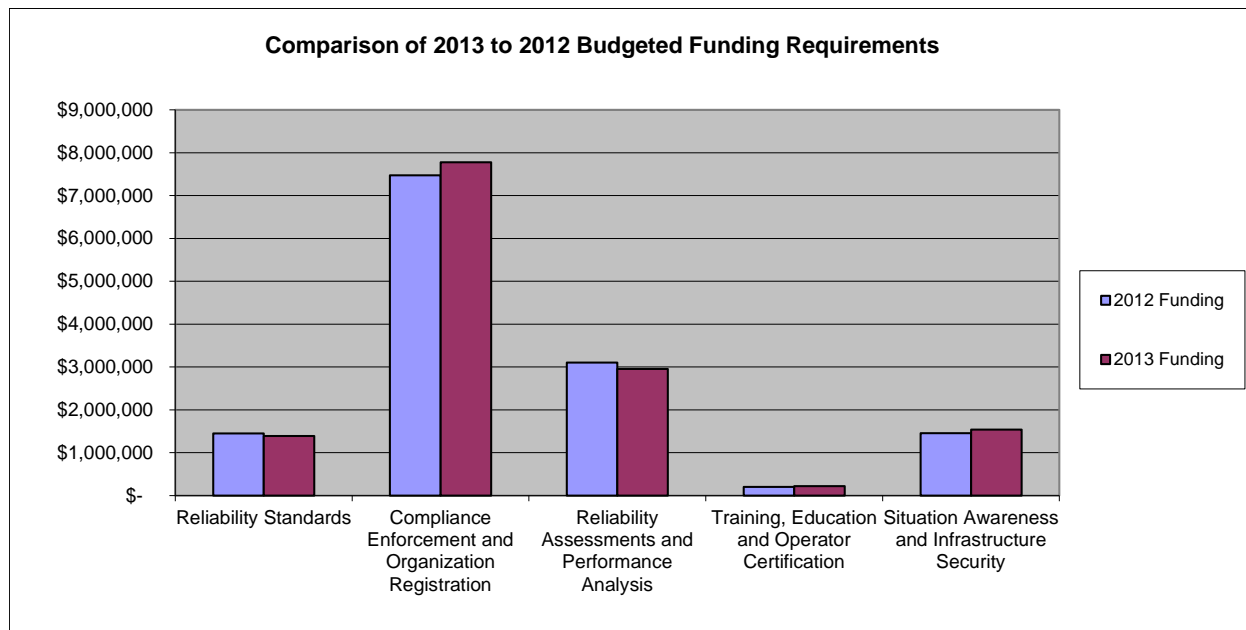
2013 Overview of Regional Entity Division Cost Impacts

NPCC proposes to decrease its Regional Entity division funding requirement from \$13,357,567 to \$12,764,064 in 2013, a decrease of \$593,503 or 4.4%. The proposed Regional Entity division assessment of \$12,352,264 to support the budget is a decrease of 1.6% compared to the 2012 assessment of \$12,551,567.

Summary by Program

Program	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Reliability Standards	\$ 1,451,091	\$ 1,451,091	\$ 1,390,980	\$ (60,111)	-4.1%
Compliance Enforcement and Organization Registration	\$ 7,471,560	\$ 7,471,560	\$ 7,777,333	\$ 305,773	4.1%
Reliability Assessments and Performance Analysis	\$ 3,104,388	\$ 3,104,388	\$ 2,956,639	\$ (147,749)	-4.8%
Training, Education and Operator Certification	\$ 200,278	\$ 200,278	\$ 217,617	\$ 17,338	8.7%
Situation Awareness and Infrastructure Security	\$ 1,453,326	\$ 1,453,326	\$ 1,536,658	\$ 83,332	5.7%
Total	\$ 13,680,643	\$ 13,680,643	\$ 13,879,226	\$ 198,584	1.5%

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

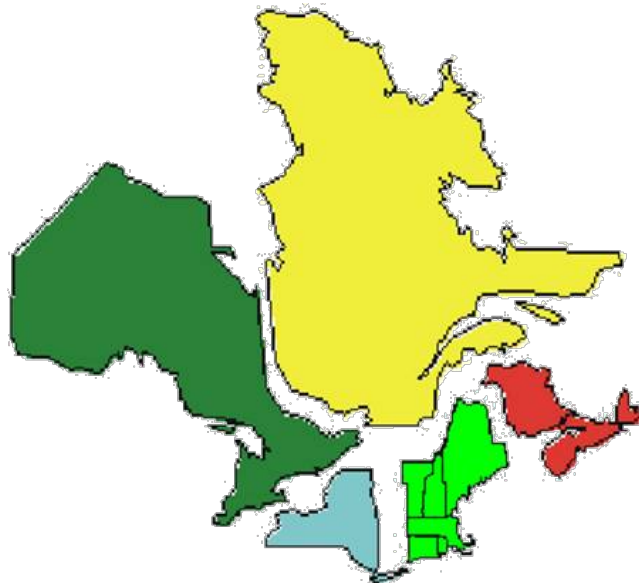
Total FTEs by Program Area	Budget 2012	Projection 2012	Direct FTEs 2013 Budget	Shared FTEs ¹ 2013 Budget	Total FTEs 2013 Budget	Change from 2012 Budget
REGIONAL ENTITY DIVISION						
Operational Programs						
Reliability Standards	3.00	3.00	2.00	0.93	2.93	-0.07
Compliance Monitoring and Enforcement and Organization Registration and Certification	15.00	15.00	15.00	0.00	15.00	0.00
Training, Education, and Operator Certification	0.10	0.10	0.10	0.00	0.10	0.00
Reliability Assessment and Performance Analysis	5.90	5.90	4.90	0.93	5.83	-0.07
Situation Awareness and Infrastructure Security	3.00	3.00	3.00	0.00	3.00	0.00
Total FTEs Operational Programs	27.00	27.00	25.00	1.86	26.86	-0.14
Administrative Programs						
Technical Committees and Member Forums	0.50	0.50	0.50	0.00	0.50	0.00
General and Administrative	1.93	1.93	2.50	0.00	2.50	0.57
Information Technology	3.00	3.00	3.00	0.00	3.00	0.00
Legal and Regulatory	1.00	1.00	1.00	0.00	1.00	0.00
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	8.43	8.43	9.00	0.00	9.00	0.57
Total FTEs	35.43	35.43	34.00	1.86	35.86	0.43

¹A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

2012 Budget and Projection and 2013 Budget Comparisons

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget						
REGIONAL ENTITY DIVISION						
				Variance ⁽²⁾ 2012 Projection v 2012 Budget Over(Under)		Variance 2013 Budget v 2012 Budget Over(Under)
	2012 Budget	2012 Projection			2013 Budget	
Funding						
ERO Funding						
ERO Assessments	\$ 12,551,567	\$ 12,551,567	\$ -		\$ 12,352,264	\$ (199,304)
Penalty Sanctions ⁽¹⁾	614,000	614,000	-		297,300	(316,700)
Total ERO Funding	\$ 13,165,567	\$ 13,165,567	\$ -		\$ 12,649,564	\$ (516,004)
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	120,000	120,000	-		80,000	(40,000)
Interest	-	-	-		-	-
Miscellaneous	72,000	72,000	-		34,500	(37,500)
Total Funding (A)	\$ 13,357,567	\$ 13,357,567	\$ -		\$ 12,764,064	\$ (593,504)
Expenses						
Personnel Expenses						
Salaries	\$ 5,582,337	\$ 5,582,337	\$ -		\$ 5,677,141	\$ 94,804
Payroll Taxes	358,772	358,772	-		377,689	18,918
Benefits	1,336,744	1,336,744	-		1,331,302	(5,442)
Retirement Costs	904,307	904,307	-		1,092,565	188,258
Total Personnel Expenses	\$ 8,182,160	\$ 8,182,160	\$ -		\$ 8,478,697	\$ 296,537
Meeting Expenses						
Meetings	\$ 288,000	\$ 288,000	\$ -		\$ 377,000	\$ 89,000
Travel	697,000	697,000	-		855,000	158,000
Conference Calls	86,935	86,935	-		87,000	65
Total Meeting Expenses	\$ 1,071,935	\$ 1,071,935	\$ -		\$ 1,319,000	\$ 247,065
Operating Expenses						
Consultants & Contracts	\$ 1,888,100	\$ 1,888,100	\$ -		\$ 2,113,000	\$ 224,900
Office Rent	641,936	641,936	-		706,500	64,564
Office Costs	358,332	358,332	-		468,500	110,168
Professional Services	1,162,663	1,162,663	-		1,120,000	(42,663)
Computer & Equipment Leases	160,770	160,770	-		-	(160,770)
Miscellaneous	146,589	146,589	-		80,000	(66,589)
Depreciation	139,855	139,855	-		192,510	52,655
Total Operating Expenses	\$ 4,498,246	\$ 4,498,246	\$ -		\$ 4,680,510	\$ 182,264
Total Direct Expenses	\$ 13,752,342	\$ 13,752,342	\$ -		\$ 14,478,207	\$ 725,865
Indirect Expenses	\$ (0)	\$ (0)	\$ -		\$ (406,471)	\$ (406,471)
Other Non-Operating Expenses	\$ 1,865	\$ 1,865	\$ -		\$ -	\$ (1,865)
Total Expenses (B)	\$ 13,754,206	\$ 13,754,206	\$ -		\$ 14,071,736	\$ 317,530
Change in Assets	\$ (396,639)	\$ (396,639)	\$ -		\$ (1,307,673)	\$ (911,033)
Fixed Assets						
Depreciation	\$ (139,855)	\$ (139,855)	\$ -		\$ (192,510)	\$ (52,655)
Computer & Software CapEx	-	-	-		-	-
Furniture & Fixtures CapEx	19,207	19,207	-		-	(19,207)
Equipment CapEx	27,878	27,878	-		-	(27,878)
Leasehold Improvements	19,207	19,207	-		-	(19,207)
Allocation of Fixed Assets	(0)	(0)	-		(0)	(0)
Inc(Dec) in Fixed Assets (C)	(73,564)	(73,564)	-		(192,510)	(118,946)
TOTAL BUDGET (=B+C)	\$ 13,680,643	\$ 13,680,643	\$ -		\$ 13,879,226	\$ 198,584
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (323,075)	\$ (323,075)	\$ -		\$ (1,115,163)	\$ (792,087)
⁽¹⁾ \$297,300 of penalty sanctions collected to date and prior to June 30, 2012.						
⁽²⁾ 2012 Projections reflect expectations based on the 1st quarter statement of activities. It is anticipated that projections could change throughout 2012 and would be reflected in each subsequent quarter's statement of activities.						

Section A – Regional Entity Division 2013 Business Plan and Budget



Section A — 2013 Business Plan

Reliability Standards Program

Reliability Standards Program Resources			
(in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs ¹	3.00	2.93	-0.07
Direct Expenses	\$1,213,552	\$855,456	(\$358,096)
Indirect Expenses	\$245,555	\$556,523	\$310,968
Other Non-Operating Expenses	\$158	\$0	(\$158)
Inc(Dec) in Fixed Assets	(\$8,174)	(\$21,000)	(\$12,826)
Total Funding Requirement	\$1,451,091	\$1,390,980	(\$60,111)

¹ In recognition of the oversight responsibility of related Criteria Services Division activities which are directly supportive of the Northeastern North American reliability, an FTE ratio allocation has been made to certain personnel expenses within this program area.

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. These regional standards contain requirements that are more stringent, add specificity to or augment 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 FERC issued 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
 - In 2013 NERC will have a revised Standards Development Process in place and standards productivity will rise, requiring additional resources to respond to this increase in thru put.
 - Active NERC Projects in the standards area are also expected to increase to address FERC outstanding directives from Order 693 as well as other orders.
 - The number of formal interpretations not addressed by CANs, is expected by NERC to increase from the level in 2012, all of which will require technical analysis and potential coordination and ballot recommendations. This increase will be primarily due to the CIP Version 5 cyber security standards.
 - NERC is developing an rapid revision standards development procedure to allow it to produce quality standards in a more expeditious manner.
- Cost Effectiveness Analysis Process or CEAP is currently under development at NERC. Resources required to evaluate the standards from a “cost benefit” and also a “cost effectiveness” perspective will be required.
- NERC Reliability Standards will require Violation Severity Levels (VSLs) and Violation Risk Factors (VRFs) to be developed utilizing new processes; NPCC is currently participating in alternate methods for the development of these “pro forma” 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 process to maintain consistency and eventual 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
- NERC has committed to a five year review of approved standards. 2012 marked the fifth year since NERC’s first set of standards became mandatory and enforceable in the United States in Order 693. Many of those standards, which have not yet been revised as a result of Directives or other need, are now due for that five-year review and substantial resources will be required to meet this regulatory obligation.

2013 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, Balancing Control Performance, 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
 - Participate in the Eastern Interconnection initiative which is investigating the potential to have interconnection wide standards in the East and what processes might need to be in place to develop them.
 - 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

2013 Goals and Key Deliverables

The Reliability Standards program goals and objectives for 2013 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
- Continue to 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 driving consensus to the extent possible
- Facilitate the NERC Cost Effective Analysis Procedure within NPCC
- 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 outreach to industry trade groups to educate and drive consensus

- 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 further economic stimulus, i.e. standards on integrating variable generation resources or EHV backbone, Smart Grid, Electric Vehicles or Synchro-Phasor projects as necessary
- Provide continued input and leadership 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
- Continually 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 2012-2014 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
- Refine the NERC and NPCC Cost Effectiveness Analysis Procedures 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
- Refine the 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 2012 – 2014 NERC Reliability Standards Development Plan, and will be ready to be reviewed and revised throughout 2014.

NPCC will provide support and coordination of NERC standards development activities for the following:

- 48 Standards Projects appearing in the 2012-2014 NERC Reliability Standards Development Plan (potentially 100+ Standards in these projects will carry over to 2013)
- 13 High Priority Standards Projects will be the focus of the effort at NERC in 2013 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 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 Events Analysis programs.

Regional Standards Development

The NPCC Regional Standards Development Procedure will have under development or in the process of receiving regulatory approval, on a schedule coordinated with the ERO, two 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:

- 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 two Regional Standards under development or approval, as noted above, NPCC anticipates obtaining full regulatory approval by FERC and the Canadian provincial governmental and/or regulatory authorities for a NPCC Automatic Underfrequency Load Shedding Program (UFLS) Regional Standard. This UFLS 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 UFLS is envisioned to be ruled on by FERC and Canadian provincial governmental and/or regulatory authorities in late 2012 or early 2013.

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 13 Regional standards the eight Regional Entities will be developing in 2013. 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)

2013 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 plans to prioritize the efforts of existing resources to meet this expanded workload.

NPCC will continue to rely on contractors for subject matter expertise on an as-needed basis throughout 2013. 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. In addition, as standards reviews increase in number, there may be a need to have contractors assist due to constrained resources of NPCC Staff and members.

Based on the portion of professional/technical staff time and other resources devoted to Reliability Standards development, NPCC estimates that it will expend 10 percent of its resources on this activity.

Funding Sources (Other than ERO Assessments)

- U.S. Penalty Sanctions remitted from 7/1/11 through 6/30/12 reduce U.S. LSE designee assessments for 2013.

Personnel Expenses

- NPCC anticipates no additional need to hire personnel for the NPCC Reliability Standards program area in 2013.
- In recognition of the Standards program area's oversight responsibility of related Criteria Services Division activities which are directly supportive of the Northeastern North American reliability, an FTE ratio allocation has been made to certain personnel expenses within this program area, specifically associated with the AVP Standards.

Meeting and Travel Expenses

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via WebEx and teleconferences, at the NPCC offices or member facilities when possible, as well as lower meeting space rental rates through negotiations. However, meeting volume is expected to increase significantly in 2013. 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.. Conference calls and webex will be conducted for business when practical.

Operating Expenses

- In 2013 and future years, NPCC total overhead expenses, such as office rent and office costs, which in prior business plans had been charged directly to the program areas, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2013.

Other Non-Operating Expenses

- No significant changes.

Fixed Asset Additions

- No fixed asset additions.

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2013 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget						
Reliability Standards						
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 1,382,869	\$ 1,382,869	\$ -	\$ 1,358,549	\$ (24,320)	
Penalty Sanctions	68,222	68,222	-	32,431	(35,792)	
Total ERO Funding	\$ 1,451,091	\$ 1,451,091	\$ -	\$ 1,390,980	\$ (60,111)	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 1,451,091	\$ 1,451,091	\$ -	\$ 1,390,980	\$ (60,111)	
Expenses						
Personnel Expenses						
Salaries	\$ 566,402	\$ 566,402	\$ -	\$ 478,983	\$ (87,419)	
Payroll Taxes	34,677	34,677	-	31,972	(2,705)	
Benefits	124,122	124,122	-	101,361	(22,761)	
Retirement Costs	86,336	86,336	-	78,141	(8,195)	
Total Personnel Expenses	\$ 811,537	\$ 811,537	\$ -	\$ 690,456	\$ (121,081)	
Meeting Expenses						
Meetings	\$ 13,000	\$ 13,000	\$ -	\$ 30,000	\$ 17,000	
Travel	120,000	120,000	-	105,000	(15,000)	
Conference Calls	15,100	15,100	-	-	(15,100)	
Total Meeting Expenses	\$ 148,100	\$ 148,100	\$ -	\$ 135,000	\$ (13,100)	
Operating Expenses						
Consultants & Contracts	\$ 39,000	\$ 39,000	\$ -	\$ 30,000	\$ (9,000)	
Office Rent	54,355	54,355	-	-	(54,355)	
Office Costs	30,341	30,341	-	-	(30,341)	
Professional Services	98,447	98,447	-	-	(98,447)	
Computer & Equipment Leases	13,613	13,613	-	-	(13,613)	
Miscellaneous	6,316	6,316	-	-	(6,316)	
Depreciation	11,842	11,842	-	-	(11,842)	
Total Operating Expenses	\$ 253,915	\$ 253,915	\$ -	\$ 30,000	\$ (223,915)	
Total Direct Expenses	\$ 1,213,552	\$ 1,213,552	\$ -	\$ 855,456	\$ (358,096)	
Indirect Expenses	\$ 245,555	\$ 245,555	\$ -	\$ 556,523	\$ 310,968	
Other Non-Operating Expenses	\$ 158	\$ 158	\$ -	\$ -	\$ (158)	
Total Expenses (B)	\$ 1,459,265	\$ 1,459,265	\$ -	\$ 1,411,980	\$ (47,285)	
Change in Assets	\$ (8,174)	\$ (8,174)	\$ -	\$ (21,000)	\$ (12,826)	
Fixed Assets						
Depreciation	\$ (11,842)	(11,842)	\$ -	-	\$ 11,842	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	1,626	1,626	-	-	(1,626)	
Equipment CapEx	2,361	2,361	-	-	(2,361)	
Leasehold Improvements	1,626	1,626	-	-	(1,626)	
Allocation of Fixed Assets	(1,945)	(1,945)	-	(21,000)	(19,055)	
Inc(Dec) in Fixed Assets (C)	(8,174)	(8,174)	-	(21,000)	(12,826)	
TOTAL BUDGET (=B+C)	\$ 1,451,091	\$ 1,451,091	\$ -	\$ 1,390,980	\$ (60,111)	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -	\$ -	\$ (0)	

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources			
(in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	15.00	15.00	0.00
Direct Expenses	\$6,283,865	\$5,035,746	(\$1,248,119)
Indirect Expenses	\$1,227,774	\$2,849,094	\$1,621,320
Other Non-Operating Expenses	\$789	\$0	(\$789)
Inc(Dec) in Fixed Assets	(\$40,869)	(\$107,507)	(\$66,639)
Total Funding Requirement	\$7,471,560	\$7,777,333	\$305,773

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) 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
- k) Conduct Entity Impact Evaluations. Conduct certification(s) of newly identified Transmission Operators (TOPs), as needed.
- l) 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. A Compliance Investigation may be initiated at any time by NPCC in response to a system disturbance, complaint, or possible violation of a Reliability Standard identified by any other means.

The CI process requires the establishment of an investigation team that coordinates with NERC and FERC as necessary; and also coordinates with the 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 enforcement 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) Identifying and processing candidates for the Find, Fix and Track 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.

2013 Key Assumptions and Cost Impacts

2012	Projected 2013
5 Large On-Site Audits	3 Large On-Site Audits
	1 Medium On-Site Audits
	3 Small On-Site Audits
10 On-Site CIP Audits	3 On-Site CIP Audits
31 Large Off-Site Audits	25 Large Off-Site Audits
6 Medium Off-Site Audits	15 Medium Off-Site Audits
10 Small Off-Site Audits	20 Small Off-Site Audits
14 Off-Site CIP Audits	20 Off-Site CIP Audits
300 Spot Checks	350 Spot Checks
	20 TFE Part B Reviews
160 Violations (Estimated)	160 Violations (Estimated)
Settlements Covering 100 Violations	Settlements Covering 100 Violations
2 Hearings (Unbudgeted)	2 Hearings (Unbudgeted)
2CI (Estimated)	2 CI (Estimated)

- Regarding the Compliance Audit Program, TFE part B reviews are conducted on-site at the entity's facility. TFE's continue to be requested as new Standards interpretations and Compliance Application Notices (CANS) are developed by NERC. Compliance estimates 20 Part B on-site review will be performed in 2013.
- The 2013 Business Plan projects no increases in Enforcement Processing activities over the 2012 Budget.
- The 2013 Business Plan projects 2 Compliance Investigations as a result of the Events Analysis process. These Compliance Investigations are manpower intensive for NPCC staff (requiring allocation of more resources)

2013 Goals and Key Deliverables

- Conduct 2013 CMEP incorporating all NERC Reliability Standards contained in the NERC actively-monitored list for 2013 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 2013 Compliance Audit Schedule of an estimated total of 85 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 2013 Compliance Audit Program schedule)
- The 2013 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 2013 there are projected to be three large on-site audits; one medium on-site audit; three small on-site audits; 25 large off-site audits; 15 medium off-site audits; and 20 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, 23 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 2013 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.

- Initiate Entity Impact Evaluations for selected registered entities as a follow-up to the 2012 initiative.
- 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 57 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 7/1/11 through 6/30/12 reduce U.S. LSE designee assessments for 2013
- 2013 funding for this program includes \$34,500 from WECC for performing the CEA responsibilities for the WECC Registered Functions

Personnel Expenses

- No additional CORC FTE is required to meet the NERC expectation for Regional Entity support of proposed CORC activities in 2013, 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 increase in 2013. Conference calls and webex will be conducted for business when possible. (Conference calls expense is included under Administrative Services.)

Operating Expenses

- Consultant and contractor costs increased due to 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 associated with NPCC performing the CEA function for WECC registered functions of approximately \$34,500 are included in the CORC budget.
- In 2013 and future years, NPCC total overhead expenses, such as office rent and office costs, which in prior business plans had been charged directly to the program areas, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2013.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No fixed asset additions.

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 2013 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget						
Compliance Monitoring and Enforcement and Organization Registration and Certification						
				Variance 2012 Projection v 2012 Budget Over(Under)		Variance 2013 Budget v 2012 Budget Over(Under)
	2012 Budget*	2012 Projection*			2013 Budget*	
Funding						
ERO Funding						
ERO Assessments	\$ 7,058,449	\$ 7,058,449	\$ -		\$ 7,576,805	\$ 518,356
Penalty Sanctions	341,111	341,111	-		166,028	(175,084)
Total ERO Funding	\$ 7,399,560	\$ 7,399,560	\$ -		\$ 7,742,833	\$ 343,273
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	-	-	-		-	-
Interest	-	-	-		-	-
Miscellaneous*	72,000	72,000	-		34,500	(37,500)
Total Funding (A)	\$ 7,471,560	\$ 7,471,560	\$ -		\$ 7,777,333	\$ 305,773
Expenses						
Personnel Expenses						
Salaries	\$ 2,420,942	\$ 2,420,942	\$ -		\$ 2,117,561	\$ (303,380)
Payroll Taxes	157,467	157,467	-		152,612	(4,856)
Benefits	589,407	589,407	-		465,444	(123,963)
Retirement Costs	351,874	351,874	-		302,129	(49,745)
Total Personnel Expenses	\$ 3,519,690	\$ 3,519,690	\$ -		\$ 3,037,746	\$ (481,944)
Meeting Expenses						
Meetings	\$ 40,000	\$ 40,000	\$ -		\$ 45,000	\$ 5,000
Travel	314,000	314,000	-		375,000	61,000
Conference Calls	11,600	11,600	-		-	(11,600)
Total Meeting Expenses	\$ 365,600	\$ 365,600	\$ -		\$ 420,000	\$ 54,400
Operating Expenses						
Consultants & Contracts	\$ 1,252,000	\$ 1,252,000	\$ -		\$ 1,578,000	\$ 326,000
Office Rent	271,776	271,776	-		-	(271,776)
Office Costs	151,707	151,707	-		-	(151,707)
Professional Services	492,237	492,237	-		-	(492,237)
Computer & Equipment Leases	68,065	68,065	-		-	(68,065)
Miscellaneous	103,579	103,579	-		-	(103,579)
Depreciation	59,211	59,211	-		-	(59,211)
Total Operating Expenses	\$ 2,398,575	\$ 2,398,575	\$ -		\$ 1,578,000	\$ (820,575)
Total Direct Expenses	\$ 6,283,865	\$ 6,283,865	\$ -		\$ 5,035,746	\$ (1,248,119)
Indirect Expenses	\$ 1,227,774	\$ 1,227,774	\$ -		\$ 2,849,094	\$ 1,621,320
Other Non-Operating Expenses	\$ 789	\$ 789	\$ -		\$ -	\$ (789)
Total Expenses (B)	\$ 7,512,429	\$ 7,512,429	\$ -		\$ 7,884,840	\$ 372,411
Change in Assets	\$ (40,869)	\$ (40,869)	\$ -		\$ (107,507)	\$ (66,639)
Fixed Assets						
Depreciation	\$ (59,211)	(59,211)	\$ -		\$ -	\$ 59,211
Computer & Software CapEx	-	-	-		-	-
Furniture & Fixtures CapEx	8,132	8,132	-		-	(8,132)
Equipment CapEx	11,803	11,803	-		-	(11,803)
Leasehold Improvements	8,132	8,132	-		-	(8,132)
Allocation of Fixed Assets	(9,724)	(9,724)	-		(107,507)	(97,783)
Inc(Dec) in Fixed Assets (C)	(40,869)	(40,869)	-		(107,507)	(66,639)
TOTAL BUDGET (=B+C)	\$ 7,471,560	\$ 7,471,560	\$ -		\$ 7,777,333	\$ 305,773
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -		\$ (0)	\$ (0)
* Includes WECC CEA						

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources			
(in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	5.90	5.83	-0.07
Direct Expenses	\$2,637,228	\$1,891,076	(\$746,152)
Indirect Expenses	\$482,925	\$1,107,348	\$624,423
Other Non-Operating Expenses	\$311	\$0	(\$311)
Inc(Dec) in Fixed Assets	(\$16,075)	(\$41,785)	(\$25,709)
Total Funding Requirement	\$3,104,388	\$2,956,639	(\$147,749)

¹ In recognition of the oversight responsibility of related Criteria Services Division activities which are directly supportive of the Northeastern North American reliability, an FTE ratio allocation has been made to certain personnel expenses within this program area.

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.

2013 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 and NERC initiatives, such as:

- Report Recommendation from the “*NERC Special Reliability Assessment Interim Report: Effects of Geomagnetism Disturbances (GMD) on the Bulk Power System*”, including:
 - i. enhancing system models in support of the study of GMD impacts
 - ii. Enhancing GMD notification procedures
 - iii. Determining optimum locations for monitoring capability on transformers, based on studies and operational experience
- Follow-up study from the recommendations of the “*NERC Special Reliability Assessment: A Primer of the Natural Gas and Electric Power Interdependency in the United States*”
- System frequency response analysis
- Reliability impacts arising from proposed climate change legislation
- NERC has proposed process for identifying reliability issues resulting from compliance to final EPA environmental regulations.
- Reliable integration of new technologies as renewable energy, smart grid, energy storage, and/or electric vehicles

The NERC Generator Availability Data System (GADS) collection became mandatory in 2012. A data collection system has been being designed that requires Regional Entity involvement. The Regional Entity involvement and support is expected to be similar to the current NERC Transmission Availability Data System (TADS) process. Regional training and resources is needed to in 2013 fulfill the mandatory submittal of GADS data, as well as Regional staff participation in the related NERC GADS Working Group activities.

NERC will continue to develop analysis of TADS data in 2013; an annual report assessing trends is issued once sufficient data is collected. Regional training and resources is needed in 2013 to fulfill, coordinate and verify the mandatory submittal of TADS data, as well as Regional staff participation in the related NERC GADS Working Group activities.

NERC has established a Demand Response Availability Data System (DADS) in two initial phases. DADS Phase I and Phase II both support the collection of dispatchable Demand Response that are used to support bulk power system reliability. The 2012 Phase I pilot program established a voluntary reporting system to collect dispatchable and controllable Demand Response Event data while beta-testing an internet-based system to receive the submittals. Phase I used Excel spreadsheets to collect data in a standard template. In 2013, Phase II data submittal is expected to include a mandatory data request for all electricity organizations operating or administrating dispatchable and controllable Demand Response Programs. Regional training and resources will be needed in 2013 to fulfill, coordinate and verify the mandatory submittal of DADS data, as well as Regional staff participation in the related NERC DADS Working Group activities.

Based on the recommendations from the NERC “*Special Report: Spare Equipment Data Base System*,” NERC has developed and is maintaining a Spare Equipment Database (SED) to benefit the participating users, and of their customers. If a High Impact/Low Frequency event occurs, a coordinated effort would be needed to locate available spares from unaffected areas. The goal is to create a means whereby those in need of multiple transformers would have the ability to connect with those who are able to share existing spare transformers. To facilitate this effort, The SED is a voluntary program for all NERC registered Transmission Owners (TOs) and Generator Owners (GOs) entities, whether or not they have spare equipment available. Regional training and resources is needed in 2013 to fulfill, coordinate and verify the submittal of SED data, as well as Regional staff participation in the related NERC GADS Working Group activities.

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, DADS, GADS, TADS, reliability metrics, etc.)
- Two post-seasonal assessments will be completed in 2013 (Summer and Winter). NERC and the Regional Entities will also prioritize and budget for two reliability assessment initiatives (scenario and special reliability assessments). Specialized contractors may be used to complete detailed analysis to support scenario assessments. Special reliability assessments currently proposed may include: changes in resource mix due to environmental regulations, electric/gas system interdependency delays in proposed transmission development in the reliable integration of renewable resources.

Regional Entities will also be expected in 2013 to support:

- NERC's development of a centralized data collection system (Reliability Assessment Data System - RADS), for the reporting and validation of the NERC Reliability Assessment Subcommittee Long-Term Reliability Assessment data requirements. Information system enhancements and Regional staff support will be required to support the objectives of the project. Increased coordination and data collection, analysis for any additional tracking and data analysis needed to calculate associated risks to reliability identified in future NERC alerts (advisories, recommendations, and essential actions).
- 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.
- Additional special assessments may be developed based *on ad-hoc* requests from NERC executive management, stakeholder steering groups, or the NERC Board of Trustees.
- NERC completed a trial run of a probabilistic assessment based on the 2010 NERC Long-Term Reliability Assessment data in 2012. A common set of probabilistic reliability indices and probabilistic-based work products is being considered to be used to supplement future NERC Long-Term Reliability Assessments. Information system enhancements and modeling support may be required by Regional Entities to support this effort. 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.

Definition of the Bulk Electric System (BES) Definition

Implementation of a Bulk Electric System (BES) Exception Process is not expected to significantly impact resources requirements in this program area for 2013, based on a survey of NPCC registered entities conducted in 2012. The survey did not indicate that an overwhelming number of NPCC BES Exception requests would be sought based on the filed BES Definition.

While it is recognized that the significance of the impact cannot be fully assessed until the Commission acts, based on the NPCC survey results, 2013 RAPA personnel should be sufficient to process any NPCC Exception requests. The ERO-REMG has formed a BES Exception Process Working Group – comprised of representations from the eight Regional Entities and NERC staff - to help create an efficient and effective Regional mechanism for processing BES

Exception requests (based on the BES Definition and Rules of Procedure filed with FERC in 2012). The proposed process will be given to NERC for its consideration by the end of 2012. In 2012, the NERC Standards Committee accepted the proposed BES Phase 2 SAR for development and approved the project schedule. The project schedule calls for the technical justification of various aspects of the filed BES Definition to be completed by end of the year, with six months following thereafter (in 2013) allowing for the Standards process posting and comment period. Any resultant revision to the BES Definition would then be considered in 2013, based on the results of the Phase 2 BES SAR and a ruling by FERC of the filed BES definition. The NPCC 2013 business plan and budget is based on the assumption that the filed BES Definition and RoP would be accepted by the Commission, with no significant changes, and that the results of the Technical Justifications underway by the NERC PC/OC will also not significantly change the filed BES Definition. Based on the NPCC survey results, 2013 RAPA personnel should be sufficient to process any NPCC Exception requests.

ERAG

The purpose of the Eastern Interconnection Reliability Assessment Group (ERAG) is to further augment the reliability of the bulk-power system in the Eastern Interconnection through periodic studies of seasonal and longer-term forecasted transmission system conditions. Oversight of the Multiregional Modeling Working Group (MMWG) is assigned to the ERAG, which now reports to the ERAG Management Committee. The MMWG has responsibility for developing all Eastern Interconnection power flow and dynamic base case models, including seasonal updates to summer and winter power flow study cases.

NPCC RAPA staff participates with the ERAG Management Committee and acts as the liaison between the ERAG MMWG and the NPCC SS-37 Working Group.

NERC

NPCC will continue to provide the NPCC Regional perspective with active NPCC RAPA staff participation on the NERC Planning and Operating Committees and key related NERC Subcommittees, Task Forces and Working Groups:

- ✓ Reliability Assessment Data Working Group (RADWG)
- ✓ Protection System Mis-operations Task Force (PSMTF)
- ✓ Spare Equipment Database Task Force (SEDTF)
- ✓ Demand Response Availability Data System Working Group (DADSWG)
- ✓ Generating Availability Data System Working Group (GADSWG)
- ✓ Transmission Availability Data System Working Group (TADSWG)
- ✓ Model Validation Working Group (MVWG)
- ✓ Reliability Assessment Subcommittee (RAS) - Seasonal and Long-Term Reliability Assessments
- ✓ System Analysis and Modeling Subcommittee (SAMS)
- ✓ Performance Analysis Subcommittee (PAS)
- ✓ Regional support and coordination of the NERC:
 - Generator Availability Data System (GADS)
 - Demand Availability Data System (DADS)
 - Transmission Availability Data System (TADS)
 - Spare Equipment Data Base System (SEDS)
 - Proposed Reliability Assessment Data System (RADS)

- ✓ Incorporating probabilistic reliability metrics proposed for the 2013 NERC Long-Term Reliability Assessment through the NPCC 2013 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
 - Other activities directed by the ERO-Management 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.
- ✓ Review of projects proposed in conjunction with the New York Energy Highway 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 system interdependency, delays in 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 2013 NERC Seasonal (and post Seasonal) Reliability Assessments.
- ✓ Completing the 2013 NERC Long-Term Reliability Assessment.

2013 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. In addition, the TFCP provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

TFCP activities include, but are not limited to:

- Leading the NPCC Task Force review of the revision of 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.
- 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 Performance Analysis Subcommittee (PAS) .
- ✓ Monitoring the actions of the NERC System Analysis and Modeling Subcommittee (SAMS).
- ✓ Overseeing the A-10 BPS Implementation Plan.
- ✓ Overseeing the summer 2013 and winter 2013-2014 NPCC multi-area probabilistic reliability evaluations.
- ✓ Overseeing the 2013 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.

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- ✓ 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.
 - ✓ Review of projects proposed in conjunction with the New York Energy Highway Initiative
 - ✓ Completion of the NERC 2013 Long-Term Reliability Assessment.

Task Force on System Studies

The primary mission of the NPCC Task Force on System Studies (TFSS) is to provide active overall coordination of system studies of the reliability of the interconnected bulk power systems and for the review of certain NPCC documents. In addition, the TFSS provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

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 Special Protection System 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.
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- 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.
- ✓ Through the SS-37 Working Group, develop 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 2013
 - ii. Final development of NPCC dynamic models for 2013
 - iii. Address wind modeling issues including maintaining a [database of NPCC wind models for use in the](#) MMWG library of power flow and dynamic cases and databases for the Eastern Interconnection.
- ✓ 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 2012 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.
- ✓ Incorporate NPCC guidelines for load and power system modeling approved by the RCC in 2012
- ✓ Classification of Bulk Power System Elements.
- ✓ Participate at Siemens PTI User Group meetings to provide PSSE program enhancements
- ✓ Supporting Regional system studies to integrate large-scale renewable resources.
- ✓ Provide support to NERC EAWG (Event Analysis WorkingGroup) as needed.
- ✓ Develop updates to the NPCC Electric System Map.
- ✓ Review of projects proposed in conjunction with the New York Energy Highway Initiative
- ✓ Provide support to the NERC Model Validation Working Group (MVWG) as needed.

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. In addition, the TFSP provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

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 Working Group as required.
- ✓ 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.
- ✓ Through the SP-7 Working Group, monitor the review of protection system mis-operations as they occurred in the NPCC Region and participation in providing the NPCC input for NERC Metric ALR4-1 on Protection Mis-operations.
- ✓ Monitor and review industry activities on the mitigation of the effects of SMD on protection systems. Report to RCC on any significant findings.
- ✓ Review mitigations and/or progress reports for BPS Risk Reduction Implementation at each meeting and annually report to the RCC on the status of this implementation.
- ✓ Participate in the development and submission of NPCC inputs/comments into the development of protection related NERC technical documents.
- ✓ Review best practices from its members and industry to pull together design considerations for the new IEC 61850 protection implementation with the output being possible additions to NPCC Directory No. 4 and Directory No. 7.

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 Regional Standards Committee and the NPCC Compliance Committee as requested.

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:

- ✓ Develop and implement a wide area restoration exercise including participation by all Reliability Coordinators of NPCC as well as the MISO and PJM.
- ✓ Manage the implementation of action items emanating from the NERC report, "High-Impact, Low-Frequency Event Risk to the North American Bulk Power System-June 2010," and its subsequent reports:
 - Severe Impact Resilience Severe Impact Resilience Task Force
 - Geomagnetic Disturbance Task Force
 - Cyber Attack Task Force
 - Spare Equipment Database Task Force
 - Smart Grid Task Force
- ✓ Monitor the development of the NERC North American Synchro-Phasor Initiative in its effort to establish an effective control monitoring tool.
- ✓ Provide assistance to the NPCC Regional Standards Committee in the second phase of the NPCC directories process, re-drafting NPCC Reliability Directory No. 8 as a template.
- ✓ Review NPCC Reliability Coordinator Area Restoration Plans.
- ✓ Complete the NPCC 2013 summer and winter Operational Reliability Assessments.
- ✓ Completion of the NERC 2013 seasonal 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.

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 21 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 7/1/11 through 6/30/12 reduce U.S. LSE designee assessments for 2013

Personnel Expenses

- Additional RAPA FTEs are not anticipated to be required to meet the NERC expectation for Regional Entity support of the proposed RAPA activities, as described above.
- In recognition of the oversight responsibility of related Criteria Services Division activities which are directly supportive of the Northeastern North American reliability, an FTE ratio allocation has been made to certain personnel expenses within this program area.

Meeting and Travel Expenses

- While the amount of activity is expected to significantly increase in 2013, due to the volume of work described above, 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. The increase in expected Travel expenses due to the significant amount of proposed activity will be mitigated by using advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference.

Operating Expenses

- In 2013 and future years, NPCC total overhead expenses, such as office rent and office costs, which in prior business plans had been charged directly to the program areas, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.
- Contract & Consultants Expense decreased based on actual expenses in 2011.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2013.

Other Non-Operating Expenses

- No significant changes.

Fixed Asset Additions

- No fixed asset additions.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2013 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget						
Reliability Assessment and Performance Analysis						
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 2,970,217	\$ 2,970,217	\$ -	\$ 2,892,110	\$ (78,108)	
Penalty Sanctions	134,170	134,170	-	64,529	(69,641)	
Total ERO Funding	\$ 3,104,388	\$ 3,104,388	\$ -	\$ 2,956,639	\$ (147,749)	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 3,104,388	\$ 3,104,388	\$ -	\$ 2,956,639	\$ (147,749)	
Expenses						
Personnel Expenses						
Salaries	\$ 1,084,011	\$ 1,084,011	\$ -	\$ 938,733	\$ (145,278)	
Payroll Taxes	67,409	67,409	-	63,449	(3,960)	
Benefits	265,032	265,032	-	215,362	(49,670)	
Retirement Costs	205,859	205,859	-	183,530	(22,328)	
Total Personnel Expenses	\$ 1,622,311	\$ 1,622,311	\$ -	\$ 1,401,076	\$ (221,236)	
Meeting Expenses						
Meetings	\$ 50,000	\$ 50,000	\$ -	\$ 45,000	\$ (5,000)	
Travel	120,000	120,000	-	160,000	40,000	
Conference Calls	30,250	30,250	-	-	(30,250)	
Total Meeting Expenses	\$ 200,250	\$ 200,250	\$ -	\$ 205,000	\$ 4,750	
Operating Expenses						
Consultants & Contracts	\$ 392,000	\$ 392,000	\$ -	\$ 285,000	\$ (107,000)	
Office Rent	106,899	106,899	-	-	(106,899)	
Office Costs	59,672	59,672	-	-	(59,672)	
Professional Services	193,613	193,613	-	-	(193,613)	
Computer & Equipment Leases	26,772	26,772	-	-	(26,772)	
Miscellaneous	12,421	12,421	-	-	(12,421)	
Depreciation	23,289	23,289	-	-	(23,289)	
Total Operating Expenses	\$ 814,666	\$ 814,666	\$ -	\$ 285,000	\$ (529,666)	
Total Direct Expenses	\$ 2,637,228	\$ 2,637,228	\$ -	\$ 1,891,076	\$ (746,152)	
Indirect Expenses	\$ 482,925	\$ 482,925	\$ -	\$ 1,107,348	\$ 624,423	
Other Non-Operating Expenses	\$ 311	\$ 311	\$ -	\$ -	\$ (311)	
Total Expenses (B)	\$ 3,120,463	\$ 3,120,463	\$ -	\$ 2,998,424	\$ (122,039)	
Change in Assets	\$ (16,075)	\$ (16,075)	\$ -	\$ (41,785)	\$ (25,709)	
Fixed Assets						
Depreciation	\$ (23,289)	(23,289)	\$ -	\$ -	\$ 23,289	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	3,198	3,198	-	-	(3,198)	
Equipment CapEx	4,642	4,642	-	-	(4,642)	
Leasehold Improvements	3,198	3,198	-	-	(3,198)	
Allocation of Fixed Assets	(3,825)	(3,825)	-	(41,785)	(37,960)	
Inc(Dec) in Fixed Assets (C)	(16,075)	(16,075)	-	(41,785)	(25,709)	
TOTAL BUDGET (=B+C)	3,104,388	3,104,388	-	2,956,639	(147,749)	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -	\$ 0	\$ (0)	

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources			
(in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	0.10	0.10	0.00
Direct Expenses	\$192,360	\$199,339	\$6,979
Indirect Expenses	\$8,185	\$18,994	\$10,809
Other Non-Operating Expenses	\$5	\$0	(\$5)
Inc(Dec) in Fixed Assets	(\$272)	(\$717)	(\$444)
Total Funding Requirement	\$200,278	\$217,617	\$17,338

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 are conducted. The seminars promote camaraderie and better communication among system operators from the NPCC Reliability Coordinator Areas.

NPCC 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.

In addition, NPCC participates in the activities of the NERC Training and Education Group (TEG). The main objective of the NERC TEG is to coordinate the development of Regional Entity and NERC staff training and registered entity education materials to support and continually enhance reliability across North America for the benefit of all bulk electric system users, owners, and operators. The initial focus of this group has been on NERC compliance auditor training.

Funding Drivers and Reliability Benefits

- Provide two high-quality continuing education seminars 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 Continuing Education (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
- Provide a forum among NPCC Balancing Authority Areas for sharing of strategies and approaches for enhancing their individual training programs and for meeting the requirements of the NERC PER standards.

2013 Key Assumptions

NPCC will conduct two workshops in 2013, 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.

NPCC also regularly conducts spring and fall System Operator Seminars. These seminars involve system operators from the NPCC Reliability Coordinator / Balancing Authority Areas. These will be held in early May and early November.

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 2013, 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.

2013 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
- Coordinate the implementation of PER-005 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, as necessary, including description of tasks, tracking of Continuing Education Hours and development of Individual Learning Activities
- Continue collaboration and sharing of the intended Reliability Coordinator/Balancing Authority approaches, experiences and materials to task identification and training development associated with NERC Standard PER-005, “System Personnel Training”
- Expand the 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”
- Expand the 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
- Participate in NERC Training and Education Group activities and provide NPCC input to the development of training policies by this group.

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 2 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 7/1/11 through 6/30/12 reduce U.S. LSE designee assessments for 2013.

Operating Expenses

- In 2013 and future years, NPCC total overhead expenses, such as office rent and office costs, which in prior business plans had been charged directly to the program areas, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.
- Travel expense was increased based on 2011 actual expense and anticipation that the level of travel will be similar in 2013.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2013.

Other Non-Operating Expenses

- No significant changes.

Fixed Asset Additions

- No fixed asset additions.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2013 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget						
Training, Education, and Operator Certification						
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 78,004	\$ 78,004	\$ -	\$ 136,510	\$ 58,506	
Penalty Sanctions	2,274	2,274	-	1,107	(1,167)	
Total ERO Funding	\$ 80,278	\$ 80,278	\$ -	\$ 137,617	\$ 57,338	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	120,000	120,000	-	80,000	(40,000)	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 200,278	\$ 200,278	\$ -	\$ 217,617	\$ 17,338	
Expenses						
Personnel Expenses						
Salaries	\$ 17,610	\$ 17,610	\$ -	\$ 17,338	\$ (272)	
Payroll Taxes	868	868	-	1,088	220	
Benefits	5,214	5,214	-	4,129	(1,085)	
Retirement Costs	4,395	4,395	-	4,785	390	
Total Personnel Expenses	\$ 28,086	\$ 28,086	\$ -	\$ 27,339	\$ (747)	
Meeting Expenses						
Meetings	\$ 152,000	\$ 152,000	\$ -	\$ 152,000	\$ -	
Travel	3,000	3,000	-	20,000	17,000	
Conference Calls	1,010	1,010	-	-	(1,010)	
Total Meeting Expenses	\$ 156,010	\$ 156,010	\$ -	\$ 172,000	\$ 15,990	
Operating Expenses						
Consultants & Contracts	\$ 1,100	\$ 1,100	\$ -	\$ -	\$ (1,100)	
Office Rent	1,812	1,812	-	-	(1,812)	
Office Costs	1,011	1,011	-	-	(1,011)	
Professional Services	3,282	3,282	-	-	(3,282)	
Computer & Equipment Leases	454	454	-	-	(454)	
Miscellaneous	211	211	-	-	(211)	
Depreciation	395	395	-	-	(395)	
Total Operating Expenses	\$ 8,264	\$ 8,264	\$ -	\$ -	\$ (8,264)	
Total Direct Expenses	\$ 192,360	\$ 192,360	\$ -	\$ 199,339	\$ 6,979	
Indirect Expenses	\$ 8,185	\$ 8,185	\$ -	\$ 18,994	\$ 10,809	
Other Non-Operating Expenses	\$ 5	\$ 5	\$ -	\$ -	\$ (5)	
Total Expenses (B)	\$ 200,551	\$ 200,551	\$ -	\$ 218,333	\$ 17,783	
Change in Assets	\$ (272)	\$ (272)	\$ -	\$ (717)	\$ (444)	
Fixed Assets						
Depreciation	\$ (395)	(395)	\$ -	\$ -	\$ 395	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	54	54	-	-	(54)	
Equipment CapEx	79	79	-	-	(79)	
Leasehold Improvements	54	54	-	-	(54)	
Allocation of Fixed Assets	(65)	(65)	-	(717)	(652)	
Inc(Dec) in Fixed Assets (C)	(272)	(272)	-	(717)	(444)	
TOTAL BUDGET (=B+C)	200,278	200,278	-	217,617	17,338	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -	\$ 0	\$ (0)	

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program Resources			
(in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$1,215,787	\$988,341	(\$227,446)
Indirect Expenses	\$245,555	\$569,819	\$324,264
Other Non-Operating Expenses	\$158	\$0	(\$158)
Inc(Dec) in Fixed Assets	(\$8,174)	(\$21,501)	(\$13,328)
Total Funding Requirement	\$1,453,326	\$1,536,658	\$83,332

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, including 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 and provide a forum for the active coordination of reliability and operation among the NPCC Reliability Coordinator areas and neighboring NERC Regions to enhance the reliability of the interconnected bulk power system.

Event Analysis Program

Following two industry trials beginning in the autumn of 2010, the NERC approved, at its February meeting of the NERC Board of Trustees, an enhanced, industry wide Event Analysis Program. The Event Analysis Program recognizes that many events which occur on the bulk power system beyond the routine reporting requirements previously in place 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;
- categorize the event within the NERC Event Analysis Program;
- 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.

In assessing any system event, it is recognized 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 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 registered entity was asked 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 were asked to initiate the review by establishing 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.

NPCC Staff is also working closely with the NERC Staff to incorporate greater efficiencies, industry input and precision into the NERC proposal for a more streamlined NERC Alert

process which can disseminate critical information to the appropriate Subject Matter Expert within the organization who can promptly act on the alert.

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.

The “NPCC Emergency Preparedness Conference Call Procedures” provide a mechanism that enables the Reliability Coordinator in NPCC, and, as circumstances may require, 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.

In May of 2009, NPCC completed the first phase of the NERC Situational Awareness-FERC, NERC, Regions (SAFNR) initiative, providing to NERC and the FERC detailed, near real-time operating data for its RC footprints. The intent of the effort is 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. NPCC implemented a geographically based visualization of selected reliability indicators, including Reliability Coordinator Area load, Reliability Coordinator Area Control Error, scheduled and actual net interchange, key interface loadings with limits and key bus voltages with typical operating ranges. Arrows indicate interface flow direction, and key quantities are color coded to provide dynamic, visual prompts as conditions change. The data is refreshed at least every ninety seconds.

The first phase of this effort was developed and funded by NPCC, which contracted with the ISO-NE to develop the display and maintain the server on which the data resides. For the second phase of the SAFNR effort, the FERC is pursuing a similar operational display for all North American data, offering FERC a continent-wide common look and feel in its Situation Awareness. The second phase effort is being funded by NERC for all Regional data and corresponding displays, and it is scheduled to be fully operational by the end of 2012. Upon the start-up of the SAFNR Phase II displays, the ISO-NE services will no longer be required, and NERC will assume the cost for the entire effort.

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 2013 critical infrastructure goals and objectives, as identified by the 2012-2013 Work Plan of the Task Force on Infrastructure Security and Technology include, but are not confined to:

- Oversee the implementation of version 5 of the CIP Standards
- 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)

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 2013 operational situation awareness goals and objectives, as identified by the 2012-2013 Work Plan of the NPCC Task Force on Coordination of Operation (TFCO) include, but are not confined to:

- Implementation of version 5 of the Cyber Standards.
- Disseminate the Lessons Learned from the NERC Event Analysis Program to the NPCC member entities and track to completion actionable items from these Lessons Learned.
- Identify real time control room applications of the NERC North American Synchro-Phasor Initiative (NASPI) for use within NPCC.

2013 Key Assumptions

- The approved NERC Event Analysis Program will be augmented with a robust program of causal analysis and metrics trending.
- Critical infrastructure protection will fully integrate the requirements of version 5 of the Cyber Standards in 2013.
- The complete Phase II initiative for NERC Situation Awareness-FERC, NERC, Regions (SAFNR) will be integrated into the NERC and Regional Situational Awareness programs.

2013 Goals and Key Deliverables

- A fully mature learning program evolving from the NERC Event Analysis program.
- The development of an automated monitoring system to track to conclusion Lessons Learned and remedial actions generated by a reportable event.
- The completion of the industry initiative in support 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 11 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 7/1/11 through 6/30/12 reduce U.S. LSE designees assessments for 2013.

Operating Expenses

- In 2013 and future years, NPCC total overhead expenses, such as office rent and office costs, which in prior business plans had been charged directly to the program areas, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.
- Increase in meeting and travel expenses is in response to the increasing NERC activity in events analysis and metrics.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2013.

Other Non-Operating Expenses

- No significant changes.

Fixed Asset Additions

- No fixed asset additions.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2013 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget						
Situation Awareness and Infrastructure Security						
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 1,385,103	\$ 1,385,103	\$ -	\$ 1,503,453	\$ 118,349	
Penalty Sanctions	68,222	68,222	-	33,206	(35,017)	
Total ERO Funding	\$ 1,453,326	\$ 1,453,326	\$ -	\$ 1,536,658	\$ 83,332	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 1,453,326	\$ 1,453,326	\$ -	\$ 1,536,658	\$ 83,332	
Expenses						
Personnel Expenses						
Salaries	\$ 555,844	\$ 555,844	\$ -	\$ 519,676	\$ (36,168)	
Payroll Taxes	34,356	34,356	-	33,338	(1,017)	
Benefits	106,002	106,002	-	82,596	(23,406)	
Retirement Costs	99,570	99,570	-	117,730	18,161	
Total Personnel Expenses	\$ 795,772	\$ 795,772	\$ -	\$ 753,341	\$ (42,431)	
Meeting Expenses						
Meetings	\$ 16,000	\$ 16,000	\$ -	\$ 45,000	\$ 29,000	
Travel	70,000	70,000	-	90,000	20,000	
Conference Calls	7,100	7,100	-	-	(7,100)	
Total Meeting Expenses	\$ 93,100	\$ 93,100	\$ -	\$ 135,000	\$ 41,900	
Operating Expenses						
Consultants & Contracts	\$ 112,000	\$ 112,000	\$ -	\$ 100,000	\$ (12,000)	
Office Rent	54,355	54,355	-	-	(54,355)	
Office Costs	30,341	30,341	-	-	(30,341)	
Professional Services	98,447	98,447	-	-	(98,447)	
Computer & Equipment Leases	13,613	13,613	-	-	(13,613)	
Miscellaneous	6,316	6,316	-	-	(6,316)	
Depreciation	11,842	11,842	-	-	(11,842)	
Total Operating Expenses	\$ 326,915	\$ 326,915	\$ -	\$ 100,000	\$ (226,915)	
Total Direct Expenses	\$ 1,215,787	\$ 1,215,787	\$ -	\$ 988,341	\$ (227,446)	
Indirect Expenses	\$ 245,555	\$ 245,555	\$ -	\$ 569,819	\$ 324,264	
Other Non-Operating Expenses	\$ 158	\$ 158	\$ -	\$ -	\$ (158)	
Total Expenses (B)	\$ 1,461,499	\$ 1,461,499	\$ -	\$ 1,558,160	\$ 96,660	
Change in Assets	\$ (8,174)	\$ (8,174)	\$ -	\$ (21,501)	\$ (13,328)	
Fixed Assets						
Depreciation	\$ (11,842)	(11,842)	\$ -	\$ -	\$ 11,842	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	1,626	1,626	-	-	(1,626)	
Equipment CapEx	2,361	2,361	-	-	(2,361)	
Leasehold Improvements	1,626	1,626	-	-	(1,626)	
Allocation of Fixed Assets	(1,945)	(1,945)	-	(21,501)	(19,557)	
Inc(Dec) in Fixed Assets (C)	(8,174)	(8,174)	-	(21,501)	(13,328)	
TOTAL BUDGET (=B+C)	1,453,326	1,453,326	-	1,536,658	83,332	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (0)	\$ -	\$ (0)	\$ 0	

Administrative Services

Administrative Services Program Resources			
(in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	8.43	9.00	0.57
Total Direct Expenses	\$2,209,550	\$5,508,249	\$3,298,699
Other Non-Operating Expenses	\$444	\$0	(\$444)
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Less: Other Funding Sources	\$0	\$0	\$0
Total Allocation to Regional Entity Division Programs as Indirect Expenses	(\$2,209,994)	(\$5,101,778)	(\$2,891,784)
Total Allocation to Criteria Services Division Programs as Indirect Expenses	\$0	(\$406,471)	(\$406,471)
Funding Requirement for Working Capital	(\$323,075)	(\$1,115,163)	(\$792,087)

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

In 2013 and future years, NPCC total overhead expenses, such as office rent and office costs, which in prior business plans had been charged directly to the program areas, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Administrative Services

Funding sources and related expenses for the Administrative Services section of the 2013 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget						
ADMINISTRATIVE SERVICES						
				Variance 2012 Projection v 2012 Budget Over(Under)		Variance 2013 Budget v 2012 Budget Over(Under)
	2012 Budget	2012 Projection			2013 Budget	
Funding						
ERO Funding						
ERO Assessments	\$ (323,075)	\$ (323,075)	\$ -		\$ (1,095,592)	\$ (772,516)
Penalty Sanctions	-	-	-		-	-
Total ERO Funding	\$ (323,075)	\$ (323,075)	\$ -		\$ (1,095,592)	\$ (772,516)
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	-	-	-		-	-
Interest	-	-	-		-	-
Miscellaneous	-	-	-		-	-
Total Funding (A)	\$ (323,075)	\$ (323,075)	\$ -		\$ (1,095,592)	\$ (772,516)
Expenses						
Personnel Expenses						
Salaries	\$ 937,528	\$ 937,528	\$ -		\$ 1,604,849	\$ 667,321
Payroll Taxes	63,995	63,995	-		95,230	31,235
Benefits	246,967	246,967	-		462,410	215,443
Retirement Costs	156,274	156,274	-		406,249	249,975
Total Personnel Expenses	\$ 1,404,764	\$ 1,404,764	\$ -		\$ 2,568,739	\$ 1,163,975
Meeting Expenses						
Meetings	\$ 17,000	\$ 17,000	\$ -		\$ 60,000	\$ 43,000
Travel	70,000	70,000	-		105,000	35,000
Conference Calls	21,875	21,875	-		87,000	65,125
Total Meeting Expenses	\$ 108,875	\$ 108,875	\$ -		\$ 252,000	\$ 143,125
Operating Expenses						
Consultants & Contracts	\$ 92,000	\$ 92,000	\$ -		\$ 120,000	\$ 28,000
Office Rent	152,738	152,738	-		706,500	553,762
Office Costs	85,259	85,259	-		468,500	383,241
Professional Services	276,637	276,637	-		1,120,000	843,363
Computer & Equipment Leases	38,253	38,253	-		-	(38,253)
Miscellaneous	17,747	17,747	-		80,000	62,253
Depreciation	33,276	33,276	-		192,510	159,234
Total Operating Expenses	\$ 695,911	\$ 695,911	\$ -		\$ 2,687,510	\$ 1,991,599
Total Direct Expenses	\$ 2,209,550	\$ 2,209,550	\$ -		\$ 5,508,249	\$ 3,298,699
Indirect Expenses	\$ (2,209,994)	\$ (2,209,994)	\$ -		\$ (5,508,249)	\$ (3,298,255)
Other Non-Operating Expenses	\$ 444	\$ 444	\$ -		\$ -	\$ (444)
Total Expenses (B)	\$ 0	\$ 0	\$ -		\$ -	\$ 102
Change in Assets	\$ (323,075)	\$ (323,075)	\$ -		\$ (1,095,592)	\$ (772,618)
Fixed Assets						
Depreciation	(33,276)	(33,276)	\$ -		(192,510)	\$ (159,234)
Computer & Software CapEx	-	-	-		-	-
Furniture & Fixtures CapEx	4,570	4,570	-		-	(4,570)
Equipment CapEx	6,633	6,633	-		-	(6,633)
Leasehold Improvements	4,570	4,570	-		-	(4,570)
Allocation of Fixed Assets	17,503	17,503	-		192,510	175,007
Inc(Dec) in Fixed Assets (C)	-	-	-		-	-
TOTAL BUDGET (=B+C)	0	0	-		-	102
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (323,075)	\$ (323,075)	\$ -		\$ (1,095,592)	\$ (772,618)

Technical Committees and Member Forums

Technical Committees and Members Forum Program Resources (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	0.00
Total Direct Expenses	\$124,253	\$73,531	(\$50,722)
Other Non-Operating Expenses	\$26	\$0	(\$26)
Inc(Dec) in Fixed Assets	(\$1,038)	\$0	\$1,038
Working Capital Requirement	\$0	\$0	\$0

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.

2013 Key Assumptions

- NPCC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2013
- 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 2013
- NPCC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability

2013 Goals and Key Deliverables

The 2013 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.

2013 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
- 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 NERC activities (i.e., situation awareness, event analysis, reliability assessments, etc.)

Funding Sources and Requirements — Explanation of Increase (Decrease)

Operating Expenses

- In 2013 and future years, NPCC total overhead expenses, such as office rent and office costs, which in prior business plans had been charged directly to the program areas, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2013.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No fixed asset additions.

General and Administrative

General and Administrative Program Resources			
(in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.93	2.50	0.57
Total Direct Expenses	\$247,446	\$3,138,099	\$2,890,652
Other Non-Operating Expenses	\$102	\$0	(\$102)
Inc(Dec) in Fixed Assets	(\$4,007)	\$0	\$4,007
Working Capital Requirement	(\$323,075)	(\$1,115,163)	(\$792,087)

Program Scope and Functional Description

The NPCC general and administrative function provides executive management of the corporation, management of NPCC office, and other administrative support programs.

In 2013 and future years, NPCC total overhead expenses, such as office rent and office costs, which in prior business plans had been charged directly to the program areas, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Funding Requirements — Explanation of Increase (Decrease)

The negative ERO assessment requirement identified equates to the reduction in assessments necessary to achieve the targeted working capital reserve.

Funding Sources (Other than ERO Assessments)

- Not applicable

Personnel Expenses

- The variance in personnel expenses is primarily the result of the change from direct allocation of General and Administrative Program expenses to indirect allocation, as discussed above.
- The 0.57 FTE increase is the result of the reallocation of two General and Administrative staff members who were partially allocated to the Criteria Services division in the past. They are now allocated entirely to the Regional Entity. The corresponding personnel expenses will now be allocated to the Criteria Services division through the indirect expense line, based on FTE ratio, rather than directly allocated as they had been in the past.

Meeting and Travel Expenses

- The variance in meeting and travel expenses is primarily the result of the change from direct allocation of General and Administrative Program expenses to indirect allocation, as discussed above.

Operating Expenses

- The variance in operating expenses is primarily the result of the change from direct allocation of General and Administrative Program expenses to indirect allocation, as discussed above.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2013.

Other Non-Operating Expenses

- No significant changes.

Fixed Asset Additions

- No fixed asset additions.

Legal and Regulatory

Legal and Regulatory Program Resources			
(in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$305,019	\$677,506	\$372,487
Other Non-Operating Expenses	\$53	\$0	(\$53)
Inc(Dec) in Fixed Assets	(\$2,076)	\$0	\$2,076
Working Capital Requirement	\$0	\$0	\$0

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.

Funding Sources (Other than ERO Assessments)

- Not applicable

Personnel Expenses

- No significant changes

Meeting and Travel Expenses

- No significant changes

Operating Expenses

- In 2013 and future years, NPCC total overhead expenses, such as office rent and office costs, which in prior business plans had been charged directly to the program areas, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.
- Increase in professional fees is the result of the change from direct allocation of legal fees to the program areas in 2012 to indirect allocation of legal fees in 2013.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2013.

Other Non-Operating Expenses

- No significant changes.

Fixed Asset Additions

- No fixed asset additions.

Information Technology

Information Technology Program Resources			
(in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Total Direct Expenses	\$983,125	\$987,463	\$4,339
Other Non-Operating Expenses	\$158	\$0	(\$158)
Inc(Dec) in Fixed Assets	(\$6,229)	\$0	\$6,229
Working Capital Requirement	\$0	\$0	\$0

Program Scope and Functional Description

NPCC's Information Technology services ensure information assets and the environment in which they operate are secure and in conformance to NPCC IT Policies and Procedures. NPCC maintains an offsite backup server for continuity of essential operations in the event that its primary location is unavailable.

2013 Key Assumptions

- Continue to develop and maintain the portal through collaboration with other Regions and NERC (CUG).
- Achieve greater consistency with the other Regions and NERC by participating in the NERC IT Steering Group (ITSG) and deriving the efficiencies and cost savings which may result from the projects of this group.

2013 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 and environment 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
- Provide outreach and education to NPCC members in IT best practices
- Coordinate Cyber Protection activities, discussions and hold workshops as may be required to maintain Cyber Security of BES Cyber Assets.
- Provide continued support and participation in NERC's Critical Infrastructure Protection Committee (CIPC)

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

- In 2013 and future years, NPCC total overhead expenses, such as office rent and office costs, which in prior business plans had been charged directly to the program areas, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.
- Increase in office costs is the result of the change from direct allocation of office costs to the program areas in 2012 to indirect allocation of office costs in 2013. Computer supplies and maintenance, internet expenses and telephone expenses are charged to the Information Technology program in 2013 and then allocated to the direct program areas through indirect expenses.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2013.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No fixed asset additions.

Human Resources

Human Resources Program Resources			
(in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$294,326	\$174,401	(\$119,925)
Other Non-Operating Expenses	\$53	\$0	(\$53)
Inc(Dec) in Fixed Assets	(\$2,076)	\$0	\$2,076
Working Capital Requirement	\$0	\$0	\$0

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.

Funding Sources (Other than ERO Assessments)

- Not applicable

Personnel Expenses

- No significant changes

Meeting and Travel Expenses

- No significant changes

Operating Expenses

- In 2013 and future years, NPCC total overhead expenses, such as office rent and office costs, which in prior business plans had been charged directly to the program areas, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2013.

Other Non-Operating Expenses

- No significant changes.

Fixed Asset Additions

- No fixed asset additions.

Finance and Accounting

Accounting and Finance Program Resources (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$255,381	\$457,249	\$201,868
Other Non-Operating Expenses	\$53	\$0	(\$53)
Inc(Dec) in Fixed Assets	(\$2,076)	\$0	\$2,076
Working Capital Requirement	\$0	\$0	\$0

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 a best practice.

2013 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 programs
- Payroll and expense administration
- Preparation of unaudited Quarterly Financial Statements
- IRS Reporting
- Annual Independent Audit initiated by the Regional Entity

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

- In 2013 and future years, NPCC total overhead expenses, such as office rent and office costs, which in prior business plans had been charged directly to the program areas, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.
- Increase in professional fees is the result of the change from direct allocation of accounting and auditing fees to the direct program areas in 2012 to indirect allocation of accounting and auditing fees in 2013.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE to the direct programs for 2013.

Other Non-Operating Expenses

- No significant changes

Fixed Asset Additions

- No fixed asset additions.

Regional Entity Assessment Analysis

In the area of assessments 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 2011 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 2011 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 2013 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)	2011 Net Energy for Load (MWh)	2011 NPCC US NEL (MWh)	2011 NEL % of NPCC Total	2011 NEL % of NPCC U.S.	2013 ¹ NPCC RE Division Expenses & Fixed Assets Minus CORC Program	Adjustment to RE Division Cash Reserve Requirement	2013 ¹ NPCC RE Division Funding Requirement Minus CORC Program	Penalty Monies Applied to RE Division Minus CORC Program	Budgeted Workshop Fees and WECC CEA	2013 ¹ NPCC RE Division Assessment Minus CORC Program (F-1 plus G-1 plus H-1)	2013 NPCC CS Division Expenses & Fixed Assets	2013 Adjustment to Cash Reserve Requirement	2013 NPCC CS Division Funding Requirement (L-1 plus K-1)
New England	134,915,000	134,915,000	20.64714%	45.31881%	1,259,866	-230,249	1,029,617	-59,491	-23,641	946,485	211,049	24,264	235,313
New York	162,787,000	162,787,000	24.91262%	54.68119%	1,520,141	-277,816	1,242,325	-71,781	-28,525	1,142,019	254,650	29,277	283,927
Ontario	143,343,000	143,343,000	21.93694%		1,338,569	-244,633	1,093,936	0	-25,118	1,068,818	224,233	25,780	250,013
Quebec	186,613,000	186,613,000	28.55890%		1,742,634	-318,478	1,424,156	0	-32,700	1,391,456	291,921	33,562	325,483
New Brunswick	13,866,000	13,866,000	2.12203%		129,484	-23,664	105,820	0	-2,430	103,390	21,691	2,494	24,185
Nova Scotia	11,908,000	11,908,000	1.82238%		111,200	-20,322	90,877	0	-2,087	88,790	18,628	2,142	20,769
Total	653,432,000	297,702,000	100.00000%	100.00000%	\$6,101,894	-\$1,115,163	\$4,986,731	-\$131,272	-\$114,500	\$4,740,958	\$1,022,172	\$117,518	\$1,139,690

A-2	B-2	C-2	D-2	E-2	F-2	G-2	H-2	I-2	J-2	K-2	L-2
Balancing Authorities (LSE Designees)	2013 ² NEL Based 40%	2013 ² CORC Program Excluding US-Only Staff	2013 ³ Allocation Methodology	2013 ⁴ 60% of CORC Program	2013 Total CORC Program Expenses & Fixed Assets	Penalty Monies Applied to CORC Program	2013 Total CORC Program Assessment (F-2 plus G-2)	2013 RE Division Total Funding Requirement (F-1 plus F-2)	2013 RE Division Assessment (I-1 plus H-2)	2013 NPCC Total Funding Requirement (L-1 plus J-2)	2013 NPCC Assessment & Member Fees (L-1 plus J-2)
New England	642,319	0	51.13045%	1,858,924	2,501,242	-75,242	2,426,001	3,530,859	3,372,486	3,766,173	3,607,799
New York	775,015	0	36.77203%	2,242,957	3,017,972	-90,786	2,927,186	4,260,297	4,069,205	4,544,224	4,353,132
Ontario	682,444	0	0.00000%	0	682,444	0	682,444	1,776,380	1,751,262	2,026,393	2,001,275
Quebec	888,448	0	10.31240%	481,218	1,369,666	0	1,369,666	2,793,821	2,761,122	3,119,304	3,086,604
New Brunswick	66,015	0	0.00000%	0	66,015	0	66,015	171,835	169,405	196,019	193,589
Nova Scotia	56,693	0	1.78512%	83,301	139,994	0	139,994	230,871	228,784	251,640	249,554
Total	\$3,110,933	\$0	100.00000%	\$4,101,881	\$7,777,333	-\$166,028	\$7,611,305	\$12,764,064	\$12,352,264	\$13,903,753	\$13,491,953

¹ 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 the \$5,291,498 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 85.29149% of U.S. audit costs to obtain the percentages (Column D-2 b) which are then applied to the 60% of CORC costs.

² 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-U.S. Entities.

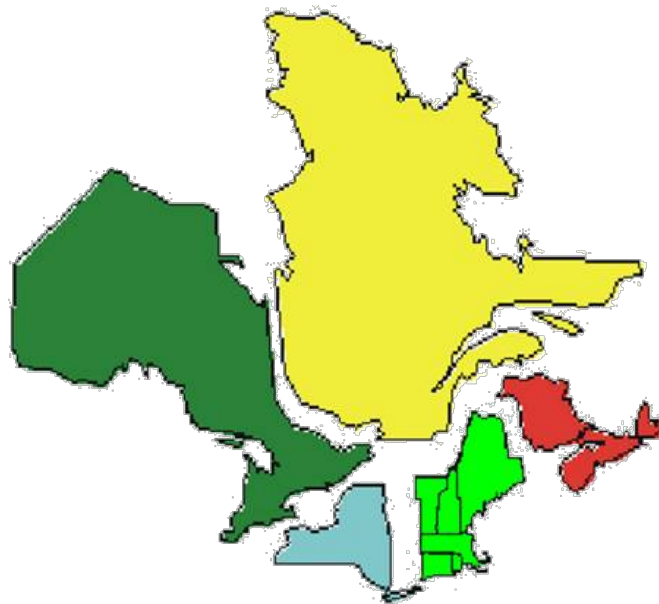
³ The CORC Program total of \$7,777,333 is allocated using the Regional NEL based methodology for 40% (or \$3,110,933) and using the audit based methodology for Canadian Balancing Authorities and the NEL based methodology for US Balancing Authorities for 60% (or \$4,666,400).

⁴ Audit based allocation uses Compliance Registry Data registrants as of May 1, 2012.

⁵ Allocation adjustment of \$1,023,665 and \$99,022 identified as NPCC CORC costs duplicative of Ontario and New Brunswick Compliance and Enforcement Programs, respectively.

Section B – Supplemental Financial Information

2013 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1 – Reserve Balance

Working Capital Reserve Analysis 2012-2013	
REGIONAL ENTITY DIVISION	
Beginning Working Capital Reserve (Deficit), December 31, 2011	3,867,487
Plus: 2012 ERO Funding (from LSEs or designees)	12,551,567
Plus: 2012 Other funding sources	810,734
Less: 2012 Projected expenses & capital expenditures	(13,338,780)
Projected Working Capital Reserve (Deficit), December 31, 2012	3,891,008
Desired Working Capital Reserve, December 31, 2013 ¹	2,775,845
20% of Total Regional Entity Budget of \$13,879,226.26	
Less: Projected Working Capital Reserve, December 31, 2012	(3,891,008)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(1,115,163)
2013 Expenses and Capital Expenditures	13,879,226
Less: Penalty Sanctions ²	(297,300)
Less: Other Funding Sources (Including NPCC as WECC CEA)	(114,500)
Adjustment to achieve desired Working Capital Reserve	(1,115,163)
2013 Assessment	12,352,264
¹ Desired Working Capital Reserve level of 20% or \$2,775,845	
² Represents collections prior to June 30, 2012.	

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 13 of the 2013 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, 2012 are to be used to offset assessments in the 2013 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, 2012 through June 30, 2013 will be used to offset U.S. load serving entity designee assessments in the 2014 Budget.

All penalties received prior to June 30, 2012 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, 2012	Date Received	Amount Received
Penalty Payment 1	7/13/2011	\$ 15,000.00
Penalty Payment 2	8/10/2011	\$ 3,500.00
Penalty Payment 3	8/10/2011	\$ 5,000.00
Penalty Payment 4	8/10/2011	\$ 5,000.00
Penalty Payment 5	9/6/2011	\$ 15,000.00
Penalty Payment 6	9/13/2011	\$ 80,000.00
Penalty Payment 7	9/15/2011	\$ 2,500.00
Penalty Payment 8	9/19/2011	\$ 5,000.00
Penalty Payment 9	9/23/2011	\$ 50,000.00
Penalty Payment 10	9/26/2011	\$ 4,000.00
Penalty Payment 11	9/30/2011	\$ 7,500.00
Penalty Payment 12	10/3/2011	\$ 5,000.00
Penalty Payment 13	10/12/2011	\$ 6,000.00
Penalty Payment 14	10/14/2011	\$ 3,500.00
Penalty Payment 15	10/17/2011	\$ 5,000.00
Penalty Payment 16	3/8/2012	\$ 15,000.00
Penalty Payment 17	3/8/2012	\$ 5,000.00
Penalty Payment 18	3/12/2012	\$ 17,500.00
Penalty Payment 19	3/21/2012	\$ 25,000.00
Penalty Payment 20	5/1/2012	\$ 5,000.00
Penalty Payment 21	5/1/2012	\$ 3,800.00
Penalty Payment 22	5/2/2012	\$ 4,000.00
Penalty Payment 23	6/5/2012	\$ 10,000.00
Total Penalties Received		\$ 297,300.00

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
	\$ -	\$ -	\$ -	\$ -
Miscellaneous - WECC CEA	72,000	72,000	34,500	(37,500)
Total	\$ 72,000	\$ 72,000	\$ 34,500	\$ (37,500)
Reliability Assessment and Performance Analysis				
	\$ -	\$ -	\$ -	\$ -
	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	\$ 120,000	\$ 120,000	\$ 80,000	\$ (40,000)
Total	\$ 120,000	\$ 120,000	\$ 80,000	\$ (40,000)
Situation Awareness and Infrastructure Security				
	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums				
	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Administrative Services Programs				
	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ 192,000	\$ 192,000	\$ 114,500	\$ (77,500)

Explanation of Significant Variances –2013 Budget versus 2012 Budget

- WECC CEA funding variance is due to no audits scheduled for 2013 based on the current audit cycle.
- Workshop fees are based on 2011 actual; it is anticipated that attendance and fees charged per attendee will be similar to 2011.
- NPCC assumed no interest income because of continuing low market interest rates.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Salaries					
Salary	\$ 5,553,903	\$ 5,553,903	\$ 5,652,141	\$ 98,238	1.8%
Employment Agency Fees	\$ 19,111	\$ 19,111	\$ 20,000	\$ 889	4.7%
Temporary Office Services	\$ 9,324	\$ 9,324	\$ 10,000	\$ 676	7.3%
Total Salaries	\$ 5,582,337	\$ 5,582,337	\$ 5,682,141	\$ 99,804	1.8%
Total Payroll Taxes	\$ 358,772	\$ 358,772	\$ 377,689	\$ 18,918	5.3%
Benefits					
Education Reimbursement	\$ 83,913	\$ 83,913	\$ 70,000	\$ (13,913)	-16.6%
Medical Insurance	\$ 784,518	\$ 784,518	\$ 787,727	\$ 3,209	0.4%
Life-LTD-STD Insurance	\$ 60,522	\$ 60,522	\$ 62,524	\$ 2,002	3.3%
Worker's Compensation	\$ 14,282	\$ 14,282	\$ 15,000	\$ 718	5.0%
Vacation	\$ 393,510	\$ 393,510	\$ 396,051	\$ 2,541	0.6%
Relocation	\$ -	\$ -	\$ -	\$ -	-
Total Benefits	\$ 1,336,744	\$ 1,336,744	\$ 1,331,302	\$ (5,443)	-0.4%
Retirement					
Pension Contribution	\$ 486,047	\$ 486,047	\$ 590,911	\$ 104,864	21.6%
Employee Savings Plan	\$ 383,389	\$ 383,389	\$ 446,653	\$ 63,264	16.5%
Savings Admin	\$ 11,561	\$ 11,561	\$ 32,000	\$ 20,439	176.8%
Deferred Compensation	\$ 23,309	\$ 23,309	\$ 23,000	\$ (309)	-1.3%
Total Retirement	\$ 904,307	\$ 904,307	\$ 1,092,565	\$ 188,258	20.8%
Total Personnel Costs	\$ 8,182,160	\$ 8,182,160	\$ 8,483,697	\$ 301,536	3.7%
FTEs	35.43	35.43	35.86	0.43	1.2%
Cost per FTE					
Salaries	\$ 157,560	\$ 157,560	\$ 158,453	\$ 894	0.6%
Payroll Taxes	\$ 10,126	\$ 10,126	\$ 10,532	\$ 406	4.0%
Benefits	\$ 37,729	\$ 37,729	\$ 37,125	\$ (604)	-1.6%
Retirement	\$ 25,524	\$ 25,524	\$ 30,468	\$ 4,944	19.4%
Total Cost per FTE	\$ 230,939	\$ 230,939	\$ 236,578	\$ 5,640	2.4%

Explanation of Significant Variances –2013 Budget versus 2012 Budget

- The increases in Salaries, Payroll Taxes, all insurances except Medical, and Employee Savings Plan are due primarily to an overall general wage increase of 3% and at risk (variable incentives) compensation at less than 100% of program levels.
- The decrease in Employment Agency Fee is due to no planned staff additions in 2013. Agencies would be used only to fill positions vacated during the year.
- The decrease in Education Reimbursement is based on projected costs associated with staff pursuing advanced degrees.
- An increase in funding of the retirement trust of \$100,000 is necessary to maintain required minimum funding levels.
- Retirement plan administration fees have increased due to a change in the investment funds available within the retirement trust and the associated administrative fees.

Table B-5 – Consultants and Contracts

Consultants	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Consultants					
Reliability Standards	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)	-100.0%
Compliance Enforcement and Organization Registration and Certification	\$ 102,000	\$ 102,000	\$ 20,000	\$ (82,000)	-80.4%
Reliability Assessment and Performance Analysis	\$ 42,000	\$ 42,000	\$ 10,000	\$ (32,000)	-76.2%
Training and Education	\$ 100	\$ 100	\$ -	\$ (100)	-100.0%
Situation Awareness and Infrastructure Security	\$ 2,000	\$ 2,000	\$ 60,000	\$ 58,000	2900.0%
Member Forums	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)	-100.0%
General and Administrative	\$ 4,000	\$ 4,000	\$ 30,000	\$ 26,000	650.0%
Legal and Regulatory	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)	-100.0%
Information Technology	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)	-100.0%
Accounting and Finance	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)	-100.0%
Human Resources	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)	-100.0%
Consultants Total	\$ 169,100	\$ 169,100	\$ 120,000	\$ (49,100)	-29.0%
Contracts					
Reliability Standards	\$ 33,000	\$ 33,000	\$ 30,000	\$ (3,000)	-9.1%
Compliance Enforcement and Organization Registration and Certification	\$ 1,150,000	\$ 1,150,000	\$ 1,558,000	\$ 408,000	35.5%
Reliability Assessment and Performance Analysis	\$ 350,000	\$ 350,000	\$ 275,000	\$ (75,000)	-21.4%
Training and Education	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)	-100.0%
Situation Awareness and Infrastructure Security	\$ 110,000	\$ 110,000	\$ 40,000	\$ (70,000)	-63.6%
Member Forums	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)	-100.0%
General and Administrative	\$ 20,000	\$ 20,000	\$ 86,000	\$ 66,000	330.0%
Legal and Regulatory	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)	-100.0%
Information Technology	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)	-100.0%
Accounting and Finance	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)	-100.0%
Human Resources	\$ 10,000	\$ 10,000	\$ 4,000	\$ (6,000)	-60.0%
Contracts Total	\$ 1,719,000	\$ 1,718,999	\$ 1,993,000	\$ 274,000	15.9%
Total Consultants and Contracts	\$ 1,888,100	\$ 1,888,099	\$ 2,113,000	\$ 224,900	11.9%

Explanation of Significant Variances –2013 Budget versus 2012 Budget

- The compliance program will be conducting a greater number of audits than in 2012.
- A Situation Awareness consultant was previously budgeted under contracts but will be budgeted and recorded under consultants going forward.
- Contracts for overhead expenses which were previously directly allocated to all programs are now under Administrative Services Programs and will be allocated through the Indirect Expense line.

Table B-6 – Office Rent

Office Rent	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Office Rent	\$ 596,716	\$ 596,716	\$ 635,000	\$ 38,284	6.4%
Utilities	\$ 24,242	\$ 24,242	\$ 29,000	\$ 4,758	19.6%
Maintenance	\$ 18,647	\$ 18,647	\$ 20,000	\$ 1,353	7.3%
Security	\$ 2,331	\$ 2,331	\$ 2,500	\$ 169	7.3%
Real Estate Taxes	\$ -	\$ -	\$ 20,000	\$ 20,000	-
Total Office Rent	\$ 641,936	\$ 641,937	\$ 706,501	\$ 64,565	10.1%

Explanation of Significant Variances –2013 Budget versus 2012 Budget

- Increases in office related expenses are offset by allocation to Criteria Services through the Indirect Expense line.
- Real Estate Taxes were previously included in Office Rent.

Table B-7 – Office Costs

Office Costs	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Telephone	\$ 139,855	\$ 139,855	\$ 95,000	\$ (44,855)	-32.1%
Internet Expense	\$ 24,728	\$ 24,728	\$ 80,000	\$ 55,272	223.5%
Office Supplies	\$ 27,696	\$ 27,696	\$ 30,000	\$ 2,304	8.3%
Computer Supplies and Maintenance	\$ 46,618	\$ 46,618	\$ 175,000	\$ 128,382	275.4%
Subscriptions & Publications	\$ 6,430	\$ 6,430	\$ 9,000	\$ 2,570	40.0%
Dues	\$ 2,968	\$ 2,968	\$ 3,000	\$ 32	1.1%
Postage	\$ 1,483	\$ 1,483	\$ 1,500	\$ 17	1.1%
Express Shipping	\$ 6,430	\$ 6,430	\$ 9,000	\$ 2,570	40.0%
Copying	\$ 989	\$ 989	\$ 20,000	\$ 19,011	1921.7%
Reports	\$ 5,440	\$ 5,440	\$ 5,000	\$ (440)	-8.1%
Stationary and Office Forms	\$ 6,396	\$ 6,396	\$ 6,000	\$ (396)	-6.2%
Equipment Repair/Service Contracts	\$ 61,327	\$ 61,327	\$ 5,000	\$ (56,327)	-91.8%
Bank Charges	\$ 27,971	\$ 27,971	\$ 30,000	\$ 2,029	7.3%
Sales and Use Tax	\$ -	\$ -	\$ -	\$ -	-
Merchant Credit Card Fees	\$ -	\$ -	\$ -	\$ -	-
Presentation and Publicity	\$ -	\$ -	\$ -	\$ -	-
Total Office Costs	\$ 358,332	\$ 358,331	\$ 468,500	\$ 110,168	30.7%

Explanation of Significant Variances –2013 Budget versus 2012 Budget

- Increases in office related expenses are offset by allocation to Criteria Services through the Indirect Expense line.
- A portion of Internet Expense was previously included in Telephone.
- Computer Supplies and Maintenance expenses of \$146,500 were budgeted under capital expenses in 2012. Based on NPCC's capitalization policy, and in accordance with GAAP, computer equipment lease expenses will not be capitalized in 2013.
- Equipment repair/service contracts expense is based on contracts currently in place and previous years' actual expense.

Table B-8 - Professional Services

Professional Services	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
BOT Fee	\$ 279,711	\$ 279,711	\$ 300,000	\$ 20,289	7.3%
BOT Search Fee	\$ 55,942	\$ 55,942	\$ -	\$ (55,942)	-100.0%
Legal - Reorganization	\$ -	\$ -	\$ -	\$ -	-
Accounting & Auditing Fees	\$ 242,416	\$ 242,416	\$ 290,000	\$ 47,584	19.6%
Legal Fees - Other	\$ 559,421	\$ 559,421	\$ 500,000	\$ (59,421)	-10.6%
Insurance - Commercial	\$ 25,174	\$ 25,174	\$ 30,000	\$ 4,826	19.2%
Total Services	\$ 1,162,663	\$ 1,162,664	\$ 1,120,000	\$ (42,663)	-3.7%

Explanation of Significant Variances –2013 Budget versus 2012 Budget

- BOT Search Fees budgeted in 2012 were related to the introduction of an independent director sector to the Board. There are no BOT Search Fees budgeted in 2013.
- Decrease in Legal Fees is associated with the retention of in-house counsel in 2012.
- Increases in Accounting & Auditing Fees and BOT fee are offset by allocation to Criteria Services through the Indirect Expense line.

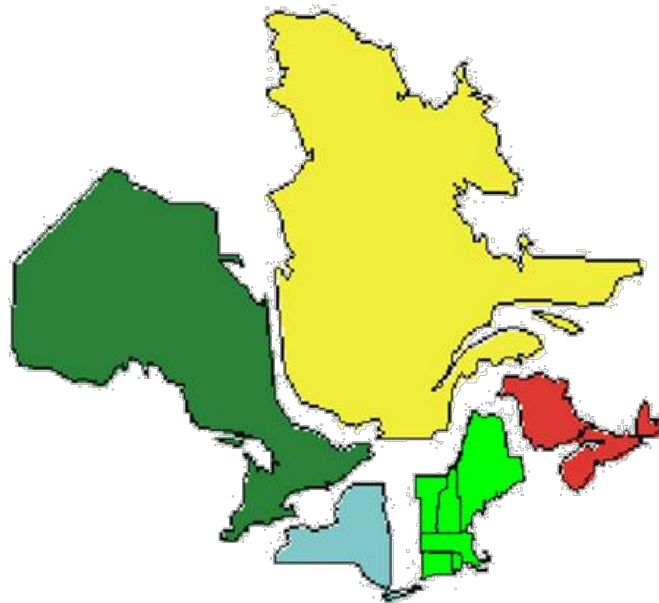
Table B-9 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Office Relocation	\$ 1,865	\$ -	\$ -	\$ (1,865)	-100.0%
Total Non-Operating Expenses	\$ 1,865	\$ -	\$ -	\$ (1,865)	-100.0%

Table B-10 – 2014 and 2015 Projections

Statement of Activities and Capital Expenditures 2013 Budget & Projected 2014 and 2015 Budgets								
	2013 Budget	2014 Projection	\$ Change 13 v 14	% Change 13 v 14	2015 Projection	\$ Change 14 v 15	% Change 14 v 15	
Funding								
ERO Funding								
ERO Assessments	\$ 12,352,264	\$ 14,408,042	\$ 2,055,778	16.6%	\$ 14,720,294	\$ 312,252	2.1%	
Penalty Sanctions	297,300	-	(297,300)	-100.0%	-	-		
Total ERO Funding	\$ 12,649,564	\$ 14,408,042	\$ 1,758,478	13.9%	\$ 14,720,294	\$ 312,252	2.1%	
Membership Dues	-	-	-		-	-		
Testing Fees	-	-	-		-	-		
Services & Software	-	-	-		-	-		
Workshops	80,000	80,000	-	0.0%	80,000	-	0.0%	
Interest	-	-	-		-	-		
Miscellaneous	34,500	20,000	(14,500)	-42.0%	190,000	170,000	850.0%	
Total Funding (A)	\$ 12,764,064	\$ 14,508,042	\$ 1,743,978	13.7%	\$ 14,990,294	\$ 482,252	3.3%	
Expenses								
Personnel Expenses								
Salaries	\$ 5,677,141	\$ 5,904,227	\$ 227,086	4.0%	\$ 6,140,396	\$ 236,169	4.0%	
Payroll Taxes	377,689	389,020	11,331	3.0%	400,691	11,671	3.0%	
Benefits	1,331,302	1,411,180	79,878	6.0%	1,495,851	84,671	6.0%	
Retirement Costs	1,092,565	1,136,267	43,703	4.0%	1,181,718	45,451	4.0%	
Total Personnel Expenses	\$ 8,478,697	\$ 8,840,694	\$ 361,997	4.3%	\$ 9,218,655	\$ 377,961	4.3%	
Meeting Expenses								
Meetings	\$ 377,000	\$ 388,310	\$ 11,310	3.0%	\$ 396,076	\$ 7,766	2.0%	
Travel	855,000	880,650	25,650	3.0%	898,263	17,613	2.0%	
Conference Calls	87,000	89,610	2,610	3.0%	91,402	1,792	2.0%	
Total Meeting Expenses	\$ 1,319,000	\$ 1,358,570	\$ 39,570	3.0%	\$ 1,385,741	\$ 27,171	2.0%	
Operating Expenses								
Consultants & Contracts	\$ 2,113,000	\$ 2,176,390	\$ 63,390	3.0%	\$ 2,219,918	\$ 43,528	2.0%	
Office Rent	706,500	727,695	21,195	3.0%	742,249	14,554	2.0%	
Office Costs	468,500	482,555	14,055	3.0%	492,206	9,651	2.0%	
Professional Services	1,120,000	1,153,600	33,600	3.0%	1,176,672	23,072	2.0%	
Miscellaneous	80,000	82,400	2,400	3.0%	84,048	1,648	2.0%	
Depreciation	192,510	192,510	-	0.0%	192,510	-	0.0%	
Total Operating Expenses	\$ 4,680,510	\$ 4,815,150	\$ 134,640	2.9%	\$ 4,907,603	\$ 92,453	1.9%	
Total Direct Expenses	\$ 14,478,207	\$ 15,014,414	\$ 536,207	3.7%	\$ 15,511,999	\$ 497,585	3.3%	
Indirect Expenses	\$ (406,471)	\$ (418,665)	\$ (12,194)	3.0%	\$ (427,038)	\$ (8,373)	2.0%	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Total Expenses (B)	\$ 14,071,736	\$ 14,595,749	\$ 524,013	3.7%	\$ 15,084,961	\$ 489,212	3.4%	
Change in Assets	\$ (1,307,673)	\$ (87,707)	\$ 1,219,965	-93.3%	\$ (94,668)	\$ (6,960)	7.9%	
Fixed Assets								
Depreciation	\$ (192,510)	\$ (192,510)	\$ -	0.0%	\$ (192,510)	\$ -	0.0%	
Computer & Software CapEx	-	-	-		-	-		
Furniture & Fixtures CapEx	-	-	-		-	-		
Equipment CapEx	-	-	-		-	-		
Leasehold Improvements	-	-	-		-	-		
(Incr)Dec in Fixed Assets (C)	\$ (192,510)	\$ (192,510)	\$ -	0.0%	\$ (192,510)	\$ -	0.0%	
TOTAL BUDGET (=B+C)	\$ 13,879,226	\$ 14,403,239	\$ 524,013	3.8%	\$ 14,892,451	\$ 489,212	3.4%	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,115,163)	\$ 104,803	\$ 1,219,965	-109.4%	\$ 97,842	\$ (6,960)	-6.6%	
FTEs	35.86	35.86	0	0.0%	35.86	0.00	0.0%	

Section C – Criteria Services Division Activities 2013 Business Plan and Budget



Section C —2013 Criteria Services Division Business Plan and Budget

Criteria Services Division			
(in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	2.57	2.14	-0.43
Total Direct Expenses	\$1,003,628	\$630,191	(\$373,437)
Total Indirect Expenses	\$0	\$406,471	
Other Non-Operating Expenses	\$135	\$0	(\$135)
Working Capital Reserve Requirement	(\$41,528)	\$117,518	\$159,046
Inc(Dec) in Fixed Assets	(\$5,336)	(\$14,490)	(\$9,154)
Funding Requirement for Working Capital	\$956,900	\$1,139,690	\$182,790

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 2013 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 2012 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.

2013 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
- Assist Legal with preparation of revised Directories for Regulatory filings with the Provinces

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 2012 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 2013, 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 to reflect the FERC ruling on TPL.

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 – 2013 Budget versus 2012 Budget

Operating Expenses

- In 2013 and future years, NPCC total overhead expenses, such as office rent and office costs, which in prior business plans had been charged directly to the program areas, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.
- The increase in Membership Dues is primarily the result of the Working Capital Reserve adjustment of \$117,518 necessary to maintain the required reserve level.

2012 Budget and Projection and 2013 Budget Comparisons

Statement of Activities 2012 Budget & Projection, and 2013 Budget						
CRITERIA SERVICES DIVISION						
				Variance 2012 Projection v 2012 Budget Over(Under)		Variance 2013 Budget v 2012 Budget Over(Under)
		2012 Budget	2012 Projection		2013 Budget	
Funding						
ERO Funding						
ERO Assessments	\$	-	\$	-	\$	-
Penalty Sanctions		-		-		-
Total ERO Funding	\$	-	\$	-	\$	-
Membership Dues		956,900		956,900		1,139,690
Testing Fees		-		-		-
Services & Software		-		-		-
Workshops		-		-		-
Interest		-		-		-
Miscellaneous		-		-		-
Total Funding (A)	\$	956,900	\$	956,900	\$	1,139,690
Expenses						
Personnel Expenses						
Salaries	\$	351,216	\$	351,216	\$	268,881
Payroll Taxes		24,086		24,086		19,614
Benefits		112,083		112,083		46,561
Retirement Costs		154,332		154,332		140,645
Total Personnel Expenses	\$	641,718	\$	641,718	\$	475,701
Meeting Expenses						
Meetings	\$	9,500	\$	9,500	\$	20,000
Travel		40,000		40,000		55,000
Conference Calls		14,300		14,300		-
Total Meeting Expenses	\$	63,800	\$	63,800	\$	75,000
Operating Expenses						
Consultants & Contracts	\$	114,000	\$	114,000	\$	65,000
Office Rent		46,564		46,564		-
Office Costs		25,993		25,993		-
Professional Services		84,337		84,337		-
Computer & Equipment Leases		11,662		11,662		-
Miscellaneous		5,411		5,411		-
Depreciation		10,145		10,145		14,490
Total Operating Expenses	\$	298,111	\$	298,111	\$	79,490
Total Direct Expenses	\$	1,003,628	\$	1,003,628	\$	630,191
Indirect Expenses	\$	-	\$	-	\$	406,471
Other Non-Operating Expenses	\$	135	\$	135	\$	-
Total Expenses (B)	\$	1,003,763	\$	1,003,763	\$	1,036,662
Change in Assets	\$	(46,864)	\$	(46,864)	\$	103,028
Fixed Assets						
Depreciation	\$	(10,145)		(10,145)	\$	(14,490)
Computer & Software CapEx		-		-		-
Furniture & Fixtures CapEx		1,393		1,393		-
Equipment CapEx		2,022		2,022		-
Leasehold Improvements		1,393		1,393		-
Allocation of Fixed Assets		-		-		-
Inc(Dec) in Fixed Assets (C)		(5,336)		(5,336)		(14,490)
TOTAL BUDGET (=B+C)		998,427		998,427		1,022,172
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$	(41,528)	\$	(41,528)	\$	117,518

Personnel Analysis

Total FTEs by Program Area	Budget 2012	Projection 2012	Direct FTEs 2013 Budget	Shared FTEs ¹ 2013 Budget	Total FTEs 2013 Budget	Change from 2012 Budget
CRITERIA SERVICES DIVISION						
Operational Programs						
Reliability Standards	1.00	1.00	1.00	0.07	1.07	0.07
Compliance Enforcement and Organization Registration and Certification	1.00	1.00	0.00	0.00	0.00	-1.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
Reliability Assessment and Performance Analysis	0.00	0.00	1.00	0.07	1.07	1.07
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	0.14	2.14	0.14
Administrative Programs						
Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General and Administrative	0.07	0.07	0.00	0.00	0.00	-0.07
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	0.00	0.00	0.00	-0.50
Total FTEs Administrative Programs	0.57	0.57	0.00	0.00	0.00	-0.57
Total FTEs	2.57	2.57	2.00	0.14	2.14	-0.43

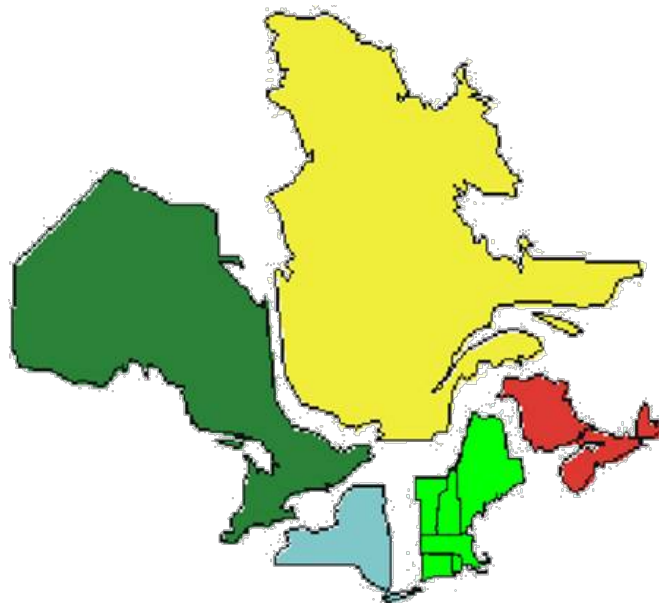
¹A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

Reserve Analysis 2012–2013

Working Capital Reserve Analysis 2012-2013		
CRITERIA SERVICES DIVISION		
Beginning Working Capital Reserve (Deficit), December 31, 2011		
Beginning Cash @ January 1, 2012		138,980
2012 Non-Statutory Funding (from members)		956,900
2012 Other funding sources		0
Total Cash Available 2012		1,095,880
Cash Needed 2012		
2012 Projected expenses		(1,003,628)
2012 Fixed asset additions		(5,336)
Total Cash Needed 2012		(1,008,964)
Projected Working Capital Reserve Balance, December 31, 2012		86,916
Desired Working Capital Reserve Balance, December 31, 2013	¹	204,434
Less: Projected Working Capital Reserve Balance December 31, 2012		(86,916)
Increase(decrease) in funding needed to raise Working Capital Reserve balance		117,518
2013 Funding requirement for expenses and fixed asset additions		1,022,172
Adjustment to increase (decrease) Working Capital Reserve balance		117,518
2013 Funding and reserve requirement		1,139,690
¹ Desired working capital reserve level of 20%, or \$204,434		

Section D – Additional Consolidated Financial Statements

2013 Business Plan and Budget



Section D

Statement of Financial Position

Statement of Financial Position 2011 Audited, 2012 Projection, and 2013 Budget				
Regional Entity and Criteria Services Division				
		(Per Audit)	Projected	Budget
		31-Dec-11	31-Dec-12	31-Dec-13
ASSETS				
Cash and cash equivalents		5,264,257	5,016,000	3,973,000
Restricted cash		1,337,795	524,000	300,000
Temporary cash investments		2,210,864	2,211,000	2,211,000
Prepaid expenses		205,725	206,000	206,000
Other assets		68,076	23,000	21,000
Equipment and leasehold improvements, net		1,264,083	1,118,000	911,000
Total Assets		10,350,800	9,098,000	7,622,000
LIABILITIES AND NET ASSETS				
Liabilities				
Accrued expenses and other liabilities		1,196,905	1,100,000	1,100,000
Accrued liability for pension		2,656,750	2,657,000	2,657,000
Deferred revenue		465,523	-	-
Deferred rent		761,477	768,000	774,000
Total Liabilities		5,080,655	4,525,000	4,531,000
Net Assets - unrestricted		5,270,145	4,573,000	3,091,000
Total Liabilities and Net Assets		10,350,800	9,098,000	7,622,000

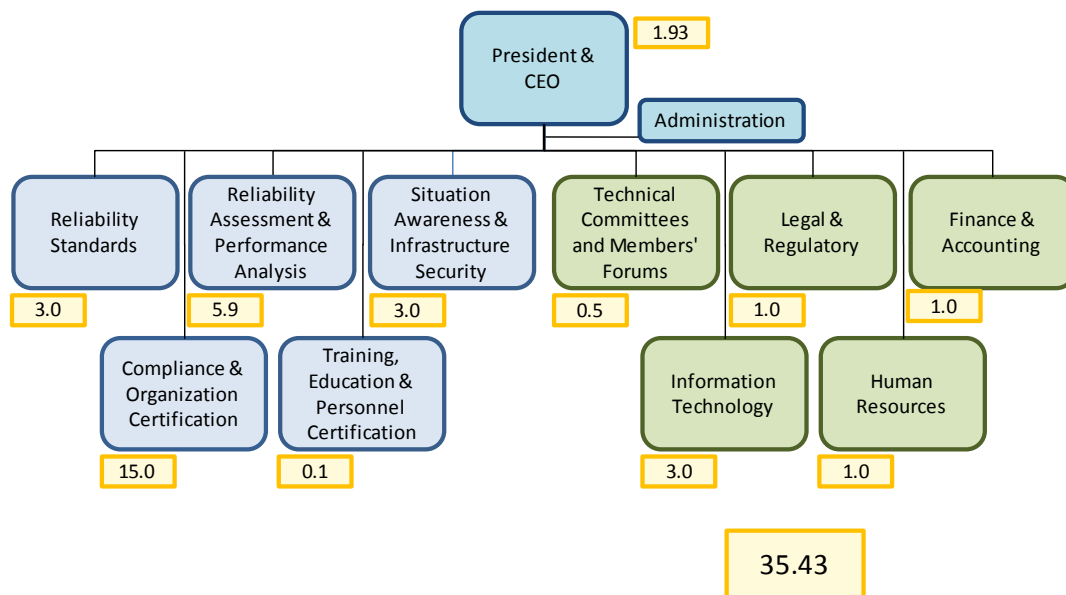
Section D — Additional Financial Statements

NPCC Statement of Activities 2013 Budget	RE Division Total										Accounting and Finance
	Funding	Reliability Standards (Section 300)	Compliance Monitoring and Enforcement and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training, Education, and Operator Certification (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Technical Committees and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources
Funding	ERO Funding										
	ERO Assessments	1,358,549	7,576,805	2,892,110	136,510	1,503,453	-	(1,115,163)	-	-	-
	Penalty Sanctions	32,431	64,529	64,529	1,107	33,206	-	-	-	-	-
	Total ERO Funding	1,390,980	7,742,333	2,956,639	137,617	1,536,658	-	(1,115,163)	-	-	-
	Membership Dues	-	-	-	-	-	-	-	-	-	-
	Testing Fees	-	-	-	-	-	-	-	-	-	-
	Services & Software	-	-	-	-	-	-	-	-	-	-
	Workshops	80,000	-	-	80,000	-	-	-	-	-	-
	Interest	-	-	-	-	-	-	-	-	-	-
	Miscellaneous*	34,500	34,500	-	-	-	-	-	-	-	-
Expenses	Total Funding (A)	1,390,980	7,777,333	2,956,639	217,617	1,536,658	-	(1,115,163)	-	-	-
	Personnel Expenses										
	Salaries	5,677,141	2,117,561	938,733	17,338	519,676	36,232	856,138	131,635	376,112	93,282
	Payroll Taxes	31,972	152,612	63,449	1,088	33,338	3,198	34,103	10,238	29,750	8,359
	Benefits	1,331,302	465,444	215,362	4,129	82,596	16,432	247,756	23,633	115,298	38,292
	Retirement Costs	78,141	302,129	183,530	4,785	117,730	10,669	259,591	5,000	89,304	27,468
	Total Personnel Expenses	8,478,697	3,037,746	1,401,076	27,339	753,341	66,531	1,397,589	170,506	610,463	167,401
	Meeting Expenses										
	Meetings	377,000	45,000	45,000	152,000	45,000	2,000	50,000	2,000	2,000	2,000
	Travel	855,000	375,000	160,000	20,000	90,000	5,000	60,000	5,000	25,000	5,000
Operating Expenses	Conference Calls	87,000	-	-	-	-	-	87,000	-	-	-
	Total Meeting Expenses	1,319,000	420,000	205,000	172,000	135,000	7,000	197,000	7,000	27,000	7,000
	Operating Expenses										
	Consultants & Contracts	2,113,000	1,576,000	285,000	-	100,000	-	116,000	-	-	4,000
	Office Rent	706,500	-	-	-	-	-	706,500	-	-	-
	Office Costs	468,500	-	-	-	-	-	118,500	-	350,000	-
	Computer and Equipment Leases	-	-	-	-	-	-	-	-	-	-
	Professional Services	1,120,000	-	-	-	-	-	330,000	500,000	-	290,000
	Miscellaneous	80,000	-	-	-	-	-	80,000	-	-	-
	Depreciation	192,510	-	-	-	-	-	192,510	-	-	-
Indirect Expenses	Total Operating Expenses	4,680,510	1,578,000	285,000	-	100,000	-	1,543,510	500,000	350,000	294,000
	Total Direct Expenses	14,478,207	5,035,746	1,891,076	199,339	988,341	73,531	3,138,099	677,506	987,463	174,401
	Indirect Expenses	(406,471)	556,523	2,849,094	1,107,348	569,819	(73,531)	(3,138,099)	(677,506)	(987,463)	(174,401)
	Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-
	Total Expenses (B)	14,071,736	5,592,269	4,740,170	1,106,687	1,548,160	-	-	-	-	-
	Change in Assets	(1,307,673)	(21,000)	(107,507)	(41,785)	(21,501)	-	(1,115,163)	-	-	-
	Fixed Assets										
	Depreciation	(192,510)	-	-	-	-	-	(192,510)	-	-	-
	Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-
	Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-
	Equipment CapEx	-	-	-	-	-	-	-	-	-	-
	Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
	Allocation of Fixed Assets	-	(21,000)	(107,507)	(41,785)	(717)	-	192,510	-	-	-
	Inc (Dec) in Fixed Assets (C)	(192,510)	(21,000)	(107,507)	(41,785)	(717)	-	-	-	-	-
	TOTAL BUDGET (B + C)	13,879,226	5,571,269	4,632,663	1,064,902	1,547,443	-	-	-	-	-
	TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	(1,115,163)	-	(0)	0	0	-	(1,115,163)	-	-	-
	FTEs	35.86	2.93	15.00	5.83	0.10	3.00	2.50	1.00	3.00	1.00

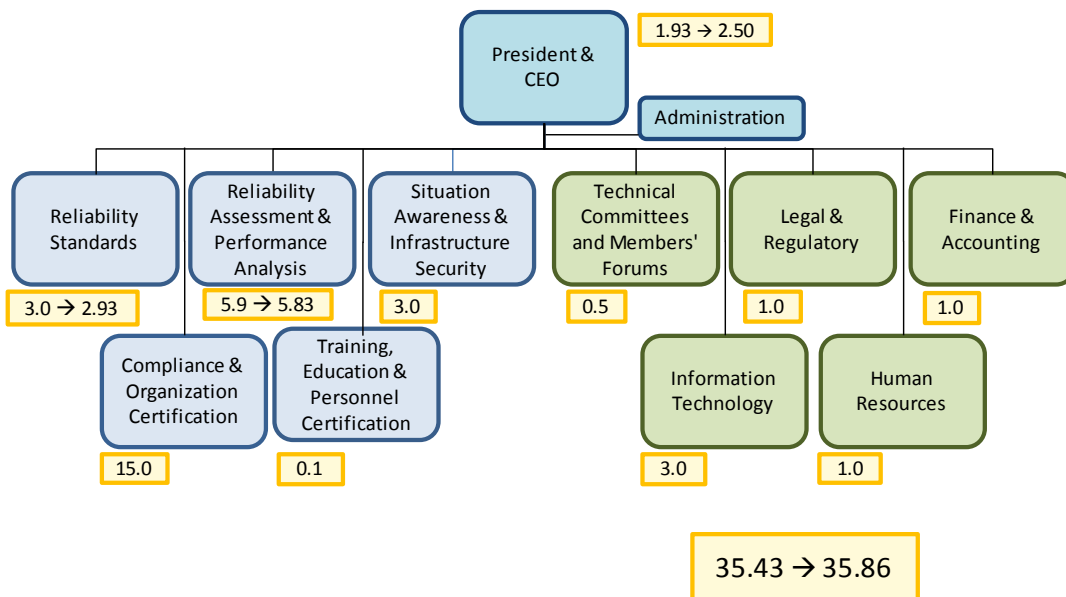
Section D — Additional Financial Statements

NPCC Statement of Activities 2013 Budget		Criteria Services Total	Criteria Development	Criteria Compliance	General and Administrative
Funding					
	ERO Funding				
	ERO Assessments	-			
	Penalty Sanctions	-			
	Total ERO Funding	-	-	-	-
	Membership Dues	1,139,690	588,459	433,712	117,518
	Testing Fees	-	-	-	-
	Services & Software	-	-	-	-
	Workshops	-	-	-	-
	Interest	-	-	-	-
	Miscellaneous*	-			
	Total Funding (A)	1,139,690	588,459	433,712	117,518
Expenses					
	Personnel Expenses				
	Salaries	268,881	167,105	101,775	-
	Payroll Taxes	19,614	11,520	8,094	-
	Benefits	46,561	27,203	19,359	-
	Retirement Costs	140,645	74,396	66,249	-
	Total Personnel Expenses	475,701	280,224	195,477	-
	Meeting Expenses				
	Meetings	20,000	10,000	10,000	-
	Travel	55,000	40,000	15,000	-
	Conference Calls	-	-	-	-
	Total Meeting Expenses	75,000	50,000	25,000	-
	Operating Expenses				
	Consultants & Contracts	65,000	55,000	10,000	-
	Office Rent	-	-	-	-
	Office Costs	-	-	-	-
	Computer and Equipment Leases	-	-	-	-
	Professional Services	-	-	-	-
	Miscellaneous	-	-	-	-
	Depreciation	14,490	7,245	7,245	-
	Total Operating Expenses	79,490	62,245	17,245	-
	Total Direct Expenses	630,191	392,469	237,722	-
	Indirect Expenses	406,471	203,235	203,235	-
	Other Non-Operating Expenses	-	-	-	-
	Total Expenses (B)	1,036,662	595,704	440,957	-
	Change in Assets	103,028	(7,245)	(7,245)	117,518
	Fixed Assets				
	Depreciation	(14,490)	(7,245)	(7,245)	-
	Computer & Software CapEx	-	-	-	-
	Furniture & Fixtures CapEx	-	-	-	-
	Equipment CapEx	-	-	-	-
	Leasehold Improvements	-	-	-	-
	Allocation of Fixed Assets	-	-	-	-
	Inc (Dec) in Fixed Assets (C)	(14,490)	(7,245)	(7,245)	-
	TOTAL BUDGET (=B + C)	1,022,172	588,459	433,712	-
	TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	117,518	-	-	117,518
	FTEs	2.14	1.07	1.07	0

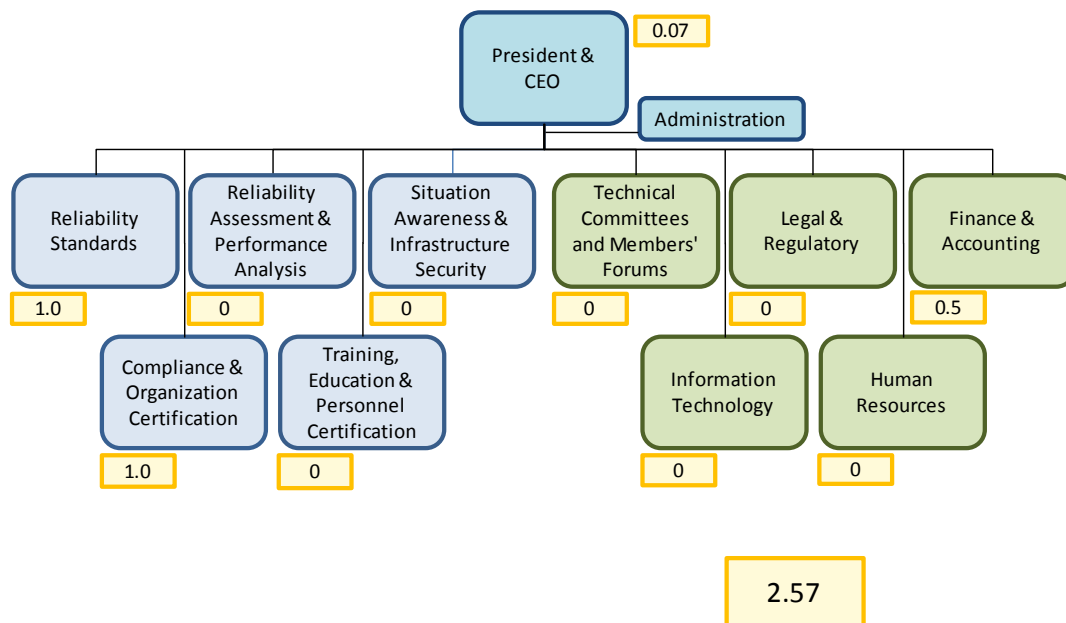
2012 Budget Staff Allocations - RE Division



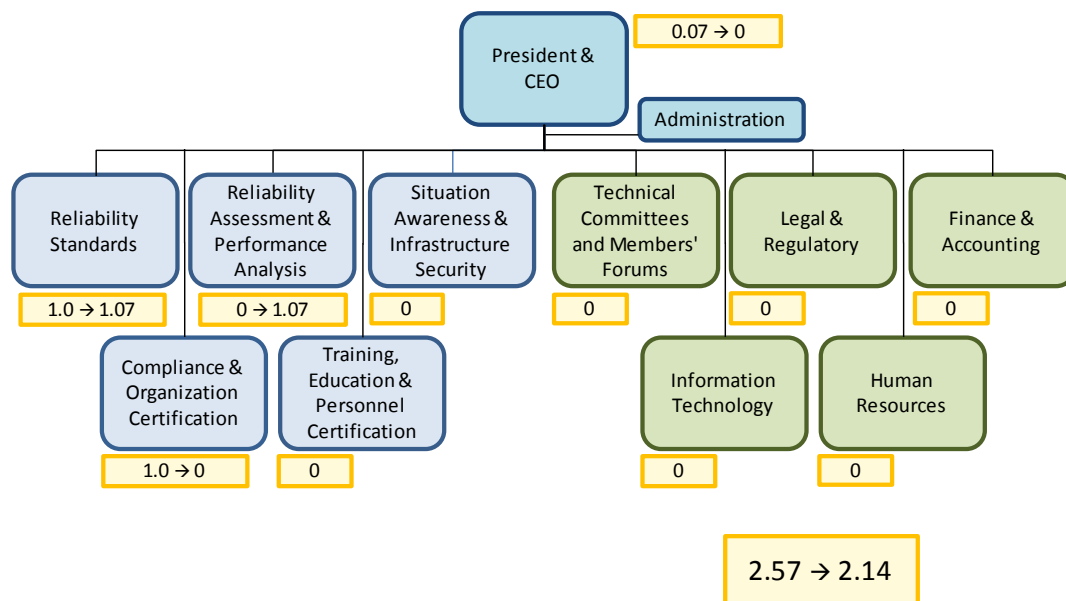
2013 Budget Staff Allocations - RE Division



2012 Budget Staff Allocations - CS Division



2013 Budget Staff Allocations - CS Division



DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 6

RELIABILITY*FIRST* CORPORATION

PROPOSED 2013 BUSINESS PLAN AND BUDGET



2013 BUSINESS PLAN AND BUDGET

FINAL VERSION

Approved by Reliability*First* Board of Directors

June 22, 2012

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Introduction

2013 Budget (in whole dollars)	2013 Budget	U.S.	Canada	Mexico
Statutory FTEs	73.0			
Non-statutory FTEs	-			
Total FTEs	73.0			
Statutory Expenses	\$ 17,782,610			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 17,782,610			
Statutory Inc(Dec) in Fixed Assets	\$ (355,772)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (355,772)			
Statutory Working Capital Requirement*	\$ (221,190)			
Non-Statutory Working Capital Requirement**	\$ -			
Total Working Capital Requirement	\$ (221,190)			
Total Statutory Funding Requirement	\$ 17,205,648			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 17,205,648			
Statutory Funding Assessments	\$ 14,165,848	\$ 14,165,848		
Non-Statutory Fees	\$ -	\$ -		
NEL				
NEL%	-	-		

*Refer to Table B-1 on page 63 in Section B.

**ReliabilityFirst does not perform any Non-Statutory Functions at this time.

Organizational Overview

ReliabilityFirst Corporation (ReliabilityFirst) is a not-for-profit company incorporated in the State of Delaware and has been authorized by the Federal Energy Regulatory Commission (FERC) to operate as a Regional Entity. ReliabilityFirst is responsible for overseeing the reliability of all or parts of the Bulk Electric System (BES) in thirteen states and the District of Columbia. As a Regional Entity, ReliabilityFirst 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 BES, and as needed, development of Reliability Standards applicable within the ReliabilityFirst Region.
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed, certification of such entities.
- Assessment of the present and future reliability, adequacy, and security of the BES.
- Promoting effective training and education of personnel.
- Promoting situational awareness and the protection of critical infrastructure.

ReliabilityFirst performed only these statutory functions delegated to it by the ERO in 2012 and the organization does not intend to perform any functions outside its ERO delegated activities in 2013.

Membership and Governance

Members

ReliabilityFirst has an open membership policy that permits full and fair participation of all industry stakeholders through their designated representatives. There is no annual fee for ongoing membership in ReliabilityFirst. As new members join, they are required to pay a nominal one-time fee to cover the costs of processing their membership application. This one-time fee currently ranges from \$250 for associate and adjunct members to \$1,000 for regular members and can be waived by the President and CEO of ReliabilityFirst 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 69 members of ReliabilityFirst; 44 are Regular with voting rights, 19 are Associates, and 6 are Adjunct. ReliabilityFirst's foundation has been and continues to be the broad, active participation of technical and policy experts representing electricity industry stakeholders within the Region who are committed to the reliability of the BES. ReliabilityFirst believes that extensive use of industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a strong and cost effective 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

ReliabilityFirst 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 ReliabilityFirst, 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.

Budget Overview

In developing this Business Plan and Budget, ReliabilityFirst, NERC, and the other Regional Entities met and agreed upon common foundational and unique program assumptions. The common foundational assumptions for the 2013 – 2015 planning period can be found in the NERC 2013 Business Plan and Budget, Exhibit A - Common Assumptions document. These assumptions were used in the development of this plan.

This Business Plan and Budget reflects ReliabilityFirst's best estimate of the costs it will incur in carrying out its delegated functions in support of the ERO in 2013-2015. Overall, the ReliabilityFirst 2013 budget (\$17,426,838) increased 4.62% over the 2012 budget (\$16,656,500). The 2013 assessment (\$14,165,848) represents a 4.67% increase over the 2012 assessment (\$13,534,272). The labor costs (\$14,067,807) increased by 8.43% over the 2012 budget (\$12,974,285). This increase is attributed to the impact of phased hiring from 2012, an estimated 3% for general wage increase and 1% for market adjustments, and promotions. The non-labor costs (\$3,359,031) decreased by 8.78% compared to the 2012 budget (\$3,682,215).

In the development of each annual Business Plan and Budget, ReliabilityFirst examines projected workload using the common assumptions referenced above and other information; and conducts a manpower analysis to determine staffing levels required to complete necessary tasks and meet the obligations of the Regional Delegation Agreement (RDA). The manpower analysis for 2013 yielded a requirement of 78 FTEs in order to fully address the workload. To recognize that every year the organization matures and should become more efficient at its tasks, even though the manpower analysis indicates a need for 78 FTEs, the staffing level incorporated into the 2013 budget holds staffing at a constant level with 2012 of 73 FTEs, a reduction of the manpower analysis of 5 FTEs. This practice of reducing the outcomes of the manpower analysis to reflect expected efficiency gains is consistent with past practice at ReliabilityFirst. At some point, the organization and the ERO will be fully mature and this practice may need to be re-evaluated, but we are confident that we have not yet reached that state.

ReliabilityFirst notes that it is presently reviewing options to address current office constraints we are experiencing. Given that ReliabilityFirst is still analyzing the situation and has not yet decided whether it is necessary to undertake any financial commitment to address the current office constraints, ReliabilityFirst has elected to not include a speculative or estimated cost in this Business Plan and Budget. Once ReliabilityFirst has completed its due diligence and if we determine additional costs will be incurred, ReliabilityFirst will immediately supplement this Business Plan and Budget accordingly.

Summary of Expenses

Program	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Reliability Standards	360,227	362,765	174,755	(185,472)	-51.5%
Compliance Enforcement and Organization Registration	12,351,183	12,144,807	13,022,028	670,845	5.4%
Reliability Assessments and Performance Analysis	2,773,720	2,750,616	3,070,191	296,471	10.7%
Training, Education and Operator Certification	873,935	885,158	919,706	45,771	5.2%
Situation Awareness and Infrastructure Security	237,435	238,010	240,159	2,724	1.1%

Full Time Equivalents (FTEs) by Program Area

Total FTEs by Program Area	Budget 2012	Projection 2012	Direct FTEs 2012 Budget	Total FTEs 2013 Budget	Change from 2012 Budget
STATUTORY					
Operational Programs					
Reliability Standards	1.00	1.00	0.50	0.50	-0.50
Compliance and Organization Registration and Certification	42.50	43.00	43.00	43.00	0.50
Reliability Assessment and Performance Analysis	9.50	9.50	10.00	10.00	0.50
Training and Education	3.10	3.10	3.10	3.10	0.00
Situation Awareness and Infrastructure Security	0.60	0.60	0.60	0.60	0.00
Total FTEs Operational Programs	56.70	57.20	57.20	57.20	0.50
Administrative Programs					
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00
General & Administrative	4.30	4.30	4.30	4.30	0.00
Legal and Regulatory	2.00	2.00	2.00	2.00	0.00
Information Technology	6.00	5.50	5.50	5.50	-0.50
Human Resources	2.00	2.00	2.00	2.00	0.00
Finance and Accounting	2.00	2.00	2.00	2.00	0.00
Total FTEs Administrative Programs	16.30	15.80	15.80	15.80	-0.50
Total FTEs	73.00	73.00	73.00	73.00	0.00

2012 Budget and Projection and 2013 Budget Comparisons

Statement of Activities and Capital Expenditures					
2012 Budget & Projection, and 2013 Budget					
STATUTORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ReliabilityFirst Assessments	\$ 13,534,272	\$ 13,534,272	\$ -	\$ 14,165,848	\$ 631,576
Penalty Sanctions	792,100	792,100	\$ -	2,979,800	2,187,700
Total ReliabilityFirst Funding	\$ 14,326,372	\$ 14,326,372	\$ -	\$ 17,145,648	\$ 2,819,276
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	60,000	60,000	-	60,000	(0)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 14,386,372	\$ 14,386,372	\$ -	\$ 17,205,648	\$ 2,819,276
Expenses					
Personnel Expenses					
Salaries	\$ 9,637,622	\$ 9,712,328	\$ 74,706	\$ 10,610,389	\$ 972,767
Payroll Taxes	581,453	618,856	37,403	624,720	43,267
Benefits	1,283,552	1,156,078	(127,474)	1,318,673	35,121
Retirement Costs	1,471,658	1,551,618	79,960	1,514,025	42,367
Total Personnel Expenses	\$ 12,974,285	\$ 13,038,880	\$ 64,595	\$ 14,067,807	\$ 1,093,522
Meeting Expenses					
Meetings	\$ 144,630	\$ 130,051	\$ (14,579)	\$ 157,810	\$ 13,180
Travel	686,950	711,350	24,400	773,300	86,350
Conference Calls	10,176	24,661	14,485	43,092	32,916
Total Meeting Expenses	\$ 841,756	\$ 866,062	\$ 24,306	\$ 974,202	\$ 132,446
Operating Expenses					
Consultants & Contracts	\$ 514,100	\$ 519,804	\$ 5,704	\$ 650,140	\$ 136,040
Office Rent	531,460	394,136	(137,324)	461,645	(69,815)
Office Costs	772,146	799,357	27,211	686,863	(85,283)
Professional Services	500,432	455,956	(44,476)	483,160	(17,272)
Miscellaneous	27,320	17,459	(9,861)	25,021	(2,299)
Depreciation	506,822	468,741	(38,081)	433,772	(73,050)
Total Operating Expenses	\$ 2,852,280	\$ 2,655,453	\$ (196,827)	\$ 2,740,601	\$ (111,679)
Total Direct Expenses	\$ 16,668,321	\$ 16,560,395	\$ (107,926)	\$ 17,782,610	\$ 1,114,289
Indirect Expenses	\$ 1	\$ 0	\$ (1)	\$ (0)	\$ (1)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 16,668,322	\$ 16,560,395	\$ (107,927)	\$ 17,782,610	\$ 1,114,288
Change in Assets	\$ (2,281,950)	\$ (2,174,023)	\$ 107,927	\$ (576,962)	\$ 1,704,988
Fixed Assets					
Depreciation	(506,822)	(468,741)	38,081	(433,772)	73,050
Computer & Software CapEx	495,000	349,700	(145,300)	78,000	(417,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (11,822)	\$ (119,041)	\$ (107,219)	\$ (355,772)	\$ (343,950)
Allocation of Fixed Assets	\$ -	\$ (0)	\$ 0	\$ 0	\$ -
Inc/(Dec) in Fixed Assets	\$ (11,822)	\$ (119,041)	\$ (107,219)	\$ (355,772)	\$ (343,950)
Total Budget	\$ 16,656,500	\$ 16,441,354	\$ (215,146)	\$ 17,426,838	\$ 770,338
Change in Working Capital	\$ (2,270,128)	\$ (2,054,982)	\$ 215,146	\$ (221,190)	\$ 2,048,938

Section A – Statutory Programs

2013 Business Plan and Budget

Section A — Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.00	0.50	(0.50)
Direct Expenses	\$ 268,083	\$ 131,192	\$ (136,891)
Indirect Expenses	\$ 87,837	\$ 44,949	\$ (42,888)
Inc(Dec) in Fixed Assets	\$ 4,307	\$ (1,386)	\$ (5,693)
Total Funding Requirement	\$ 360,227	\$ 174,755	\$ (185,472)

Program Scope and Functional Description

In support of the ERO and pursuant to the NERC Rules of Procedure, Sections 310 through 312, and the ReliabilityFirst RDA, ReliabilityFirst may develop Regional Reliability Standards which are intended to apply only to that part of the Eastern Interconnection within the ReliabilityFirst footprint. These standards must be developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure and must be more stringent than a NERC Reliability Standard, addressing 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.

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 standards drafting efforts and related working groups and task forces. Standards staff will continue to perform the following functions:

- Volunteer to serve as members of NERC Standard Authorization Request (SAR) and Standard Drafting Teams, as appropriate.
- Participate in the development and approval of NERC Reliability Standards.
- 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 standards drafting teams. The teams are facilitated by the Standards staff with program oversight directed through the ReliabilityFirst 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 ReliabilityFirst and NERC standards via public announcements, the corporate newsletter, webinars, and website postings.

ReliabilityFirst anticipates that in 2013 the number of Regional standards-related projects will continue to decline compared to previous years due to the ReliabilityFirst Board of Directors' indefinite suspension of various regional standards projects in the 2012 timeframe. In anticipation of approval of NERC continent-wide standards in the 2012/2013 timeframe, ReliabilityFirst expects to revisit all associated ReliabilityFirst standards/criterion to remove all requirements that are duplicative and no longer needed for reliability. For this reason, ReliabilityFirst anticipates a reduction of 0.5 FTEs in the Reliability Standards Program.

2013 Key Assumptions

The Reliability Standards Program incorporates regional specific common business planning assumptions as described in the NERC 2013 Business Plan and Budget, Exhibit A – Common Assumptions document. There are no additional assumptions unique to ReliabilityFirst's Reliability Standards Program.

2013 Key Deliverables

- Submit to NERC, and subsequently file with FERC:
 - any new regional standards that are needed to support revised NERC Reliability Standards,
 - any new regional standards that address reliability gaps not currently covered by NERC Reliability Standards, and
- Submit to ReliabilityFirst Board:
 - any new regional criteria that addressed issues not within the scope of NERC Reliability Standards,
 - any new regional criteria that promotes a more consistent implementation of a NERC Reliability Standard within the Region
 - any new regional criteria that will be needed to provide an “interim” solution to reliability enhancement until replaced by revised NERC Reliability Standards.
- Retire regional Standards and regional criteria that are duplicative with NERC Reliability Standards or no longer needed for reliability.
- Prioritize the regional standards and criterion 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 or regional criteria in any stage of development to align with NERC and FERC requirements.
- Systematically extract requirements from legacy documents for developing regional Standards or regional criteria and subsequently retire the legacy documents.

Funding Sources and Requirements — Explanation of Variance

Funding Source

- Funding for this program 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 2013 are budgeted for 0.5 FTE for this program area, a decrease of 0.5 FTE over 2012. The decrease is a result of the reallocation of 0.5 FTE to the Reliability Assessments and Performance Analysis Program.

Meeting Expenses

- Meeting expenses in support of the Reliability*First* standard drafting teams will decrease due to the indefinite suspension of various regional standards projects, by the Reliability*First* Board of Directors.

Operating Expense

- Operating expenses are consistent with the 2012 budget.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2013. This method of accounting results in a decrease compared to 2012 as a result of the reallocation of 0.5 FTE to the Reliability Assessments and Performance Analysis Program.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards Program are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget					
Reliability Standards					
Funding	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
ReliabilityFirst Funding					
ERO Assessments	\$ 346,257	\$ 346,257	\$ -	\$ 148,183	\$ (198,074)
Penalty Sanctions	13,970	13,970	-	26,047	12,077
Total ReliabilityFirst Funding	\$ 360,227	\$ 360,227	\$ -	\$ 174,231	\$ (185,996)
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	524	524
Miscellaneous	-	-	-	-	-
Total Funding	\$ 360,227	\$ 360,227	\$ -	\$ 174,755	\$ (185,472)
Expenses					
Personnel Expenses					
Salaries	\$ 191,229	\$ 191,602	\$ 373	\$ 87,336	\$ (103,893)
Payroll Taxes	9,191	10,322	1,131	4,744	(4,447)
Benefits	22,725	21,099	(1,626)	10,970	(11,755)
Retirement Costs	26,744	29,442	2,698	13,974	(12,770)
Total Personnel Expenses	\$ 249,889	\$ 252,464	\$ 2,575	\$ 117,024	\$ (132,865)
Meeting Expenses					
Meetings	\$ 4,000	\$ -	\$ (4,000)	\$ -	\$ (4,000)
Travel	11,000	15,360	4,360	11,500	500
Conference Calls	540	44	(497)	-	(540)
Total Meeting Expenses	\$ 15,540	\$ 15,404	\$ (137)	\$ 11,500	\$ (4,040)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	2,654	2,559	(95)	2,668	14
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 2,654	\$ 2,559	\$ (95)	\$ 2,668	\$ 14
Total Direct Expenses	\$ 268,083	\$ 270,427	\$ 2,344	\$ 131,192	\$ (136,891)
Indirect Expenses	\$ 87,837	\$ 91,689	\$ 3,852	\$ 44,949	\$ (42,888)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 355,920	\$ 362,116	\$ 6,196	\$ 176,141	\$ (179,779)
Change in Assets	\$ 4,307	\$ (1,889)	\$ (6,196)	\$ (1,386)	\$ (5,693)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ 4,307	\$ 649	\$ (3,658)	\$ (1,386)	\$ (5,693)
Inc/(Dec) in Fixed Assets	\$ 4,307	\$ 649	\$ (3,658)	\$ (1,386)	\$ (5,693)
Total Budget	\$ 360,227	\$ 362,765	\$ 2,538	\$ 174,755	\$ (185,472)
Total Change in Working Capital	\$ -	\$ (2,538)	\$ (2,538)	\$ -	\$ -

Compliance Monitoring and Enforcement, and Organization Registration and Certification Programs

Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	42.50	43.00	0.50
Direct Expenses	\$ 8,690,201	\$ 9,472,412	\$ 782,211
Indirect Expenses	\$ 3,733,052	\$ 3,865,609	\$ 132,557
Inc(Dec) in Fixed Assets	\$ (72,070)	\$ (315,993)	\$ (243,923)
Total Funding Requirement	\$ 12,351,183	\$ 13,022,028	\$ 670,845

Program Scope and Functional Description

The Compliance Monitoring and Enforcement, and Organization Registration and Certification Programs are structured to achieve maximum effectiveness, inter- and intra-regional consistency, and providing the requisite due diligence in monitoring, investigations and assessments, data and status reporting, enforcement actions, settlement activities, and hearing proceedings with regard to compliance with the Reliability Standards.

ReliabilityFirst compliance staff consists of four groups including Investigations and Compliance Services (ICS), the Operations and Planning Audit Group(OP/PLAN), the Critical Infrastructure Protection Audit Group (CIP) and the Enforcement Group.

ReliabilityFirst compliance registry consists of three-hundred and fifty-one (351) registered entities covering most if not all the potential registered functions:

- Balancing Authority (BA),
- Distribution Provider (DP),
- Generator Operator (GOP),
- Generator Owner (GO),
- Interchange Authority (IA),
- LSE,
- Planning Authority (PA),
- Purchase-Selling Entity (PSE),
- Reliability Coordinator (RC),
- Reserve Sharing Group (RSG),
- Resource Planner (RS)
- Transmission Owner (TO),
- Transmission Operator (TOP),
- Transmission Planner (TP) and
- Transmission Service Provider (TSP).

Compliance staff will continue to monitor compliance to Reliability Standards of registered owners, operators, and users of the BES through a variety of activities, including:

- Performing compliance audits against standard requirements applicable to their respective functions.
- Spot checking for compliance with selected standard requirements as part of a planned assessment of compliance.
- Validating self-certifications, mitigation plans, and/or other follow-up activities.
- Reviewing self-certification with associated verifications and self-reporting.
- Investigating events and complaints received from registered entities and other persons and entities interested in the reliable operation of the BES, including government entities.
- Creating and distributing data submittals for standards to support reporting requirements as indicated in the standards, studies, modeling, and seasonal assessments.
- Providing exception report monitoring to ensure entities are appropriately assessing compliance to Reliability Standards where routine monitoring is not in place.
- Conducting risk-based assessments of Registered Entities to determine scope of compliance monitoring.
- Developing lessons learned, which requires a review of all aspects of the compliance monitoring processes and corrective action activities resulting from an entity's performance.
- Contributing to mitigation plan activities associated with violations including:
 - Reviewing mitigation plans for effective corrective action and acceptance.
 - Verifying 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.
 - Communicating 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. ReliabilityFirst 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 ERO and industry have requested that all compliance personnel receive formal training and associated credentials. ReliabilityFirst has included in its manpower analysis three weeks of training for the entire compliance staff.

2013 Key Assumptions

The Compliance Monitoring and Enforcement and Organization Registration and Certification Programs incorporate regional specific common business planning assumptions as described in the NERC 2013 Business Plan and Budget, Exhibit A – Common Assumptions document. The current workload is not anticipated to diminish in future years, but remain the same or grow. The ReliabilityFirst Compliance Monitoring and Enforcement and Organization and Certification Programs include the following unique or supplemental regional assumptions:

1. Compliance monitoring is conducted using 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 2013 - 2015 timeframe.
2. ReliabilityFirst and NERC 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 be provided to 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 potential credentialing will have an impact on staffing needs and costs (e.g., travel and lodging) to attend, certify and maintain training and associated credentials.
3. Provide time for staff to maintain industry certifications, such as NERC System Operator Certification, Critical Infrastructure Protection (CIP) certifications, and Professional Engineer certifications, etc. Additional time to incorporate the appropriate audit and investigative skills is also being included.
4. Work with NERC to place priority on developing educational materials for Registered Entities regarding expectations for new and changes to existing Reliability Standards. 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.

2013 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 statistical 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 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.
- Support NERC with any ongoing training (e.g. auditor) and credentialing efforts to maintain an appropriate mix of credentialed and /or experienced staff to conduct and demonstrate competence in all CMEP activities

Investigations & Compliance Services

Program Scope and Functional Description

The Investigations and Compliance Services functions include: compliance investigations, organization registration, organization certification, and 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 and industry training.

2013 Key Assumptions

The Investigations and Compliance Services area incorporates regional specific common business planning assumptions as described in the NERC 2013 Business Plan and Budget, Exhibit A – Common Assumptions document. The Investigations and Compliance Services area include the following unique regional assumptions:

1. Review the criteria and process used to encourage prompt and complete compliance self-analysis of events and disturbances to promote continuous improvement, shared lessons learned and information sharing. The number of events requiring this review and analysis and follow up is expected to be significant until this new process has matured.
2. Anticipate conducting about thirty new event reviews from a compliance perspective, initiate three new compliance investigations, and investigate three new complaints. The recently approved new criteria developed under the NERC Event Analysis (EA) Process establishes a criteria for reporting unplanned, multiple-facility trips as system events that will require a review. Based upon this criteria and the lack of a direct compliance link within the new EA process to review many of these system events, it is anticipated that the compliance reviews may take more time and require a more formal process to be implemented, before a compliance determination can be made.
3. Analyze and respond to exception requests, entity questions and all entity submittals that will determine what elements are captured as part of the BES. With an expected uniform BES definition and exception process being implemented in 2013 a resulting increased workload will be required to handle these new tasks. This coupled with the existing compliance monitoring activity workload increases will significantly increase the overall compliance workload.
4. Entities have expressed a desire to increase the number of Joint Registration Organization, Coordinated Functional Registrations within the region. Requests 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.
5. Entities have expressed a desire to increase the number compliance monitoring processes using the Multi-Regional Registered Entity (MRRE) within the regions. Requests are expected to increase as entities seek to achieve efficiency and effectiveness in compliance. The increase in requests might have a direct impact on the workload associated with implementing various compliance monitoring processes.

ReliabilityFirst 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 merging and acquisition activities in the industry, registration changes are anticipated and will require administrative, technical, and legal reviews.

2013 Key Deliverables

- Work within the region to develop criteria for processing events, analysis, and reporting of system events, BES definition and Exception requests.
- Develop criteria and a process to encourage prompt and complete compliance self-analysis of ALL system events and disturbances.
- 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 an additional compliance monitoring process needs to be implemented.
- Develop a process to review and respond to all the Joint Registration Organization, Coordinated Functional Registration requests in a timely fashion.
- Develop a process to review and determine if applying the MRRE to an entity is appropriate and reasonable. Work with NERC and the other regions to implement this concept across the ERO.
- Put in place the appropriate documentation (i.e. Memorandum of Understanding) to hold accountable and/or register the proper entities to address all discovered reliability gaps.

Operations & Planning Audit

Program Scope and Functional Description

The Operations & Planning Audit Group (OP/PLAN) is responsible for the completion of the operations and planning audits and spot checks, which address the FERC Order 693 Reliability Standards, provides support for CIP audits, and investigations and certification activities, and provides technical Subject Matter Experts (SMEs) to the Enforcement Area as needed for mitigation plan reviews and other initiatives. The OP/PLAN area is also responsible for the completion of risk-based assessments as part of the monitoring processes. In addition, this group ensures consistency in the audit and spot check processes for the OP/Plan and CIP Reliability Standards.

2013 Key Assumptions

The OP/PLAN area incorporates regional specific common business planning assumptions as described in the NERC 2013 Business Plan and Budget, Exhibit A – Common Assumptions document. The OP/PLAN area includes the following unique regional assumptions:

1. Audits will continue under the on-going schedule to complete the BA, TOP, RC, or TOs identified as a local control centers 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.
2. Audits will focus on a risk- and performance based review of the individual entity. While some audits will be more in-depth and of greater complexity, other audits may require fewer review activities based on the risk and performance based assessment of each entity. Per FERC, the OP/PLAN will 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. ReliabilityFirst will continue training auditors in both areas throughout 2013.
3. OP/PLAN staff will support investigations, organization registration and certification, and other compliance processes as needed in 2013.
4. OP/PLAN 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.
5. Audit Plans, as a new initiative, will be required by NERC as part of the audit process. The extent of any resource impact is unknown at this time. Inclusion of this requirement may increase auditor time and resources to complete monitoring processes. This budget does not include any specific increased workload assessments as the scope of this initiative has not been provided.
6. Internal Compliance reviews, as a new initiative will also be required as part of the audit process. The extent of any resource impact is unknown as NERC has not clearly defined the process to date. Inclusion of this requirement will increase auditor time and resources to complete monitoring processes. This budget does

not include any specific increased workload assessments as the scope of this initiative has not been provided.

2013 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 ReliabilityFirst staff supplemented as necessary by independent contractors. No industry volunteers will serve on audit teams. Approximately 14 on-site audits will be performed annually.
- Conduct thorough and formal compliance audits of all other entities on a six-year cycle. These audits will be conducted off-site but may necessitate on-site review periodically. Approximately 76 entities will be reviewed annually with nearly 250 total functions evaluated.
- Conduct spot checks to assess risk and performance on OP/PLAN standards as outlined in the Implementation Plan determined by a risk assessment or determined as needed through any other assessment identified by ReliabilityFirst. Based upon the continuing trends and 30 spot checks conducted in 2012, we expect similar numbers in 2013.
- Conduct unscheduled audits or spot checks as risk assessments identify the need during 2013. This type of monitoring may rise in 2013 and in the years 2013 – 2015. Risk assessments will provide a focused determination of the risks which will need to be monitored and thus will reduce the need for full audits of some entities.
- Conduct approximately 130 risk-based assessments on those entities scheduled for an audit in 2013.
- Provide efficiencies in audit and spot check processes through continued auditor training and system and process improvements. We are proposing an audit management software package that would be operational in the beginning of 2013, to increase efficiencies in the completion of audits.
- Support two reliability workshops each year, monthly “open” compliance calls, “Assist Visits”, and provide Registered Entity assistance as needed.
- Provide support to satisfy NERC and FERC oversight and monitoring activities.

The anticipated workload may exceed the 2013 available resources based upon proposed NERC initiatives for the auditing and monitoring processes, however, no additional FTEs in 2013 are being requested. For audits, contractor support will supplement the audit staff in some instances where unplanned events occur that affect the available resources.

Critical Infrastructure Protection (CIP) Audits

Program Scope and Functional Description

The CIP Audit area is responsible for completion of the following major functional responsibilities:

- Monitoring Compliance to the CIP Standards of Reliability *First* entities subject to CIP standards through 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 reviews 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 has been revised and expanded in 2012. In 2012, the program plans to address CIP-002 Versions 3 and 4, an Aurora brief, and an Unclassified - For Official Use Only (FOUO) brief on latest issues. It is expected that this program will continue to mature into 2013 and be revised based on any ongoing lessons learned.
- Support the completion of risk-based entity profile assessments as part of the monitoring processes and ensuring consistency of the audit and spot check processes for the CIP Reliability Standards.
- Provide technical support for compliance investigations, certifications, event analyses, mitigation plan reviews, regional outreach efforts and other initiatives.

2013 Key Assumptions

The CIP Audit area incorporates regional specific common business planning assumptions as described in the NERC 2013 Business Plan and Budget, Exhibit A – Common Assumptions document. The Reliability *First* CIP Audit area includes the following unique regional assumptions:

1. For 2012, the ERO introduced the “Three-Tiered Approach to Audit Scope Determination” which identifies Tier 1 requirements as the minimum scope of an audit with the potential expansion of an audit into Tier 2 and Tier 3 requirements based on the results of a risk-based entity profile assessment or as determined during the audit process. This approach is being utilized in 2012 for scoping audits and is expected to continue in 2013. As a result, 107 of 168 Tier 1 CIP requirements /sub-requirements are the minimum requirements within an audit scope, with the potential addition of 52 Tier 2 and 9 Tier 3 CIP requirements / sub-requirements for all (3 year and 6 year) Registered Entities that have identified Critical Assets and Critical Cyber Assets. In 2012, the scoping philosophy has been to incorporate Tier 2 requirements into the audit review for those Registered Entities that have not undergone a previous CIP audit or spot check. Where entities have undergone a previous CIP audit or spot check, the results and previous scope are assessed as part of the risk-based entity profile assessment and incorporated into the audit scope recommendation for the

upcoming audit or spot check. These audits are conducted onsite at the entity. The technical focus and comprehensiveness of these audits remains constant, 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 consist of six team members comprised of all CIP staff members or approximately four CIP staff members augmented with two contractors. Two week pre-audit reviews are being conducted resulting in a more focused onsite audit review. In addition, a defined sampling methodology is being utilized to establish specific sampling sizes according to a desired confidence level. Another factor influencing the duration of an audit is the entity's ability and preparedness in presenting their material in a comprehensive, organized, and direct manner. The onsite audit review is followed by post audit documentation consisting of the audit report and any possible violations, if applicable.

2. The time required to complete the onsite CIP audit reviews, as described above, may also increase due to site visits and field visits (i.e. substations, generation facilities, etc.) 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 Tier 1 (minimum) and Tier 2 (when warranted) requirements within CIP-002 and 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 documentation consisting of the audit report and any possible violations, if applicable.
4. It is expected that CIP spot checks will take place in 2013 and may increase as the implementation of the risk-based approach to compliance monitoring matures. Depending on the need, this may increase auditor time and resources, however appropriately scoped audits based on risk-based entity profile assessments should lead to a focused and efficient monitoring program. ReliabilityFirst will plan to support these efforts with existing CIP audit staff and augment with OP/PLAN audit staff or contractors, as needed.
5. The TFE program will continue to require existing staffing resources to perform reviews and gauge compensating measures. TFE development, review, and approval will result in compensating measure validation checks, quarterly/annual report tracking, and change management. Furthermore, the continued review and assessment of new TFEs and the tracking and updating of existing TFEs within the existing process continues to be administratively burdensome. Therefore, ReliabilityFirst will support changes in TFE processing to improve overall efficiency, as pursued across the ERO.
6. Any approved and/or 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 review of these TFEs has been incorporated into the existing audit review schedule. The effort required to review these TFEs continues to be monitored and 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.

7. Upon approval and implementation of the CIP-002 V4 Standard, 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 may 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 resource impact is expected along with additional burden and workload added to the CIP audit program. In the interim, existing CIP audit staff will manage and monitor the impact which will guide the development of any future resource recommendations.
8. Currently, the development of the CIP Version 5 Standards is unpredictable and based on the latest progress; there is little expected workload impact in 2013 regarding these standards.
9. Will support the NERC CIP-002 Sufficiency Review Program in 2013, as requested by NERC.
10. Will support ongoing CIP auditor training and credentialing efforts to maintain an appropriate mix of credentialed and/or experienced staff to conduct and demonstrate competence in auditing.

2013 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. The number of CIP audits targeted for 2013 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 and implemented. For 2013, it is expected that the number of CIP audits will be greater than or at least the same as in 2012 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 Tier 1 CIP requirements (at a minimum) and any added Tier 2 or 3 CIP requirements from the 2013 NERC Actively Monitored List and ReliabilityFirst Compliance Monitoring Schedule based on the results of the risk-based entity profile assessment. These entities typically have many Critical Assets and Critical Cyber Assets due to being registered for multiple functions such as a BA, TO, TOP, and RC.
 - 5-10 CIP medium audits of entities on the 6 year cycle (onsite).
 - Registered Entities are expected to be compliant with the Tier 1 CIP requirements (at a minimum) and any added Tier 2 or 3 CIP requirements from the 2013 NERC Actively Monitored List and ReliabilityFirst Compliance Monitoring Schedule based on the results of the risk-based entity profile assessment. These entities typically have fewer Critical Cyber Assets as a result of being registered for multiple functions such as a GO, GOP, LSE, etc.
 - 40-50 CIP small audits of entities on the 6 year cycle (offsite).

- Registered Entities are expected to be compliant with the Tier 1 CIP requirements (at a minimum) and any added Tier 2 requirements, within CIP-002 and CIP-003 R2, from the 2013 NERC Actively Monitored List and ReliabilityFirst Compliance Monitoring Schedule based on the results of the risk-based entity profile assessment. These entities have identified no Critical Cyber Assets.
- CIP spot checks will be used to assess performance to selected CIP Standards as outlined in the annual *CMEP* Implementation Plan. This monitoring process will also be performed to confirm self-certifications, self-reports, the status of mitigation plans or agreed to activities associated with settlement agreements, or as follow-up from a Compliance Investigation or Event Analysis.
- 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. ReliabilityFirst has received over 1,400 TFEs. The effort required to process TFEs will continue into 2013. The rate of TFE submittals is not expected 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 2013, ReliabilityFirst expects approximately 120 new TFEs, 120 TFE amendments and 150 TFE Terminations to be processed. It is expected that one equivalent FTE will continuously be allocated to provide oversight and management of the TFE process.

In 2013, compliance audits of CIP Standards will continue to include the review of Approved and Terminated TFEs. The plan is to continue incorporating the review of these TFEs into the existing audit review schedule for 2013 and beyond.

- Conduct approximately 139 risk-based assessments on those entities scheduled for an audit in 2013. This includes assessments for both CIP and OP/PLAN audits conducted by an internal ReliabilityFirst Risk-Based Assessment committee comprised of cross-functional team members.
- Participate in the 2013 NERC CIP-002 Sufficiency Review program. The expectation is that NERC will conduct 1 or 2 sufficiency reviews of entities registered in the ReliabilityFirst region. Each sufficiency review will be completed by a team consisting of NERC and ReliabilityFirst staff assigned from the CIP and possibly the 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.
- Provide efficiencies in audit and spot check processes through auditor training and compliance monitoring system and process improvements.
- Support NERC with the initiative of transitioning to performance based audits focused on the purpose, intent and reliability risk associated with applicable standards, in an effort to further identify and promote auditing efficiencies.

- Support NERC with the development and integration of a process for assessing registered entity internal controls as part of the compliance monitoring activities to further prioritize risk-based compliance monitoring activities.
- Support NERC in developing and supporting a training and implementation program for Registered Entities to successfully implement the CIP-002 Version 4 Standard, as requested. Depending on the state of the CIP Version 5 standards, support similar activities.
- 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.
- Support two regional compliance workshops each year, monthly “open” compliance calls and “Assist Visits”.
- CIP will support the OP/PLAN Audit Program as needed in 2013.

Overall, the current workload is exceeding the currently staffed, available resources and this workload is not anticipated to diminish in the next few years, but instead remain the same or grow.

For 2013, it is expected that zero (0) new FTEs will be required, however the addition of the 2011 and 2012 previously approved resources of two (2) FTEs, will be required to complete the anticipated workload as well as any new CIP-related initiatives. Also, contractor support is expected to increase somewhat, but still remain a necessity to provide staff coverage as required to meet the demands of the 2013 CIP audit schedule or any other responsibilities.

Enforcement Management

Program Scope and Functional Description

ReliabilityFirst Enforcement will end 2012 with an approved Enforcement Staffing level of 12 FTEs. Enforcement work burden (defined as all necessary activities needed to successfully complete an enforcement action including but not limited to fact and circumstance review, risk-harm assessment, mitigation plan review and validation, final disposition method selection, negotiation, final document drafting, post-filing support, etc.), continues to be driven primarily by number of enforcement actions undertaken. Historical violation levels (i.e., enforcement actions undertaken) are shown below for 2010 and 2011. Significant year over year increases in number of violations (e.g. a 25% increase from 2010 to 2011) continues. It is clear that the Budgeted Estimate for violations has been significantly underestimating the actual number of violations. The need to make estimations almost two years in advance makes forecasting a difficult task.

Year	# of CIP Violations	# of 693 Violations	Total		Original Budget
2010	254	215	469	Actual	
2011	408	177	585	Actual	320
2012	492	146	638	Revised Estimate	400
2013	533	120	653	Estimate	653

The current estimation of 2013 violation levels is a 2.5% increase over the 2012 revised estimate and a 63.3% increase over the original 2012 budgeted amount. This indicates an upward trend for violations, and the upward trend is expected to continue.

2013 Key Assumptions

The Enforcement Management area incorporates regional specific common business planning assumptions as described in the NERC 2013 Business Plan and Budget, Exhibit A – Common Assumptions document. The ReliabilityFirst Enforcement Management area includes the following unique regional assumptions:

1. ReliabilityFirst Enforcement believes the current downward trend for Non-CIP ("693") violations will continue as the second full cycle of 3-year audits are completed and the first full cycle of 6-year audits are completed for the first time.
2. Additionally, ReliabilityFirst Enforcement believes the year over year increase in CIP violations (2010 to 2011 = 60% year over year increase) will begin to moderate to a 20% increase for 2012 (over 2011 levels) and further moderate to an 8% increase for CIP violations for 2013 (over 2012 estimated levels).
3. It is expected that the majority of possible violations will continue to be handled through the settlement process (50 to 60%) and the Find, Fix and Track (FFT) program (40 to 50%).
4. Increased process efficiencies, and gained experience offset the increased complexity of compliance cases and the level of effort and resources for a settlement continues to decrease. A year over year increase in efficiency of 5% is assumed.

5. The number of hearings to be conducted in 2013 is unknown, and therefore no external legal resources have been budgeted.

2013 Key Deliverables

- Continue to increase efficiency in preparing settlements. Process efficiencies and gained experience should offset the increased complexity of compliance cases and the level of effort and resources for a settlement continues to decrease. A year over year increase in efficiency of 5% is expected.
- 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.
- Identify and quantify standard and requirement candidates (per FERC Order of March 15, 2012) that do not sufficiently contribute to reliability and thus are not worthy of continued compliance monitoring and enforcement resource expenditure.
- Continue development of risk-harm analysis process to accurately quantify the risk-harm posed by violations.

Funding Sources and Requirements — Explanation of Variance

Funding Sources

- Funding for this program 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 2013 are budgeted for 43 FTEs for this program, an increase of 0.5 FTEs over 2012. The increase in personnel expenses is a result of: (1) the reallocation of 0.5 FTE from the Information Technology Program, (2) 2013 being the first year ReliabilityFirst will be fully staffed without staggered hiring dates, and (3) yearly compensation increases based on labor market conditions, merit, inflation, etc.

Meeting Expenses

- Meeting expenses increased as a result of a slight increase in travel expenses. Travel expenses increased due to the additional 0.5 FTE, and recognizing 2013 will be the first year in ReliabilityFirst's history where the budget is being based on being fully staffed for the entire year.

Operating Expenses

- Operating expenses increased slightly due to variances in Consultants and Contracts, Office Costs, and Professional Services. The increase in Consultants and Contracts is due to the use of contractor support to provide coverage as required to meet the demands of the audit schedules and other responsibilities. The increase in Office Costs is mainly due to the Open Access Technology International (OATI) monthly maintenance agreement for the compliance portal. The decrease in Professional Services is due to the reduction of outside legal fees for potential compliance hearings. If ReliabilityFirst 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 2013. This method of accounting results in an increase compared to 2012, as a result of, the reallocation of 0.5 FTE from the Information Technology Department, along with slightly higher total Administrative Services direct expenses being allocated for 2013.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- The increase in fixed assets is due to budgeting for the purchase of software to be used to perform grid reliability calculations.

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 Program are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget Compliance Monitoring, and Enforcement, and Organization Registration and Certification					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 11,757,457	\$ 11,757,457	\$ -	\$ 10,736,863	\$ (1,020,594)
Penalty Sanctions	593,726	593,726		2,240,059	1,646,333
Total ReliabilityFirst Funding	\$ 12,351,183	\$ 12,351,183	\$ -	\$ 12,976,923	\$ 625,740
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	45,105	45,105
Miscellaneous	-	-	-	-	-
Total Funding	\$ 12,351,183	\$ 12,351,183	\$ -	\$ 13,022,028	\$ 670,845
Expenses					
Personnel Expenses					
Salaries	\$ 5,324,600	\$ 5,126,360	\$ (198,240)	\$ 5,870,100	\$ 545,500
Payroll Taxes	340,753	352,516	11,763	370,369	29,616
Benefits	778,763	696,756	(82,007)	838,359	59,596
Retirement Costs	821,185	818,636	(2,549)	867,559	46,374
Total Personnel Expenses	\$ 7,265,301	\$ 6,994,268	\$ (271,033)	\$ 7,946,387	\$ 681,086
Meeting Expenses					
Meetings	\$ 10,110	\$ 5,577	\$ (4,533)	\$ 8,210	\$ (1,900)
Travel	466,000	476,434	10,434	508,000	42,000
Conference Calls	5,400	3,710	(1,691)	-	(5,400)
Total Meeting Expenses	\$ 481,510	\$ 485,720	\$ 4,210	\$ 516,210	\$ 34,700
Operating Expenses					
Consultants & Contracts	\$ 380,000	\$ 358,162	\$ (21,838)	\$ 475,000	\$ 95,000
Office Rent	-	-	-	-	-
Office Costs	228,905	214,532	(14,373)	311,989	83,084
Professional Services	72,000	36,000	(36,000)	15,000	(57,000)
Miscellaneous	7,370	592	(6,778)	1,405	(5,965)
Depreciation	255,115	240,721	(14,394)	206,421	(48,694)
Total Operating Expenses	\$ 943,390	\$ 850,008	\$ (93,382)	\$ 1,009,815	\$ 66,425
Total Direct Expenses	\$ 8,690,201	\$ 8,329,996	\$ (360,205)	\$ 9,472,412	\$ 782,211
Indirect Expenses	\$ 3,733,052	\$ 3,942,638	\$ 209,586	\$ 3,865,609	\$ 132,557
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 12,423,253	\$ 12,272,634	\$ (150,619)	\$ 13,338,020	\$ 914,767
Change in Assets	\$ (72,070)	\$ 78,549	\$ 150,619	\$ (315,993)	\$ (243,923)
Fixed Assets					
Depreciation	\$ (255,115)	\$ (240,721)	\$ 14,394	\$ (206,421)	\$ 48,694
Computer & Software CapEx	-	85,000	85,000	9,600	9,600
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ (255,115)	\$ (155,721)	\$ 99,394	\$ (196,821)	\$ 58,294
Allocation of Fixed Assets	\$ 183,045	\$ 27,894	\$ (155,151)	\$ (119,172)	\$ (302,217)
Inc/(Dec) in Fixed Assets	\$ (72,070)	\$ (127,827)	\$ (55,757)	\$ (315,993)	\$ (243,923)
Total Budget	\$ 12,351,183	\$ 12,144,807	\$ (206,376)	\$ 13,022,028	\$ 670,845
Total Change in Working Capital	\$ -	\$ 206,376	\$ 206,376	\$ -	\$ (0)

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	9.50	10.00	0.50
Direct Expenses	\$ 1,898,357	\$ 2,198,926	\$ 300,569
Indirect Expenses	\$ 834,447	\$ 898,979	\$ 64,532
Inc(Dec) in Fixed Assets	\$ 40,916	\$ (27,714)	\$ (68,630)
Total Funding Requirement	\$ 2,773,720	\$ 3,070,191	\$ 296,471

Program Scope and Functional Description

In support of the ERO and pursuant to the NERC Rules of Procedure, Section 800, ReliabilityFirst engineering staff will independently analyze, assess, and report on the reliability and adequacy of the BES within its footprint. 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 BES definition exception process projected to begin in 2013 will increase the FTE count by 0.5 FTE from the 2012 budget. This is a reallocation of the 0.5 FTE from the Reliability Standards Program. Also, two (2) FTEs are designated for event analysis work.

2013 Key Assumptions

The Reliability Assessment and Performance Analysis Program incorporates regional specific common business planning assumptions as described in the NERC 2013 Business Plan and Budget, Exhibit A – Common Assumptions document. There are no additional assumptions unique to the ReliabilityFirst Reliability Assessment and Performance Program.

2013 Key Deliverables

Assessments of Reliability Performance

- Perform 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 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 thirteen power flow base case models for ReliabilityFirst per NERC Standards MOD-011 and MOD-014 ERAG/Multiregional Modeling Working Group (MMWG) effort.
- Develop power flow base case models for ReliabilityFirst per NERC Standards MOD-011 and MOD-014 (regional and interregional study efforts).
- Develop a series of eight dynamic base case models for ReliabilityFirst per NERC Standards MOD-013 and MOD-015 (ERAG/MMWG effort).
- Develop any needed dynamic base case models for ReliabilityFirst per NERC Standards MOD-013 and MOD-015 (regional and interregional study efforts).

Event Analysis Activities

- The staff will analyze disturbances as described in the NERC ERO 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.
- Collecting and reviewing disturbance reports as required in NERC ERO Event Analysis Process.

Reporting Requirements

- Submit ReliabilityFirst 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 Generator Availability Data System (GADS). This effort is similar to the TADS.
- Assist NERC in the collection and validation of data for Demand Response Availability Data System (DADS). This effort is similar to the TADS.
- Submit ReliabilityFirst 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 analyzed system events, misoperation reporting, and other sources.
- Continue to actively participate in ERAG, which includes the Management Committee, MMWG, and the 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 exception 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 technical and assessment related activities.

Funding Sources and Requirements — Explanation of Variance

Funding Sources

- Funding for this program 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 2013 are budgeted for 10 FTEs, an increase of 0.5 FTE over 2012. The increase is a result of the reallocation of the 0.5 FTE from the Reliability Standards Program, along with budgeting for yearly compensation increases based on labor market conditions, merit, inflation, etc.

Meeting Expenses

- Meeting expenses increased as a result of a slight increase in travel expenses. Travel expenses increased due to an additional year's worth of historical data, which allows a more accurate estimate to be forecasted

Operating Expenses

- The increase in operating expenses is a result of the increase in the contractor tasks approved by ERAG/MMWG relating to the development of the power flow and dynamic base case models.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2013. This method of accounting results in an increase compared to 2012 as a result of the reallocation of 0.5 FTE from the Reliability Standards Program and slightly higher total Administrative Services direct expenses allocated for 2013.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis Program are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget					
Reliability Assessment and Performance Analysis					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 2,641,005	\$ 2,641,005	\$ -	\$ 2,538,757	\$ (102,248)
Penalty Sanctions	132,715	132,715	-	520,944	388,229
Total ReliabilityFirst Funding	\$ 2,773,720	\$ 2,773,720	\$ -	\$ 3,059,701	\$ 285,981
Membership Dues		\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	10,490	10,490
Miscellaneous	-	-	-	-	-
Total Funding	\$ 2,773,720	\$ 2,773,720	\$ -	\$ 3,070,191	\$ 296,471
Expenses					
Personnel Expenses					
Salaries	\$ 1,262,840	\$ 1,243,762	\$ (19,078)	\$ 1,479,629	\$ 216,789
Payroll Taxes	76,914	82,425	5,511	86,964	10,050
Benefits	144,124	126,461	(17,663)	154,494	10,370
Retirement Costs	198,595	213,574	14,979	218,462	19,867
Total Personnel Expenses	\$ 1,682,473	\$ 1,666,222	\$ (16,251)	\$ 1,939,549	\$ 257,076
Meeting Expenses					
Meetings	\$ 21,500	\$ 15,726	\$ (5,774)	\$ 15,000	\$ (6,500)
Travel	75,000	85,000	10,000	106,500	31,500
Conference Calls	3,120	1,091	(2,030)	-	(3,120)
Total Meeting Expenses	\$ 99,620	\$ 101,817	\$ 2,197	\$ 121,500	\$ 21,880
Operating Expenses					
Consultants & Contracts	\$ 60,000	\$ 54,000	\$ (6,000)	\$ 77,140	\$ 17,140
Office Rent	-	-	-	-	-
Office Costs	56,214	51,316	(4,898)	60,687	4,473
Professional Services	-	-	-	-	-
Miscellaneous	50	50	-	50	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 116,264	\$ 105,366	\$ (10,898)	\$ 137,877	\$ 21,613
Total Direct Expenses	\$ 1,898,357	\$ 1,873,405	\$ (24,952)	\$ 2,198,926	\$ 300,569
Indirect Expenses	\$ 834,447	\$ 871,048	\$ 36,601	\$ 898,979	\$ 64,532
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,732,804	\$ 2,744,453	\$ 11,649	\$ 3,097,905	\$ 365,101
Change in Assets	\$ 40,916	\$ 29,267	\$ (11,649)	\$ (27,714)	\$ (68,630)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ 40,916	\$ 6,163	\$ (34,753)	\$ (27,714)	\$ (68,630)
Inc/(Dec) in Fixed Assets	\$ 40,916	\$ 6,163	\$ (34,753)	\$ (27,714)	\$ (68,630)
Total Budget	\$ 2,773,720	\$ 2,750,616	\$ (23,104)	\$ 3,070,191	\$ 296,471
Total Change in Working Capital	\$ -	\$ 23,104	\$ 23,104	\$ -	\$ -

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	3.10	3.10	0.00
Direct Expenses	\$ 588,290	\$ 649,614	\$ 61,324
Indirect Expenses	\$ 272,293	\$ 278,683	\$ 6,390
Inc(Dec) in Fixed Assets	\$ 13,352	\$ (8,591)	\$ (21,943)
Total Funding Requirement	\$ 873,935	\$ 919,706	\$ 45,771

Program Scope and Functional Description

The Training and Education staff assists in the development of training events for the stakeholders of *ReliabilityFirst* and participates in the NERC Training and Education Group (TEG) in identifying training needs of the industry and Regional Entity staff. The Training, Education, and Operator Certification Program area focuses on providing relevant training to entities operating in the *ReliabilityFirst* region. This training is structured to provide timely information in a concise format to enable participation at all levels within an organization.

2013 Key Assumptions

The Training, Education, and Operator Certification Program incorporates common business planning assumptions as described in the NERC 2013 Business Plan and Budget, Exhibit A – Common Assumptions document. The *ReliabilityFirst* Training, Education and Operator Certification Program includes the following unique regional assumption:

1. *ReliabilityFirst* will provide timely publication of lessons learned and recommendations from system events and track responses to recommendations on compliance related issues and concerns.

2013 Key Deliverables

- **Board of Directors' Training**

Per the Bylaws of *ReliabilityFirst*, the Board of Directors will receive training annually to keep current with activities within the *ReliabilityFirst* footprint and to stay abreast of changes affecting the industry.

In addition, *ReliabilityFirst* 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 *ReliabilityFirst* including our organization, governance, goals, and objectives.

- **Industry Education and Workshops**

In 2013, *ReliabilityFirst* 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 ReliabilityFirst and its stakeholders. Workshops to be conducted in 2013 include:
 - A compliance Monitoring and Enforcement Program workshop to promote an understanding of the program as it continues to evolve under the ERO.
 - Workshops to educate the entities on understanding what is required to meet compliance for a requirement, what is needed for a sufficient data submittal and the concepts of Internal Compliance Programs.
 - Open forums to provide insight into new standards developed and approved by the industry, both NERC and ReliabilityFirst, changes in the Compliance Monitoring and Enforcement Program, 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.
 - 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.
- **NERC Training and Education Group**

In 2012, NERC formally organized the Training and Education Group (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.

Funding Sources and Requirements — Explanation of Variance

Funding Sources

- Funding for this program 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 2013 are budgeted for 3.1 FTEs for this program area, consistent with the 2012. Therefore, with no change in FTEs the increase in personnel expenses is mainly due to budgeting for yearly compensation increases based on labor market conditions, merit, inflation, etc.

Meeting Expenses

- Meeting Expenses increased due to the addition of two registered entity workshops to educate the entities on what is required to meet compliance for a requirement, what is needed for a sufficient data submittal, and the concepts of Internal Compliance.

Operating Expenses

- There are no other operating expenses expected for this budget year.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2013. This method of accounting results in an increase compared to 2012, which is mainly due to slightly higher total Administrative Services direct expenses allocated for 2013.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification Program are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget Training, Education, and Operator Certification Program					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 830,628	\$ 830,628	\$ -	\$ 754,962	\$ (75,666)
Penalty Sanctions	43,307	43,307	-	161,493	118,186
Total ReliabilityFirst Funding	\$ 873,935	\$ 873,935	\$ -	\$ 916,454	\$ 42,519
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	3,252	3,252
Miscellaneous	-	-	-	-	-
Total Funding	\$ 873,935	\$ 873,935	\$ -	\$ 919,706	\$ 45,771
Expenses					
Personnel Expenses					
Salaries	\$ 394,083	\$ 400,018	\$ 5,935	\$ 411,250	\$ 17,167
Payroll Taxes	26,461	28,607	2,146	27,473	1,012
Benefits	52,821	50,916	(1,905)	51,900	(921)
Retirement Costs	61,925	66,369	4,444	64,991	3,066
Total Personnel Expenses	\$ 535,290	\$ 545,910	\$ 10,620	\$ 555,614	\$ 20,324
Meeting Expenses					
Meetings	\$ 50,000	\$ 50,000	\$ -	\$ 90,000	\$ 40,000
Travel	3,000	3,000	-	4,000	1,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 53,000	\$ 53,000	\$ -	\$ 94,000	\$ 41,000
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 588,290	\$ 598,910	\$ 10,620	\$ 649,614	\$ 61,324
Indirect Expenses	\$ 272,293	\$ 284,237	\$ 11,944	\$ 278,683	\$ 6,390
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 860,583	\$ 883,147	\$ 22,564	\$ 928,298	\$ 67,715
Change in Assets	\$ 13,352	\$ (9,212)	\$ (22,564)	\$ (8,591)	\$ (21,943)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ 13,352	\$ 2,011	(11,341)	(8,591)	(21,943)
Inc/(Dec) in Fixed Assets	\$ 13,352	\$ 2,011	\$ (11,341)	\$ (8,591)	\$ (21,943)
Total Budget	\$ 873,935	\$ 885,158	\$ 11,223	\$ 919,706	\$ 45,771
Total Change in Working Capital	\$ -	\$ (11,223)	\$ (11,223)	\$ -	\$ (0)

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	0.60	0.60	0.00
Direct Expenses	\$ 183,060	\$ 188,308	\$ 5,248
Indirect Expenses	\$ 52,702	\$ 53,939	\$ 1,237
Inc(Dec) in Fixed Assets	\$ 1,673	\$ (2,088)	\$ (3,761)
Total Funding Requirement	\$ 237,435	\$ 240,159	\$ 2,724

Program Scope and Functional Description

In support of the ERO and pursuant to the NERC Rules of Procedure, Section 1000, Situation Awareness and Infrastructure Security (SAIS) staff, in coordination with members of the Engineering staff, will monitor present conditions on the BES.

In support of the ERO, the SAIS activity continues to evolve to provide the tools and information required by the staff and stakeholders to promote infrastructure protection. The *ReliabilityFirst* SAIS program area addresses two separate but related functions, Situation Awareness and Critical Infrastructure Protection (CIP).

The SAIS program area focuses on supporting the 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.

2013 Key Assumptions

The SAIS Program incorporates common business planning assumptions as described in the NERC 2013 Business Plan and Budget, Exhibit A – Common Assumptions document. The *ReliabilityFirst* 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 systems, System Control and Data Acquisition, and information technology assets. *ReliabilityFirst* will participate in these exercises as appropriate.

2013 Key Deliverables

- **Support of the *ReliabilityFirst* Critical Infrastructure Protection Committee (CIPC)**

The purpose of the *ReliabilityFirst* CIPC is to share information concerning CIP and to promote CIP within the *ReliabilityFirst* region. During 2013, 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 ReliabilityFirst Staff Resources Compliance to the NERC Cyber Security Standards (CIP-002 – CIP-009)**

ReliabilityFirst is committed to complying with the NERC Cyber Security Standards. The SAIS program area will continue to provide training, guidance, and oversight to the 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.

ReliabilityFirst 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 ReliabilityFirst 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 staff has been evolving over the last few years. ReliabilityFirst 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. ReliabilityFirst is a signatory to the NERC Operating Reliability Data Confidentiality Agreement and the SAFNR Subscriber 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, in addition to SAFNR Version 2, to monitor the health of the BES within the ReliabilityFirst geographical area.

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

A business continuity plan deals with the ability to continue business functions in a degraded situation such as the loss of corporate assets including office space or computer assets. Disaster recovery deals with a more complete loss of access to corporate assets due to a large-scale event such as a tornado or blackout. A pandemic plan focuses on business continuity in the face of a declared pandemic.

In 2011, the ReliabilityFirst Board of Directors approved the implementation of a full Disaster Recovery site. Staff refined its Emergency Response plan to develop a true Business Continuity Plan and investigated the options for providing Disaster Recovery. During 2012, ReliabilityFirst staff continued the evolution of disaster recovery capabilities and conducted a simplified tabletop exercise to test the plan. In 2013, ReliabilityFirst will conduct additional tabletop exercises to further test and refine the plan and to identify areas for additional improvement.

- **Assist stakeholders in complying with NERC and ReliabilityFirst 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,

ReliabilityFirst stakeholders will continue to monitor and implement revisions to the standards as those revisions are completed and approved. ReliabilityFirst 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 ReliabilityFirst Compliance Monitoring and Enforcement Program**

The SAIS program area will continue to support the 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 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 2013 are budgeted for 0.6 FTEs for this program area, consistent with 2012.

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 ReliabilityFirst 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 2012, the majority of the ReliabilityFirst CIPC meetings were hosted by ReliabilityFirst and ReliabilityFirst member companies rather than being held at third party facilities. This practice will continue in 2013 where possible, therefore, budgeted meeting expenses for the SAIS program area for 2013 are consistent with those budgeted for 2012.

Operating Expenses

- Operating expenses remained consistent with the 2012 Budget.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2013. This method of accounting results in an increase compared to 2012, which is due to slightly higher total Administrative Services direct expenses allocated for 2013.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security Program are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget Situation Awareness and Infrastructure Security					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 229,053	\$ 229,053	\$ -	\$ 208,273	\$ (20,780)
Penalty Sanctions	8,382	8,382	-	31,257	22,875
Total ReliabilityFirst Funding	\$ 237,435	\$ 237,435	\$ -	\$ 239,529	\$ 2,094
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	629	629
Miscellaneous	-	-	-	-	-
Total Funding	\$ 237,435	\$ 237,435	\$ -	\$ 240,159	\$ 2,724
Expenses					
Personnel Expenses					
Salaries	\$ 116,241	\$ 118,865	\$ 2,624	\$ 120,045	\$ 3,804
Payroll Taxes	5,786	7,588	1,802	5,984	198
Benefits	7,393	6,854	(539)	7,251	(142)
Retirement Costs	18,381	20,403	2,022	19,207	826
Total Personnel Expenses	\$ 147,801	\$ 153,710	\$ 5,909	\$ 152,487	\$ 4,686
Meeting Expenses					
Meetings	\$ 1,000	\$ 6,264	\$ 5,264	\$ 2,000	\$ 1,000
Travel	30,000	19,281	(10,719)	30,000	-
Conference Calls	144	41	(104)	-	(144)
Total Meeting Expenses	\$ 31,144	\$ 25,586	\$ (5,559)	\$ 32,000	\$ 856
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	2,364	2,463	99	2,496	132
Professional Services	-	-	-	-	-
Miscellaneous	840	848	8	900	60
Depreciation	911	425	(486)	425	(486)
Total Operating Expenses	\$ 4,115	\$ 3,736	\$ (379)	\$ 3,821	\$ (294)
Total Direct Expenses	\$ 183,060	\$ 183,031	\$ (29)	\$ 188,308	\$ 5,248
Indirect Expenses	\$ 52,702	\$ 55,014	\$ 2,312	\$ 53,939	\$ 1,237
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 235,762	\$ 238,045	\$ 2,283	\$ 242,247	\$ 6,485
Change in Assets	\$ 1,673	\$ (610)	\$ (2,283)	\$ (2,088)	\$ (3,761)
Fixed Assets					
Depreciation	\$ (911)	\$ (425)	\$ 486	\$ (425)	\$ 486
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ (911)	\$ (425)	\$ 486	\$ (425)	\$ 486
Allocation of Fixed Assets	\$ 2,584	\$ 389	(2,195)	\$ (1,663)	\$ (4,247)
Inc/(Dec) in Fixed Assets	\$ 1,673	\$ (36)	\$ (1,709)	\$ (2,088)	\$ (3,761)
Total Budget	\$ 237,435	\$ 238,010	\$ 575	\$ 240,159	\$ 2,724
Total Change in Working Capital	\$ -	\$ (575)	\$ (575)	\$ -	\$ 0

Administrative Services

Administrative Services (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	16.30	15.80	(0.50)
Total Direct Expenses	\$ 5,040,330	\$ 5,142,158	\$ 101,828
Inc(Dec) in Fixed Assets	\$ 244,204	\$ (158,526)	\$ (402,730)
Less: Other Funding Sources	\$ 60,000	\$ -	\$ (60,000)
Total Allocation to Statutory Programs as Indirect Expenses	\$ 5,224,534	\$ 4,983,632	\$ (240,902)
Funding Requirements for Working Capital Requirement	\$ (2,270,128)	\$ (221,190)	\$ 2,048,938

Program Scope and Functional Description

Administrative Services is comprised of the following programs; Technical Committees and Member Forums, General and Administrative, Legal and Regulatory Affairs, 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, with the exception 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 Working Capital.
- All personnel and meeting expenses are accounted for within the associated department's budget.
- The majority of the Operating Expenses are accounted for within the related department's budget. If an expense cannot be specifically associated to a department, it is included in one of the Administrative Services programs. All expenses for the Administrative Services Programs, referred to as indirect program expenses, are allocated proportionately based on FTE count to the direct programs. 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 the related lines in the operating expenses section.
- Expenses include depreciation, which is a non cash item and has therefore been deducted from the funding requirement for capital expenditures.

Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2012 Budget	2013 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

ReliabilityFirst allocated the budget and associated costs from the Technical Committees and Member Forums Program to the Reliability Assessment and Performance Analysis Program.

The ReliabilityFirst 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. There are no member forums supported in the region.

General and Administrative

General and Administrative (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	4.30	4.30	0.00
Total Direct Expenses	\$ 2,296,601	\$ 2,384,637	\$ 88,036
Inc(Dec) in Fixed Assets	\$ (46,315)	\$ (45,326)	\$ 989
Working Capital Requirement	\$ (2,270,128)	\$ (221,190)	\$ 2,048,938

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 ReliabilityFirst Corporation's activities, interaction with the Board of Directors, and other Regional Entity Management Groups, managing the relationships with governmental agencies, regulators, members, stakeholders, and other industry organizations.

2013 Key Assumptions

The General and Administrative Program incorporates regional specific common business planning assumptions as described in the NERC 2013 Business Plan and Budget, Exhibit A – Common Assumptions document. There are no additional assumptions unique to the General and Administrative Program.

Funding Requirements — Explanation of Variance

Funding Sources (Other than ERO Assessments)

- 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.

Personnel Expenses

- Salary, payroll taxes, benefits, and retirement costs for 2013 are budgeted for 4.3 FTEs for this program area, consistent with 2012. Therefore, with no change in FTEs the increase in personnel expenses is mainly due to budgeting for yearly compensation increases based on labor market conditions, merit, inflation, etc.

Meeting Expenses

- Meeting expenses decreased as a result of a decision to hold three board meetings at entity facilities and one board meeting at the ReliabilityFirst corporate office, instead of at more expensive third party facilities. Also, all budgeted expenses associated with corporate staff outings have been moved from the General and Administrative budget to the Human Resource budget.

Operating Expenses

- Operating Expenses decreased slightly for 2013 as a result of decreases in Office Rent and Professional services. Office rent decreased due to an additional year's worth of historical data which allowed a more accurate estimate to be forecasted. Professional services decreased due to the combining of special Board of Director conference calls with already scheduled Board of Director meetings.

Indirect Expenses

- Expenses related to indirect programs, including General and Administrative have been allocated proportionately based on FTE count to the direct programs for 2013.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

General and Administrative

Funding sources and related expenses for the General and Administrative Program are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget General and Administrative					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ (2,270,128)	\$ (2,270,128)	\$ -	\$ (221,190)	\$ 2,048,938
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ (2,270,128)	\$ (2,270,128)	\$ -	\$ (221,190)	\$ 2,048,938
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	60,000	60,000	-	-	(60,000)
Miscellaneous	-	-	-	-	-
Total Funding	\$ (2,210,128)	\$ (2,210,128)	\$ -	\$ (221,190)	\$ 1,988,938
Expenses					
Personnel Expenses					
Salaries	\$ 1,069,758	\$ 1,210,263	\$ 140,505	\$ 1,245,216	\$ 175,458
Payroll Taxes	36,901	41,003	4,102	40,166	3,265
Benefits	74,186	64,982	(9,204)	68,109	(6,077)
Retirement Costs	147,338	173,305	25,967	110,326	(37,012)
Total Personnel Expenses	\$ 1,328,183	\$ 1,489,553	\$ 161,370	\$ 1,463,817	\$ 135,634
Meeting Expenses					
Meetings	\$ 57,200	\$ 46,635	\$ (10,565)	\$ 25,800	\$ (31,400)
Travel	62,750	59,151	(3,599)	59,800	(2,950)
Conference Calls	972	177	(795)	-	(972)
Total Meeting Expenses	\$ 120,922	\$ 105,963	\$ (14,959)	\$ 85,600	\$ (35,322)
Operating Expenses					
Consultants & Contracts	\$ 15,000	\$ 53,341	\$ 38,341	\$ 21,000	\$ 6,000
Office Rent	411,460	394,136	(17,324)	401,645	(9,815)
Office Costs	31,950	35,447	3,497	39,623	7,673
Professional Services	324,961	305,154	(19,807)	315,650	(9,311)
Miscellaneous	17,810	11,172	(6,638)	11,976	(5,834)
Depreciation	46,315	46,017	(298)	45,326	(989)
Total Operating Expenses	\$ 847,496	\$ 845,267	\$ (2,229)	\$ 835,220	\$ (12,276)
Total Direct Expenses	\$ 2,296,601	\$ 2,440,782	\$ 144,181	\$ 2,384,637	\$ 88,036
Indirect Expenses	\$ (2,236,601)	\$ (2,380,782)	\$ (144,181)	\$ (2,384,637)	\$ (148,036)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 60,000	\$ 60,000	\$ -	\$ -	\$ (60,000)
Change in Assets	\$ (2,270,128)	\$ (2,270,128)	\$ -	\$ (221,190)	\$ 2,048,938
Fixed Assets					
Depreciation	\$ (46,315)	\$ (46,017)	\$ 298	\$ (45,326)	\$ 989
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (46,315)	\$ (46,017)	\$ 298	\$ (45,326)	\$ 989
Allocation of Fixed Assets	\$ 46,315	\$ 46,017	(298)	\$ 45,326	(989)
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ 60,000	\$ 60,000	\$ -	\$ -	\$ (60,000)
Total Change in Working Capital	\$ (2,270,128)	\$ (2,270,128)	\$ -	\$ (221,190)	\$ 2,048,938

Legal and Regulatory Affairs

Legal and Regulatory (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	2.00	2.00	0.00
Total Direct Expenses	\$ 439,837	\$ 571,560	\$ 131,723
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -

Legal and Regulatory Affairs

Program Scope and Functional Description

Legal activities include the areas of Corporate Governance; Contract Review; Employment Law; General Counsel Activities; FERC Filings; General Corporate Needs; serving as Advisor to the President; ensuring that ReliabilityFirst complies with all applicable laws, regulations, and orders; working with FERC, NERC, industry, and other entities or individuals on specific issues relating to ReliabilityFirst and/or its performance of its delegated functions; and advising ReliabilityFirst on the regulatory aspects and climate that would impact proposed activities and/or strategies.

2013 Key Assumptions

The Legal and Regulatory Affairs Program incorporates regional-specific common business planning assumptions as described in, the NERC 2013 Business Plan and Budget, Exhibit A – Common Assumptions document. There are no additional assumptions unique to the Legal and Regulatory Affairs Program.

2013 Key Deliverables

Support all legal needs of the corporation.

Funding Requirements — Explanation of Variance

Funding Sources (Other than ERO Assessments)

- The expenses related to the indirect program areas, including Legal and Regulatory Affairs, are being allocated entirely to the direct programs and therefore have no ERO assessment.

Personnel Expenses

- Salary, payroll taxes, employee benefits, and retirement costs for 2013 are budgeted for two FTEs, consistent with 2012. Therefore, with no change in FTEs in this program, the increase in personnel expenses is a result of using more accurate data, and yearly compensation increases based on labor market conditions, merit, inflation, etc.

Meeting Expenses

- Travel expenses increased as a result of the additional travel required of our general counsel.

Operating Expenses

- The increase in operating expenses is a result of an increase in outside counsel fees for the purpose of handling and supporting specialized corporate legal matters.

Indirect Expenses

- Expenses related to indirect programs, including Legal and Regulatory Affairs, have been allocated proportionately based on FTE count to the direct programs for 2013.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory Program are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget Legal and Regulatory					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 329,791	\$ 374,201	\$ 44,410	\$ 373,908	\$ 44,117
Payroll Taxes	18,449	21,461	3,012	19,523	1,074
Benefits	11,799	14,690	2,891	18,245	6,446
Retirement Costs	52,038	59,310	7,272	58,576	6,538
Total Personnel Expenses	\$ 412,077	\$ 469,662	\$ 57,585	\$ 470,252	\$ 58,175
Meeting Expenses					
Meetings	\$ -	\$ 100	\$ 100	\$ -	\$ -
Travel	12,000	30,924	18,924	28,000	16,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 12,000	\$ 31,024	\$ 19,024	\$ 28,000	\$ 16,000
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	3,760	5,212	1,452	8,308	4,548
Professional Services	12,000	35,000	23,000	65,000	53,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 15,760	\$ 40,212	\$ 24,452	\$ 73,308	\$ 57,548
Total Direct Expenses	\$ 439,837	\$ 540,898	\$ 101,061	\$ 571,560	\$ 131,723
Indirect Expenses	\$ (439,837)	\$ (540,898)	\$ (101,061)	\$ (571,560)	\$ (131,723)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ -	\$ -	\$ -	\$ -	\$ -
Total Change in Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -

Information Technology

Information Technology (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	6.00	5.50	(0.50)
Total Direct Expenses	\$ 1,688,096	\$ 1,423,923	\$ (264,173)
Inc(Dec) in Fixed Assets	\$ 296,009	\$ (109,258)	\$ (405,267)

Program Scope and Functional Description

The strategy of the Information Technology (IT) Program 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 minimizes the outsourcing of any of the critical infrastructure services and as such must implement and manage controls to maintain a security posture that minimizes ReliabilityFirst's risks. IT provides necessary technical services to cover the following categories:

- Data Center Management
- Website Hosting
- VOIP Phone System
- Voice Conferencing (outsource)
- Web Conferencing (outsource)
- Email
- Document Management
- 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. ReliabilityFirst 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.

2013 Key Assumptions

The IT Program incorporates regional specific common business planning assumptions as described in the NERC 2013 Business Plan and Budget, Exhibit A – Common Assumptions document. The IT Program includes the following unique regional assumptions:

1. Support all corporate functions to ensure efficient and effective performance.
2. Enhance the monitoring of the security posture across the company-wide data infrastructure and implement necessary solutions to protect sensitive data.
3. Per the NERC definition, ReliabilityFirst 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.
4. Continue its implementation of a Disaster Recovery (DR) strategy. The organization will implement a DR strategy solely as a ReliabilityFirst endeavor. Should an ERO-wide DR capability be available, total expenses budgeted for this activity in 2013 will be approximately \$60,000 lower than shown.
5. Reduce internet costs significantly by downgrading necessary data bandwidth service historically required for web conferencing.
6. Reduce office costs (user systems) and fixed asset costs (infrastructure servers) by extending useful life of these systems and therefore no replacement costs will be incurred.
7. Continue to gain experience and improve efficiency to prevent the need for additional resources.

2013 Key Deliverables

- Perform necessary software upgrades/ implement newer software technologies.
- Continue hardware preventative maintenance program to replace aging hardware before end-of-life affects organizational productivity. In 2013, warranty coverage expiring on majority of user systems and a portion of the infrastructure servers will be extended into 2014.
- 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 and Extranet websites to enhance user experience.
- Implement the DR plan and perform test on a recurring schedule.
- Enhance security awareness of staff by providing training documents and/or seminars on existing "work-place" vulnerabilities.

Funding Sources and Requirements — Explanation of Variance

Funding Sources (Other than ERO Assessments)

- The expenses related to the indirect program areas, including IT, are being allocated entirely to the direct programs and therefore have no ERO assessment.

Personnel Expenses

- Salary, payroll taxes, benefits, and retirement costs for 2013 are budgeted for 5.5 FTEs, a decrease of 0.5 FTE from 2012. The decrease in personnel expenses is a result of: (1) the reallocation of 0.5 FTE to the Compliance Monitoring, and Enforcement, and Organization and Certification Program, (2) a reduction in training costs for 2013, and (3) the 2013 medical benefits being an accurate representation of the actual medical packages chosen, (e.g. family, single, dual, etc.).

Meeting Expenses

- Meeting expenses increased as a result of an increase in conference call expenses. The current conferencing technology is an in-house solution that the company has relied upon for five years. This solution is beyond its useful life span and is scheduled to be replaced in 2012 with an out-sourced solution.

Operating Expenses

- Operating expenses decreased as a result of decrease in Consultants and Contracts, Office Rent and Office Costs. Consultants and Contracts decreased due to using contractors for support and maintenance roles instead of performing more extensive system upgrades. Office rent decreased due to the reduction in the estimated cost for the rental space needed to accommodate the computer hardware for the DR strategy. Office Costs decreased due to the consolidation of the phone system into a single data line and the downgrade of the internet bandwidth.

Indirect Expenses

- Expenses related to indirect programs, including IT, have been allocated proportionately based on FTE count to the direct programs for 2013.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- The decrease in fixed assets is due to the majority of the infrastructure server hardware still being under factory warranty and not needing replacement in 2013.

Information Technology

Funding sources and related expenses for the Information Technology Program are shown in the table below.

Statement of Activities and Capital Expenditures					
2012 Budget & Projection, and 2013 Budget					
Information Technology					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 606,267	\$ 648,289	\$ 42,022	\$ 618,029	\$ 11,762
Payroll Taxes	42,189	44,404	2,215	41,356	(833)
Benefits	130,927	92,470	(38,457)	85,791	(45,136)
Retirement Costs	92,059	103,750	11,691	97,312	5,253
Total Personnel Expenses	\$ 871,442	\$ 888,913	\$ 17,471	\$ 842,488	\$ (28,954)
Meeting Expenses					
Meetings	\$ 720	\$ 720	\$ -	\$ 600	\$ (120)
Travel	11,000	6,000	(5,000)	11,000	-
Conference Calls	-	19,600	19,600	43,092	43,092
Total Meeting Expenses	\$ 11,720	\$ 26,320	\$ 14,600	\$ 54,692	\$ 42,972
Operating Expenses					
Consultants & Contracts	\$ 48,500	\$ 43,201	\$ (5,299)	\$ 36,000	\$ (12,500)
Office Rent	120,000	-	(120,000)	60,000	(60,000)
Office Costs	437,443	478,263	40,820	253,085	(184,358)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	198,991	174,942	(24,050)	177,658	(21,333)
Total Operating Expenses	\$ 804,934	\$ 696,406	\$ (108,528)	\$ 526,743	\$ (278,191)
Total Direct Expenses	\$ 1,688,096	\$ 1,611,639	\$ (76,457)	\$ 1,423,923	\$ (264,173)
Indirect Expenses	\$ (1,688,096)	\$ (1,611,639)	\$ 76,457	\$ (1,423,923)	\$ 264,173
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	\$ (198,991)	\$ (174,942)	\$ 24,050	\$ (177,658)	\$ 21,333
Computer & Software CapEx	495,000	264,700	(230,300)	68,400	(426,600)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ 296,009	\$ 89,759	\$ (206,251)	\$ (109,258)	\$ (405,267)
Allocation of Fixed Assets	\$ (296,009)	\$ (89,759)	206,251	109,258	\$ 405,267
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ -	\$ -	\$ -	\$ -	\$ -
Total Change in Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -

Human Resources

Human Resources (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	2.00	2.00	0.00
Total Direct Expenses	\$ 333,495	\$ 414,901	\$ 81,406
Inc(Dec) in Fixed Assets	\$ (1,000)	\$ (799)	\$ 201

Program Scope and Functional Description

ReliabilityFirst realizes that talented, experienced employees are its greatest resource, and that finding, nurturing, and developing that talent is one of our most important tasks. Therefore, the responsibilities of the Human Resources program center on its greatest resource, the ReliabilityFirst 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 and state employment laws covering five (5) states and the respective reporting requirements for each.

In 2013, ReliabilityFirst will have assembled a staff of 74, consistent with 2012 levels. (This includes two part-time positions equaling one FTE, which brings the total to an equivalent of 73 FTEs.) The ReliabilityFirst 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.

2013 Key Assumptions

The Human Resource Program incorporates regional specific common business planning assumptions as described in the NERC 2013 Business Plan and Budget, Exhibit A - Common Assumptions document. There are no additional assumptions unique to the ReliabilityFirst Human Resource Program.

2013 Key Deliverables

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

Funding Sources and Requirements — Explanation of Variance

Funding Sources (Other than ERO Assessments)

- 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.

Personnel Expenses

- Salary, payroll taxes, employee benefits, and retirement costs are for 2.0 FTEs for this program area, consistent with 2012. Therefore, with no change in FTEs the increase in personnel expenses is related to a week of training scheduled for the entire staff, which is included within employee benefits. This week of training is instituted in an effort to take advantage of economies of scale. It will include all required general training as well as, training targeted toward maintaining specific licensures and/or certifications.

Meeting Expenses

- An increase in meeting expenses is due to the meal expenses associated with the annual week of training for the staff along with, the inclusion of budgeted expenses associated with corporate staff outings that were previously included in the General & Administrative Program's budget.

Operating Expenses

- Operating expenses increased due to increased contractor costs. This increase is due to a compensation and benefits study that is planned to be performed.

Indirect Expenses

- Expenses related to indirect programs, including Human Resources, have been allocated proportionately based on FTE count to the direct programs for 2013.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Human Resources

Funding sources and related expenses for the Human Resources Program are shown in the table below.

Statement of Activities and Capital Expenditures					
2012 Budget & Projection, and 2013 Budget					
Human Resources					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 194,803	\$ 193,818	\$ (985)	\$ 202,709	\$ 7,906
Payroll Taxes	14,622	15,479	857	15,076	454
Benefits	31,879	45,950	14,071	49,487	17,608
Retirement Costs	30,440	32,498	2,058	31,626	1,186
Total Personnel Expenses	\$ 271,744	\$ 287,745	\$ 16,001	\$ 298,898	\$ 27,154
Meeting Expenses					
Meetings	\$ 100	\$ 4,929	\$ 4,829	\$ 16,200	\$ 16,100
Travel	9,000	9,000	-	8,500	(500)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 9,100	\$ 13,929	\$ 4,829	\$ 24,700	\$ 15,600
Operating Expenses					
Consultants & Contracts	\$ 600	\$ 1,100	\$ 500	\$ 31,000	\$ 30,400
Office Rent	-	-	-	-	-
Office Costs	4,230	5,300	1,070	4,404	174
Professional Services	45,671	37,160	(8,511)	44,410	(1,261)
Miscellaneous	1,150	4,696	3,546	10,690	9,540
Depreciation	1,000	799	(201)	799	(201)
Total Operating Expenses	\$ 52,651	\$ 49,056	\$ (3,595)	\$ 91,303	\$ 38,652
Total Direct Expenses	\$ 333,495	\$ 350,731	\$ 17,236	\$ 414,901	\$ 81,406
Indirect Expenses	\$ (333,495)	\$ (350,731)	\$ (17,236)	\$ (414,901)	\$ (81,406)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	\$ (1,000)	\$ (799)	\$ 201	\$ (799)	\$ 201
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (1,000)	\$ (799)	\$ 201	\$ (799)	\$ 201
Allocation of Fixed Assets	\$ 1,000	\$ 799	\$ (201)	\$ 799	\$ (201)
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ -	\$ -	\$ -	\$ -	\$ -
Total Change in Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -

Finance and Accounting

Finance and Accounting (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	2.00	2.00	0.00
Total Direct Expenses	\$ 282,301	\$ 347,137	\$ 64,836
Inc(Dec) in Fixed Assets	\$ (4,490)	\$ (3,143)	\$ 1,347

Program Scope and Functional Description

The Finance and Accounting department will work with the ERO and all ReliabilityFirst 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, ReliabilityFirst will annually collect and supply the ERO with a list of LSEs within the ReliabilityFirst footprint and their associated Net Energy for Load (NEL) data as mandated by FERC.

2013 Key Assumptions

The Accounting and Finance Program incorporates regional specific common business planning assumptions as described in the NERC 2013 Business Plan and Budget, Exhibit A – Common Assumptions document. There are no additional assumptions unique to the Finance and Accounting Program.

2013 Key Deliverables

- Work with all Regional Entities through the Electric Reliability Organization Finance Group (EROFG) 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 ReliabilityFirst program areas, the Board of Directors, and the ERO with financial clarity and understanding of ReliabilityFirst'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 track 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)

- 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.

Personnel Expenses

- Salary, payroll taxes, benefits, and retirement costs for 2013 are budgeted for 2.0 FTEs, for this program area. The increase in personnel expenses is due to an error in the calculation of the 2012 budget numbers.

Meeting Expenses

- A decrease in meeting expenses is a result of a reduction in the number of trips expected to be taken by the Chief Financial Officer (CFO).

Operating Expenses

- A decrease in operating expenses is due to a decrease 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 2013.

Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

Finance and Accounting

Funding sources and related expenses for the Finance and Accounting Program are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget					
Finance and Accounting					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 148,010	\$ 205,150	\$ 57,140	\$ 202,166	\$ 54,156
Payroll Taxes	10,187	15,051	4,864	13,065	2,878
Benefits	28,935	35,901	6,966	34,067	5,132
Retirement Costs	22,953	34,331	11,378	31,992	9,039
Total Personnel Expenses	\$ 210,085	\$ 290,433	\$ 80,348	\$ 281,290	\$ 71,205
Meeting Expenses					
Meetings	\$ -	\$ 100	\$ 100	\$ -	\$ -
Travel	7,200	7,200	-	6,000	(1,200)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 7,200	\$ 7,300	\$ 100	\$ 6,000	\$ (1,200)
Operating Expenses					
Consultants & Contracts	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	4,626	4,265	(361)	3,604	(1,022)
Professional Services	45,800	42,642	(3,158)	43,100	(2,700)
Miscellaneous	100	100	-	-	(100)
Depreciation	4,490	5,837	1,347	3,143	(1,347)
Total Operating Expenses	\$ 65,016	\$ 62,844	\$ (2,172)	\$ 59,847	\$ (5,169)
Total Direct Expenses	\$ 282,301	\$ 360,576	\$ 78,275	\$ 347,137	\$ 64,836
Indirect Expenses	\$ (282,301)	\$ (360,576)	\$ (78,275)	\$ (347,137)	\$ (64,836)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	\$ (4,490)	\$ (5,837)	\$ (1,347)	\$ (3,143)	\$ 1,347
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (4,490)	\$ (5,837)	\$ (1,347)	\$ (3,143)	\$ 1,347
Allocation of Fixed Assets	\$ 4,490	\$ 5,837	1,347	\$ 3,143	\$ (1,347)
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ -	\$ -	\$ -	\$ -	\$ -
Total Change in Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -

Section B – Supplemental Financial Information

2013 Business Plan and Budget

Section B — Supplemental Financial Information

Working Capital Reserve Analysis 2012-2013

Table B-1: Reserve Analysis

Working Capital Reserve Analysis 2012-2013	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2011	5,986,772
Less: Penalty sanctions to be used as offset to 2013 assessments ¹	(1,918,500)
Plus: 2012 ReliabilityFirst Funding (from LSEs or designees)	13,534,272
Plus: 2012 Other funding sources	60,000
Less: 2012 Projected expenses & capital expenditures	(16,441,354)
Projected Working Capital Reserve (Deficit), December 31, 2012	1,221,190
Desired Working Capital Reserve, December 31, 2013 ²	1,000,000
Less: Projected Working Capital Reserve, December 31, 2012	(1,221,190)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(221,190)
2013 Expenses and Capital Expenditures	17,426,838
Less: Penalty Sanctions ³	(2,979,800)
Less: Other Funding Sources	(60,000)
Adjustment to achieve desired Working Capital Reserve	(221,190)
2013 ReliabilityFirst Assessment	14,165,848

¹ Represents collections on or prior to December 31, 2011.

² On February 22, 2012, the ReliabilityFirst Board of Directors approved a desired working capital reserve of \$1,000,000.

³ Represents collections on or prior to June 30, 2012.

Explanation of Changes in Reserve Policy from Prior Years

It is the policy of ReliabilityFirst to keep 10% of the budgeted year's expenses, or a minimum of \$1,000,000, as a reserve fund. In the beginning of the 2013 budgeting process, it was determined that the reserve fund would be \$1,000,000 for the year. This determination was based on the assumption that the reserve fund and the \$1,000,000 line of credit will be sufficient for any 2013 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 7) in the Introduction section.

The explanations of variances are provided based on the following criteria:

- Variances equal to or greater than +/- 10%, and
- Variances greater than \$10,000.

Table B-2: Penalty Sanctions

Penalty Sanctions Collected Between July 1, 2011 and June 30, 2012	
Dates Received	Amount Received
Collected July 1, 2011 to December 31, 2011	1,918,500
Collected January 1, 2012 to June 30, 2012	1,061,300
Total	2,979,800

Penalty monies received between July 1, 2011 and June 30, 2012 are to be used to offset assessments in the 2013 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, 2012 through June 30, 2013 will be used to offset assessments in the 2014 Budget.

All penalties received between July 1, 2011 and June 30, 2012 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 ReliabilityFirst Assessments & Penalty Sanctions)	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget
General and Administrative				
Interest Income	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Total	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Total Outside Funding	\$ 60,000	\$ 60,000	\$ 60,000	\$ -

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- No explanation needed

Table B-4: Personnel Expenses

Personnel Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Salaries					
Salaries	\$ 9,471,481	\$ 9,524,471	\$ 10,437,514	\$ 966,033	10.20%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Vacation Expense	166,141	187,857	172,875	6,734	4.05%
Total Salaries	\$ 9,637,622	\$ 9,712,328	\$ 10,610,389	\$ 972,767	10.09%
Total Payroll Taxes	\$ 581,453	\$ 618,856	\$ 624,720	\$ 43,267	7.44%
Benefits					
Workers Compensation	\$ 18,691	\$ 23,012	\$ 20,027	\$ 1,336	7.15%
Medical Insurance	1,040,309	902,316	1,019,054	(21,255)	-2.04%
Life-LTD-LTC Insurance	105,603	101,910	113,207	7,604	7.20%
Education	118,949	118,837	156,385	37,436	31.47%
Relocation	-	10,000	10,000	10,000	
Total Benefits	\$ 1,283,552	\$ 1,156,075	\$ 1,318,673	\$ 35,121	2.74%
Retirement					
Discretionary 401k Contribution	\$ 916,117	\$ 972,650	\$ 908,862	\$ (7,255)	-0.79%
Savings Plan	555,541	578,967	605,163	49,622	8.93%
Total Retirement	\$ 1,471,658	\$ 1,551,617	\$ 1,514,025	\$ 42,367	2.88%
Total Personnel Costs	\$ 12,974,285	\$ 13,038,876	\$ 14,067,807	\$ 1,093,522	8.43%
FTEs	73.00	73.00	73.00	0.00	0.00%
Cost per FTE					
Salaries	\$ 132,022	\$ 133,046	\$ 145,348	13,326	10.09%
Payroll Taxes	7,965	8,477	8,558	593	7.44%
Benefits	17,583	15,837	18,064	481	2.74%
Retirement	20,160	21,255	20,740	580	2.88%
Total Cost per FTE	\$ 177,730	\$ 178,615	\$ 192,710	\$ 14,980	8.43%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- The increase in **Salaries** is due to: (1) being fully staffed without staggered starts, (2) using new budget software to increase accuracy of personnel expenses, and (3) yearly compensation increases based on labor market conditions, merit, inflation, etc.
- The increase in **Education** is due to the industry requesting staff to maintain a higher level of training and credentials, along with the institution of an annual week of corporate training and education for the entire staff.

Table B-5: Consultants and Contracts

Consultants	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	380,000	358,162	475,000	95,000	25.00%
Reliability Assessment and Performance Analysis	60,000	54,000	77,140	17,140	28.57%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	15,000	53,341	21,000	6,000	40.00%
Legal and Regulatory	-	-	-	-	
Information Technology	48,500	43,201	36,000	(12,500)	-25.77%
Human Resources	600	1,100	31,000	30,400	5066.67%
Accounting and Finance	10,000	10,000	10,000	-	0.00%
Consultants Total	\$ 514,100	\$ 519,804	\$ 650,140	\$ 136,040	26.46%
Total Consulting and Contracts	\$ 514,100	\$ 519,804	\$ 650,140	\$ 136,040	26.46%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- The increase in **Compliance and Organization Registration and Certification** costs is due to the use of contractor support to provide coverage as required to meet the demands of the audit schedules and other responsibilities.
- The increase in **Reliability Assessment and Performance Analysis** costs is due to an additional project approved by ERAG relating to the improvement in data collection and checking regarding the MMWG dynamic database.
- The decrease in **Information Technology** costs is due to contractors being utilized for support and maintenance roles instead of performing more extensive system upgrades.
- The increase in **Human Resources** costs is primarily due to a compensation and benefits study that is planned to be performed.

Table B-6: Office Rent

Office Rent	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Office Rent	\$ 454,135	\$ 334,136	\$ 400,818	(53,317)	-11.74%
Utilities	77,325	60,000	60,827	(16,498)	-21.34%
Maintenance	-	-	-	-	
Security	-	-	-	-	
	-	-		-	
Total Office Rent	\$ 531,460	\$ 394,136	\$ 461,645	\$ (69,815)	-13.14%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- The decrease in **Office Rent** is due to the reduction in the estimated cost for the rental space needed to accommodate the computer hardware for the disaster recovery strategy.
- The decrease in **Utilities** is due to an additional year's worth of historical data which allowed for a more accurate estimate to be forecasted.

Table B-7: Office Costs

Office Costs	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Telephone	\$ 171,740	\$ 225,886	\$ 144,477	\$ (27,263)	-15.87%
Internet	204,431	199,354	53,026	(151,406)	-74.06%
Office Supplies	25,525	27,833	30,697	5,172	20.26%
Computer Supplies and Maintenance	312,077	292,677	397,365	85,288	27.33%
Publications & Subscriptions	15,489	16,157	22,259	6,770	43.71%
Dues	11,855	10,266	14,505	2,650	22.35%
Postage	4,010	2,793	3,055	(955)	-23.83%
Express Shipping	2,500	1,898	2,600	100	4.00%
Copying	19,524	16,829	14,000	(5,524)	-28.29%
Reports	600	-	600	-	0.00%
Stationary Forms	450	591	320	(130)	-28.89%
Equipment Repair/Service Contracts	3,670	4,808	3,460	(210)	-5.72%
Bank Charges	275	265	500	225	81.82%
Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity	-	-	-	-	
Total Office Costs	\$ 772,146	\$ 799,357	\$ 686,863	\$ (85,284)	-11.04%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- The decrease in **Telephone** costs is a result of the consolidation of the phone system into a single data line due to the outsourcing of our conferencing activities.
- The decrease in **Internet** costs is due to the downgrade of bandwidth for the internet data line due to the outsourcing of our conferencing activities.
- The increase in **Computer Supplies & Maintenance** costs is due to the Open Access Technology International (OATI) monthly maintenance agreement for the compliance portal.

Table B-8: Professional Services

Professional Services	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Independent Trustee Fees	\$ 239,000	\$ 226,174	\$ 232,650	\$ (6,350)	-2.66%
Outside Legal	84,000	71,000	80,000	(4,000)	-4.76%
Accounting & Auditing Fees	91,471	79,802	87,510	(3,961)	-4.33%
Insurance Commercial	85,961	78,980	83,000	(2,961)	-3.44%
				-	
Total Services	\$ 500,432	\$ 455,956	\$ 483,160	\$ (17,272)	-3.45%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- No explanations needed.

Table B-9: Non-Operating Expenses

Other Non-Operating Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- No explanation needed.

Table B-10: 2014 and 2015 Projections

Statement of Activities 2014 and 2015 Projections							
	2013 Budget	2014 Projection	\$ Change 13 v 14	% Change 13 v 14	2015 Projection	\$ Change 14 v 15	% Change 14 v 15
Funding							
ERO Funding							
ERO Assessments	\$ 14,165,848	\$ 18,733,226	\$ 4,567,377	32.2%	\$ 19,390,288	\$ 657,063	3.5%
Penalty Sanctions	2,979,800	-	-2,979,800	-100%	-	-	-
Total ERO Funding	\$ 17,145,648	\$ 18,733,226	\$ 1,587,577	9.3%	\$ 19,390,288	\$ 657,063	3.5%
Membership Dues	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Federal Grants	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	60,000	40,000	(20,000)	-33.3%	40,000	-	0.0%
Miscellaneous	-	-	-	-	-	-	-
Total Funding	\$ 17,205,648	\$ 18,773,226	\$ 1,567,577	9.1%	\$ 19,430,288	\$ 657,063	3.5%
Expenses							
Personnel Expenses							
Salaries	\$ 10,610,389	\$ 10,981,753	\$ 371,364	3.5%	\$ 11,366,114	\$ 384,361	3.5%
Payroll Taxes	624,720	\$ 646,585	21,865	3.5%	\$ 669,216	22,630	3.5%
Benefits	1,318,673	\$ 1,364,827	46,154	3.5%	\$ 1,412,595	47,769	3.5%
Retirement Costs	1,514,025	\$ 1,567,016	52,991	3.5%	\$ 1,621,861	54,846	3.5%
Total Personnel Expenses	\$ 14,067,807	\$ 14,560,180	\$ 492,373	3.5%	\$ 15,069,787	\$ 509,606	3.5%
Meeting Expenses							
Meetings	\$ 157,810	\$ 163,333	\$ 5,523	3.5%	\$ 169,050	\$ 5,717	3.5%
Travel	773,300	\$ 800,366	27,065	3.5%	\$ 828,378	28,013	3.5%
Conference Calls	43,092	\$ 44,600	1,508	3.5%	\$ 46,161	1,561	3.5%
Total Meeting Expenses	\$ 974,202	\$ 1,008,299	\$ 34,097	3.5%	\$ 1,043,590	\$ 35,290	3.5%
Operating Expenses							
Consultants & Contracts	\$ 650,140	\$ 672,895	\$ 22,755	3.5%	\$ 696,446	\$ 23,551	3.5%
Office Rent	461,645	\$ 477,803	16,158	3.5%	\$ 494,526	16,723	3.5%
Office Costs	686,863	\$ 710,903	24,040	3.5%	\$ 735,785	24,882	3.5%
Professional Services	483,160	\$ 500,071	16,911	3.5%	\$ 517,573	17,502	3.5%
Miscellaneous	25,021	\$ 25,897	876	3.5%	\$ 26,803	906	3.5%
Depreciation	433,772	\$ 448,954	15,182	3.5%	\$ 464,667	15,713	3.5%
Total Operating Expenses	2,740,601	2,836,522	95,921	3.5%	2,935,800	99,278	3.5%
Total Direct Expenses	\$ 17,782,610	\$ 18,405,002	\$ 622,391	3.5%	\$ 19,049,177	\$ 644,175	3.5%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses	\$ 17,782,610	\$ 18,405,002	\$ 622,391	3.5%	\$ 19,049,177	\$ 644,175	3.5%
Change in Assets	\$ (576,962)	\$ 368,224	\$ 945,186	-163.8%	\$ 381,112	\$ 12,888	3.5%
Fixed Assets							
Depreciation	\$ (433,772)	\$ (448,954)	\$ (15,182)	3.5%	\$ (464,667)	\$ (15,713)	3.5%
Computer & Software CapEx	78,000	80,730	2,730	3.5%	83,556	2,826	3.5%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
	\$ (355,772)	\$ (368,224)	\$ (12,452)	3.5%	\$ (381,112)	\$ (12,888)	3.5%
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Inc/(Dec) in Fixed Assets	\$ (355,772)	\$ (368,224)	\$ (12,452)	3.5%	\$ (381,112)	\$ (12,888)	3.5%
Total Budget	\$ 17,426,838	\$ 18,036,778	\$ 609,939	3.5%	\$ 18,668,065	\$ 631,287	3.5%
Change in Working Capital	\$ (221,190)	\$ 736,448	\$ 957,638	-432.9%	\$ 762,224	\$ 25,776	3.5%

2014 and 2015 Projection Explanation

The Board of Directors requested future budgets should be limited to a 0% - 5% overall increase and to use a 3.5% increase for the 2014 and 2015 Projections.

Section C – Non-Statutory Activities

2013 Business Plan and Budget

Section C — Non-Statutory Activities

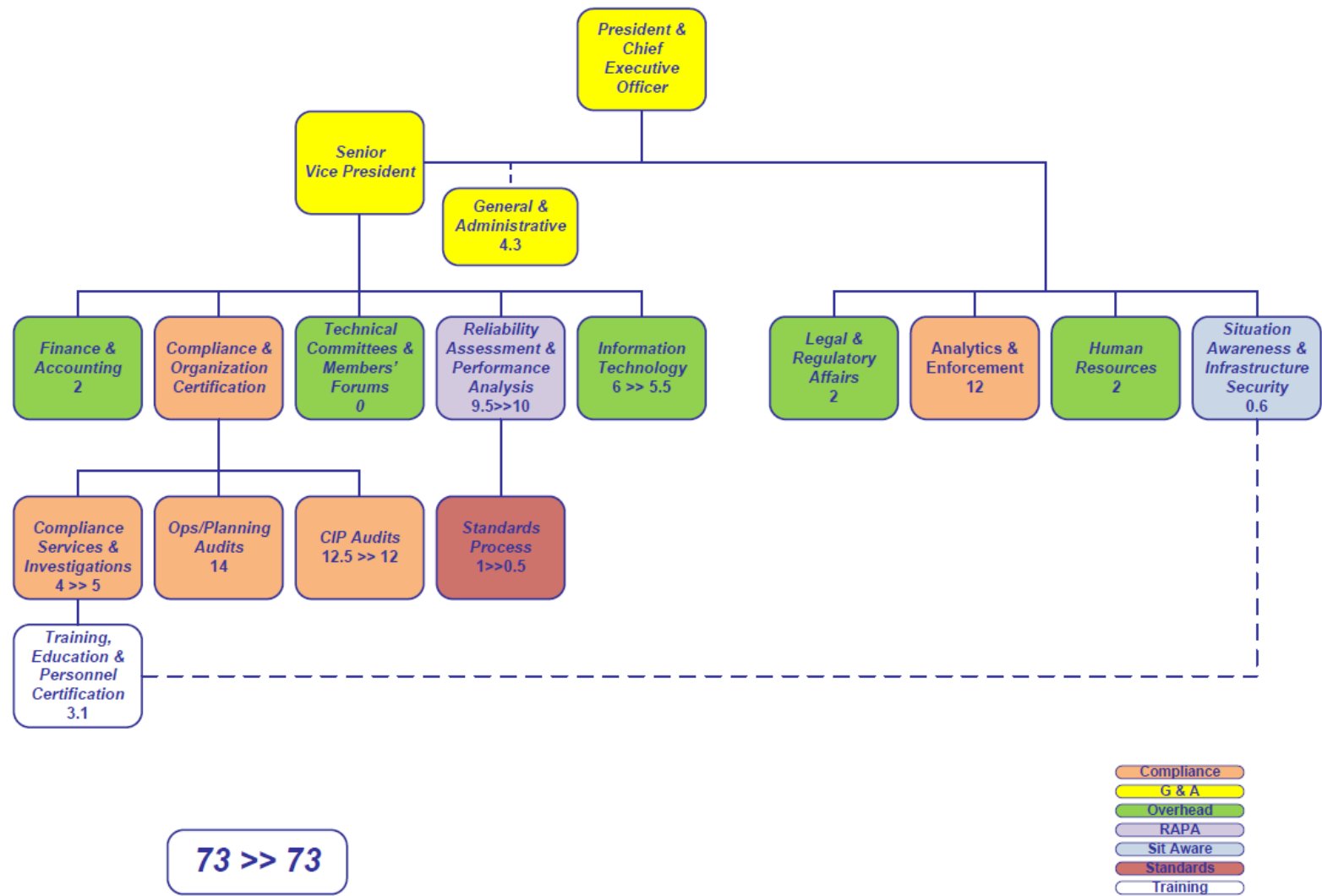
ReliabilityFirst performed only those functions delegated to it by the ERO in 2012 and the organization does not intend to perform any functions outside its ERO delegated activities in 2013, therefore Section C is not applicable.

Section D – Supplemental Information

2013 Business Plan and Budget

Section D — Supplemental Information

2013 Organizational Chart



Statement of Financial Position

Statement of Financial Position			
2011 Audited, 2012 Projection, and 2013 Budget			
STATUTORY and NON-STATUTORY			
	(Per Audit) 31-Dec-11	Projected 31-Dec-12	Budget 31-Dec-13
ASSETS			
Cash	8,070,112	6,023,130	5,801,940
Accounts receivable, net of allowance for uncollectible accounts	74,247	50,000	50,000
Other receivables	-	-	-
Prepaid expenses and other current assets	283,318	150,000	150,000
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	1,476,979	1,181,192	1,063,072
Total Assets	9,904,656	7,404,321	7,065,012
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued expenses	2,440,905	3,864,185	4,791,589
Deferred income	-	-	-
Regional assessments collected in advance	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	-	-	-
Total Current Liabilities	2,440,905	3,864,185	4,791,589
Long Term Liabilities			
Accrued expenses	190,046	158,711	158,711
Total Long Term Liabilities	190,046	158,711	158,711
Net Assets - unrestricted	6,083,805	3,381,426	2,114,713
Net Assets - restricted	1,189,900	2,765,300	2,765,300
Total Liabilities and Net Assets	9,904,656	7,404,321	7,065,012

Section D — Supplemental Information

Statement of Activities

Functions in Delegation Agreement															
Statement of Activities and Capital Expenditures by Program 2013 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															
ReliabilityFirst Funding															
ReliabilityFirst Assessments	14,165,848	14,165,848	-	14,165,848	148,183	10,736,863	2,538,757	754,962	208,273	-	(221,190)	-	-	-	-
Penalty Sanctions	2,979,800	2,979,800	-	2,979,800	26,047	2,240,059	520,944	161,493	31,257	-	-	-	-	-	-
Total ReliabilityFirst Funding	17,145,648	17,145,648	-	17,145,648	174,231	12,976,923	3,059,701	916,454	239,529	-	(221,190)	-	-	-	-
Non-statutory Funding															
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	60,000	60,000	-	60,000	524	45,105	10,490	3,252	629	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	17,205,648	17,205,648	-	17,205,648	174,755	13,022,028	3,070,191	919,706	240,159	-	(221,190)	-	-	-	-
Expenses															
Personnel Expenses															
Salaries	10,610,389	10,610,389	-	10,610,389	87,336	5,870,100	1,479,629	411,250	120,045	-	1,245,216	373,908	618,029	202,709	202,166
Payroll Taxes	624,720	624,720	-	624,720	4,744	370,369	86,964	27,473	5,984	-	40,166	19,523	41,356	15,076	13,065
Benefits	1,318,673	1,318,673	-	1,318,673	10,970	838,359	154,494	51,900	7,251	-	68,109	18,245	85,791	49,487	34,067
Retirement Costs	1,514,025	1,514,025	-	1,514,025	13,974	867,559	218,462	64,991	19,207	-	110,326	58,576	97,312	31,626	31,992
Total Personnel Expenses	14,067,807	14,067,807	-	14,067,807	117,024	7,946,387	1,939,549	555,614	152,487	-	1,463,817	470,252	842,488	298,898	281,290
Meeting Expenses															
Meetings	157,810	157,810	-	157,810	-	8,210	15,000	90,000	2,000	-	25,800	-	600	16,200	-
Travel	773,300	773,300	-	773,300	11,500	508,000	106,500	4,000	30,000	-	59,800	28,000	11,000	8,500	6,000
Conference Calls	43,092	43,092	-	43,092	-	-	-	-	-	-	-	-	43,092	-	-
Total Meeting Expenses	974,202	974,202	-	974,202	11,500	516,210	121,500	94,000	32,000	-	85,600	28,000	54,692	24,700	6,000
Operating Expenses															
Consultants & Contracts	650,140	650,140	-	650,140	-	475,000	77,140	-	-	-	21,000	-	36,000	31,000	10,000
Office Rent	461,645	461,645	-	461,645	-	-	-	-	-	-	401,645	-	60,000	-	-
Office Costs	686,863	686,863	-	686,863	2,668	311,989	60,687	-	2,496	-	39,623	8,308	253,085	4,404	3,604
Professional Services	483,160	483,160	-	483,160	-	15,000	-	-	-	-	315,650	65,000	-	44,410	43,100
Miscellaneous	25,021	25,021	-	25,021	-	1,405	50	-	900	-	11,976	-	-	10,690	-
Depreciation	433,772	433,772	-	433,772	-	206,421	-	-	425	-	45,326	-	177,658	799	3,143
Total Operating Expenses	2,740,601	2,740,601	-	2,740,601	2,668	1,009,815	137,877	-	3,821	-	835,220	73,308	526,743	91,303	59,847
Total Direct Expenses															
Total Direct Expenses	17,782,610	17,782,610	-	17,782,610	131,192	9,472,412	2,198,926	649,614	188,308	-	2,384,637	571,560	1,423,923	414,901	347,137
Indirect Expenses															
Indirect Expenses	(0)	(0)	-	(0)	44,949	3,865,609	898,979	278,683	53,939	-	(2,384,637)	(571,560)	(1,423,923)	(414,901)	(347,137)
Other Non-Operating Expenses															
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses															
Total Expenses	17,782,610	17,782,610	-	17,782,610	176,141	13,338,020	3,097,905	928,298	242,247	-	-	-	-	-	-
Change in Assets															
Change in Assets	(576,962)	(576,962)	-	(576,962)	(1,386)	(315,993)	(27,714)	(8,591)	(2,088)	-	(221,190)	-	-	-	-
Fixed Assets															
Depreciation	(433,772)	(433,772)	-	(433,772)	-	(206,421)	-	-	(425)	-	(45,326)	-	(177,658)	(799)	(3,143)
Computer & Software CapEx	78,000	78,000	-	78,000	-	9,600	-	-	-	-	-	-	68,400	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(355,772)	(355,772)	-	(355,772)	-	(196,821)	-	-	(425)	-	(45,326)	-	(109,258)	(799)	(3,143)
Allocation of Fixed Assets															
Allocation of Fixed Assets	0	0	-	0	(1,386)	(119,172)	(27,714)	(8,591)	(1,663)	-	45,326	-	109,258	799	3,143
Inc/(Dec) Fixed Assets															
Inc/(Dec) Fixed Assets	(355,772)	(355,772)	-	(355,772)	(1,386)	(315,993)	(27,714)	(8,591)	(2,088)	-	-	-	-	-	-
Total Budget															
Total Budget	17,426,838	17,426,838	-	17,426,838	174,755	13,022,028	3,070,191	919,706	240,159	-	-	-	-	-	-
Change in Working Capital															
Change in Working Capital	(221,190)	(221,190)	-	(221,190)	-	-	-	-	-	-	(221,190)	-	-	-	-

DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 7

SERC RELIABILITY CORPORATION

PROPOSED 2013 BUSINESS PLAN AND BUDGET



SERC Reliability Corporation
2815 Coliseum Centre Drive | Suite 500
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SERC Reliability Corporation

2013 Business Plan and Budget

FINAL
July 11, 2012

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2013 Budget	U.S.	Canada	Mexico
Statutory FTEs	77.45			
Non-statutory FTEs	-			
Total FTEs	77.45			
Statutory Expenses	\$ 16,094,659			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 16,094,659			
Statutory Inc(Dec) in Fixed Assets	\$ (187,056)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (187,056)			
Statutory Working Capital Requirement	\$ (1,705,725)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (1,705,725)			
Total Statutory Funding Requirement	\$ 14,201,878			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 14,201,878			
Statutory Funding Assessments	\$ 13,829,878	\$ 13,829,878	\$ -	\$ -
Non-Statutory Fees	\$ -	\$ -	\$ -	\$ -
NEL	1,043,110,079	1,043,110,079	-	-
NEL%	100.00%	100.00%	0.00%	0.00%

*Refer to Table B-1 on page 57 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 22.6% of the net energy for load (NEL) in North America and 35% 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 2013 targeted staffing level of 77.45 Full-Time Equivalents (FTEs) (2013 total headcount of 78.7) 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 69.

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 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. The Board has also formed 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:

- Promoting situational awareness and conducting event analyses to identify lessons learned for the improvement of reliability
- Promoting the reliability, adequacy and security of the Bulk Power System
- Actively participating 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 past, present and future reliability, adequacy, and security of the bulk-power system.
- Promoting effective training and education of reliability personnel, and assisting in the certification of operating personnel.

SERC does not perform any non-statutory functions at this time.

In recognition of the importance of the compliance enforcement role of regional entities, SERC has dedicated about half of its staff resources to compliance monitoring and enforcement. The compliance monitoring staff is divided into three groups - one conducting operations and planning compliance audits and spot checks, the second performing CIP compliance audits and

spot checks, the third providing other compliance activities such as investigations, compliance assessments, self-certification review, and organization registration and certification. The enforcement staff makes a determination of compliance on identified compliance issues. SERC has developed and deployed a robust set of online tools for the gathering, analysis, and tracking of compliance and enforcement 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.

2013 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 2013-2015 Shared Business Plan and Budget Assumptions document is located in Exhibit A of NERC's 2013 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. **Performance of 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 improving continuously through self-assessment, acting on feedback from stakeholders, providing adequate training, and anticipating and preparing for externalities affecting the region and reliability stakeholders, including evolving reliability standards, rules, and directives.
- b. **Competency** – SERC attracts, develops, and retains 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 or economies of scale can be achieved.

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.

2013 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 the 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 SERC, its registered entities, NERC, and applicable government agencies.
 - b. Develop SERC's capability to conduct rigorous event and trend analyses and develop relevant lessons learned including rigorous event and trend analysis.
 - c. 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.
 - c. Seek opportunities to partner with other Regional Entities and NERC to achieve greater economies of scale.
-

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.

2013 Overview of Cost Impacts

SERC proposes to increase its operating budget from \$15,594,445 to \$15,907,603 in 2013, an increase of \$313,158 or 2.0%. The proposed 2013 assessment of \$13,829,878 is a decrease of 6.8% lower than the 2012 assessment of \$14,845,275. SERC believes that in 2013 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 of affordable and reliable electricity across SERC's geography.

The 2013 Business Plan and Budget reflects actual changes to staff positions included in the 2012 Business Plan and Budget. During 2012, SERC reallocated existing resources to meet current and emerging business needs. As a result for budgeting purposes in 2013, SERC reclassified 2 FTEs between Compliance (decrease of 2 FTEs), Reliability Assessments (increase of 1 FTE) and General and Administrative (increase of 1 FTE). Additionally, for strategic alignment and budgeting purposes in 2013, SERC has combined Reliability Assessments and SAIS into an Assessments group. With this reorganization, the Director of Assessments and Program Support Assistant now split their time between Reliability Assessments and SAIS equally, causing Reliability Assessments to decrease by 1 FTE (0.50 for each position respectively) and SAIS to increase by 0.50 FTE (a net of 0.25 for each position respectively, as the previous positions were allocated at 0.25). This also changed the allocation of the Director of Reliability Services and a Program Support Assistant over three (3) program areas rather than four (4) as previously done and engineers are splitting time between Reliability Standards, Committees and SAIS, therefore increasing or decreasing the proportionate FTE in Reliability Standards (increase 0.16 FTE), Training and Education (increase 0.66 FTE), Situation Awareness and Infrastructure Security (decrease 1.5 FTEs) and Technical Committees (increase 2.18 FTEs).

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 2013 budget compared to the 2012 budget). SERC will continue to perform Cross-Regional Compliance Monitoring and Enforcement for other regions. The costs associated with any Cross-Regional Compliance Monitoring and Enforcement 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. \$65,000 is included in the 2013 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 two components:

- **Staff additions proposed in 2013** – The targeted staffing level for 2013 is 77.45 Full-time Equivalents (FTEs), an increase of an additional 3.75 FTEs with staggered entry (headcount of 5) as compared to the 2012 budget. The compliance program added 1.5 FTEs, an engineer to focus on the Bulk Electric System Exceptions and an entry level engineer; the Reliability Assessment program added 1.5 FTEs, an engineer to focus on the Bulk Electric System Exceptions and an entry level engineer; the Reliability Standards program added .75 FTE, an entry level engineer. The entry level engineering positions, which will be separately evaluated in future budgets, will assist in managing the realities of SERC's aging workforce. The 2013 budget impact for all new positions in personnel costs is \$422,286, including salary and related payroll taxes, benefits and retirement costs.
- **Cost increase for maintaining staff budgeted in 2013** – The remaining increase in personnel costs of \$554,491 or 4.7% compared to 2012 reflects a budgeted average increase in salary for existing staff of 3%, a full year salary for the additional 2012 FTEs as compared to a pro-rated salary in the 2012 budget, with the remaining increase due to cost adjustments in employee benefits. Additionally, payroll taxes were reduced from prior year to be more consistent with historical actual costs.
- For budgeting purposes, the at-risk compensation has been adjusted to better reflect historical experience causing an additional budgeted increase in personnel costs for all SERC staff.

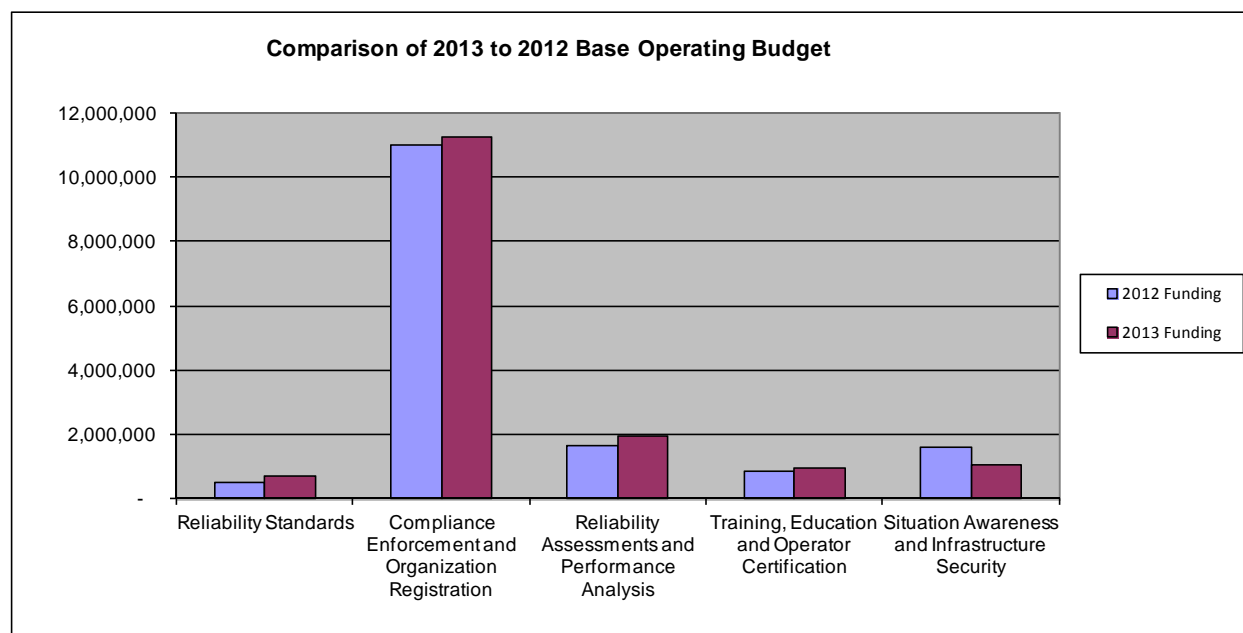
Other notable changes in the proposed budget from year to year include the following:

- **Meeting Expense** – A decrease of \$92,918 or 23.1% due to all Compliance seminars are budgeted to be held on-site at the Charlotte, NC office.
- **Office Costs** – A decrease of \$321,323 or 47.1% due to a decrease in general office costs to be more consistent with historical data and to a decrease attributable to one time 2012 budgeted amounts for expanded office space furnishings and a Microsoft Office Sharepoint server.
- **Depreciation** – An increase of \$67,437 or 28.9% due to an increase in the capital assets purchased in previous years now have a full year of depreciation.

Summary by Program

Base Operating Budget	Budget 2012	Projection 2012	Budget 2013	Change 2013 Budget v 2012 Budget	% Change
Reliability Standards	524,440	502,941	701,238	176,798	33.7%
Compliance Enforcement and Organization Registration	10,997,669	10,387,226	11,252,443	254,774	2.3%
Reliability Assessments and Performance Analysis	1,627,796	1,562,093	1,944,140	316,344	19.4%
Training, Education and Operator Certification	849,096	775,711	949,537	100,441	11.8%
Total Situation Awareness and Infrastructure Security	1,585,444	1,471,151	1,050,245	(535,199)	-33.8%
	15,584,445	14,699,122	15,897,603	313,158	2.0%
Working Capital Reserve	-	933,619	(1,705,725)	(1,705,725)	
Total Funding	15,584,445	15,632,741	14,191,878	(1,392,567)	-8.9%

This graphical representation does not include an allocation of working capital requirements among the Program Areas



This graphical representation does not include an allocation of working capital requirements among the Program Areas

Reliability Standards – The 33.7% increase in total funding from \$524,440 budgeted in 2012 to \$701,238 budgeted in 2013 is mainly due to the addition of 0.91 FTEs as described below in the Total FTEs by Program Area schedule and the changes in the indirect expense allocation resulting from the reclassification of FTEs between program areas.

Compliance Enforcement and Organization Registration – The 2.3% increase in total funding from \$10,997,669 budgeted in 2012 to \$11,252,443 budgeted in 2013 is primarily due to an increase in consultants to execute projected CIP audits .

Reliability Assessments and Performance Analysis – The 19.4% increase in total funding from \$1,627,796 budgeted in 2012 to \$1,944,140 budgeted in 2013 is due to the addition of 1.5 FTEs as described below in the Total FTEs by Program Area schedule. The increase in indirect expenses being allocated to the Reliability Assessments program is due to the addition of FTEs and reclassification of FTEs between program areas.

Training, Education and Operator Certification – The 11.8% increase in total funding from \$849,096 budgeted in 2012 to \$949,537 budgeted in 2013 is due to the changes in the indirect expense allocation resulting from the reclassification of FTEs between program areas

Situation Awareness and Infrastructure Security – The 33.8% decrease in total funding from \$1,585,444 budgeted in 2012 to \$1,050,245 budgeted in 2013 is due to the decrease of 2 FTEs and changes in the indirect expense allocation resulting from the reclassification of FTEs between program areas. The decrease in indirect expenses being allocated to the Situation Awareness and Infrastructure Security program is due to the decrease of FTEs.

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2012	2012	2013	FTEs ¹ 2013	2013	from 2012
	Budget	Budget	Budget	Budget	Budget	Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.75	1.65	2.66	-	2.66	0.91
Compliance Monitoring and Enforcement and Organization Registration and Certification	42.00	35.80	41.50	-	41.50	(0.50)
Training and Education	1.75	1.65	2.41	-	2.41	0.66
Reliability Assessment and Performance Analysis	5.70	5.30	7.20	-	7.20	1.50
Situation Awareness and Infrastructure Security	5.75	5.15	3.75	-	3.75	(2.00)
Total FTEs Operational Programs	56.95	49.55	57.52	-	57.52	0.57
Administrative Programs						
Technical Committees and Member Forums	2.75	2.65	4.93	-	4.93	2.18
General & Administrative	14.00	15.00	15.00	-	15.00	1.00
Legal and Regulatory	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	-	-	-	-	-	-
Total FTEs Administrative Programs	16.75	17.65	19.93	-	19.93	3.18
Total FTEs	73.70	67.20	77.45	-	77.45	3.75

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

This chart reflects the following changes:

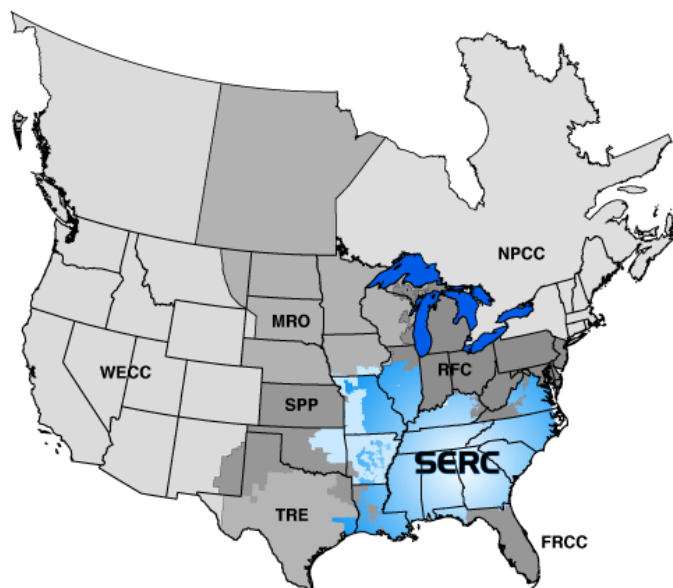
1. SERC reorganized to combine Reliability Assessments and SAIS into an Assessments group. With this reorganization, the Director of Assessments and Program Support Assistant now split their time between Reliability Assessments and SAIS equally. This also changed the allocation of the Director of Reliability Services and a Program Support Assistant over three (3) program areas and engineers are splitting time between Reliability Standards, Committees and SAIS, therefore increasing or decreasing the proportionate FTE in Reliability Standards, Training and Education Situation Awareness and Infrastructure Security and Technical Committees.
2. An increase in the Reliability Standards program includes an entry level engineer position, as well as the change in allocation of time by the Director of Reliability Services and a Program Support Assistant.
3. During 2012, two (2) staff positions were reclassified from the Compliance Monitoring and Enforcement program into the Reliability Assessments and General & Administrative programs. In addition, an engineer to support the Bulk Electric System Exceptions and an entry level engineer are added, causing a net decrease of 0.5 FTEs.
4. As noted above, the Director of Assessments and the Program Support Assistant now split their time equally between Reliability Assessment and SAIS, as well as a staff position was reclassified into the Reliability Assessment Program from the Compliance program. Additionally, an engineer to support the Bulk Electric System Exceptions and an entry level engineer are added, causing a net increase of 1.5 FTEs in the Reliability Assessment and Performance Analysis program.
5. As noted above, during 2012 a staff position was reclassified into the General & Administrative area from the Compliance program.

2012 Budget and Projection and 2013 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
STATUTORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 14,845,275	\$ 14,845,275	\$ -	\$ 13,829,878	\$ (1,015,397)
Penalty Sanctions	434,500	434,500	-	51,000	(383,500)
Total NERC Funding	\$ 15,279,775	\$ 15,279,775	\$ -	\$ 13,880,878	\$ (1,398,897)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	264,670	232,910	(31,760)	246,000	(18,670)
Interest	10,000	9,242	(758)	10,000	-
Miscellaneous	40,000	120,056	80,056	65,000	25,000
Total Funding (A)	\$ 15,594,445	\$ 15,641,983	\$ 47,538	\$ 14,201,878	\$ (1,392,567)
Expenses					
Personnel Expenses					
Salaries	\$ 8,908,407	\$ 8,733,713	\$ (174,694)	\$ 9,925,148	\$ 1,016,741
Payroll Taxes	801,758	742,408	(59,350)	595,509	(206,249)
Benefits	895,883	808,407	(87,476)	916,100	20,217
Retirement Costs	1,207,456	1,175,980	(31,476)	1,353,524	146,068
Total Personnel Expenses	\$ 11,813,504	\$ 11,460,508	\$ (352,996)	\$ 12,790,281	\$ 976,777
Meeting Expenses					
Meetings	\$ 402,078	\$ 343,414	\$ (58,664)	\$ 309,160	\$ (92,918)
Travel	616,591	448,330	(168,261)	595,023	(21,568)
Conference Calls	96,000	61,663	(34,337)	60,000	(36,000)
Total Meeting Expenses	\$ 1,114,669	\$ 853,407	\$ (261,262)	\$ 964,183	\$ (150,486)
Operating Expenses					
Consultants & Contracts	\$ 1,159,275	\$ 1,254,991	\$ 95,716	\$ 1,166,947	\$ 7,672
Office Rent	444,722	396,612	(48,110)	405,407	(39,315)
Office Costs	682,875	304,393	(378,482)	361,552	(321,323)
Professional Services	89,400	200,094	110,694	105,900	16,500
Miscellaneous	-	6,478	6,478	-	-
Depreciation	232,952	174,833	(58,119)	300,389	67,437
Total Operating Expenses	\$ 2,609,224	\$ 2,337,401	\$ (271,823)	\$ 2,340,195	\$ (269,029)
Total Direct Expenses	\$ 15,537,397	\$ 14,651,316	\$ (886,081)	\$ 16,094,659	\$ 557,262
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 15,537,397	\$ 14,651,316	\$ (886,081)	\$ 16,094,659	\$ 557,262
Change in Assets	\$ 57,048	\$ 990,667	\$ 933,619	\$ (1,892,781)	\$ (1,949,829)
Fixed Assets					
Depreciation	\$ (232,952)	\$ (232,952)	\$ 58,119	\$ (300,389)	\$ (67,437)
Computer & Software CapEx	290,000	290,000	-	113,333	(176,667)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	57,048	57,048	58,119	(187,056)	(244,104)
TOTAL BUDGET (=B + C)	\$ 15,594,445	\$ 14,708,364	\$ (827,962)	\$ 15,907,603	\$ 313,158
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 933,619	\$ 875,500	\$ (1,705,725)	\$ (1,705,725)
FTEs	73.70	67.30	(6.40)	77.45	3.75

Section A – Statutory Programs

2013 Business Plan and Budget



Section A — 2013 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.75	2.66	0.91
Direct Expenses	\$ 365,853	\$ 448,546	\$ 82,693
Indirect Expenses	\$ 156,834	\$ 261,342	\$ 104,508
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 1,753	\$ (8,650)	\$ (10,403)
Total Funding Requirement	\$ 524,440	\$ 701,238	\$ 176,797

Program Scope and Functional Description

A Reliability Standards function is required under the Delegation Agreement (Exhibit C) and NERC Rules of Procedure Section 300. The SERC Reliability Standards program area 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.

2013 Key Assumptions

- SERC regional standards development activity will be limited
- SERC resources will support North American initiatives in the areas of:
 - improvements in the quality of standards development
 - standards guidance, including related training activities.
- The review and modification of the standards process are not expected to have a material effect on resources within the standards program area. Significant increases in throughput will create additional resource needs to review and comment on proposed standards, support regulatory filings and oversee new standards as they become effective.
- Implementing a cost effectiveness analysis or assessment of proposed standards is likely to impact resource requirements, but the extent of the impact cannot be fully assessed at this time.
- The number of interpretation and guidance requests is expected to decrease reflecting the impact of the results-based standards initiative and improved standards development process.
- The number of projects contained in the NERC Reliability Standards Development Plan is expected to increase over the planning period. However, the scope of these projects is generally expected to be narrower than would otherwise exist in the absence of the Results-Based Standards initiative.

2013 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 Web site

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- SERC reduced the budgeted 2013 payroll taxes from 2012 as the amount budgeted historically has been high.
- SERC combined the Reliability Assessment and SAIS groups under the Director of Assessments. With this reorganization, the Director and Program Support Assistant that were allocated to the Reliability Standards program were allocated over three programs rather than four, causing an increase in staffing by 0.16.
- In 2013, SERC plans to add one entry level engineer in the Reliability Assessment program to provide for employee development and succession planning. The individual in this position will rotate over time through other SERC program areas in order to obtain a broad background in SERC's organization and to increase SERC's personnel related flexibility.
- For budgeting purposes, the at-risk compensation has been adjusted to better reflect historical experience causing an additional budgeted increase in personnel costs for all SERC staff.

Meeting Expenses

- Decrease in travel is due to less meetings are scheduled to take place off-site.

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 2013 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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
RELIABILITY STANDARDS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 510,346	\$ 510,346	\$ -	\$ 698,880	\$ 188,534
Penalty Sanctions	14,094	14,094		2,358	(11,736)
Total NERC Funding	\$ 524,440	\$ 524,440	\$ -	\$ 701,238	\$ 176,798
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 524,440	\$ 524,440	\$ -	\$ 701,238	\$ 176,798
Expenses					
Personnel Expenses					
Salaries	\$ 258,039	\$ 254,762	\$ (3,277)	\$ 337,825	\$ 79,786
Payroll Taxes	23,224	21,656	(1,568)	20,270	(2,954)
Benefits	26,719	23,476	(3,243)	34,294	7,575
Retirement Costs	34,787	34,625	(162)	46,701	11,914
Total Personnel Expenses	\$ 342,769	\$ 334,519	\$ (8,250)	\$ 439,090	\$ 96,321
Meeting Expenses					
Meetings	\$ 3,960	\$ 46	\$ (3,914)	\$ -	\$ (3,960)
Travel	19,124	5,235	(13,889)	9,101	(10,023)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 23,084	\$ 5,281	\$ (17,803)	\$ 9,101	\$ (13,983)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	355	355
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 355	\$ 355
Total Direct Expenses	\$ 365,853	\$ 339,800	\$ (26,053)	\$ 448,546	\$ 82,693
Indirect Expenses	\$ 156,834	\$ 161,241	\$ 4,407	\$ 261,342	\$ 104,508
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 522,687	\$ 501,041	\$ (21,646)	\$ 709,888	\$ 187,201
Change in Assets	\$ 1,753	\$ 23,399	\$ 21,646	\$ (8,650)	\$ (10,403)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 1,753	1,900	147	(8,650)	(10,403)
Inc(Dec) in Fixed Assets (C)	1,753	1,900	147	(8,650)	(10,403)
TOTAL BUDGET (=B + C)	\$ 524,440	\$ 502,941	\$ (21,499)	\$ 701,238	\$ 176,798
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 21,499	\$ 21,499	\$ -	\$ -
FTEs	1.75	1.65	(0.10)	2.66	0.91

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	42.00	41.50	(0.5)
Direct Expenses	\$ 7,191,584	\$ 7,310,081	\$ 118,498
Indirect Expenses	\$ 3,764,013	\$ 4,077,321	\$ 313,308
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 42,072	\$ (134,959)	\$ (177,031)
Total Funding Requirement	\$ 10,997,669	\$ 11,252,443	\$ 254,775

Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program is implemented by SERC's compliance and enforcement staffs, which are independent of stakeholders and registered entities. The SERC compliance staff conducts audits, spot checks, investigations, and self-certifications to monitor Registered Entities' compliance with reliability standards and administers the organization registration and certification program. The Enforcement staff determines whether there have been violations of reliability standards by Registered Entities within the SERC region, and if so, the appropriate remedial actions, and penalties and sanctions, as prescribed in the NERC Sanction Guidelines (Appendix 4B to the NERC Rules of Procedure). To accomplish this objective, SERC's Compliance Monitoring and Enforcement and Organization Registration and Certification Program area is further divided into four areas: audit, CIP compliance monitoring, compliance programs, and enforcement.

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 and CIP Compliance Monitoring

SERC's compliance audit and CIP compliance monitoring staffs are charged with conducting compliance audits and spot-checks of all registered entities and identifying possible violations of operations and planning standards and CIP standards. The groups maintain 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 or spot check. 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. The CIP compliance monitoring team also conducts all phases of Technical Feasibility Exception (TFE) reviews and validations.

Compliance Programs

SERC's Compliance Programs group is responsible for coordinating and implementing a variety of programmatic compliance activities including leading or participating in compliance investigations and compliance assessments, self-certification monitoring process, as well as all activities related to entity registration and certification within the SERC region. The Compliance Programs group is also responsible for coordinating and executing education and outreach activities targeted towards improving Registered Entities' reliability and compliance.

The Compliance Programs staff conducts compliance assessments of events occurring in the SERC region to determine if further compliance monitoring activities are needed based on the facts and circumstances of the event.

The Registration and Certification staff leads all certification audits and acts as the subject matter experts for all registration and certification 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.

Enforcement

SERC's 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.

Enforcement staff also is responsible for administering the self-reporting, monitoring process.

2013 Key Assumptions

- SERC and NERC continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the auditors, enforcement, and investigation staff. Increased training, continuing education, and credentialing for auditors, investigators, and enforcement staff will increase resource requirements for compliance monitoring and enforcement staff (time for training reduces time for auditing) and increases costs (cost of training and travel to training). As part of the training effort, at least one ERO-wide auditor workshop 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.
- SERC has provided time for staff to maintain industry certifications, such as NERC System Operator Certification, Critical Infrastructure Protection (CIP) certifications, Professional Engineering licenses, and certified auditor credentials, etc.

- 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 continue to comprise a three week schedule including nine (9) business days on site with the middle week conducted off-site for additional evidence collection and review.
- There will be a reduction in the number and duration 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.
- Resources required for Technical Feasibility Exceptions (TFE) are unchanged. The number of TFE will increase with the approval and implementation of CIP version 4 standards.
- An increase in resources is required to conduct independent compliance assessments and reviews of registered entity compliance assessments resulting from reportable events.
- The level of resources to support cross-regional coordination will be similar to 2012.
- Implementation of the Multi-Regional Registered Entity (MRRE) program may commence in 2013 but will have minimal impact on compliance operations.
- The rate of incoming operations and planning Possible Violations will continue to decline, but the rate of CIP Possible Violations will continue to rise. The net effect is steady state (approximately 370 violations/year).
- The target enforcement action cycle time is 12 months or less
- There will be little change in travel for Enforcement staff for follow-up with processing Possible Violations and Mitigation Plan validation.
- Regional enforcement resources to assess scope and risk of violations will not be significantly reduced due to continued implementation of streamlined enforcement including Find, Fix, and Tracking and spreadsheet Notice of Penalties. However, efficiency gains are expected as the program matures.
- Efficiencies are expected from improved data exchange capabilities between SERC and NERC's tracking systems.
- No hearings are assumed.
- 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 11 on-site and 17 off-site CIP audits and 39 on-site and 15 off-site operations and planning audits.
- Compliance and enforcement staff will see increased interaction in the standards development processes including Compliance Application Notices, input into standards drafting efforts, and new or revised standards implementation outreach and preparedness efforts.
- Implementation of the revised definition of the Bulk Electric System and the associated exception processing increases workload by 1 FTE in the registration and certification area
- Implementation of pre-audit evidence reviews will increase resource requirements for SERC due to high number of RE, BA, TOP entities requiring audits.
- Additional work on the IT platform is needed to support compliance monitoring function – enhancements to existing systems will occur in 2013
- Further implementation of risk-based compliance monitoring processes will have minimal impact on staff resources in 2013

2013 Goals and Key Deliverables

- Staff actions ensure that:
 - Compliance and enforcement 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 Possible Violations of reliability standards.
 - The rate at which violations are processed by enforcement staff continues to improve toward the long-term goal of 12 month cycle time.
 - NERC and other regions continue to collaborate to streamline Rules of Procedure to allow for efficient processing of lower risk / significance violations.
 - SERC compliance and enforcement staff will seek to provide effective feedback from various compliance processes to improve reliability standards through requests for interpretation or revisions
- Implementation of tools and processes to reduce time required for on-site audits and overall auditing processes
- Conduct a sufficient number of high quality CIP audits and spot-checks to ensure compliance with CIP Reliability Standards.
- Employ and retain knowledgeable and skilled reliability personnel, effectively and efficiently use resources, and pursue continuous improvement.

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

- SERC reduced the budgeted 2013 payroll taxes from 2012 as the amount budgeted historically has been high.
- The Compliance Monitoring and Enforcement Program budgeted 42 FTEs in 2012. 2012 projected staffing is 40, with the reclassification of 2 FTEs, one into Reliability Assessments and the other into General and Administrative.
- In 2013, SERC plans to increase staffing within the compliance and enforcement program by 1.5 additional FTEs.
 - One additional registration engineer. NERC is in the process of defining the methodology for the ERO to implement the new BES definition and the BES exception process. The 2013-2015 ERO Shared Business Plan and Budget Assumptions document identifies the need for additional resources in this area, and anticipates a possible backlog of exception requests in the first years of the process implementation. Therefore, SERC is budgeting an engineering FTE for the registration area, primarily to address this anticipated demand for resources.
 - One entry level engineer. SERC is budgeting an entry level engineering FTE in the Compliance Monitoring and Enforcement area to provide for employee development and succession planning. The individual in this position will rotate over time through other SERC program areas in order to obtain a broad background in SERC's organization and to increase SERC's personnel related flexibility.
- For budgeting purposes, the at-risk compensation has been adjusted to better reflect historical experience causing an additional budgeted increase in personnel costs for all SERC staff.

Meeting Expenses

- Decrease in travel is due to less offsite meetings.

Operating Expenses

- Contracts/Consultants increased by \$86,667 due to an increase in consultants to execute projected CIP audits.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2013 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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 10,639,545	\$ 10,639,545	\$ -	\$ 11,150,647	\$ 511,102
Penalty Sanctions	318,124	318,124	-	36,796	(281,328)
Total NERC Funding	\$ 10,957,669	\$ 10,957,669	\$ -	\$ 11,187,443	\$ 229,774
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	40,000	115,000	75,000	65,000	25,000
Total Funding (A)	\$ 10,997,669	\$ 11,072,669	\$ 75,000	\$ 11,252,443	\$ 254,774
Expenses					
Personnel Expenses					
Salaries	\$ 4,930,643	\$ 4,653,744	\$ (276,899)	\$ 5,125,600	\$ 194,957
Payroll Taxes	443,758	395,591	(48,167)	307,536	(136,222)
Benefits	519,619	453,699	(65,920)	483,978	(35,641)
Retirement Costs	676,627	631,501	(45,126)	705,346	28,719
Total Personnel Expenses	\$ 6,570,647	\$ 6,134,535	\$ (436,112)	\$ 6,622,460	\$ 51,813
Meeting Expenses					
Meetings	\$ 18,950	\$ 11,116	\$ (7,834)	\$ 17,910	\$ (1,040)
Travel	406,887	309,646	(97,241)	392,966	(13,921)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 425,837	\$ 320,762	\$ (105,075)	\$ 410,876	\$ (14,961)
Operating Expenses					
Consultants & Contracts	\$ 162,500	\$ 285,833	\$ 123,333	\$ 249,167	\$ 86,667
Office Rent	-	-	-	-	-
Office Costs	12,600	6,430	(6,170)	12,578	(22)
Professional Services	20,000	100,000	80,000	15,000	(5,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 195,100	\$ 392,263	\$ 197,163	\$ 276,745	\$ 81,645
Total Direct Expenses	\$ 7,191,584	\$ 6,847,560	\$ (344,024)	\$ 7,310,081	\$ 118,497
Indirect Expenses	\$ 3,764,013	\$ 3,498,449	\$ (265,564)	\$ 4,077,321	\$ 313,308
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 10,955,597	\$ 10,346,009	\$ (609,588)	\$ 11,387,402	\$ 431,805
Change in Assets	\$ 42,072	\$ 726,660	\$ 684,588	\$ (134,959)	\$ (177,031)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	\$ 42,072	\$ 41,217	(855)	(134,959)	(177,031)
Inc(Dec) in Fixed Assets (C)	\$ 42,072	\$ 41,217	\$ (855)	\$ (134,959)	\$ (177,031)
TOTAL BUDGET (=B + C)	\$ 10,997,669	\$ 10,387,226	\$ (610,443)	\$ 11,252,443	\$ 254,774
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 685,443	\$ 685,443	\$ -	\$ 0
FTEs	42.00	35.80	(6.20)	41.50	(0.50)

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	5.70	7.20	1.50
Direct Expenses	\$ 1,111,256	\$ 1,260,164	\$ 148,908
Indirect Expenses	\$ 510,830	\$ 707,391	\$ 196,561
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 5,710	\$ (23,415)	\$ (29,125)
Total Funding Requirement	\$ 1,627,796	\$ 1,944,140	\$ 316,343

Program Scope and Functional Description

SERC's Reliability Assessment program conducts data gathering and analysis to perform an independent reliability assessment of the bulk electric system within the SERC region,¹ in accordance with the Delegation Agreement and applicable NERC Rules of Procedure. The program utilizes information from its internal data collection sources along with other programs, such as NERC Transmission Availability Data System (TADS), and Generating Availability Data Systems (GADS), 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 the 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.

2013 Key Assumptions

- Workloads are expected to increase as TADS, GADS (now mandatory), and DADS move to quarterly data submittals.
- Ongoing assessments will continue to support reliability efforts related to the EPA regulations.
- It is expected that the NERC Planning Committee (PC) will approve the recommendation for all regions to perform a 2012 regional probabilistic assessment in 2013, using 2012 Long-Term Reliability Assessment summer/winter data.

¹ The Annual Reliability Review Subcommittee Report 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, Data Collection Task Force, Dynamics Review Subcommittee, Resource Adequacy Working Group, Regional Studies Executive Committee, Regional Studies Steering Committee, Near-Term, Long-Term, Dynamics and Short Circuit Study Groups.

- Development of the 2013 dynamic reduction cases will be required.
- Implementation of the revised definition of the Bulk Electric System and the associated exception processing increases workload by 1 FTE in the Reliability Assessments area
- Staff resources are needed to support these initiatives.

2013 Goals and Key Deliverables

- Implement annual portal maintenance and enhancements for Reliability Assessment purposes, given that portal upgrades were implemented in 2012.
- Assist SERC's Registered Entities in submitting quarterly data for NERC's DADS, GADS and TADS programs.
- Engagement with the NERC Reliability Assessment process, through the NERC Reliability Assessment Subcommittee (RAS) of the PC in 2013, including performance in accordance with the agreed upon performance metrics between NERC and the regions.
- Assess and implement follow-on studies from SERC's region-wide probabilistic assessment using probabilistic methods. Obtain the needed procurement to assist with the effort.
- Complete the SERC Reliability Review Subcommittee Annual Report to the Engineering Committee.
- Complete NERC seasonal and long-term assessment reports for 2013 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.
- Assist in the development of the 2013 dynamic reduction cases. Obtain the needed procurement to assist with the effort.
- 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.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- SERC reduced the budgeted 2013 payroll taxes from 2012 as the amount budgeted historically has been high.
- During 2012, an FTE was reclassified into the Reliability Assessments and Performance Analysis program.
- In 2013, SERC plans to increase staffing within the Reliability Assessment program by 1.5 additional FTE.
 - One assessment engineer. NERC is in the process of defining the methodology for the ERO to implement the new BES definition and the BES exception process. The 2013-2015 ERO Shared Business Plan and Budget Assumptions document identifies the need for additional resources in this area, and anticipates a possible backlog of exception requests in the first years of the process implementation. Therefore, SERC is budgeting an engineering FTE for the reliability assessment area, primarily to address this anticipated demand for resources.
 - One entry level engineer. SERC is budgeting an entry level engineering FTE in the Reliability Assessments to provide for employee development and succession planning. The individual in this position will rotate over time through other SERC program areas in order to obtain a broad background in SERC's organization and to increase SERC's personnel related flexibility.
 - SERC combined the Reliability Assessment and SAIS groups under the Director of Assessments. With this reorganization, the Director and Program Support Assistant were allocated to both programs.
- For budgeting purposes, the at-risk compensation has been adjusted to better reflect historical experience causing an additional budgeted increase in personnel costs for all SERC staff.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Consultants and contracts expenses decreased by \$28,800 from the 2012 budget due to the Resource Adequacy program, the ERAG Assessments, the Under Frequency Load Shedding study and the Dynamic Reduction Study. In 2013, SERC has budgeted \$60,000 to perform a resource adequacy study to take into account additional changes in input assumptions to support NERC performance analysis, an increase of \$5,000 from 2012. SERC has budgeted \$83,000 in relation to our NEL share of the Multiregional Model Working Group (MMWG)/Eastern Interconnection Reliability Assessment Group (ERAG) expenses, an increase of \$6,200 from 2012. The 2012 budget included funding to perform an Under Frequency Load Shedding study. This study is performed every five years, causing a decrease of \$100,000 from 2012. 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, the 2013 budget includes funding for vendor support in developing reduced dynamics models of the SERC region, an increase of \$60,000 from 2012.
- Office costs decreased by \$55,549 mainly due to pursuing the strategy to contract for necessary analytical tools.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2013 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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,581,890	\$ 1,581,890	\$ -	\$ 1,937,756	\$ 355,866
Penalty Sanctions	45,906	45,906	-	6,384	(39,522)
Total NERC Funding	\$ 1,627,796	\$ 1,627,796	\$ -	\$ 1,944,140	\$ 316,344
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,627,796	\$ 1,627,796	\$ -	\$ 1,944,140	\$ 316,344
Expenses					
Personnel Expenses					
Salaries	\$ 549,063	\$ 583,474	\$ 34,411	\$ 743,697	\$ 194,634
Payroll Taxes	49,416	49,598	182	44,622	(4,794)
Benefits	81,865	75,342	(6,523)	99,594	17,729
Retirement Costs	76,546	79,580	3,034	103,868	27,322
Total Personnel Expenses	\$ 756,890	\$ 787,994	\$ 31,104	\$ 991,781	\$ 234,891
Meeting Expenses					
Meetings	\$ 32,275	\$ 31,575	\$ (700)	\$ 32,285	\$ 10
Travel	32,311	24,749	(7,562)	30,667	(1,644)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 64,586	\$ 56,324	\$ (8,262)	\$ 62,952	\$ (1,634)
Operating Expenses					
Consultants & Contracts	\$ 231,800	\$ 191,800	\$ (40,000)	\$ 203,000	\$ (28,800)
Office Rent	-	-	-	-	-
Office Costs	57,980	1,946	(56,034)	2,431	(55,549)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 289,780	\$ 193,746	\$ (96,034)	\$ 205,431	\$ (84,349)
Total Direct Expenses	\$ 1,111,256	\$ 1,038,064	\$ (73,192)	\$ 1,260,164	\$ 148,908
Indirect Expenses	\$ 510,830	\$ 517,927	\$ 7,097	\$ 707,391	\$ 196,561
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,622,086	\$ 1,555,991	\$ (66,095)	\$ 1,967,555	\$ 345,469
Change in Assets	\$ 5,710	\$ 71,805	\$ 66,095	\$ (23,415)	\$ (29,125)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 5,710	\$ 6,102	\$ 392	(23,415)	(29,125)
Inc(Dec) in Fixed Assets (C)	\$ 5,710	\$ 6,102	\$ 392	\$ (23,415)	\$ (29,125)
TOTAL BUDGET (=B + C)	\$ 1,627,796	\$ 1,562,093	\$ (65,703)	\$ 1,944,140	\$ 316,344
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 65,703	\$ 65,703	\$ -	\$ -
FTEs	5.70	5.30	(0.40)	7.20	1.50

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.75	2.41	0.66
Direct Expenses	\$ 690,509	\$ 720,595	\$ 30,086
Indirect Expenses	\$ 156,834	\$ 236,779	\$ 79,945
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 1,753	\$ (7,837)	\$ (9,590)
Total Funding Requirement	\$ 849,096	\$ 949,537	\$ 100,441

Program Scope and Functional Description

A Training, Education, and Operator Certification function is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure Section 900. The SERC Training, Education, and Operator Certification 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 develops and administers records necessary to maintain status as a NERC Continuing Education provider.

2013 Key Assumption

- SERC will exploit opportunities for improvements in the coordination, content and manner of external training programs with NERC and other regions. SERC will pursue these improvements in training with minimal additional budgetary impact through better coordination and planning of training programs.

2013 Goals and Key Deliverables

- Maintenance of SERC's status as a NERC-certified Continuing Education Provider
- Delivery of 4 System Operator Conferences – Assure that real-time operating personnel have the competencies required to operate the BES with the highest degree of reliability.
- Delivery of 1 Wide Area Restoration Drill – Assure that restoration plans and real-time operating personnel have the resources and competencies required to recover the BES, and restore available resources and load to a stable interconnected operating state expeditiously after a major system Disturbance.
- Delivery of 1 Train-the-Trainer Workshop – Promote qualified SERC instructors capable of designing and developing effective learning activities based on the systematic approach to training.
- Expert training support to the ERO Training and Education Group, as needed, for example:
 - Compliance Auditor Training – Develop and deliver training to SERC staff and industry volunteers in the basic tenets of compliance auditing, effective use of auditor tools, and effective interviewing/information-gathering skills required for the successful performance of a compliance audit.
 - SERC Staff Training – Assist in SERC staff training as needed.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Workshop revenue decreased \$18,670 due to SERC has budgeted to hold three Compliance seminars in 2013, as compared to four in 2012.

Personnel Expenses

- SERC reduced the budgeted 2013 payroll taxes from 2012 as the amount budgeted historically has been high.
- SERC combined the Reliability Assessment and SAIS groups under the Director of Assessments. With this reorganization, the Director and Program Support Assistant that were allocated to the Training, Education and Operator Certification program were allocated over three programs rather than four, causing an increase in staffing. As part of the reorganization, a staff is now allocated equally between Training and SAIS.
- For budgeting purposes, the at-risk compensation has been adjusted to better reflect historical experience causing an additional budgeted increase in personnel costs for all SERC staff.

Meeting Expenses

- In 2012, the Compliance Seminars are budgeted to be held off-site. In 2013, they are budgeted to be held in the Charlotte office, causing meeting expense to decrease by \$83,635.

Operating Expenses

- Increase in Consultants and Contracts expense is due to a minimal increase for the presenter and computer equipment used for the System Operator Conferences, and the restoration drill.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2013 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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 570,332	\$ 570,332	\$ -	\$ 701,400	\$ 131,068
Penalty Sanctions	14,094	14,094		2,137	(11,957)
Total NERC Funding	\$ 584,426	\$ 584,426	\$ -	\$ 703,537	\$ 119,111
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	264,670	232,910	(31,760)	246,000	(18,670)
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 849,096	\$ 817,336	\$ (31,760)	\$ 949,537	\$ 100,441
Expenses					
Personnel Expenses					
Salaries	\$ 246,421	\$ 242,020	\$ (4,401)	\$ 334,005	\$ 87,584
Payroll Taxes	22,178	20,573	(1,605)	20,040	(2,138)
Benefits	21,388	18,319	(3,069)	26,612	5,224
Retirement Costs	33,160	32,943	(217)	41,864	8,704
Total Personnel Expenses	\$ 323,147	\$ 313,855	\$ (9,292)	\$ 422,521	\$ 99,374
Meeting Expenses					
Meetings	\$ 276,610	\$ 224,315	\$ (52,295)	\$ 192,975	\$ (83,635)
Travel	20,352	5,000	(15,352)	22,781	2,429
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 296,962	\$ 229,315	\$ (67,647)	\$ 215,756	\$ (81,206)
Operating Expenses					
Consultants & Contracts	\$ 70,400	\$ 69,400	\$ (1,000)	\$ 82,000	\$ 11,600
Office Rent	-	-	-	-	-
Office Costs	-	-	-	318	318
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 70,400	\$ 69,400	\$ (1,000)	\$ 82,318	\$ 11,918
Total Direct Expenses	\$ 690,509	\$ 612,570	\$ (77,939)	\$ 720,595	\$ 30,086
Indirect Expenses	\$ 156,834	\$ 161,241	\$ 4,407	\$ 236,779	\$ 79,945
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 847,343	\$ 773,811	\$ (73,532)	\$ 957,374	\$ 110,031
Change in Assets	\$ 1,753	\$ 43,525	\$ 41,772	\$ (7,837)	\$ (9,590)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 1,753	\$ 1,900	147	(7,837)	(9,590)
Inc(Dec) in Fixed Assets (C)	\$ 1,753	\$ 1,900	\$ 147	\$ (7,837)	\$ (9,590)
TOTAL BUDGET (=B + C)	\$ 849,096	\$ 775,711	\$ (73,385)	\$ 949,537	\$ 100,441
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 41,625	\$ 41,625	\$ -	\$ -
FTEs	1.75	1.65	(0.10)	2.41	0.66

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	5.75	3.75	(2.00)
Direct Expenses	\$ 1,064,373	\$ 694,007	\$ (370,366)
Indirect Expenses	\$ 515,311	\$ 368,433	\$ (146,878)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	5,760	(12,195)	(17,955)
Total Funding Requirement	\$ 1,585,444	\$ 1,050,245	\$ (535,199)

Program Scope and Functional Description

A Situation Awareness activity is required under the Delegation Agreement (Exhibit E) and NERC Rules of Procedure sections 1001 and 1002. An Event Analysis activity 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. Situation Awareness and Events Analysis activities are performed with the objective that conditions that impact or have the potential to impact reliable operations are recognized and understood. The SERC Situation Awareness and Infrastructure Security program will accomplish this by monitoring sources of information and maintaining communications with stakeholders, NERC, and other organizations. Mitigating reliability improvement initiatives are identified through the process of analyzing significant bulk electric system (BES) events and existing technical reliability guidance for risks and vulnerabilities that could recur elsewhere within the bulk power system (BPS).

2013 Key Assumptions

- It is anticipated that SERC will continue to have access to real-time tools without charge.
 - NERC will cease funding the IDC at the conclusion of its existing contract in May 2013 and will provide billing services to the IDC Users Group in a transitional basis, subject to FERC approval.
 - NERC will continue to review the appropriateness of continued funding of other reliability tools, with any proposed changes thereto subject to review and input from the Regional Entities, appropriate NERC committees and working groups, and other affected parties.
 - SAFNR will provide additional situational awareness capabilities at both NERC and Regional Entity levels. Significant additional resource investments are not anticipated to be necessary for the Regional Entities to utilize SAFNR. NERC will continue to fund SAFNR.
- The number of events requiring review and analysis are expected to increase but not materially impact resource requirements.

2013 Goals and Key Deliverables

Systematic monitoring and communicating –

- Possess the necessary tools to conduct duties on a daily basis.
- Emphasize to entities the necessity of following proper procedures, mechanisms, and communication protocols when reporting events.
- Establish and enhance the line of communication between the SERC staff and the SERC RCs to enable SERC staff to more effectively and efficiently communicate and respond to situations.

Rational analysis -

- Technically analyze and thoroughly understand the details of events reported under the ERO Events Analysis process.
- Publish a periodic report summarizing the number of events having occurred, a trend of the types of events occurring and improvement opportunities from the events analysis performed, and a pattern from trends.
- Develop evaluative criteria for monitoring vulnerabilities over time.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- SERC reduced the budgeted 2013 payroll taxes from 2012 as the amount budgeted historically has been high.
- SERC combined the Reliability Assessment and SAIS groups under the Director of Assessments. With this reorganization, the Director and Program Support Assistant were allocated to both programs. Additionally, as part of the reorganization, three (3) staff that have previously been recorded entirely to SAIS are now allocated equally between SAIS and another program, causing a net decrease in FTEs by 2.0.
- For budgeting purposes, the at-risk compensation has been adjusted to better reflect historical experience causing an additional budgeted increase in personnel costs for all SERC staff.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Consultants and contracts expense decreased by \$55,000 from the 2012 budget which included custom maps, hotline enhancements and technical expertise for events analysis.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2013 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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,543,162	\$ 1,543,162	\$ -	\$ 1,046,920	\$ (496,242)
Penalty Sanctions	42,282	42,282	-	3,325	(38,957)
Total NERC Funding	\$ 1,585,444	\$ 1,585,444	\$ -	\$ 1,050,245	\$ (535,199)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,585,444	\$ 1,585,444	\$ -	\$ 1,050,245	\$ (535,199)
Expenses					
Personnel Expenses					
Salaries	\$ 719,673	\$ 692,926	\$ (26,747)	\$ 500,945	\$ (218,728)
Payroll Taxes	64,771	58,902	(5,869)	30,057	(34,714)
Benefits	82,896	63,007	(19,889)	45,882	(37,014)
Retirement Costs	77,737	76,779	(958)	57,116	(20,621)
Total Personnel Expenses	\$ 945,077	\$ 891,614	\$ (53,463)	\$ 634,000	\$ (311,077)
Meeting Expenses					
Meetings	\$ 19,125	\$ 11,071	\$ (8,054)	\$ 16,575	\$ (2,550)
Travel	45,171	29,269	(15,902)	43,172	(1,999)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 64,296	\$ 40,340	\$ (23,956)	\$ 59,747	\$ (4,549)
Operating Expenses					
Consultants & Contracts	\$ 55,000	\$ 30,000	\$ (25,000)	\$ -	\$ (55,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	260	260
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 55,000	\$ 30,000	\$ (25,000)	\$ 260	\$ (54,740)
Total Direct Expenses	\$ 1,064,373	\$ 961,954	\$ (102,419)	\$ 694,007	\$ (370,366)
Indirect Expenses	\$ 515,311	\$ 503,268	\$ (12,043)	\$ 368,433	\$ (146,878)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,579,684	\$ 1,465,222	\$ (114,462)	\$ 1,062,440	\$ (517,244)
Change in Assets	\$ 5,760	\$ 120,222	\$ 114,462	\$ (12,195)	\$ (17,955)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 5,760	\$ 5,929	169	(12,195)	(17,955)
Inc(Dec) in Fixed Assets (C)	\$ 5,760	\$ 5,929	\$ 169	\$ (12,195)	\$ (17,955)
TOTAL BUDGET (=B + C)	\$ 1,585,444	\$ 1,471,151	\$ (114,293)	\$ 1,050,245	\$ (535,199)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 114,293	\$ 114,293	\$ -	\$ -
FTEs	5.75	5.15	(0.60)	3.75	(2.00)

Administrative Services

Administrative Services (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	16.75	19.93	3.18
Total Direct Expenses	\$ 5,113,822	\$ 5,661,266	\$ 547,444
Inc(Dec) in Fixed Assets	\$ 57,048	\$ (187,056)	\$ (244,104)
Less: Other Funding Sources	\$ (10,000)	\$ (10,000)	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 5,160,870	\$ 5,464,210	\$ 303,340
Funding Requirement for Working Capital	\$ -	\$ -	\$ -

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs have been allocated proportionately to the direct programs for 2013 based on the number of FTEs in those programs.

Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	2.75	4.93	2.18
Total Direct Expenses	\$ 638,787	\$ 1,020,640	\$ 381,853
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

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.

2013 Key Assumptions

- SERC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2013 with each committee maintaining a three-year work plan of committee activities
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.
 - The ES-ISAC will provide a secure, online, technology platform that allows and encourages asymmetric collaboration among registered entities on critical infrastructure protection issues. SERC will provide a private committee workspace for SERC members.
- NERC will levelize its demand on industry stakeholders through considered application of standards prioritization, accounting for the number and type of standards projects being actively worked on. Significant effort will be required on the part of SERC staff and the committees prior to the effective dates of reliability standards in education and outreach
 - Version 4 of the CIP standards will become effective in the latter portion of 2013
- The ERO will conduct a grid security conference (GridSeCon) in 2013 to share information and security practices among industry participants
- Selected SERC members will participate in the ERO-conducted grid security exercise (GridEx 2013) and will share experiences, observations, and lessons learned with the SERC membership.

2013 Goals and Key Deliverables

- Participation in the establishment of reliability standards
- Participation in the measurement of reliability performance relative to these reliability standards
- Promotion of conformance to and compliance with these reliability standards
- Development and exchange of information with respect to planning, operating, and critical infrastructure protection matters relating to the reliability, adequacy, and security of the BPS
- Review of practices within the region on reliability, adequacy, and security in order to meet reliability standards
- Performance of specific technical tasks to subcommittees and working groups
- Discussion and adoption of new technologies, issues, and operating practices that affect the reliable operation of the Bulk Electric System

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- SERC reduced the budgeted 2013 payroll taxes from 2012 as the amount budgeted historically has been high.
- SERC combined the Reliability Assessment and SAIS groups under the Director of Assessments. With this reorganization, the Director and Program Support Assistant that were allocated to the Technical Committees and Member Forums program were allocated over three programs rather than four, causing an increase in staffing. Additionally, as part of the reorganization, two (2) staff that have previously been recorded entirely to SAIS are now allocated equally between SAIS and Technical Committees, causing a net increase in FTEs by 2.18.
- For budgeting purposes, the at-risk compensation has been adjusted to better reflect historical experience causing an additional budgeted increase in personnel costs for all SERC staff.

Meeting Expenses

- There are no significant changes requiring an explanation.

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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget TECHNICAL COMMITTEES and MEMBER FORUMS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 426,271	\$ 421,893	\$ (4,378)	\$ 751,690	\$ 325,419
Payroll Taxes	38,364	35,863	(2,501)	45,101	6,737
Benefits	29,413	25,992	(3,421)	61,616	32,203
Retirement Costs	58,513	58,309	(204)	99,754	41,241
Total Personnel Expenses	<u>\$ 552,561</u>	<u>\$ 542,057</u>	<u>\$ (10,504)</u>	<u>\$ 958,161</u>	<u>\$ 405,600</u>
Meeting Expenses					
Meetings	\$ 34,008	\$ 28,658	\$ (5,350)	\$ 26,125	\$ (7,883)
Travel	41,283	26,747	(14,536)	34,849	(6,434)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 75,291</u>	<u>\$ 55,405</u>	<u>\$ (19,886)</u>	<u>\$ 60,974</u>	<u>\$ (14,317)</u>
Operating Expenses					
Consultants & Contracts	\$ 9,375	\$ 6,327	\$ (3,048)	\$ -	\$ (9,375)
Office Rent	-	-	-	-	-
Office Costs	1,560	1,322	(238)	1,505	(55)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 10,935</u>	<u>\$ 7,649</u>	<u>\$ (3,286)</u>	<u>\$ 1,505</u>	<u>\$ (9,430)</u>
Total Direct Expenses	<u>\$ 638,787</u>	<u>\$ 605,111</u>	<u>\$ (33,676)</u>	<u>\$ 1,020,640</u>	<u>\$ 381,853</u>
Indirect Expenses	<u>\$ (638,787)</u>	<u>\$ (605,111)</u>	<u>\$ 33,676</u>	<u>\$ (1,020,640)</u>	<u>\$ (381,853)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	2.75	2.75	0	4.93	2.18

General and Administrative

General and Administrative (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	14.00	15.00	1.00
Total Direct Expenses	\$ 3,486,910	\$ 3,781,902	\$ 294,992
Inc(Dec) in Fixed Assets	\$ 57,048	\$ (187,056)	\$ (244,104)
Working Capital Requirement	\$ -	\$ -	\$ -

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.

2013 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.

2013 Goals and Key Deliverables

- Pursue top quartile performance of all corporate support functions 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
- Improve coordination and efficiency of interactions between members/stakeholders and SERC staff

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

Personnel Expenses

- During 2012, an FTE was reclassified into the General and Administrative program.
- SERC reduced the budgeted 2013 payroll taxes from 2012 as the amount budgeted historically has been high.
- For budgeting purposes, the at-risk compensation has been adjusted to better reflect historical experience causing an additional budgeted increase in personnel costs for all SERC staff.
- 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 travel by \$10,024 due to additional off-site meetings.
- Decrease in conference calls expense by \$36,000. In 2012 in anticipation of an increase in web conferencing and an increase in staff, SERC increased its 2012 budget for Conference Calls expense. While SERC has seen an increase in remote participation, total costs have not increased because participants are using lower voice cost methods. As a result, SERC has reduced the 2013 budgeted amount.

Operating Expenses

- Office rent decreased by \$39,315. The new office space lease in effect has a lower per square foot price than originally budgeted in 2012. When the 2012 budget was developed, the final lease for additional office space was not signed.
- Office costs decreased by \$118,149. The 2012 budget included funds to purchase furniture and equipment to outfit the additional office space leased.
- Depreciation expense increased \$67,437 is due to an increase in the capital assets purchased in previous years now have a full year of depreciation.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2013 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

- Decrease in Computer and Software capital expenditures is due to the reliability portal development was budgeted in 2012.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
GENERAL and ADMINISTRATIVE					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ (1,705,725)	\$ (1,705,725)
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ (1,705,725)	\$ (1,705,725)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	5,056	5,056	-	-
Total Funding (A)	\$ -	\$ 5,056	\$ 5,056	\$ (1,705,725)	\$ (1,705,725)
Expenses					
Personnel Expenses					
Salaries	\$ 1,778,297	\$ 1,884,894	\$ 106,597	\$ 2,131,386	\$ 353,089
Payroll Taxes	160,047	160,225	178	127,883	(32,164)
Benefits	133,983	148,572	14,589	164,124	30,141
Retirement Costs	250,086	262,243	12,157	298,875	48,789
Total Personnel Expenses	\$ 2,322,413	\$ 2,455,934	\$ 133,521	\$ 2,722,268	\$ 399,855
Meeting Expenses					
Meetings	\$ 17,150	\$ 36,633	\$ 19,483	\$ 23,290	\$ 6,140
Travel	51,463	47,684	(3,779)	61,487	10,024
Conference Calls	96,000	61,663	(34,337)	60,000	(36,000)
Total Meeting Expenses	\$ 164,613	\$ 145,980	\$ (18,633)	\$ 144,777	\$ (19,836)
Operating Expenses					
Consultants & Contracts	\$ -	\$ 102,000	\$ 102,000	\$ -	\$ -
Office Rent	444,722	396,612	(48,110)	405,407	(39,315)
Office Costs	307,210	197,013	(110,197)	189,061	(118,149)
Professional Services	15,000	19,516	4,516	20,000	5,000
Miscellaneous	-	6,478	6,478	-	-
Depreciation	232,952	174,833	(58,119)	300,389	67,437
Total Operating Expenses	\$ 999,884	\$ 896,452	\$ (103,432)	\$ 914,857	\$ (85,027)
Total Direct Expenses	\$ 3,486,910	\$ 3,498,366	\$ 11,456	\$ 3,781,902	\$ 294,992
Indirect Expenses	\$ (3,486,910)	\$ (3,498,366)	\$ (11,456)	\$ (3,781,902)	\$ (294,992)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ (0)	\$ -	\$ -
Change in Assets	\$ -	\$ 5,056	\$ 5,056	\$ (1,705,725)	\$ (1,705,725)
Fixed Assets					
Depreciation	(232,952)	(232,952)	58,119	(300,389)	(67,437)
Computer & Software CapEx	290,000	290,000	-	113,333	(176,667)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (57,048)	\$ (57,048)	-	187,056	244,104
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ 58,119	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ 58,119	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 5,056	\$ (53,063)	\$ (1,705,725)	\$ (1,705,725)
FTEs	14.00	15.00	1.00	15.00	1.00

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 25,000	\$ 31,768	\$ 6,768
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

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 contracts and corporate documents as needed.

- 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 legal support for contested compliance actions, and other assistance as needed.
- Provide legal counsel as needed during compliance and enforcement proceedings.
- Interface with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Review all contracts and changes to personnel policies.
- Coordinate outside legal support.

2013 Key Assumptions

- Support enforcement action cycle time of twelve months or less
- The number of incoming violations will remain steady (less incoming for 693 and more incoming for CIP)
- No hearings are conducted

2013 Goals and Key Deliverables

- Work with Enforcement to support processing violations
- Support corporate legal needs

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

- There are no significant changes requiring an explanation.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2013 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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
LEGAL and REGULATORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions		\$ -		-	
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	1,768	1,768
Professional Services	25,000	33,516	8,516	30,000	5,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 25,000</u>	<u>\$ 33,516</u>	<u>\$ 8,516</u>	<u>\$ 31,768</u>	<u>\$ 6,768</u>
Total Direct Expenses	<u>\$ 25,000</u>	<u>\$ 33,516</u>	<u>\$ 8,516</u>	<u>\$ 31,768</u>	<u>\$ 6,768</u>
Indirect Expenses	<u>\$ (25,000)</u>	<u>\$ (33,516)</u>	<u>\$ (8,516)</u>	<u>\$ (31,768)</u>	<u>\$ (6,768)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	-	-

Information Technology

Information Technology (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 925,725	\$ 777,696	\$ (148,029)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

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, and Compliance Issues Tracking System (CITS))
- 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)

2013 Key Assumptions

- FRCC, NPCC and SERC will continue to work together on the Compliance Portal, enabling SERC to share the total costs of development.
- The ERO Project Management Office (PMO) will deliver necessary IT tools for key business processes, for which SERC will be expected to pay a pro-rata share.

2013 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

- Office costs are decreasing by \$150,609. Of this, approximately \$10,000 relates to a decrease 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 budgeted in 2012; approximately \$24,000 decrease for new equipment and printers; and approximately \$19,000 decrease in telephone costs.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2013 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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
INFORMATION TECHNOLOGY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ 630,200	\$ 569,631	\$ (60,569)	\$ 632,780	\$ 2,580
Office Rent	-	-	-	-	-
Office Costs	295,525	86,690	(208,835)	144,916	(150,609)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 925,725</u>	<u>\$ 656,321</u>	<u>\$ (269,404)</u>	<u>\$ 777,696</u>	<u>\$ (148,029)</u>
Total Direct Expenses	<u>\$ 925,725</u>	<u>\$ 656,321</u>	<u>\$ (269,404)</u>	<u>\$ 777,696</u>	<u>\$ (148,029)</u>
Indirect Expenses	<u>\$ (925,725)</u>	<u>\$ (656,321)</u>	<u>\$ 269,404</u>	<u>\$ (777,696)</u>	<u>\$ 148,029</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	-	-

Human Resources

Human Resources (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ -	\$ 10,360	\$ 10,360
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

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.

2013 Key Assumptions

- Provide competitive compensation and benefits.
- Average salary increase of 3%. This assumption is reflected in the salary expense budget for all program areas.
- Increased expectation for staff training.

2013 Goals and Key Deliverables

- Attract, develop and retain highly competent and motivated staff.
- Continuously review compensation and benefits in targeted classifications.
- Increase employee retention.
- Conduct employee climate survey.

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 Human Resources are included under the General and Administrative program.

Meeting Expenses

- There are no significant changes requiring an explanation.

Operating Expenses

- Professional services are increasing by \$10,000 in 2013 for employee recruitment.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2013 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.

Human Resources

Funding sources and related expenses for the human resources section of the 2013 business plan are shown in the table below

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
HUMAN RESOURCES					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	360	360
Professional Services	-	10,000	10,000	10,000	10,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,360</u>	<u>\$ 10,360</u>
Total Direct Expenses	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,360</u>	<u>\$ 10,360</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ (10,360)</u>	<u>\$ (10,360)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	-	-

Finance and Accounting

Accounting and Finance (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 37,400	\$ 38,900	\$ 1,500
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The objectives are to provide the financial and accounting services for SERC through:

- Providing payroll and expense administration.
- Preparing quarterly financial statements.
- Developing SERC's Business Plan and Budget.
- 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.

2013 Key Assumptions

- Current accounting systems and controls are adequate.
- No major changes in accounting regulations.

2013 Goals and Key Deliverables

- Prepare and review monthly, quarterly and annual financial statements.
- Exercise budgetary controls.
- Process payroll and expense reports.
- Maintain necessary internal controls.
- Continue improvements in the annual business planning process within SERC and the ERO.

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

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2013 based on the number of FTEs in those programs.

Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

Fixed Asset Additions

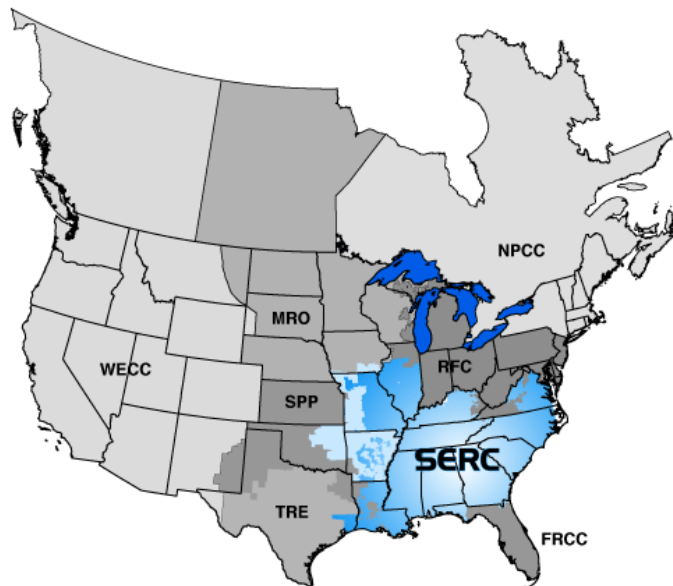
- There are no significant changes requiring an explanation.

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
FINANCE and ACCOUNTING					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	10,000	9,242	(758)	10,000	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 10,000</u>	<u>\$ 9,242</u>	<u>\$ (758)</u>	<u>\$ 10,000</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	8,000	10,992	2,992	8,000	-
Professional Services	29,400	32,737	3,337	30,900	1,500
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 37,400</u>	<u>\$ 43,729</u>	<u>\$ 6,329</u>	<u>\$ 38,900</u>	<u>\$ 1,500</u>
Total Direct Expenses	<u>\$ 37,400</u>	<u>\$ 43,729</u>	<u>\$ 6,329</u>	<u>\$ 38,900</u>	<u>\$ 1,500</u>
Indirect Expenses	<u>\$ (27,400)</u>	<u>\$ (34,487)</u>	<u>\$ (7,087)</u>	<u>\$ (28,900)</u>	<u>\$ (1,500)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 10,000</u>	<u>\$ 9,242</u>	<u>\$ (758)</u>	<u>\$ 10,000</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ 10,000</u>	<u>\$ 9,242</u>	<u>\$ (758)</u>	<u>\$ 10,000</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	-	-

Section B – Supplemental Financial Information 2013 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2012-2013

STATUTORY

Beginning Working Capital Reserve (Deficit), December 31, 2011	1,967,625
Plus: 2012 Funding (from LSEs or designees)	15,279,775
Plus: 2012 Other funding sources	362,208
Less: 2012 Projected expenses & capital expenditures	(14,708,364)
Projected Working Capital Reserve (Deficit), December 31, 2012	<u>2,901,244</u>
Desired Working Capital Reserve, December 31, 2013 ¹	1,195,519
Minus: Projected Working Capital Reserve, December 31, 2012	2,901,244
Increase(decrease) in funding requirement to achieve Working Capital Reserve	<u>(1,705,725)</u>
2013 Expenses and Capital Expenditures	15,907,603
Less: Penalty Sanctions ²	(51,000)
Less: Other Funding Sources	(321,000)
Adjustment to achieve desired Working Capital Reserve	(1,705,725)
2013 ERO Assessment	<u>13,829,878</u>

¹ 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.

² Represents collections on or prior to June 30, 2012.

Explanation of Changes in Reserve Policy from Prior Years

There has been no change in SERC's reserve policy. SERC's reserve policy states "up to" 10% of statutory operating costs. Since 2011 SERC has not seen the need to increase the reserve; hence, the reserve reported in the 2013 budget reflects the reserve calculated in the 2011 budget.

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 2013 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, 2012 are to be used to offset assessments in the 2013 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, 2012 through June 30, 2013 will be used to offset assessments in the 2014 Budget.

All penalties received prior to July 1, 2012 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 On or Prior to June 30, 2012	Date Received	Amount Received
Penalty payment 1	8/18/2011	\$ 7,500
Penalty payment 2	10/3/2011	5,000
Penalty payment 3	9/19/2011	2,000
Penalty payment 4	10/14/2011	5,000
Penalty payment 5	2/3/2012	12,000
Penalty payment 6	5/3/2012	7,500
Penalty payment 7	6/4/2012	12,000
Total Penalties Received		\$ 51,000

Table B-3 - Supplemental Funding

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget
Compliance Monitoring, Enforcement & Org. Registration				
Miscellaneous - CEA function in FRCC	\$ 25,000	\$ 115,000	\$ 15,000	\$ (10,000)
Miscellaneous - CEA function in SPP	15,000	-	50,000	35,000
Total	\$ 40,000	\$ 115,000	\$ 65,000	\$ 25,000
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	264,670	232,910	246,000	(18,670)
Total	\$ 264,670	\$ 232,910	\$ 246,000	\$ (18,670)
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 10,000	\$ 9,242	\$ 10,000	\$ -
Miscellaneous Income	\$ -	\$ 5,056	\$ -	\$ -
Total	\$ 10,000	\$ 14,298	\$ 10,000	\$ -
Total Outside Funding	\$ 314,670	\$ 362,208	\$ 321,000	\$ 6,330

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

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. The 2013 budgeted amount includes projected direct costs plus an appropriate allocation of SERC's General & Administrative costs, as required by the contracts with FRCC and SPP.

Workshop funding decreased by \$18,670 due to one less compliance seminar is being held.

Table B-4 - Personnel Expenses

Personnel Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Total Salaries	\$ 8,908,407	\$ 8,733,713	\$ 9,925,148	\$ 1,016,741	11.4%
Total Payroll Taxes	801,758	742,408	595,509	(206,249)	-25.7%
Total Benefits	895,883	808,407	916,100	20,217	2.3%
Total Retirement	1,207,456	1,175,980	1,353,524	146,068	12.1%
Total Personnel Costs	<u>\$ 11,813,504</u>	<u>\$ 11,460,508</u>	<u>\$ 12,790,281</u>	<u>\$ 976,777</u>	<u>8.3%</u>
FTEs	73.70	67.20	77.45	3.75	5.1%
Cost per FTE					
Salaries	\$ 120,874	\$ 129,966	\$ 128,149	7,275	6.0%
Payroll Taxes	10,879	11,048	7,689	(3,190)	-29.3%
Benefits	12,156	12,030	11,828	(328)	-2.7%
Retirement	16,383	17,500	17,476	1,093	6.7%
Total Cost per FTE	\$ 160,292	\$ 170,543	\$ 165,142	\$ 4,851	3.0%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

Salaries increased \$1,016,741 due to the addition of 3.75 employees compared to 2012 budget. During 2012, 2 FTEs were reclassified out of the Compliance Monitoring and Enforcement program into the Reliability Assessment and General and Administrative programs. In addition, the Compliance Monitoring and Enforcement program added 1.5 FTEs to support the BES exceptions and to provide for employee development and succession planning, for a net decrease of 0.5 FTEs. The Situation Awareness program added 0.75 FTE to provide for employee development and succession planning. The Reliability Assessment program added 2.5 FTEs, one as a reliability assessment engineer; an engineer to support the BES exceptions; and an entry level FTE to provide for employee development and succession planning. The General and Administrative program added an attorney to address additional compliance activities. The budget reflects an increase in salary for existing staff of 3.0%.

Payroll taxes decreased \$206,249 to be more consistent with historical actual.

Retirement costs increased by \$146,068 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 and Contracts	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	162,500	285,833	249,167	86,667	53%
Reliability Assessment and Performance Analysis	231,800	191,800	203,000	(28,800)	-12%
Training and Education	70,400	69,400	82,000	11,600	16%
Situation Awareness and Infrastructure Security					
Situation Awareness	55,000	30,000	-	(55,000)	
Critical Infrastructure Protection	-	-	-	-	
Total Situation Awareness and Infrastructure Security	55,000	30,000	-	(55,000)	-100%
Committee and Member Forums	9,375	6,327	-	(9,375)	-100%
General and Administrative	-	102,000	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	630,200	569,631	632,780	2,580	0%
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 1,159,275	\$ 1,254,991	\$ 1,166,947	\$ 7,672	1%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

Increase of \$86,667 in consultants and contracts in the Compliance Monitoring and Enforcement program is due to audit support in the Compliance CIP Program.

An decrease of \$28,800 in consultants in the Reliability Assessment program from the 2012 budget is due to the Resource Adequacy program, the ERAG Assessments, the Under Frequency Load Shedding study and the Dynamic Reduction Study. In 2013, SERC has budgeted \$60,000 to perform a resource adequacy study to take into account additional changes in input assumptions to support NERC performance analysis, an increase of \$5,000 from 2012. SERC has budgeted \$83,000 in relation to our NEL share of the Multiregional Model Working Group (MMWG)/Eastern Interconnection Reliability Assessment Group (ERAG) expenses, an increase of \$6,200 from 2012. The 2012 budget included funding to perform an Under Frequency Load Shedding study. This study is performed every five years, causing a decrease of \$100,000 from 2012. 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, the 2013 budget includes funding for vendor support in developing reduced dynamics models of the SERC region, an increase of \$60,000 from 2012.

A total decrease of \$55,000 in contracts in the Situation Awareness and Infrastructure Security program relates to a reduction of \$20,000 for the database design; \$10,000 for enhancements to the hotline; and \$25,000 for events analysis technical expertise.

Table B-6 – Office Rent

Rent	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Office Rent	\$ 444,722	\$ 396,612	\$ 405,407	\$ (39,315)	-8.84%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Total Office Rent	\$ 444,722	\$ 396,612	\$ 405,407	\$ (39,315)	-8.84%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

Office rent decreased by \$39,315. The new office space lease in effect has a lower per square foot price than originally budgeted in 2012. When the 2012 budget was developed, the final lease for additional office space was not signed.

Table B-7 – Office Costs

Office Costs	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Telephone	\$ 187,220	\$ 133,507	\$ 149,328	\$ (37,892)	-20.24%
Telephone Answering Srv	-	-	-	-	
Internet	7,020	5,500	7,380	360	5.13%
Office Supplies	133,330	47,754	33,930	(99,400)	-74.55%
Computer Supplies and Maintenance					
Computers	93,075	16,690	82,000	(11,075)	
Computer Supplies	57,250	-	43,800	(13,450)	-23.49%
Maintenance & Service Agreements	12,000	-	-	(12,000)	-100.00%
Software	161,700	60,000	11,100	(150,600)	-88.07%
Network Supplies	-	-	-	-	
Publications & Subscriptions	3,000	5,000	4,000	1,000	33.33%
Dues	2,500	3,394	4,771	2,271	90.84%
Postage	1,500	1,200	1,000	(500)	-33.33%
Express Shipping	3,000	2,078	3,500	500	16.67%
Copying	4,000	9,923	4,500	500	12.50%
Reports	-	-	-	-	
Stationary/Forms	-	-	-	-	
Equipment Repair/Service Contracts	9,280	8,355	8,243	(1,037)	-11.17%
Bank Charges	-	-	-	-	
Taxes	-	-	-	-	
Merchant Card Fees	8,000	10,992	8,000	-	0.00%
Total Office Costs	\$ 682,875	\$ 304,393	\$ 361,552	\$ (321,323)	-47.05%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

Telephone costs decreased by \$37,892 to be more consistent with historical actual.

Office supplies decreased by \$99,400 from 2012 because all office furnishings for the new space were expensed in 2011 and 2012.

The decrease in software of \$150,600 is due mainly to the 2012 budget included a Microsoft Office Sharepoint server to assist in the interaction with NERC systems and the other regions.

Table B-8 – Professional Services

Professional Services	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Candidate Search	\$ -	\$ 10,000	\$ 10,000	\$ 10,000	100.00%
Outside Legal	45,000	133,516	45,000	-	0.00%
Accounting & Auditing Fees	29,400	37,062	30,900	1,500	5.10%
Insurance Commercial	15,000	19,516	20,000	5,000	33.33%
Total Services	\$ 89,400	\$ 200,094	\$ 105,900	\$ 16,500	18.46%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

Candidate search includes the costs associated with recruiting.

Table B-9 – Other Non-operating Expenses

Other Non-Operating Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment		-		-	
Office Relocation	-	-	-	-	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	100.00%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

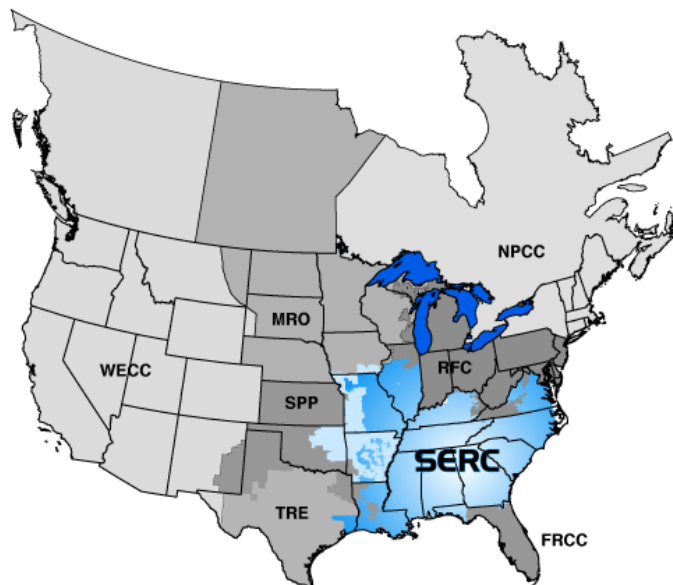
No significant variances.

Table B-10 – 2013 Budget with 2014-2015 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital								
2012 Budget & Projection, and 2013 Budget								
2012 Budget & Projected 2013 and 2014 Budgets								
	2013 Budget	2014 Projection	\$ Change 14 v 13	% Change 14 v 13	2015 Projection	\$ Change 15 v 14	% Change 15 v 14	
Funding								
ERO Funding								
NERC Assessments	\$ 15,535,603	\$ 16,428,320	\$ 892,717	5.75%	\$ 17,021,455	\$ 593,135	3.5%	
Penalty Sanctions	51,000	-	(51,000)	-100.00%	-	-		
Total NERC Funding	\$ 15,586,603	\$ 16,428,320	\$ 841,717	5.4%	\$ 17,021,455	\$ 593,135	3.5%	
Membership Dues	-	-	-		-	-		
Testing Fees	-	-	-		-	-		
Services & Software	-	-	-		-	-		
Workshops	246,000	246,000	-	0.00%	246,000	-	0.0%	
Interest	10,000	10,000	-	0.00%	10,000	-	0.0%	
Miscellaneous	65,000	100,000	35,000	53.85%	50,000	(50,000)	-50.0%	
Total Funding (A)	\$ 15,907,603	\$ 16,784,320	\$ 876,717	5.5%	\$ 17,327,455	\$ 543,135	3.2%	
Expenses								
Personnel Expenses								
Salaries	\$ 9,925,148	\$ 10,186,652	\$ 261,504	2.6%	\$ 10,482,034	\$ 295,382	2.9%	
Payroll Taxes	595,509	611,199	15,690	2.6%	628,922	17,723	2.9%	
Benefits	916,100	945,839	29,739	3.2%	946,759	920	0.1%	
Retirement Costs	1,353,524	1,395,449	41,925	3.1%	1,435,325	39,876	2.9%	
Total Personnel Expenses	\$ 12,790,281	\$ 13,139,139	\$ 348,858	2.7%	\$ 13,493,040	\$ 353,901	2.7%	
Meeting Expenses								
Meetings	\$ 309,160	\$ 318,435	\$ 9,275	3.0%	\$ 327,988	\$ 9,553	3.0%	
Travel	595,023	612,874	17,851	3.0%	631,260	18,386	3.0%	
Conference Calls	60,000	61,800	1,800	3.0%	63,654	1,854	3.0%	
Total Meeting Expenses	\$ 964,183	\$ 993,108	\$ 28,925	3.0%	\$ 1,022,902	\$ 29,793	3.0%	
Operating Expenses								
Consultants & Contracts	\$ 1,166,947	\$ 1,311,519	\$ 144,572	12.4%	\$ 1,418,977	\$ 107,457	8.2%	
Office Rent	405,407	417,569	12,162	3.0%	430,096	12,527	3.0%	
Office Costs	361,552	365,168	3,616	1.0%	376,123	10,955	3.0%	
Professional Services	105,900	106,959	1,059	1.0%	110,168	3,209	3.0%	
Miscellaneous	-	-	-		-	-		
Depreciation	300,389	275,429	(24,960)	-8.3%	288,075	12,647	4.6%	
Total Operating Expenses	\$ 2,340,195	\$ 2,476,644	\$ 136,449	5.8%	\$ 2,623,439	\$ 146,795	5.9%	
Total Direct Expenses	\$ 16,094,659	\$ 16,608,892	\$ 514,233	3.2%	\$ 17,139,380	\$ 530,488	3.2%	
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Total Expenses (B)	\$ 16,094,659	\$ 16,608,892	\$ 514,233	3.2%	\$ 17,139,380	\$ 530,488	3.2%	
Change in Assets	\$ (187,056)	\$ 175,429	\$ 362,485	-193.8%	\$ 188,075	\$ 12,647	7.2%	
Fixed Assets								
Depreciation	\$ (300,389)	\$ (275,429)	\$ 24,960	-8.3%	\$ (288,075)	\$ (12,647)	4.6%	
Computer & Software CapEx	113,333	100,000	(13,333)	-11.8%	100,000	-	0.0%	
Furniture & Fixtures CapEx	-	-	-		-	-		
Equipment CapEx	-	-	-		-	-		
Leasehold Improvements	-	-	-		-	-		
Allocation of Fixed Assets	-	-	-		-	-		
Inc(Dec) in Fixed Assets (C)	\$ (187,056)	\$ (175,429)	\$ 11,627	-6.2%	\$ (188,075)	\$ 12,647	0.0%	
TOTAL BUDGET (=B + C)	\$ 15,907,603	\$ 16,433,463	\$ 525,860	3.3%	\$ 16,951,305	\$ 530,488	3.2%	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 350,858	\$ 350,858	100.0%	\$ 376,151	25,293	7.2%	
FTEs	77.45	77.45	-	-	77.45	-	-	

Section C – Non-Statutory Activities

2013 Business Plan and Budget



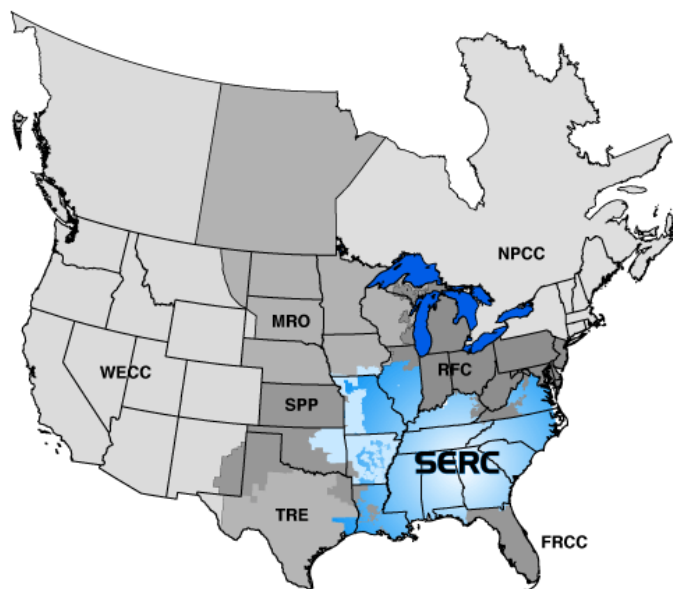
Section C — 2013 Non-Statutory Business Plan and Budget

Non-Statutory Activities (in whole dollars)			
	2012 Budget	2013 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

2013 Business Plan and Budget



Section D

2013 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

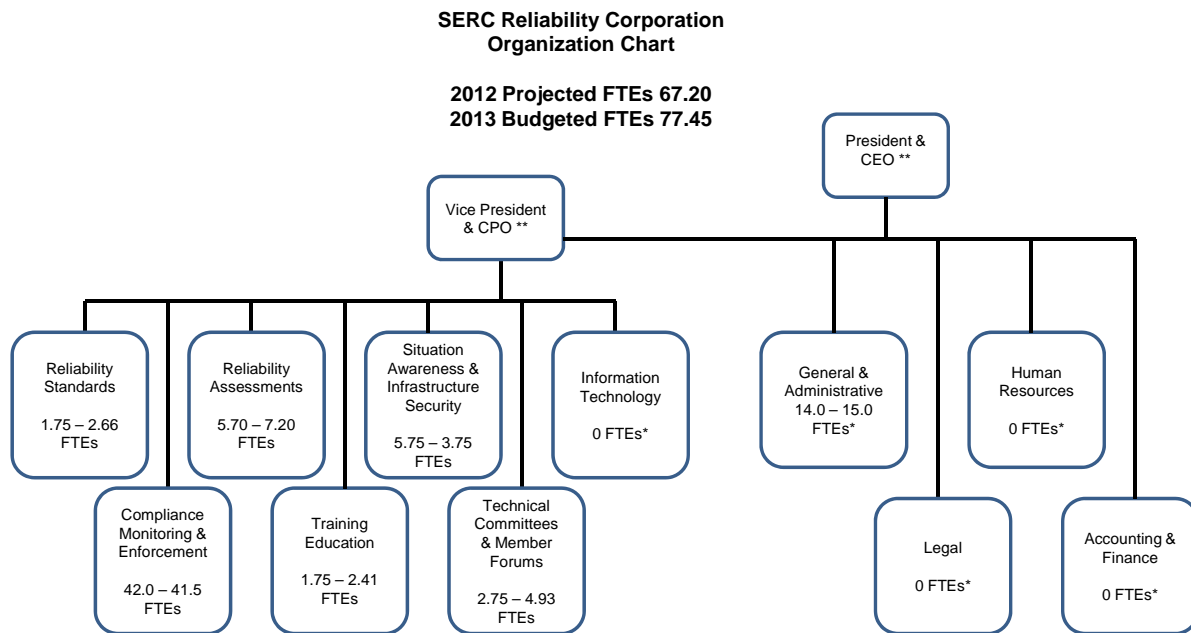
Statement of Activities and Capital Expenditures by Program 2012 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Activities											Non-Statutory Functions	
				Statutory Total	Reliability Standards (Section 800)	Compliance and Organization Registration and Certification (Section 400 & 500)	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																
NERC Assessments	13,725,553	13,725,553	-	13,725,553	698,880	11,150,647	1,937,756	701,400	1,046,920	-	(1,810,050)	-	-	-	-	-
Penalty Sanctions	51,000	51,000	-	51,000	2,358	36,796	6,384	2,137	3,325	-	-	-	-	-	-	-
Total NERC Funding	13,776,553	13,776,553	-	13,776,553	701,238	11,187,443	1,944,140	703,537	1,050,245	-	(1,810,050)	-	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	246,000	246,000	-	246,000	-	-	-	246,000	-	-	-	-	-	-	-	-
Interest	10,000	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-	10,000	-
Miscellaneous	65,000	65,000	-	65,000	-	65,000	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	14,097,553	14,097,553	-	14,097,553	701,238	11,252,443	1,944,140	949,537	1,050,245	-	(1,810,050)	-	-	-	10,000	-
Expenses																
Personnel Expenses																
Salaries	9,925,148	9,925,148	-	9,925,148	337,825	5,125,600	743,697	334,005	500,945	751,690	2,131,386	-	-	-	-	-
Payroll Taxes	595,509	595,509	-	595,509	20,270	307,536	44,622	20,040	30,057	45,101	127,883	-	-	-	-	-
Benefits	916,100	916,100	-	916,100	34,294	483,978	99,594	26,612	45,882	61,616	164,134	-	-	-	-	-
Retirement Costs	1,353,524	1,353,524	-	1,353,524	46,701	705,346	103,868	41,864	57,116	99,754	298,875	-	-	-	-	-
Total Personnel Expenses	12,790,281	12,790,281	-	12,790,281	438,090	6,622,460	991,781	422,521	634,000	958,161	2,722,268	-	-	-	-	-
Meeting Expenses																
Meetings	309,160	309,160	-	309,160	-	17,910	32,285	192,975	16,575	26,125	23,290	-	-	-	-	-
Travel	595,023	595,023	-	595,023	9,101	392,966	30,667	22,781	43,172	34,849	61,487	-	-	-	-	-
Conference Calls	60,000	60,000	-	60,000	-	-	-	-	-	-	60,000	-	-	-	-	-
Total Meeting Expenses	964,183	964,183	-	964,183	9,101	410,876	62,952	215,756	59,747	60,974	144,777	-	-	-	-	-
Operating Expenses																
Consultants & Contracts	1,166,947	1,166,947	-	1,166,947	-	249,167	203,000	82,000	-	-	-	-	632,780	-	-	-
Office Rent	405,407	405,407	-	405,407	-	-	-	-	-	-	405,407	-	-	-	-	-
Office Costs	361,552	361,552	-	361,552	355	12,578	2,431	318	260	1,505	189,061	1,768	144,916	360	8,000	-
Professional Services	105,900	105,900	-	105,900	-	15,000	-	-	-	-	20,000	30,000	-	10,000	30,900	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	300,389	300,389	-	300,389	-	-	-	-	-	-	300,389	-	-	-	-	-
Total Operating Expenses	2,340,195	2,340,195	-	2,340,195	355	276,745	205,431	82,318	260	1,505	914,857	31,768	777,696	10,360	38,900	-
Total Direct Expenses	16,094,659	16,094,659	-	16,094,659	448,546	7,310,081	1,260,164	720,595	694,007	1,020,640	3,781,902	31,768	777,696	10,360	38,900	-
Indirect Expenses																
	-	-	-	-	261,342	4,077,321	707,391	236,779	368,433	(1,020,640)	(3,781,902)	(31,768)	(777,696)	(10,360)	(28,900)	-
Other Non-Operating Expenses																
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	16,094,659	16,094,659	-	16,094,659	709,888	11,387,402	1,967,555	957,374	1,062,440	-	-	-	-	-	10,000	-
Change in Assets	(1,997,106)	(1,997,106)	-	(1,997,106)	(8,650)	(134,959)	(23,415)	(7,837)	(12,195)	-	(1,810,050)	-	-	-	-	-
Fixed Assets																
Depreciation	(300,389)	(300,389)	-	(300,389)	-	-	-	-	-	-	(300,389)	-	-	-	-	-
Computer & Software CapEx	113,333	113,333	-	113,333	-	-	-	-	-	-	113,333	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	(8,650)	(134,959)	(23,415)	(7,837)	(12,195)	-	187,056	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	(187,056)	(187,056)	-	(187,056)	(8,650)	(134,959)	(23,415)	(7,837)	(12,195)	-	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	15,907,603	15,907,603	-	15,907,603	701,238	11,252,443	1,944,140	949,537	1,050,245	-	-	-	-	-	10,000	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	13,910,497	13,910,497	-	(1,810,050)	-	-	-	-	-	-	(1,810,050)	-	-	-	-	-
FTEs	77.45	77.45	-	77.45	2.66	41.50	7.20	2.41	3.75	4.93	15.00	-	-	-	-	-

Statement of Financial Position

- As of December 31, 2011, per audit
- As of December 31, 2012, projected
- As of December 31, 2013, as budgeted

Statement of Financial Position 2009 Audited, 2010 Projection, and 2011 Budget			
STATUTORY			
	(Per Audit) 31-Dec-11	Projected 31-Dec-12	Budget 31-Dec-13
ASSETS			
Cash	3,847,806	20,776,376	22,451,638
Trade Accounts receivable, net of allowance for uncollectible accounts of \$0	47,962	47,962	47,962
Other Receivables	-	-	-
Prepaid expenses and other current assets	123,301	123,301	123,301
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	307,434	250,386	437,442
Total Assets	4,326,503	21,198,025	23,060,343
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	431,346	1,155,685	2,035,621
Deferred income	41,827	41,827	41,827
Deferred penalty income	434,500	51,000	
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	242,413	1,975,601	2,197,675
Accrued incentive compensation	901,358	3,064,013	3,523,932
Total Liabilities	2,051,444	6,288,126	7,799,055
Net Assets - unrestricted	2,275,059	2,876,999	984,218
Total Liabilities and Net Assets	4,326,503	9,165,125	8,783,273

Organizational Chart



*All FTEs for Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative
** Executive positions are recorded within General and Administrative

DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 8

SOUTHWEST POWER POOL REGIONAL ENTITY

PROPOSED 2013 BUSINESS PLAN AND BUDGET



2013 Business Plan and Budget

Southwest Power Pool Regional Entity

Approved by SPP Regional Entity Trustees

June 19, 2012

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2013 Budget	U.S.	Canada	Mexico
Statutory FTEs	34.50			
Non-statutory FTEs	-			
Total FTEs	34.50			
Statutory Expenses	\$ 11,514,818			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 11,514,818			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement Adjustment	\$ (1,989,744)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (1,989,744)			
Total Statutory Funding Requirement	\$ 9,525,074			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 9,525,074			
Statutory Funding Assessments	\$ 9,525,074	\$ 9,525,074		
Non-Statutory Fees	\$ -	\$ -		
NEL	218,273,305	218,273,305		
NEL%	100%	100%		

Organizational Overview

Southwest Power Pool, Inc. (SPP), founded in 1941 and based in Little Rock, Arkansas, is a nonprofit 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 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 to fulfill the functions and duties specified in the SPP Regional Delegation Agreement with NERC approved by FERC in 2008 and again in October 2010. 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 regional reliability standards, monitoring and enforcing registered entity compliance with reliability standards, and assessing and evaluating BPS reliability. SPP RE provides technical expertise and assistance to BPS owners, operators and users, in particular to the approximately 130 registered entities located within the SPP RE's footprint, an eight-state area that includes Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, and Texas.

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

Pursuant to the SPP bylaws, SPP RE is governed by three independent Regional Entity Trustees, who are not on the SPP Board and operate separately from the SPP 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 direct SPP RE Staff members have the authority to make compliance and enforcement decisions. SPP RE direct staff is independent of all BPS users, owners, and operators.

To avoid the appearance of any conflicts of interest, SPP RE has engaged SERC Reliability Corporation to serve as the compliance enforcement authority for SPP's registered functions in the SPP RE region.

SPP RE's governance, 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

2013 Key Assumptions

The key assumptions underlying the SPP RE 2013 Business Plan and Budget (BP&B) are consistent with ERO BP&B Assumptions as found in NERC's 2013 BP&B. The assumptions that are of particular importance to the SPP RE's 2013 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.
4. NERC and the Regional Entities will work collaboratively to identify additional ways to improve efficiency and leverage overall ERO resources.
5. Cyber and critical asset security will continue to be a priority in the United States, with significant oversight by applicable government authorities.
6. Through efficiency gains and limited additional resources, NERC and Regions will strive to achieve and maintain a 12-month total average processing time for alleged violations over the planning period.
7. It is assumed that a uniform BES definition will be implemented in the fourth quarter 2012 and it will result in increased workload for the Regions as they deal with exclusion requests in 2013.
8. Cost pressures may affect stakeholder resources available to participate in NERC and Regional Entity activities. NERC and the Regional Entities business plans, budgets, and resource requirements 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.

In addition to the above assumptions, which are shared among NERC and the Regional Entities, assumptions that are unique to 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.
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 SPP RE.

Key assumptions specific to individual programs are provided in Section A of this BP&B.

Goals and Key Deliverables

As part of the implementation of the Electric Reliability Organization Strategic Goals through 2015 (ERO Strategic Plan)¹, NERC and the Regional Entities developed a set of Common Assumptions² that are now used to guide budget resource projections for each regional entity and the ERO overall. In addition to the ERO Strategic Goals, the SPP RE Strategic Plan – 2012-2015³, which was developed in a collaborative manner, seeking input from RE staff, RTO staff,

¹[https://www.nerc.com/docs/bot/finance/2013%20NERC%20Business%20Plan%20and%20Budget/ERO%20Enterprise%20Strategic%20Plan%202012-2015%20FINAL%20\(02%202012\)%20\(2\).pdf](https://www.nerc.com/docs/bot/finance/2013%20NERC%20Business%20Plan%20and%20Budget/ERO%20Enterprise%20Strategic%20Plan%202012-2015%20FINAL%20(02%202012)%20(2).pdf)

² See NERC Business Plan and Budget, Appendix A

³ http://www.spp.org/publications/RE_Strategy_2012_2015%20Clean.pdf

stakeholders, RE Trustees, the SPP Board, and the SPP Strategic Planning Committee, also serves as a guide for SPP RE's planning processes and ongoing actions.

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.
- 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.
- Participate in NERC-sponsored ERO compliance auditor and enforcement staff training.

2013 Overview of Cost Impacts

The \$11.5 million operating budget reflects an approximate \$100 thousand increase or 0.9%. Due to a \$1.4 million or 14% budget under-run in 2011, funding assessments decreased by \$1.3 million or 13%, from \$9.85 million to \$8.53 million.

Although the total operating budget is virtually unchanged, the budget has been reallocated among the various programs. As shown in the table and chart that follow, the funding for the Reliability Assessments and Performance Analysis (RAPA) program has increased by \$1,117,499 compared to the 2012 budget. This increase in the RAPA program is primarily due to an additional Shared Staff FTE, the reassignment of a compliance program FTE to the RAPA program, the reassignment of \$300,000 in consulting costs related to the BES Definition and Exception Process from the compliance program to the RAPA program, and an increase in RAPA contractor and consulting costs. The additional Shared Staff FTE and contractor and consulting costs are needed to assist with the model validation associated with ERAG initiatives. The reassigned SPP RE Staff FTE will assist with the data management for GADS, DADS and other reliability data gathering requirements.

The increase in the RAPA program is offset by decreases in the Compliance Enforcement and Organization Registration (\$902,079), Reliability Standards (\$44,787), Training, Education and Operator Certification⁴ (\$34,412), and Situation Awareness and Infrastructure Security (\$32,043) programs.

⁴ 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.

Program	Budget 2012	Projection 2012	Budget 2013	Change 2013 Budget v 2012 Budget	% Change
Reliability Standards	436,428	343,656	391,641	(44,787)	-10.3%
Compliance Enforcement and Organization Registration	9,066,176	7,948,140	8,164,097	(902,079)	-9.9%
Reliability Assessments and Performance Analysis	1,488,717	1,879,892	2,606,216	1,117,499	75.1%
Training, Education and Operator Certification	252,003	224,429	217,591	(34,412)	-13.7%
Situation Awareness and Infrastructure Security	167,317	137,507	135,274	(32,043)	-19.2%
	11,410,641	10,533,624	11,514,818	104,177	0.9%
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
Total Funding	11,410,641	10,533,624	11,514,818	104,177	0.9%

As shown in the chart that follows, the net increase in budgeted FTEs is 1.0 and is the result of the additional Shared Staff FTE allocated to the RAPA program. Other changes in individual program FTEs are primarily due to: 1) the change in three 2012 mid-year hires to 2013 full-year FTEs, and 2) the reassignment of one of the 2012 compliance group mid-year hires to the RAPA program. The 0.25 decrease in Situation Awareness and Infrastructure Security (SAIS) reflects that Shared Staff is no longer performing SAIS activities, and these activities are being performed by SPP RE Staff.

Total FTEs by Program Area	Budget 2012	Projection 2012	Direct FTEs 2013 Budget	Shared FTEs ¹ 2013 Budget	Total FTEs 2013 Budget	Change from 2012 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.25	1.25	1.00	0.25	1.25	0.00
Compliance and Organization Registration and Certification	22.75	20.75	22.25	0.00	22.25	-0.50
Training and Education	1.00	1.00	1.00	0.00	1.00	0.00
Reliability Assessment and Performance Analysis	4.50	6.00	2.75	3.75	6.50	2.00
Situation Awareness and Infrastructure Security	0.50	0.25	0.25	0.00	0.25	-0.25
Total FTEs Operational Programs	30.00	29.25	27.25	4.00	31.25	1.25
Administrative Programs						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	3.50	3.25	3.25	0.00	3.25	-0.25
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	3.50	3.25	3.25	0.00	3.25	-0.25
Total FTEs	33.50	32.50	30.50	4.00	34.50	1.00

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

Compared to the 2012 budget, the net increase in direct expenses and the net decrease in SPP, Inc. indirect expenses are approximately \$210,000 and \$106,000, respectively. The increase in direct expenses is principally due to an increase in personnel costs, and the increase in personnel costs is due to the additional Shared Staff FTE, promotions, and a 2.5% budgeted merit increase.⁵ The decrease in SPP, Inc. indirect expenses is due to a reduction in the indirect expense rate.⁶ Additional information regarding the changes to the SPP RE operating budget is detailed in the Statutory Statement of Activities and Capital Expenditures table on the next page.

⁵ The actual SPP RE staff merit pay increases are annually set by the RE Trustees.

⁶ A table showing the derivation of the Indirect Expense Rate is presented in Section E.

2012 Budget and Projection and 2013 Budget Comparisons

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 9,851,646	\$ 9,851,646	\$ -	\$ 8,530,054	\$ (1,321,592)
Penalty Sanctions	200,920	200,920	-	995,020	794,100
Total SPP RE Funding	\$ 10,052,566	\$ 10,052,566	\$ -	\$ 9,525,074	\$ (527,492)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 10,052,566	\$ 10,052,566	\$ -	\$ 9,525,074	\$ (527,492)
Expenses					
Personnel Expenses					
Salaries	\$ 3,820,691	\$ 3,586,115	\$ (234,576)	\$ 4,072,621	\$ 251,930
Payroll Taxes	241,363	274,338	32,975	311,555	70,192
Benefits	236,154	297,140	60,986	312,164	76,010
Retirement Costs	156,334	143,445	(12,889)	162,905	6,571
Total Personnel Expenses	\$ 4,454,542	\$ 4,301,037	\$ (153,505)	\$ 4,859,245	\$ 404,703
Meeting Expenses					
Meetings	\$ 75,000	\$ 115,000	\$ 40,000	\$ 86,500	\$ 11,500
Travel	640,000	600,000	(40,000)	499,000	(141,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 715,000	\$ 715,000	\$ -	\$ 585,500	\$ (129,500)
Operating Expenses					
Consultants & Contracts	\$ 1,421,500	\$ 1,090,000	\$ (331,500)	\$ 1,383,150	\$ (38,350)
Office Rent	-	-	-	-	-
Office Costs	2,500	2,500	-	2,500	-
Professional Services	343,000	310,000	(33,000)	316,100	(26,900)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 1,767,000	\$ 1,402,500	\$ (364,500)	\$ 1,701,750	\$ (65,250)
Total Direct Expenses	\$ 6,936,542	\$ 6,418,537	\$ (518,005)	\$ 7,146,495	\$ 209,953
SPP Inc. Indirect Expenses	\$ 4,474,099	\$ 4,115,087	\$ (359,012)	\$ 4,368,323	\$ (105,776)
SPP RE Indirect Expenses ⁽¹⁾	-	-	-	-	-
Total Indirect Expenses	\$ 4,474,099	\$ 4,115,087	\$ (359,012)	\$ 4,368,323	\$ (105,776)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,410,641	\$ 10,533,624	\$ (877,017)	\$ 11,514,818	\$ 104,177
Change in Assets	\$ (1,358,075)	\$ (481,058)	\$ 877,017	\$ (1,989,744)	\$ (631,669)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-
TOTAL BUDGET (=B + C)	\$ 11,410,641	\$ 10,533,624	\$ (877,017)	\$ 11,514,818	\$ 104,177
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,358,075)	\$ (481,058)	\$ 877,017	\$ (1,989,744)	\$ (631,669)

(1) SPP RE Indirect Expenses which represent direct expenses for SPP RE Administrative Services, are included in direct expenses.

Section A – Statutory Programs

2013 Business Plan and Budget



Section A — 2013 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.25	1.25	-
Direct Expenses	\$ 215,000	\$ 187,264	\$ (27,736)
Indirect Expenses- SPP Inc.	\$ 166,944	\$ 158,273	\$ (8,671)
Indirect Expenses- SPP RE	\$ 54,484	\$ 46,105	\$ (8,379)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 436,428	\$ 391,641	\$ (44,787)

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 1.25 FTEs in this program area reflect the time spent by the Compliance Group staff members (0.75), the RE Outreach and Standards Coordinator (0.25 FTE), and SPP Shared Staff (0.25 FTE) on reliability standards development activities. Specifically, SPP RE Staff and SPP Shared Staff 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.

2013 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 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 all remaining regional fill-in-the-blank standards. If such an initiative is undertaken, SPP RE will amend its BP&B to appropriately reflect this change in assumptions.

2013 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;
- Complete the proposed revisions to SPP Regional Entity Standards Development Process Manual; and
- Participate and represent SPP region in NERC standard development activities that may have significant influence on the planning and business practices of the entities registered with SPP RE.

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 significant changes in personnel expenses for this program.

Meeting Expenses

- Meeting Expenses are expected to decrease by \$25,000 to better reflect actual 2011 results, and the UFLS regional standard drafting team's completion of its work on the proposed regional UFLS standard.

Operating Expenses

- There are no changes in operating expenses for this program, i.e., the budgeted amount remains at zero.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been decreased to reflect the reduction in 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

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2013 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget					
Reliability Standards					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 428,057	\$ 428,057	\$ -	\$ 351,841	\$ (76,216)
Penalty Sanctions	8,372	8,372	-	39,801	31,429
Total SPP RE Funding	\$ 436,428	\$ 436,429	\$ -	\$ 391,641	\$ (44,788)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 436,428	\$ 436,429	\$ -	\$ 391,641	\$ (44,788)
Expenses					
Personnel Expenses					
Salaries	\$ 158,652	\$ 114,428	\$ (44,224)	\$ 154,835	\$ (3,817)
Payroll Taxes	10,019	8,754	(1,265)	11,845	1,826
Benefits	9,856	9,390	(466)	9,390	(466)
Retirement Costs	6,473	4,577	(1,896)	6,193	(280)
Total Personnel Expenses	\$ 185,000	\$ 137,148	\$ (47,852)	\$ 182,264	\$ (2,736)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	30,000	5,000	(25,000)	5,000	(25,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 30,000	\$ 5,000	\$ (25,000)	\$ 5,000	\$ (25,000)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 215,000	\$ 142,148	\$ (72,852)	\$ 187,264	\$ (27,736)
SPP Inc. Indirect Expenses	\$ 166,944	\$ 158,273	\$ (8,671)	\$ 158,273	\$ (8,671)
SPP RE Indirect Expenses	54,484	43,235	(11,249)	46,105	(8,379)
Total Indirect Expenses	\$ 221,428	\$ 201,508	\$ (19,920)	\$ 204,378	\$ (17,050)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 436,428	\$ 343,656	\$ (92,772)	\$ 391,641	\$ (44,787)
Change in Assets	\$ -	\$ 92,773	\$ 92,772	\$ -	\$ -
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 436,428	\$ 343,656	\$ (92,772)	\$ 391,641	\$ (44,787)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 92,773	\$ 92,772	\$ -	\$ -
FTEs	1.25	1.25	0.00	1.25	0.00

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	22.75	22.25	(0.50)
Direct Expenses*	\$ 4,809,105	\$ 4,290,513	\$ (518,592)
Indirect Expenses- SPP Inc.	\$ 3,038,381	\$ 2,817,251	\$ (221,130)
Indirect Expenses- SPP RE	\$ 1,218,691	\$ 1,056,333	\$ (162,358)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 9,066,177	\$ 8,164,097	\$ (902,080)
* 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. There are approximately 130 registered entities with a combined total of approximately 400 registered functions located within the SPP RE's footprint. 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.

To avoid the appearance of any conflicts of interest, SPP RE has engaged SERC Reliability Corporation to serve as the compliance enforcement authority for SPP's registered functions in the SPP RE region. In accordance with the terms of the agreement between SERC and SPP, SPP RE has included \$50,000 in its budget to compensate SERC for performing the CMEP activities for SPP's registered functions in the SPP RE region.

SPP RE CMEP is organized 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 CIP technical feasibility exception requests (TFEs), periodic data submittals and self-reports made by entities registered in the SPP RE footprint, 3) participating in SPP RE workshops and webinars, and 4) participating in various SPP and NERC working groups. The Compliance Groups also make the initial determination of whether a registered entity is non-compliant with a reliability standard.

A total of 10.75 FTEs are budgeted for the Compliance Groups, and include: the Executive Director of Compliance, five Compliance Monitoring positions, five CIP audit positions, and the allocation of 0.5 FTE to recognize the CMEP activities performed by the Compliance Coordinator. To recognize that staff members assigned to the Compliance Groups are also responsible for participating and representing SPP RE in NERC standard development activities, a 0.75 FTE assigned to the Compliance Groups has been reallocated to the Reliability Standards program.

In addition to the SPP RE Staff, SPP RE uses consultants to assist the SPP RE with traditional (693) and CIP audits. On average, two consultants participate on each SPP RE onsite 693 and CIP audit team and one consultant participates on SPP's offsite 693 audit team and CIP field tests audit team. SPP RE has included \$550,000 in its budget for compliance consulting costs.

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 possible 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, 3) reviewing, accepting, and verifying completion of mitigation plans, 4) participating in settlement negotiations, 5) participating in hearings of contested violations, as necessary, and 6) participating in various SPP and NERC working groups and SPP RE workshops.

A total of 11.50 FTEs are budgeted for this group, and includes: the Manager of Enforcement, five enforcement attorneys, one mitigation plan analyst, one mitigation plan engineer, one paralegal, and four part-time law clerks (an equivalent of 2.5 FTEs).

In addition to the SPP RE Staff, SPP RE uses consultants to assist SPP RE with reviewing, accepting, verifying completion of mitigation plans, and processing possible violations. SPP RE has included \$160,000 in its budget for compliance consulting costs.

2013 Key Assumptions

The assumptions for this program are consistent with those contained in ERO BP&B Assumptions. 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 compliance enforcement authority (CEA) workshops and monthly auditor calls will occur to provide auditors and enforcement staff with updates on compliance and enforcement policies, actions, and requirements in order to promote consistency of audit practices and procedures. SPP RE will continue to engage a contractor to provide training in the application of generally acceptable auditing standards. 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. SPP RE has provided time for staff to maintain industry certifications, such as NERC System Operator Certification and Critical Infrastructure Protection (CIP) certifications, etc.

Given these key assumptions and based on actual 2011 resource requirements, SPP RE believes the resources assigned to this program area are adequate to achieve the goals and deliverables detailed below.

2013 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 2013 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 and Penalties and Sanctions (NAVAPS) 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;
- Serve as SPP RE liaisons to SPP working groups and attend approximately 30 SPP working group meetings in 2013; 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

Personnel Expenses are expected to increase by \$21,908, which reflects decreases of \$57,814 and \$4,965 in salaries and retirement costs, respectively, and increases of \$34,037 and 50,650 in payroll taxes and benefits, respectively. The decrease in salaries is primarily due to the reassignment of the 2012 mid-year CIP hire, a position that is currently unfilled, to the RAPA group. The reassignment of this position was made possible by an increase in the operational efficiency of the CIP group. The reduction in salaries is also due to the allocation of a partial (0.75) FTE from the compliance program to the reliability standards program to reflect time spent by compliance staff monitoring reliability standards that are being developed by NERC. These reductions in salaries were partially offset by staff promotions, the budgeted merit pay increase, and recognition of fully annualized salaries for the three 2012 mid-year hires. The increase in payroll taxes and decrease in retirement costs are due to changes in the rates used to estimate these costs, and the increase in benefits costs is due primarily to an increase in reimbursement costs incurred by employees to obtain and maintain their job-related professional certifications and licenses.

Consistent with prior SPP RE BP&Bs, 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 program.

Meeting Expenses

- The \$68,500 decrease in the Meeting Expenses for this program results from a reduction in traveling expenses to reflect a proper balance between actual 2011 results and expected 2013 expenses.

Operating Expenses

- The net change in Consultant and Contract Expenses is a decrease of \$472,000 or 35%. \$300,000 of the decrease reflects the reassignment of the BES definition/exception process from the compliance group to the RAPA group. Also, because SPP RE achieved its goal of a one-year caseload in 2011, SPP RE eliminated \$300,000 in contractor costs associated with its initiative to reduce the number of open enforcement violations. This reduction was partially offset by an increase in on-going enforcement contractor costs.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been decreased to reflect a reduction in the fixed rate and 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

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 2013 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget Compliance and Organization Registration and Certification					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 8,913,812	\$ 8,913,812	\$ -	\$ 7,455,643	\$ (1,458,169)
Penalty Sanctions	152,364	152,364	-	708,454	556,090
Total SPP RE Funding	\$ 9,066,176	\$ 9,066,176	\$ -	\$ 8,164,097	\$ (902,079)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 9,066,176	\$ 9,066,176	\$ -	\$ 8,164,097	\$ (902,079)
Expenses					
Personnel Expenses					
Salaries	\$ 2,652,414	\$ 2,242,748	\$ (409,666)	\$ 2,594,600	\$ (57,814)
Payroll Taxes	164,450	171,570	7,120	198,487	34,037
Benefits	156,492	195,874	39,382	207,142	50,650
Retirement Costs	108,749	89,710	(19,039)	103,784	(4,965)
Total Personnel Expenses	\$ 3,082,105	\$ 2,699,902	\$ (382,203)	\$ 3,104,013	\$ 21,908
Meeting Expenses					
Meetings	\$ -	\$ 5,000	\$ 5,000	\$ 6,500	\$ 6,500
Travel	385,000	430,000	45,000	310,000	(75,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 385,000	\$ 435,000	\$ 50,000	\$ 316,500	\$ (68,500)
Operating Expenses					
Consultants & Contracts	\$ 1,342,000	\$ 945,000	\$ (397,000)	\$ 870,000	\$ (472,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 1,342,000	\$ 945,000	\$ (397,000)	\$ 870,000	\$ (472,000)
Total Direct Expenses	\$ 4,809,105	\$ 4,079,902	\$ (729,203)	\$ 4,290,513	\$ (518,592)
SPP Inc. Indirect Expenses	\$ 3,038,381	\$ 2,627,324	\$ (411,057)	\$ 2,817,251	\$ (221,130)
SPP RE Indirect Expenses	1,218,691	1,240,914	22,223	1,056,333	(162,358)
Total Indirect Expenses	\$ 4,257,072	\$ 3,868,238	\$ (388,834)	\$ 3,873,584	\$ (383,488)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 9,066,177	\$ 7,948,140	\$ (1,118,037)	\$ 8,164,097	\$ (902,080)
Change in Assets	\$ -	\$ 1,118,036	\$ 1,118,037	\$ -	\$ -
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 9,066,177	\$ 7,948,140	\$ (1,118,037)	\$ 8,164,097	\$ (902,080)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 1,118,036	\$ 1,118,037	\$ -	\$ -
FTEs	22.75	20.75	(2.00)	22.25	(0.50)

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	4.50	6.50	2.00
Direct Expenses	\$ 708,242	\$ 1,430,906	\$ 722,664
Indirect Expenses- SPP Inc.	\$ 600,998	\$ 823,017	\$ 222,019
Indirect Expenses- SPP RE	\$ 179,478	\$ 352,292	\$ 172,814
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 1,488,718	\$ 2,606,216	\$ 1,117,498

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. 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 (LTRA) 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.

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. 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.

2013 Key Assumptions

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:

- 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; and
- The number of events requiring review and analysis are expected to increase.

2013 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;
- Perform a Probabilistic Assessment in support of the LTRA;
- 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);
- Participate in NERC's model validation efforts;
- 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:
 - Event Analysis Working Group (EAWG) which will become the Event Analysis Subcommittee (EAS))
 - Reliability Assessment Database Working Group (RADWG)
 - Reliability Assessment Subcommittee (RAS)
 - Performance Analysis Subcommittee (PAS)
 - Generator Availability Data System Working Group (GADSWG)

- Transmission Availability Data System Working Group (TADSWG)
- Demand Response Availability Data System Working Group (DADSWG)

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

- Personnel Expenses for this program increased by \$291,515 as a result of increase of 2.0 FTEs coupled with the budgeted merit pay increases for existing employees. The 2.00 increase in RAPA program FTEs is due to the addition of a Shared Staff FTE and the reassignment of the 2012 mid-year CIP hire from the CMEP program to the RAPA program. The additional Shared Staff FTE will assist with the model validation associated with ERAG initiatives, and the reassigned SPP RE Staff FTE will assist with the data management for GADS, DADS and other reliability data gathering requirements. Consistent with SPP RE's 2012 BP&B, the time spent by the FTEs assigned to this program performing Situation Awareness and Infrastructure Security (SAIS) Program activities, (0.25 FTEs), is allocated to the SAIS program.

Meeting Expenses

- Meeting Expenses, specifically budgeted travel expenses, are expected to decrease by \$7,000 which were reduced to reflect a proper balance between actual 2011 results and expected 2013 expenses.

Operating Expenses

- Operating Expenses, specifically budgeted consultant expenses, are expected to increase by \$438,150 due to the reassignment of \$300,000 in consulting costs related to the BES definition/exception process from the CMEP program to the RAPA program and the additional contractor costs associated with the ERAG model validation initiative.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been increased due to the increase in FTEs. This increase was partially offset by a reduction in the 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

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2013 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2012 Budget & Projection, and 2013 Budget					
Reliability Assessment and Performance Analysis					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 1,458,579	\$ 1,458,579	\$ -	\$ 2,399,251	\$ 940,672
Penalty Sanctions	30,138	30,138	-	206,964	176,826
Total SPP RE Funding	\$ 1,488,717	\$ 1,488,717	\$ -	\$ 2,606,216	\$ 1,117,499
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,488,717	\$ 1,488,717	\$ -	\$ 2,606,216	\$ 1,117,499
Expenses					
Personnel Expenses					
Salaries	\$ 446,633	\$ 524,733	\$ 78,100	\$ 692,278	\$ 245,645
Payroll Taxes	31,989	40,142	8,153	52,959	20,970
Benefits	36,589	48,072	11,483	51,828	15,239
Retirement Costs	18,030	20,989	2,959	27,691	9,661
Total Personnel Expenses	\$ 533,242	\$ 633,936	\$ 100,695	\$ 824,756	\$ 291,515
Meeting Expenses					
Meetings	\$ -	\$ 25,000	\$ 25,000	\$ -	\$ -
Travel	115,000	70,000	(45,000)	108,000	(7,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 115,000	\$ 95,000	\$ (20,000)	\$ 108,000	\$ (7,000)
Operating Expenses					
Consultants & Contracts	\$ 60,000	\$ 130,000	\$ 70,000	\$ 498,150	\$ 438,150
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 60,000	\$ 130,000	\$ 70,000	\$ 498,150	\$ 438,150
Total Direct Expenses	\$ 708,242	\$ 858,936	\$ 150,695	\$ 1,430,906	\$ 722,665
SPP Inc. Indirect Expenses	\$ 600,998	\$ 759,708	\$ 158,710	\$ 823,017	\$ 222,019
SPP RE Indirect Expenses	179,478	261,248	81,770	352,292	172,814
Total Indirect Expenses	\$ 780,476	\$ 1,020,956	\$ 240,480	\$ 1,175,309	\$ 394,833
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,488,717	\$ 1,879,892	\$ 391,175	\$ 2,606,216	\$ 1,117,499
Change in Assets	\$ -	\$ (391,175)	\$ (391,175)	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 1,488,717	\$ 1,879,892	\$ 391,175	\$ 2,606,216	\$ 1,117,499
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (391,175)	\$ (391,175)	\$ -	\$ -
FTEs	4.50	6.00	1.50	6.50	2.00

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	-
Direct Expenses*	\$ 94,500	\$ 73,000	\$ (21,500)
Indirect Expenses- SPP Inc.	\$ 133,555	\$ 126,618	\$ (6,937)
Indirect Expenses- SPP RE	\$ 23,948	\$ 17,973	\$ (5,975)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 252,003	\$ 217,591	\$ (34,412)
* 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 1.0 FTE in this program area represents the time spent by the RE Outreach and Standards Coordinator (0.75 FTE) and the Compliance Program Coordinator (0.25 FTE). These SPP 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.

2013 Key Assumptions

SPP RE will continue to conduct outreach activities designed to increase the reliability of the bulk power system located in the SPP RE region. Specific training areas targeted for 2013 include: Lessons Learned, Effective Compliance Cultures, Critical Infrastructure Protection, Self Reports & Self Certifications, Currently Monitored Standards, and an Online “The Basics” Video Series.

2013 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;

- Host a minimum of twelve compliance webinars; and
- Create and maintain an online video series designed to assist registered entity staff new to compliance program with basic information about the ERO enforceable compliance program, including standards development, compliance audits, and mitigation plans.

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 SPP RE's prior BP&Bs 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 program.

Meeting Expenses

- Meeting Expenses are expected to decrease by \$7,000 due to the reduction in budgeted travel costs and an increase in meeting costs. Travel costs were reduced to reflect a proper balance between actual 2011 costs and expected 2013 expenses, and meeting costs were increased to reflect the trend in increased participation at SPP RE workshops.

Operating Expenses

- Operating Expenses for this program decreased by \$14,500 due to the elimination of the budgeted consulting costs which were included in the 2012 budget in anticipation that contractor would be used to assist SPP RE Staff with the compliance workshops. The reduction in consulting costs was partially offset by an increase in professional service fees associated with the creation and maintenance of the online video series.

Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed rate per hour per FTE. The decrease in the SPP, Inc. Indirect Expenses are the result of the reduced 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 2013 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2012 Budget & Projection, and 2013 Budget					
Training and Education					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 245,305	\$ 245,305	\$ -	\$ 185,750	\$ (59,555)
Penalty Sanctions	6,697	6,697	-	31,841	25,144
Total SPP RE Funding	\$ 252,003	\$ 252,002	\$ -	\$ 217,591	\$ (34,411)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 252,003	\$ 252,002	\$ -	\$ 217,591	\$ (34,411)
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ 50,000	\$ 60,000	\$ 10,000	\$ 55,000	\$ 5,000
Travel	25,000	15,000	(10,000)	13,000	(12,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 75,000	\$ 75,000	\$ -	\$ 68,000	\$ (7,000)
Operating Expenses					
Consultants & Contracts	\$ 19,500	\$ -	\$ (19,500)	\$ -	\$ (19,500)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	5,000	5,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 19,500	\$ -	\$ (19,500)	\$ 5,000	\$ (14,500)
Total Direct Expenses	\$ 94,500	\$ 75,000	\$ (19,500)	\$ 73,000	\$ (21,500)
SPP Inc. Indirect Expenses	\$ 133,555	\$ 126,618		\$ 126,618	\$ (6,937)
SPP RE Indirect Expenses	23,948	22,811		17,973	(5,975)
Total Indirect Expenses	\$ 157,503	\$ 149,429	\$ (8,074)	\$ 144,591	\$ (12,912)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 252,003	\$ 224,429	\$ (27,574)	\$ 217,591	\$ (34,412)
Change in Assets	\$ -	\$ 27,573	\$ 27,574	\$ -	\$ -
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 252,003	\$ 224,429	\$ (27,574)	\$ 217,591	\$ (34,412)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 27,573	\$ 27,574	\$ 0	\$ 1
FTEs	1.00	1.00	-	1.00	-

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	0.50	0.25	(0.25)
Direct Expenses	\$ 80,211	\$ 83,147	\$ 2,936
Indirect Expenses- SPP Inc.	\$ 66,778	\$ 31,655	\$ (35,123)
Indirect Expenses- SPP RE	\$ 20,327	\$ 20,471	\$ 144
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 167,316	\$ 135,274	\$ (32,042)

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.

2013 Key Assumptions

In addition to the assumptions that are shared among NERC and the Regional Entities, SPP RE expects the continued support of the SPP CIPWG, and continued support for CIPC participation from designated SPP member representatives.

2013 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 decrease by 0.25 FTEs for this program. The decrease reflects the elimination of SPP Shared Staff billed hours and recognizes that SAIS activities are performed by SPP RE direct staff assigned to RAPA. The \$12,935 increase in Personnel Expenses is the result of a calculation error in the 2012 BP&B. The decrease in benefit cost is due to change in the method used to estimate this cost. For the 2012 budget, the costs were estimated to be approximately 6% of salaries; and for the 2013 budget, the costs were estimated based on a fixed dollar amount per FTE plus the expected reimbursement of cost incurred by employees to obtain and maintain their job-related professional certifications and licenses.

Meeting Expenses

- Meeting Expenses, specifically travel expenses, are budgeted at \$0 (a decrease of \$10,000 from the 2012 budget) to reflect the actual amount expended (\$0) in 2011. The reimbursement of the member representatives for meeting expenses incurred while performing CIPC responsibilities are included as consultant costs in the Administrative and General functional area.

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 SPP RE, are based on a fixed rate per hour per FTE. The decrease in the SPP, Inc. Indirect Expenses is due to reduced fixed rate.
- The 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 2013 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2012 Budget & Projection, and 2013 Budget					
Situation Awareness and Infrastructure Security					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 163,968	\$ 163,968	\$ -	\$ 127,313	\$ (36,655)
Penalty Sanctions	3,349	3,349	-	7,960	4,611
Total SPP RE Funding	\$ 167,317	\$ 167,317	\$ -	\$ 135,274	\$ (32,043)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 167,317	\$ 167,317	\$ -	\$ 135,274	\$ (32,043)
Expenses					
Personnel Expenses					
Salaries	\$ 60,424	\$ 71,014	\$ 10,590	\$ 72,790	\$ 12,366
Payroll Taxes	3,746	5,433	1,687	5,568	1,822
Benefits	3,565	1,878	(1,687)	1,878	(1,687)
Retirement Costs	2,477	2,841	364	2,912	435
Total Personnel Expenses	\$ 70,211	\$ 81,165	\$ 10,953	\$ 83,147	\$ 12,935
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	10,000	-	(10,000)	-	(10,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 10,000	\$ -	\$ (10,000)	\$ -	\$ (10,000)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 80,211	\$ 81,165	\$ 953	\$ 83,147	\$ 2,935
SPP Inc. Indirect Expenses	\$ 66,778	\$ 31,655		\$ 31,655	\$ (35,123)
SPP RE Indirect Expenses	20,327	24,687		20,471	144
Total Indirect Expenses	\$ 87,105	\$ 56,342	\$ (30,763)	\$ 52,126	\$ (34,979)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 167,316	\$ 137,507	\$ (29,809)	\$ 135,274	\$ (32,042)
Change in Assets	\$ -	\$ 29,810	\$ 29,809	\$ -	\$ (2)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 167,316	\$ 137,507	\$ (29,809)	\$ 135,274	\$ (32,042)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 1	\$ 29,810	\$ 29,809	\$ -	\$ (1)
FTEs	0.50	0.25	(0.25)	0.25	(0.25)

Administrative Services

Administrative Services (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	3.50	3.25	(0.25)
Total Direct Expenses	\$ 1,496,927	\$ 1,493,173	\$ (3,754)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 1,496,927	\$ 1,493,173	\$ (3,754)
Funding Requirement for Working Capital Requirement	\$ (1,358,075)	\$ (1,989,744)	\$ (631,669)

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 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 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 in the entire SPP organization. The indirect expense rate is then multiplied by each hour directly charged to 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 Committees and Member Forums (in whole dollars)			
	2012 Budget	2013 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 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.

2013 Key Assumptions

- SPP RE liaisons to SPP working groups attend approximately 30 SPP working group meetings in 2013.

2013 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)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	3.50	3.25	(0.25)
Expenses	\$ 1,346,927	\$ 1,343,173	\$ (3,754)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (1,358,075)	\$ (1,989,744)	\$ (631,669)

Program Scope and Functional Description

The General and Administrative function consists of the RE General Manager, the RE Manager of Finance and Process Improvement, RE Administrative Assistant and Compliance Coordinator (0.25 FTE is allocated to CMEP program and 0.25 FTE is allocated to Training, Education, and Operator Certification program), 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.

2013 Key Assumptions

- SPP RE continues to operate as an independent and functionally separate division of SPP

2013 Goals and Key Deliverables

- Ensure that SPP RE fulfills the responsibilities of the Regional Delegation Agreement between SPP and NERC;
- Ensure that SPP RE is adequately staffed and has the resources needed to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC; and

- Continue to explore opportunities to enhance the effectiveness and efficiency of 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

- Personnel Expenses in this program area are expected to increase by approximately \$81,000 as a result of pay increases. To better reflect the work performed by the Compliance Coordinator, 0.50 and 0.25 FTEs were allocated to CMEP and Training program areas, respectively.

Meeting Expenses

- Meeting Expenses, specifically travel expenses, are expected to decrease by \$12,000 to reflect an appropriate balance between actual 2011 costs and expected 2013 costs.

Operating Expenses

- Operating Expenses are expected to decrease by \$16,900 due primarily to the elimination of professional fees associated with recruiter services. The reduction in professional fees were partially offset by an increase in consulting costs due to the reclassification of travel reimbursement fees to NERC committee representatives from the SAIS program to consulting costs in the G&A function.

Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to SPP RE based on a fixed rate per hour per FTE. The decrease in the SPP, Inc. Indirect Expenses is due to the lower fixed rate and 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 2013 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget					
General and Administrative					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ (1,358,075)	\$ (1,358,075)	\$ -	\$ (1,989,744)	\$ (631,669)
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	<u>\$ (1,358,075)</u>	<u>\$ (1,358,075)</u>	<u>\$ -</u>	<u>\$ (1,989,744)</u>	<u>\$ (631,669)</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ (1,358,075)</u>	<u>\$ (1,358,075)</u>	<u>\$ -</u>	<u>\$ (1,989,744)</u>	<u>\$ (631,669)</u>
Expenses					
Personnel Expenses					
Salaries	\$ 502,568	\$ 633,193	\$ 130,625	\$ 558,118	\$ 55,550
Payroll Taxes	31,159	48,439	17,280	42,696	11,537
Benefits	29,652	41,926	12,274	41,926	12,274
Retirement Costs	20,605	25,328	4,723	22,325	1,720
Total Personnel Expenses	<u>\$ 583,984</u>	<u>\$ 748,885</u>	<u>\$ 164,901</u>	<u>\$ 665,064</u>	<u>\$ 81,080</u>
Meeting Expenses					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Travel	75,000	80,000	5,000	63,000	(12,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 100,000</u>	<u>\$ 105,000</u>	<u>\$ 5,000</u>	<u>\$ 88,000</u>	<u>\$ (12,000)</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Office Rent	-	-	-	-	-
Office Costs	2,500	2,500	-	2,500	-
Professional Services	193,000	160,000	(33,000)	161,100	(31,900)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 195,500</u>	<u>\$ 177,500</u>	<u>\$ (18,000)</u>	<u>\$ 178,600</u>	<u>\$ (16,900)</u>
Total Direct Expenses	<u>\$ 879,484</u>	<u>\$ 1,031,385</u>	<u>\$ 151,901</u>	<u>\$ 931,664</u>	<u>\$ 52,180</u>
SPP Inc. Indirect Expenses	<u>\$ 467,443</u>	<u>\$ 411,509</u>		<u>\$ 411,509</u>	<u>\$ (55,934)</u>
SPP RE Indirect Expenses	<u>\$ (1,346,927)</u>	<u>\$ (1,442,894)</u>		<u>\$ (1,343,173)</u>	<u>\$ 3,754</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ (1,358,075)</u>	<u>\$ (1,358,075)</u>	<u>\$ -</u>	<u>\$ (1,989,744)</u>	<u>\$ (631,669)</u>
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	-	-	
Leasehold Improvements	-	-	-	-	
Allocation of Fixed Assets	-	-	-	-	
Inc (Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ (1,358,075)</u>	<u>\$ (1,358,075)</u>	<u>\$ -</u>	<u>\$ (1,989,744)</u>	<u>\$ (631,669)</u>
FTEs	3.50	3.25	(0.25)	3.25	(0.25)

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ 150,000	\$ 150,000	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

SPP RE has a Manager of Enforcement and Legal who provides exclusive legal support to 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.

2013 Key Assumptions

- Estimated hearing costs are included to support one fully litigated hearing in 2013.

2013 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

- There are no changes in the budgeted Operating Expenses for this program.

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 2013 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget					
Legal and Regulatory					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	150,000	150,000	-	150,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ -</u>
SPP Inc. Indirect Expenses	\$ -	\$ -		\$ -	\$ -
SPP RE Indirect Expenses	<u>\$ (150,000)</u>	<u>\$ (150,000)</u>		<u>\$ (150,000)</u>	<u>\$ -</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	0.00	0.00	0.00	0.00	0.00

Information Technology

Information Technology (in whole dollars)			
	2012 Budget	2013 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 SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2013 Key Assumptions

- The SPP Information Technology department continues to provide resources for SPP RE.

2013 Goals and Key Deliverables

- To provide adequate information technology support for 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)			
	2012 Budget	2013 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 SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2013 Key Assumptions

- The SPP Human Resource department continues to provide resources for SPP RE.

2013 Goals and Key Deliverables

- To provide adequate human resource support for 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)			
	2012 Budget	2013 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 SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2013 Key Assumptions

- The SPP Accounting department continues to provide resources for SPP RE.

2013 Goals and Key Deliverables

- To provide adequate accounting and finance support for 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, except for the expenses of the RE Manager of Financial and Process Improvement, which are budgeted and recorded in General and Administration.

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

2013 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2012-2013	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2011	\$ 2,865,142
Less Penalties Received 7/1/2011- 12/31/2011	(193,420)
Plus: 2012 SPP RE Funding (from LSEs or designees)	9,851,646
Plus: 2012 Other funding sources	0
Less: 2012 Projected expenses & capital expenditures	(10,533,624)
Projected Working Capital Reserve (Deficit), December 31, 2012	1,989,744
Desired Working Capital Reserve, December 31, 2013	\$ -
Less: Projected Working Capital Reserve, December 31, 2012	(1,989,744)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(1,989,744)
2013 Expenses and Capital Expenditures	11,514,818
Less: Penalty sanctions to be used as offset to 2013 assessments	(995,020)
Less: Other Funding Sources	0
Adjustment to achieve desired Working Capital Reserve	(1,989,744)
2013 SPP RE Assessment	8,530,054

¹ Represents collections on or prior to June 30, 2012. See page 43 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 8 of the 2013 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, 2012 are to be used to offset assessments in the 2013 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, 2012 through June 30, 2013 will be used to offset assessments in the 2014 Budget.

All penalties received prior to June 30, 2012 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
Name of Entity		
Entity 1	07/27/11	\$ 16,860
Entity 2	07/27/11	\$ 17,860
Entity 3	08/22/11	\$ 30,000
Entity 4	08/28/11	\$ 13,700
Entity 5	08/28/11	\$ 14,000
Entity 6	10/24/11	\$ 12,000
Entity 7	10/24/11	\$ 27,000
Entity 8	10/25/11	\$ 25,000
Entity 9	10/25/11	\$ 8,000
Entity 10	11/18/11	\$ 14,000
Entity 11	11/30/11	\$ 9,000
Entity 12	11/30/11	\$ 6,000
Entity 13	02/28/12	\$ 68,000
Entity 14	04/24/12	\$ 15,000
Entity 15	04/26/12	\$ 8,800
Entity 16	05/18/12	\$ 20,800
Entity 17	05/25/12	\$ 12,000
Entity 18	05/31/12	\$ 400,000
Entity 19	06/06/12	\$ 40,000
Entity 20	06/14/12	\$ 12,000
Entity 21	06/20/12	\$ 135,000
Entity 22	06/25/12	\$ 90,000
Total Penalties Received		<u>\$ 995,020</u>

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (excluding SPP RE Assessments & Penalty Sanctions)	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 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	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ -	\$ -	\$ -	\$ -

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

SPP RE has not projected any interest income for 2013 because at the current market interest rate any interest income would be minimal.

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Salaries					
Salaries	\$ 3,820,691	3,586,115	\$ 4,072,621	\$ 251,930	6.6%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	\$ 3,820,691	\$ 3,586,115	\$ 4,072,621	\$ 251,930	6.6%
Total Payroll Taxes	\$ 241,363	\$ 274,338	\$ 311,555	\$ 70,192	29.1%
Benefits					
Workers Compensation	\$ -	\$ -	\$ -	\$ -	
Medical Insurance	230,564	246,626	259,096	28,532	12.4%
Life-LTD-LTC Insurance	14,780	17,828	18,730	3,950	26.7%
Education	30,980	32,685	34,338	3,358	10.8%
Relocation	-	-	-	-	
Total Benefits	\$ 276,324	\$ 297,139	\$ 312,164	\$ 35,840	13.0%
Retirement					
Discretionary 401k Contribution	\$ 146,319	\$ 143,445	\$ 162,905	\$ 16,586	11.3%
Savings Plan	-	-	-	-	
Total Retirement	\$ 146,319	\$ 143,445	\$ 162,905	\$ 16,586	11.3%
Total Personnel Costs	\$ 4,484,697	\$ 4,301,036	\$ 4,859,245	\$ 374,548	8.4%
FTEs	29.67	32.50	34.50	4.83	16.3%
Cost per FTE					
Salaries	\$ 128,773	\$ 110,342	\$ 118,047	(10,726)	-8.3%
Payroll Taxes	8,135	8,441	9,031	896	11.0%
Benefits	9,313	9,143	9,048	(265)	-2.8%
Retirement	4,932	4,414	4,722	(210)	-4.3%
Total Cost per FTE	\$ 151,153	\$ 132,340	\$ 140,848	\$ (10,305)	-6.8%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

The salaries variance is principally due to the additional 1.00 FTE SPP Shared Staff RAPA FTEs, promotions, and a 2.5% budgeted merit pay increases. The variances in benefits and retirement are due to the change in salaries and the continued refinement in the ratios used to develop these cost estimates. The payroll-related taxes and benefits included in 2013 budget, which are consistent with those that will be used to develop the SPP, Inc. 2013 budget, are: payroll taxes- 7.65%; Health Care Benefits- \$626 per month per FTE; and Retirement (Employer 401k Contributions- 4%. Budgeted Employee Benefits also includes anticipated professional license, member, continuing education fees, as well as professional training costs.

Consultants and Contracts

Table B-5

Consultants	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	1,217,000	820,000	710,000	(507,000)	-42%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	60,000	130,000	498,150	438,150	730%
Training and Education	19,500	-	-	(19,500)	-100%
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	15,000	15,000	15,000	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 1,296,500	\$ 965,000	\$ 1,223,150	\$ (73,350)	-6%
Contracts	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	125,000	125,000	160,000	35,000	28%
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	\$ 125,000	\$ 125,000	\$ 160,000	\$ 35,000	28%
Total Consulting and Contracts	\$ 1,421,500	\$ 1,090,000	\$ 1,383,150	\$ (38,350)	-3%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

The \$38,350 decrease in consultant and contracts costs is primarily due the elimination of \$300,000 budgeted consultant costs associated with the initiative to reduce the number of open enforcement violations and use of consultants participation at SPP RE compliance workshops. The elimination of these costs is partially offset by an expected increase in Consultant Expenses associated with the RAPA model validation efforts, the reclassification of travel reimbursement of NERC committee representatives, and, based on information provided by SERC, an increase in Contract Expenses associated with SERC servings as the CEA for SPP's registered functions in the SPP region. In addition, \$300,000 in consulting costs relating to the BES definition/exception process is relocated from the CMEP program to the RAPA program.

Table B-6

Office Rent	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Office Rent	\$ -	\$ -	\$ -	\$ -	
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Security	-	-	-	-	
Total Office Rent	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

This cost is included in the SPP, Inc. Indirect Expense rate.

Table B-7

Office Costs	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 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 – 2013 Budget versus 2012 Budget

Office Costs are included in the SPP, Inc. Indirect Expense rate. The \$2,500 reflects the costs for miscellaneous office supplies such as supplies needed for RE workshops and RE Trustee meetings.

Table B-8

Professional Services	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Independent Trustee Fees	\$ 143,000	\$ 145,000	\$ 145,000	\$ 2,000	0.00%
Outside Legal	150,000	150,000	150,000	-	0.00%
Accounting & Auditing Fees	-	-	-	-	
Insurance Commercial	-	-	-	-	
Other	50,000	15,000	21,100	(28,900)	40.67%
Total Services	\$ 343,000	\$ 310,000	\$ 316,100	\$ (26,900)	1.97%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

The \$26,900 decrease in Professional Services costs is primarily due to the elimination of the recruiter services fee.

Table B-9

Other Non-Operating Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

N/A

2013 and 2014 Projections

Table B-10

Statement of Activities and Capital Expenditures 2013 Budget & Projected 2014 and 2015 Budgets								
	2013 Budget	2014 Projection	\$ Change 14 v 13	% Change 14 v 13		2015 Projection	\$ Change 15 v 14	% Change 15 v 14
Funding								
ERO Funding								
ERO Assessments	\$ 8,530,054	\$ 11,860,263	\$ 3,330,208	39.04%		\$ 12,216,071	\$ 355,808	2.9%
Penalty Sanctions	995,020	-	(995,020)	-100.00%		-	-	
Total ERO Funding	\$ 9,525,074	\$ 11,860,263	\$ 2,335,188	24.5%		\$ 12,216,071	\$ 355,808	2.9%
Membership Dues	-	-	-			-	-	
Testing Fees	-	-	-			-	-	
Services & Software	-	-	-			-	-	
Workshops	-	-	-			-	-	
Interest	-	-	-			-	-	
Miscellaneous	-	-	-			-	-	
Total Funding	\$ 9,525,074	\$ 11,860,263	\$ 2,335,188	24.5%		\$ 12,216,071	\$ 355,808	3.0%
Expenses								
Personnel Expenses								
Salaries	\$ 4,072,621	\$ 4,194,799	\$ 122,179	3.0%		\$ 4,320,643	\$ 125,844	3.0%
Payroll Taxes	311,555	320,902	9,347	3.0%		330,529	9,627	3.0%
Benefits	312,164	321,529	9,365	3.0%		331,175	9,646	3.0%
Retirement Costs	162,905	167,792	4,887	3.0%		172,826	5,034	3.0%
Total Personnel Expenses	\$ 4,859,245	\$ 5,005,023	\$ 145,777	3.0%		\$ 5,155,173	\$ 150,151	3.0%
Meeting Expenses								
Meetings	\$ 86,500	\$ 89,095	\$ 2,595	3.0%		\$ 91,768	\$ 2,673	3.0%
Travel	499,000	513,970	14,970	3.0%		529,389	15,419	3.0%
Conference Calls	-	-	-			-	-	
Total Meeting Expenses	\$ 585,500	\$ 603,065	\$ 17,565	3.0%		\$ 621,157	\$ 18,092	3.0%
Operating Expenses								
Consultants & Contracts	\$ 1,383,150	\$ 1,424,645	\$ 41,495	3.0%		\$ 1,467,384	\$ 42,739	3.0%
Office Rent	-	-	-			-	-	
Office Costs	2,500	2,575	75	3.0%		2,652	77	3.0%
Professional Services	316,100	325,583	9,483	3.0%		335,350	9,767	3.0%
Miscellaneous	-	-	-			-	-	
Depreciation	-	-	-			-	-	
Total Operating Expenses	\$ 1,701,750	\$ 1,752,803	\$ 51,053	3.0%		\$ 1,805,387	\$ 52,584	3.0%
Total Direct Expenses	\$ 7,146,495	\$ 7,360,890	\$ 214,395	3.0%		\$ 7,581,717	\$ 220,827	3.0%
Indirect Expenses	\$ 4,368,323	\$ 4,499,373	\$ 131,050	3.0%		\$ 4,634,354	\$ 134,981	3.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -			\$ -	\$ -	
Total Expenses	\$11,514,818	\$ 11,860,263	\$ 345,445	3.0%		\$ 12,216,071	355,808	3.0%
Change in Assets	\$ (1,989,744)	\$ -	\$ 1,989,744	-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	\$ (1,989,744)	\$ -	\$ 1,989,744	-100.0%		\$ -	\$ -	0.0%
FTEs	34.50	34.50	0.00	0.0%		34.50	0.00	0.0%

Explanation of 2014 and 2015 Projections

At this time, SPP RE anticipates that material changes to its 2014 and 2015 budgets will be likely be limited to inflationary costs adjustments and budgeted merit pay increases.

Section C – Non-Statutory Activities 2013 Business Plan and Budget



Section C — 2013 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 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.⁷

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 2013 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. Because the 2013 SPP budget is not yet available, SPP is providing its Commission-approved 2012 budget and its 2011 actual results on the following table:

⁷ 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)	2012 Budget	2011 Actual
Income		
Tariff Administration Service	\$90,131	\$71,702
Fees & Assessments	26,909	24,123
Contract Services Revenue	23,758	26,549
Miscellaneous Income	5,616	6,566
Total Income	146,414	128,940
Expense		
Salary & Benefits	72,222	64,514
Employee Travel	3,002	1,655
Administrative	4,212	3,003
Assessments & Fees	15,410	16,639
Meetings	1,445	838
Communications	4,592	3,204
Leases	1,631	1,624
Maintenance	9,312	7,308
Services	18,700	15,813
Regional State Committee	394	311
Depreciation & Amortization	17,317	13,107
Other Expense	3,717	9,964
Total Expense	151,954	137,980
Net Income (Loss)	(\$5,540)	(\$9,040)
 Debt Repayment	 11,206	 13,206
MW/h Forecast	353,453	343,000
Net Revenue Requirement	89,560	78,638
Calculated Admin Fee / MWh	\$0.253	\$0.229
Recommended Admin Fee / MWh	\$0.255	\$0.210
Capital Expense	82,034	79,391
Headcount	590	516

2011 actual data corresponds to SPP's annual Accountants' Report. For footnote information and other statements and schedules please refer to spp.org
 > Newsroom for the Southwest Power Pool, Inc.
 Accountants' Report and Financial Statements
 December 31, 2011 and 2010.

Section D – Additional Consolidated Financial Statements 2013 Business Plan and Budget



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

Section D 2013 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2013 Budget	Functions in Delegation Agreement															Non-Statutory Functions
	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	8,530,054	8,530,054	-	8,530,054	351,841	7,455,643	2,399,251	185,750	127,313	-	(1,989,744)	-	-	-	-	-
Penalty Sanctions	995,020	995,020	-	995,020	39,801	708,454	206,964	31,841	7,960	-	-	-	-	-	-	-
Total SPP RE Funding	9,525,074	9,525,074	-	9,525,074	391,641	8,164,097	2,606,216	217,591	135,274	-	(1,989,744)	-	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	9,525,074	9,525,074	-	9,525,074	391,641	8,164,097	2,606,216	217,591	135,274	-	(1,989,744)	-	-	-	-	-
Expenses																
Personnel Expenses																
Salaries	4,072,621	4,072,621	-	4,072,621	154,835	2,594,600	692,278	-	72,790	-	558,118	-	-	-	-	-
Payroll Taxes	311,555	311,555	-	311,555	11,845	198,487	52,959	-	5,568	-	42,696	-	-	-	-	-
Benefits	312,164	312,164	-	312,164	9,390	207,142	51,828	-	1,878	-	41,926	-	-	-	-	-
Retirement Costs	162,905	162,905	-	162,905	6,193	103,784	27,691	-	2,912	-	22,325	-	-	-	-	-
Total Personnel Expenses	4,859,245	4,859,245	-	4,859,245	182,264	3,104,013	824,756	-	83,147	-	665,064	-	-	-	-	-
Meeting Expenses																
Meetings	86,500	86,500	-	86,500	-	6,500	-	55,000	-	-	25,000	-	-	-	-	-
Travel	499,000	499,000	-	499,000	5,000	310,000	108,000	13,000	-	-	63,000	-	-	-	-	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	585,500	585,500	-	585,500	5,000	316,500	108,000	68,000	-	-	88,000	-	-	-	-	-
Operating Expenses																
Consultants & Contracts	1,383,150	1,383,150	-	1,383,150	-	870,000	498,150	-	-	-	15,000	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Costs	2,500	2,500	-	2,500	-	-	-	-	-	-	2,500	-	-	-	-	-
Professional Services	316,100	316,100	-	316,100	-	-	-	5,000	-	-	161,100	150,000	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	1,701,750	1,701,750	-	1,701,750	-	870,000	498,150	5,000	-	-	178,600	150,000	-	-	-	-
Total Direct Expenses	7,146,495	7,146,495	-	7,146,495	187,264	4,290,513	1,430,906	73,000	83,147	-	931,664	150,000	-	-	-	-
SPP Inc. Indirect Expenses	4,368,323	4,368,323	-	4,368,323	158,273	2,817,251	823,017	126,618	31,655	-	411,509	-	-	-	-	-
SPP RE Indirect Expenses	-	-	-	-	46,105	1,056,333	352,292	17,973	20,471	-	(1,343,173)	(150,000)	-	-	-	-
Total Indirect Expenses	4,368,323	4,368,323	-	4,368,323	204,378	3,873,584	1,175,309	144,591	52,126	-	(931,664)	(150,000)	-	-	-	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	11,514,818	11,514,818	-	11,514,818	391,641	8,164,097	2,606,216	217,591	135,274	-	-	-	-	-	-	-
Change in Assets	(1,989,744)	(1,989,744)	-	(1,989,744)	-	-	-	-	-	-	(1,989,744)	-	-	-	-	-
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	(1,989,744)	(1,989,744)	-	(1,989,744)	-	-	-	-	-	-	(1,989,744)	-	-	-	-	-
FTEs	34.5	34.5	-	34.50	1.25	22.25	6.50	1.00	0.25	-	3.25	-	-	-	-	-

Section E – Calculation of SPP, Inc. Indirect Expense
Rate
2013 Business Plan and Budget



Section E

CALCULATION OF THE SPP INC. INDIRECT EXPENSE RATE¹

<u>Support Groups²</u>	<u>Overhead Costs to Allocate</u>	
Administration	\$	13,512,703 *
Officers		5,186,792 **
Accounting		1,126,218
SPP Compliance- Physical Security		191,153
Human Resources		2,161,869
Customer Services		560,123
Legal		1,254,391
Communications		320,881
Information Technology		13,795,479
Total Costs	\$	38,109,609 A
 <u>Non-Support Resource Groups</u>		
Ending 2011 Headcounts		301
Average Work Hours/FTE in 2011		1880
# of Work Hours in 2011		565,880 B
 2011 Indirect Overhead Expense Rate Rate (A/B)	\$	67.35
 Times Budgeted SPP RE FTEs		34.50
Times Average Work Hours/FTE		1,880
Budgeted SPP Inc. Indirect Costs	\$	4,368,321

¹Due to the timing of the budget process/schedule, the estimated overhead rate for 2013 is based on actual 2011 costs. Any variance between the estimated overhead rate and the actual 2013 overhead rate will be included in the annual 2013 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.

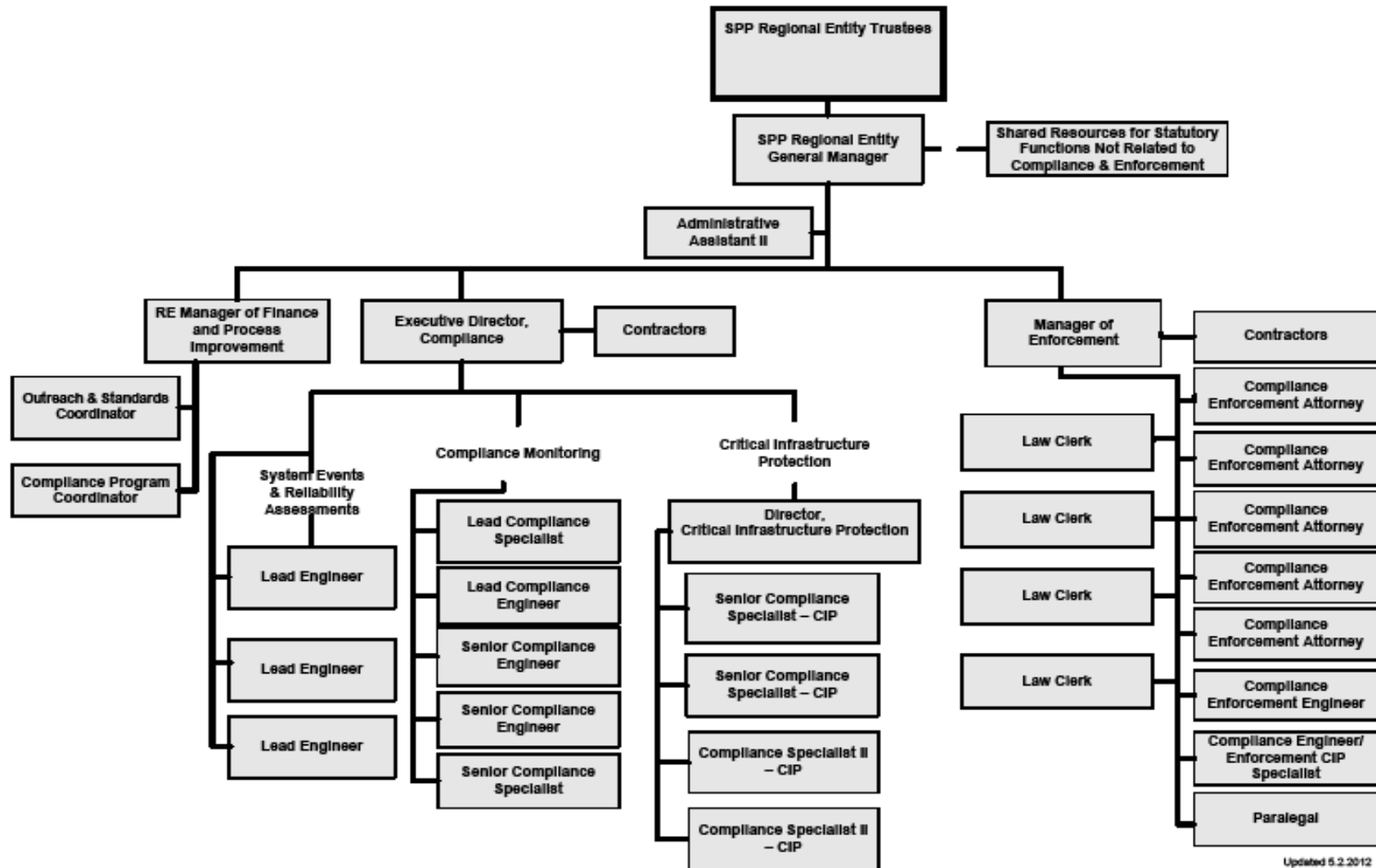
** Does not include costs for executives performing delegated functions.

Section F– Organizational Chart 2013 Business Plan and Budget





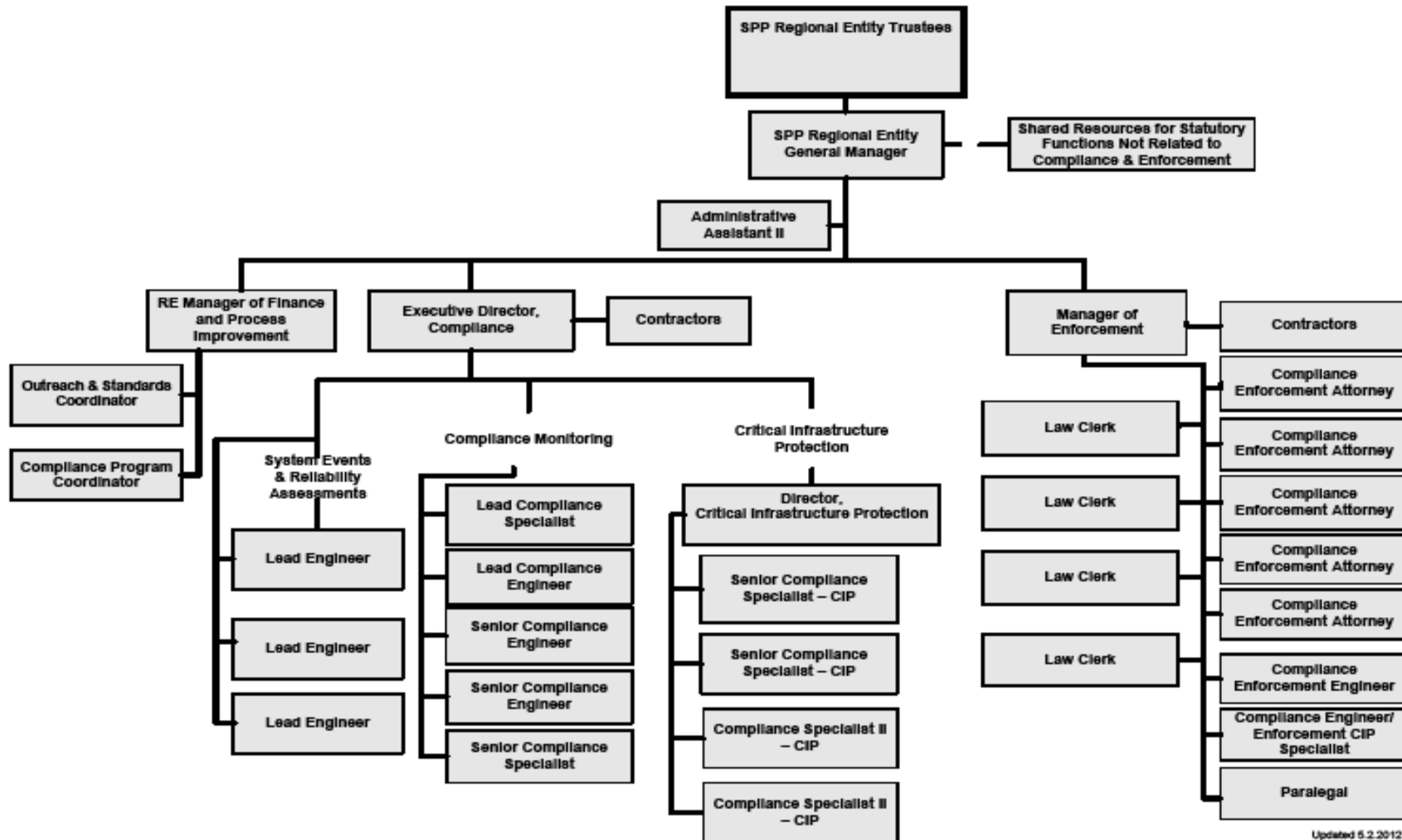
Organizational Chart – 2012



Updated 5.2.2012



Organizational Chart – 2013 Proposed



Updated 5.2.2012

DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 9

TEXAS RELIABILITY ENTITY

PROPOSED 2013 BUSINESS PLAN AND BUDGET



2013 Business Plan and Budget

Texas Reliability Entity, Inc.

Approved by Texas RE Board of Directors

Date: July 24, 2012

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2013 Budget	U.S.	Canada	Mexico
Statutory FTEs	60.00			
Non-statutory FTEs	5.0			
Total FTEs	65.00			
Statutory Expenses	\$ 11,334,791			
Non-Statutory Expenses	\$ 1,029,100			
Total Expenses	\$ 12,363,892			
Statutory Inc(Dec) in Fixed Assets	\$ (399,012)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (399,012)			
Statutory Working Capital Requirement	\$ (1,866,999)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (1,866,999)			
Total Statutory Funding Requirement	\$ 9,068,780			
Total Non-Statutory Funding Requirement	\$ 1,029,100			
Total Funding Requirement	\$ 10,097,881			
Statutory Funding Assessments	\$ 8,152,520			
Non-Statutory Fees	\$ 1,029,100			
NEL	335,000,176	335,000,176		
NEL%	100.00%	100.00%		

*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 Reliability Monitor for the Electric Reliability Council of Texas, Inc. (ERCOT) region. Texas RE ensures reliability of the ERCOT region 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 an additional five-year period beginning January 1, 2011.

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, Operating Guides, and Texas rules (ERCOT Regional Rules).

The ERCOT region is the geographic area located within the state of Texas that operates under the jurisdiction of the 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

Members

Texas RE has the following six membership sectors under its Bylaws:

- System Coordination and Planning
- Transmission and Distribution
- Cooperative Utility
- Municipal Utility
- Generation
- Load-Serving and Marketing

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 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. The RSC 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.

Board of Directors

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 (elected by membership)

-
- Two (2) Member Directors (the Chair and Vice-Chair of the Member Representatives Committee)
 - Chairman 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.

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 NERC Reliability Standards (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 enforcement of compliance with approved Standards and regional 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 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.

2013 Overview of Cost Impacts

In developing the Texas RE 2013 Business Plan and Budget, Texas RE, NERC, and the other Regional Entities collaborated and agreed upon common foundational and program assumptions which are contained in the document titled, [Shared Business Plan and Budget Assumptions of NERC and the Regional Entities](#), which is available on the NERC website.

Texas RE used these shared assumptions as well as the Electric Reliability Organization Enterprise Strategic Plan 2012-2015 in developing this 2013 Business Plan and Budget.

Overall, the Texas RE 2013 statutory expenses (\$11,334,791) increased by 3.39% over the 2012 statutory expenses (\$10,910,407), primarily due to: increased rent, depreciation, increased software and computer and software maintenance expenses, and contract services by highly skilled electric engineering and infrastructure protection experts. The 2013 statutory budget (\$10,935,799, which does not include depreciation) increased 3.0% over the 2012 budget, not including depreciation (\$10,613,459). The 2013 non-statutory budget (\$1,029,100) increased by 3% from the 2012 non-statutory budget (\$999,100), in accordance with the Reliability Monitor agreement.

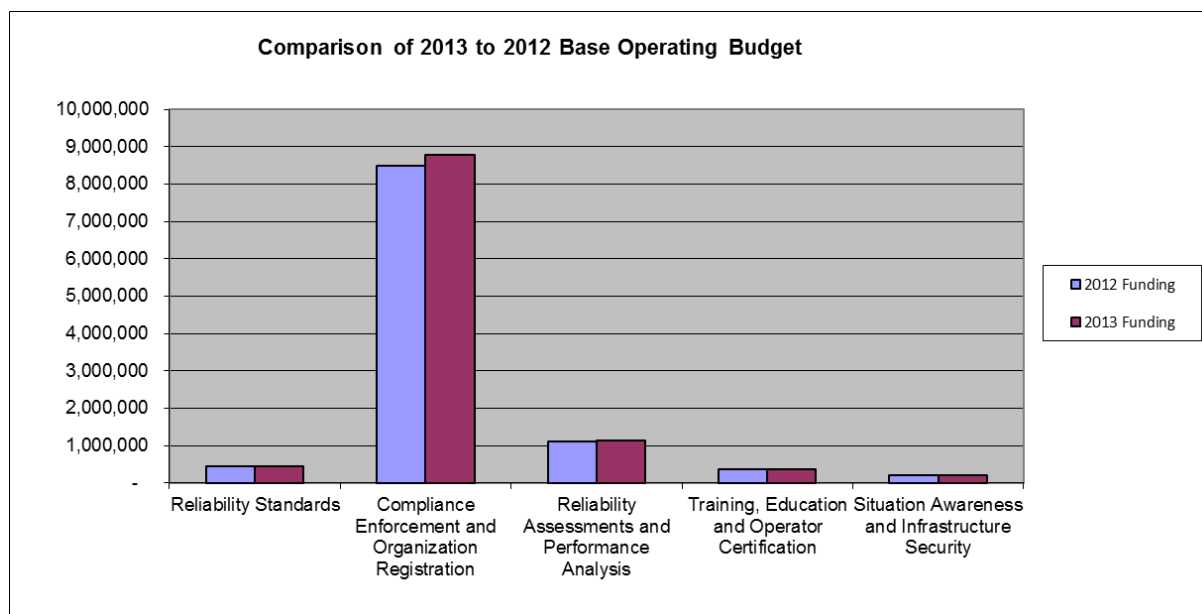
The 2013 statutory assessment (\$8,152,520) represents a 14.2% decrease from the 2012 assessment (\$9,503,866), primarily due to Texas RE's unspent funds from 2011 and penalties received prior to June 30, 2012.

Significant statutory expense changes (including capital expenditures) include:

- Personnel expenses are fairly consistent with 2012, but are increasing by 1.1%, primarily due to an increase in benefit expenses and a slight increase in retirement expenses. Generally, compensation is increasing by approximately 3%, but this is offset by Texas RE's new assumption that it will experience a 3% vacancy.
- Operating expenses are increasing by 12.36% (\$361,692), primarily due to increases of \$134,052 for increased depreciation and \$142,430 in Consultants and Contractors, for additional electric engineer and critical infrastructure protection contractor services.

Summary of Costs

Base Operating Budget	Budget 2012	Projection 2012	Budget 2013	Change 2013 Budget v 2012 Budget	% Change
Reliability Standards	438,161	410,156	441,628	3,466	0.8%
Compliance Enforcement and Organization Registration	8,501,276	7,957,902	8,785,957	284,682	3.3%
Reliability Assessments and Performance Analysis	1,100,554	1,030,211	1,131,000	30,446	2.8%
Training, Education and Operator Certification	375,780	351,763	378,499	2,719	0.7%
Total Situation Awareness and Infrastructure Security	197,686	185,051	198,695	1,009	0.5%
	10,613,459	9,935,082	10,935,779	322,322	3.0%
Working Capital Reserve	(466,263)	212,114	(1,866,999)	(1,400,736)	
Total Funding	10,147,196	10,147,196	9,068,780	(1,078,416)	-10.6%



FTEs by Program Area

	Budget	Projection	Direct FTEs 2013 Budget	Shared FTEs1 2013 Budget	Total FTEs 2013 Budget	Change from 2012 Budget
Total FTE's by Program Area	2012	2012	Budget	Budget	Budget	Budget
STATUTORY						
Operational Programs						
Reliability Standards	2.00	2.00	2.00	-	2.00	-
Compliance and Organization Registration and Certific	38.00	38.00	40.00	-	40.00	2.00
Training and Education	1.75	1.75	1.75	-	1.75	-
Reliability Assessment and Performance Analysis	4.75	4.75	4.75	-	4.75	-
Situation Awareness and Infrastructure Security	0.75	0.75	0.75	-	0.75	-
Total FTEs Operational Programs	47.25	47.25	49.25	-	49.25	2.00
Administrative Programs						
Technical Committees and Member Forums	0.50	0.50	-	0.50	0.50	-
General & Administrative	1.75	1.75	-	1.75	1.75	-
Legal and Regulatory	3.00	3.00	-	3.00	3.00	-
Information Technology	2.50	2.50	-	2.50	2.50	-
Human Resources	1.00	1.00	-	1.00	1.00	-
Finance and Accounting	2.00	2.00	-	2.00	2.00	-
Total FTEs Administrative Programs	10.75	10.75	-	10.75	10.75	-
Total FTEs	58.00	58.00	49.25	10.75	60.00	2.00

2012 Budget and Projection and 2013 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
STATUTORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 9,503,865	\$ 9,503,865	\$ -	\$ 8,152,520	\$ (1,351,345)
Penalty Sanctions	572,830	572,830	-	849,000	276,170
Total NERC Funding	\$ 10,076,696	\$ 10,076,696	\$ -	\$ 9,001,520	\$ (1,075,176)
Membership Dues	27,500	27,500	-	21,250	\$ (6,250)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	30,000	30,000	-	32,100	2,100
Interest	13,000	13,000	-	13,910	910
Miscellaneous	-	-	-	-	-
Total Funding	\$ 10,147,196	\$ 10,147,196	\$ -	\$ 9,068,780	\$ (1,078,416)
Expenses					
Personnel Expenses					
Salaries	\$ 5,854,972	\$ 5,316,972	\$ (538,000)	\$ 5,858,856	\$ 3,884
Payroll Taxes	521,980	468,182	(53,798)	523,256	1,276
Benefits	806,046	757,952	(48,094)	868,322	62,277
Retirement Costs	799,970	761,485	(38,485)	818,519	18,548
Total Personnel Expenses	\$ 7,982,969	\$ 7,304,592	\$ (678,377)	\$ 8,068,952	\$ 85,984
Meeting Expenses					
Meetings	\$ 37,200	\$ 37,200	\$ -	\$ 38,316	\$ 1,116
Travel	359,748	359,748	-	348,000	(11,748)
Conference Calls	18,000	18,000	-	18,540	540
Total Meeting Expenses	\$ 414,948	\$ 414,948	\$ -	\$ 404,856	\$ (10,092)
Operating Expenses					
Consultants & Contracts	\$ 272,570	\$ 272,570	\$ -	\$ 415,000	\$ 142,430
Office Rent	499,000	499,000	-	533,930	34,930
Office Costs	344,329	344,329	-	359,684	15,355
Professional Services	853,300	853,300	-	888,225	34,925
Miscellaneous	-	-	-	-	-
Depreciation	753,948	753,948	-	888,000	134,052
Total Operating Expenses	\$ 2,723,147	\$ 2,723,147	\$ -	\$ 3,084,839	\$ 361,692
Total Direct Expenses	\$ 11,121,064	\$ 10,442,687	\$ (678,377)	\$ 11,558,647	\$ 437,584
Indirect Expenses	\$ (210,657)	\$ (210,657)	\$ -	\$ (223,856)	\$ (13,199)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 10,910,407	\$ 10,232,030	\$ (678,377)	\$ 11,334,791	\$ 424,385
Change in Assets	\$ (763,211)	\$ (84,834)	\$ 678,377	\$ (2,266,011)	\$ (1,502,801)
Fixed Assets					
Depreciation	\$ (753,948)	\$ (753,948)	\$ -	\$ (888,000)	\$ (134,052)
Computer & Software CapEx	382,000	382,000	-	410,750	28,750
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	75,000	75,000	-	78,238	3,238
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ 0
Inc(Dec) in Fixed Assets	(296,948)	(296,948)	-	(399,012)	(102,064)
TOTAL BUDGET	10,613,459	\$ 9,935,082	\$ (678,377)	\$ 10,935,779	\$ 322,321
TOTAL CHANGE IN WORKING CAPITAL	\$ (466,263)	\$ 212,114	\$ 678,377	\$ (1,866,999)	\$ (1,400,737)

Section A – Statutory Programs 2013 Business Plan and Budget



Section A — 2013 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	2.00	2.00	-
Direct Expenses	\$ 314,593	\$ 319,030	\$ 4,436
Indirect Expenses	\$ 130,157	\$ 131,461	\$ 1,304
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (6,589)	\$ (8,863)	\$ (2,274)
Total Funding Requirement	\$ 438,161	\$ 441,628	\$ 3,466

Program Scope and Functional Description

The Texas RE Reliability Standards program supports the NERC Reliability Standards program and 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. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE Reliability Standards Committee (RSC), NERC Standards Review Subcommittee (NSRS), all regional standard drafting teams (SDTs), and the Texas RE 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. 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 regional 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 Registered Ballot Body 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 Group and has contributed to the 2012-2014 NERC work plan and other NERC activities.

In addition, Texas RE 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. This Program area supports and facilitates meetings of the Texas RE RSC and the 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.

2013 Key Assumptions

The Reliability Standards Program incorporates the regional assumptions from the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2013 Goals and Key Deliverables

- Participate in and provide outreach to regional stakeholders regarding nation-wide Standard development (including through announcements, meetings and webinars, enhancement to the Texas RE website, and expansion of the NSRS), to help ensure that ERCOT region perspective is represented in continent-wide Standards.
- Facilitate Texas RE participation in NERC standards development activities, including preparation of recommendations for voting and comments on NERC ballots, and provide standards-related expertise to other Program areas.
- 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, when required, 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).
- Streamline and improve Texas RE's Standards Development Process and associated tools, including consideration of NERC's results-based standards development methodology.
- Continue to enhance communication to and education of the registered entities in the ERCOT region to increase awareness of regional standards development activities and to ensure adequate representation on the Registered Ballot Body.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Funding received for this activity is through statutory assessments, penalties, and Texas RE membership dues, which fully funds total expenses and fixed asset requirements.

Personnel Expenses

- The required FTEs remain 2.0 and personnel expenses for this Program are consistent with 2012.

Meeting Expenses

-
- Meeting expenses and travel are consistent to 2012 with a very slight decrease.

Operating Expenses

- Operating Expenses are increasing by approximately 19%, consistent the other Program areas except CMEP, because this area does not use engineering consultant services.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2013.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The change in fixed assets for this Program decreased by \$2,274.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
RELIABILITY STANDARDS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 412,751	\$ 412,751	\$ -	\$ 406,288	\$ (6,463)
Penalty Sanctions	24,247	24,247	-	34,477	10,230
Total NERC Funding	\$ 436,997	\$ 436,997	\$ -	\$ 440,765	\$ 3,768
Membership Dues	1,164	1,164	-	863	(301)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 438,161	\$ 438,161	\$ -	\$ 441,628	\$ 3,466
Expenses					
Personnel Expenses					
Salaries	\$ 216,978	\$ 194,767	\$ (22,211)	\$ 217,122	\$ 144
Payroll Taxes	19,875	17,654	(2,221)	19,923	49
Benefits	24,318	22,333	(1,985)	26,197	1,879
Retirement Costs	31,462	29,873	(1,589)	32,191	729
Total Personnel Expenses	\$ 292,632	\$ 264,627	\$ (28,006)	\$ 295,433	\$ 2,801
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	11,201	11,201	-	10,835	(366)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 11,201	\$ 11,201	\$ -	\$ 10,835	\$ (366)
Operating Expenses					
Consultants & Contracts	\$ 10,296	\$ 10,296	\$ -	\$ 12,276	\$ 1,980
Office Rent	-	-	-	-	-
Office Costs	464	464	-	485	21
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 10,760	\$ 10,760	\$ -	\$ 12,761	\$ 2,001
Total Direct Expenses	\$ 314,593	\$ 286,588	\$ (28,006)	\$ 319,030	\$ 4,436
Indirect Expenses	\$ 130,157	\$ 130,157	\$ -	\$ 131,461	\$ 1,304
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 444,750	\$ 416,745	\$ (28,006)	\$ 450,491	\$ 5,741
Change in Assets	\$ (6,589)	\$ 21,416	\$ 28,006	\$ (8,863)	\$ (2,274)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (6,589)	(6,589)	-	(8,863)	(2,274)
Inc(Dec) in Fixed Assets	\$ (6,589)	\$ (6,589)	\$ -	\$ (8,863)	\$ (2,274)
TOTAL BUDGET (=B + C)	\$ 438,161	\$ 410,156	\$ (28,006)	\$ 441,628	\$ 3,466
TOTAL CHANGE IN WORKING CAPITAL	\$ (0)	\$ 28,005	\$ 28,006	\$ -	\$ 0

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	38.00	40.00	2.0
Direct Expenses	\$ 6,294,767	\$ 6,514,751	\$ 219,985
Indirect Expenses	\$ 2,472,982	\$ 2,629,226	\$ 156,244
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (266,473)	\$ (358,020)	\$ (91,547)
Total Funding Requirement	\$ 8,501,276	\$ 8,785,957	\$ 284,682

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.

2013 Key Assumptions

The Compliance Monitoring and Enforcement and Organization Registration and Certification (CMEP) Program incorporates the regional assumptions from the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2013 Goals and Key Deliverables

COMPLIANCE MONITORING

- Perform formal, in depth, compliance audits on a three-year cycle for the Reliability Coordinator, Transmission Operator, and Balancing Authority functions and for any other registered entity identifying Critical Cyber Assets (CCA), and on a six-year cycle for all other registered functions.
- For 2013, perform:
 - 31 non-CIP (693) audits, including 8 on-site and 23 off-site audits
 - 16 CIP audits of entities that have identified CCA (on-site)
 - 22 CIP audits of entities required to be CIP-compliant that have identified no CCA (off-site)

-
- Perform approximately 15 spot checks due to system events and complaints.
 - Perform one significant compliance investigation triggered by a significant system event and 19 compliance reviews regarding lesser events or disturbances.
 - Continue to work with NERC and other Regional Entities to improve consistency of audits and spot checks of registered entities.
 - Conduct annual self-certifications of all registered entities.
 - Review, analyze, and notify Enforcement regarding all self-reports and self-certifications indicating possible violations.
 - 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.

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 BPS reliability.
- Efficiently prosecute all contested enforcement matters and appeals.
- Support the FFT process and any other streamlined mechanisms implemented to expedite possible violations which pose a minimal reliability risk to the BPS.
- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review and reporting for compliance and enforcement staff, management, the Texas RE Board, and NERC.

REGISTRATION AND CERTIFICATION

- 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. The level of activity is expected to be consistent with 2012.

-
- 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.
 - Coordinate activities needed to manage requests caused by any Bulk Electric System Definition changes.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Funding received for this activity is through statutory assessments, penalties, and Texas RE membership dues which fully fund total expenses and fixed asset requirements.

Personnel Expenses

- The FTEs required to perform compliance monitoring will increase by 2.0 in 2013, causing an increase in FTEs of 2.0 for this Program. The personnel expenses for this Program will be consistent to 2012, however, because the additional FTEs will be added by reducing the experience level of certain engineering and/or audit positions.

Meeting Expenses

- Meetings and travel for this Program will decrease by \$32,327, primarily due to a reduction in conference call expenses for table-top audits.

Operating Expenses

- Operating expenses for this Program will increase by \$193,715, primarily due to increased depreciation (\$50,012) and additional expenses for highly qualified electric engineer and critical infrastructure protection contractor services (\$119,815).

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2013.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The reduction in fixed assets for this program is budgeted at \$91,547.

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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2012	2012	Variance	2013	Variance
	Budget	Projection	2012 Projection v 2012 Budget Over(Under)	Budget	2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 8,018,471	\$ 8,018,471	\$ -	\$ 8,079,155	\$ 60,685
Penalty Sanctions	460,689	460,689	-	689,543	228,854
Total NERC Funding	\$ 8,479,159	\$ 8,479,159	\$ -	\$ 8,768,699	\$ 289,539
Membership Dues	22,116	22,116	-	17,259	(4,858)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 8,501,276	\$ 8,501,276	\$ -	\$ 8,785,957	\$ 284,682
Expenses					
Personnel Expenses					
Salaries	\$ 3,851,860	\$ 3,420,927	\$ (430,933)	\$ 3,854,415	\$ 2,555
Payroll Taxes	343,046	299,954	(43,092)	343,884	838
Benefits	546,872	508,350	(38,523)	589,125	42,252
Retirement Costs	558,520	527,693	(30,826)	571,470	12,950
Total Personnel Expenses	\$ 5,300,298	\$ 4,756,924	\$ (543,374)	\$ 5,358,893	\$ 58,596
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	255,291	255,291	-	222,964	(32,327)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 255,291	\$ 255,291	\$ -	\$ 222,964	\$ (32,327)
Operating Expenses					
Consultants & Contracts	\$ 155,000	\$ 155,000	\$ -	\$ 274,815	\$ 119,815
Office Rent	-	-	-	-	-
Office Costs	14,898	14,898	-	15,562	664
Professional Services	288,000	288,000	-	311,224	23,224
Miscellaneous	-	-	-	-	-
Depreciation	281,280	281,280	-	331,292	50,012
Total Operating Expenses	\$ 739,178	\$ 739,178	\$ -	\$ 932,893	\$ 193,715
Total Direct Expenses	\$ 6,294,767	\$ 5,751,393	\$ (543,374)	\$ 6,514,751	\$ 219,984
Indirect Expenses	\$ 2,472,982	\$ 2,472,982	\$ -	\$ 2,629,226	\$ 156,244
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 8,767,749	\$ 8,224,375	\$ (543,374)	\$ 9,143,977	\$ 376,228
Change in Assets	\$ (266,473)	\$ 276,900	\$ 543,374	\$ (358,020)	\$ (91,546)
Fixed Assets					
Depreciation	(281,280)	(281,280)	-	(331,292)	(50,012)
Computer & Software CapEx	140,000	140,000	-	150,537	10,537
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	\$ (125,193)	\$ (125,193)	-	(177,265)	(52,072)
Inc(Dec) in Fixed Assets	\$ (266,473)	\$ (266,473)	\$ -	\$ (358,020)	\$ (91,547)
TOTAL BUDGET	\$ 8,501,276	\$ 7,957,902	\$ (543,374)	\$ 8,785,957	\$ 284,682
TOTAL CHANGE IN WORKING CAPITAL	\$ (0)	\$ 543,373	\$ 543,374	\$ -	\$ 0

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	4.75	4.75	-
Direct Expenses	\$ 807,081	\$ 839,829	\$ 32,749
Indirect Expenses	\$ 309,123	\$ 312,221	\$ 3,098
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (15,649)	\$ (21,050)	\$ (5,401)
Total Funding Requirement	\$ 1,100,554	\$ 1,131,000	\$ 30,444

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 requires validation and analysis of data collected from registered entities, which is used in measurement of 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. Event analyses will determine causative factors for system disturbances as well as best practices used in preparing or recovering from them. Texas RE will disseminate these insights to industry and seek broader collaboration among stakeholders to identify and reduce threats to reliability.

2013 Key Assumptions

The RAPA Program incorporates the regional assumptions from the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities. Current staffing levels are expected to meet known and predicted program needs, however as many RAPA tasks are presently in early stages of definition, program staffing demands are not known. A limited amount of contractor support funding is available to meet new programs or initiatives in the event that supplemental staffing is required once the true scope and schedule of tasks are established. Continued ERCOT stakeholder support is expected in Regional planning activities that meet ERO schedules for seasonal, long-term and probabilistic risk assessments as well as events analysis.

2013 Goals and Key Deliverables

- 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 2013, involving topics such as the impact of new technologies and environmental regulations, changes in resource mix, gas dependency, or delays in transmission development.
- Oversee collection of reliability data for the ERCOT Region, provide analysis and validation, and support stakeholders as enhancements for databases and portals are added. Systems include:
 - i. Transmission Availability Data System (TADS),
 - ii. Generation Availability Data System (GADS),
 - iii. Demand Response Availability Data System (DADS)
 - iv. Spare Equipment Database (SED)
 - v. Events Analysis Data System (EADS)
 - vi. Reliability Assessment Data System (RADS)
- Provide regional data collection and analysis to meet NERC or FERC initiatives, orders or directives. These 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, single point of failure in protection systems, characterization of contingent load loss and new technology integration. Participate in ERO development of an outcome-based approach to achieve measurable improvements in reliability, utilizing the data above and NERC's adequate level of reliability (ALR) metrics. Collect data and perform analysis as needed to evaluate the ALR metrics. The number of metrics and level of analysis is expected to continue to increase in 2013.
- Support on-going NERC initiatives in model validation and relay misoperations as well as provide support to new standards development.
- Continue to implement the NERC event analysis process within the ERCOT Region, expecting a similar volume of events as 2012, estimated at 40 Category 1 (minor), 10 Category 2 or 3 (moderate impact) and 1 Category 4 or 5 event (significant impact).
- Engage ERCOT stakeholders to identify system issues that lead to reliability concerns.
- Provide workshops, webinars, and other outreach to support industry participation in the events analysis process, and to promote dissemination of lessons learned.
- Review approximately 40 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.
- Contribute to the implementation of the BES exception process by providing technical review of exception requests. At this time, the number of such requests is uncertain but expected to be fairly low in 2013, handled by existing staff and modest contractor support.

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

- The FTEs and personnel expenses will remain consistent with the 2012 RAPA Program.

Meeting Expenses

- Meeting expenses and travel in support of this Program will increase by \$24,708 to accommodate the travel required for NERC and regional meetings required for this Program. This Program was inadvertently underfunded for required RAPA travel and meeting expenses for 2012, but this is corrected for 2013.

Operating Expenses

- Operating Expenses for the RAPA Program will be consistent with 2012.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2013.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The decrease in fixed assets for this Program will be \$5,401.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,040,204	\$ 1,040,204	\$ -	\$ 1,047,067	\$ 6,863
Penalty Sanctions	57,586	57,586	-	81,883	24,297
Total NERC Funding	\$ 1,097,790	\$ 1,097,790	\$ -	\$ 1,128,950	\$ 31,161
Membership Dues	2,765	2,765	-	2,049	(715)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,100,554	\$ 1,100,554	\$ -	\$ 1,131,000	\$ 30,445
Expenses					
Personnel Expenses					
Salaries	\$ 590,517	\$ 534,730	\$ (55,788)	\$ 590,909	\$ 392
Payroll Taxes	50,270	44,692	(5,579)	50,393	123
Benefits	71,718	66,731	(4,987)	77,259	5,541
Retirement Costs	85,625	81,634	(3,991)	87,610	1,985
Total Personnel Expenses	\$ 798,131	\$ 727,787	\$ (70,344)	\$ 806,172	\$ 8,041
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	8,950	8,950	-	33,658	24,708
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 8,950	\$ 8,950	\$ -	\$ 33,658	\$ 24,708
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 807,081	\$ 736,737	\$ (70,344)	\$ 839,829	\$ 32,749
Indirect Expenses	\$ 309,123	\$ 309,123	\$ -	\$ 312,221	\$ 3,098
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,116,203	\$ 1,045,860	\$ (70,344)	\$ 1,152,050	\$ 35,846
Change in Assets	\$ (15,649)	\$ 54,695	\$ 70,344	\$ (21,050)	\$ (5,401)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (15,649)	\$ (15,649)	\$ -	(21,050)	(5,401)
Inc(Dec) in Fixed Assets	\$ (15,649)	\$ (15,649)	\$ -	\$ (21,050)	\$ (5,401)
TOTAL BUDGET	\$ 1,100,554	\$ 1,030,211	\$ (70,344)	\$ 1,131,000	\$ 30,445
TOTAL CHANGE IN WORKING CAPITAL	\$ (0)	\$ 70,344	\$ 70,344	\$ -	\$ 0

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.75	1.75	-
Direct Expenses	\$ 267,659	\$ 271,226	\$ 3,566
Indirect Expenses	\$ 113,887	\$ 115,029	\$ 1,142
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (5,765)	\$ (7,755)	\$ (1,990)
Total Funding Requirement	\$ 375,780	\$ 378,499	\$ 2,718

Program Scope and Functional Description

The Texas RE Training, Education, and Operator Certification program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of Standards, lessons learned from event analysis, and other related information pertinent to system reliability and compliance. Texas RE subject matter experts from other Programs provide expertise for educational materials, meetings, and workshops. In addition, Texas RE oversees the ERCOT region operator certification testing program and provides two subject matter experts for the annual ERCOT Operations Training Seminar. The Training, Education, and Operator Certification Program coordinates with NERC and the other Regional Entities to identify training needs of the industry and Regional Entity staff and to ensure consistency in training and education through its participation on the NERC Training and Education Group.

Texas RE will continue to coordinate two one-day annual Standards and Compliance workshops and will increase its bi-monthly *Talk with Texas RE* education and sharing meetings and webinars to monthly in 2013. The purpose of these workshops, meetings, and webinars is to provide standards, compliance, and procedural information and expectations, share lessons learned and best practices, obtain feedback from stakeholders, and provide sharing opportunities for registered entities and other stakeholders. Texas RE will use cost effective additional education mechanisms such as webinars, newsletters, and conference calls, and will coordinate presentations by Texas RE subject matter experts at other industry meetings.

2013 Key Assumptions

The Training, Education, and Operator Certification Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2013 Goals and Key Deliverables

- Develop technical materials for and present at least two (2) full-day Standards and Compliance workshops for registered entities.

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- Present workshops, webinars, or other industry outreach supporting any other new or modified NERC procedures or programs, including monthly *Talk with Texas RE* meetings.
 - Create and publish at least quarterly newsletters that disseminate lessons learned for registered entities and include useful updates regarding standard revisions and interpretations, lessons-learned, Compliance Application Notices, other reliability or 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 a mechanism for workshop, webinar, and meeting participants and other stakeholders to provide feedback and suggestions to be used to enhance future workshops, webinars, and meetings.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- The majority of funding received (approximately 91%) for this activity is through assessments, penalties, and Texas RE membership dues, and the remaining funding (approximately 9%) is received from attendance fees associated with the workshops, which are designed to offset any direct out of pocket workshop and seminar expenses.

Personnel Expenses

- The FTEs required for this Program will remain 1.75, and personnel expenses will also be consistent with 2012.

Meeting Expenses

- Meeting and travel expenses are consistent with 2012. If Texas RE requires outside conference space which exceeds the budgeted amount, it may charge a small in-person attendance fee to obtain reimbursement for additional expenses.

Operating Expenses

- No operating expenses are allocated for this program.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2013.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- Fixed assets will reduce by \$1,990.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 323,547	\$ 323,547	\$ -	\$ 315,477	\$ (8,070)
Penalty Sanctions	21,216	21,216	-	30,168	8,952
Total NERC Funding	\$ 344,763	\$ 344,763	\$ -	\$ 345,644	\$ 881
Membership Dues	1,019	1,019	-	755	(263)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	30,000	30,000	-	32,100	2,100
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 375,781	\$ 375,781	\$ -	\$ 378,499	\$ 2,718
Expenses					
Personnel Expenses					
Salaries	\$ 172,069	\$ 153,021	\$ (19,048)	\$ 172,183	\$ 114
Payroll Taxes	15,130	13,226	(1,905)	15,167	37
Benefits	25,200	23,497	(1,703)	27,147	1,947
Retirement Costs	24,950	23,587	(1,363)	25,529	578
Total Personnel Expenses	\$ 237,349	\$ 213,331	\$ (24,019)	\$ 240,026	\$ 2,677
Meeting Expenses					
Meetings	\$ 30,000	\$ 30,000	\$ -	\$ 30,900	\$ 900
Travel	310	310	-	300	(10)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 30,310	\$ 30,310	\$ -	\$ 31,200	\$ 890
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 267,659	\$ 243,641	\$ (24,019)	\$ 271,226	\$ 3,566
Indirect Expenses	\$ 113,887	\$ 113,887	\$ -	\$ 115,029	\$ 1,142
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 381,546	\$ 357,528	\$ (24,019)	\$ 386,254	\$ 4,708
Change in Assets	\$ (5,765)	\$ 18,254	\$ 24,019	\$ (7,755)	\$ (1,990)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (5,765)	\$ (5,765)	-	(7,755)	(1,990)
Inc(Dec) in Fixed Assets	\$ (5,765)	\$ (5,765)	\$ -	\$ (7,755)	\$ (1,990)
TOTAL BUDGET	\$ 375,781	\$ 351,763	\$ (24,019)	\$ 378,499	\$ 2,718
TOTAL CHANGE IN WORKING CAPITAL	\$ (0)	\$ 24,019	\$ 24,019	\$ -	\$ 0

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	0.75	0.75	-
Direct Expenses	\$ 151,348	\$ 152,721	\$ 1,373
Indirect Expenses	\$ 48,809	\$ 49,298	\$ 489
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	(2,471)	(3,324)	(853)
Total Funding Requirement	\$ 197,686	\$ 198,695	\$ 1,008

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 Texas RE CIP resources functionally reside in the Compliance, Enforcement and Organizational Registration and Certification Program, and much of situation awareness involves initial event review, which is primarily performed as part of the Event Analysis Process, in the RAPA Program.

2013 Key Assumptions

The Situation Awareness and Infrastructure Security Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2013 Goals and Key Deliverables

- Texas RE's regional implementation of the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool, Phase 2 will be completed or expanded 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 and anticipates that the volume of alerts will be similar to 2012, or approximately 18, 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).

- 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 meetings and 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.

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

- The FTEs and personnel expenses for the Situation Awareness and Infrastructure Security Program will remain consistent with 2012.

Meeting Expenses

- Meeting expenses and travel are consistent with 2012.

Operating Expenses

- The operating expenses for this program are consistent with 2012.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2013.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The decrease in fixed assets for this program is budgeted at \$853.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 188,157	\$ 188,157	\$ -	\$ 185,443	\$ (2,714)
Penalty Sanctions	9,093	9,093	-	12,929	3,836
Total NERC Funding	\$ 197,250	\$ 197,250	\$ -	\$ 198,372	\$ 1,122
Membership Dues	437	437	-	324	(113)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 197,686	\$ 197,687	\$ -	\$ 198,695	\$ 1,008
Expenses					
Personnel Expenses					
Salaries	\$ 111,755	\$ 101,734	\$ (10,021)	\$ 111,829	\$ 74
Payroll Taxes	9,897	8,895	(1,002)	9,921	24
Benefits	12,186	11,290	(896)	13,128	942
Retirement Costs	16,204	15,487	(717)	16,580	376
Total Personnel Expenses	\$ 150,042	\$ 137,407	\$ (12,635)	\$ 151,458	\$ 1,416
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	1,306	1,306	-	1,263	(43)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 1,306	\$ 1,306	\$ -	\$ 1,263	\$ (43)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 151,348	\$ 138,713	\$ (12,635)	\$ 152,721	\$ 1,373
Indirect Expenses	\$ 48,809	\$ 48,809	\$ -	\$ 49,298	\$ 489
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 200,157	\$ 187,522	\$ (12,635)	\$ 202,019	\$ 1,862
Change in Assets	\$ (2,471)	\$ 10,165	\$ 12,635	\$ (3,324)	\$ (854)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (2,471)	\$ (2,471)	-	(3,324)	(853)
Inc(Dec) in Fixed Assets	\$ (2,471)	\$ (2,471)	\$ -	\$ (3,324)	\$ (853)
TOTAL BUDGET (=B + C)	\$ 197,686	\$ 185,051	\$ (12,635)	\$ 198,695	\$ 1,008
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ 12,635	\$ 12,635	\$ -	\$ (0)

Administrative Services

Administrative Services (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	10.75	10.75	-
Total Direct Expenses	\$ 3,285,615	\$ 3,461,090	\$ 175,475
Inc(Dec) in Fixed Assets	\$ (155,668)	\$ (218,257)	\$ (62,589)
Less: Other Funding Sources	\$ (70,500)	\$ (67,260)	\$ 3,240
Total Allocation to Statutory Programs as Indirect Expenses	\$ 3,059,447	\$ 3,175,573	\$ 116,126
Funding Requirement for Working Capital	\$ (466,263)	\$ (1,866,999)	\$ (1,400,736)

Assumptions

The Administrative Services Program 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. This program incorporates the Shared NERC and the Regional Entities' Methodology for Allocation of Administrative Services Expenses to Programs.

- Texas RE allocates its indirect expenses to the functional/direct areas proportionately based on FTE count. 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 Committees and Member Forums (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	-
Total Direct Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

This Texas RE Program supports 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) and any of its subcommittees, 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.

The MRC meets approximately eight times per year to discuss Texas RE business plans, budgets, funding, metrics, and other matters relevant to Texas RE's operations and purpose, including compliance and the reliability of the BPS. The MRC also discusses proposed NERC processes, procedures, and initiatives. The MRC normally meets prior to the Texas RE Board meetings and provides feedback and input to Texas RE staff and the 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.

2013 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities. In addition, regionally specific assumptions include:

- Texas RE will have one annual membership meeting.
- Texas RE will hold approximately eight MRC meetings per year.
- The MRC will not have a significant number of working groups or subcommittees.
- 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.

2013 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 efficient mechanisms for owners, users, and operators of the BPS to communicate, coordinate and share procedural, reliability and compliance best practices, and to provide input to Texas RE staff and the Texas RE Board of Directors.

Texas RE employees will expand their work with MRC and its subcommittees in 2013 to help define ways to improve reliability in the region. Texas RE will also continue to provide requested support, including coordination of subject matter experts and materials, to other regional stakeholder groups that are focused on reliability, events, or compliance with Standards.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Indirect expenses are funded by direct program areas.

Personnel Expenses

- 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

- Indirect program costs are allocated to the direct programs. 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 2013 business plan are included in General & Administrative.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
TECHNICAL COMMITTEES and MEMBER FORUMS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues		-	-	-	-
Testing Fees		-	-	-	-
Services & Software		-	-	-	-
Workshops		-	-	-	-
Interest		-	-	-	-
Miscellaneous		-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries		\$ -	\$ -	\$ -	\$ -
Payroll Taxes		-	-	-	-
Benefits		-	-	-	-
Retirement Costs		-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings		\$ -	\$ -	\$ -	\$ -
Travel		-	-	-	-
Conference Calls		-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts		\$ -	\$ -	\$ -	\$ -
Office Rent		-	-	-	-
Office Costs		-	-	-	-
Professional Services		-	-	-	-
Miscellaneous		-	-	-	-
Depreciation		-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -		-	
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General and Administrative

General and Administrative (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.75	1.75	-
Total Direct Expenses	\$ 1,252,971	\$ 1,399,089	\$ 146,118
Inc(Dec) in Fixed Assets	\$ (89,184)	\$ (115,138)	\$ (25,954)
Working Capital Requirement	\$ (466,263)	\$ (1,866,999)	\$ (1,400,736)

Program Scope and Functional Description

This Program includes the President and CEO who carries out the general affairs of Texas RE, including administrative and corporate facilities support. The President and CEO reports to the Board and is responsible for leading, overseeing and managing the activities of Texas RE, managing relationships with NERC, FERC, registered entities, and other stakeholders, and for making final decisions with respect to non-contested enforcement actions. A significant amount of the CEO's time is expended for and charged to other operational Program activities. A 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.

2013 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Indirect program costs are allocated to the direct programs.
- Texas RE continues to have a 60-day cash reserve.

Personnel Expenses

- FTEs and personnel expenses for the G&A Program are consistent with 2012. Compensation for employees of programs with less than 2 FTEs 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, is being appropriately budgeted in those respective Program areas.

Meeting Expenses

-
- Meeting and travel expenses for this program are consistent to 2012, with an increase of \$8,726.

Operating Expenses

- Operating expenses increase by 14.1% primarily due to increases in rent, professional services (for increased Board of Director travel reimbursement and \$25,000 for funding for a compensation study), and depreciation.

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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
GENERAL and ADMINISTRATIVE					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (479,263)	\$ (479,263)	\$ -	\$ (1,880,909)	\$ (1,401,646)
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ (479,263)	\$ (479,263)	\$ -	\$ (1,880,909)	\$ (1,401,646)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	13,000	13,000	-	13,910	910
Miscellaneous	-	-	-	-	-
Total Funding	\$ (466,263)	\$ (466,263)	\$ -	\$ (1,866,999)	\$ (1,400,736)
Expenses					
Personnel Expenses					
Salaries	\$ 189,550	\$ 189,550	\$ -	\$ 189,676	\$ 126
Payroll Taxes	17,635	17,635	-	17,678	43
Benefits	24,282	24,282	-	26,158	1,876
Retirement Costs	17,485	17,485	-	17,890	405
Total Personnel Expenses	\$ 248,952	\$ 248,952	\$ -	\$ 251,402	\$ 2,450
Meeting Expenses					
Meetings	\$ 6,000	\$ 6,000	\$ -	\$ 6,180	\$ 180
Travel	46,305	46,305	-	54,851	8,546
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 52,305	\$ 52,305	\$ -	\$ 61,031	\$ 8,726
Operating Expenses					
Consultants & Contracts	\$ 2,500	\$ 2,500	\$ -	\$ 2,981	\$ 481
Office Rent	499,000	499,000	-	533,930	34,930
Office Costs	30,030	30,030	-	31,369	1,339
Professional Services	256,000	256,000	-	325,000	69,000
Miscellaneous	-	-	-	-	-
Depreciation	164,184	164,184	-	193,376	29,192
Total Operating Expenses	\$ 951,714	\$ 951,714	\$ -	\$ 1,086,656	\$ 134,942
Total Direct Expenses	\$ 1,252,971	\$ 1,252,971	\$ -	\$ 1,399,089	\$ 146,118
Indirect Expenses	\$ (1,252,971)	\$ (1,252,971)	\$ -	\$ (1,399,089)	\$ (146,118)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ 0
Change in Assets	\$ (466,263)	\$ (466,263)	\$ -	\$ (1,866,999)	\$ (1,400,736)
Fixed Assets					
Depreciation	(164,184)	(164,184)	-	(193,376)	(29,192)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	75,000	75,000	-	78,238	3,238
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 89,184	\$ 89,184	-	115,138	25,954
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET	\$ -	\$ -	\$ -	\$ -	\$ 0
TOTAL CHANGE IN WORKING CAPITAL	\$ (466,263)	\$ (466,263)	\$ -	\$ (1,866,999)	\$ (1,400,736)

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	-
Total Direct Expenses	\$ 434,117	\$ 442,180	\$ 8,063
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 manager, a communications and external relations 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, standards, event analysis, training, and technical committees.

2013 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2013 Goals and Key Deliverables

- Assist with the prosecution and any appeal of contested enforcement or disputed registration matters.
- Provide timely, useful legal advice to the CEO, the Board, and all Program areas, and provide annual employee and Board ethics and antitrust compliance training.
- Effectively communicate information to the Board, Texas RE members, and registered entities.
- Oversee membership registration and maintain an accurate roster of members.

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- Maintain effective relationships and communications with NERC, FERC, PUCT, and other state and federal representatives, and timely file all documents required by NERC or FERC.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

- Indirect program costs are allocated to the direct programs.

Personnel Expenses

- The budgeted number of FTEs for this Program is 3.0, consistent with 2012, and personnel expenses are consistent with 2012. The amount of time Legal and Regulatory personnel perform direct activities related to compliance, enforcement, events, training, and registration are budgeted in those respective program areas.

Meeting Expenses

- Meetings and travel expenses for this program increase by \$3,747 due to increased travel for NERC and regional entity meetings by Legal and Regulatory personnel for legal and executive activities, and these increases are offset by decreases in travel in other program areas.

Operating Expenses

- Operating expenses for Legal and Regulatory are consistent with 2012.

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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
LEGAL and REGULATORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions		\$ -		-	
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 307,061	\$ 307,061	\$ -	\$ 307,265	\$ 204
Payroll Taxes	28,454	28,454	-	28,524	70
Benefits	44,487	44,487	-	47,924	3,437
Retirement Costs	24,524	24,524	-	25,093	569
Total Personnel Expenses	<u>\$ 404,526</u>	<u>\$ 404,526</u>	<u>\$ -</u>	<u>\$ 408,805</u>	<u>\$ 4,279</u>
Meeting Expenses					
Meetings		\$ -	\$ -	\$ -	\$ -
Travel	7,425	7,425	-	11,172	3,747
Conference Calls		-	-	-	-
Total Meeting Expenses	<u>\$ 7,425</u>	<u>\$ 7,425</u>	<u>\$ -</u>	<u>\$ 11,172</u>	<u>\$ 3,747</u>
Operating Expenses					
Consultants & Contracts	\$ 1,854	\$ 1,854	\$ -	\$ 2,211	\$ 357
Office Rent	-	-	-	-	-
Office Costs	2,312	2,312	-	2,415	103
Professional Services	18,000	18,000	-	17,577	(423)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 22,166</u>	<u>\$ 22,166</u>	<u>\$ -</u>	<u>\$ 22,202</u>	<u>\$ 36</u>
Total Direct Expenses	<u>\$ 434,117</u>	<u>\$ 434,117</u>	<u>\$ -</u>	<u>\$ 442,180</u>	<u>\$ 8,063</u>
Indirect Expenses	<u>\$ (434,117)</u>	<u>\$ (434,117)</u>	<u>\$ -</u>	<u>\$ (442,180)</u>	<u>\$ (8,063)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx		-		-	-
Furniture & Fixtures CapEx		-		-	-
Equipment CapEx		-		-	-
Leasehold Improvements		-		-	-
Allocation of Fixed Assets		\$ -		-	
Inc(Dec) in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>

Information Technology

Information Technology (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	2.50	2.50	-
Total Direct Expenses	\$ 1,076,888	\$ 1,091,026	\$ 14,138
Inc(Dec) in Fixed Assets	\$ (66,484)	\$ (103,119)	\$ (36,635)
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

Texas RE's Information Technology (IT) program provides information technology and security support to Texas RE, including the following: hardware (servers, security devices, computers and peripherals), systems (email, storage, backups, networks, electronic security, secure communications, and databases), software, and applications; 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.

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 business, federal, and regional requirements.

2013 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2013 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 IT and security services that are not within the core competencies or IT's cost containment plan, and augment employees with temporary contractors for required development or project work to meet business needs.

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- Assist business staff with development of webCDMS enhancement requests and other IT-related project requirements, and prioritize and oversee all IT or security-related projects.
 - Coordinate and share best practices with other Regional Entities and NERC.
 - 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 and personnel expenses are remaining consistent with 2012.

Meeting Expenses

- Meeting and travel expenses for this Program are decreasing by \$15,328 to allow for slight increases in travel for other program areas.

Operating Expenses

- Operating expenses are increased by 3.5%, primarily due to depreciation and increased software and computer and software maintenance expenses, which are offset by a reduction in professional services for IT and security guard services.

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.

Information Technology

Funding sources and related expenses for the information technology section of the 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
INFORMATION TECHNOLOGY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 215,760	\$ 215,760	\$ -	\$ 215,903	\$ 143
Payroll Taxes	19,477	19,477	-	19,525	48
Benefits	31,566	31,566	-	34,005	2,439
Retirement Costs	21,285	21,285	-	21,779	494
Total Personnel Expenses	<u>\$ 288,088</u>	<u>\$ 288,088</u>	<u>\$ -</u>	<u>\$ 291,211</u>	<u>\$ 3,123</u>
Meeting Expenses					
Meetings	\$ 1,200	\$ 1,200	\$ -	\$ 1,236	\$ 36
Travel	25,904	25,904	-	10,000	(15,904)
Conference Calls	18,000	18,000	-	18,540	540
Total Meeting Expenses	<u>\$ 45,104</u>	<u>\$ 45,104</u>	<u>\$ -</u>	<u>\$ 29,776</u>	<u>\$ (15,328)</u>
Operating Expenses					
Consultants & Contracts	\$ 70,920	\$ 70,920	\$ -	\$ 84,562	\$ 13,642
Office Rent	-	-	-	-	-
Office Costs	256,292	256,292	-	267,721	11,429
Professional Services	108,000	108,000	-	54,424	(53,576)
Miscellaneous	-	-	-	-	-
Depreciation	308,484	308,484	-	363,332	54,848
Total Operating Expenses	<u>\$ 743,696</u>	<u>\$ 743,696</u>	<u>\$ -</u>	<u>\$ 770,039</u>	<u>\$ 26,343</u>
Total Direct Expenses	<u>\$ 1,076,888</u>	<u>\$ 1,076,888</u>	<u>\$ -</u>	<u>\$ 1,091,026</u>	<u>\$ 14,138</u>
Indirect Expenses	<u>(1,076,888)</u>	<u>(1,076,888)</u>	<u>\$ -</u>	<u>(1,091,026)</u>	<u>\$ (14,138)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
Fixed Assets					
Depreciation	(308,484)	(308,484)	-	(363,332)	(54,848)
Computer & Software CapEx	242,000	242,000	-	260,213	18,213
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 66,484	\$ 66,484	-	\$ 103,119	\$ 36,635
Inc(Dec) in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>

Human Resources

Human Resources (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	-
Total Direct Expenses	\$ 48,772	\$ 50,255	\$ 1,483
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 employee benefits programs, recruiting, overseeing employee screening and employee on-boarding, orientation, and exiting processes, 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 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.

2013 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2013 Goals and Key Deliverables

- Recruit highly skilled employees, and reduce the length of time of the recruitment process (from open requisition to offer letter).
- Update employee handbook and policies and procedures
- Review and manage employee benefit plans.
- 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

- Meeting and travel expenses are consistent with 2012.

Operating Expenses

- Operating expenses are consistent with 2012. No consultants are used for this area, but professional fees are budgeted for compensation studies.

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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
HUMAN RESOURCES					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	\$ -	-	-	-	-
Benefits	\$ -	-	-	-	-
Retirement Costs	\$ -	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	1,404	1,404	-	1,358	(46)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 1,404</u>	<u>\$ 1,404</u>	<u>\$ -</u>	<u>\$ 1,358</u>	<u>\$ (46)</u>
Operating Expenses					
Consultants & Contracts	\$ 24,000	\$ 24,000	\$ -	\$ 28,617	\$ 4,617
Office Rent	-	-	-	-	-
Office Costs	268	268	-	280	12
Professional Services	23,100	23,100	-	20,000	(3,100)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 47,368</u>	<u>\$ 47,368</u>	<u>\$ -</u>	<u>\$ 48,896</u>	<u>\$ 1,528</u>
Total Direct Expenses	<u>\$ 48,772</u>	<u>\$ 48,772</u>	<u>\$ -</u>	<u>\$ 50,255</u>	<u>\$ 1,483</u>
Indirect Expenses	<u>\$ (48,772)</u>	<u>\$ (48,772)</u>	<u>\$ -</u>	<u>\$ (50,255)</u>	<u>\$ (1,483)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
Inc(Dec) in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>

Finance and Accounting

Accounting and Finance (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	2.00	2.00	-
Total Direct Expenses	\$ 472,867	\$ 478,541	\$ 5,674
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Finance and Accounting Program coordinates with NERC, the other Regional Entities, and Texas RE management in all Program areas to produce the annual business plan and budget that adequately supports Texas RE's delegated and non-statutory activities. This department will also review and evaluate the performance of key processes for maintaining tight financial controls in a cost-effective and efficient manner. Texas RE Finance and Accounting personnel will also manage general ledger close activities, general accounting, accounts payable, accounts receivable, payroll processing, fixed asset accounting, cost accounting, budgetary controls, cash management, and tax reporting to ensure Texas RE appropriately accounts for all statutory and non-statutory expenses and revenue. This involves generating monthly financial reports and financial analysis of operations that are communicated to the CEO, appropriate management and the Board.

The Finance and Accounting department will generate quarterly and annual financial reports to be reviewed by management and the Board and filed with NERC.

2013 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

2013 Goals and Key Deliverables

- Work with all Regional Entities to provide consistency in budget submittals to NERC and FERC.
- 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.
- 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, meet quarterly and annual reporting requirements, and provide other required 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

- The FTEs and personnel expenses for this Program are consistent with 2012.

Meeting Expenses

- Travel expenses are consistent with 2012.

Operating Expenses

- Operating expenses are consistent with 2012 but are increasing by 1.5% for increased software maintenance expense and addition of an outside review of internal controls.

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 2013 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
FINANCE and ACCOUNTING					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 199,422	\$ 199,422	\$ -	\$ 199,554	\$ 132
Payroll Taxes	18,196	18,196	-	18,240	44
Benefits	25,416	25,416	-	27,380	1,964
Retirement Costs	19,916	19,916	-	20,378	462
Total Personnel Expenses	<u>\$ 262,950</u>	<u>\$ 262,950</u>	<u>\$ -</u>	<u>\$ 265,552</u>	<u>\$ 2,602</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	1,652	1,652	-	1,598	(54)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 1,652</u>	<u>\$ 1,652</u>	<u>\$ -</u>	<u>\$ 1,598</u>	<u>\$ (54)</u>
Operating Expenses					
Consultants & Contracts	\$ 8,000	\$ 8,000	\$ -	\$ 9,539	\$ 1,539
Office Rent	-	-	-	-	-
Office Costs	40,065	40,065	-	41,852	1,787
Professional Services	160,200	160,200	-	160,000	(200)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 208,265</u>	<u>\$ 208,265</u>	<u>\$ -</u>	<u>\$ 211,390</u>	<u>\$ 3,125</u>
Total Direct Expenses	<u>\$ 472,867</u>	<u>\$ 472,867</u>	<u>\$ -</u>	<u>\$ 478,541</u>	<u>\$ 5,674</u>
Indirect Expenses	<u>\$ (472,867)</u>	<u>\$ (472,867)</u>	<u>\$ -</u>	<u>\$ (478,541)</u>	<u>\$ (5,674)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
Inc(Dec) in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>

Section B – Supplemental Financial Information

2013 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2012-2013	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2011	3,543,252
Plus: 2012 Funding (from LSEs or designees)	10,076,696
Plus: 2012 Other funding sources	70,500
Less: 2012 Projected expenses & capital expenditures	(9,935,082)
Projected Working Capital Reserve (Deficit), December 31, 2012	<u>3,755,366</u>
Desired Working Capital Reserve, December 31, 2013 ¹	1,888,367
Minus: Projected Working Capital Reserve, December 31, 2012	(3,755,366)
Increase(decrease) in funding requirement to achieve Working Capital Reserve	<u>(1,866,999)</u>
2013 Expenses and Capital Expenditures	10,935,779
Less: Penalty Sanctions ²	(849,000)
Less: Other Funding Sources	(67,260)
Adjustment to achieve desired Working Capital Reserve	(1,866,999)
2013 NERC Assessment	<u>8,152,520</u>

Explanation of Changes in Reserve Policy from Prior Years

- Texas RE is retaining its 60-day cash reserve requirement and has obtained a \$500,000 line of credit to ensure it has appropriate liquidity for contingencies.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 9 of the 2013 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, 2012 are to be used to offset assessments in the 2013 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, 2012 through June 30, 2013 will be used to offset assessments in the 2014 Budget.

All penalties received prior to June 30, 2012 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, 2012		
	Date Received	Amount Received
	8/2/2011	22,000.00
	8/15/2011	2,000.00
	8/15/2011	3,000.00
	8/22/2011	7,000.00
	8/23/2011	107,000.00
	9/30/2011	8,000.00
	10/11/2011	45,000.00
	10/12/2011	13,000.00
	10/12/2011	7,000.00
	10/20/2011	7,000.00
	10/20/2011	5,000.00
	10/28/2011	12,000.00
	10/28/2011	11,000.00
	11/4/2011	384,000.00
	2/3/2012	8,500.00
	2/15/2012	10,000.00
	2/29/2012	31,000.00
	3/31/2012	21,000.00
	3/31/2012	9,000.00
	4/20/2012	30,000.00
	4/23/2012	40,000.00
	4/25/2012	32,500.00
	5/30/2012	2,000.00
	6/11/2012	15,000.00
	6/30/2012	17,000.00
Total Penalties Received		<u>\$ 849,000</u>

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget
Compliance Monitoring, Enforcement & Org. Registration				
Miscellaneous - CEA function in WECC	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reliability Assessment and Performance Analysis				
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Training and Education				
Testing Fees and Certificate Renewals				-
CEH Fees				-
Workshops	30,000	30,000	32,100	2,100
Total	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 32,100</u>	<u>\$ 2,100</u>
Situation Awareness and Infrastructure Security				
FIST Royalties	\$ -	\$ -	\$ -	\$ -
TSIN Fees				
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General and Administrative				
Interest Income	\$ 13,000	\$ 13,000	\$ 13,910	\$ 910
Membership Dues	\$ 27,500	\$ 27,500	\$ 21,250	\$ (6,250)
Total	<u>\$ 40,500</u>	<u>\$ 40,500</u>	<u>\$ 35,160</u>	<u>\$ (5,340)</u>
Total Outside Funding	<u>\$ 70,500</u>	<u>\$ 70,500</u>	<u>\$ 67,260</u>	<u>\$ (3,240)</u>

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- Membership dues have decreased by \$6,250, due to slightly decreased membership (primarily due to entities not renewing memberships for all affiliates), and potential workshop fees have slightly decreased by \$2,100. If registered entities continue to volunteer meeting and workshop locations, the workshop fees will be less, and any workshop fees will be offset by the actual meeting expenses.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Total Salaries	\$ 5,854,972	\$ 5,316,972	\$ 5,858,856	\$ 3,884	0.1%
Total Payroll Taxes	521,980	468,182	523,256	1,276	0.2%
Total Benefits	806,046	757,952	868,322	62,277	7.7%
Total Retirement	799,970	761,484	818,519	18,548	2.3%
Total Personnel Costs	<u>\$ 7,982,968</u>	<u>\$ 7,304,590</u>	<u>\$ 8,068,952</u>	<u>\$ 85,984</u>	<u>1.1%</u>
FTEs	58.00	58.00	60.00	2.00	3.4%
Cost per FTE					
Salaries	\$ 100,948	\$ 91,672	\$ 97,648	(3,300)	-3.3%
Payroll Taxes	9,000	8,072	8,721	(279)	-3.1%
Benefits	13,897	13,068	14,472	575	4.1%
Retirement	13,793	13,129	13,642	(151)	-1.1%
Total Cost per FTE	\$ 137,637	\$ 125,941	\$ 134,483	\$ (3,155)	-2.3%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- Texas RE personnel expenses are fairly consistent with 2012, but are increasing by 1.1%, primarily due to an increase in benefit costs and a slight increase in retirement expenses. Generally, compensation is increasing by approximately 3%, but this is offset by Texas RE's new assumption that it will experience a 3% vacancy.

Table B-5 – Consultants and Contracts

Consultants and Contracts	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Reliability Standards	\$ 10,296	\$ 10,296	\$ 12,276	\$ 1,980	19%
Compliance and Organization Registration and Certification	155,000	155,000	274,815	119,815	77%
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security					
Situation Awareness	-	-	-	-	
Critical Infrastructure Protection	-	-	-	-	
Total Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	2,500	2,500	2,981	481	19%
Legal and Regulatory	1,854	1,854	2,211	357	19%
Information Technology	70,920	70,920	84,562	13,642	19%
Human Resources	24,000	24,000	28,617	4,617	19%
Accounting and Finance	8,000	8,000	9,539	1,539	19%
Consultants Total	\$ 272,570	\$ 272,570	\$ 415,000	\$ 142,430	52%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- Consultants and contracts is increasing by \$142,430 for statutory activities, which is primarily (approximately \$100,000) due to electric engineer and critical infrastructure protection (CIP) contractor services and the remainder is for increased information technology-related contracts and maintenance.
- Electric engineer and CIP contractor support will be used to provide needed subject matter experts (SMEs) as required to meet the demands of compliance monitoring schedules, enforcement obligations (risk-harm assessment, violation validation etc.), and assist with reviews required by any modification to the Bulk Electric System Definition and procedures related thereto.

Table B-6 – Office Rent

Rent	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Office Rent	\$ 499,000	\$ 499,000	\$ 533,930	\$ 34,930	7.00%
Utilities			-	-	
Maintenance			-	-	
Total Office Rent	\$ 499,000	\$ 499,000	\$ 533,930	\$ 34,930	7.00%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- 2013 rent expense is \$533,930 for 2013, which is a 7% increase over 2012, pursuant to Texas RE's lease agreement.

Table B-7 – Office Costs

Office Costs	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Telephone/Cell Phone	\$ 18,268	\$ 18,268	\$ 18,816	\$ 548	3.00%
Internet Expense	139,200	\$ 139,200	120,000	(19,200)	-13.79%
Office Supplies	12,606	\$ 12,606	12,984	378	3.00%
Computer Supplies & Maintenance	95,438	\$ 95,438	95,000	(438)	-0.46%
Software	-	\$ -	50,000	50,000	
Subscriptions & Publications	5,576	\$ 5,576	5,743	167	3.00%
Dues	5,099	\$ 5,099	5,252	153	3.00%
Postage	1,596	\$ 1,596	1,644	48	3.00%
Express Shipping	4,120	\$ 4,120	4,244	124	3.00%
Copying	1,030	\$ 1,030	1,061	31	3.00%
Stationary & Office Forms	2,497	\$ 2,497	2,572	75	3.00%
Equipment Repair/Srv. Contracts	12,000	\$ 12,000	12,360	360	3.00%
Bank Charges	618	\$ 618	637	19	3.00%
Sales & Use Tax	32,400	\$ 32,400	20,000	(12,400)	-38.27%
Merchant Credit Card Fee	4,200	\$ 4,200	4,326	126	3.00%
IT-Leased Equipment	24,000	\$ 24,000	20,000	(4,000)	-16.67%
Total Office Costs	\$ 358,648	\$ 358,648	\$ 374,638	\$ 15,990	4.46%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- Office costs are increasing by 4.46% primarily due to decreased internet expense, taxes, and leased equipment, which offset a \$50,000 increase in software expense (primarily for specialized software that substantially enhances efficiency of analysis of system events) and a 3% increase in other office expenses.

Table B-8 – Professional Services

Professional Services	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Board of Director Fees	\$ 256,000	\$ 256,000	\$ 300,000	\$ 44,000	17.19%
Accounting & Auditing Fees	85,200	85,200	85,000	(200)	-0.23%
Legal Fees	330,000	330,000	330,000	-	0.00%
Insurance	75,000	75,000	75,000	-	0.00%
Professional Services Other	61,885	61,885	65,000	3,115	5.03%
Security Services	62,394	62,394	50,000	(12,394)	-19.86%
Total Services	\$ 870,479	\$ 870,479	\$ 905,000	\$ 34,521	3.97%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- Professional services are increasing by 3.97%. This is due to an increase of \$44,000 in Board of Directors fees and expenses (which includes Independent Director fees and travel expenses and Director recruitment expenses), and an increase of \$25,000 for compensation studies, which is offset by decreases in other professional services (\$21,885) and security services (\$12,394).

Table B-9 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment		-		-	
Office Relocation	-	-	-	-	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	100.00%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- NA

Table B-10 – 2014 and 2015 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection 2014 and 2015 Budgets								
	2013 Budget	2014 Projection	\$ Change 14 v 13	% Change 14 v 13	2015 Projection	\$ Change 15 v 14	% Change 15 v 14	
Funding								
ERO Funding								
NERC Assessments	\$ 8,152,520	\$ 11,173,104	\$ 3,020,584	37.05%	\$ 11,498,326	\$ 325,222	2.8%	
Penalty Sanctions	849,000	-	(849,000)	-100.00%	-	-		
Total NERC Funding	\$ 9,001,520	\$ 11,173,104	\$ 2,171,584	24.1%	\$ 11,498,326	\$ 325,222	2.8%	
Membership Dues	21,250	\$ 21,250	-	0.00%	21,250	-	0.0%	
Testing Fees	-	-	-		-	-		
Services & Software	-	-	-		-	-		
Workshops	32,100	32,100	-	0.00%	32,100	-	0.0%	
Interest	13,910	14,327	417	3.00%	14,327	-	0.0%	
Miscellaneous	-	-	-		-	-		
Total Funding	\$ 9,068,780	\$ 11,240,781	\$ 2,172,001	24.0%	\$ 11,566,003	\$ 325,222	2.9%	
Expenses								
Personnel Expenses								
Salaries	\$ 5,858,856	\$ 6,034,622	\$ 175,766	3.0%	\$ 6,215,660	\$ 181,039	3.0%	
Payroll Taxes	523,256	538,953	15,698	3.0%	555,122	16,169	3.0%	
Benefits	868,322	894,372	26,050	3.0%	921,203	26,831	3.0%	
Retirement Costs	818,519	843,074	24,556	3.0%	868,366	25,292	3.0%	
Total Personnel Expenses	\$ 8,068,952	\$ 8,311,021	\$ 242,069	3.0%	\$ 8,560,352	\$ 249,331	3.0%	
Meeting Expenses								
Meetings	\$ 38,316	\$ 39,465	\$ 1,149	3.0%	\$ 40,649	1,184	3.0%	
Travel	348,000	358,440	10,440	3.0%	369,193	10,753	3.0%	
Conference Calls	18,540	19,096	556	3.0%	19,669	573	3.0%	
Total Meeting Expenses	\$ 404,856	\$ 417,002	\$ 12,146	3.0%	\$ 429,512	\$ 12,510	3.0%	
Operating Expenses								
Consultants & Contracts	\$ 415,000	\$ 427,450	12,450	3.0%	\$ 440,274	12,824	3.0%	
Office Rent	533,930	549,948	16,018	3.0%	566,446	16,498	3.0%	
Office Costs	359,684	370,475	10,791	3.0%	381,589	11,114	3.0%	
Professional Services	888,225	914,872	26,647	3.0%	942,318	27,446	3.0%	
Miscellaneous	-	-	-		-	-		
Depreciation	888,000	914,640	26,640	3.0%	942,079	27,439	3.0%	
Total Operating Expenses	\$ 3,084,839	\$ 3,177,384	\$ 92,545	3.0%	\$ 3,272,706	\$ 95,322	3.0%	
Total Direct Expenses	\$ 11,558,647	\$ 11,905,407	\$ 346,759	3.0%	\$ 12,262,569	\$ 357,162	3.0%	
Indirect Expenses	\$ (223,856)	\$ (230,572)	\$ (6,716)	3.0%	\$ (237,489)	\$ (6,917)	3.0%	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Total Expenses	\$ 11,334,791	\$ 11,674,835	\$ 340,044	3.0%	\$ 12,025,080	\$ 350,245	3.0%	
Change in Assets	\$ (2,266,011)	\$ (434,054)	\$ 1,831,957	-80.8%	\$ (459,077)	\$ (25,023)	5.8%	
Fixed Assets								
Depreciation	\$ (888,000)	\$ (914,640)	\$ (26,640)	3.0%	\$ (942,079)	\$ (27,439)	3.0%	
Computer & Software CapEx	410,750	400,000	(10,750)	-2.6%	400,000	-	0.0%	
Furniture & Fixtures CapEx	-	-	-		-	-		
Equipment CapEx	78,238	80,585	2,347	3.0%	83,003	2,418	3.0%	
Leasehold Improvements	-	-	-		-	-		
Allocation of Fixed Assets								
Inc(Dec) in Fixed Assets	\$ (399,012)	\$ (434,055)	\$ (35,043)	8.8%	\$ (459,077)	\$ (25,023)	0.0%	
TOTAL BUDGET	\$ 10,935,779	\$ 11,240,780	\$ 305,001	2.8%	\$ 11,566,004	\$ 350,245	3.1%	
TOTAL CHANGE IN WORKING CAPITAL	\$ (1,866,999)	\$ (0)	\$ 1,867,000	-100.0%	\$ (0)	\$ (0)	69.5%	

2014 and 2015 Projection Analysis

- Assumes overall workload will remain consistent, even if though the program areas might change, and reflects no additional FTEs and an expense increase of approximately 3% per year.

Section C – 2013 Non-Statutory Activities 2013 Business Plan and Budget



Section C — 2013 Non-Statutory Business Plan and Budget

Non-Statutory Activities (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	5.0	5.0	
Direct Expenses	788,443	805,244	
Indirect Expenses	210,657	223,856	
Inc(Dec) in Fixed Assets	-	-	
Total Funding Requirement	999,100	1,029,100	

Non-Statutory Functional Scope

As the ERCOT region Reliability Monitor, Texas RE performs audits, investigations, monthly metrics review, and other monitoring and reporting of market participants' compliance with the reliability-related ERCOT Protocols, Operating Guides, and Texas rules (Regional Rules), under the direction of the Public Utility Commission of Texas (PUCT). Texas RE also monitors the stakeholder Regional Rules creation and modification process and assists the PUCT with comments on proposed changes to rules that impact reliability. Texas RE does not perform any enforcement activities, but, when needed, provides testimony and technical support to the PUCT for its enforcement cases.

Major 2013 Assumptions and Cost Impacts

- Texas RE will continue to be the Reliability Monitor and perform Regional Rules compliance monitoring and reporting for the PUCT in 2013.

2013 Non-Statutory Goals and Objectives

- Appropriately monitor and report to the PUCT regarding stakeholder compliance with the Regional Rules.
- Implement the 2013 Regional Rules audit plan per the posted schedule.
- Review and assess system disturbances for potential violations of Regional Rules and report all findings to the PUCT.
- Provide technical expertise to the PUCT for the review and modification of Regional Rules that impact reliability of the BPS.
- Provide technical or testimony support as needed to the PUCT for its enforcement of 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 \$257,275 to Texas RE from its PUCT-approved system administration fee. Texas RE's total 2013 non-statutory budget and funding is \$1,029,100. The 2013 non-statutory contract funding is \$30,000 higher than the 2012 funding of \$999,100.

Personnel Expenses

- Non-statutory personnel are remaining constant at 5 FTEs, and personnel expenses are consistent to 2012. One “FTE” will continue to represent the composite of time spent by employees who report to statutory and G&A program areas.

Meeting Expenses

- Meeting and travel is consistent with 2012.

Operating Expenses

- Operating expenses are increasing by \$9,712 primarily due to increased software and computer and software maintenance expense and increased contract expenses for highly skilled electric engineer services.

Indirect Expenses

- The non-statutory allocation of indirect expenses is increasing by 6.3%.

2012 Budget and Projection and 2013 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
NON-STATUTORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions		\$ -	\$ -	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues				-	-
Testing Fees	999,100	999,100	-	1,029,100	30,000
Services & Software			-	-	-
Workshops			-	-	-
Interest			-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ 999,100</u>	<u>\$ 999,100</u>	<u>\$ -</u>	<u>\$ 1,029,100</u>	<u>\$ 30,000</u>
Expenses					
Personnel Expenses					
Salaries	\$ 541,194	\$ 541,194		\$ 541,553	\$ 359
Payroll Taxes	46,263	46,263		\$ 46,376	113
Benefits	69,773	69,773		\$ 75,164	5,391
Retirement Costs	78,473	78,473		\$ 80,292	1,819
Total Personnel Expenses	<u>\$ 735,703</u>	<u>\$ 735,703</u>	<u>\$ -</u>	<u>\$ 743,385</u>	<u>\$ 7,682</u>
Meeting Expenses					
Meetings				\$ -	-
Travel	12,593	12,593		\$ 12,000	(593)
Conference Calls				\$ -	-
Total Meeting Expenses	<u>\$ 12,593</u>	<u>\$ 12,593</u>	<u>\$ -</u>	<u>\$ 12,000</u>	<u>\$ (593)</u>
Operating Expenses					
Consultants & Contracts	\$ 8,652	8,652		\$ 18,130	9,478
Office Rent	-	-		\$ -	-
Office Costs	14,316	14,316		\$ 14,954	638
Professional Services	17,179	17,179		\$ 16,775	(404)
Miscellaneous	-	-		\$ -	-
Depreciation	-	-		\$ -	-
Total Operating Expenses	<u>\$ 40,147</u>	<u>\$ 40,147</u>	<u>\$ -</u>	<u>\$ 49,859</u>	<u>\$ 9,712</u>
Total Direct Expenses	<u>\$ 788,443</u>	<u>\$ 788,443</u>	<u>\$ -</u>	<u>\$ 805,244</u>	<u>\$ 16,801</u>
Indirect Expenses	<u>\$ 210,657</u>	<u>\$ 210,657</u>	<u>\$ -</u>	<u>\$ 223,856</u>	<u>\$ 13,199</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 999,100</u>	<u>\$ 999,100</u>	<u>\$ -</u>	<u>\$ 1,029,100</u>	<u>\$ 30,000</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ 60,000</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx					
Furniture & Fixtures CapEx					
Equipment CapEx					
Leasehold Improvements					
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -
Inc(Dec) in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET	<u>\$ 999,100</u>	<u>\$ 999,100</u>	<u>\$ -</u>	<u>\$ 1,029,100</u>	<u>\$ 30,000</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ (0)</u>

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 2012 Budget	Projection 2012	Direct FTEs 2013 Budget	Shared FTEs ¹ 2013 Budget	Total FTEs 2013 Budget	Variance from Approved 2012 Budget
NON-STATUTORY						
Operational Programs						
Protocol	4.40	4.40	5.00	0.40	4.40	0.00
Total FTEs Operational Programs	4.40	4.40	5.00	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	5.00	1.00	5.00	0.00

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

Reserve Analysis — 2012–2013

Texas RE does not have reserves for non-statutory activities, due to contractual provisions ensuring minimal risk for this funding.

Section D – Supplemental Information

2013 Business Plan and Budget



Section D – Supplemental Information

2013 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

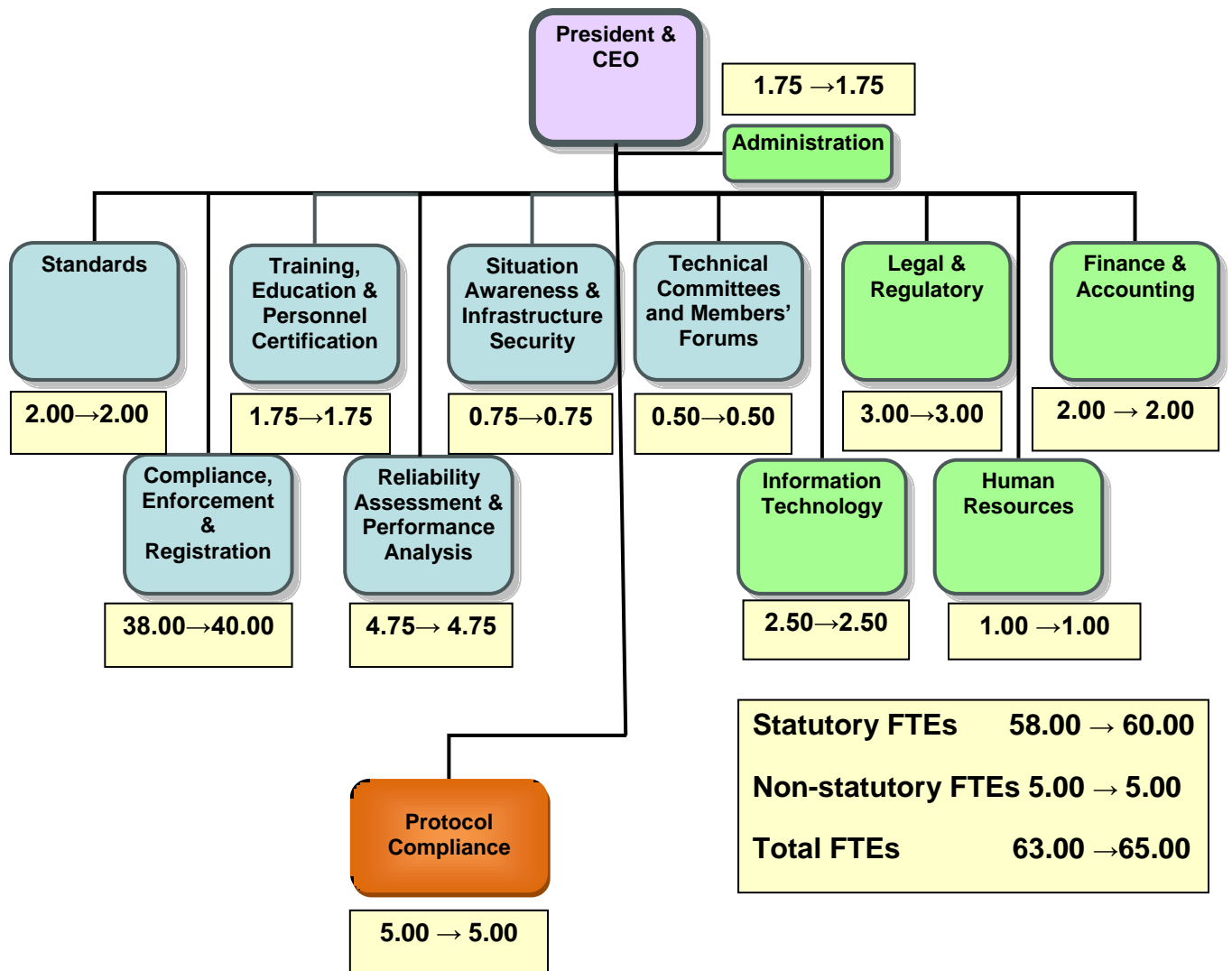
Statutory Activities																Non-Statutory Functions	
Statement of Activities and Capital Expenditures by Program 2013 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 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																	
NERC Assessments	8,152,520	8,152,520	-	8,152,520	406,288	8,079,155	1,047,067	315,477	185,443	-	(1,880,909)	-	-	-	-	-	
Penalty Sanctions	849,000	849,000	-	849,000	34,477	689,543	81,883	30,168	12,929	-	-	-	-	-	-	-	
Total NERC Funding	9,001,520	9,001,520	-	9,001,520	440,765	8,768,699	1,128,950	345,644	198,372	-	(1,880,909)	-	-	-	-	-	
Membership Dues	21,250	21,250	-	21,250	863	17,259	2,049	755	324	-	-	-	-	-	-	-	
PUCT Fees	1,029,100	-	1,029,100	-	-	-	-	-	-	-	-	-	-	-	-	1,029,100	
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Workshops	32,100	32,100	-	32,100	-	-	-	32,100	-	-	-	-	-	-	-	-	
Interest	13,910	13,910	-	13,910	-	-	-	-	-	-	13,910	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Funding (A)	10,097,880	9,068,780	1,029,100	9,068,780	441,628	8,785,957	1,131,000	378,499	198,695	-	(1,866,999)	-	-	-	-	1,029,100	
Expenses																	
Personnel Expenses																	
Salaries	6,400,409	5,858,856	541,553	5,858,856	217,122	3,854,415	590,909	172,183	111,829	-	189,676	307,265	215,903	-	199,554	541,553	
Payroll Taxes	569,632	523,256	46,376	523,256	19,923	343,884	50,393	15,167	9,921	-	17,678	28,524	19,525	-	18,240	46,376	
Benefits	943,486	868,322	75,164	868,322	26,197	589,125	77,259	27,147	13,128	-	26,158	47,924	34,005	-	27,380	75,164	
Retirement Costs	898,811	818,519	80,292	818,519	32,191	571,470	87,610	25,529	16,580	-	17,890	25,093	21,779	-	20,378	80,292	
Total Personnel Expenses	8,812,338	8,068,952	743,385	8,068,952	295,433	5,358,893	806,172	240,026	151,458	-	251,402	408,805	291,211	-	265,552	743,385	
Meeting Expenses																	
Meetings	38,316	38,316	-	38,316	-	-	-	30,900	-	-	6,180	-	1,236	-	-	-	
Travel	360,000	348,000	12,000	348,000	10,835	222,964	33,658	300	1,263	-	54,851	11,172	10,000	1,358	1,598	12,000	
Conference Calls	18,540	18,540	-	18,540	-	-	-	-	-	-	-	-	18,540	-	-	-	
Total Meeting Expenses	416,856	404,856	12,000	404,856	10,835	222,964	33,658	31,200	1,263	-	61,031	11,172	29,776	1,358	1,598	12,000	
Operating Expenses																	
Consultants & Contracts	433,130	415,000	18,130	415,000	12,276	274,815	-	-	-	-	2,981	2,211	84,562	28,617	9,539	18,130	
Office Rent	533,930	533,930	-	533,930	-	-	-	-	-	-	533,930	-	-	-	-	-	
Office Costs	374,638	359,684	14,954	359,684	485	15,562	-	-	-	-	31,369	2,415	267,721	280	41,852	14,954	
Professional Services	905,000	888,225	16,775	888,225	-	311,224	-	-	-	-	325,000	17,577	54,424	20,000	160,000	16,775	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation	888,000	888,000	-	888,000	-	331,292	-	-	-	-	193,376	-	363,332	-	-	-	
Total Operating Expenses	3,134,698	3,084,839	49,859	3,084,839	12,761	932,893	-	-	-	-	1,086,656	22,202	770,039	48,896	211,390	49,859	
Total Direct Expenses	12,363,892	11,558,647	805,244	11,558,647	319,030	6,514,751	839,829	271,226	152,721	-	1,399,089	442,180	1,091,026	50,255	478,541	805,244	
Indirect Expenses	(0)	(223,856)	223,856	(223,856)	131,461	2,629,226	312,221	115,029	49,298	-	(1,399,089)	(442,180)	(1,091,026)	(50,255)	(478,541)	223,856	
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Expenses (B)	12,363,892	11,334,791	1,029,100	11,334,791	450,491	9,143,977	1,152,050	386,254	202,019	-	-	-	-	-	-	1,029,100	
Change in Assets	(2,266,011)	(2,266,011)	(0)	(2,266,011)	(8,863)	(358,020)	(21,050)	(7,755)	(3,324)	-	(1,866,999)	-	-	-	-	-	
Fixed Assets																	
Depreciation	(888,000)	(888,000)	-	(888,000)	-	(331,292)	-	-	-	-	(193,376)	-	(363,332)	-	-	-	
Computer & Software CapEx	410,750	410,750	-	410,750	-	150,537	-	-	-	-	-	-	260,213	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equipment CapEx	78,238	78,238	-	78,238	-	-	-	-	-	-	78,238	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Allocation of Fixed Assets	-	-	-	-	(8,863.23)	(177,265)	(21,050)	(7,755)	(3,324)	-	115,138	-	103,119	-	-	-	
Inc(Dec) in Fixed Assets (C)	(399,012)	(399,012)	-	(399,012)	(8,863)	(358,020)	(21,050)	(7,755)	(3,324)	-	-	-	-	-	-	-	
TOTAL BUDGET (=B + C)	10,935,779	10,935,779	-	10,935,779	441,628	8,785,957	1,131,000	378,499	198,695	-	-	-	-	-	-	-	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(1,866,999)	(1,866,999)	(0)	(1,866,999)	0	0	(0)	(0)	(0)	-	(1,866,999)	-	-	-	-	-	
FTEs	65.00	60.00	5.00	60.00	2.00	40.00	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, 2011, per audit
- As of December 31, 2012, projected
- As of December 31, 2013, as budgeted

Statement of Financial Position 2009 Audited, 2010 Projection, and 2011 Budget			
STATUTORY			
	(Per Audit) 31-Dec-11	Projected 31-Dec-12	Budget 31-Dec-13
ASSETS			
Cash	5,237,026	3,966,212	1,678,110
Accounts receivable, net of allowance for uncollectible	3,000	3,000	3,000
Other Receivables	-	-	-
Prepaid expenses and other current assets	225,421	225,421	225,421
Security deposit	79,411	79,411	79,411
Cash value of insurance policies	-	-	-
Property and equipment	1,734,219	2,031,166	1,632,154
Total Assets	7,279,076	6,305,209	3,618,095
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	577,000	577,000	577,000
Deferred income	815,000	815,000	815,000
Deferred penalty income	-	-	-
Regional assessments	609,605	609,605	609,605
Deferred compensation	-	-	-
Accrued retirement liabilities	-	-	-
Accrued incentive compensation	-	-	-
Total Liabilities	2,001,605	2,001,605	2,001,605
Net Assets - unrestricted	5,277,469	4,303,602	1,616,460
Total Liabilities and Net Assets	7,279,076	6,305,207	3,618,065

2013 Texas RE Combined Statutory and Non-statutory Organization Chart



DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 10

WESTERN ELECTRICITY COORDINATING COUNCIL

PROPOSED 2013 BUSINESS PLAN AND BUDGET



2013 Business Plan and Budget

Western Electricity Coordinating Council

**Approved by:
WECC Board of Directors**

**Date:
June 25, 2012**

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2013 Budget	U.S.	Canada	Mexico
Statutory FTEs*	216.3			
Non-statutory FTEs	5.0			
Total FTEs	221.3			
Statutory Expenses	\$ 52,827,327			
Non-Statutory Expenses	\$ 1,508,146			
Total Expenses	\$ 54,335,473			
Statutory Inc(Dec) in Fixed Assets	\$ (1,802,235)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ 2,000			
Total Inc(Dec) in Fixed Assets	\$ (1,800,235)			
Statutory Working Capital Requirement**	10,756,455			
Non-Statutory Working Capital Requirement***	8,109,851			
Total Working Capital Requirement	18,866,306			
Total Statutory Funding Requirement	\$ 51,025,092			
Total Non-Statutory Funding Requirement	\$ 1,869,210			
Total Funding Requirement	\$ 52,894,302			
Statutory Funding Assessments	\$ 40,962,547	\$ 34,278,326	\$ 6,118,015	\$ 566,206
Non-Statutory Fees	\$ 1,869,210	\$ 1,869,210	\$ -	\$ -
NEL****	856,312,725	725,965,377	119,305,906	11,041,442
NEL%	100.00%	84.78%	13.93%	1.29%

*An FTE is defined as a full-time equivalent employee.

**Refer to the Statutory Reserve Analysis on page 62 in Section B.

***Refer to the Non-Statutory Reserve Analysis on page 81 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 Western states in the United States, two Canadian provinces, and a portion of Baja California Norte, Mexico.

WECC's business philosophy is guided by the following core values:

Integrity – We are honest, ethical, and trustworthy. We honor our commitments. We take personal responsibility for our actions. We treat everyone fairly and with respect.

Teamwork – We recognize our strength is derived from collaborative efforts. We continually learn, and share ideas and knowledge. We encourage cooperative efforts across all activities in the Western Interconnection.

Excellence – We strive for continuous quality improvement in all that we do.

Inclusiveness – We foster an open and participatory environment that encourages innovative ideas and diverse perspectives from all stakeholders.

Professionalism – We conduct ourselves with skill, good judgment and polite behavior across all committees, forums, and stakeholder interactions.

Membership and Governance

WECC has 341 members¹ divided into the following seven membership classes:²

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

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 board⁴ consisting of 34 directors. Members in classes 1 through 5 are eligible to elect four directors in their class. In addition, the Canadian delegation elects five directors and the Mexican delegation elects one. Seven directors with no member affiliation (Non-affiliated Directors) are elected by the WECC membership and are compensated for their time. The CEO is also a member of the WECC Board of Directors (Board) but is not able to cause or break a tie vote. Members of Class 7 do not elect representatives to the WECC Board, but do vote on the election of Non-affiliated Directors.

Ten 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 40.

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 — the Planning Coordination Committee (PCC), the Operating Committee (OC), and the Market Interface Committee (MIC) — provide technical work and policy recommendations to

¹ As of May 1, 2012

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 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 3.21 of 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).

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 WECC and NERC.

2013 Key Assumptions

The NERC and Regional Entities' 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. These common assumptions and WECC's assumptions are described in each statutory program area in Section A.

2013 WECC Business Objectives

WECC's business objectives for 2013 are as follows:

1. Execute delegated authority with a high degree of excellence to reduce the frequency and severity of system events.
2. Facilitate the reliable and cost-effective integration of variable generation and non-traditional resources in the Western Interconnection.
3. Improve cost-effectiveness and efficiency of WECC processes to optimize the use of assessments.
4. Produce interconnection-wide studies to support the development of a reliable, robust transmission system and assure resource adequacy.
5. Identify and mitigate potential risks and vulnerabilities to improve system reliability.
6. Increase organizational readiness to respond to external drivers.
7. Provide data and analysis to support informed decisions related to system reliability and efficient competitive power markets.

2013 Overview of Cost Impacts

WECC's proposed 2013 statutory budget is \$51.0 million, a \$16.9 million (24.8 percent) decrease from the 2012 statutory budget. Expenses associated with activities related to the U.S. Department of Energy (DOE) grants decrease by \$21.5 million. Non-grant expenditures increase by \$4.7 million.

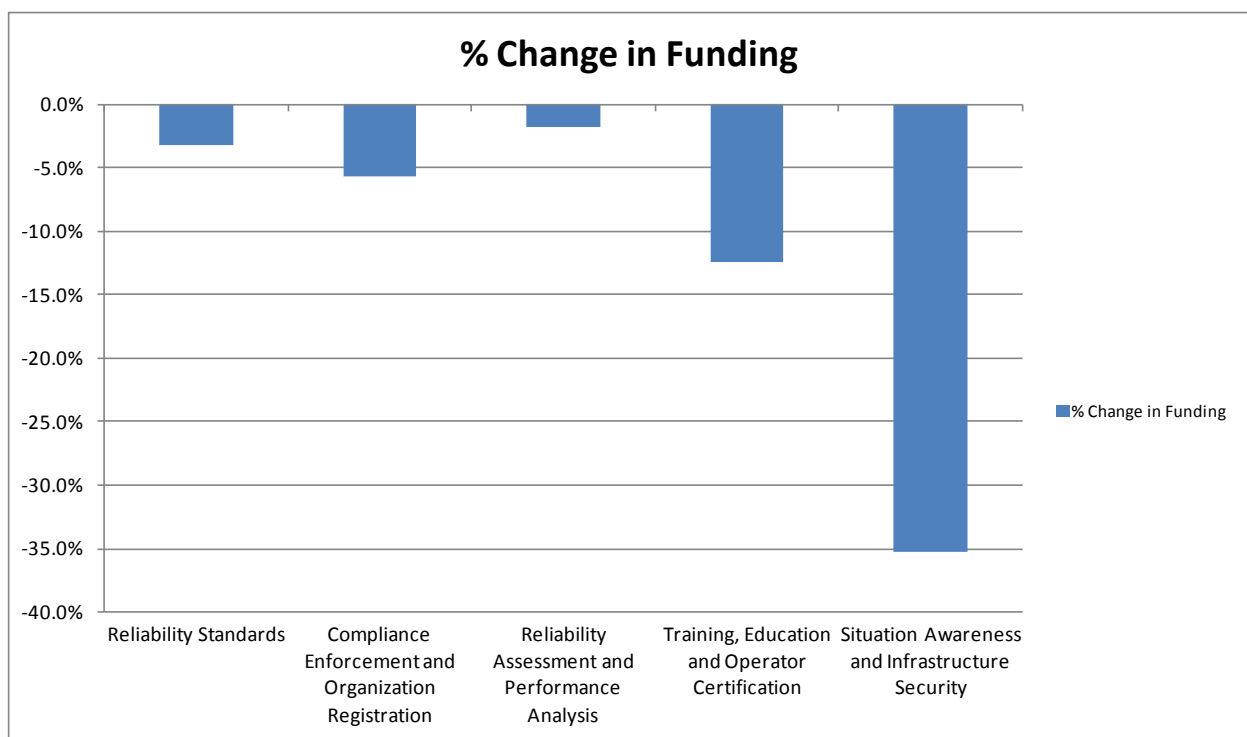
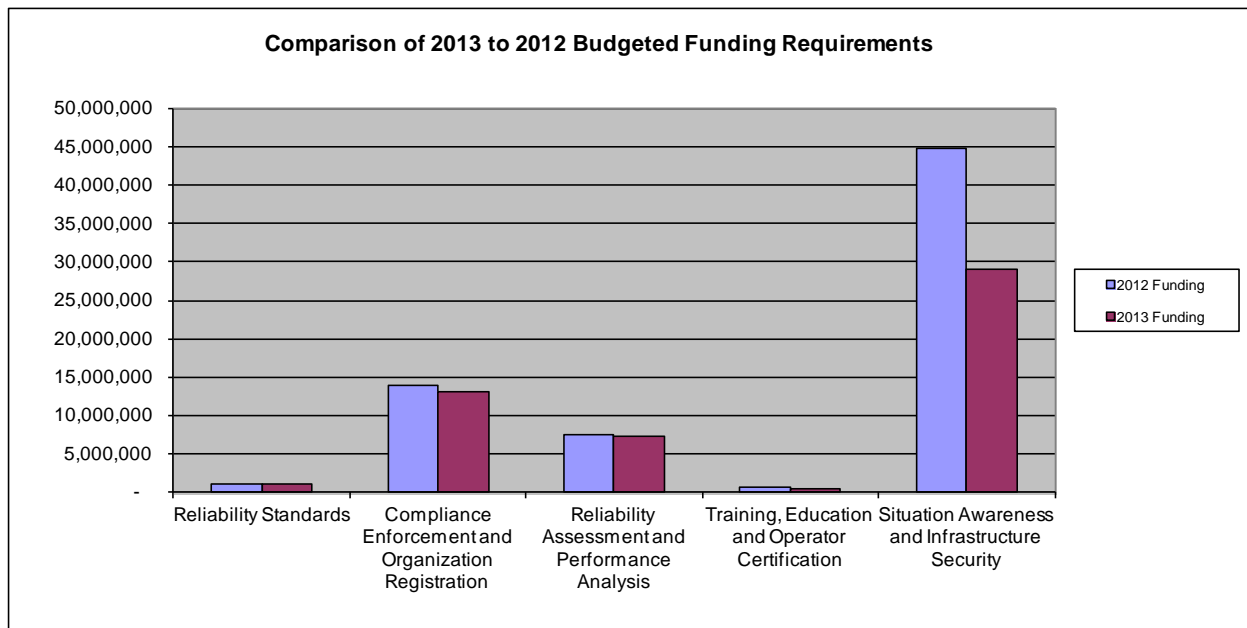
⁵ North American Electric Reliability Corporation 119 FERC ¶ 61,059 (2007) order on reh'g at P 2 and North American Electric Reliability Corporation, Docket No. RR10-9-000, Letter Order issued July 23, 2010.

Full-time equivalents (FTE) represent the fractional allocation of a full-time position's cost to one or more functional areas. Positions represent either vacant or filled headcount. Significant changes to the 2013 statutory budget from the 2012 statutory budget are as follows:

- Personnel Expenses increase by \$2.2 million due to the addition of 3.1 FTEs primarily due to increased headcount in the Reliability Coordinator function.
- Travel and Meeting Expenses decrease by approximately \$294,000, primarily due to decreased usage of hotels for meetings and increased use of the WECC Salt Lake City meeting facilities, thereby saving in meetings and travel for WECC employees.
- Consultants and Contracts decrease by \$14.0 million, primarily due to the completion of the Western Interconnection Synchrophasor Program (WISP) grant on March 13, 2013.
- Other operating costs decrease by \$148,000 due to better estimates of rent costs on the Salt Lake City office and meeting facilities, and additional legal functions being handled in-house instead of hiring external law firms.
- Fixed Assets decrease by \$5.2 million, primarily due to the completion of the WISP grant on March 31, 2013.

A summary of funding requirements for WECC's primary statutory functional areas is shown in the following table and graphs:

Program	Budget 2012*	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Reliability Standards	1,007,680	819,749	975,302	(32,378)	-3.2%
Compliance Enforcement and Organization Registration	13,957,975	12,634,394	13,159,281	(798,694)	-5.7%
Reliability Assessment and Performance Analysis	7,501,052	8,691,939	7,363,003	(138,049)	-1.8%
Training, Education and Operator Certification	609,178	510,072	533,258	(75,920)	-12.5%
Situation Awareness and Infrastructure Security	44,806,590	44,500,483	28,994,248	(15,812,342)	-35.3%
Total By Program	67,882,475	67,156,637	51,025,092	(16,857,383)	



The percentage change in funding is described in detail in Section A of the Business Plan and Budget, starting on page 11.

Personnel Analysis

WECC is adding 3.1 FTEs in 2013.

Total FTEs by Program Area	Budget 2012	Projection 2012	Direct FTEs 2013 Budget	Shared FTEs* 2013 Budget	Total FTEs 2013 Budget	Change from 2012 Budget
STATUTORY						
Operational Programs						
Reliability Standards	4.0	3.0	3.5	0.0	3.5	(0.5)
Compliance and Organization Registration and Certification	58.5	53.6	50.5	0.0	50.5	(8.0)
Training and Education	1.5	1.5	1.5	0.0	1.5	-
Reliability Assessment and Performance Analysis	21.2	18.4	19.6	0.0	19.6	(1.6)
Situation Awareness and Infrastructure Security	79.8	80.2	85.0	0.0	85.0	5.2
Total FTEs Operational Programs	164.9	156.7	160.0	0.0	160.0	(4.9)
Administrative Programs						
Technical Committees and Member Forums	8.0	7.5	7.6	0.0	7.6	(0.4)
General & Administrative	16.9	18.2	18.8	0.0	18.8	1.9
Information Technology	6.8	6.8	9.0	0.0	9.0	2.2
Legal and Regulatory	9.6	8.8	12.1	0.0	12.1	2.5
Human Resources	3.0	2.8	3.1	0.0	3.1	0.1
Finance and Accounting	4.0	4.8	5.7	0.0	5.7	1.7
Total FTEs Administrative Programs	48.3	48.7	56.3	0.0	56.3	8.0
Total FTEs	213.2	205.4	216.3	0.0	216.3	3.1

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

2012 Budget and Projection and 2013 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget

STATUTORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 36,977,492	\$ 36,977,492	\$ -	\$ 40,962,547	\$ 3,985,055
Penalty Sanctions	2,256,023	2,256,023	-	2,966,850	710,827
Total WECC Funding	\$ 39,233,515	\$ 39,233,515	\$ -	\$ 43,929,397	\$ 4,695,882
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	27,431,301	30,692,417	3,261,116	5,915,605	(21,515,695)
Services & Software	-	-	-	-	-
Workshops	1,003,475	782,425	(221,050)	885,300	(118,175)
Interest	291,171	338,262	47,091	290,911	(260)
Miscellaneous	9,706	(80,379)	(90,085)	3,879	(5,827)
Total Funding (A)	\$ 67,969,167	\$ 70,966,239	\$ 2,997,072	\$ 51,025,092	\$ (16,944,075)
Expenses					
Personnel Expenses					
Salaries	\$ 22,440,790	\$ 22,706,538	\$ 265,748	\$ 24,445,264	\$ 2,004,473
Payroll Taxes	1,832,322	1,804,216	(28,106)	1,757,632	(74,690)
Benefits	3,220,425	2,996,220	(224,205)	3,443,465	223,040
Retirement Costs	1,525,323	1,554,839	29,516	1,593,510	68,187
Total Personnel Expenses	\$ 29,018,860	\$ 29,061,813	\$ 42,953	\$ 31,239,871	\$ 2,221,011
Meeting Expenses					
Meetings	\$ 1,118,205	\$ 820,953	\$ (297,252)	\$ 996,254	\$ (121,951)
Travel	2,085,420	1,629,941	(455,479)	1,942,001	(143,419)
Conference Calls	201,560	112,155	(89,405)	172,492	(29,068)
Total Meeting Expenses	\$ 3,405,185	\$ 2,563,049	\$ (842,136)	\$ 3,110,747	\$ (294,438)
Operating Expenses					
Consultants & Contracts	\$ 19,798,972	\$ 21,461,542	\$ 1,662,570	\$ 5,830,998	\$ (13,967,974)
Office Rent	2,093,159	1,931,862	(161,297)	1,975,323	(117,836)
Office Costs	6,035,686	5,116,114	(919,573)	6,214,635	178,949
Professional Services	931,961	832,967	(98,994)	722,829	(209,132)
Miscellaneous	-	(82)	(82)	-	-
Depreciation	3,672,600	3,672,600	-	4,176,235	503,635
Total Operating Expenses	\$ 32,532,378	\$ 33,015,002	\$ 482,624	\$ 18,920,019	\$ (13,612,358)
Total Direct Expenses	\$ 64,956,422	\$ 64,639,864	\$ (316,558)	\$ 53,270,637	\$ (11,685,785)
Indirect Expenses	\$ (385,883)	\$ (275,684)	\$ 110,199	\$ (443,310)	\$ (57,427)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 64,570,539	\$ 64,364,180	\$ (206,359)	\$ 52,827,327	\$ (11,743,212)
Change in Assets	\$ 3,398,628	\$ 6,602,059	\$ 3,203,432	\$ (1,802,235)	\$ (5,200,863)
Fixed Assets					
Depreciation	\$ (3,672,600)	\$ (3,672,600)	\$ -	\$ (4,176,235)	\$ (503,635)
Computer & Software CapEx	5,449,228	4,364,011	(1,085,217)	1,253,000	(4,196,228)
Furniture & Fixtures CapEx	-	-	-	34,000	34,000
Equipment CapEx	1,622,000	2,991,028	1,369,028	1,087,000	(535,000)
Leasehold Improvements	-	678,600	678,600	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	\$ 3,398,628	\$ 4,361,039	\$ 962,411	\$ (1,802,235)	\$ (5,200,863)
TOTAL BUDGET (=B+C)	67,969,167	68,725,220	756,052	51,025,092	(16,944,076)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 2,241,020	\$ 2,241,020	\$ -	\$ -
FTEs	213.2	205.6	(7.6)	216.3	3.1

Section A – Statutory Programs

2013 Business Plan and Budget

Section A — 2013 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	4.0	3.5	(0.5)
Direct Expenses	\$ 716,174	\$ 677,776	\$ (38,398)
Indirect Expenses	\$ 308,706	\$ 310,317	\$ 1,611
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (17,200)	\$ (12,790)	\$ 4,410
Total Funding Requirement	\$ 1,007,680	\$ 975,302	\$ (32,378)

Program Scope and Functional Description

WECC's standards development activities are divided into two categories:

1. Participation in the NERC standards development process.
2. Development of Western Interconnection Regional Reliability Standards (RRS) and Regional Criteria.

WECC's standards development process is overseen by the WECC Standards Committee and is open to participation by all parties interested in providing input during the drafting, comment, and approval processes. Each standard is recommended by vote of a ballot pool formed from the WECC Ballot Body. Standards are balloted electronically during 15-day ballot windows. Upon approval by the ballot pool, standards are forwarded to the WECC Board for approval. Once approved by the WECC Board, the standards are sent to the NERC Board of Trustees for adoption. 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 develops its Regional Criteria to meet the requirements of NERC Fill-in-the-Blank Standards⁶.

2013 Key Assumptions

- Integration of renewable resources may require new or modified NERC Reliability Standards.

⁶ Fill-in-the-Blank Standards are reliability standards developed by NERC that require the regional reliability organizations to develop criteria for use by users, owners, or operators within the region.

- WECC will continue to rely on stakeholder volunteers for the staffing of NERC Standards 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.
- Depending on the final treatment of the NERC Fill-in-the-Blank Standards, it may be necessary to develop one or more RRSs to address any regional obligations in this area.

2013 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 regional 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 Standards development projects and provide timely analyses to WECC members.
- Continue updates and enhancements to the WECC Standards Outreach Web page.
- Facilitate and support the activities of the WECC Standards Committee (WSC).

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Assessments are offset by the allocation of \$65,000 in penalty sanctions received by WECC on or prior to June 30, 2012.
- Interest revenue is allocated based on FTEs.

Personnel Expenses

- Personnel Expenses decrease by \$20,000, primarily due to a decrease of 0.5 FTE.

Meeting Expenses

- Total Meeting Expenses decrease by \$19,000, primarily due to realized cost efficiencies related to greater use of the Salt Lake City meeting facilities.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs. The Reliability Standards allocation decrease is due to the reduction of 0.5 FTE while other functional areas are increasing in FTEs.

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 2013 Business Plan and Budget are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
RELIABILITY STANDARDS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 945,657	\$ 945,657	\$ -	\$ 903,967	\$ (41,690)
Penalty Sanctions	54,725	54,725	-	64,888	10,163
Total WECC Funding	\$ 1,000,382	\$ 1,000,382	\$ -	\$ 968,855	\$ (31,527)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	7,063	7,063	-	6,363	(700)
Miscellaneous	235	235	-	85	(150)
Total Funding (A)	\$ 1,007,680	\$ 1,007,680	\$ -	\$ 975,302	\$ (32,378)
Expenses					
Personnel Expenses					
Salaries	\$ 478,530	\$ 399,011	\$ (79,519)	\$ 464,771	\$ (13,759)
Payroll Taxes	40,691	31,104	(9,587)	34,916	(5,775)
Benefits	59,466	31,814	(27,652)	60,156	690
Retirement Costs	41,327	27,931	(13,396)	40,139	(1,188)
Total Personnel Expenses	\$ 620,014	\$ 489,859	\$ (130,155)	\$ 599,982	\$ (20,032)
Meeting Expenses					
Meetings	\$ 14,700	\$ 2,078	\$ (12,622)	\$ 14,754	\$ 54
Travel	59,000	24,206	(34,794)	43,000	(16,000)
Conference Calls	14,440	5,966	(8,474)	11,400	(3,040)
Total Meeting Expenses	\$ 88,140	\$ 32,249	\$ (55,891)	\$ 69,154	\$ (18,986)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	8,020	6,134	(1,886)	8,640	620
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 8,020	\$ 6,134	\$ (1,886)	\$ 8,640	\$ 620
Total Direct Expenses	\$ 716,174	\$ 528,243	\$ (187,931)	\$ 677,776	\$ (38,398)
Indirect Expenses	\$ 308,706	\$ 194,717	\$ (113,989)	\$ 310,317	\$ 1,611
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,024,880	\$ 722,960	\$ (301,920)	\$ 988,092	\$ (36,788)
Change in Assets	\$ (17,200)	\$ 284,720	\$ 301,920	\$ (12,790)	\$ 4,410
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (17,200)	\$ 1,227	\$ 18,427	\$ (12,790)	\$ 4,410
Incr(Dec) in Fixed Assets (C)	\$ (17,200)	\$ 1,227	\$ 18,427	\$ (12,790)	\$ 4,410
TOTAL BUDGET (=B+C)	1,007,680	724,187	(283,494)	975,302	(32,378)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ 283,493	\$ 283,494	\$ -	\$ -
FTEs	4.0	3.0	(1.0)	3.5	(0.5)

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	58.5	50.5	(8.0)
Direct Expenses	\$ 9,779,841	\$ 8,931,897	\$ (847,943)
Indirect Expenses	\$ 4,514,827	\$ 4,477,429	\$ (37,398)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (336,693)	\$ (250,045)	\$ 86,648
Total Funding Requirement	\$ 13,957,975	\$ 13,159,281	\$ (798,694)

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 members 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 Critical Infrastructure Protection (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 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 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 21. 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 to help assure reliability across international borders within the Western Interconnection. These monitoring activities began during 2010, increased considerably during 2011 and 2012, and will continue to increase in 2013, primarily due to audits in CFE scheduled to begin this year.

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., since all RMS Criteria have been adopted either as RRSs or NERC Standards, the RMS was terminated in 2011.

The RMS in British Columbia was terminated in 2010 as they adopted equivalent standards. The adoption of Alberta Standards is expected to be completed during 2012, at which point the RMS can be terminated in Alberta. The CFE (Baja, Mexico) is also in the process of adopting mandatory standards, with highest priority given to standards corresponding to RMS Criteria. Although the RMS may not be completely terminated by the beginning of 2013, WECC anticipates that its impact on resources will be negligible.

2013 Key Assumptions

WECC Compliance is incorporating Key Assumptions relevant to 2013 from the 2013-2015 Shared Business Plan and Budget Assumptions¹⁰ used by NERC and the Regional Entities in formulating 2013 budgets. At this time the impact of many of the Assumptions is speculative; therefore, additions to the 2013 budget based on the Assumptions are not being proposed. If it becomes evident that impacts emerge that cannot be absorbed by current staffing levels and the existing proposed 2013 budget, then Compliance may seek approval for additional funds. The most significant assumptions (in bold) are from the Common Assumptions and WECC's current assessment of impact in the Assumptions are listed below:

External factors will continue to affect both resource needs and allocation...

“The final definition of the Bulk Electric System, as well as the number of exemption requests”

Depending on the outcome and timing of these initiatives, Compliance may register and monitor additional Registered Entities—or de-register and monitor fewer. At this time it is uncertain what kind of paperwork and processing burden might fall on the Regional Entities to manage the requests and the extent to which Compliance staff will engage in these activities. WECC did not budget for BES exception processing in the 2013 budget due to the uncertainty and timing of the BES definition approval. Additionally, WECC carries adequate reserve levels to fund the work if the need arises.

⁹ The WSCC was one of the companies and regional transmission associations that merged to form WECC.

¹⁰ Shared Business Plan and Budget Assumptions: NERC and the Regional Entities, 2013-2015 Planning Period,
[http://www.nerc.com/docs/bot/finance/2013%20NERC%20Business%20Plan%20and%20Budget/2013-15%20Shared%20Business%20Plan%20and%20Budget%20Assump%20-%20203-26-12%20\(clean\).pdf](http://www.nerc.com/docs/bot/finance/2013%20NERC%20Business%20Plan%20and%20Budget/2013-15%20Shared%20Business%20Plan%20and%20Budget%20Assump%20-%20203-26-12%20(clean).pdf),
February 21, 2012.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program:

Compliance and Enforcement

“Improvements in consistency among Regional Entities, and registered entities are expected from an improved centralized compliance, registration, analysis and tracking system. A significant multiyear investment will be required to develop and implement the system.”

At this time it is uncertain what impact this may have on WECC’s Program Administration and how widely Regional Entities will be expected to alter their current practices, equipment, and programs; what the associated costs might be; and how they might be allocated. To the extent this initiative succeeds, it could provide further efficiencies in WECC’s interactions related to reporting data and sending information to NERC.

Training, Education, and Operator Certification Program

“Implementation of auditor credentialing may result in resource impacts due to time period required to obtain necessary credentials”

With WECC’s very full audit schedule, it already is a challenge to manage current training expectations. Depending on what the credentialing initiative leads to, and whether more efficiency in auditing can be achieved, small additions to the audit staff may be necessary in 2013 to enable WECC to maintain audit schedules as required in the CMEP.

In addition, during 2013 (as in every year), WECC Compliance is expected to respond to FERC directives and orders as well as to significant new initiatives not currently identified that may be generated by NERC.

2013 Goals and Key Deliverables

- Monitor and enforce compliance with mandatory standards in accordance with the WECC/NERC Delegation Agreement, including the Rules of Procedure and the CMEP within the U.S. and, with respect to non-U.S. jurisdictions, monitor compliance in accordance with the approved memoranda of understanding with Canadian and Mexican authorities.
- Work with Registered Entities within the WECC Region to promote a strong culture of compliance and reliability improvement. Identify key areas needing improvement and implement educational efforts to improve compliance in those areas, based on Compliance program results and system events.
- Identify where existing NERC Reliability Standards can be improved or clarified.
- Use technology effectively to collaborate and share information.
- Use resources effectively and efficiently.
- Participate in and represent the Western Interconnection on issues that will impact WECC in NERC and regional initiatives for example: refining risk-based

monitoring, streamlining enforcement processing, and monitoring information technology initiatives.

- Perform CMEP tasks that are estimated based on 2011 and 2012 data, and expected impact from the 2013-2015 Assumptions. These estimates may change as more information becomes available:
 - Conduct 90 assessments and make recommendations based on current rules in effect relating to the registration of entities.
 - Conduct 21 on-site audits of Operations and Planning standards.
 - Conduct 20 on-site audits of Cyber Security standards.
 - Conduct 130 off-site audits (for both Operations and Planning, and Cyber Security Standards).
 - Process 15,000 self-certification forms.
 - Process 500 self-report forms.
 - Perform 32 spot-checks.
 - Process 625 violations.
 - Review 750 mitigation plans.
 - Review 325 completed mitigation plans.
 - Conduct three Compliance Investigations.
 - Validate 900 Part A and Part B Technical Feasibility Exception (TFE) requests:
 - continue to assess compensating measures for existing TFEs;
 - track all TFEs; and
 - provide quarterly or other updates and analysis to NERC as required.
 - Complete 35 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 459 Registered Entities that include 1,219 registered functions (according to the NERC Registry as of June 27, 2012). The Compliance Department manages the CMEP processes for every Registered Entity and registered function in the Western Interconnection.

The resource needs for the registration, audit, investigations, and enforcement activities for 2013 are expected to increase minimally over 2012. This estimation is based on:

- actual workload in 2011;
- experience gained in 2012;
- assumptions in the 2012 WECC Business Plan and Budget; and
- assumptions in the 2013 WECC Business Plan and Budget.

Funding Sources (Other than ERO Assessments)

- Assessments are offset by the allocation of \$936,000 in penalty sanctions received by WECC on or prior to June 30, 2012.

- An increase of \$37,000 in workshop revenue is anticipated in 2013 due to the increased demand and attendance at the Compliance User Group (CUG) and CIP User Group (CIPUG) sessions, and an increase in meeting registration fees.
- Interest revenue is allocated based on FTEs.

Personnel Expenses

- Salaries decrease by \$521,000 due to a net decrease of 8.0 FTEs. This decrease is primarily due to WECC's attempt to budget for normal turnover.. The Compliance function has been under budget in Personnel Expenses for the past two years due to turnover and delays in hiring budgeted positions. Based on historical averages, WECC estimates that these two factors result in approximately a 14 percent decrease in FTEs for 2013.
- Payroll Taxes decrease by \$91,000 with Salaries. WECC has also taken a slightly more conservative approach to budgeting for payroll taxes.
- Benefits increase by \$75,000 due to higher costs of employee insurance plans and an increase in training costs for Compliance employees.
- Retirement Costs decrease by \$68,000 with Salaries.

Meeting Expenses

- Meetings increase by \$19,000 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 decreases by \$123,000 to better align with 2011 actual results.

Operating Expenses

- Consultants & Contracts decrease by \$105,000 due to the hiring of staff to undertake tasks previously performed by contractors.
- Office Costs increase by \$13,000 due to higher costs in office supplies and computer licenses.
- Professional Services decrease by \$17,000 due to greater use of in-house counsel instead of hiring external law firms.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs. The Compliance allocation decreases by \$37,000 due to increased FTEs in other functional areas and a decrease in FTEs in Compliance.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Equipment CapEx decreases by \$15,000 due to decreased need resulting from the restructuring of the Portal.

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 2013 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
COMPLIANCE AND ORGANIZATION REGISTRATION AND CERTIFICATION					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 12,654,013	\$ 12,654,013	\$ -	\$ 11,696,264	\$ (957,749)
Penalty Sanctions	800,348	800,348	-	936,241	135,893
Total WECC Funding	\$ 13,454,361	\$ 13,454,361	\$ -	\$ 12,632,505	\$ (821,856)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	396,875	375,530	(21,345)	433,750	36,875
Interest	103,296	103,296	-	91,802	(11,494)
Miscellaneous	3,443	3,443	-	1,224	(2,219)
Total Funding (A)	\$ 13,957,975	\$ 13,936,630	\$ (21,345)	\$ 13,159,281	\$ (798,694)
Expenses					
Personnel Expenses					
Salaries	\$ 5,539,807	\$ 4,952,296	\$ (587,511)	\$ 5,019,223	\$ (520,584)
Payroll Taxes	461,222	389,590	(71,632)	370,015	(91,207)
Benefits	683,041	629,147	(53,894)	757,768	74,726
Retirement Costs	382,813	328,990	(53,823)	314,433	(68,380)
Total Personnel Expenses	\$ 7,066,884	\$ 6,300,023	\$ (766,861)	\$ 6,461,439	\$ (605,444)
Meeting Expenses					
Meetings	\$ 433,797	\$ 386,755	\$ (47,042)	\$ 452,985	\$ 19,188
Travel	995,000	699,126	(295,874)	872,000	(123,000)
Conference Calls	59,750	22,270	(37,480)	64,550	4,800
Total Meeting Expenses	\$ 1,488,547	\$ 1,108,152	\$ (380,395)	\$ 1,389,535	\$ (99,012)
Operating Expenses					
Consultants & Contracts	\$ 575,000	\$ 613,882	\$ 38,882	\$ 470,000	\$ (105,000)
Office Rent	-	997	997	-	-
Office Costs	481,260	348,055	(133,205)	494,423	13,163
Professional Services	18,000	-	(18,000)	1,000	(17,000)
Miscellaneous	-	-	-	-	-
Depreciation	150,150	150,150	-	115,500	(34,650)
Total Operating Expenses	\$ 1,224,410	\$ 1,113,085	\$ (111,325)	\$ 1,080,923	\$ (143,487)
Total Direct Expenses	\$ 9,779,841	\$ 8,521,260	\$ (1,258,581)	\$ 8,931,897	\$ (847,943)
Indirect Expenses	\$ 4,514,827	\$ 3,478,938	\$ (1,035,889)	\$ 4,477,429	\$ (37,398)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 14,294,668	\$ 12,000,197	\$ (2,294,471)	\$ 13,409,327	\$ (885,341)
Change in Assets	\$ (336,693)	\$ 1,936,433	\$ 2,273,126	\$ (250,045)	\$ 86,647
Fixed Assets					
Depreciation	(150,150)	(150,150)	-	(115,500)	34,650
Computer & Software CapEx	50,000	-	(50,000)	50,000	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	15,000	-	(15,000)	-	(15,000)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (251,543)	\$ 21,920	\$ 273,463	\$ (184,545)	\$ 66,998
Incr(Dec) in Fixed Assets (C)	\$ (336,693)	\$ (128,230)	\$ 208,463	\$ (250,045)	\$ 86,648
TOTAL BUDGET (=B+C)	13,957,975	11,871,967	(2,086,007)	13,159,281	(798,694)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 2,064,663	\$ 2,064,662	\$ -	\$ -
FTEs	58.5	53.6	(4.9)	50.5	(8.0)

Hearings

Background

WECC maintains that the Hearings budget should not be embedded in the Compliance Monitoring and Enforcement budget and that the expenditures in Hearings should be separately stated in the Legal budget.

The WECC 2013 budget for Hearings is reflected in the following table. These expenditures are included in the Compliance Program *Statement of Activities*.

Hearings			
(in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	-	-	-
Direct Expenses	\$ 16,800	\$ 14,550	\$ (2,250)
Indirect Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 16,800	\$ 14,550	\$ (2,250)

Program Scope and Functional Description

The role of the Hearing Officer is to coordinate and conduct evidentiary hearings of disputes and then issue initial decisions to the Hearing Panel for approval. In cases of particular complexity or significant regional interest, the Hearing Panel may conduct or participate in the evidentiary hearing.

The Compliance Hearing Body (CHB) is comprised of volunteers from the WECC Board, WECC members, and consultants. The Hearing Panel will be drawn from a pool of individuals on the CHB.

Legal Department staff will support the Hearing Officer and Hearing Panel and those staff members will be screened from compliance matters when a hearing is pending.

2013 Key Assumptions

- WECC will maintain current operations.
- NERC expectations in terms of hearing requirements will be clearly defined.
- WECC does not anticipate any hearings in 2013.

2013 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 \$2,000. In the event that hearing activities are necessary, WECC will use reserve funds to cover the associated costs.

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	21.2	19.6	(1.6)
Direct Expenses	\$ 5,968,110	\$ 5,408,087	\$ (560,023)
Indirect Expenses	\$ 1,632,284	\$ 1,734,819	\$ 102,535
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (99,342)	\$ 220,096	\$ 319,438
Total Funding Requirement	\$ 7,501,052	\$ 7,363,003	\$ (138,050)

Program Scope and Functional Description

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 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.

The Reliability Assessment and Performance Analysis (RAPA) budget supports the efforts of the Transmission Expansion Planning function, the Planning Services function and the Reliability Assessments function.

Transmission Expansion Planning

WECC fulfills the FERC Order 890 requirement for regional transmission planning cooperation in the Western Interconnection using the Regional Transmission Expansion Planning (RTEP) project. WECC accomplishes this by providing analytic tools and impartial and reliable data to stakeholders. In addition, WECC makes analysis, through a public process, available to stakeholders.

The primary objective of the RTEP project is to expand WECC's Interconnection-wide transmission planning activities. The RTEP project, which is funded partially by a DOE grant, expands the depth, breadth, and coordination of existing subregional and regional planning processes. Primary deliverables of the RTEP project include an Interconnection-wide 10-Year Regional Transmission Plan and 20-Year Regional Transmission Target Plan.

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.

Transmission Expansion Planning's deliverables are:

- Support the Transmission Expansion Planning Policy Committee (TEPPC) and its subcommittees.
- Support the Scenario Planning Steering Group and its work groups.

Planning Services

As part of the Reliability Policy Issues Committee (RPIC) Vulnerabilities Initiative, the Planning Services function has been appointed to oversee the analysis of data related to system outages, compliance violations, system performance, and planning data. This data will be analyzed to identify trends and potential system vulnerabilities and will be compiled in the annual WECC State of the Interconnection report. In addition, the increase in requests from NERC to have WECC staff act as the data coordinator for WECC entities has proven to be an extreme burden on existing staff. Data requests from NERC are expected to increase.

To respond to these efforts, the Planning Services Department is adding four FTEs, one for each of the following tasks:

- assist in data analysis and report development;
- process increased study requests and have a WECC staff member involved in Path Rating Studies;
- facilitate increasing WECC participation in NERC activities related to reliability metrics and performance analysis.

The approval of a continent-wide definition of "Bulk Electric System" and approval of a process to enable entities to have system elements excluded from this definition will require WECC staff to have resources to review material impact studies submitted by entities and to make recommendations to NERC regarding exception requests. Although the Planning Services Function is not requesting funding for this work, it should be noted that this may require a significant amount of staff resources. WECC did not budget for BES exception processing in the 2013 budget due to the uncertainty and timing of the BES definition approval. Additionally, WECC carries adequate reserve levels to fund the work if the need arises.

The Modeling and Validation Work Group (MVWG) is proposing a one-time expenditure of \$235,000 in 2013 to further model development and system validation efforts. These efforts include contracting with subject matter specialists who can provide expertise and with vendors that can provide tools needed to develop and validate system models. Models under development by the MVWG include the composite load model, the solar photovoltaic model, HVDC line models, and Static Voltage and Reactive Source models.

Planning Services' deliverables are:

- Power Flow and Stability Base Cases.
- Annual Study Program Report.
- WECC Transmission Maps (Existing and Planned).

- Project Coordination and Project Rating Review Process Logging.
- Path Rating Catalog.
- NERC Transmission Availability Data System (TADS), Generator Availability Data System (GADS), and Demand Response Availability Data System (DADS) Filing Verification and Submittal.
- Dynamic Model Development and Validation.
- Annual State of the Interconnection Report.
- Support of all WECC groups under the PCC except the Loads and Resources Subcommittee (LRS).
- Monitor and support the activities of the NERC Planning Committee, the Systems Analysis and Modeling Subcommittee, the Performance Analysis Subcommittee, and associated work groups.

Reliability Assessments

The Reliability Assessments function, working under the direction of the PCC's LRS, creates and analyzes supply and demand assessments for the Western Interconnection.

It is the mission of the Reliability Assessments group to produce and distribute credible data, information, and analyses. The Reliability Assessments group creates internal and external reliability assessments.

The Reliability Assessments group also produces the Power Supply Assessment, which is an annual, 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.

Reliability Assessments' deliverables are:

- NERC Long-Term Reliability Assessment.
- Seasonal Assessments (summer and winter).
- Post-Seasonal Assessments (summer and winter).
- WECC Power Supply Assessment.
- Support of the LRS.
- Monitor and Support the activities of the NERC Reliability Assessment Subcommittee, Reliability Issues Subcommittee, and associated work groups.

2013 New Initiatives and Goals

TEPPC will develop the first 20-Year Regional Transmission Target Plan. These efforts will be conducted by RTEP, which is partially funded by the DOE.

The PCC will begin implementing the Base Case Coordination System (BCCS) in 2013.¹¹ Efforts will be focused on populating the database and ensuring that it produces credible base cases. There also will be extensive WECC member outreach and training associated with the BCCS. Ongoing costs related to database management and software updates are expected to begin in 2015, and are expected to total approximately \$85,000 annually.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Assessments are offset by the allocation of \$363,000 in penalty sanctions received by WECC on or prior to June 30, 2012.
- WECC will receive \$3.1 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.

Personnel Expenses

- Salaries decrease by \$42,000 due to the net reduction of 1.6 FTEs. This reduction is based on the following:
 - a. Two FTEs are being eliminated from the RTEP program as part of the winding down of that project.
 - b. Four positions are being added to Planning Services as described above. These four positions represent a total addition of 0.4 FTE due to adjustments to accommodate for normal turnover and staggered hire dates.
- Payroll Taxes decrease by \$25,000 with Salaries. WECC has also taken a slightly more conservative approach to budgeting for payroll taxes.
- Benefits decrease by a net \$61,000 due to the centralization of tuition reimbursement costs in the Human Resources Department and higher costs of employee insurance plans.

Meeting Expenses

- Meetings decrease by \$60,000 due to increased use of the Salt Lake City meeting facilities.
- Travel decreases by \$96,000 due to increased use of the Salt Lake City meeting facilities.

¹¹ The BCCS will be a web-accessible, centralized database that automates existing processes. It will provide a central location for maintaining base-case information.

Operating Expenses

- Consultants & Contracts decrease by a net \$190,000.
 - a. Consultants & Contracts related to the RTEP grant increase by \$125,000 due to the addition of costs associated with sub-recipients and variable generation consultants.
 - b. Consultants & Contracts in non-grant activities decrease by a net \$315,000. This decrease results from a reduction of \$550,000 due to the conclusion of services required for the development of the BCCS, and an increase of \$235,000 results from the further model development and system validation efforts of the MVWG as described on page 25.
- Office Costs decrease by \$120,000 primarily due to cost savings in software licensing fees on the RTEP grant.
- Professional Services decrease by \$14,000 due to a decrease 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 increases by \$103,000 due to increased FTEs in the Administrative Services functional areas.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer & Software CapEx increases by \$360,000, primarily due to the acquisition of load forecasting software that will be purchased through the RTEP grant.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2013 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 4,288,165	\$ 4,288,165	\$ -	\$ 3,834,675	\$ (453,490)
Penalty Sanctions	289,356	289,356	-	362,755	73,399
Total WECC Funding	\$ 4,577,521	\$ 4,577,521	\$ -	\$ 4,197,430	\$ (380,091)
Membership Dues	-	-	-	-	-
Federal Grants	2,884,940	3,270,128	385,188	3,129,529	244,589
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	37,345	37,345	-	35,569	(1,776)
Miscellaneous	1,245	1,245	-	474	(771)
Total Funding (A)	\$ 7,501,052	\$ 7,886,240	\$ 385,188	\$ 7,363,003	\$ (138,049)
Expenses					
Personnel Expenses					
Salaries	\$ 1,970,357	\$ 1,786,012	\$ (184,345)	\$ 1,928,608	\$ (41,749)
Payroll Taxes	167,549	143,333	(24,216)	142,732	(24,817)
Benefits	297,966	241,681	(56,284)	237,122	(60,843)
Retirement Costs	137,981	148,630	10,650	133,061	(4,920)
Total Personnel Expenses	\$ 2,573,852	\$ 2,319,657	\$ (254,195)	\$ 2,441,524	\$ (132,328)
Meeting Expenses					
Meetings	\$ 171,483	\$ 54,714	\$ (116,769)	\$ 111,423	\$ (60,060)
Travel	230,600	130,058	(100,542)	134,900	(95,700)
Conference Calls	41,000	29,507	(11,493)	33,000	(8,000)
Total Meeting Expenses	\$ 443,083	\$ 214,279	\$ (228,804)	\$ 279,323	\$ (163,760)
Operating Expenses					
Consultants & Contracts	\$ 2,717,516	\$ 3,693,791	\$ 976,275	\$ 2,527,541	\$ (189,975)
Office Rent	-	-	-	-	-
Office Costs	181,510	112,093	(69,417)	61,300	(120,210)
Professional Services	43,750	-	(43,750)	30,000	(13,750)
Miscellaneous	-	-	-	-	-
Depreciation	8,400	8,400	-	68,400	60,000
Total Operating Expenses	\$ 2,951,176	\$ 3,814,284	\$ 863,108	\$ 2,687,241	\$ (263,935)
Total Direct Expenses	\$ 5,968,110	\$ 6,348,219	\$ 380,109	\$ 5,408,087	\$ (560,023)
Indirect Expenses	\$ 1,632,284	\$ 1,194,262	\$ (438,022)	\$ 1,734,819	\$ 102,535
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 7,600,394	\$ 7,542,482	\$ (57,913)	\$ 7,142,906	\$ (457,488)
Change in Assets	\$ (99,342)	\$ 343,758	\$ 443,101	\$ 220,096	\$ 319,439
Fixed Assets					
Depreciation	(8,400)	(8,400)	-	(68,400)	(60,000)
Computer & Software CapEx	-	810,778	810,778	360,000	360,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (90,942)	\$ 7,525	\$ 98,467	\$ (71,504)	\$ 19,438
Incr(Dec) in Fixed Assets (C)	\$ (99,342)	\$ 809,902	\$ 909,244	\$ 220,096	\$ 319,438
TOTAL BUDGET (=B+C)	7,501,052	8,352,384	851,332	7,363,003	(138,050)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (466,144)	\$ (466,144)	\$ -	\$ -
FTEs	21.2	18.4	(2.8)	19.6	(1.6)

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	1.5	1.5	-
Direct Expenses	\$ 521,018	\$ 427,889	\$ (93,129)
Indirect Expenses	\$ 95,611	\$ 110,851	\$ 15,240
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (7,450)	\$ (5,482)	\$ 1,968
Total Funding Requirement	\$ 609,179	\$ 533,258	\$ (75,921)

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. These training sessions will primarily be held at the Salt Lake City Training Center, with the balance hosted by WECC members.

The Training Department also provides three System Overview Workshops each year. These two-day workshops are designed for those 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 WECC members 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 members' training staff to design, develop, and implement training programs. The SAT also provides individual training activities to assist training staff in meeting the requirements in the NERC Reliability Standard PER-005.

2013 Key Assumptions

- Based on attendance trends in 2011 and 2012, WECC anticipates reduced attendance at its 2013 training sessions.
- There are no significant changes in operator certification continuing education unit requirements for 2013.
- The Training, Education and Operator Certification Program Area is self-funded in 2013.

2013 Goals and Key Deliverables

- Facilitate sound decision making to improve reliability by providing high-quality operator training through the WECC-sponsored Training Program, to include:
 - review and revise curriculum as needed;
 - support the Continuing Education Program for system operators requiring NERC Certification; and
 - expand 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 participating 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 \$28,000 in penalty sanctions received by WECC on or prior to June 30, 2012.
- Workshop revenue decreases by \$155,000 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.

Personnel Expenses

- Personnel Expenses increase by \$4,000 due to hiring at a salary above the 2012 budgeted amount.

Meeting Expenses

- Meetings decrease by \$44,000 due to lower than anticipated attendance at the training sessions.
- Travel decreases by \$3,000 due to increased use of the Salt Lake City Training Center, thereby requiring employees to travel less.

Operating Expenses

- Consultants & Contracts increase by \$12,000 due to the increased use of consultants to conduct training sessions.
- Office Costs decrease by \$61,000 due to the reduction of simulator licensing fees.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs.

Other Non-Operating Expenses

- Not applicable

Fixed Asset Additions

- Not applicable

Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification section of the 2013 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
TRAINING AND EDUCATION					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ (20,680)	\$ (20,680)	\$ -	\$ 51,135	\$ 71,815
Penalty Sanctions	20,522	20,522	-	27,809	7,287
Total WECC Funding	\$ (158)	\$ (158)	\$ -	\$ 78,945	\$ 79,103
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	606,600	606,600	-	451,550	(155,050)
Interest	2,649	2,649	-	2,727	78
Miscellaneous	88	88	-	36	(52)
Total Funding (A)	\$ 609,179	\$ 609,179	\$ -	\$ 533,258	\$ (75,921)
Expenses					
Personnel Expenses					
Salaries	\$ 98,906	\$ 95,754	\$ (3,152)	\$ 103,772	\$ 4,866
Payroll Taxes	8,575	7,923	(652)	7,689	(886)
Benefits	21,095	15,481	(5,614)	21,306	211
Retirement Costs	7,062	5,115	(1,947)	7,264	202
Total Personnel Expenses	\$ 135,638	\$ 124,273	\$ (11,365)	\$ 140,031	\$ 4,393
Meeting Expenses					
Meetings	\$ 144,432	\$ 64,325	\$ (80,107)	\$ 99,950	\$ (44,482)
Travel	9,800	9,800	-	6,350	(3,450)
Conference Calls	500	1,543	1,043	600	100
Total Meeting Expenses	\$ 154,732	\$ 75,668	\$ (79,064)	\$ 106,900	\$ (47,832)
Operating Expenses					
Consultants & Contracts	\$ 81,000	\$ 75,064	\$ (5,936)	\$ 92,500	\$ 11,500
Office Rent	46,368	46,521	153	47,478	1,110
Office Costs	102,280	99,385	(2,895)	40,980	(61,300)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	1,000	1,000	-	-	(1,000)
Total Operating Expenses	\$ 230,648	\$ 221,970	\$ (8,678)	\$ 180,958	\$ (49,690)
Total Direct Expenses	\$ 521,018	\$ 421,911	\$ (99,107)	\$ 427,889	\$ (93,129)
Indirect Expenses	\$ 95,611	\$ 97,358	\$ 1,747	\$ 110,851	\$ 15,240
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 616,629	\$ 519,269	\$ (97,360)	\$ 538,739	\$ (77,890)
Change in Assets	\$ (7,450)	\$ 89,910	\$ 97,360	\$ (5,482)	\$ 1,968
Fixed Assets					
Depreciation	(1,000)	(1,000)	-	-	1,000
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (6,450)	\$ 613	\$ 7,063	\$ (5,482)	\$ 968
Incr(Dec) in Fixed Assets (C)	\$ (7,450)	\$ (387)	\$ 7,063	\$ (5,482)	\$ 1,968
TOTAL BUDGET (=B+C)	609,179	518,882	(90,297)	533,258	(75,921)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 90,297	\$ 90,297	\$ -	\$ -
FTEs	1.5	1.5	-	1.5	-

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	79.8	85.0	5.2
Direct Expenses	\$ 35,863,968	\$ 24,469,496	\$ (11,394,472)
Indirect Expenses	\$ 5,083,309	\$ 6,278,766	\$ 1,195,457
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 3,859,313	\$ (1,754,014)	\$ (5,613,327)
Total Funding Requirement	\$ 44,806,590	\$ 28,994,248	\$ (15,812,342)

Program Scope and Functional Description

The Reliability Coordinator and Interchange Authority functions oversee situation awareness in the Western Interconnection.

Reliability Coordinator (RC)

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, Washington, and Loveland, Colorado. 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 Western Interconnection Synchrophasor Program (WISP) project. The funding matched dollars already committed by nine WISP Partner Entities¹² in the WECC Region to extend and deploy synchrophasor technologies within their electrical systems. The total funding for WISP is \$107.8 million.

WISP will expand WECC’s current Section 215 activities by, among other things, enhancing the situation awareness of the Western Interconnection. WISP will deliver significant reliability enhancement for WECC, WECC’s partners throughout the Western Interconnection, and the nation’s power industry. Additionally, WISP will allow for increased visibility of power system vulnerabilities by system operators, which helps minimize the risk of the vulnerabilities evolving into a major disturbance or blackout. Synchrophasor technology will also provide the ability to see and manage the

¹² Bonneville Power Administration, California Independent System Operator, Idaho Power, NV Energy, PacifiCorp, Pacific Gas & Electric, Southern California Edison, Salt River Project, and WECC.

intermittent nature of renewable resources, and to deploy the ancillary services needed to solidify the changing nature of the Western Interconnection power generators.

Interchange Authority

In 2008, the WECC Board approved the initiative for WECC to register as the Interchange Authority for the Western Interconnection. 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 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.

2013 Key Assumptions

- Any new standards and revisions of existing mandatory standards in 2013 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 in the first quarter will be a primary focus to achieve on-schedule delivery on March 31, 2013.
- FERC/NERC's recommendations for remediation actions based on the September 8, 2011 Blackout event.

2013 Goals and Key Deliverables

The 2013 RC function budget primarily addresses the following key areas:

1. **Increased RC function responsibilities** – The Personnel Performance, Training, and Qualifications (PER) and Emergency Preparedness and Operations (EOP) standards will create additional training workload for the RC staff. This relates specifically to the development of a Job Task Analysis and requires the RC function to conduct restoration training for the membership; including Generator Operators and Transmission Operators. In addition, data sharing will increase the RC staff workload as it will be responsible for setting up and maintaining the systems that enable this activity.

2. Implement the recommendations for the WECC RC from the FERC/NERC Staff Report on the September 8, 2011 Blackout.
3. **WISP Project** – The WISP DOE funding ends on March 31, 2013. After this date the WECC RC function will assume responsibility for the added operations, training, software, and hardware maintenance in addition to continued enhancements to the WISP tools. The WISP tools will increase situation awareness in the Western Interconnection by visually displaying trends and data that will enable the Reliability Coordinators and other System Operators to make more informed decisions on the relative health of the system.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Assessments are offset by the allocation of \$1.6 million in penalty sanctions received by WECC on or prior to June 30, 2012.
- WECC will receive \$2.8 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.

Personnel Expenses

- Salaries increase by \$1.4 million due to the addition of a net 5.2 FTEs. A net of 18 positions are being added to provide better compliance with CIP and other reliability standards. A reconciliation of headcount compared to the 5.2 FTEs is as follows:
 - a. Ten unbudgeted positions (6.3 FTEs) are expected to be added in 2012. WECC will attempt to absorb any variances caused by these additions into the WECC overall budget by finding cost efficiencies in other areas.
 - b. The remaining eight positions (5.9 FTEs) will be added in 2013 with staggered hire dates to better reflect WECC's hiring capabilities.
 - c. The RC budget has been reduced by 7.0 FTEs that are not related to specific positions to budget for employee turnover.
- Payroll Taxes, Benefits and Retirement Costs follow Salaries.

Meeting Expenses

- Travel and Conference Calls increase by \$32,000 due to the increase in FTEs.

Operating Expenses

- Consultants & Contracts decrease by \$13.8 million due to the completion of the WISP grant.

- Office Rent decreases by \$88,000 due to a reduction in budgeted office maintenance to better align with 2011 actual results.
- Office Costs increase by \$447,000 due to higher cost of maintenance and service agreements on RC equipment.
- Professional Services decrease by \$166,000, due to a one-time 2012 budgeted amount associated with the preparation and response to the Compliance audit in 2013 that is not carried forward to 2013.
- Depreciation increases by \$716,000 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 by \$1.2 million due to an increase in FTEs in the function.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer and Software CapEx decreases by \$4.3 million due to the conclusion of the WISP grant.
- Equipment CapEx decreases by \$613,000 due to the conclusion of the WISP grant.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2013 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget SITUATION AWARENESS AND INFRASTRUCTURE SECURITY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 19,110,337	\$ 19,110,337	\$ -	\$ 24,476,506	\$ 5,366,169
Penalty Sanctions	1,091,072	1,091,072	-	1,575,157	484,085
Total WECC Funding	\$ 20,201,409	\$ 20,201,409	\$ -	\$ 26,051,663	\$ 5,850,254
Membership Dues	-	-	-	-	-
Federal Grants	24,459,669	27,259,110	2,799,441	2,786,076	(21,673,593)
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	140,818	140,818	-	154,450	13,632
Miscellaneous	4,694	4,694	-	2,059	(2,635)
Total Funding (A)	\$ 44,806,590	\$ 47,606,031	\$ 2,799,441	\$ 28,994,248	\$ (15,812,342)
Expenses					
Personnel Expenses					
Salaries	\$ 9,110,926	\$ 10,030,165	\$ 919,239	\$ 10,500,212	\$ 1,389,286
Payroll Taxes	745,553	823,923	78,370	745,846	293
Benefits	1,027,970	957,969	(70,001)	1,093,420	65,450
Retirement Costs	614,538	692,908	78,370	647,167	32,629
Total Personnel Expenses	\$ 11,498,987	\$ 12,504,966	\$ 1,005,979	\$ 12,986,645	\$ 1,487,658
Meeting Expenses					
Meetings	\$ -	\$ 43,637	\$ 43,637	\$ -	\$ -
Travel	397,000	346,925	(50,075)	437,726	40,726
Conference Calls	24,200	23,177	(1,023)	15,920	(8,280)
Total Meeting Expenses	\$ 421,200	\$ 413,738	\$ (7,462)	\$ 453,646	\$ 32,446
Operating Expenses					
Consultants & Contracts	\$ 16,245,456	\$ 16,633,606	\$ 388,150	\$ 2,422,290	\$ (13,823,166)
Office Rent	855,691	735,207	(120,484)	768,081	(87,610)
Office Costs	4,071,634	2,269,698	(1,801,936)	4,518,304	446,670
Professional Services	171,000	169,013	(1,988)	5,000	(166,000)
Miscellaneous	-	-	-	-	-
Depreciation	2,600,000	2,600,000	-	3,315,530	715,530
Total Operating Expenses	\$ 23,943,781	\$ 22,407,523	\$ (1,536,258)	\$ 11,029,205	\$ (12,914,576)
Total Direct Expenses	\$ 35,863,968	\$ 35,326,227	\$ (537,741)	\$ 24,469,496	\$ (11,394,472)
Indirect Expenses	\$ 5,083,309	\$ 5,205,426	\$ 122,117	\$ 6,278,766	\$ 1,195,457
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 40,947,277	\$ 40,531,653	\$ (415,624)	\$ 30,748,262	\$ (10,199,015)
Change in Assets	\$ 3,859,313	\$ 7,074,378	\$ 3,215,065	\$ (1,754,014)	\$ (5,613,327)
Fixed Assets					
Depreciation	(2,600,000)	(2,600,000)	-	(3,315,530)	(715,530)
Computer & Software CapEx	5,189,228	3,396,694	(1,792,534)	843,000	(4,346,228)
Furniture & Fixtures CapEx	-	-	-	29,000	29,000
Equipment CapEx	1,613,000	2,958,568	1,345,568	1,000,000	(613,000)
Leasehold Improvements	-	678,600	678,600	-	-
Allocation of Fixed Assets	\$ (342,915)	\$ 32,798	\$ 375,713	\$ (310,484)	\$ 32,431
Incr(Dec) in Fixed Assets (C)	\$ 3,859,313	\$ 4,466,660	\$ 607,347	\$ (1,754,014)	\$ (5,613,327)
TOTAL BUDGET (=B+C)	44,806,590	44,998,313	191,723	28,994,248	(15,812,342)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 2,607,718	\$ 2,607,718	\$ -	\$ -
FTEs	79.8	80.2	0.5	85.0	5.2

Administrative Services

Administrative Services (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	48.3	56.3	8.0
Direct Expenses	\$ 12,107,311	\$ 13,355,492	\$ 1,248,181
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

WECC's Administrative Services consists 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 Committees and Member Forums (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	8.0	7.6	(0.4)
Total Direct Expenses	\$ 2,249,919	\$ 2,218,267	\$ (31,652)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

WECC is governed by an independent and balanced stakeholder board¹³ consisting of 34 directors. Members in classes 1 through 5 are eligible to elect four directors in their class. In addition, the Canadian delegation elects five directors and the Mexican delegation elects one. Seven directors with no member affiliation (Non-affiliated Directors) are elected by the WECC membership and are compensated for their time. The CEO is also a member of the WECC Board of Directors (Board) but is not able to break a tie vote. Members of Class 7 do not elect representatives to the WECC Board, but do vote on the election of Non-affiliated Directors.

Board Committees

Ten WECC Board committees recommend policy on various reliability and technical issues or handle governance.

The reliability and technical committees are:

- *Reliability Policy Issues Committee – the RPIC reviews policy-level reliability issues and develops appropriate recommendations for WECC Board consideration.*
- *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.*
- *WECC Compliance Committee – the WCC acts on behalf of the WECC Board and provides oversight of the WECC Compliance function.*
- *WECC Standards Committee – the WSC manages the WECC Reliability Standards development procedures.*
- *Reliability Management System Reliability Compliance Committee – the RMSRCC is an inactive committee that manages the Reliability Management System, which is in the process of being terminated.*

¹³ As provided for in Section 215 of the Federal Power Act, 16 U.S.C. 824o(e)(4)(A)(iii) (2006).

- *Efficient Dispatch Toolkit Steering Committee* – the EDTSC is an ad-hoc committee that provides oversight and guidance to staff on the Efficient Dispatch Toolkit project to perform a cost-benefit analysis of the project.

The governance committees are:

- *Governance and Nominating Committee* – the GNC nominates WECC Board Non-affiliated Director candidates and recommends Bylaws and other governance changes.
- *Human Resources and Compensation Committee* – the HRCC oversees human resources and WECC employee compensation.
- *Finance and Audit Committee* – the FAC reviews WECC's budgets, makes recommendations to staff, and assists the WECC Board in maintaining the integrity of WECC's financial reporting.
- *Western Renewable Generation Information System Committee* – the newly formed WREGIS Committee's purpose is to:
 - provide advice, guidance, and feedback to WECC management regarding issues of interest to WREGIS stakeholders;
 - share decision-making responsibility with WECC management for proposed substantive changes in fee schedules, the Terms of Use, and the Operating Rules of the WREGIS program; and
 - collaborate with WECC management and seek consensus on issues of interest to WREGIS stakeholders such as; WREGIS operations, policies, and/or operational changes that are in the best interests of the WREGIS stakeholders and WECC as a whole.

Joint Guidance Committee

The JGC ensures that the Standing Committees 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 Variable Generation Subcommittee (VGS) reports to the JGC. The VGS considers issues pertaining to the integration of variable generation and makes recommendations to the JGC on issues to pursue.

Standing Committees

- *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.

2013 Key Assumptions

- Greater number of meetings will be held at the Salt Lake City meeting facilities.
- WECC will proceed with the Enhanced Curtailment Calculator (ECC).
- Joint Synchronized Information Subcommittee will initiate a synchrophasor validation project.
- Operating Committee will develop, test, prototype and benchmark various voltage stability applications that use the synchrophasor data.

2013 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, recommendations, and rationale for recommendations.
- Ensure the Western Interconnection is represented in reliability matters by participating 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.

Enhanced Curtailment Calculator

WECC is budgeting \$5,000 in 2013 to fund the initial design of the 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. The bulk of the project is expected to be funded in 2014.

Funding Sources and Requirements — Explanation of Increase (Decrease)**Funding Sources (Other than ERO Assessments)**

- The VGS grant ended in 2012, therefore, there is a decrease of Federal Grant funding of \$87,000 in 2013.

Personnel Expenses

- Personnel Expenses decrease by \$11,000 due to the reduction of 0.4 FTE. One additional position is being added in mid-2013. However, WECC has decreased the FTE count to budget for turnover.

Meeting Expenses

- Meetings decrease by \$52,000 due to increased use of the Salt Lake City meeting facilities.
- Travel increases by \$8,000 due to additional travel required to attend NERC forums.
- Conference Calls decrease by \$12,000 due to WECC's increased use of Web-based conference technology.

Operating Expenses

- Consultants & Contracts increase by \$97,000 due to the addition of projects to validate and incorporate synchrophasor data into operations, offset by a decrease due to the completion of the Efficient Dispatch Toolkit cost-benefit analysis.
- Office Costs decrease by \$59,000 due to fewer change requests and updates for software used in Operations.

Indirect Expenses

- Technical Committees and Member Forums expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not Applicable.

Fixed Asset Additions

- Fixed Assets decrease by \$75,000 due to a one-time budgeted cost in 2012 not being carried forward into 2013.

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2013 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget TECHNICAL COMMITTEES AND MEMBER FORUMS					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	86,691	163,179	76,488	-	(86,691)
Services & Software	-	-	-	-	-
Workshops	-	(775)	(775)	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 86,691	\$ 162,404	\$ 75,713	\$ -	\$ (86,691)
Expenses					
Personnel Expenses					
Salaries	\$ 909,422	\$ 852,918	\$ (56,504)	\$ 902,239	\$ (7,183)
Payroll Taxes	77,344	73,066	(4,278)	67,808	(9,536)
Benefits	80,437	98,034	17,598	86,657	6,220
Retirement Costs	63,695	68,567	4,872	63,157	(538)
Total Personnel Expenses	\$ 1,130,897	\$ 1,092,586	\$ (38,311)	\$ 1,119,860	\$ (11,037)
Meeting Expenses					
Meetings	\$ 349,503	\$ 259,577	\$ (89,926)	\$ 297,448	\$ (52,056)
Travel	141,600	124,392	(17,208)	149,825	8,225
Conference Calls	39,870	14,713	(25,157)	27,400	(12,470)
Total Meeting Expenses	\$ 530,973	\$ 398,682	\$ (132,291)	\$ 474,673	\$ (56,301)
Operating Expenses					
Consultants & Contracts	\$ 70,000	\$ 247,968	\$ 177,968	\$ 166,667	\$ 96,667
Office Rent	-	-	-	-	-
Office Costs	99,049	1,313,871	1,214,822	40,068	(58,982)
Professional Services	403,000	415,000	12,000	401,000	(2,000)
Miscellaneous	-	-	-	-	-
Depreciation	16,000	16,000	-	16,000	-
Total Operating Expenses	\$ 588,049	\$ 1,992,839	\$ 1,404,790	\$ 623,734	\$ 35,685
Total Direct Expenses	\$ 2,249,919	\$ 3,484,107	\$ 1,234,188	\$ 2,218,267	\$ (31,652)
Indirect Expenses	\$ (2,163,228)	\$ (3,321,704)	\$ (1,158,476)	\$ (2,218,267)	\$ (55,039)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 86,691	\$ 162,404	\$ 75,713	\$ -	\$ (86,691)
Change in Assets	\$ -	\$ -	\$ (0)	\$ -	\$ -
Fixed Assets					
Depreciation	(16,000)	(16,000)	-	(16,000)	-
Computer & Software CapEx	75,000	-	(75,000)	-	(75,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (59,000)	\$ 16,000	\$ 75,000	\$ 16,000	\$ 75,000
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B+C)	86,691	162,404	75,713	-	(86,691)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ (0)	\$ -	\$ -
FTEs	8.0	7.5	(0.5)	7.6	(0.4)

General and Administrative

General and Administrative (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	16.9	18.8	1.9
Direct Expenses	\$ 5,078,221	\$ 4,941,753	\$ (136,468)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The General and Administrative Program provides executive leadership, procurement, and administrative support for WECC staff, committees, members, and management, as well as logistics support of the Salt Lake office and meeting facilities. In addition, indirect costs such as Office Rent that benefit multiple functional areas are accounted for in this budget.

2013 Key Assumptions

- WECC will receive an exemption from Washington State income tax.
- WECC will continue to conduct its annual “Measures of Success” and stakeholder surveys.

2013 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.
- Redesign the intranet and internet websites based on NERC communications experiences.
- Establish a procurement function to assist WECC management in developing Request for Proposals (RFPs), vetting significant vendors, negotiating and drafting contracts for significant purchases and ensuring all of the necessary approvals are complete before the final contract is complete.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Interest revenue and miscellaneous revenue in the amount of \$304,000 is allocated to functional areas, including non-statutory functions, based on FTEs.

Personnel Expenses

- Salaries increase by \$163,000 due to the addition of 1.9 FTEs. One FTE is being transferred from Compliance. The partial FTE, hired in 2012, has been added due to an increased need for communication support.
- Payroll Taxes increase slightly due to a more conservative estimate for taxes, which includes lower estimates for higher paid individuals due to Federal Insurance Contribution Act (FICA) thresholds.
- Benefits decrease by \$17,000 due to the centralization of WECC's Tuition Reimbursement program to Human Resources and a reduction in budget for relocation expenses.
- Retirement Costs increase by \$38,000 with Salaries.

Meeting Expenses

- Total Meeting Expenses increase by \$43,000 primarily due to an increase in travel expected by senior leadership.

Operating Expenses

- Consulting & Contracts increase by \$50,000, primarily due to the introduction of a WECC stakeholder survey and updating WECC's website.
- Office Rent decreases by \$31,000 to better align with 2011 actual results.
- Professional Services decrease by \$104,000, primarily due the transfer of insurance costs to the Legal budget.

Indirect Expenses

- General and Administrative expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Fixed Assets increase by \$11,000 for replacement equipment (\$6,000) and furniture (\$5,000) for the Salt Lake City meeting facilities.

General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2013 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
GENERAL AND ADMINISTRATIVE					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 2,030,913	\$ 2,060,815	\$ 29,902	\$ 2,194,293	\$ 163,380
Payroll Taxes	139,972	129,740	(10,232)	141,861	1,889
Benefits	232,262	190,501	(41,761)	214,991	(17,271)
Retirement Costs	115,271	113,986	(1,286)	153,600	38,329
Total Personnel Expenses	\$ 2,518,417	\$ 2,495,041	\$ (23,376)	\$ 2,704,745	\$ 186,328
Meeting Expenses					
Meetings	\$ 4,290	\$ 7,039	\$ 2,749	\$ 13,665	\$ 9,375
Travel	130,120	160,914	30,794	168,700	38,580
Conference Calls	10,700	5,779	(4,921)	6,200	(4,500)
Total Meeting Expenses	\$ 145,110	\$ 173,733	\$ 28,623	\$ 188,565	\$ 43,455
Operating Expenses					
Consultants & Contracts	\$ 60,000	\$ 121,992	\$ 61,992	\$ 110,000	\$ 50,000
Office Rent	1,191,100	1,149,077	(42,023)	1,159,764	(31,336)
Office Costs	283,033	257,453	(25,580)	276,500	(6,533)
Professional Services	104,411	103,135	(1,276)	-	(104,411)
Miscellaneous	-	-	-	-	-
Depreciation	776,150	776,150	-	502,179	(273,971)
Total Operating Expenses	\$ 2,414,694	\$ 2,407,807	\$ (6,887)	\$ 2,048,443	\$ (366,251)
Total Direct Expenses	\$ 5,078,221	\$ 5,076,580	\$ (1,641)	\$ 4,941,753	\$ (136,468)
Indirect Expenses	\$ (5,078,221)	\$ (5,078,221)	\$ -	\$ (4,941,753)	\$ 136,468
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ (1,641)	\$ (1,641)	\$ -	\$ -
Change in Assets	\$ -	\$ 1,641	\$ 1,641	\$ -	\$ -
Fixed Assets					
Depreciation	(776,150)	(776,150)	-	(502,179)	273,971
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	5,000	5,000
Equipment CapEx	-	-	-	6,000	6,000
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 776,150	\$ 776,150	\$ -	\$ 491,179	\$ (284,971)
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B+C)	-	(1,641)	(1,641)	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 1,641	\$ 1,641	\$ -	\$ -
FTEs	16.9	18.2	1.3	18.8	1.9

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	9.6	12.1	2.5
Direct Expenses	\$ 1,727,347	\$ 2,447,593	\$ 720,246
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Legal program area provides coordinated legal services to the WECC Board, committees, and staff. In addition, the program area provides consistent legal interpretations of relevant statutes, regulations, court opinions, and regulatory decisions. The Legal program area 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 program area.

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 potential areas of conflict prohibiting the use of law firms with energy practices.

2013 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.

2013 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 the 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.

- Develop and implement a Corporate Compliance function focused on WECC registered function compliance with applicable reliability standards as well as business unit compliance with internal WECC policies and procedures.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Salaries increase by \$587,000 due to the addition of 2.5 FTEs. Two lower-level positions were eliminated in 2013 and four higher-level positions were transferred to Legal from other functional areas.
- Payroll Taxes increase by \$33,000 due to increased FTEs.
- Benefits increase by \$35,000 due to increased FTEs.
- Retirement Costs increase with Salaries.

Meeting Expenses

- Travel decreases by \$8,000 to better align with 2011 actual results.

Operating Expenses

- Office Costs decrease by \$16,000 due to the department eliminating all but one broadband card and adjusting other office costs to align with 2011 actual results.
- Professional Services increase by \$48,000 due to insurance costs that have been moved from the General and Administrative budget to Legal to better align these costs with the functional area managing the costs. Additionally, there is a reduction of approximately \$100,000 in legal costs due to the use of in-house counsel instead of hiring external law firms.

Indirect Expenses

- Legal and Regulatory expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Fixed Assets decrease by \$20,000 due to a one-time Computer & Software CapEx budgeted cost in 2012 not being carried forward into 2013.

Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2013 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
LEGAL AND REGULATORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 1,143,740	\$ 1,286,773	\$ 143,033	\$ 1,730,245	\$ 586,505
Payroll Taxes	94,193	100,567	6,374	126,811	32,618
Benefits	119,983	135,170	15,187	154,547	34,564
Retirement Costs	77,571	83,520	5,949	120,661	43,090
Total Personnel Expenses	\$ 1,435,487	\$ 1,606,030	\$ 170,543	\$ 2,132,264	\$ 696,777
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	88,000	97,000	9,000	80,000	(8,000)
Conference Calls	2,500	1,296	(1,204)	2,500	-
Total Meeting Expenses	\$ 90,500	\$ 98,296	\$ 7,796	\$ 82,500	\$ (8,000)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	66,360	52,463	(13,897)	50,000	(16,360)
Professional Services	135,000	60,131	(74,869)	182,829	47,829
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 201,360	\$ 112,594	\$ (88,766)	\$ 232,829	\$ 31,469
Total Direct Expenses	\$ 1,727,347	\$ 1,816,921	\$ 89,574	\$ 2,447,593	\$ 720,246
Indirect Expenses	\$ (1,727,347)	\$ (1,727,347)	\$ -	\$ (2,447,593)	\$ (720,246)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ 89,574	\$ 89,574	\$ -	\$ -
Change in Assets	\$ -	\$ (89,574)	\$ (89,574)	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	20,000	20,000	-	-	(20,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (20,000)	\$ (20,000)	\$ -	\$ -	\$ 20,000
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B+C)	-	89,574	89,574	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (89,574)	\$ (89,574)	\$ -	\$ -
FTEs	9.6	8.8	(0.9)	12.1	2.5

Information Technology

Information Technology (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	6.8	9.0	2.2
Direct Expenses	\$ 1,619,642	\$ 1,826,228	\$ 206,586
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

WECC's Information Technology (IT) program area provides systems support including: servers, data, email, telephone systems, and Internet and Intranet website maintenance. In addition, IT includes development of new technology solutions using both internal staff and working with external service providers. The IT program area provides resources and tools to enable the organization to meet the evolving requirements to support activities and responsibilities as directed by NERC and FERC.

The IT budget includes costs associated with the refresh of all corporate desktop computers, laptops, and servers that is based on either a three-year cycle or on an as-needed basis.

2013 Key Assumptions

- WECC will maintain compliance with industry best practices on security and data protection, as well as the evolving NERC standards and audit practices. 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.

2013 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.
- Provide a significant increase in data support, analysis, and communication. Create centralized databases, automated processes, and tools to organize a growing amount of electronic data that will be in high demand.
- Provide support and data expertise to the Base Case Coordination System.

- Provide custom solutions to enable secure, reliable, and efficient transmission of a growing number of data types.
- Improve usability, functionality, and redundancy in WECC's website.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Salaries increase by \$192,000 due to the addition of 2.2 FTEs. Two of these FTEs are being transferred from the Compliance function to IT. One position, to be hired in mid-2013, is a part-time help desk clerk.
- Payroll Taxes increase by \$8,000 with Salaries. Also, WECC has taken a slightly more conservative approach to budgeting for payroll taxes.
- Benefits increase by \$32,000 with Salaries.
- Retirement Costs increase by \$13,000 with Salaries.

Meeting Expenses

- Travel increases by \$3,000 due to the increase in FTEs.

Operating Expenses

- Consultants & Contracts decrease by \$3,000 due to WECC staff performing tasks that would have otherwise been performed by consultants.
- Office Costs decrease by \$62,000 due to cost efficiencies identified in WECC's Internet connection services and software licensing.

Indirect Expenses

- Information Technology expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer & Software CapEx increase by \$12,000 due to scheduled refreshes of corporate servers.

Information Technology

Funding sources and related expenses for the Information Technology section of the 2013 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
INFORMATION TECHNOLOGY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 636,736	\$ 557,591	\$ (79,146)	\$ 829,213	\$ 192,477
Payroll Taxes	54,142	44,208	(9,934)	62,286	8,144
Benefits	83,276	110,809	27,533	114,786	31,510
Retirement Costs	44,588	34,311	(10,277)	58,045	13,457
Total Personnel Expenses	\$ 818,742	\$ 746,919	\$ (71,823)	\$ 1,064,330	\$ 245,588
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 900	\$ 900
Travel	10,000	10,781	781	13,000	3,000
Conference Calls	6,000	5,750	(250)	6,572	572
Total Meeting Expenses	\$ 16,000	\$ 16,531	\$ 531	\$ 20,472	\$ 4,472
Operating Expenses					
Consultants & Contracts	\$ 15,000	\$ 15,000	\$ -	\$ 12,000	\$ (3,000)
Office Rent	-	-	-	-	-
Office Costs	649,000	569,510	(79,490)	587,500	(61,500)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	120,900	120,900	-	141,926	21,026
Total Operating Expenses	\$ 784,900	\$ 705,410	\$ (79,490)	\$ 741,426	\$ (43,474)
Total Direct Expenses	\$ 1,619,642	\$ 1,468,860	\$ (150,782)	\$ 1,826,228	\$ 206,586
Indirect Expenses	\$ (1,619,642)	\$ (1,468,860)	\$ 150,782	\$ (1,826,228)	\$ (206,586)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ (0)	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ 0	\$ -	\$ -
Fixed Assets					
Depreciation	(120,900)	(120,900)	-	(141,926)	(21,026)
Computer & Software CapEx	75,000	36,540	(38,461)	-	(75,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	(6,000)	32,461	38,461	81,000	87,000
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 51,900	\$ 51,900	\$ -	\$ 60,926	\$ 9,026
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B+C)	-	-	(0)	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ 0	\$ -	\$ -
FTEs	6.8	6.8	-	9.0	2.2

Human Resources

Human Resources (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	3.0	3.1	0.1
Direct Expenses	\$ 974,434	\$ 1,134,800	\$ 160,366
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Human Resources (HR) program area is responsible for the delivery of all HR functions across the three WECC offices, including: recruitment, staffing, compensation, benefits, safety and health, employee relations, performance management, and employee training and development.

2013 Key Assumptions

- WECC's staffing level will continue to increase during 2013.
- 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.

2013 Goals and Key Deliverables

- Add one position due to the projected increase in WECC's staffing levels. This will allow the department to provide training for supervisors as well as overall HR support. (This position is projected to start in the fourth quarter.)
- Implement a recruiting program in 2013 that will cover both college and military recruiting. Increasing visibility in non-traditional recruiting will broaden the applicant pool for hard-to-fill positions and increase bench strength for key roles such as Reliability Coordinators.
- 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 take action to improve (lessen) turnover rate when appropriate.

- Continue to develop and enhance management development and training programs.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Salaries increase by \$38,000 due to the addition of 0.1 FTE resulting from increased workload and hiring at rates that are higher than budgeted.
- Benefits increase by \$57,000 primarily due to increases in WECC's Health Reimbursement Account associated with increases in personnel. In addition, WECC's Tuition Reimbursement plan has been centralized in Human Resources.

Meeting Expenses

- Meetings increase by \$5,000 due to increased new employee orientations.
- Travel increases by \$11,000 due to increased attendance at job fairs for recruiting purposes.

Operating Expenses

- Office Costs increase by \$27,000 due to anticipated increases in job posting, drug testing, and background checks.
- Professional Services increase by \$13,000 due to fees for WECC's retirement plan audit, which was not budgeted in 2012.

Indirect Expenses

- Human Resource expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Fixed Assets decrease by \$20,000 due to a one-time Computer and Software CapEx budgeted cost in 2012 not being carried forward into 2013.

Human Resources

Funding sources and related expenses for the Human Resources section of the 2013 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
HUMAN RESOURCES					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 244,954	\$ 257,531	\$ 12,577	\$ 283,445	\$ 38,491
Payroll Taxes	20,702	19,543	(1,159)	21,290	588
Benefits	569,100	541,026	(28,074)	625,824	56,724
Retirement Costs	22,048	22,981	933	21,841	(207)
Total Personnel Expenses	\$ 856,804	\$ 841,081	\$ (15,723)	\$ 952,400	\$ 95,596
Meeting Expenses					
Meetings	\$ -	\$ 2,828	\$ 2,828	\$ 5,130	\$ 5,130
Travel	15,000	15,337	337	26,000	11,000
Conference Calls	2,000	1,417	(583)	3,500	1,500
Total Meeting Expenses	\$ 17,000	\$ 19,582	\$ 2,582	\$ 34,630	\$ 17,630
Operating Expenses					
Consultants & Contracts	\$ 30,000	\$ 60,240	\$ 30,240	\$ 30,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	60,630	45,991	(14,639)	88,070	27,440
Professional Services	10,000	3,168	(6,833)	23,000	13,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	6,700	6,700
Total Operating Expenses	\$ 100,630	\$ 109,398	\$ 8,768	\$ 147,770	\$ 47,140
Total Direct Expenses	\$ 974,434	\$ 970,062	\$ (4,372)	\$ 1,134,800	\$ 160,366
Indirect Expenses	\$ (974,434)	\$ (970,062)	\$ 4,372	\$ (1,134,800)	\$ (160,366)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ (0)	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ 0	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	(6,700)	(6,700)
Computer & Software CapEx	20,000	50,000	30,000	-	(20,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (20,000)	\$ (50,000)	\$ (30,000)	\$ 6,700	\$ 26,700
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B+C)	-	-	(0)	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ 0	\$ -	\$ -
FTEs	3.0	2.8	(0.3)	3.1	0.1

Finance and Accounting

Finance and Accounting (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	4.0	5.7	1.7
Direct Expenses	\$ 457,748	\$ 786,852	\$ 329,104
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Finance and Accounting function provides accounting and financial analysis support to WECC. Finance is responsible for accounts payable, billing, accounts receivable, budgeting, fixed asset management, banking, payroll, and financial reporting.

2013 Key Assumptions

- WECC's continued growth will increase the demands placed on the accounting function.

2013 Goals and Key Deliverables

- Review financial policies and modify as necessary.
- 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 an uncertain operating environment.
- Provide improved reporting and financial analysis to WECC managers, the Finance and Audit Committee, and the WECC Board.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Salaries increase by \$213,000 due to the addition of 1.7 FTEs. A Director of Finance and Accounting was hired in 2012 to manage the increasing workload in Finance and to provide better reporting and analysis to the managers, the Finance and Audit Committee, and the WECC Board. Finance is also adding a portion of the grant accountant's salary to its 2013 budget due to the conclusion

of the WISP grant funding. Reporting requirements related to the WISP grant will extend beyond the March 31, 2013 project end date. The remaining portion of the grant accountant's salary will continue to be funded by the Regional Transmission Expansion Planning (RTEP) project grant through 2013.

- Payroll Taxes increase by \$14,000 with Salaries. WECC has also taken a slightly more conservative approach to budgeting for payroll taxes.
- Benefits increase by \$31,000 with Salaries.
- Retirement Costs increase by \$16,000 with Salaries.

Meeting Expenses

- Not Applicable

Operating Expenses

- Office Costs increase by \$16,000 due to increased software license fees and payroll service fees.
- Professional Services increase by \$33,000 due to additional audit and tax services and due to switching from a local firm to a second tier, international firm.

Indirect Expenses

- Finance and Accounting expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Fixed Assets decrease by \$20,000 due to a one-time Computer and Software CapEx budgeted cost in 2012 not being carried forward into 2013.

Finance and Accounting

Funding sources and related expenses for the Finance and Accounting section of the 2013 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
FINANCE AND ACCOUNTING					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 276,500	\$ 427,672	\$ 151,172	\$ 489,243	\$ 212,743
Payroll Taxes	22,379	41,218	18,839	36,377	13,998
Benefits	45,829	44,588	(1,241)	76,889	31,060
Retirement Costs	18,430	27,900	9,470	34,142	15,712
Total Personnel Expenses	\$ 363,138	\$ 541,378	\$ 178,240	\$ 636,652	\$ 273,514
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	9,300	11,401	2,101	10,500	1,200
Conference Calls	600	737	137	850	250
Total Meeting Expenses	\$ 9,900	\$ 12,138	\$ 2,238	\$ 11,350	\$ 1,450
Operating Expenses					
Consultants & Contracts	\$ 5,000	\$ -	\$ (5,000)	\$ -	\$ (5,000)
Office Rent	-	60	60	-	-
Office Costs	32,910	41,460	8,550	48,850	15,940
Professional Services	46,800	82,521	35,721	80,000	33,200
Miscellaneous	-	(82)	(82)	-	-
Depreciation	-	-	-	10,000	10,000
Total Operating Expenses	\$ 84,710	\$ 123,959	\$ 39,249	\$ 138,850	\$ 54,140
Total Direct Expenses	\$ 457,748	\$ 677,474	\$ 219,726	\$ 786,852	\$ 329,104
Indirect Expenses	\$ (457,748)	\$ (677,474)	\$ (219,726)	\$ (786,852)	\$ (329,104)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ 0	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ (0)	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	(10,000)	(10,000)
Computer & Software CapEx	20,000	50,000	30,000	-	(20,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (20,000)	\$ (50,000)	\$ (30,000)	\$ 10,000	\$ 30,000
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B+C)	-	-	0	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ (0)	\$ -	\$ -
FTEs	4.0	4.8	0.8	5.7	1.7

Section B – Supplemental Financial Information

2013 Business Plan and Budget

Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2012-2013	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2011	8,515,435
Plus: 2012 WECC Funding (from LSEs or designees)	39,233,515
Plus: 2012 Other funding sources	31,732,724
Less: 2012 Projected expenses & capital expenditures	(68,725,220)
Projected Working Capital Reserve (Deficit), December 31, 2012	10,756,455
Desired Working Capital Reserve, December 31, 2013 ²	10,756,455
Less: Projected Working Capital Reserve, December 31, 2012	(10,756,455)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	0
2013 Expenses and Capital Expenditures	51,025,092
Less: Penalty Sanctions ¹	(2,966,850)
Less: Other Funding Sources	(7,095,695)
Adjustment to achieve desired Working Capital Reserve	-
2013 WECC Assessment	40,962,547

1 – Represents collections between July, 1 2011 and June 30, 2012. See page 64 for full disclosure.

2 – On June 25, 2012, the WECC Board of Directors approved this reserve level.

WECC's Working Capital Reserve balance has increased due to the following:

WECC's Board 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 \$11.3 million. WECC's current statutory Working Capital Reserve does not meet this desired level; however, WECC has over \$7.0 million in non-statutory reserves from which it can borrow to support statutory activities if needed. WECC's projected Working Capital Reserve at the end of 2012 is slightly less than the target balance. As a result, WECC is not budgeting for an adjustment to assessments to meet the target Working Capital Reserve balance.

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 on or prior to June 30, 2012 will be used to offset assessments in the 2013 WECC Budget. Penalty monies received from July 1, 2012 through June 30, 2013 will be used to offset assessments in the 2014 Budget.

All penalty monies received on or prior to June 30, 2012 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 functional areas divided by the aggregate total FTEs in the programs receiving the allocation.

Penalty Sanctions

Table B-2

Penalty Sanctions Received on or Prior to June 30, 2012					
Date Received	Amount Received	Date Received	Amount Received	Date Received	Amount Received
7/1/2011	\$ 71,500	9/22/2011	70,000	2/2/2012	125,000
7/5/2011	35,000	9/22/2011	6,000	2/3/2012	18,200
7/5/2011	32,000	9/26/2011	75,000	2/21/2012	8,700
7/8/2011	80,000	9/26/2011	13,900	2/21/2012	500
7/11/2011	59,000	9/26/2011	7,000	2/21/2012	1,000
7/22/2011	18,000	9/29/2011	15,000	2/27/2012	1,000
7/25/2011	60,000	10/6/2011	5,000	3/1/2012	5,600
7/25/2011	10,000	10/11/2011	18,000	3/19/2012	500
7/29/2011	12,200	10/13/2011	20,000	3/30/2012	7,500
8/8/2011	9,000	11/16/2011	20,300	3/30/2012	16,400
8/8/2011	20,000	11/18/2011	225,000	4/4/2012	55,000
8/10/2011	2,750	11/21/2011	5,000	4/5/2012	45,000
8/15/2011	9,000	11/21/2011	3,500	4/6/2012	135,000
8/17/2011	37,500	11/28/2011	10,000	4/9/2012	1,000
8/17/2011	2,000	11/30/2011	20,400	4/19/2012	2,000
8/19/2011	7,500	11/30/2011	6,500	4/25/2012	12,300
8/22/2011	143,500	12/1/2011	90,000	4/25/2012	12,300
8/29/2011	1,000	12/15/2011	44,000	4/27/2012	3,600
8/29/2011	3,000	12/22/2011	1,000	4/30/2012	20,000
8/29/2011	381,600	12/27/2011	9,000	5/1/2012	80,000
9/2/2011	8,000	12/27/2011	27,000	5/1/2012	27,900
9/2/2011	10,000	12/29/2011	37,000	5/4/2012	2,500
9/6/2011	22,000	12/29/2011	14,000	5/18/2012	8,000
9/6/2011	130,000	1/13/2012	8,200	5/21/2012	500
9/6/2011	14,000	1/17/2012	40,000	6/4/2012	8,000
9/16/2011	12,500	1/17/2012	160,000	6/12/2012	60,000
9/16/2011	12,600	1/18/2012	7,500	6/18/2012	20,000
9/21/2011	500	1/18/2012	2,000	6/19/2012	8,000
9/21/2011	35,000	1/23/2012	6,000	6/20/2012	50,000
9/21/2011	15,000	2/2/2012	10,900		

Total Penalties Received \$ 2,966,850

**Net Penalties to Offset
Assessments**

\$ 2,966,850

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding WECC Assessments & Penalty Sanctions)	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget
Reliability Standards				
Interest	\$ 7,063	\$ 7,063	\$ 6,363	\$ (700)
Miscellaneous	235	235	85	(150)
Total	\$ 7,298	\$ 7,298	\$ 6,447	\$ (851)
Compliance Monitoring, Enforcement & Org. Registration				
Workshops	\$ 396,875	\$ 375,530	433,750	\$ 36,875
Interest	103,296	103,296	91,802	(11,494)
Miscellaneous	3,443	3,443	1,224	(2,219)
Total	\$ 503,614	\$ 482,269	\$ 526,776	\$ 23,162
Reliability Assessment and Performance Analysis				
Federal Grants	\$ 2,884,940	\$ -	\$ 3,129,529	\$ 244,589
Interest	37,345	37,345	35,569	(1,776)
Miscellaneous	1,245	1,245	474	(771)
Total	\$ 2,923,531	\$ 38,591	\$ 3,165,573	\$ 242,042
Training and Education				
Workshops	\$ 606,600	\$ 606,600	\$ 451,550	\$ (155,050)
Interest	2,649	2,649	2,727	78
Miscellaneous	88	88	36	
Total	\$ 609,337	\$ 609,337	\$ 454,313	\$ (154,972)
Situation Awareness and Infrastructure Security				
Federal Grants	\$ 24,459,669	\$ 30,692,417	\$ 2,786,076	\$ (21,673,593)
Interest	140,818	140,818	154,450	13,632
Miscellaneous	4,694	4,694	2,059	(2,635)
Total	\$ 24,605,181	\$ 30,837,929	\$ 2,942,585	\$ (21,662,596)
Technical Committees and Member Forms				
Federal Grants	\$ 86,691	\$ -	\$ -	\$ (86,691)
Total	\$ 86,691	\$ -	\$ -	\$ (86,691)
Total Outside Funding	\$ 28,735,652	\$ 31,975,423	\$ 7,095,695	\$ (21,639,905)

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

WECC anticipates its investments will earn approximately \$300,000 in 2012. This revenue is allocated to the Statutory and Non-Statutory Programs based on FTEs.

Compliance Monitoring, Enforcement and Organization Registration

- An increase of \$37,000 in workshop revenue is anticipated in 2013 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 increase by \$245,000 as a result of increased associated costs.

Training and Education

- Workshop revenue decreases by \$155,000 due to the reduction in the total number of sessions and a preliminary estimate of operators scheduled to attend training sessions. WECC's Training program continues to be self-funded.

Situation Awareness and Infrastructure Security

- Revenues from the WISP grant are expected to decrease by \$21.7 million. The WISP grant will end on March 31, 2013; therefore, only three months of funding is included in the 2013 budget.

Technical Committees and Member Forums

- Funding from the VGS grant decreases by \$87,000 due to the grant's 2012 end date.

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Salaries					
Salaries	\$ 22,416,470	\$ 22,592,536	\$ 24,370,024	\$ 1,953,554	8.7%
Employment Agency Fees	-	60,000	20,000	20,000	
Temporary Office Services	24,320	54,002	55,240	30,920	127.1%
Total Salaries	\$ 22,440,790	\$ 22,706,538	\$ 24,445,264	\$ 2,004,474	8.9%
Total Payroll Taxes	\$ 1,832,322	\$ 1,804,216	\$ 1,757,632	\$ (74,690)	-4.1%
Benefits					
Workers Compensation	\$ 22,000	\$ 42,261	\$ 22,000	\$ -	0.0%
Medical Insurance	2,350,120	2,211,954	2,780,267	430,147	18.3%
Life-LTD-STD Insurance	244,805	155,617	195,034	(49,771)	-20.3%
Education	434,000	382,282	325,275	(108,725)	-25.1%
Relocation	152,000	127,936	90,388	(61,612)	-40.5%
Other	17,500	15,324	30,501	13,001	74.3%
Total Benefits	\$ 3,220,425	\$ 2,935,373	\$ 3,443,465	\$ 223,040	6.9%
Retirement					
Discretionary 401k Contribution	\$ 1,525,323	\$ 1,553,960	\$ 1,593,510	\$ 68,187	4.5%
Savings Plan	-	-	-	-	
Total Retirement	\$ 1,525,323	\$ 1,553,960	\$ 1,593,510	\$ 68,187	4.5%
Total Personnel Costs	\$ 29,018,860	\$ 29,000,087	\$ 31,239,871	\$ 2,221,011	7.7%
FTEs	213.2	209.1	216.3	3.1	1.4%
Cost per FTE					
Salaries	\$ 105,241	\$ 108,618	\$ 113,005	7,764	7.4%
Payroll Taxes	8,593	8,631	8,125	(468)	-5.4%
Benefits	15,103	14,041	15,918	816	5.4%
Retirement	7,153	7,433	7,366	213	3.0%
Total Cost per FTE	\$ 136,090	\$ 138,723	\$ 144,415	\$ 8,325	6.1%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

Salaries

- Salaries increase by \$2.0 million due to the addition of 3.1 FTEs (as discussed in the previous sections), merit increases, and market adjustments.
- Employment Agency Fees increase by \$20,000 due to expected recruiting fees related to hiring the additional personnel.
- Temporary Office Services increase by \$31,000 due to additional use of temporary staff during periods of increased workload.

Payroll Taxes

- Payroll Taxes decrease by \$75,000 due to WECC taking a slightly more conservative approach to budgeting for payroll taxes.

Benefits

- Medical Insurance increases by \$430,000 due to the increase in FTEs and increases in insurance rates.
- Life-Long Term Disability-Short Term Disability Insurance decreases by \$50,000 to more accurately reflect the actual 2011 results per employee.
- Education decreases by \$109,000 due to additional use of in-house training and webinars instead of more expensive off-site training.
- Relocation decreases by \$62,000 to better reflect WECC's actual relocation expenditures in prior years.

Retirement

- 401k contributions increase by \$68,000 due to the increase in FTEs in 2013.

Consultants and Contracts

Table B-5

Consultants	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	45,000	-	15,000	(30,000)	-66.7%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	1,826,000	2,449,208	1,768,889	(57,111)	-3.1%
Training and Education	81,000	75,064	92,500	11,500	14.2%
Situation Awareness and Infrastructure Security	6,623,570	6,938,385	922,290	(5,701,280)	-86.1%
Committee and Member Forums	70,000	75,808	-	(70,000)	-100.0%
General and Administrative	60,000	121,992	101,000	41,000	68.3%
Legal and Regulatory	-	-	-	-	
Information Technology	15,000	15,000	12,000	(3,000)	-20.0%
Human Resources	30,000	60,240	30,000	-	0.0%
Accounting and Finance	5,000	-	-	(5,000)	-100.0%
Consultants Total	\$ 8,755,570	\$ 9,735,696	\$ 2,941,679	\$ (5,813,891)	-66.4%
Contracts	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	530,000	613,882	455,000	(75,000)	-14.2%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	891,516	1,195,788	758,652	(132,864)	-14.9%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	9,621,886	13,909,275	1,500,000	(8,121,886)	-84.4%
Committee and Member Forums	-	-	166,667	166,667	
General and Administrative	-	-	9,000	9,000	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Contracts Total	\$ 11,043,402	\$ 15,718,945	\$ 2,889,319	\$ (8,154,083)	-73.8%
Total Consulting and Contracts	\$ 19,798,972	\$ 25,454,641	\$ 5,830,998	\$ (13,967,974)	-70.5%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

Consultants

- Compliance and Organization Registration and Certification decreases by \$30,000 due to staff undertaking tasks previously performed by consultants.
- RAPA decreases by a net \$57,000 due to the following:
 - a. A reduction of \$550,000 is due to the conclusion of services required for the development of the BCCS.
 - b. An increase of \$235,000 results from the further model development and system validation efforts of the MVWG.
 - c. Consultants related to the RTEP grant increase by \$258,000 primarily due to additional costs associated with variable generation consultants.
- Training and Education consultants increase by \$12,000 due to an increased use of consultants to conduct training sessions.

-
- Situation Awareness consultants decrease by \$5.7 million due to the conclusion of the WISP grant.
 - Committee and Member Forums consultants decrease by \$70,000 due to the completion of the Efficient Dispatch Toolkit cost-benefit analysis.
 - General and Administrative consultants increase by \$41,000 due to the introduction of a WECC stakeholder survey and the updating of the WECC Internet website.
 - Information Technology consultants decrease \$3,000 due to less reliance on consultants for infrastructure needs.
 - Accounting and Finance consultants decreases by \$5,000. Consultants are no longer needed in this support activity.

Contracts

- Compliance and Organization Registration and Certification contracts decrease by \$75,000 due to staff to undertaking tasks previously performed by contractors.
- Contracts related to the RTEP grant decrease by \$133,000, primarily due to additional costs incurred by sub-recipients.
- Situation Awareness Contracts decrease by \$8.1 million due to the completion of the WISP grant.
- Committee and Member Forums increase by \$167,000 due to projects that will be undertaken to validate and incorporate synchrophasor data into operations.
- General and Administrative contracts increase by \$9,000 due to WECC outsourcing large procurement contract drafting and negotiating.

Office Rent**Table B-6**

Office Rent	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Office Rent	\$ 1,784,259	\$ 1,742,562	\$ 1,699,671	(84,587)	-4.7%
Utilities	25,000	130,924	175,971	150,971	603.9%
Maintenance	263,200	36,158	91,731	(171,469)	-65.1%
Security	20,700	6,924	7,950	(12,750)	-61.6%
Total Office Rent	\$ 2,093,159	\$ 1,916,569	\$ 1,975,323	\$ (117,836)	-5.6%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- Office Rent and Maintenance decrease by \$85,000 and \$171,000 respectively, to better align with WECC's current lease agreements in Loveland, Vancouver, and Salt Lake City.
- Utilities increase by \$151,000 due to the increase in power required to maintain WECC's new and expanded data centers.
- Security decreases by \$13,000 due to the completion of the RC build-outs resulting in lower ongoing costs.

Office Costs**Table B-7**

Office Costs	Budget 2012	Projection 2012	Budget 2013	Variance	
				2013 Budget v 2012 Budget	Variance %
Telephone	\$ 269,696	\$ 159,620	\$ 200,000	\$ (69,696)	-25.8%
Internet	766,330	676,607	1,083,062	316,732	41.3%
Office Supplies	214,410	578,036	223,050	8,640	4.0%
Computer Supplies and Maintenance	4,315,854	3,936,150	4,188,300	(127,554)	-3.0%
Publications & Subscriptions	54,700	23,205	63,550	8,850	16.2%
Dues and Fees	93,603	109,727	120,468	26,865	28.7%
Postage	9,180	7,766	9,795	615	6.7%
Express Shipping	52,313	20,035	22,225	(30,088)	-57.5%
Copying	199,800	69,140	213,685	13,885	6.9%
Bank Charges	59,800	58,053	75,500	15,700	26.3%
Taxes	-	12,764	15,000	15,000	
			-		
Total Office Costs	\$ 6,035,686	\$ 5,651,104	\$ 6,214,635	\$ 178,949	3.0%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- Telephone expense decreases \$70,000 to better align with actual results from 2011.
- Internet expenses increase by a net \$317,000 due to increased bandwidth needs related to the RC function.
- Office Supplies increase by \$9,000 due to increased prices and FTEs.
- Computer Supplies and Maintenance decrease by \$128,000 due to cost efficiencies identified in WECC's software licensing. WECC buys software licenses in larger bulk quantities, which provides WECC with better negotiation leverage.
- Dues and fees increase by \$27,000 due to the increase in FTEs.
- Express Shipping decreases by \$30,000 due to increased use of electronic communication between WECC's three locations rather than express shipping of documents.
- Copying increases by \$14,000 primarily due to increases in the cost of toner and other copy supplies.
- Bank Charges increase \$16,000 due to increased merchant card fees associated with attendance at CUG meetings.
- Taxes increase by \$15,000 due to the inclusion of property taxes, which has not been budgeted in the past.

Professional Services**Table B-8**

Professional Services	Budget 2012	Projection 2012	Budget 2013	Variance	
				2013 Budget v 2012 Budget	Variance %
Non-affiliated Director fees	\$ 477,750	\$ 402,500	\$ 431,000	\$ (46,750)	-9.8%
Outside Legal	313,000	21,834	36,000	(277,000)	-88.5%
Accounting & Auditing Fees	46,800	175,884	93,000	46,200	98.7%
Insurance Commercial	94,411	103,006	162,829	68,418	72.5%
Total Services	\$ 931,961	\$ 703,223	\$ 722,829	\$ (209,132)	-22.4%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- Non-affiliated Director fees decrease by \$47,000 due to decreased meetings related to the RTEP grant that require director participation.
- Outside Legal decreases by \$277,000 due to increased use of in-house counsel instead of hiring external law firms.
- Accounting & Auditing Fees increase by \$46,000 due to additional audit and tax services and also, due to switching from a local firm to a second tier, international firm.
- Insurance Commercial increases by \$68,000 due to the increase in assets resulting from the WISP grant that need to be insured.

Other Non-Operating**Table B-9**

Other Non-Operating Expenses	Budget 2012	Projection 2012	Budget 2013	Variance	
				2012 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

- Not applicable

Section C – Non-Statutory Activities

2013 Business Plan and Budget

Section C — 2013 Non-Statutory Business Plan and Budget

Western Renewable Energy Generation System (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	5	5	-
Direct Expenses	1,148,256	1,064,836	(83,420)
Indirect Expenses	385,883	443,310	57,427
Inc(Dec) in Fixed Assets	6,000	(2,000)	(8,000)
Total Funding Requirement	278,984	363,064	84,080

Western Renewable Energy Generation Information System (WREGIS)

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's governance was integrated into WECC on March 31, 2012 following the expiration of WECC's contract that had previously provided for backstop funding from the CEC. WREGIS is governed by a WECC Board committee consisting of representatives from the WECC Board and 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.

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.

Major 2013 Assumptions and Cost Impacts

The CEC was the financial backstop for WREGIS to the extent that other funding sources were insufficient. This support ended on March 30, 2012 with the expiration of WECC's contract with the CEC. It is expected that WREGIS will be fully self-funded in the future. WREGIS has been self-funded since 2009 for all administrative operations and for software costs since 2010.

2013 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's 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.
- Under most circumstances nominal fees are charged for users who attend training.

Personnel Expenses

- Salaries decrease by \$7,000 due to hiring at rates lower than previously budgeted.
- Payroll Taxes follow Salaries. WECC has also taken a slightly more conservative approach to budgeting for payroll taxes.
- Benefits increase by \$5,000 due to higher costs of employee insurance plans and an increase in employee training.
- Retirement Costs follow Salaries.

Meeting Expenses

- Meeting Expenses decrease by \$3,000 to better align with 2011 actual results.

Operating Expenses

- Consultants & Contracts decrease by \$55,000 due to existing staff performing tasks that had previously been performed by consultants.
- Office Costs increase by \$15,000 due to projected increases in software licensing fees.
- Professional Services decrease by \$37,000 due to fewer Non-affiliated Director fees resulting from WREGIS's governance being absorbed into the WECC Board.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs. WECC charges and receives funds for WREGIS's indirect costs, based on actual results that are calculated quarterly.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- a. Equipment CapEx decreases by \$6,000 due to a one-time cost for a computer server that was budgeted for in 2012 and the cost is not being carried forward into 2013.

2012 Budget and Projection and 2013 Budget Comparisons

Statement of Activities and Capital Expenditures 2012 Budget & Projection, and 2013 Budget NON-STATUTORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	1,800,000	1,453,014	(346,986)	1,850,000	50,000
Federal Grants	-	-	-	-	-
Services & Software	-	5,616	5,616	-	-
Workshops	10,000	408	(9,592)	10,000	-
Interest	8,829	-	(8,829)	9,089	260
Miscellaneous	294	-	(294)	121	(173)
Total Funding (A)	\$ 1,819,123	\$ 1,459,038	\$ (360,085)	\$ 1,869,210	\$ 50,087
Expenses					
Personnel Expenses					
Salaries	\$ 356,373	\$ 330,586	\$ (25,787)	\$ 349,435	\$ (6,938)
Payroll Taxes	29,842	27,643	(2,199)	26,019	(3,823)
Benefits	79,765	36,922	(42,843)	85,024	5,259
Retirement Costs	24,576	21,498	(3,078)	24,460	(116)
Total Personnel Expenses	\$ 490,556	\$ 416,650	\$ (73,906)	\$ 484,938	\$ (5,618)
Meeting Expenses					
Meetings	\$ 21,500	\$ 2,028	\$ (19,472)	\$ 18,300	\$ (3,200)
Travel	50,000	16,544	(33,456)	50,000	-
Conference Calls	500	-	(500)	500	-
Total Meeting Expenses	\$ 72,000	\$ 18,573	\$ (53,427)	\$ 68,800	\$ (3,200)
Operating Expenses					
Consultants & Contracts	\$ 75,000	\$ 2,566	\$ (72,434)	\$ 19,648	\$ (55,352)
Office Rent	-	-	-	-	-
Office Costs	454,200	374,720	(79,480)	469,450	15,250
Professional Services	56,500	7,009	(49,491)	20,000	(36,500)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	2,000	2,000
Total Operating Expenses	\$ 585,700	\$ 384,295	\$ (201,405)	\$ 511,098	\$ (74,602)
Total Direct Expenses	\$ 1,148,256	\$ 819,518	\$ (328,738)	\$ 1,064,836	\$ (83,420)
Indirect Expenses	\$ 385,883	\$ 385,883	\$ -	\$ 443,310	\$ 57,427
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,534,139	\$ 1,205,401	\$ (328,738)	\$ 1,508,146	\$ (25,993)
Change in Assets	\$ 284,984	\$ 253,637	\$ (31,347)	\$ 361,064	\$ 76,080
Fixed Assets					
Depreciation	-	-	-	(2,000)	(2,000)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	6,000	-	(6,000)	-	(6,000)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	\$ 6,000	\$ -	\$ (6,000)	\$ (2,000)	\$ (8,000)
TOTAL BUDGET (=B+C)	1,540,139	1,205,401	(334,738)	1,506,146	(33,993)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 278,984	\$ 253,637	\$ (25,347)	\$ 363,064	\$ 84,080
FTEs	5.0	5.0	-	5.0	-

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 2012	Projection 2012	Direct FTEs 2013 Budget	Shared FTEs ¹ 2013 Budget	Total FTEs 2013 Budget	Change from 2012 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

¹A 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 — 2012–2013

Working Capital Reserve Analysis 2012-2013		
NON-STATUTORY		
	WREGIS Reserves	WECC Non-Statutory Reserves
Beginning Working Capital Reserve (Deficit), December 31, 2011	1,618,905	5,874,245
Plus: 2012 WREGIS Funding	1,459,038	
Plus: 2012 Other funding sources		
Less: 2012 Projected expenses & capital expenditures	(1,205,401)	
Projected Working Capital Reserve (Deficit), December 31, 2012	1,872,542	5,874,245
 Working Capital Reserve, December 31, 2013	 2,235,606	 5,874,245
Less: Projected Working Capital Reserve, December 31, 2012	(1,872,542)	(5,874,245)
Adjustments to achieve Working Capital Reserve, December 31, 2013	363,064	0
Less: Funding Sources	1,869,210	
2013 Expenses and Capital Expenditures	(1,506,146)	
2013 Funding (reserve adjustment)	363,064	0

Section D – Additional Consolidated Financial Statements

2013 Business Plan and Budget

Section D — Additional Financial Statements

Section D – Additional Consolidated Financial Statements

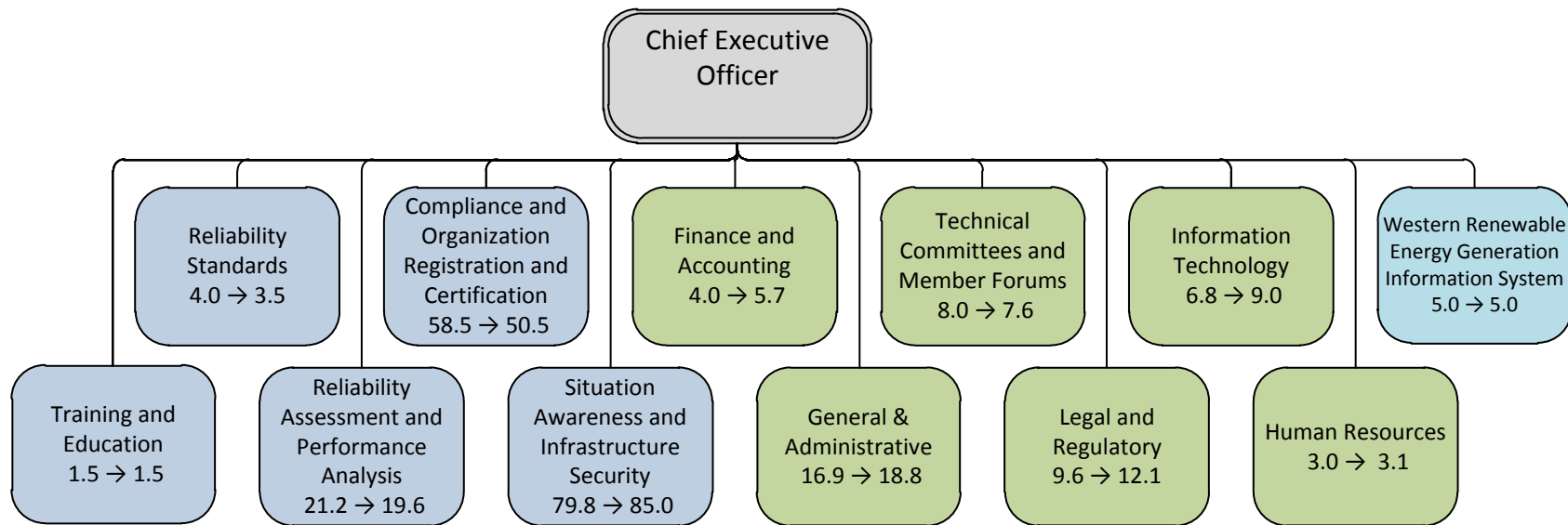
2013 Consolidated Statement of Activities by Program, Statutory, and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2013 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement												Non-Statutory Functions	
				Statutory Total	Reliability Standards (Section 309)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 500)	Training and Education (Section 800)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total	WREGIS
Funding																	
WECC Funding																	
WECC Assessments	40,962,547	40,962,547	-	40,962,547	903,967	11,696,264	3,834,675	51,135	24,476,506	-	-	-	-	-	-	-	-
Penalty Sanctions	2,966,850	2,966,850	-	2,966,850	64,888	936,241	362,755	27,809	1,575,157	-	-	-	-	-	-	-	-
Total WECC Funding	43,929,397	43,929,397	-	43,929,397	968,855	12,632,505	4,197,430	78,945	26,051,663	-	-	-	-	-	-	-	-
Non-statutory Funding	1,850,000	-	1,850,000	-	-	-	-	-	-	-	-	-	-	-	-	1,850,000	1,850,000
Federal Grants	5,915,605	5,915,605	-	5,915,605	-	-	3,129,529	-	2,786,076	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	895,300	885,300	10,000	885,300	-	433,750	-	451,550	-	-	-	-	-	-	-	10,000	10,000
Interest	300,000	290,911	9,089	290,911	6,363	91,802	35,569	2,727	154,450	-	-	-	-	-	-	9,089	9,089
Miscellaneous	4,000	3,879	121	3,879	85	1,224	474	36	2,059	-	-	-	-	-	-	121	121
Total Funding (A)	52,894,302	51,025,092	1,869,210	51,025,092	975,302	13,159,281	7,363,003	533,258	28,994,248	-	-	-	-	-	-	1,869,210	1,869,210
Expenses																	
Personnel Expenses																	
Salaries	24,794,699	24,445,264	349,435	24,445,264	464,771	5,019,223	1,928,808	103,772	10,500,212	902,239	2,194,293	1,730,245	829,213	283,445	489,243	349,435	349,435
Payroll Taxes	1,783,651	1,757,632	26,019	1,757,632	34,916	370,015	142,732	7,689	745,846	67,808	141,861	126,811	62,286	21,290	36,377	26,019	26,019
Benefits	3,528,489	3,443,465	85,024	3,443,465	60,156	757,768	237,122	21,306	1,093,420	86,657	214,991	154,547	114,786	625,824	76,889	85,024	85,024
Retirement Costs	1,617,970	1,593,510	24,460	1,593,510	40,139	314,433	133,061	7,264	647,167	63,157	153,600	120,661	58,045	21,841	34,142	24,460	24,460
Total Personnel Expenses	31,724,809	31,239,871	484,938	31,239,871	599,982	6,461,439	2,441,524	140,031	12,986,645	1,119,860	2,704,745	2,132,264	1,064,330	952,400	636,652	484,938	484,938
Meeting Expenses																	
Meetings	1,014,554	996,254	18,300	996,254	14,754	452,985	111,423	99,950	-	297,448	13,665	-	900	5,130	-	18,300	18,300
Travel	1,992,001	1,942,001	50,000	1,942,001	43,000	872,000	134,900	6,350	437,726	149,825	168,700	80,000	13,000	26,000	10,500	50,000	50,000
Conference Calls	172,992	172,492	500	172,492	11,400	64,550	33,000	600	15,920	27,400	6,200	2,500	6,572	3,500	850	500	500
Total Meeting Expenses	3,179,547	3,110,747	68,800	3,110,747	69,154	1,389,535	279,323	106,900	453,646	474,673	188,565	82,500	20,472	34,630	11,350	68,800	68,800
Operating Expenses																	
Consultants & Contracts	5,850,646	5,830,998	19,648	5,830,998	-	470,000	2,527,541	92,500	2,422,290	166,667	110,000	-	12,000	30,000	-	19,648	19,648
Office Rent	1,975,323	1,975,323	-	1,975,323	-	-	47,478	768,081	-	-	1,159,764	-	-	-	-	-	-
Office Costs	6,684,085	6,214,635	469,450	6,214,635	8,640	494,423	61,300	40,980	4,516,304	40,068	276,500	50,000	587,500	88,070	48,850	469,450	469,450
Professional Services	742,829	722,829	20,000	722,829	-	1,000	30,000	-	5,000	401,000	-	182,829	-	23,000	80,000	20,000	20,000
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	4,178,235	4,176,235	2,000	4,176,235	-	115,500	68,400	-	3,315,530	16,000	502,179	-	141,926	6,700	10,000	2,000	2,000
Total Operating Expenses	19,431,117	18,920,019	511,098	18,920,019	8,640	1,080,923	2,687,241	180,958	11,029,205	623,734	2,048,443	232,829	741,426	147,770	138,850	511,098	511,098
Total Direct Expenses	54,335,473	53,270,637	1,064,836	53,270,637	677,776	8,931,897	5,408,087	427,889	24,469,496	2,218,267	4,941,753	2,447,593	1,826,228	1,134,800	786,852	1,064,836	1,064,836
Indirect Expenses																	
	(0)	(443,310)	443,310	(443,310)	310,317	4,477,429	1,734,819	110,851	6,278,766	(2,218,267)	(4,941,753)	(2,447,593)	(1,826,228)	(1,134,800)	(786,852)	443,310	443,310
Other Non-Operating Expenses																	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	54,335,473	52,827,327	1,508,146	52,827,327	988,092	13,409,327	7,142,906	538,739	30,748,262	-	-	-	-	-	-	1,508,146	1,508,146
Change in Assets																	
	(1,441,171)	(1,802,235)	361,064	(1,802,235)	(12,790)	(250,045)	220,096	(5,482)	(1,754,014)	-	-	-	-	-	-	361,064	361,064
Fixed Assets																	
Depreciation	(4,178,235)	(4,176,235)	(2,000)	(4,176,235)	-	(115,500)	(68,400)	-	(3,315,530)	(16,000)	(502,179)	-	(141,926)	(6,700)	(10,000)	(2,000)	(2,000)
Computer & Software CapEx	1,253,000	1,253,000	-	1,253,000	-	50,000	360,000	-	843,000	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	34,000	-	34,000	-	-	-	-	-	-	5,000	-	-	-	-	-	-
Equipment CapEx	1,087,000	1,087,000	-	1,087,000	-	-	-	-	1,000,000	-	6,000	-	81,000	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	(0)	(0)	-	(0)	(12,790)	(184,545)	(71,504)	(5,482)	(310,484)	16,000	491,179	-	60,926	6,700	10,000	-	-
Inc(Dec) in Fixed Assets (C)	(1,800,235)	(1,802,235)	2,000	(1,802,235)	(12,790)	(250,045)	220,096	(5,482)	(1,754,014)	-	-	-	-	-	-	2,000	2,000
TOTAL BUDGET (=B+C)	52,535,238	51,025,092	1,510,146	51,025,092	975,302	13,159,281	7,363,003	533,258	28,994,248	-	-	-	-	-	-	1,510,146	1,510,146
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	359,064	-	359,064	-	-	-	-	-	-	-	-	-	-	-	-	359,064	359,064
FTEs	221.3	216.3	5.0	216.3	3.5	50.5	19.6	1.5	85.0	7.6	18.8	12.1	9.0	3.1	5.7	5.0	5.0

Statement of Financial Position

Statement of Financial Position				
STATUTORY and NON-STATUTORY				
(in thousands)				
	(Per Audit)		Projected	Budget
	31-Dec-11		31-Dec-12	31-Dec-13
ASSETS				
Cash and cash equivalents	\$ 36,467,365	\$	33,161,773	\$ 34,268,090
Certificates of deposit	1,182,085		1,182,085	1,182,085
Investments	6,622,041		6,622,041	6,622,041
Accounts receivable, net	6,722,564		6,722,564	6,722,564
Prepaid expenses and other assets	502,486		401,989	321,591
Property and equipment	10,033,947		14,394,986	12,592,751
Total Assets	\$ 61,530,488	\$	62,485,438	\$ 61,709,122
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	7,776,577		6,221,262	4,977,009
Accrued payroll and related liabilities	1,800,884		2,161,061	2,593,273
Deverred revenue	21,121,670		21,121,670	21,121,670
Other liabilities	6,891,368		6,546,800	6,219,460
Total Liabilities	\$ 37,590,499	\$	36,050,792	\$ 34,911,412
Unrestricted net assets	23,939,989		26,434,646	26,797,710
Total Liabilities and Net Assets	\$ 61,530,488	\$	62,485,438	\$ 61,709,122

Appendix A: Organizational Chart



Appendix B: 2013 Budget & Projected 2014 and 2015 Budgets

Statement of Activities and Capital Expenditures 2013 Budget & Projected 2014 and 2015 Budgets Statutory								
	2013 Budget	2014 Projection	\$ Change 13 v 14	% Change 13 v 14	2015 Projection	\$ Change 14 v 15	% Change 14 v 15	
Funding								
ERO Funding								
WECC Assessments	\$ 40,962,547	\$ 49,271,551	\$ 8,309,004	20.3%	\$ 50,000,596	\$ 729,045	1.5%	
Penalty Sanctions	2,966,850	-	(2,966,850)	-100.0%	-	-		
Total ERO Funding	\$ 43,929,397	\$ 49,271,551	\$ 5,342,154	12.2%	\$ 50,000,596	\$ 729,045	1.5%	
Membership Dues								
Federal Grants	5,915,605	257,126	(5,658,479)	-95.7%	-	(257,126)	-100.0%	
Workshops	885,300	911,859	26,559	3.0%	939,215	27,356	3.0%	
Interest	290,911	293,820	2,909	1.0%	296,758	2,938	1.0%	
Miscellaneous	3,879	4,000	121	3.1%	4,000	-	0.0%	
Total Funding (A)	\$ 51,025,092	\$ 50,738,356	\$ (286,736)	-0.6%	\$ 51,240,569	\$ 502,213	1.0%	
Expenses								
Personnel Expenses								
Salaries	\$ 24,445,264	\$ 26,917,148	2,471,884	10.1%	\$ 28,005,884	1,088,736	4.0%	
Payroll Taxes	1,757,632	1,918,873	161,241	9.2%	1,996,487	77,614	4.0%	
Benefits	3,443,465	3,650,073	206,608	6.0%	3,737,675	87,602	2.4%	
Retirement Costs	1,593,510	1,771,084	177,574	11.1%	1,842,720	71,636	4.0%	
Total Personnel Expenses	\$ 31,239,871	\$ 34,257,178	\$ 3,017,307	9.7%	\$ 35,582,766	\$ 1,325,588	3.9%	
Meeting Expenses								
Meetings	\$ 996,254	\$ 967,629	(28,625)	-2.9%	\$ 962,068	(5,561)	-0.6%	
Travel	1,942,001	2,021,316	79,315	4.1%	2,044,903	23,587	1.2%	
Conference Calls	172,492	170,992	(1,500)	-0.9%	170,695	(297)	-0.2%	
Total Meeting Expenses	\$ 3,110,747	\$ 3,159,937	\$ 49,190	1.6%	\$ 3,177,667	\$ 17,729	0.6%	
Operating Expenses								
Consultants & Contracts	\$ 5,830,998	\$ 1,856,167	(3,974,831)	-68.2%	\$ 1,698,005	(158,162)	-8.5%	
Office Rent	1,975,323	2,050,323	75,000	3.8%	2,128,170	77,847	3.8%	
Office Costs	6,214,635	6,724,531	509,897	8.2%	6,882,169	157,638	2.3%	
Professional Services	722,829	772,829	50,000	6.9%	788,103	15,274	2.0%	
Miscellaneous	-	-	-		-	-		
Depreciation	4,176,235	5,011,483	835,247	20.0%	5,297,853	286,370	5.7%	
Total Operating Expenses	\$ 18,920,019	\$ 16,415,333	\$ (2,504,687)	-13.2%	\$ 16,794,300	\$ 378,967	2.3%	
Total Direct Expenses	\$ 53,270,637	\$ 53,832,448	\$ 561,811	1.1%	\$ 55,554,732	\$ 1,722,284	3.2%	
Indirect Expenses	(443,310)	(456,609)	(13,299)	3.0%	(470,308)	(13,698)	3.0%	
Other Non-Operating Expenses	-	-	-		-	-		
Total Expenses (B)	\$ 52,827,327	\$ 53,375,839	\$ 548,511	1.0%	\$ 55,084,424	\$ 1,708,586	3.2%	
Change in Assets	\$ (1,802,235)	\$ (2,637,483)	\$ (835,247)	46.3%	\$ (3,843,855)	\$ (1,206,373)	45.7%	
Fixed Assets								
Depreciation	\$ (4,176,235)	\$ (5,011,483)	\$ (835,247)	20.0%	\$ (5,297,853)	\$ (286,370)	5.7%	
Computer & Software CapEx	1,253,000	2,340,000	1,087,000	86.8%	1,419,998	(920,002)	-39.3%	
Furniture & Fixtures CapEx	34,000	34,000	-	0.0%	34,000	-	0.0%	
Leasehold Improvements	1,087,000	-	(1,087,000)	-100.0%	-	-		
Incr(Dec) in Fixed Assets (C)	\$ (1,802,235)	\$ (2,637,483)	\$ (835,247)	46.3%	\$ (3,843,855)	\$ (1,206,373)	45.7%	
TOTAL BUDGET (=B+C)	\$ 51,025,092	\$ 50,738,356	\$ (286,736)	-0.6%	\$ 51,240,569	\$ 502,213	1.0%	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -		\$ -	\$ -		
FTEs	216.3	233.00	16.7	7.7%	233.00	-	0.0%	

Appendix C: Adjustment to the AESO 2013 Assessment

Adjustment to the AESO 2013 Assessment

Credit for WECC Compliance Costs

	2012 Compliance Budget AESO NEL Allocation	2013 Compliance Budget AESO NEL Allocation
WECC Compliance Costs		
Direct Costs less Direct Revenue	\$ 9,276,226	\$ 8,405,121
Indirect Costs	4,514,827	4,477,429
Fixed Asset Expenditures	(336,693)	(250,045)
Total Net Costs, including Fixed Assets	\$ 13,454,361	\$ 12,632,505
Net total to be allocated	\$ 13,454,361	\$ 12,632,505
AESO NEL Share (2010 & 2011)	6.841%	6.857%
AESO Proportional Share of Compliance Costs, including Fixed Assets	\$ 920,369	\$ 866,162
% Credit (20.1 of 58.5 FTE for 2012, 47.25 of 50.5 FTE for 2013)	34.33%	93.56%
AESO Credit for Compliance Costs	\$ 315,948	\$ 810,419

In the 2013 budget, WECC increased the number of FTEs used in the AESO credit calculation to provide a more realistic value for services that AESO does not derive any benefit from.

DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 11

**WESTERN INTERCONNECTION
REGIONAL ADVISORY BODY**

PROPOSED 2013 BUSINESS PLAN AND BUDGET

2013 Business Plan and Budget
Western Interconnection Regional Advisory Body

Approved by:
The Western Interconnection Regional Advisory Body
May 4, 2012

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2013 Budget	U.S.	Canada	Mexico
Statutory FTEs	2.75			
Non-statutory FTEs				
Total FTEs	2.75			
Statutory Expenses	\$ 595,180			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 595,180			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement	\$ (59,688)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (59,688)			
Total Statutory Funding Requirement	\$ 535,492			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 535,492			
Statutory Funding Assessments	\$ 534,692			
Non-Statutory Fees				
NEL	-	-	-	-
NEL%	100.00%	88.18%	11.57%	0.25%

*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.

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.

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 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	Leisa Brug, Governor's Office
British Columbia	Scott Barillaro, Ministry of Energy, Mines and Petroleum Resources
California	Bill Chamberlain, California Energy Commission
Colorado	TJ Deora, 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	Cody Stewart, 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

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."

operates under the bylaws of WINB as revised on April 4, 2006. (See organizational chart on page 14.)

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.

2013 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 2013. WIRAB representatives will meet with FERC at its offices once in 2013.
- 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.

2013 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. WIRAB will:
 - Promote actions to improve reliability in 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;
 - Foster the expansion of 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 1, 2012, WIRAB held a webinar for Western states/provinces on the findings and recommendations from the NERC/FERC inquiry into the September 8, 2011 Southwest outage . 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 actions.
 - An ongoing examination of trends in violations, including work with FERC on implementation of a violations mapping tool based on WIRAB's pilot web-based violations mapping tool and work with WECC on its violations data which is under development.
 - An assessment of future options for the functions, organization and governance of WECC, including WECC's Section 4.9 review of the organization and WECC strategic planning efforts.
 - Tracking registered entity, WECC, NERC and FERC actions to implement the recommendations from the NERC/FERC inquiry into the September 8, 2011 Southwest outage, the largest outage in the Western Interconnection since 1996.
 - An expanded exploration of the reliability benefits of a Western Energy Imbalance Market.
 - An ongoing monitoring of the changing generation mix in the Western Interconnection and implications for system operations and reliability.
 - Continuing tracking of federal cyber security actions with a particular focus on opportunities for states, particularly PUCs to assist in improving the cyber security preparedness of Western entities.
 - 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.
 - Transmission expansion.
 - 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.

I. 2013 Initiatives

A. WECC's Future Role

- a. WIRAB will monitor forces that may result in major structural changes to WECC (e.g., addition of market functions and possible separation of the Reliability Center (RC) and transmission planning functions into a new organization).
- b. WIRAB will evaluate alternative future functions or structures for WECC and the implications of these alternatives on the WECC budget, and the feasibility of executing functions important to maintaining system reliability.
- c. As appropriate, WIRAB will offer advice to FERC, NERC and WECC.

B. Reliability Centers (RC)

- a. WIRAB will investigate the feasibility of developing information to benchmark WECC RC performance and costs with reliability coordinators in other regions.
- b. If appropriate, WIRAB will develop potential advice to NERC and FERC on ways to evaluate effective structures and operations of RCs.

C. Program Effectiveness

- a. WIRAB will evaluate NERC's progress in developing metrics to measure reliability and implement the definition of an "adequate level of reliability."
- b. WIRAB will evaluate WECC's assessment of system vulnerabilities.
- c. If appropriate, WIRAB will offer "advice" to NERC and WECC on gaps in their efforts and future steps that would help determine whether consumers are receiving a bang-for-the-buck being spent on the reliability standards regime.

D. Implementation of recommendations to avoid outages

- a. WIRAB will monitor the responses of Registered Entities and WECC to the recommendations in the NERC/FERC report on the September 8, 2011 outage and other outage report recommendations and convey such information to Western states/provinces.

E. Variable Generation

- a. WIRAB will evaluate whether WECC's work adds value to Western actions to lower the cost of integrating variable generation in a reliable manner.
- b. WIRAB will examine the reliability benefits, if any, from the operation of a real-time Energy Imbalance Market.

- c. WIRAB will consider potential advice to WECC, NERC and/or FERC on the functions WECC should be performing to adequately address the reliability challenges presented by variable generation and needed organizational changes at WECC.

F. Cybersecurity

- a. WIRAB will evaluate pending federal legislation.
- b. WIRAB may develop recommendations on the appropriate legislative provisions, including provisions governing information sharing with state cybersecurity agencies and PUCs.
- c. WIRAB will interview recipients of NERC cybersecurity information (e.g., alerts) to identify perceived strengths and weakness.
- d. WIRAB will assess NERC/WECC implementation of any newly enacted cyber legislation.

G. Data Sharing

- a. WIRAB will investigate WECC's data sharing policy and the current practices at WECC on sharing data with other system operators, market operators and other interested parties.
- b. Staff will report to WIRAB on the potential reliability implications of WECC's data sharing policy and process and make recommendations for action as necessary.
- c. WIRAB will develop advice, if needed, on whether WECC should seek a Declaratory Order from FERC to enable the sharing of RC data with market operators.

H. New Technologies

- a. WIRAB will co-sponsor a Western Interconnection Transmission Technology Forum and will follow up regarding reliability impacts, if any, from the deployment of new transmission technologies (e.g., the impact of new technologies that allow the system to operate closer to its thermal limits).
- b. WIRAB will conduct a literature search and review to identify areas of focus pertaining to potential reliability impacts from the interaction between the bulk electric power system and distributed generation. Specifically, this work will focus on the areas of cybersecurity, reliability standards, and system operations.
- c. If appropriate, WIRAB will provide "advice" to WECC to actively evaluate and utilize new technologies.

I. Consistency in Standards and the Sharing of Data Across International Borders

- a. WIRAB will foster consistency in standards and the sharing of data across international borders.

J. State/provincial Voting on WECC Standards

- a. WIRAB will implement a process to inform states/provinces on pending votes on proposed WECC standards.
- b. WIRAB will provide WIRAB and CREPC members with staff briefing papers prior to voting by WECC members.

- c. Specifically, this process will provide information to states/provinces to enable them to participate fully in Steps 4 (Comment Period) and 7 (Ballot Pool Vote) of WECC's revised Standards Development process.

K. Enforcement

- a. WIRAB will monitor NERC's Compliance Application Notices (CANs) process, NERC and WECC implementation of the new Find, Fix and Track (FFT) approach to violations, and enforcement issues raised at the Compliance Users Group and Western Interconnection Compliance Forum.
- b. WIRAB will make inquiries and suggestions regarding NERC and WECC compliance enforcement processes.

L. Review Budgets

- a. Staff will develop a report to WIRAB on multi-year trends in funding different WECC functions and the impact of funding changes.

M. Natural Gas/Electric Interface

- a. WIRAB will monitor actions at FERC, NERC, WECC and NAESB and in different regions of the country to improve coordination at the interface of the natural gas and electric industries.
- b. Staff will develop a paper for WIRAB on WECC/NERC/FERC/industry actions (such as amending counterproductive business rules and new reliability standards) to reduce outages due to gas supply disruptions (e.g., freeze-offs).
- c. As appropriate, WIRAB will offer advice on actions to reduce outages due to gas supply disruptions.

N. Miscellaneous

- a. WIRAB will monitor WECC actions in response to Class 5 recommendations made at WECC annual meetings. (Class 5 is comprised of the state and provincial members of WECC.)
- b. As appropriate, WIRAB will hold webinars for states/provinces on WECC and NERC resource adequacy assessments.
- c. WIRAB will identify challenges to reliability not being addressed by WECC.

II. WIRAB Board Operations

- Hold regular meetings with FERC staff and/or Commissioners.
- Coordinate with WECC and NERC on receipt of revenues to support the 2012 WIRAB budget.
- Develop the 2014 proposed WIRAB business plan and budget.
- Execute annual audit of WIRAB finances.

III. Meetings and Technical Conferences

- Attend all WECC Board meetings.
- Attend WECC committee and subcommittee meetings on germane issues.
- Attend WECC workshops on system operations and standards.

- Attend some, but not all, NERC Board meetings and NERC Member Representatives Committee meetings.
- Attend selected NERC meetings and workshops on relevant topics.
- Monitor all FERC business meetings.
- Attend, by webcast or in person, FERC technical conferences on reliability issues.
- Annually visit with FERC in their offices.

IV. WIRAB Educational Seminars and Webinars

- Hold briefings and webinars for WIRAB members and other Western state and provincial officials on reliability issues important to regulatory commissions and energy agencies in the Western Interconnection.

2012 Overview of Cost Impacts

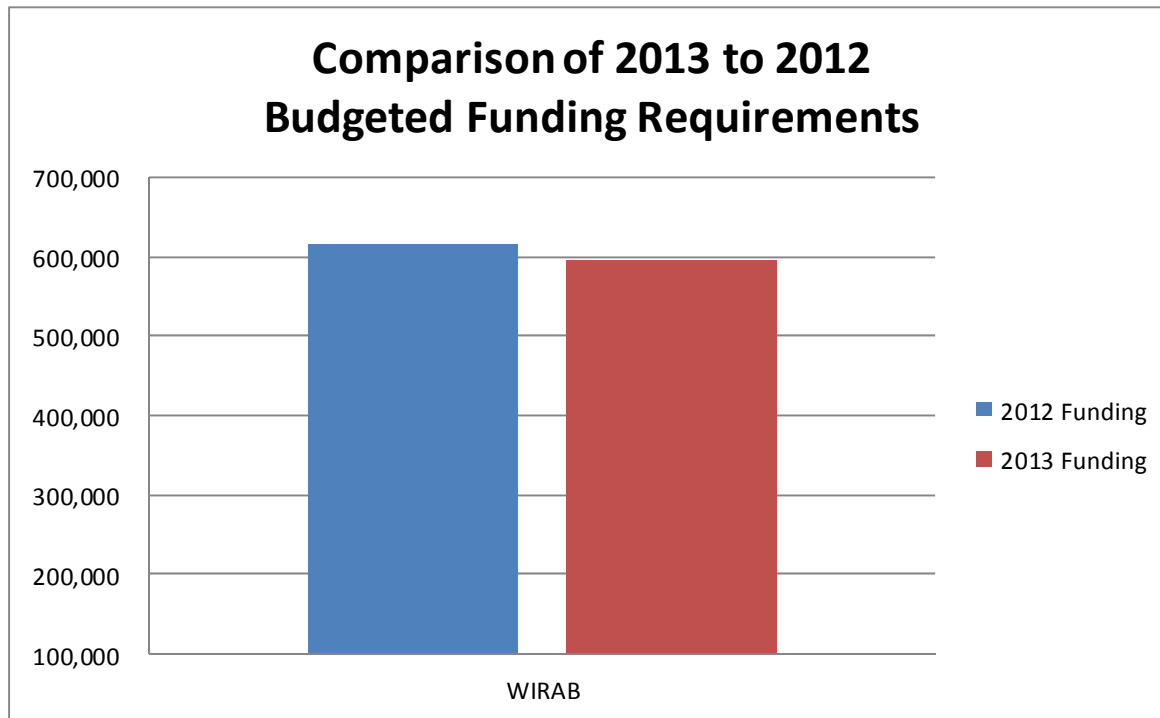
WIRAB's proposed 2013 budget is \$595,180, slightly lower than the 2012 budget. However, the funding (assessment) request is significantly increased over 2012, from \$244,849 to \$535,492. In the 2012 business plan and budget, WIRAB used its Working Capital Reserve to fund a substantial portion of its 2012 budget. The Working Capital Reserve was in excess of the targeted amount. That reserve has now been reduced.

Total projected FTEs in 2013 are 2.75. In 2012, staff costs and indirect costs are estimated to be slightly lower than budgeted due to lower overhead costs and diversion of staff time to a related project on WECC transmission planning. However, overall staff costs in 2013 will increase for the following reasons.

- 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 FERC in 2012.
- 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 or should governance changes be needed to improve operations of the WECC Reliability Centers.
- 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, according to WECC's first interconnection-wide transmission expansion plan released in September 2011. (WECC's second interconnection-wide transmission expansion plan and first 20-year plan will be released in September 2013.) 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 be slightly lower than in the 2012 budget while WIRAB will continue to hold two in-person meetings 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.

Base Operating Budget	Budget 2012	Projection 2012	Budget 2013	Change 2013 Budget v 2012 Budget	% Change
Western Interconnection Regional Advisory Body	614,677	523,644	595,180	(19,497)	-3.2%
TOTAL	614,677	523,644	595,180	(19,497)	-3.2%
Working Capital Reserve	(369,828)	(329,951)	(59,688)	310,140	
Total Funding	244,849	193,693	535,492	290,643	118.7%



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 2012	Projection 2012	Direct FTEs 2013 Budget	Shared FTEs ¹ 2013 Budget	Total FTEs 2013 Budget	Change from 2012 Budget
STATUTORY						
Operational Programs						
WIRAB	2.75	2.30	2.75		2.75	-
Total FTEs Operational Programs	2.75	2.30	2.75	-	2.75	-
Administrative Programs						
WIRAB (included in indirect expense)	-	-	-		-	-
Total FTEs Administrative Programs	-	-	-	-	-	-
Total FTEs	2.75	2.30	2.75	-	2.75	-

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

2012 Budget and Projection and 2013 Budget Comparisons

WIRAB - Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget					
STATUTORY					
	2012 Budget	2012 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	2013 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 242,849	\$ 242,849	\$ -	\$ 534,692	\$ 291,843
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ 242,849	\$ 242,849	\$ -	\$ 534,692	\$ 291,843
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	2,000	1,200	\$ (800)	800	\$ (1,200)
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 244,849	\$ 244,049	\$ (800)	\$ 535,492	\$ 290,643
Expenses					
Personnel Expenses					
Salaries	\$ 245,900	\$ 225,000	\$ (20,900)	\$ 245,900	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ 245,900	\$ 225,000	\$ (20,900)	\$ 245,900	\$ -
Meeting Expenses					
Meetings	\$ 11,000	\$ 8,000	\$ (3,000)	\$ 10,000	\$ (1,000)
Travel	27,000	30,000	\$ 3,000	27,000	\$ -
Conference Calls	2,500	2,000	\$ (500)	2,200	\$ (300)
Total Meeting Expenses	\$ 40,500	\$ 40,000	\$ (500)	\$ 39,200	\$ (1,300)
Operating Expenses					
Consultants & Contracts	\$ 75,000	\$ 75,000	\$ -	\$ 75,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 75,000	\$ 75,000	\$ -	\$ 75,000	\$ -
Total Direct Expenses	\$ 361,400	\$ 340,000	\$ (21,400)	\$ 360,100	\$ (1,300)
Indirect Expenses	\$ 253,277	\$ 234,000	\$ (19,277)	\$ 235,080	\$ (18,197)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 614,677	\$ 574,000	\$ (40,677)	\$ 595,180	\$ (19,497)
Change in Assets	\$ (369,828)	\$ (329,951)	\$ 39,877	\$ (59,688)	\$ 310,140
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-
TOTAL BUDGET (=B + C)	\$ 614,677	\$ 574,000	\$ (40,677)	\$ 595,180	\$ (19,497)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (369,828)	\$ (329,951)	\$ 39,877	\$ (59,688)	\$ 310,140
FTEs	2.75	2.55	-	2.75	-

Section A – Statutory Programs 2013 Business Plan and Budget



Section A — 2013 Business Plan

Western Interconnection Regional Advisory Body

WIRAB (in whole dollars)			
	2012 Budget	2013 Budget	Increase (Decrease)
Total FTEs	2.75	2.75	-
Direct Expenses	\$ 361,400	\$ 360,100	\$ (1,300)
Indirect Expenses	\$ 253,277	\$ 235,080	\$ (18,197)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 614,678	\$ 595,181	\$ (19,498)

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.

2013 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 2013. WIRAB representatives will meet with FERC at its offices once in 2013.
- 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.

2013 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.

WIRAB will:

- Promote actions to improve reliability in 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;
 - Foster the expansion of 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 1, 2012, WIRAB held a webinar for Western states/provinces on the findings and recommendations from the NERC/FERC inquiry into the September 8, 2011 Southwest outage. 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 actions.
 - An ongoing examination of trends in violations, including work with FERC on implementation of a violations mapping tool based on WIRAB’s pilot web-based violations mapping tool and work with WECC on its violations data which is under development.
 - An assessment of future options for the functions, organization and governance of WECC, including WECC’s Section 4.9 review of the organization and WECC strategic planning efforts.
 - Tracking registered entity, WECC, NERC and FERC actions to implement the recommendations from the NERC/FERC inquiry into the September 8, 2011 Southwest outage, the largest outage in the Western Interconnection since 1996.
 - An expanded exploration of the reliability benefits of a Western Energy Imbalance Market.
 - An ongoing monitoring of the changing generation mix in the Western Interconnection and implications for system operations and reliability.
 - Continuing tracking of federal cyber security actions with a particular focus on opportunities for states, particularly PUCs to assist in improving the cyber security preparedness of Western entities.

- 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.
- Transmission expansion.
- 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.

I. 2013 Initiatives

A. WECC’s Future Role

- a. WIRAB will monitor forces that may result in major structural changes to WECC (e.g., addition of market functions and possible separation of the Reliability Center (RC) and transmission planning functions into a new organization).
- d. WIRAB will evaluate alternative future functions or structures for WECC and the implications of these alternatives on the WECC budget, and the feasibility of executing functions important to maintaining system reliability.
- e. As appropriate, WIRAB will offer advice to FERC, NERC and WECC.

B. Reliability Centers (RC)

- a. WIRAB will investigate the feasibility of developing information to benchmark WECC RC performance and costs with reliability coordinators in other regions.
- b. If appropriate, WIRAB will develop potential advice to NERC and FERC on ways to evaluate effective structures and operations of RCs.

C. Program Effectiveness

- a. WIRAB will evaluate NERC's progress in developing metrics to measure reliability and implement the definition of an "adequate level of reliability."
- b. WIRAB will evaluate WECC's assessment of system vulnerabilities.
- c. If appropriate, WIRAB will offer "advice" to NERC and WECC on gaps in their efforts and future steps that would help determine whether consumers are receiving a bang-for-the-buck being spent on the reliability standards regime.

D. Implementation of recommendations to avoid outages

- a. WIRAB will monitor the responses of Registered Entities and WECC to the recommendations in the NERC/FERC report on the September 8, 2011 outage and other outage report recommendations and convey such information to Western states/provinces.

E. Variable Generation

- a. WIRAB will evaluate whether WECC's work adds value to Western actions to lower the cost of integrating variable generation in a reliable manner.
- b. WIRAB will examine the reliability benefits, if any, from the operation of a real-time Energy Imbalance Market.
- c. WIRAB will consider potential advice to WECC, NERC and/or FERC on the functions WECC should be performing to adequately address the reliability challenges presented by variable generation and needed organizational changes at WECC.

F. Cybersecurity

- a. WIRAB will evaluate pending federal legislation.
- b. WIRAB may develop recommendations on the appropriate legislative provisions, including provisions governing information sharing with state cybersecurity agencies and PUCs.
- c. WIRAB will interview recipients of NERC cybersecurity information (e.g., alerts) to identify perceived strengths and weakness.
- d. WIRAB will assess NERC/WECC implementation of any newly enacted cyber legislation.

G. Data Sharing

- a. WIRAB will investigate WECC's data sharing policy and the current practices at WECC on sharing data with other system operators, market operators and other interested parties.
- b. Staff will report to WIRAB on the potential reliability implications of WECC's data sharing policy and process and make recommendations for action as necessary.
- c. WIRAB will develop advice, if needed, on whether WECC should seek a Declaratory Order from FERC to enable the sharing of RC data with market operators.

H. New Technologies

- a. WIRAB will co-sponsor a Western Interconnection Transmission Technology Forum and will follow up regarding reliability impacts, if any, from the deployment of new transmission technologies (e.g., the impact of new technologies that allow the system to operate closer to its thermal limits).

- b. WIRAB will conduct a literature search and review to identify areas of focus pertaining to potential reliability impacts from the interaction between the bulk electric power system and distributed generation. Specifically, this work will focus on the areas of cybersecurity, reliability standards, and system operations.
- c. If appropriate, WIRAB will provide “advice” to WECC to actively evaluate and utilize new technologies.

I. Consistency in Standards and the Sharing of Data Across International Borders

- a. WIRAB will foster consistency in standards and the sharing of data across international borders.

J. State/provincial Voting on WECC Standards

- a. WIRAB will implement a process to inform states/provinces on pending votes on proposed WECC standards.
- b. WIRAB will provide WIRAB and CREPC members with staff briefing papers prior to voting by WECC members.
- c. Specifically, this process will provide information to states/provinces to enable them to participate fully in Steps 4 (Comment Period) and 7 (Ballot Pool Vote) of WECC’s revised Standards Development process.

K. Enforcement

- a. WIRAB will monitor NERC’s Compliance Application Notices (CANs) process, NERC and WECC implementation of the new Find, Fix and Track (FFT) approach to violations, and enforcement issues raised at the Compliance Users Group and Western Interconnection Compliance Forum.
- b. WIRAB will make inquiries and suggestions regarding NERC and WECC compliance enforcement processes.

L. Review Budgets

- a. Staff will develop a report to WIRAB on multi-year trends in funding different WECC functions and the impact of funding changes.

M. Natural Gas/Electric Interface

- a. WIRAB will monitor actions at FERC, NERC, WECC and NAESB and in different regions of the country to improve coordination at the interface of the natural gas and electric industries.
- b. Staff will develop a paper for WIRAB on WECC/NERC/FERC/industry actions (such as amending counterproductive business rules and new reliability standards) to reduce outages due to gas supply disruptions (e.g., freeze-offs).
- c. As appropriate, WIRAB will offer advice on actions to reduce outages due to gas supply disruptions.

N. Miscellaneous

- a. WIRAB will monitor WECC actions in response to Class 5 recommendations made at WECC annual meetings. (Class 5 is comprised of the state and provincial members of WECC.)
- b. As appropriate, WIRAB will hold webinars for states/provinces on WECC and NERC resource adequacy assessments.
- c. WIRAB will identify will identify challenges to reliability not being addressed by WECC.

B. WIRAB Board Operations

- Hold regular meetings with FERC staff and/or Commissioners.
- Coordinate with WECC and NERC on receipt of revenues to support the 2012 WIRAB budget.
- Develop the 2014 proposed WIRAB business plan and budget.
- Execute annual audit of WIRAB finances.

C. Meetings and Technical Conferences

- Attend all WECC Board meetings.
- Attend WECC committee and subcommittee meetings on germane issues.
- Attend WECC workshops on system operations and standards.
- Attend some, but not all, NERC Board meetings and NERC Member Representatives Committee meetings.
- Attend selected NERC meetings and workshops on relevant topics.
- Monitor all FERC business meetings.
- Attend, by webcast or in person, FERC technical conferences on reliability issues.
- Annually visit with FERC in their offices.

D. WIRAB Educational Seminars and Webinars

- Hold briefings and webinars for WIRAB members and other Western state and provincial officials on reliability issues important to regulatory commissions and energy agencies in the Western Interconnection.

E. WIRAB Educational Seminars and Webinars

- Hold briefings and webinars for WIRAB members and other Western state and provincial officials on reliability issues important to regulatory commissions and energy agencies in the Western Interconnection.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Interest income will be \$1200 lower due to continued low interest rates and a reduction in the carry-over amount.

Personnel Expenses

- Total expenses for salaries are estimated to remain the same. Payroll taxes, Benefits, and Retirement Costs are included in Indirect Costs and are detailed in Table B-4 on Page 18.

Meeting Expenses

- Travel costs will remain the same as in the 2012 budget. There will continue to be two WIRAB meetings per year and some travel to WECC, NERC and FERC meetings.
- Meeting expenses will be slightly lower (\$1,000). There will still be two meetings in 2013.
- Conference call expenses decrease slightly (\$300).

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 \$19,497 due to lower administrative costs (support personnel, rent, and other office expenses).

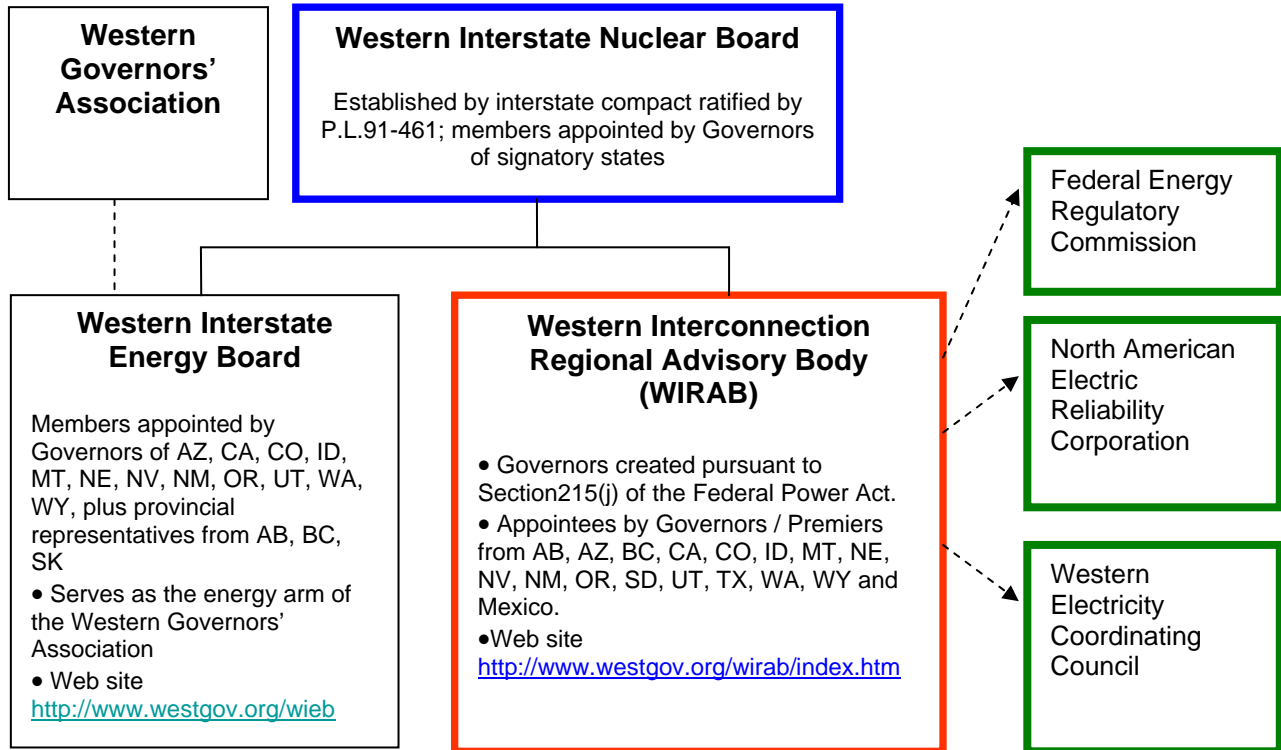
Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

2013 Organizational Chart



Section B – Supplemental Financial Information

2013 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2012-2013	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2011	489,639
Plus: 2012 Funding (from LSEs or designees)	242,849
Plus: 2012 Other funding sources	1,200
Less: 2012 Projected expenses & capital expenditures	(574,000)
Projected Working Capital Reserve (Deficit), December 31, 2012	<u>159,688</u>
Desired Working Capital Reserve, December 31, 2013	¹ 100,000
Minus: Projected Working Capital Reserve, December 31, 2012	159,688
Increase(decrease) in funding requirement to achieve Working Capital Reserve	<u>(59,688)</u>
2013 Expenses and Capital Expenditures	595,180
Less: Penalty Sanctions ²	0
Less: Other Funding Sources	(800)
Adjustment to achieve desired Working Capital Reserve	(59,688)
2013 NERC Assessment	<u>534,692</u>

¹ 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 contingencies

² Penalty sanctions are not applicable to WIRAB

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 2013 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 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Total Salaries	\$ 245,900	\$ 201,800	\$ 245,900	\$ -	0.0%
Total Payroll Taxes	-	-	-	-	
Total Benefits	-	-	-	-	
Total Retirement	-	-	-	-	
Total Personnel Costs	\$ 245,900	\$ 201,800	\$ 245,900	\$ -	0.0%
FTEs	2.75	2.30	2.75	-	0.0%
Cost per FTE					
Salaries	\$ 89,418	\$ 87,739	\$ 89,418	-	0.0%
Payroll Taxes	7,064	6,931	7,064	-	0.0%
Benefits	9,299	9,125	9,299	-	0.0%
Retirement	6,706	6,580	6,706	-	0.0%
Total Cost per FTE	\$ 112,488	\$ 110,376	\$ 112,488	\$ -	0.0%

Explanation of Significant Variances – 2013 Budget versus 2012 Budget

No change.

Consultants and Contracts

See Table on page 13.

WIRAB is budgeting \$75,000 for consultants and contracts in 2013, the same amount as in 2012.

Section C – Non-Statutory Activities 2013 Business Plan and Budget



Section C — 2013 Non-Statutory Business Plan and Budget

None

Section D – Additional Consolidated Financial Statements

2013 Business Plan and Budget



Section D

2012 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Financial Position

WIRAB Statement of Financial Position Statutory

	As of December 31, 2011 (per July 2010 - June 2011 audit)	As of December 31, 2012, projected	As of December 31, 2013, as budgeted
ASSETS			
Cash and Investments	489,639	159,688	100,000
Total Assets	489,639	159,688 *	100,000

* See chart B-1 on page 24

DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 12

DISCUSSION OF COMMENTS RECEIVED

DURING DEVELOPMENT OF NERC'S

2013 BUSINESS PLAN AND BUDGET

ATTACHMENT 12

DISCUSSION OF COMMENTS RECEIVED DURING DEVELOPMENT OF NERC'S 2013 BUSINESS PLAN AND BUDGET

During the preparation of its 2013 Business Plan and Budget, NERC posted a total of three drafts (Draft #1, Draft #2 and the Final Draft) on its Website for stakeholder comment. In addition, the NERC Board of Trustees invited stakeholders to provide policy input on the 2013 Business Plan and Budget. The Edison Electric Institute (EEI) submitted comments on Drafts #1 and 2, and the Ontario Independent Electricity System Operator (IESO) submitted comments on Draft #2. Comments on NERC's 2013 Business Plan and Budget were also provided in response to the Board's request for policy input in connection with its August 16, 2012 meeting. Comments in response to the request for policy input were submitted by the Electricity Consumers Resource Council (ELCON), the Electric Power Supply Association (EPSA), the Federal/Provincial Utilities Sector (Sector 4) of the NERC Member Representatives Committee (MRC), Midwest Reliability Organization (MRO), Northeast Power Coordinating Council (NPCC), the National Rural Electric Cooperative Association (NRECA), SERC Reliability Corporation (SERC), the State and Municipal and Transmission-Dependent Utilities Sectors of the NERC MRC (SM-TDU Sectors¹), and EEI.

The remainder of this Attachment summarizes the stakeholder comments on Drafts #1 and #2 and the stakeholder submissions in response to the Board's request for policy input, as well as NERC's responses thereto.

Response to Comments on Draft #1 of NERC 2013 Business Plan and Budget

EEI Comments

EEI has consistently raised the following themes over the past four years in its comments to NERC with regard to budgets and business plans:

NERC should be applauded for standing up the Electric Reliability Organization and its organizational framework. The deadlines set by FERC for implementing Section 215 were extremely aggressive. The volume and pace of work was extremely challenging, nevertheless, deadlines were met and the work was performed. The speed of this work and the rapid growth required to support this work defined many of the challenges NERC faces today.

In light of this development history, EEI has consistently recommended that NERC focus its management attention and resources on the core program areas: standards development, and compliance and enforcement. Success in the core program areas is vital to NERC's long-term success. While seeking to engage a

¹ The American Public Power Council, the Large Public Power Council, and the Transmission Access Policy Study Group submitted a separate letter stating that they concurred with the response submitted by the SM-TDU Sectors.

more diverse set of interesting activities, it is critically important to not distract limited NERC and Industry resources from the core mission. When the core program areas have matured, NERC will be ready to consider new areas of work within the scope of Section 215 and should have the management discipline upon which to build other sustainable program areas. Companies set limits on the scope of their work efforts to ensure that the commitments can be successfully produced and because there are practical limits for their expertise and resources, and NERC should do the same.

The compliance and enforcement program area has been significantly challenged from the outset. First, by an immediate and large backlog, second, by an apparent policy that all violations must be processed under an administratively bureaucratic one-size-fits- all enforcement tool, and third, by the development of varying approaches to compliance and enforcement by the regions. Companies strongly believe that the costs to NERC and the regions, and to companies, to process documentation and paperwork far outweigh any potential benefit to system reliability. Companies also are very frustrated by the ever-growing need to distract limited pools of highly specialized expertise to the processing of unnecessary compliance-related paperwork. It is urgent that NERC return a realistic balance in the management of this program area.

The NERC Critical Infrastructure Program (CIP) needs strong management and a strategic focus. EEI and its member companies sometimes have been confused by what NERC is doing, the goals and objectives of various activities, when and where activities are taking place, and how to engage or support them. NERC CIP activities need to be coordinated with other industry work.

Specifically, NERC as the ES-ISAC has been an object of concern for four reasons. First, the ISAC structure is the product of a series of Presidential Directives that were issued prior to September 11, 2001, and which apply only in the United States. Second, most electricity delivery takes place at the local distribution level, which is not the expertise or focus of NERC, and is subject to the regulatory jurisdiction of the states. Third, even considering the policy statement adopted by the NERC Board in February 2012, companies remain concerned over conducting sensitive or confidential discussions on any issue within the same organization that has legal responsibilities to conduct compliance and enforcement. Fourth, other industry sector ISAC activities have matured as self-funded standalone structures with strong relationships with the government. We believe our reasoning does not suggest a criticism of NERC performance but instead a strong sense that the ISAC function needs a high level discussion to ensure that the function is appropriately supported and positioned within the industry.

EEI Comments specific to the proposed 2013 NERC budget and business plan:

We offer brief observations. In EEI comments on the 2012 budget we asked that NERC apply greater transparency and appreciate that in the 2013 budget NERC has applied many of our suggestions. In the proposed 2013 budget we find more details and greater specificity over what had been previously provided. For example, we note that efforts were made to provide greater clarity and more details in the area of contracts and consultants. We also appreciate efforts to better explain significant deviations from approved budgets and projected spending for the current year to add to greater budget transparency. A suggestion, that NERC consider adding information on the previous year's budget, including year-end totals as another piece of information that would help stakeholders assess ERO performance.

EEI is encouraged that NERC plans to include three-year projections in the second budget package planned for early June. All companies' strategic planning examines longer term spending plans in order to support management decision making, support analyses of directional matters, and evaluate program success and we are pleased NERC will conform to this standard planning approach. We believe this is reflective of a maturing organization noting that NERC has grown to a level where management and the Board of Trustees, and stakeholders, have a clearer sense of longer term budget issues.

Another area where we believe additional work should be considered is in the development of measurable goals and priorities. With the exception of the Reliability Assessment and Performance Analysis group, the current list of priorities and goals will be very challenging to measure performance against stated goals for the year. EEI finds most of the work descriptions to be vaguely defined. EEI believes that more specificity would enable NERC to develop performance metrics which could be used to better communicate performance to stakeholders, the Board of Trustees, and to FERC. Stakeholders are particularly concerned that NERC has not sufficiently developed measurable goals and priorities for standards development in the context of staffing and technological upgrades. Although the Standards Committee along with NERC has developed goals and priorities for standards development, there seems to be a constraint based on NERC staffing levels and technology that holds back the processing of interpretations, standards and the related filings at FERC, as well as the quality of information provided on the NERC website. EEI suggests that NERC consider that over the next three to five years there are a large number of standards projects, interpretations and the like that will need support, in the form of short-term contactors or longer term permanent staff, as well as upgrades to its internet site. It may also be wise to consider the staffing and technology issues in light of the recent decision to revise the Standards Development Process, and whether the new process will require additional NERC resources and technology.

EEI continues to believe that the Situation Awareness program area needs much better strategic definition and clear boundaries. In NERC's 2012 budget it was stated that NERC would, as a "Key Deliverable," work with the Industry to

develop a long term strategy for SAFNR. Presently this program lacks sufficient transparency for stakeholders to judge whether NERC has made noticeable efforts to develop or possibly refine the long term strategy for this program. We are concerned that there is no indication that the Industry has been engaged as promised. We further note that NERC plans to maintain the funding level for this program on par with 2012 levels with the only notable change being the termination of the IDC support contract which is a cost which is simply being shifted out of NERC to IDC users.

EEI recommends that NERC not provide resources for the human performance activity. While this appears to be small in terms of the overall budget, we believe this provides a clear example of NERC continuing to add various tasks and initiatives that potentially distract both NERC management and stakeholders from attending to the core program areas. As we have asked for several years, NERC should hold to a sustained emphasis on standards development, and compliance and enforcement, and avoid adding yet another new set of activities that will require time and attention of company personnel to monitor and manage.

Stakeholders have not seen a plan for the goals and objectives of this new activity, making measurements of success difficult to perform. It is also very difficult to understand what NERC plans to accomplish with one FTE, who we might imagine will conduct webinars and participate in various committee meetings. To the extent 'human performance' needs explicit attention, we recommend that a good start might be to consider including consideration of human error issues in existing training and certification programs.

NERC should not take this as a suggestion that consideration of 'human performance' – related activity is unimportant or should not be pursued. Human error is a significant challenge and a contributor to various system disturbances and events. To the extent explicit work is envisioned, we believe that this kind of activity is much better suited to the scope and mission of the North American Transmission Forum. In NERC decides to retain the activity, stakeholders deserve to participate in the development of a clearly stated plan with measurable goals and objectives.

NERC Response to EEI Comments

NERC revised and updated its final 2013 Business Plan and Budget to:

- further clarify corporate and departmental priorities and the relationship between proposed activities and Section 215;
- describe efforts that are being made and will continue to be made to improve compliance enforcement efforts and reduce compliance burdens on registered entities;

- describe the coordination between Critical Infrastructure Protection activities and industry work; and
- further describe ongoing efforts to educate industry regarding the ES-ISAC and build industry support.

Additionally, at the August 16, 2012 NERC Board meeting, presentations were also made before stakeholders, including representatives of EEI, regarding the status of the ES-ISAC, as well as NERC's engagement with and support of other industry CIP and cyber initiatives. These presentations were publicly posted as part of the meeting agenda materials.²

With respect to EEI's comments regarding information related to the previous year's budget, NERC files annual budget-to-actual cost true-up reports with the Commission which are publicly available.³ NERC also publicly posts, and reviews in public meetings of the Board Finance and Audit Committee, quarterly budgeted-to-actual financial information, as well as provide rolling quarterly year-end budget projections.

With respect to EEI's comments regarding measurable goals and priorities, NERC prepares, posts and publicly reviews annual corporate and departmental goals and objectives, as well as quarterly performance in achieving the goals and objectives, in open sessions before the NERC Board, the Board's Corporate Governance and Human Resources Committee, and stakeholders, including representatives of EEI. These goals and objectives include specific goals and objectives for the Reliability Standards department. See pages 13-14, 17-19, and 37 of the final 2013 NERC Business Plan and Budget, **Attachment 2** to this filing.

NERC addressed EEI's comments regarding extensive industry engagement in the Situation Awareness Program in the Final Draft of the 2013 Business Plan and Budget. Costs of operations reflect the software licensing, operation and maintenance costs to support industry participation and use of SAFNR, as well as communication networks used by Reliability Coordinators.

NERC clarified the scope and extent of its Human Performance activities in both Draft #2 and the final Draft of its 2013 Business plan and Budget.⁴

Response to Comments on Draft #2 of the NERC 2013 Business Plan and Budget

IESO Comments

The IESO commends NERC staff for the translation of strategic direction into program priorities and associated resources. In addition, the 2013 Budget is both informative and clear. The following suggested improvements are to be viewed within this context.

² http://www.nerc.com/filez/bot_agenda_items.html.

³ The true-up report for 2011 was filed with the Commission on May 30, 2012 in in Docket No. RR12-11-000.

⁴ See the final NERC 2013 Business Plan and Budget, **Attachment 2** at 63 and 71-72.

The target level of working capital and operating reserve, \$4.8M, is excessive and should be reduced by \$3.1M to a level of \$1.7M.

NERC is to be commended for the detailed rationale provided on pages 125-127 for the target working capital and operating reserve (WCOR). However, certain of the components of the WCOR are excessive and should be reduced:

- Draft 2 states (page 125) that NERC expects to be able to meet the terms of its credit agreement without additional reserves, but recommends an additional \$700k to avoid drawing on its \$4M line of credit in the event this expectation is not met. The IESO proposes that NERC rely on its line of credit for this eventuality, and not add the \$700k to the WCOR. This accords with our understanding of the purpose of the line of credit, i.e., as a backstop in the event unanticipated circumstances occur. As noted, NERC does not anticipate shortfalls in meeting the terms of its credit agreement.
- Draft 2 recommends the addition of \$1M for unforeseen contingencies. This would be in addition to provision made for seven known contingencies. No rationale is provided for the \$1M addition. In the absence of specific evidence, such as the emergence of contingencies that arose in past years and were not capable of being identified at the time the budget for that year was established, the IESO proposes that no provision be made for unforeseen contingencies in the 2013 funding requirement. Again, the \$4M line of credit is the appropriate mechanism to address such an unlikely contingency, in the event it arises.
- Draft 2 recommends the addition to the 2013 WCOR of \$1.75M for the Personnel Certification and Operator Training Program.
 - Of this additional 2013 funding requirement, \$1.4M would retroactively recognize excesses in fees revenues over costs realized in previous years. The IESO submits that if a policy to apply fees revenues in excess of program expenses in one year to program expenses in future years is adopted, it should not be applied retroactively - if the policy is adopted in 2012, any excesses incurred before 2012 should not be applied to the program in 2013 and beyond. The appropriate start date for applying the new policy is the date on which it receives approval.
 - The expected excess in 2012 is \$350k, which would be applied to 2013 and beyond. We can understand and accept the concept inherent in the proposed policy, namely to segregate the contribution to WCOR from training fees from other components of the WCOR, with the excess fee component trued up each year. This approach ensures that all training fees paid will eventually be applied to the intended program area, i.e., training. We would, however, be concerned with budgeting that was intentionally skewed in a direction that would intentionally provide for needed expenses through the “back door”, i.e., WCOR. If it is determined that a program is needed, the program should be included in the budget, using unbiased estimates of

expenses and fees. Stated differently, needed programs should not be conditional on the existence of positive budget variances. We note that the expected variance in 2012 is large for an established program, with \$350k corresponding to 17% of fees.

It is noted that with the \$3.1M reduction in WCOR recommended by the IESO (0.7M + \$1M + \$1.4M) the resulting \$1.7M target level of WCOR for 2013 is comparable to the level of \$1,798,578 approved by the NERC Board for year-end 2012 in last year's budget (Table B-1, page 89). [Footnote omitted.]

It may be instructive to consider the insights on the history of NERC's WCOR provided last year in NERC's budget for 2012 (at page 70):

- In its 2010 budget, NERC only provided sufficient funding for working capital reserve to restore its cash working capital reserve to zero at December 31, 2010. This was done in order to mitigate the overall funding increase over 2009.
- In its 2011 budget, NERC believed it was prudent to re-establish 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.
- In its 2012 budget, NERC projected a 2011 year-end working capital balance of \$1,198,578 at the time of finalizing the budget. It was noted that NERC had in place a \$4M line of credit, which could be used to fund unforeseen expenses or revenue shortfalls. In addition, NERC's free cash flow in 2012 would be enhanced by the amortization of the leasehold for the Atlanta office. Based on these three factors, NERC accepted the then projected year-end 2011 WC reserve level of \$1,198,578 as an appropriate level for year-end 2012.

As noted below, the IESO believes the WCOR level should be planned for on its own merit. It should be kept as low as possible, to minimize NERC's allocations, subject to being adequate to provide for uncertain and unexpected expenses or revenue shortfalls.

The appropriate level of WCOR should be addressed explicitly on its own merits in drafts of the Budget, and should not be, as at present, a derived quantity that is subject to changing current year budget variances.

The target level of NERC WCOR, for example at year end 2013, is an appropriate topic for stakeholder input. As discussed, we commend NERC for addressing the target level explicitly and in detail in Draft2.

However, from a numerical perspective, the first two drafts of the 2013 Budget are similar to those in past year's, where it is stated in Draft 1 that a particular change to the WCOR is appropriate, a decrease of \$250K in this year's Budget, and this change is maintained throughout the budget development. As a consequence, the amount that should be of primary interest, namely the absolute magnitude of the year-end WCOR for the budget year, becomes a derived quantity. As a result, the year-end level of WCOR for the budget year is a moving target, determined by the changes to the projected year-end level for the current year.

We note that NPCC uses the recommended approach of deriving its funding requirement directly from a target level of WCOR. [Footnote omitted.]

Draft 2 (Table B-1, page 103) has a Dec. 31, 2013 WCOR of \$4,565,696. This value should be \$4.8M to be consistent with the discussion on pages 125-127 (and \$1.7M in the IESO's view, as described above). In any event, the final version of the 2013 Budget should be consistent in the target level of WCOR appearing in the discussion and the level in Table B-1.

The final version of the 2013 Budget should provide brief guidance on how the various categories interrelate within the various tables titled "Statement of Activities, Fixed Assets Expenditures and changes in Working Capital, 2012 Budget & Projection and 2013 Budget"

The accuracy of the numbers in these tables is not in question. The tables summarize all of the major expense components, balance sheet changes (changes in Fixed Assets and WC), and the components of funding. They are the backbone of the financial detail in the 2013 Budget, and hence their clarity is a matter of importance

What is unlikely to be apparent to the non-expert reader is the flow by which these components are determined. For example, from a review of these tables, one might reasonably surmise that the total Funding Requirement is derived by adding the NERC Assessments to Penalty Sanctions and the various categories of fees; whereas, the steps in NERC's planning takes a different order. That is, expenses (direct, operating, non-operating) are determined directly; these are added to changes in Assets (fixed and WC), which are likewise determined directly; to yield the total Funding Requirement; from which Penalty Sanctions and Fees are deducted to yield NERC Assessments.

Adding brief guidance to this effect in the text accompanying the first table, perhaps as a footnote, would enhance stakeholder understanding of these important tables.

Clarification is sought in the application of funds from penalties

Two years ago, for NERC's 2011 Budget, all penalty monies collected under NERC's authority were applied to the NERC funding requirement for US entities, i.e., none were applied to the Regional Entity funding requirements. Last year, for the 2012 NERC Budget, all penalty monies were applied to Regional Entities for US entities, none to NERC. This year monies are applied both to NERC and the Regional Entities.

The explanation for these year-to-year differences in practice is not apparent - brief clarification in the final version of the 2013 Budget would be helpful.

NERC Response to IESO Comments

As further described in the final Draft of NERC's 2013 Business Plan and Budget, NERC eliminated funding for working capital (*i.e.*, 2013 Working Capital Reserve is \$0) and further reduced its operating reserves for Known Contingencies and Unforeseen Contingencies, to \$1.0 million for each account. The \$1.0 million operating reserve for known contingencies for which timing and amount are uncertain encompasses specific known contingency items with an aggregate estimated maximum cost impact of \$2.5 million. Additionally, NERC believes that its bank line of credit should be used to manage short-term cash fluctuations (which is one reason why the 2013 Working Capital Reserve was set at \$0) and should not be earmarked for unforeseen contingencies. Finally, fees that have been generated from the operator certification and training program in excess of program costs are designated to be used only to support that program, as established in the Working Capital and Operating Reserves Policy. NERC notes that it is not adding an amount to Working Capital and Operating Reserves for the operator certification program; rather, the amount is already in NERC's Working Capital Reserves as a result of fees collected in the operator certification and continuing education program in the current and prior years being in excess of program costs. (Testing and other fees for the program are set by the PCGC to cover the projected costs of the program, but over time, either actual fee revenue has been higher than projected due to increased activity, or program costs have been lower than projected.) What NERC's new Working Capital and Operating Reserves Policy does is recognize that this component of the overall Working Capital and Operator Reserves Balance has been generated from the operator certification and continuing education program and therefore should be identified as being generated from that program and used only for the needs of that program. As stated in the final NERC 2013 Business Plan and Budget, for 2013, a portion of the existing Operating Reserve balance that has been generated by the operator certification and continuing education program will be used to pay for costs of upgrading the System Operator Certification and Continuing Education Database and a portion will be used to charge lower fees than would otherwise be set to cover projected 2013 program costs.

Finally with respect to IESO's comments on Working Capital, NERC does establish a target amount of Working Capital Reserves each year (and, beginning with 2013, pursuant to its new Working Capital and Operating Reserves Policy, will set a target level of Working Capital and Operating Reserves for each of five categories). The target level of reserves is then compared to the projected levels of reserves at December 31 of the current year and the budget year, and an adjustment (increase or decrease) is made to the initially-calculated assessment amount for the

budget year so that the target level of reserves is achieved at December 31 of the budget year. For 2013 and future years, this process will be carried out for the individual components of Working Capital and Operating Reserves. This process is explained and displayed in Exhibit C and Table B-1 of the final NERC 2013 Business Plan and Budget.

With respect to IESO's comment that further clarification should be provided concerning how the total Funding and the proposed Assessment levels are determined based on the Statements of Activities, Fixed Asset Expenditures, and Changes in Working Capital (Statement of Activities), the Statement of Activities in essentially its current format has been used in the NERC and Regional Entity annual business plans and budgets for a number of years, and NERC believes that both the format and the way the Funding requirement and proposed assessment amounts are developed from the proposed budget are well understood by stakeholders. In fact, IESO's comment on this point demonstrates that its authors understand how the Funding requirement and proposed assessment amounts are developed.

With respect to IESO's comments concerning the application of funds from Penalties, NERC believes it is clear that Penalties assessed to and collected from registered entities by NERC during the 12 months ended June 30 of the preceding year are used to reduce NERC's assessments, while Penalties assessed to and collected from registered entities by a Regional Entity during that time period are used to reduce that Regional Entity's assessments. For its 2012 Budget, NERC had no Penalty collections during the 12 months ended June 30, 2011, and therefore no Penalty offsets to its assessments for 2012. NERC also notes that Penalties collected by NERC or a Regional Entity from a U.S. registered entity pursuant to Section 215 of the Federal Power Act are used solely to offset assessments to U.S. load-serving entities.

NERC's believes the IESO's other comments have been adequately addressed in the final version of NERC's 2013 Business Plan and Budget.

EEI Comments

EEI continues to offer a consistent message over the past four years in its comments to NERC concerning its budget and business plan. EEI supports NERC and remains convinced that NERC is working diligently to be responsive and responsible as the Industry's ERO. We applaud NERC for its many accomplishments, as noted in our previous comments dated May 24, 2012. Nevertheless, we believe that NERC would benefit from greater focus on its core program areas: standards development, and compliance and enforcement. We believe that NERC's success in these core program areas is vital to their long-term success. While recognizing that there may be many worthy reliability activities, we continue to advocate how important it is to not divert limited NERC and Industry resources from the core mission.

In sum, we believe NERC needs to identify priorities, and identify those priority non-215 activities that are better handled by industry organizations other than NERC. We look forward to reviewing NERC's plans and priorities as they are identified in the next budget draft.

NERC Response to EEI Comments

NERC's final 2013 Business Plan and Budget sets forth corporate and departmental priorities, including the relationship between NERC's activities and Section 215. The final business plan and budget also reflects the elimination or deferral of certain activities in or beyond 2013, and clarifies NERC's supporting, as opposed to leading, role with respect to a number of industry and governmental reliability initiatives. *See* for example pages 56, 63, 72, 75 and 76 of the final NERC 2013 Business Plan and Budget, **Attachment 2** to this filing.

Responses to Stakeholder Responses to the NERC Board's Request for Policy Input

ELCON

Large customers have not had the time to review in detail the NERC and Regional Entity Common Business Plan and Budget, but continue to be concerned about overall costs. Large Customers, unlike regulated utilities, cannot pass along the costs.

NERC Response

NERC remains committed to achieving further efficiencies and cost effectiveness in its operations as well as the overall operations of the ERO. NERC is also committed to reducing unnecessary compliance burdens on industry.

EPSA

Competitive suppliers believe that others more impacted by the NERC budget can best comment on specifics associated with the budget. However, much as EPSA asserted in association with the compliance improvement initiative [footnote omitted] there are budget implications that the ERO must consider and are important to furthering the ERO's success.

EPSA appreciates the ERO and the BOT for supporting and acting on the compliance improvement initiative as it is a critical process improvement that increases organizational efficiency, allowing for more emphasis on reliability. While the initiative is a positive step that should support future efforts including Phase II of the compliance improvement initiative to build on initial successes. Building on the initiative in Phase II is integral to increasing the efficiency of the budget. Because the compliance resource commitment makes up half of the NERC budget, initiatives that will bring compliance spending more in balance with the other five ERO goal areas is the right approach. Measurement and evaluation of the compliance initiative for continued improvement and detailing the plan for implementation of Phase II will inform decisions to build on successes and improve the program. EPSA believes that ensuring consistent coordination of this program will be the cornerstone of its success. EPSA encourages the ERO to continue to provide and stress training for compliance

program area personnel. This should be considered a priority area for resource commitment.

NERC Response

NERC and the Regional Entities will continue build on the Find, Fix, Track and Report (FFT) and Spreadsheet Notice of Penalty initiatives and are also committed to ensuring the proper training and qualifications of NERC and Regional Entity compliance personnel, including auditors. In addition to the efforts in the enforcement processing area, NERC and the Regional Entities are continuing work to transform compliance monitoring; encouraging registered entities to develop effect internal and reliability risk controls; and ensuring that compliance results are achieved efficiently to avoid undue burden and cost on registered entities.

MRC Sector 4 – Federal/Provincial Utilities

Sector 4 and other entities throughout North America are under huge pressures to contain costs and minimize rate impacts in light of their customer challenges. This industry is facing cost pressures due to economic conditions, transition to renewable energy resources, green technology, smart grid and the need to replace aging infra-structure. In addition, compliance obligations are increasing and the new BES definition will have huge impacts for many entities. We suggest that NERC and Regions further conduct sensitivity analysis of 5-10-15% budget reduction and manage Business Planning process to ensure that costs are contained by means of specific productivity gains. We believe that this can be achieved by properly defining the core NERC accountabilities (standards development, compliance enforcement, etc.) and excluding and constraining its other activities that may or should not be within NERC's scope of work.

We believe that once core accountabilities are established, prioritization of NERC activities should be undertaken along with identification of shared responsibilities for reliability solutions among NERC, industry (such as NATF, EEI but not limited to) and other partnerships can be achieved.

NERC Response

NERC will be initiating a process to obtain additional stakeholder feedback regarding goals and priorities for the next three year planning cycle, including but not limited to opportunities for increased involvement and participation by trade associations, industry forums and other stakeholders.

MRO

MRO generally supports the 2013 NERC and Regional Entity Common Business Plan and Budget. MRO offers the following comments:

Overall, it appears the NERC budget is better aligned with the key priority programs: Reliability Standards, Compliance and Enforcement (CMEP administration), Assessments, and Event Analysis. Based on the figures in the 2013 Business Plan and Budget, these program areas account for about 69% of NERC's budget in 2013, compared with 66% in 2012. To capitalize on this trend, MRO suggests that NERC review these program areas to assure that the dollars are being properly allocated. For example, in the compliance and enforcement area, the priority areas for NERC should be training, standardization of procedures and systems, and oversight tools to promote more uniformity and assure adequate rigor across NERC and the Regional Entities. NERC and the Regional Entities should continue to work together to drive better consistency through uniform practices. Additionally, throughout the remainder of 2012 and during 2013, NERC and the Regions should continue the efforts initiated by NERC with the Find, Fix, Track and Report (FFT) process. MRO believes the next step in the evolution of the CMEP must incorporate risk-based principles grounded in sound assurance practices to document minor, immaterial matters, preventing them from being subject to the enforcement process. Based on the figures in the 2013 Business Plan and Budget, the budget for the Situation Awareness area has decreased from 12% of the total budget in 2012 to 9% of the total budget in 2013. MRO believes there is an opportunity for greater efficiency and clarity in this area as the new SAFNR platform and other tools are deployed across the Regional Entities. More discussion about this program area will be helpful in clarifying the roles and responsibilities of NERC and the Regional Entities as compared with Reliability Coordinators.

Finally, MRO supports the separation of Event Analysis from Compliance Investigations. These are two distinct functions with distinctly different outcomes. Event Analysis is stakeholder driven and should result in Recommendation and Lessons Learned for the industry. Conversely, Compliance Investigations are enforcement-driven and have the potential, and possibly even the presumption, that violations of standards will be identified. Therefore, MRO supports a "bright-line" between the Event Analysis and Compliance Investigation functions in the organization.

MRO would like to emphasize that its budget, as with the other Regional Entity budgets, is fully vetted through the governance structure, and therefore; we appreciate the great deference given to these budgets when considering approval at NERC. We appreciate NERC's continued support for the Regional Entity budget development process.

NERC Response

NERC reviews resource allocation each year as part of its business planning and budgeting process. NERC will continue to perform this review to ensure the proper balance in the resources which are allocated to achieving the ERO's goals and objectives during the next planning cycle, which will be jointly developed by NERC and the Regional Entities through an open process

which, as noted in the preceding response, provides opportunities for stakeholder input.

NPCC

NPCC believes that the scope of the NERC Business Plan appropriately includes necessary reliability assurance activities in the areas of standards development, compliance, reliability assessment, situation awareness, events analysis, training and cyber security.

NPCC supports NERC's focusing on its highest priority goals of improving reliability standards and enhancing the efficiency and reliability focus of the compliance program.

NPCC supports the strategic objective of expanding the Compliance Enforcement Initiative based on a risk assessment based approach.

NPCC commends and shares NERC's commitment to the continuing re-prioritization of resources to address future challenges in the 2014 and 2015 timeframes with only essential projected budget increases.

NPCC supports NERC utilizing its transparent and inclusive structure to develop industry wide reliability solutions to possibly be implemented by partnering organizations, including trade groups and forums.

NERC Response

NERC appreciates NPCC's input and support.

NRECA

NRECA strongly encourages NERC and the REs to maintain their focus on core Section 215-related responsibilities – standards development and compliance/enforcement activities.

NERC Response

NERC has been and remains committed to fulfilling its Section 215 responsibilities, including but not limited to standards development, compliance and enforcement. NERC looks forward to the ongoing input and support of the trade associations, industry and other stakeholders in further improving the standards development, compliance and enforcement processes as well as NERC's other activities.

SERC

The SERC Board applauds NERC and the Regional Entities for initial efforts to focus on high value items, resulting in a reduced need for significant budget increases. NERC and the Regional Entities continue to be encouraged to allocate

resources to those activities which deliver a positive contribution to bulk electric system reliability. In some cases, that may mean ceasing activities which are not currently contributing to reliability.

SERC acknowledges and greatly appreciates the progressive improvements that have been made to ERO business planning over the last couple of budget cycles.

SERC appreciates that good oversight and approval of budgets are important for proper business rigor in the ERO model. SERC is concerned, however, with the multiplicity and duplicative reviews given the Regional Entity budgets. While NERC should be expected to review Regional Entity budgets, conducting three or four public reviews after review, posting, and approval at the Regional Entity level is an unnecessary use of resources. NERC's role has moved from one of oversight to duplication of the Regional Entity's consideration and approval; this adjustment seems to ignore the organizational decision making responsibility and fiscal responsibility of the regional entity and its board of directors.

NERC Response

NERC appreciates the ongoing efforts and support of SERC and the other Regional Entities to improving the business planning and budgeting process and the efficiencies of ERO operations. NERC is committed to working with the Regional Entities to avoid duplication of efforts in connection with NERC's statutory obligation to review and approve each Regional Entity Business Plan and Budget. NERC does note that in the ERO certification process, NERC proposed that it should give a presumption of reasonableness to the budgets developed by the Regional Entities and their boards, but the Commission rejected this proposal and ruled that NERC should not give a presumption of reasonableness to the Regional Entities in the development of their budgets for statutory activities.⁵ NERC also notes that the Regional Entities engage in statutory activities solely pursuant to delegated authorities from NERC as approved by the Commission, and that pursuant to the Delegation Agreements, NERC is responsible to provide adequate funding to the Regional Entities to carry out their delegated statutory responsibilities. Therefore, it is appropriate that NERC engage in thorough reviews of the Regional Entities' proposed budgets before its Board approves them and NERC submits them to the Commission endorsed for approval.

MRC SM-TDU Sectors

SM-TDUs are concerned that the high priority items listed in the 2013 Business Plan and Budget, as revised on June 29, 2012, do not include a priority to identify and retire specific standards and requirements that are no longer needed to meet an adequate level of reliability. [Footnote omitted.] Paragraph 81 of the FERC's order conditionally accepting NERC's Find, Fix and Track proposal noted that perhaps some current requirements provide "little protection for Bulk Electric

⁵ *Order Certifying North American Electric Reliability Corporation as the Electric Reliability Corporation and Ordering Compliance Filing*, 116 FERC ¶ 61,062 (2006), at P 203.

System reliability or may be redundant.” [Footnote omitted.] FERC went on to invite NERC to make specific proposals identifying the standards or requirements and setting forth in detail the technical basis for their retirement. SM-TDUs recognize that one of the goals of 2013 is to implement process changes to identify and slate for removal administrative requirements from existing standards where feasible. [Footnote omitted.] However, there is no mention of standards retirements and the removal of administrative requirements is referred to only as a goal and not a priority. SM-TDUs urge NERC to classify the retirement of unnecessary standards or requirements as a priority and to allocate resources to this priority accordingly. The retirement of unnecessary standards and requirements will relieve the pressure on SM-TDUs to mitigate rate impacts on our customers due to increased regulatory costs accumulated through the years, particularly when our customers continue to struggle with their own financial constraints and a slow-recovering economy.

SM-TDUs agree that the standards development process should be a priority given the benefits and efficiencies to be gained. For this reason, we support, in the near term, additional resources to the standards program and in particular to the general counsel’s office. This is not to say that NERC should simply hire any personnel, but hire highly qualified personnel when available. Modest incremental increases in resources to assist the standards program are appropriate when the right people are hired to do the job. To the extent that efficiencies are later realized, then reductions in the budget would be appropriate.

SM-TDUs also support appropriate funding for the Electricity Sector Information Sharing and Analysis Center (“ES-ISAC”) which fills an information sharing and industry alert gap that cannot be addressed by enforceable reliability standards. NERC is uniquely positioned to operate ES-ISAC given its expertise and knowledge of the electricity sector. An ES-ISAC without appropriate funding will be hamstrung in fulfilling its objective, which may ultimately adversely affect the electricity sector. However, SM-TDUs urge NERC to not place further resources outside of managing the core mission as the ERO, which is to develop and enforce reliability standards, and its broader roles in government-industry coordination, information sharing, and education, including ES-ISAC. The SM-TDUs are concerned that if NERC were to take on any additional functions, this would divert needed resources from the successful completion of its current functions.

Finally, we are encouraged by the preliminary budget projections for 2014 and 2015 which reflect a zero percent increase in 2014 and a 2.1 percent increase in 2015. However, we urge the Board to adopt additional business plan assumptions on the efficiency and effectiveness of NERC and Regional Entity programs. In the area of compliance and enforcement, the assumptions should make clear that the efforts expended by NERC, Regional Entities, and Registered Entities on the paperwork associated with enforcement actions must be reduced. In the area of cyber-security and critical infrastructure protection, the Board should adopt a

business plan assumption that NERC will fully execute the plans that are now in place and avoid at all cost further “mission creep” that is not offset by curtailment of current projects.

NERC Response

NERC recognizes the importance of reviewing and modifying standards for effectiveness and to reduce the standards compliance burden on the industry. To that end NERC is working on an internal controls-based overlay on the results-based standards development approach that has already been initiated. Additionally the Commission recognized this need in its March 15, 2012, order accepting NERC’s FFT proposal.⁶ NERC staff is working diligently with the Standards Committee and industry representatives in an effort to identify standards requirements which may be eliminated with little or no risk to the reliability of the Bulk Electric System. NERC encourages the industry to monitor the progress of this project and also to actively participate in the project as it moves through the commenting and balloting phases in the second half of 2012. In addition to the efforts in enforcement processing, NERC and the Regional Entities are continuing work to transform compliance monitoring; encouraging registered entities to develop effect internal and reliability risk controls; and ensuring that compliance results are achieved efficiently to avoid undue burden and cost.

EEI

EEI has continued to offer a consistent message over the past four years in its comments to NERC concerning its budget and business plan. EEI supports NERC and remains convinced that NERC is working diligently to be responsive and responsible as the industry’s ERO. We applaud NERC for its many accomplishments. Nevertheless, we believe that NERC would benefit from greater focus on its core program areas: standards development, and compliance and enforcement. We believe that NERC’s success in these core program areas is vital to their long term success.

While EEI generally supports the proposed NERC 2013 budget, we believe the budget contains activities that are beyond the scope of Section 215 (“215”) of the Federal Power Act that distract from NERC’s core mission. We disagree with the various arguments advanced by NERC in its latest budget document that all budget activities fall within the scope of 215. To remedy this concern in an orderly manner, EEI suggests the following process.

We support NERC’s proposal to begin a stakeholder process in the fourth quarter of 2012 to establish criteria for what is within 215 and what lies outside of 215. EEI urges NERC to complete this process as soon as possible, but no later than the end of the first quarter of 2013. At that point in time, to the extent activities

⁶ *North American Electric Reliability Corporation, Order Accepting with Conditions the Electric Reliability Organization’s Petition Requesting Approval of New Enforcement Mechanisms and Requiring Compliance Filing*, 138 FERC ¶ 61,193 (2012), at P 81.

are determined to be outside of 215, EEI proposes that these activities be removed from NERC's 2013 section 215 budget. [Footnote: Ultimately, FERC will address approval of the 2013 NERC budget. EEI believes that FERC consideration of 2013 NERC budget should occur within the FERC budget docket, not as part of its pending audit docket.] To the extent the industry determines that such non-215 activities nevertheless should be undertaken in order to enhance reliability, NERC should work with the industry in order to determine which reliability entity is in the best position to undertake such activities.

EEI understands that non-215 activities that are beneficial and appropriate will need to be funded separately. We do not believe that this presents a problem, because the industry already separately funds many reliability activities outside of section 215. For example, Western and Florida registered entities fund certain WECC and FRCC activities that [are] not under section 215. Likewise, North American Transmission Forum members undertake and fund non-215 activities, and other entities such as EPRI and the EEI Spare Transformer Equipment Program (STEP) undertake separately-funded reliability activities not under Section 215.

NERC Response

NERC disagrees with EEI's general statements that NERC is engaged in activities outside of Section 215 and believes there is adequate support in its 2013 Business Plan and Budget as well as in prior Commission orders regarding the nexus between its activities and Section 215. NERC believes it is also important to recognize that many of the activities it has historically engaged in have been supported and encouraged by stakeholders. However, NERC continues to welcome stakeholder feedback and input regarding its activities and priorities. NERC appreciates EEI's support and willingness to participate in the process that NERC has outlined, in response to the report of the Commission's Office of Enforcement on its recent audit of NERC's activities, to obtain stakeholder input on the development of criteria for Section 215 activities and on the scope and priorities of NERC's activities, to be used during the next business planning cycle. NERC notes that its specific proposals have not yet been acted upon by the Commission in the audit proceeding.

DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 13

**CALCULATION OF ADJUSTMENTS
THE AESO 2013 NERC ASSESSMENT
TO THE IESO 2013 NERC ASSESSMENT,
THE NBSO 2013 NERC ASSESSMENT,
AND THE QUEBEC 2013 NERC ASSESSMENT**

2013 Alberta Electric System Operator Adjustment
Credit for NERC Compliance Costs

	Total NERC Compliance Budget AESO NEL Allocation 2013	Total NERC Compliance Budget AESO NEL Allocation 2012		
NERC Compliance Budget				
Compliance Operations (includes Organization Registration)	\$ 6,644,000	\$ 7,993,729		
Compliance Enforcement	6,725,004	6,445,458		
Event Analysis and Investigations	6,023,424	5,075,349		
Total Compliance Budget, including Fixed Assets	\$ 19,392,428	\$ 19,514,536		
AESO NEL Share (2011)	1.298%	1.268%		
AESO Proportional Share of Compliance Costs, including Fixed Assets	\$ 251,637	\$ 247,422		
Net Total Staff	54.50	55.67		
% Credit (36.5 of 54.5 FTEs)	66.97%	62.87%	400	Operations
\$ Credit (36.5 of 54.5 FTEs)	\$ 12,987,590	\$ 12,268,884	500	Org Registration
AESO credit for compliance costs	\$ 168,528	\$ 155,555	402	Event Anal & Investigation
Additional Credits for 2012			403	Reporting & Tracking
Credit for SAFNR	\$ 725,500	\$ 473,596	404	Enforcement
	\$ 725,500	\$ 473,596		
AESO NEL Share (2011)	1.298%	1.268%		
AESO credit for additional costs not allocated	\$ 9,414	\$ 6,005		
Total AESO Credit	\$ 177,942	\$ 161,560	\$ 16,382	10.1%
NERC Assessment	\$ 466,437	\$ 460,237	\$ 6,200	1.3%

2013 FTEs	
Total	Credit
15.00	
3.00	3.00
15.50	13.50
5.00	4.00
16.00	16.00
54.50	36.50

2013 IESO Adjustment
Credit for NERC Compliance Costs

	2013	2012	Change	
NERC Compliance Budget				
Compliance Operations (includes Organization Registration)	\$ 6,644,000	\$ 7,993,729		
Compliance Enforcement	6,725,004	6,445,458		
Event Analysis and Investigations	6,023,424	5,075,349		
Total Compliance Budget, including Fixed Assets	19,392,428	19,514,536	(122,108)	-0.70%
Total Compliance Staff	54.50	55.67	(1.17)	
% Credit (46.5 of 54.5 FTEs)	85.32%	85.63%	-0.31%	
\$ Credit (46.5 of 54.5 FTEs)	\$ 16,545,833	\$ 16,710,220		
Credit for SAFNR	725,500	473,596		
	\$ 17,271,333	\$ 17,183,816	87,517	0.57%
IESO NEL Share (2011)	3.167%	3.118%		
IESO Credit - NERC Costs, including Fixed Assets	\$ 546,926	\$ 535,844	11,082	2.22%
Total NERC Assessment	\$ 1,035,450	\$ 1,028,513	\$ 6,937	0.67%

2013 New Brunswick Adjustment
Credit for NERC Compliance Costs

	2013	2012	Change	
NERC Compliance Budget				
Compliance Operations (includes Organization Registration)	\$ 6,644,000	\$ 7,993,729		
Compliance Enforcement	6,725,004	6,445,458		
Event Analysis and Investigations	6,023,424	5,075,349		
Total Compliance Budget	19,392,428	19,514,535		
Total Compliance Staff	54.50	55.67		
% Credit (46.5 of 54.5 FTEs)	85.32%	85.63%		
\$ Credit (46.5 of 54.5 FTEs)	\$ 16,545,833	\$ 16,710,219		
Credit for SAFNR	725,500	473,596		
	\$ 17,271,333	\$ 17,183,815		
New Brunswick NEL Share (2011)	0.306%	0.298%		
New Brunswick Credit - NERC Costs, including Fixed Assets	\$ 52,906	\$ 51,279	1,627	3.2%
NERC Assessment	\$ 100,162	\$ 98,427	1,735	1.8%

2013 Quebec Adjustment
Credit for NERC Compliance Costs

	Total NERC Compliance Budget Quebec NEL Allocation	Quarterly		
NERC Compliance Budget				
Compliance Operations (includes Organization Registration)	\$ 6,644,000			
Compliance Enforcement	6,725,004			
Event Analysis and Investigations	6,023,424			
Total Costs, including Fixed Assets	19,392,428			
Quebec NEL Share (2011)	4.123%			
Quebec Proportional Share of Compliance Costs, including Fixed Assets	\$ 799,467			2013 Compliance FTEs
				<u>Total</u> <u>Credit</u>
		400	Operations	15.00
		500	Org Registration	3.00 2.00
Total Compliance Staff	54.50	402	Event Anal & Investigation	15.50 13.50
		403	Reporting & Tracking	5.00 4.00
% Credit (35.5 of 54.5 FTEs)	65.14%	404	Enforcement	16.00 16.00
\$ Credit (35.5 of 54.5 FTEs)	\$ 12,631,765			54.50 35.50
Quebec Credit (Proportional share of all costs x % Credit)	\$ 520,754			
Proportional Share of NERC Compliance Costs paid by Régie de l'énergie	\$ 278,713	\$ 69,678		
Proportional Share of NPCC CORC Program paid by Régie de l'énergie (Refer to Column H-2, page 83, NPCC Business Plan and Budget)	\$ 1,369,666	\$ 342,417		
2012 Billing to Régie de l'énergie for Compliance Program Costs-NERC and NPCC	\$ 1,648,379	\$ 412,095		
Additional Credits for 2013				
Credit for SAFNR	\$ 725,500			
	\$ 725,500			
Quebec NEL Share (2011)	4.123%			
Quebec credit for additional costs not allocated	\$ 29,909			
Total Quebec Credit for 2013	\$ 550,663			

DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 14

**STATUS REPORT ON THE ACHIEVEMENT
OF NERC'S 2012 GOALS**

ATTACHMENT 14

Status Report on the Achievement of NERC's 2012 Goals and Objectives

This Attachment provides a summary of NERC's 2012 goals and objectives and a status report on their achievement as of June 30, 2012. Pages 3-25 of this Attachment was presented before stakeholders and NERC's Board of Trustees at the August 16, 2012 open meeting of NERC's Corporate Governance and Human Resources Committee. Similar reports are prepared and presented each quarter at approximately the same time NERC prepares and presents in open session to the NERC's Finance and Audit Committee its quarterly and year to date financial reports compared budgeted to actual expenditures, together with a year-end rolling year end projection.

During the first two quarters of 2012, NERC and the Regional Entity Executive Management Group continued to improve and refine the ERO business planning and budgeting process through the development and integration of a multi-year strategic plan. The *2012-2015 ERO Enterprise Strategic Plan*¹ is focused on implementing relevant standards; promoting effective collaboration, cooperation, and communication around important risks to reliability; and utilizing expertise from the industry to produce outcomes that improve reliability. The plan also sets forth an expectation to engage stakeholders in valuable review and feedback, incorporate applicable governmental requirements and directives, and take into account additional Provincial considerations, as appropriate. Utilizing the concepts of this plan, NERC and the Regional Entities continue their strategic planning initiative by demonstrating the depth of ERO leadership and dedication to improving the reliability of the North American bulk power system and focusing on the following goal areas for 2012:

- Identify the most significant risks to reliability
- Be accountable for mitigating reliability risks
- Promote a culture of reliability excellence
- Improve transparency, consistency, quality and timeliness of results
- Operate as a collaborative enterprise
- Improve efficiencies and cost effectiveness
- Develop clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner
- Be a strong enforcement authority that is independent, without conflict of interest, objective and fair
- Promote a culture of compliance with mandatory reliability standards across the industry

¹[https://www.nerc.com/docs/bot/finance/2013%20NERC%20Business%20Plan%20and%20Budget/ERO%20Enterprise%20Strategic%20Plan%202012-2015%20FINAL%20\(02%202012\)%20\(2\).pdf](https://www.nerc.com/docs/bot/finance/2013%20NERC%20Business%20Plan%20and%20Budget/ERO%20Enterprise%20Strategic%20Plan%202012-2015%20FINAL%20(02%202012)%20(2).pdf)

A set of specific 2012 objectives with a measure, a threshold and a target for each objective was developed and is being used to track and weight progress throughout each program area for 2012. The specific 2012 objectives, measures, thresholds and targets, with a weighted percentage for each objective, are shown in the table on pages 12-25 of this Attachment.

The 2012 goals and objectives 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. Pages 6 through 8 of this Attachment identify the priority deliverables and other important deliverables for 2012. NERC management continues to track, and periodically report to its Board of Trustees and stakeholders, the progress in achieving the goals, objectives and deliverables. As shown by the charts on pages 9 through 11 of this Attachment, progress is being tracked throughout the year on a department-by-department basis. Pages 9 through 11 of this Attachment provide summary information on the status of achievement of the 2012 goals and objectives as of June 30, 2012. The bar chart on page 9 shows the progress of each of the departments as of June 30, 2012, in achieving department goals (*i.e.*, measured as a percent of each department's goals). Pages 12 through 25 provide detailed information on an objective-by-objective basis. The information on these pages represents a consolidation of information presented by NERC management at the February 2012 and August 2012 meetings of NERC's Corporate Governance and Human Resources Committee.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

2012 NERC Performance Report

through June 30, 2012

Gerry Cauley
President and CEO
August 15, 2012

RELIABILITY | ACCOUNTABILITY



- 2012 corporate performance measures based on
 - 2012-2015 ERO Enterprise Strategic Plan (goals, objectives, and pre-established metrics)
 - 2012 corporate business plan and budget
 - Three-year ERO Performance Assessment
- Progress is reviewed quarterly with management team
- Results are used in determining performance compensation at corporate and department levels

Three Major Goal Areas

- Corporate performance measures are structured around the framework provided by the ERO Enterprise Strategic Plan, spanning goals in three areas:
 - Standards and compliance
 - Risks to reliability
 - Coordination and collaboration

Highest weighted corporate objectives:

- Technically sufficient set of results-based reliability standards
- Efficient and timely standards development process
- Robust set of critical infrastructure reliability standards
- Event analysis program that engages Bulk Power System (BPS) owners, operators, and users in improving BPS reliability
- Risk of large scale failures of the BPS is minimized

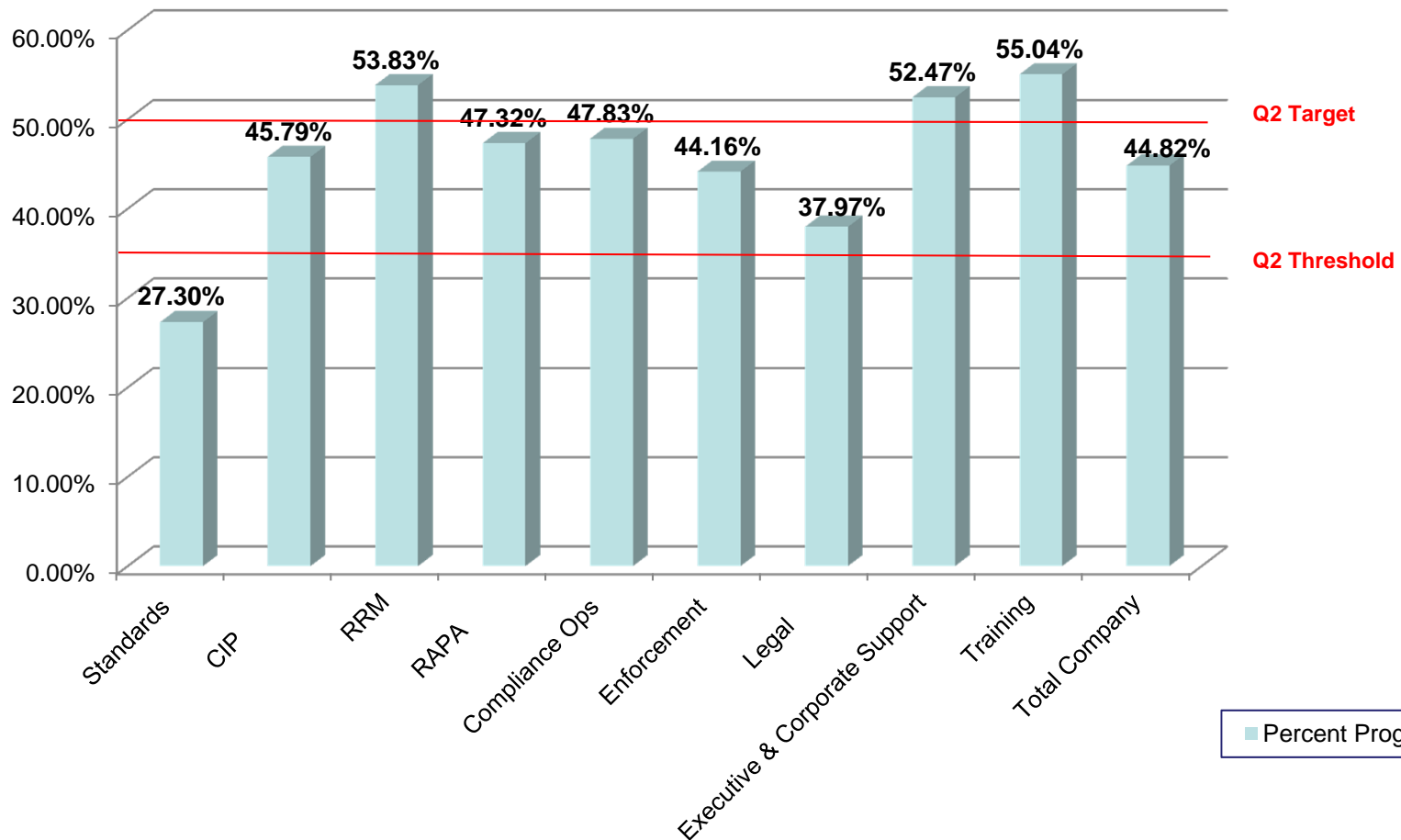
Other Important Deliverables

- Accountability for standards (provide ALR)
- Technical references or application guides
- Efficient and timely compliance outcomes
- Find, Fix, Track, and Report enhancements, Spreadsheet Notice of Penalties, etc.
- Reduction of NERC/Regional Entity caseload index
- Close out of outstanding enforcement cases
- Identification of the nature of violations
- Mitigation of compliance risks
- Effective reliability risk controls
- Risk-based compliance monitoring (Entity Assessment)
- Track and trend reliability issues

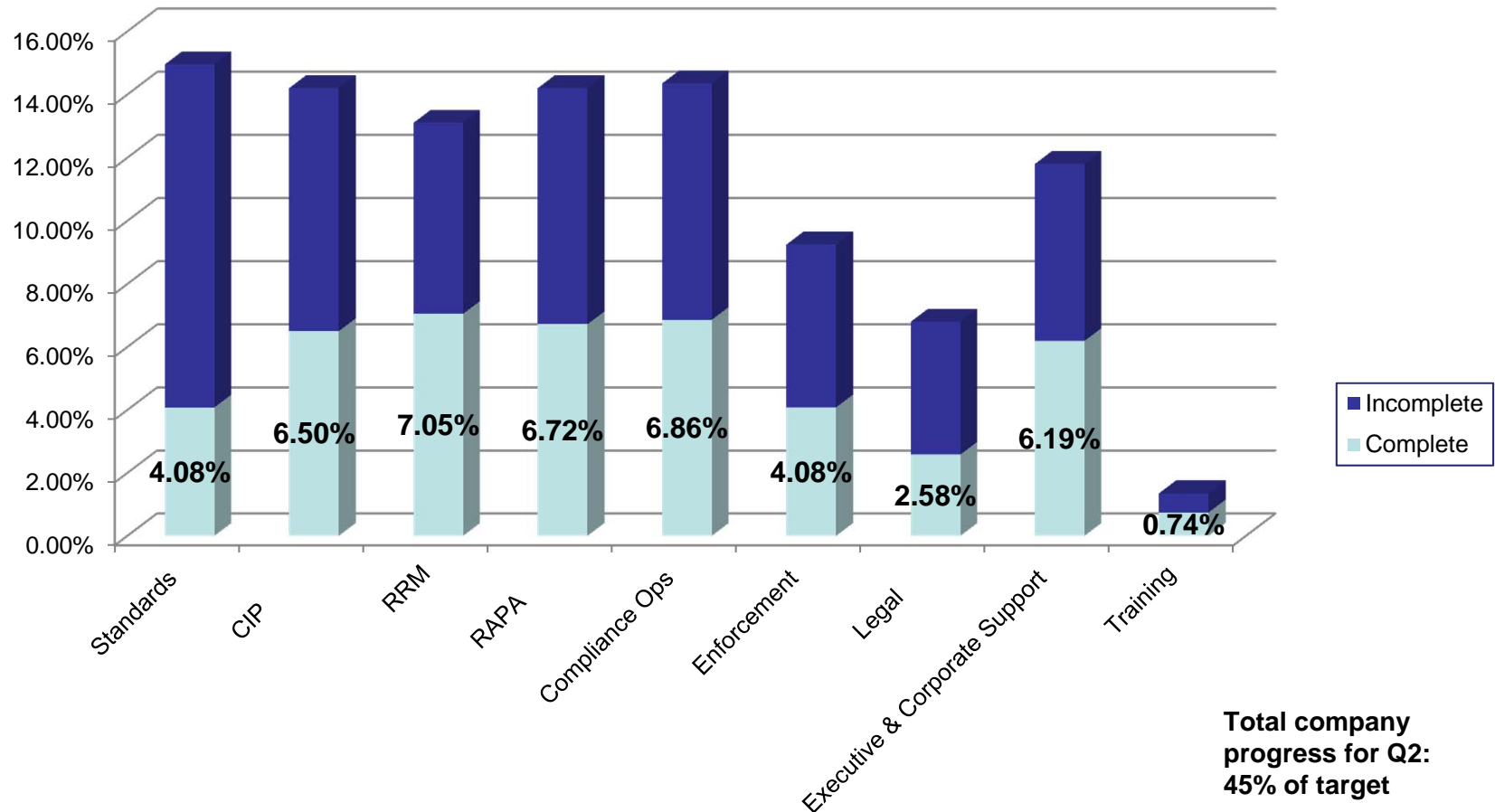
Other Important Deliverables

- Situational awareness and presence at NCCIC
- Reliability assessments
- Risk management strategies
- Cyber security risk assessment tools
- Reliability data modeling
- Consistency in advisories and recommendations
- Comprehensive emergency disaster, business continuity, and industry-wide communications planning
- Qualified trained staff
- Secure information management
- Improved resource efficiency and allocation

Department Performance – Q2



Department Contributions



* Executive and Corporate Support includes: IT, Government Relations, Finance, and other corporate support functions and measures.

Leading Results

- Identify violations associated with system events
- Track and trend reliability issues
- Educate on effective compliance programs and risk-based monitoring
- Enhance event analysis and situational awareness (ES-ISAC)
- Deliver reliability assessments and emerging issues
- Qualify and train staffs (NERC and REs)
- Continue emergency, disaster planning
- Certify for critical ERO functions
- Implement recommendations from 3yr ERO Performance Assessment

Lagging Results

- Reduce standards-related directives
- Revise standards process to meet one year criterion
- Complete set of critical infrastructure reliability standards
- Process time objectives for FFTs
- Evaluate entities' critical cyber assets
- Monitor compliance through alternative risk-based approaches
- Implement risk management strategies, measures, and a plan
- Implement NERC public website
- Improve reliability data modeling

NERC Corporate Performance – Q2 2012

08.15.12

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
1. Standards and Compliance	Develop a technically sufficient set of results-based reliability standards, with each requirement providing a clearly and unambiguously identified performance expectation and reliability benefit.	Number of new, or substantively revised standards delivered for board approval, excluding retirements	12 standards	16 standards	8%	50.0%	8 standards total – with five standards in Q2 that have been approved by the Board: FAC-003-3/x, PRC-00501.1b, TOP-001-2, TOP-002-3, and TOP-003-2
2. Standards and Compliance	Be accountable to applicable regulatory authorities and the public for standards that provide an adequate level of reliability.	Reduction (in percent) of standards-related directives remaining compared to 260 directives at 2012 year beginning, including any new directives issued	20% reduction (260 to 208)	30% reduction to 182	2%	0.0%	In Q2, the rate of new directives being issued by FERC exceeds the rate at which NERC is addressing prior directives. <ul style="list-style-type: none"> • FERC newly issued directives = 11 • NERC filed standards addressing 11 directives = (-11) • Net = 0 YTD
3. Standards and Compliance	Working with industry, develop options to improve the efficiency and timeliness of standards development such that high priority standards may be targeted for completion in one year.	Process revisions that meet the one year criterion	Drafted for public comment	Revisions complete and ready for board approval by yearend	5%	10.0%	Posted, for stakeholder comment, the initial draft of revisions to the standards process and rules of procedure (ROP). <ul style="list-style-type: none"> • Communication and outreach plan developed and in the process of being implemented • Webinar conducted to roll out the proposed revisions to industry and solicit feedback Standard Process Improvement Group (SPIG) initiatives may

NERC Corporate Performance – Q2 2012

08.15.12

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
							influence.
4. Standards and Compliance	Work with industry to develop technical references or application guides for reliability standards to ensure clarity and facilitate implementation.	Develop plan a) listing priorities based on risk and clarity gap, and b) identifying formats and procedures (use existing formats as appropriate such as RSAWs, regional entity application guides, standards references, CANs, etc.)	Plan and templates developed	Application guides or technical references delivered for 10 standards	3%	30.0%	Three qualifying documents have been delivered. In Q2, one whitepaper, one CAN and one bulletin were issued. Plans are to develop and produce two more papers, 19 more CANs, and 13 RSAWs by year end.
5. Standards and Compliance	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.	Complete the CIP Version 5 standards (or equivalent) by yearend 2012	Approved by industry through successive ballot	Approved by industry through recirculation ballot and ready for board approval	5%	10.0%	Industry approved 1 standard in successive ballot and the remaining 9 standards are all above 50% but below the 2/3 rd majority required. In Q2, completed successive ballot with significant improvements (1 of 10 standards achieved with 67% approval). Another successive ballot expected in Q3.

NERC Corporate Performance – Q2 2012

08.15.12

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
6. Standards and Compliance	Continue to develop enhancements to enforcement processing to achieve efficient and timely compliance outcomes, including streamlined procedures for lesser risk violations and improved workflow and tools at NERC and regional entities. Explore alternatives to refining discretion focused on targeting violations most implicated in large events.	Average process duration for lesser risk violations filed in 2012 from discovery to filing, excluding those with discovery dates preceding July 1, 2011	6 months	4.5 months	2%	35.0%	Average discovery to filing of FFT, discovered after July 1, 2011, is approximately 6.11 months (note that entity compliance with FERC March 15 th Order delayed processing in March and April).
	Further develop FFT enhancements, spreadsheet NOPs, and other efficiencies and options for exercising discretion for lesser risk violations.	Average process duration for greater risk violations from discovery to filing, excluding those with discovery dates preceding July 1, 2011	12 months	10 months	2%	50.0%	Average discovery to filing of NOPs, discovered after July 1, 2011, is approximately 7.41 months.
		Yearend six-month rolling average of total FFT and spread-sheet NOPs filed monthly as a percent of active violations	4%	6%	2%	27.0%	The six month average of total FFT and SNOP filed monthly as a percent of active violations is approximately 2.9%.

NERC Corporate Performance – Q2 2012

08.15.12

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
7. Standards and Compliance	Reduce NERC/RE caseload index (proxy for how many months work remain in caseload)	Six-month rolling average of active violations divided by monthly filings and dismissals	18 months	12 months	3%	43.0%	The six-month rolling average of active violations divided by monthly filings and dismissals (caseload index) is approximately 15.2 months.
8. Standards and Compliance	Close outstanding enforcement cases with violation dates from 2007 – 2010	Number of cases remaining unfiled with violation date preceding January 1, 2011	75% reduction, excluding those held by proceedings at FERC or court	Zero left, excluding those held by proceedings at FERC or court	2%	50.0%	The reduction as of July 5 is approximately 38%. Including violations NERC is in the process of preparing to file at the end of July and August, the approximate reduction will be 49%.
9. Standards and Compliance	Identify nature of violations associated with most significant system events and develop a plan for addressing risks in these areas.	Report on requirements most correlated to significant events (Category 3 and above) and plan for addressing risks	Report on risks correlated to significant events	Report on risk control strategies to address top 3 issues identified	2%	65.0%	<p>As of June 30, identified reported to BOTCC in closed the nature of violations associated with the most significant system events.</p> <ul style="list-style-type: none"> • Next step is to develop plan and report on risk control strategies to address these risks. • Recommended strategies to address the top risks expected to be completed by the end of Q3. Analytical work was the most time consuming component of this measure and was completed at end of Q2.

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
10. Standards and Compliance	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.	Develop report outlining process and instruments to be used, and identifying candidate standards for demonstration	Report published	Pilot initiated for 1 new standard	3%	50.0%	Draft report written with added detail to include assessment of self report and self certification impacts. Use of current audit procedures underway.
11. Standards and Compliance	Educate industry on effective compliance programs and effective reliability risk controls.	Identify and document case studies of entities with exemplary compliance risk and reliability risk controls	1 large entity and 1 small entity	1 additional case study	2%	50.0%	Initial contact / interviews and outreach with 3 large entities and have developed an example case study. <ul style="list-style-type: none"> NATF has been requested to participate in developing principles for effective compliance programs and reliability risk controls Registrant's submitted source documents reviewed
		Continue CIP-002 Sufficiency Review Program (SRP) to evaluate entities' Critical Assets and Critical Cyber Assets lists	Conduct 6 SRPs	Conduct 10 SRPs	2%	23.0%	Conducted 2 SRPs Scheduled and confirmed 11 SRPs to be completed in 2012.

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
12. Standards and Compliance	Develop risk-based compliance monitoring approaches to maximize reliability benefits and improve efficiencies, and to encourage effective internal controls at registered entities.	Identify and assess through pilot testing alternative risk-based approaches to monitoring compliance, including use of sampling methods	Report on alternative approaches for monitoring compliance	Complete three pilot tests to demonstrate methods	3%	25.0%	<p>Initial report in May to BOTCC. Report being revised and will be resubmitted to BOTCC in Q4. Activities to date included:</p> <ul style="list-style-type: none"> Refined risk based compliance monitoring paper presented at May BOTCC Open Worked with industry, Regions and NERC CCC on a critical component of the entity assessment as an initial start point for alternative auditing The entity assessment component of the report is in final development and will be posted by end of July for broad industry review and comment No pilot tests completed as of end of Q2.
13. Risks to Reliability	Trend reliability issues and improvement opportunities and share results transparently with bulk power system owners, operators, and users.	Report on state of reliability identifies risk clusters and trends	Report delivered by Q3	Report completed by Q2	3%	100.0%	2012 State of Reliability report approved by the Board on May 9 with public release on May 9

NERC Corporate Performance – Q2 2012

08.15.12

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
14. Risks to Reliability	Provide an 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 criteria are catalogued, prioritized, and assessed for improvement opportunities.	Percent reporting of reportable events and quality of reports as measured by NERC review	95% of reportable events have reports submitted	80% approval according to quality review criteria	5%	88.0%	<ul style="list-style-type: none"> Received 100% of the event reporting (brief, EARs etc.) necessary since Jan 1, 2012. Based on quality criteria, receiving 100% of what is required in the appropriate areas to determine “what happened”. Based on quality criteria, have sufficient information in 100% of the reports received to trend some level of causes for further analysis on the BPS Based on new cause coding quality criteria, 70% of these reports trend the root cause.
15. Risks to Reliability	Develop and maintain situational awareness capability that meets the needs of FERC, NERC, and applicable registered entities.	Delivery of SAFNR tool	System delivery and testing complete.	All U.S. reliability coordinators connected	2%	62.0% (8 out of 13)	<p>System testing and deliver compete. 8 out of 13 RCs connected as of end of Q2. Data streaming live from 8 RCs: ERCOT, ISO-NE, WECC, Vacar-Duke, Vacar-Santee Cooper, Vacar-Scana, SoCo, SPP/ICTE.</p> <ul style="list-style-type: none"> The eDNA data Historian has been completed and is ready for downloading by NERC SA (requires IT support) In July SA expects to roll out the SAFNR V2 system to FERC staff, RCs and Regional Staff. 10-12 RCs providing live data to NERC’s SA Monitors (and DC monitors)

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
							by mid Q3
16. Risks to Reliability	Deliver reliability assessments of strategic emerging issues that may impact reliability.	Number of special issue reports approved	4 special issue reports approved	6 special issue reports approved	3%	66.0%	<ul style="list-style-type: none"> Geomagnetic Disturbance Task Force Interim Report approved by Board on Feb 23 Severe Impact Resilience Report and Cyber Attack Report approved by Board on May 9 Event Driven Index Whitepaper in Q2
17. Risks to Reliability	Minimize the risk of large scale failures of the bulk power system.	Number of Category 5 events (10,000 MW generation or load loss) not acts of nature		No Category 5 events (excluding acts of nature)	10%	50.0%	<i>A qualifying category 5 event (not due to a natural disaster) would result in a 10% adjustment for each program, this allocation was omitted from the overall total and the other objectives were adjusted to total 100%.</i>
18. Risks to Reliability	Develop and implement risk management strategies for highest tier reliability risks.	Identify high priority risk management projects and develop plan	2 projects identified and planned	3 projects	2%	50.0%	Cold weather generator preparation and relay misoperation projects identified and planned. Work underway on both.
		Identify success measures and benchmark	Measures for each project	Benchmarks complete	2%	20.0%	Success benchmarks being developed from risk portfolio.
		Implement plan	Project started	On schedule at yearend	2%	20.0%	Projects identified above. Work underway.

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
19. Risks to Reliability	Enhance situational awareness within the electricity sub-sector and with government through ES-ISAC, such as presence at NCCIC and other governmental classified forums.	Establish presence on NCCIC floor	1 ES-ISAC staff have access to NCCIC	2 ES-ISAC staff have access to NCCIC	2%	70.0%	1 person has access to NCIC as of June 30, 2012.
		Develop and implement initial declassified NCCIC framework in ES-ISAC	Design ES-ISAC wall of knowledge component	Test initial prototype	2%	40.0%	<p>Renewed contract for supply of threat information to assist in analytics.</p> <ul style="list-style-type: none"> Basic display wall functionality now exists; working with IT to acquire additional hardware such as phones and computers Finalized vendor procurement ; in process of scheduling training for CID team Pilot of threat indicators search tool for ES-ISAC analytics is in progress Pilot a new system for tracking incident reports received by ES-ISAC
		Unclassified information products for registered entities based on classified sources	Continually populate ES-ISAC portal with indicator bulletins	Registration on ES-ISAC portal by 50% of registered entities	2%	75.0%	<p>Approximately 35% of all registered entities are represented on the portal spanning 404 unique user accounts.</p> <ul style="list-style-type: none"> ES-ISAC meets weekly with FERC to discuss products and activities The ES-ISAC secure members portal is being updated daily/weekly. Since April (go-live) the ES-ISAC has posted 48 watchlist items, 3 indicator reports, 3 crossposting reports from ICS-CERT and 27 newsfeed items; updates

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
							<p>include the posting of ICS-CERT alerts, posts detailing current vulnerabilities and mitigations, and relevant presentations</p> <ul style="list-style-type: none"> Indicators of compromise are being harvested from the classified US-CERT portal and reformatted for distribution to the BPS registered entities
20. Risks to Reliability	Develop cyber security risk assessment tools for industry use, including maturity or mode of attack models.	Perform exercises based on attack tree modeling and support DOE maturity model	3 exercises at host entities	6 exercises at host entities, including DOE pilot	2%	47.0%	<p>Two CRPAs completed by end of Q2.</p> <ul style="list-style-type: none"> Two confidentiality agreements for two prospective participants have been fully executed; dates for exercises are June and August Outreach to prospective participants continues Concluded Phase I of White House/DOE Security Risk Management Maturity Model. Resulted in the Risk Management Model (17 entities participated in the development). Participated in National Level Exercise 2012.
21. Risks to Reliability	Assist industry in improving reliability data modeling, including generator and turbine controls and load modeling.	Continue workshops on improved modeling. Engage all three interconnections in model improvement	Report on improvement requirements and plan for improvement	Data request to support model improvement	3%	20.0%	<p>Data requests and report being developed.</p> <ul style="list-style-type: none"> NERC / EPRI Geomagnetic Disturbance Analysis and Modeling Workshop held April 18-20 in Atlanta May 2012 Model Validation Workshop held May 2-3 in

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
							Atlanta
22. Risks to Reliability	Manage a consistent program for issuing advisories, recommendations and essential actions, and track and report mitigation results. Conduct these activities using tools, processes, and authorities.	Tools for tracking recommendations from alerts, event analysis, and other sources	Specifications for electronic issuance of Alerts and tracking of progress on recommendations	System operational and testing completed	2%	35.0%	Specifications completed and RFP submitted to vendors.
23. Risks to Reliability	Facilitate the conduct of comprehensive emergency, disaster, and business continuity planning.	Develop and test national security crisis response plan	Develop and review plans; test internally	Test internally and assess during 1 additional exercise, such as Cyber Storm IV	2%	50.0%	Draft Crisis Action Plan test internally with ES ISAC during the National Level Exercise Q2 2012. Draft in process of being finalized, Q3 internal table top exercise and finalize Plan in Q4.
24. Coordination and Collaboration	Maintain easy-to-navigate, accessible reliability information through a library of lessons learned from event analyses, best practices, examples of excellence, and other resources for reliability improvement.	Implement NERC public website using SharePoint 2010	Website operational	Implement metadata for rapid search capability	2%	15.0%	The redesign process is underway. Numerous sessions for site governance, document retention and document migration will be held during Q3 in anticipation of development (coding) work in Q3 for site structure and implementation.
25. Coordination and Collaboration	Develop and implement an industry-wide communications plan to build awareness of work by the ERO and industry to improve reliability.	Develop quarterly reporting mechanism to detail ERO activities that addresses BPS risk	Reports for Q2-4 2012	Reports for Q1-4 2012	2%	33.0%	Quarterly consolidated report not issued during reporting period. <ul style="list-style-type: none"> Consolidated report will be published in Q3 and Q4 in NERC news. Q 3 report will cover Q1 and Q2 activities. Q4 report will cover Q3 and

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
							<p>Q4 activities.</p> <ul style="list-style-type: none"> Major individual reports issued during reporting period included including the State of Reliability Report, the GMD Report and the Summer Assessment, the Joint Report on SW Blackout and the Joint Report on the NE Snow Storm. This was in addition to Human Performance Workshop and GMD workshops.
26. Coordination and Collaboration	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.	a.) Develop certification criteria for critical ERO functions	a.) Auditor qualifications documented	a.) Investigator qualifications also	2%	75.0%	Auditor and Investigator qualifications documented by end of Q2. Undergoing final review and coordination with Regions.
		b.) Conduct continuing training on auditing, investigating, root cause, and human factors	b.) 95% of all auditors and investigators have 2 days of training or more	b.) 100% of auditors and investigators at NERC and regions, programs available to registered entities	2%	70.0%	Completed first of two CEA trainings (>70% of the CEA auditors attended). Completed auditor training session for industry in Q1, 99 in person participants and 100 webinar participation.
27. Coordination and Collaboration	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	Deliver business requirements and functional requirements for one ERO application	Design 2 agreed upon applications	Implement 2 agreed upon applications	3%	40.0%	<p>OATI developed violations application (webCDMS+) is in production and data from all Regions is being backfilled into the database.</p> <ul style="list-style-type: none"> Continue to verify the data and work with the Regions on re-implementing business rules to ensure ongoing data consistency Developing next steps to

NERC Corporate Performance – Q2 2012

08.15.12

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
	statutory functions of ERO enterprise.						<p>include document synchronization in SharePoint 2010 targeted for Q3 implementation</p> <p>The Events Analysis project was identified as the number two project by the ERO EMG and NERC business requirements have been gathered and the PMO is in the process of validating those requirements with the business owners (RAPA, RRM, CID).An initial meeting held with the Regions to begin gathering business requirements in anticipation of a comprehensive Request for Proposal to be submitted to vendors by mid Q3.</p>
28. Coordination and Collaboration	Develop an ERO-wide risk management program with effective internal controls to ensure the ERO is addressing organizational risks and successfully fulfilling its statutory mission.	Governance established, executive hired and 2012 work plan completed	Governance adopted and executive hired	2012 work plan complete and 2013 activities in business plan filed	2%	70.0%	Charter approved, Risk Management and Internal Controls Subcommittee established, Risk Management Executive hired.
29. Coordination and Collaboration	Address recommendations and directives from the Three-Year ERO Assessment and previous audits.	Recommendations completed from 3 year assessment	90%	100%	2%	98.0%	Of the 161 NERC actions, only 3 have not been completed or otherwise incorporated into on-going activities.
		Recommendations completed from FERC audit and previous audits	90%	100%	2%	25.0%	FERC Audit under appeal. Uncontested recommendations in process of being implemented. Implementation of some recommendations may, by their nature, require more than one year

NERC Corporate Performance – Q2 2012

08.15.12

Strategic Goal Area	2012 Objective	Measure	Threshold	Target	Weight	Progress towards Target (at Q2)	Quarterly Status
							implementing. Some recommendations open and subject to final FERC determination.
30. Coordination and Collaboration	Implement additional operating and financial controls to improve resource efficiency and allocation	Budgetary performance	Yearend working capital equal to or greater than budgeted	Combined expense and fixed asset expenditures within budget	3%	50.0%	Projecting at least several million greater than budget in working capital. Combined expense and fixed asset expenditures projected to be under budget. However since only through Q2 only reporting 50%. However, projections indicate Target will be exceeded

DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 15

**METRICS COMPARING
REGIONAL ENTITY OPERATIONS
BASED ON
THE 2013 BUDGETS**

ATTACHMENT 15

METRICS COMPARING REGIONAL ENTITY OPERATIONS BASED ON THE 2013 BUDGETS

Introduction

This Attachment provides metrics on the Regional Entities' operations based on their 2013 Business Plans and Budgets, and analysis of the metrics. Consistent with the similar attachments provided in NERC's 2010, 2011 and 2012¹ 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 2013 budget metrics values for each Regional Entity (page 5);
- a series of bar charts comparing the Regional Entities' Compliance Program 2013 budgeted costs (pages 6-8);
- a series of bar charts comparing the Regional Entities' projected costs for 2013 for "small," "medium" and "large" on-site and off-site operational compliance audits²

¹ In accordance with the Commission's order on NERC's 2012 Business Plan and Budget filings, metrics for 2012 projected values are not provided. *North American Electric Reliability Corp., Order Accepting 2012 Business Plan and Budget of the North American Electric Reliability Corporation*, 137 FERC 61,071 (2011), at PP 23-27.

² An "operational" audit as referred to in this Attachment is an audit of the registered entity's compliance with the operations and planning or "Order 693" reliability standards. For purposes of this presentation (and consistent with the definitions used in the 2010, 2011 and 2012 Business Plan and Budget filings), 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. As can be seen from the table on page 5 and from the bar charts on pages 9-10, MRO, ReliabilityFirst, SPP RE, Texas RE and WECC are not planning any "small" on-site operational compliance audits in 2013, SPP RE and WECC are not planning any "medium" on-site operational compliance audits in 2013, and ReliabilityFirst is not planning any "large" on-site operational audits in 2013. Also, FRCC, ReliabilityFirst, and SERC are not planning any "medium" off-site operational audits in 2013, and FRCC, MRO, ReliabilityFirst, SERC, SPP RE and Texas RE are not planning any "large" off-site audits. The latter fact (that six Regional Entities plan no large off-site operational audits) reflects that if the registered entity has more than 75 requirements to be audited, the Regional Entity will likely conclude that an on-site compliance audit should be conducted.

and “small” and “large” on-site and off-site CIP compliance audits³ (pages 9 through 11);

- trend line plots of the Regional Entities’ 2013 Compliance Program budgets against numbers of registered entities and numbers of registered functions in each Region (page 12);
- bar charts comparing the Regional Entities’ numbers of registered entities per Compliance Program FTE⁴ and numbers of registered functions per Compliance Program FTE based on their 2013 budgets (page 13);
- 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 2012 and 2013 Business Plans and Budgets (page 14); and
- discussion and analysis of the metrics (pages 15-20). The discussion and analysis focuses on variations in the Regional Entity metrics based on their 2013 budgets and possible reasons for the variations.

³ 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 involves any entity with critical cyber assets and 5 requirements, auditing 43 requirements or 162 sub-requirements. These definitions are the same as used in Attachment 15 of the 2012 Business Plan and Budget filing. As can be seen from the table on page 5 and the bar charts on page 11, only SPP RE and Texas RE are planning any “small” on-site CIP audits in 2013 and all the Regional Entities are planning only “small” off-site CIP audits in 2013. Similar to the operational audits (note 2 above), this fact reflects that if there is a need to audit the registered entity’s compliance with 43 or more requirements or 162 or more sub-requirements of CIP standards, the Regional Entity will likely conclude that an on-site compliance audit should be conducted. The decision to conduct an on-site CIP audit can also be influenced by the need for the Regional Entity’s CIP audit staff to review facilities and equipment that are the subject of Technical Feasibility Exception (TFE) requests or audit the registered entity’s compliance with the terms of an approved TFE.

⁴ 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.

The table on page 5 shows the following quantitative data for each Regional Entity based on its 2013 Business Plan and Budget. This data is used to develop the bar charts and trend line graphs that follow based on the Regional Entities' 2013 budgets.

- Numbers of registered entities
- Numbers of registered functions
- Total NEL (GWh)
- NEL (GWh) per registered entity
- Total ERO funding
- ERO (statutory) funding⁵ per registered entity
- ERO funding per registered function
- Total statutory budget
- Total statutory budget⁶ per registered entity
- Total statutory budget per registered function
- Total statutory FTE
- 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 2013
- Estimated costs for small, medium and large on-site operational audits in 2013
- Projected numbers of small, medium and large off-site operational audits in 2013
- Estimated costs for small, medium and large off-site operational audits in 2013
- Projected numbers of small and large on-site CIP audits in 2013
- Estimated costs for small and large on-site CIP audits in 2013

⁵ ERO funding is defined as the sum of assessments and penalty sanctions.

⁶ Total budget is defined as the sum of total expenses and the total increase in fixed assets.

- Projected numbers of small and large off-site CIP audits in 2013
- Estimated costs of small and large off-site CIP audits in 2013
- Average number of contractors used and projected contractor costs for small, medium and large on-site operational audits
- Average number of contractors used and projected contractor costs for small, medium and large off-site operational audits

Metrics for Budget Submissions	FRCC	MRO ⁷	NPCC ⁷	RFirst	SERC	SPP	TRE	WECC ⁸
Number of registered entities	70	125	292	351	248	136	216	459
Number of registered functions	244	502	577	701	697	401	427	1220
Total NEL (GWh)	223,902	282,954	653,432	913,289	1,043,110	218,273	335,000	856,313
NEL (GWh) per registered entity	3,199	2,264	2,238	2,602	4,206	1,605	1,551	1,866
Total ERO Funding ¹	\$ 6,262,471	\$ 9,112,927	\$ 12,649,564	\$ 17,205,648	\$ 13,880,878	\$ 9,525,074	\$ 9,001,520	\$ 17,877,734
ERO Funding per registered entity	\$ 89,464	\$ 72,903	\$ 43,320	\$ 49,019	\$ 55,971	\$ 70,037	\$ 41,674	\$ 38,949
ERO Funding per registered function	\$ 25,666	\$ 18,153	\$ 21,923	\$ 24,544	\$ 19,915	\$ 23,753	\$ 21,081	\$ 14,654
Total Budget ²	\$ 6,531,782	\$ 9,283,539	\$ 13,879,226	\$ 17,426,838	\$ 15,907,603	\$ 11,514,818	\$ 10,935,779	\$ 19,057,824
Total Budget per registered entity	\$ 93,311	\$ 74,268	\$ 47,532	\$ 49,649	\$ 64,144	\$ 84,668	\$ 50,629	\$ 41,520
Total Budget per registered function	\$ 26,770	\$ 18,493	\$ 24,054	\$ 24,860	\$ 22,823	\$ 28,715	\$ 25,611	\$ 15,621
Total Statutory FTE ³	30.12	37.75	35.86	73.00	77.45	34.50	60.00	112.30
Registered entity per Statutory FTE	2.32	3.31	8.14	4.81	3.20	3.94	3.60	4.09
Registered function per Statutory FTE	8.10	13.30	16.09	9.60	9.00	11.62	7.12	10.86
Total Compliance Budget ⁴	\$ 4,289,553	\$ 6,135,726	\$ 7,777,333	\$ 13,022,028	\$ 11,252,443	\$ 8,164,097	\$ 8,785,957	\$ 13,159,281
Compliance budget per registered entity	\$ 61,279	\$ 49,086	\$ 26,635	\$ 37,100	\$ 45,373	\$ 60,030	\$ 40,676	\$ 28,669
Compliance budget per registered function	\$ 17,580	\$ 12,223	\$ 13,479	\$ 18,576	\$ 16,144	\$ 20,359	\$ 20,576	\$ 10,786
Total Compliance FTE ⁵	17.93	18.99	15.00	43.00	41.50	22.25	40.00	50.50
Registered entity per Compliance FTE	3.90	6.58	19.47	8.16	5.98	6.11	5.40	9.09
Registered function per Compliance FTE	13.61	26.43	38.47	16.30	16.80	18.02	10.68	24.16
Number of Small Operational Audits Onsite ⁵	8		3		11			
Estimated Cost per Small Operational Audit Onsite ⁵	\$ 6,878		\$ 16,550		\$ 12,548			
Number of Medium Operational Audits Onsite ⁵	3	7	1	18	12		3	
Estimated Cost per Medium Operational Audit Onsite ⁵	\$ 17,194	\$ 25,007	\$ 41,580	\$ 35,794	\$ 17,436		\$ 36,341	
Number of Large Operational Audits Onsite ⁵	2	3	3		13	6	8	21
Estimated Cost per Large Operational Audit Onsite ⁵	\$ 34,388	\$ 35,679	\$ 64,200		\$ 36,625	\$ 53,231	\$ 53,925	\$ 45,471
Number of Small Operational Audits Offsite ⁵	1	3	20	58	4	5	13	48
Estimated Cost per Small Operational Audit Offsite ⁵	\$ 2,579	\$ 7,603	\$ 11,540	\$ 8,886	\$ 11,452	\$ 10,307	\$ 13,977	\$ 5,719
Number of Medium Operational Audits Offsite ⁵		5	15			18	11	36
Estimated Cost per Medium Operational Audit Offsite ⁵		\$ 19,007	\$ 14,765			\$ 23,146	\$ 26,988	\$ 15,090
Number of Large Operational Audits Offsite ⁵			25					9
Estimated Cost per Large Operational Audit Offsite ⁵			\$ 18,715					\$ 20,803
Number of Small CIP Audits Onsite ⁶						2	3	
Estimated Cost per Small CIP Audit Onsite ⁶						\$ 9,050	\$ 19,569	
Number of Large CIP Audits Onsite ⁶	2	10	3	19	8	4	12	20
Estimated Cost per Large CIP Audit Onsite ⁶	\$ 68,775	\$ 58,186	\$ 56,700	\$ 52,111	\$ 37,267	\$ 92,545	\$ 53,603	\$ 44,488
Number of Small CIP Audits Offsite ⁶	9	6	20	40	20	11	19	48
Estimated Cost per Small CIP Audit Offsite ⁶	\$ 2,579	\$ 19,007	\$ 21,270	\$ 3,451	\$ 6,994	\$ 4,550	\$ 13,977	\$ 3,931
Number of Large CIP Audits Offsite ⁶								
Estimated Cost per Large CIP Audit Offsite ⁶								
Avg. Number of Contractors Per Small Audits Onsite			2.0			1.0		0.0
Avg. Number of Contractors Per Medium Audits Onsite			4.0			3.0		0.0
Avg. Number of Contractors Per Large Audits Onsite			5.0			3.0		2.0
Avg. Number of Contractors Per Small Audits Offsite			1.0			1.0		1.0
Avg. Number of Contractors Per Medium Audits Offsite			1.0			2.0		1.5
Avg. Number of Contractors Per Large Audits Offsite			1.0			2.0		2.0
Cost of Contractors Per Small Audits Onsite			\$ 7,965			\$ -		\$ -
Cost of Contractors Per Medium Audits Onsite			\$ 19,980			\$ 8,873		\$ -
Cost of Contractors Per Large Audits Onsite			\$ 39,150			\$ 41,278		\$ 10,400
Cost of Contractors Per Small Audits Offsite			\$ 9,585			\$ 10,307		\$ 3,250
Cost of Contractors Per Medium Audits Offsite			\$ 12,555			\$ 9,199		\$ 9,750
Cost of Contractors Per Large Audits Offsite			\$ 16,335			\$ -		\$ 13,000

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 entity with critical cyber assets and 5 requirements, auditing 43 requirements or 162 sub requirements

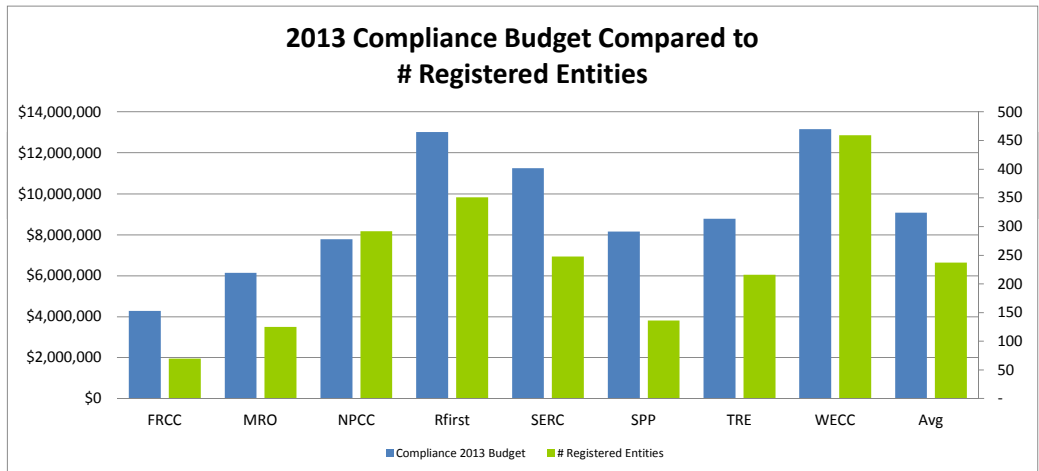
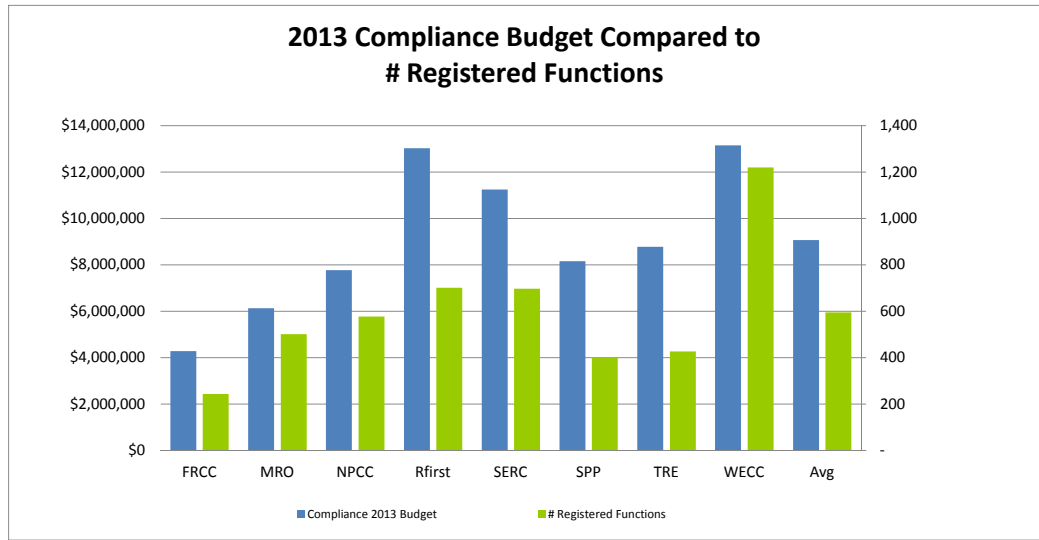
⁷ Due to the specifics of the compliance program included in the individual provincial MOUs for cross-border regional entities, some of these metrics are not directly comparable

⁸ For WECC, the cost of the Reliability Coordinator function of \$26,051,663 has been deducted from the ERO assessments and Total Budget for comparison with the other Regions where no such function exists in Statutory Programs. 85.0 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 \$5,915,605 have been excluded from the Total Budget and 19.0 FTEs have been excluded from the calculations of registered entity per Statutory FTE and registered function per Statutory FTE.

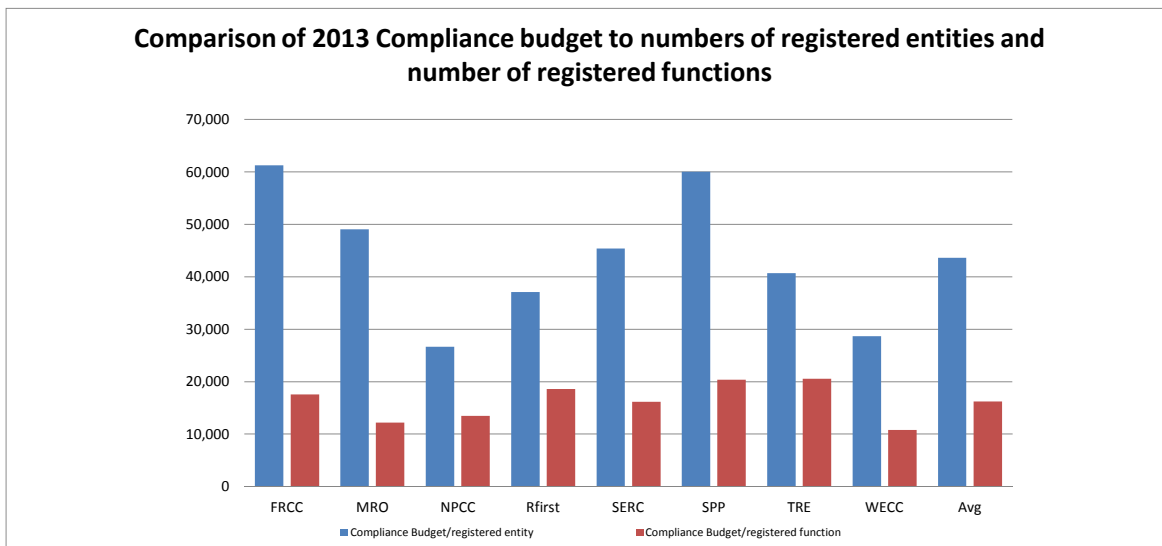
Compliance 2013 Budget

Registered Entities
Registered Functions

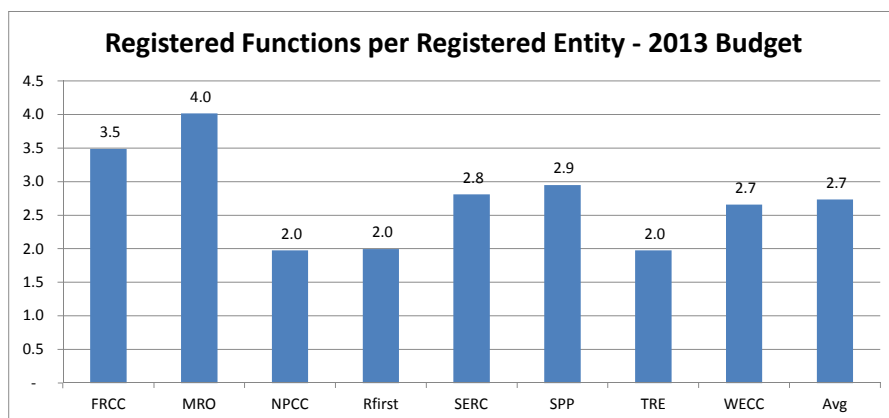
FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
4,289,553	6,135,726	7,777,333	13,022,028	11,252,443	8,164,097	8,785,957	13,159,281	9,073,302
70	125	292	351	248	136	216	459	237
244	502	577	701	697	401	427	1,220	596



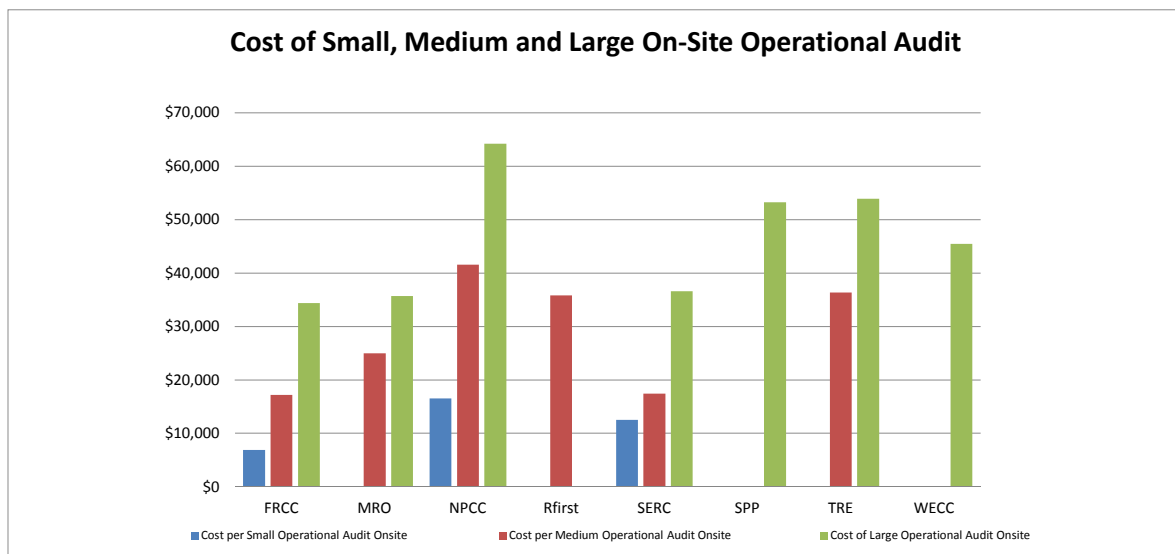
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Compliance Budget/registered entity	61,279	49,086	26,635	37,100	45,373	60,030	40,676	28,669	43,606
Compliance Budget/registered function	17,580	12,223	13,479	18,576	16,144	20,359	20,576	10,786	16,215



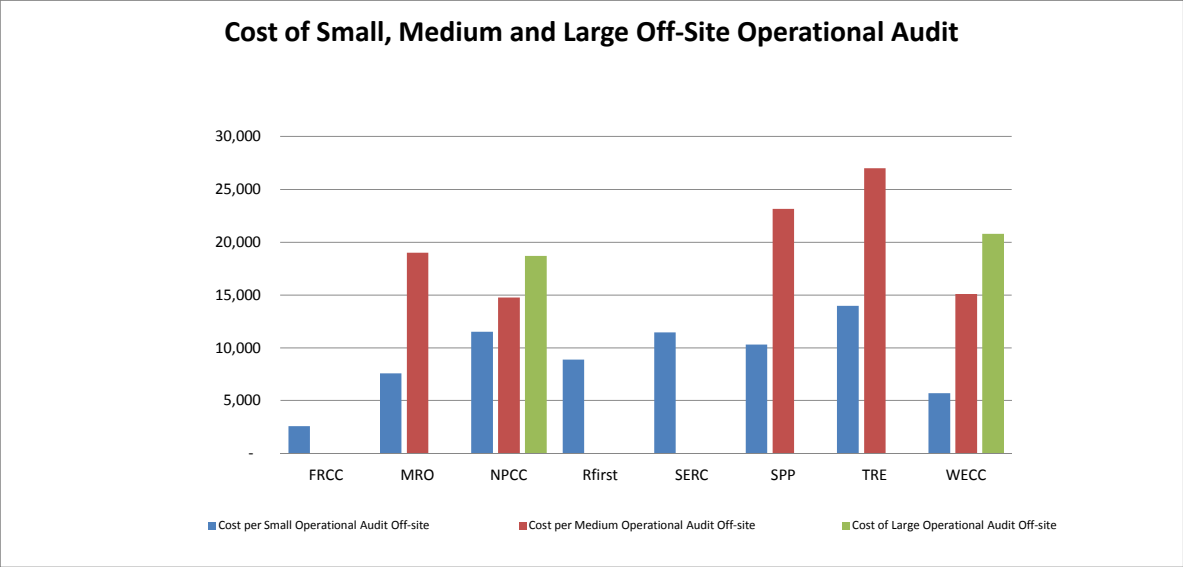
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Registered Functions per Registered Entity 2013 Budget	3.5	4.0	2.0	2.0	2.8	2.9	2.0	2.7	2.7
# Registered Entities per Compliance FTE	3.9	6.6	19.5	8.2	6.0	6.1	5.4	9.1	8.1
# Registered Functions per Compliance FTE	13.6	26.4	38.5	16.3	16.8	18.0	10.7	24.2	20.6



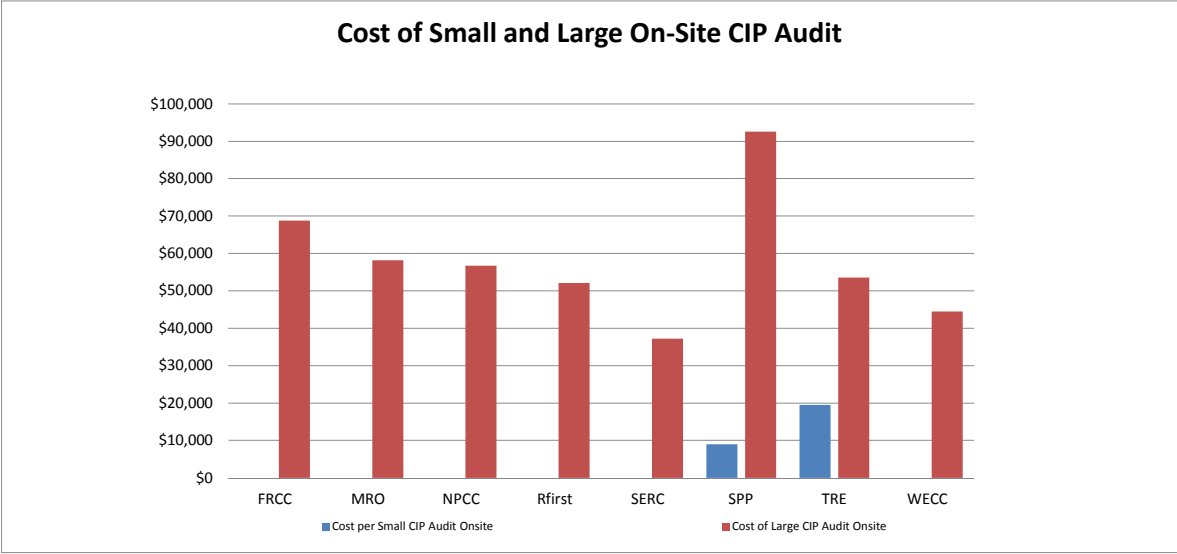
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Cost per Small Operational Audit Onsite	6,878		16,550		12,548				11,992
Cost per Medium Operational Audit Onsite	17,194	25,007	41,580	35,794	17,436		36,341		28,892
Cost of Large Operational Audit Onsite	34,388	35,679	64,200		36,625	53,231	53,925	45,471	46,217



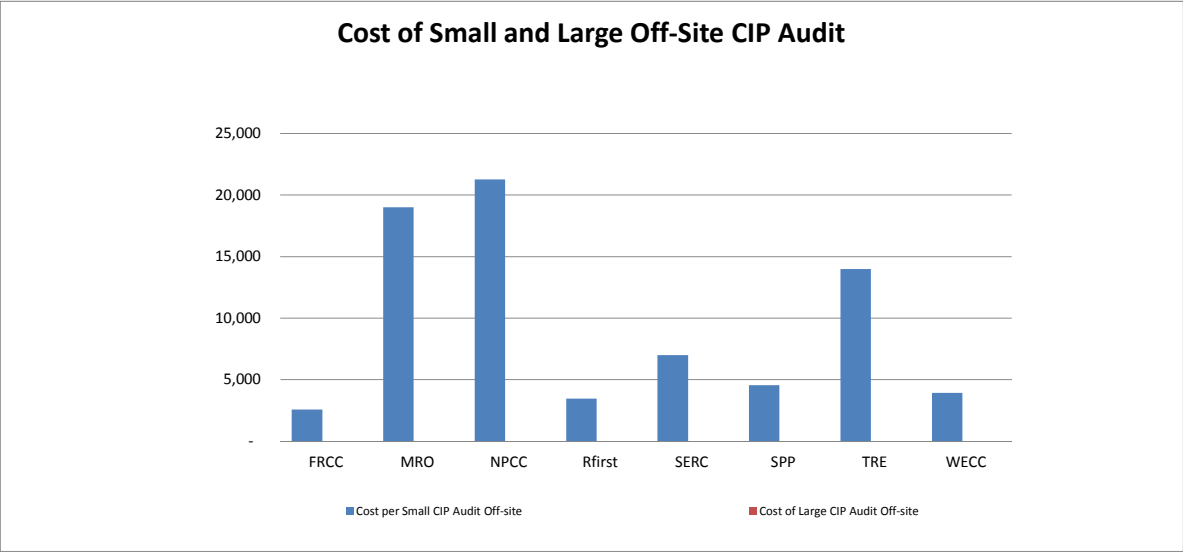
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Cost per Small Operational Audit Off-site	2,579	7,603	11,540	8,886	11,452	10,307	13,977	5,719	9,008
Cost per Medium Operational Audit Off-site		19,007	14,765			23,146	26,988	15,090	19,799
Cost of Large Operational Audit Off-site			18,715					20,803	19,759



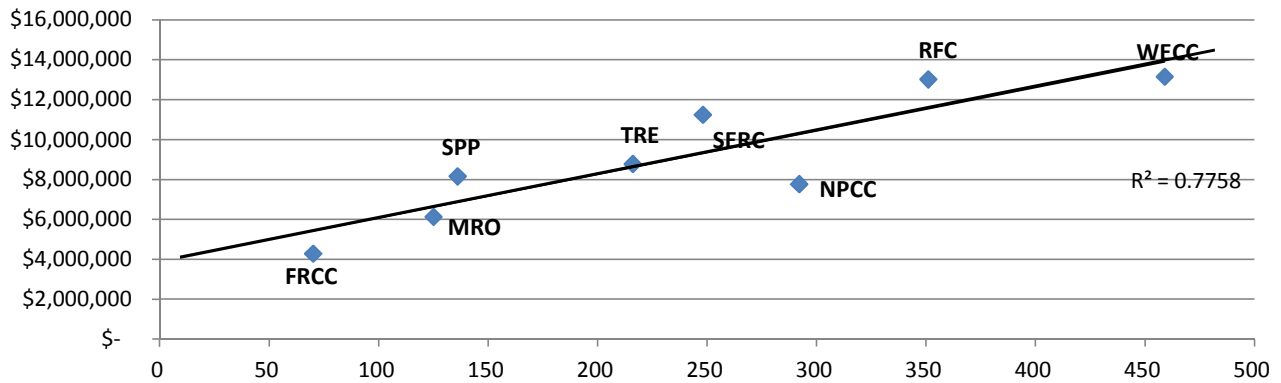
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Cost per Small CIP Audit Onsite						9,050	19,569		14,309
Cost of Large CIP Audit Onsite	68,775	58,186	56,700	52,111	37,267	92,545	53,603	44,488	57,959



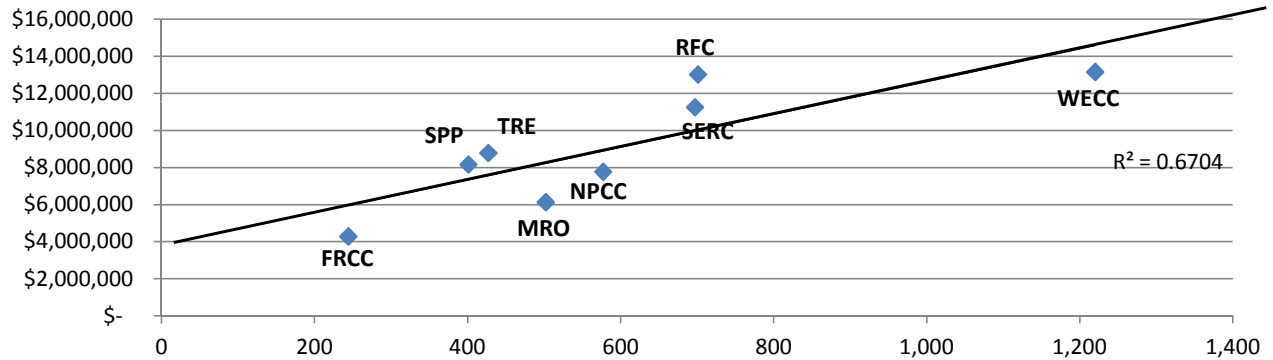
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Cost per Small CIP Audit Off-site	2,579	19,007	21,270	3,451	6,994	4,550	13,977	3,931	9,470
Cost of Large CIP Audit Off-site									-



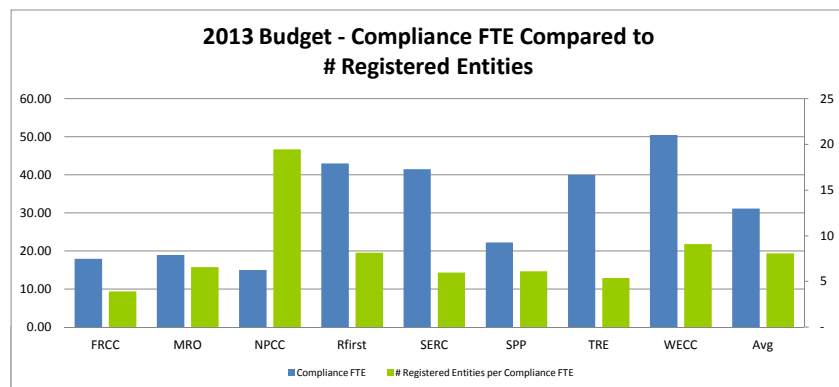
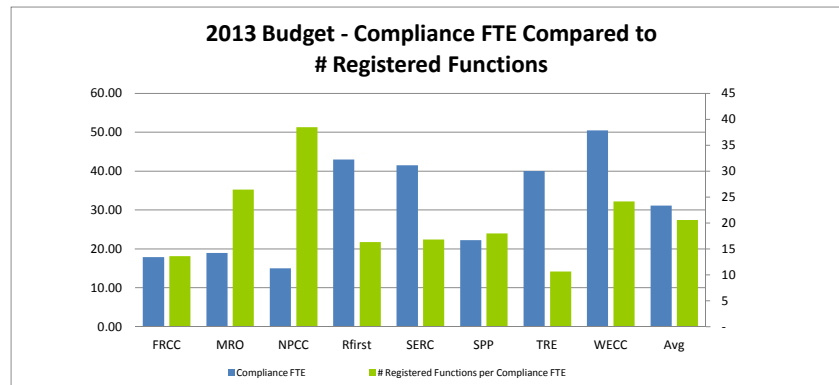
Regional Entity 2013 Compliance Program Budget as Function of Number of Registered Entities



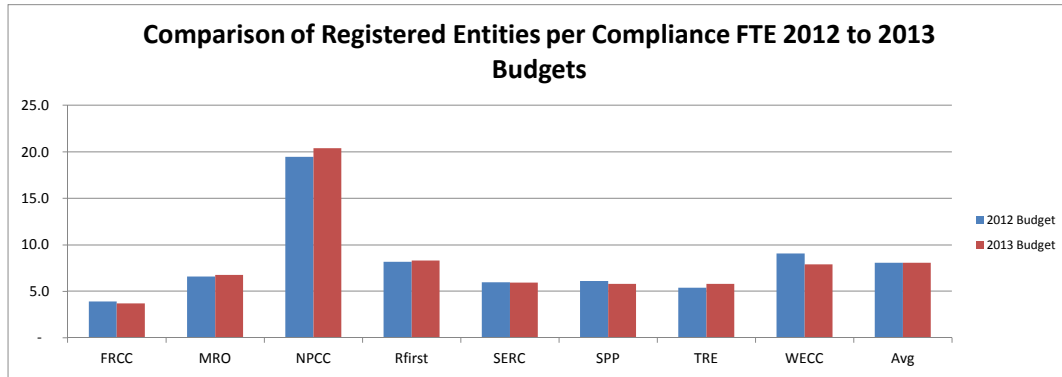
Regional Entity 2013 Compliance Program Budget as Function of Number of Registered Functions



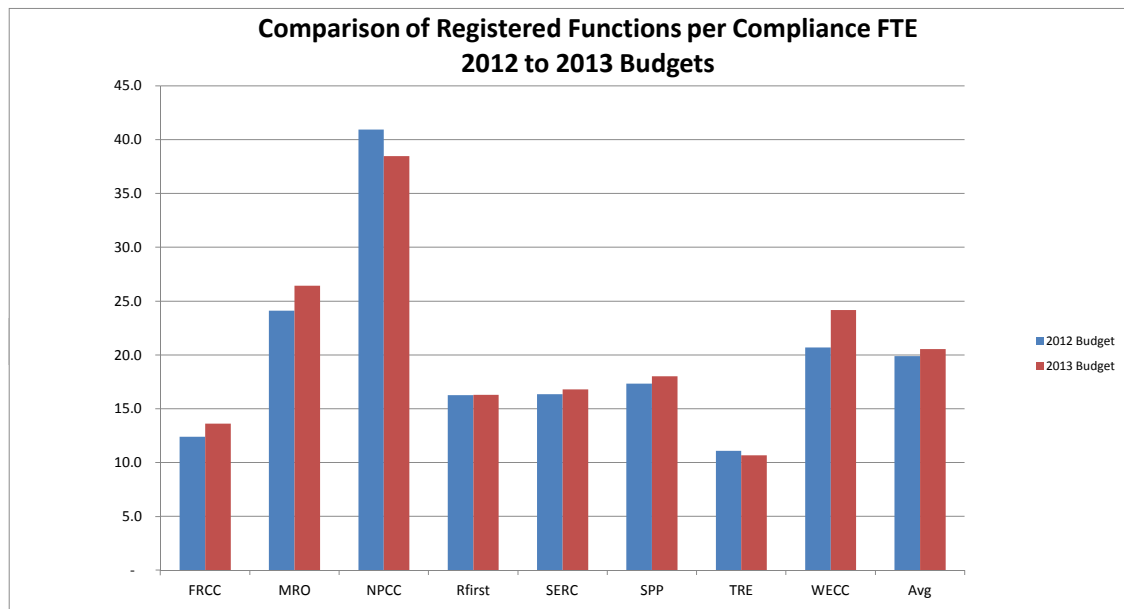
	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
Compliance FTE	17.93	18.99	15.00	43.00	41.50	22.25	40.00	50.50	31.15
# Registered Entities per Compliance FTE	3.9	6.6	19.5	8.2	6.0	6.1	5.4	9.1	8.1
# Registered Functions per Compliance FTE	13.6	26.4	38.5	16.3	16.8	18.0	10.7	24.2	20.6



	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
2012 Budget	3.9	6.6	19.5	8.2	6.0	6.1	5.4	9.1	8.1
2013 Budget	3.7	6.8	20.4	8.3	6.0	5.8	5.8	7.9	8.1



	FRCC	MRO	NPCC	Rfirst	SERC	SPP	TRE	WECC	Avg
2012 Budget	12.4	24.1	40.9	16.3	16.4	17.3	11.1	20.7	19.9
2013 Budget	13.6	26.4	38.5	16.3	16.8	18.0	10.7	24.2	20.6



Discussion and Analysis

Metrics Based on 2013 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. In analyzing the Regional Entity metrics based on their 2013 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' 2013 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.⁷ 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. NPCC has the third highest number of registered entities and the fifth highest number of registered functions, but NPCC's Compliance Program budget is the third lowest of the eight Regional Entities. This is due to the reduced scope of compliance activities in the Canadian Provinces that are part of the NPCC Region, as governed by the Memoranda of Understanding between NPCC and the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia. SPP has the third lowest number of registered entities and second lowest number of registered functions, but the fifth highest Compliance Program budget. Although the difference between SPP's rank order as to numbers of registered entities and registered functions and its rank order as to total Compliance Program budget is not significant, it is likely due primarily to SPP's unique method of obtaining administrative services and budgeting and recording indirect costs.

The bar chart and accompanying data on page 7 of this Attachment show the 2013 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

⁷ The data on numbers of registered entities and registered functions in each Region used in the 2013 budget metrics are as of March, 2012 for MRO; May, 2012 for NPCC; August, 2012 for SPP RE; and July, 2012 for the other five Regions.

\$16,215 (a very slight reduction from this average based on the 2012 Budgets); the two highest values (Texas RE - \$20,576 and SPP RE - \$20,359) are approximately 126% of the average while the lowest value (WECC - \$10,786) is 66% of the average. Note that WECC's value for this metric is considerably lower than the next lowest value (MRO - \$12,223). With respect to Compliance Program budget per registered entity, the average for the Regional Entities is \$43,606 (again, a very slight reduction of the average from the 2012 Budgets); the two highest values (FRCC - \$61,279 and SPP RE - \$60,030) are approximately 138% - 140% of the average; and the lowest value (NPCC - \$26,635) is 61% of the average.⁸

As noted, FRCC and SPP RE have the two highest values for Compliance Program budget per registered entity, and Texas RE and SPP RE have the two highest values for Compliance Program budget per registered function. At the same time, FRCC, SPP RE and Texas RE have three of the four lowest totals of registered entities, and the three lowest totals of registered functions, among the eight Regional Entities. At the other end of the spectrum, WECC has the lowest values among the Regional Entities for Compliance Program budget per registered function and the second lowest value for Compliance Program budget per registered entity (only NPCC has lower value for Compliance Program budget per registered entity), and WECC 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 12 of this Attachment, which display the results of two simple least-squares regression analyses using the Regional Entities' 2013 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 2013 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. There is a greater disparity between the R^2 value for the plot based on number of registered entities (0.7758) and the R^2 value for the plot based on number of registered functions (0.6704) than seen in this analysis in the previous two years' Business Plan and Budget filings.⁹ Nonetheless,

⁸ There is a variation among the Regional Entities in terms of registered functions per registered entity, ranging from a high value of 4.0 registered functions per registered entity for MRO to a low value of 2.0 registered functions per registered entity for NPCC, ReliabilityFirst and Texas RE. The overall average is 2.7 registered functions per registered entity. (See the data lines on page 8.) The values of this metric for each Regional Entity are generally consistent with the values based on the 2011 and 2012 Business Plans and Budgets – not surprisingly, neither the average nor the values of this metric for the individual Regional Entities have changed significantly. There is not an obvious reason why some Regional Entities (MRO and FRCC) have 1.75 to 2.0 times more registered functions per registered entity than do other Regional Entities (NPCC, Texas RE and ReliabilityFirst).

⁹ In the regression analysis that was provided in Attachment 15 of the 2011 Business Plan and Budget filing, the R^2 value for the plot based on number of registered functions was 0.8544 while the R^2 value for the plot based on number of registered entities was 0.8958. In the regression

NERC continues to believe that the regression analyses continue to indicate that 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, SERC and ReliabilityFirst are on or above the trend line on both graphs. (These are the same positional relationships for the individual Regional Entities that were shown in the regression plots provided in Attachment 15 of the 2012 Business Plan and Budget filing). 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 13 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 2013 budgets. The average for the eight Regional Entities for numbers of registered entities per Compliance Program FTE is 8.1 (identical to the average (8.1) based on the 2012 budgets); the lowest value (FRCC – 3.9) is 48% of the average and the highest value (NPCC – 19.5) is 241% of the average. This is a slightly tighter range of values around the average than was the case for the 2012 Budget. The average for numbers of registered functions per Compliance Program FTE is 20.6 (a 3.4% reduction from the average based on the 2012 budgets); the lowest value (Texas RE – 10.7) is 52% of the average and the highest value (NPCC – 38.5) is 187% of the average. This is also a slightly tighter range of values around the average than was the case for the 2012 Budget.

The bar charts and accompanying data lines on page 14 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 2013 budgets, to the values of these metrics based on the Regional Entities' 2012 budgets as provided in the 2012 Business Plan and Budget filing. With respect to registered entities per Compliance Program FTE, as noted earlier, the averages based on the 2012 Budgets and the 2013 Budgets are the same (8.1). The values of this metric have increased from the 2012 Budget to the 2013 Budget for MRO, NPCC, ReliabilityFirst and Texas RE (*i.e.*, these Regional Entities now have more registered entities per Compliance Program FTE than in their 2012 budgets), while the values for this metric have decreased from the 2012 budgets for FRCC, SPP RE and WECC (*i.e.*, these Regional Entities now have fewer registered entities per Compliance Program FTE than in their 2012 budgets). The value for SERC based on its 2012 and 2013 budgets is the same. With respect to registered functions per Compliance Program FTE, the 2013 budget values of this metric are higher than the 2012 budget values for FRCC, MRO, SERC, SPP RE and WECC (*i.e.*, these Regional Entities each now has more registered functions per Compliance Program FTE than its 2012 budget), while the 2013 budget values of this metric are lower than the 2012 budget

analysis that was provided in Attachment 15 of the 2012 Business Plan and Budget filing, the R^2 value for the plot based on number of registered functions was 0.7126 while the R^2 value for the plot based on number of registered entities was 0.725.

values for NPCC and Texas RE (*i.e.*, NPCC and Texas RE now have fewer registered functions per Compliance Program FTE than in their 2012 budgets). The value for ReliabilityFirst based on its 2012 and 2013 budgets is the same. However, with the exception of WECC, the change in the value of these metrics for the individual Regional Entities from their 2012 budgets to their 2013 budgets is generally 7 percent or less for number of registered entities per Compliance Program FTE and is generally 10 percent or less for number of registered functions per Compliance Program FTE. This observation is consistent with the facts that (1) six years after NERC was certified as the ERO, the population of registered entities and registered functions is fairly mature (*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 functions¹⁰), and (2) the Regional Entities have significantly grown their Compliance Program staffs over time and are not planning significant staffing changes for their Compliance Programs in their 2013 budgets as compared to their 2012 budgets. For WECC, the change in its values from its 2012 budget to its 2013 budget is inconclusive: the decrease in registered entities per Compliance Program FTE indicates more compliance resources per FTE, but the increase in registered functions per Compliance Program FTE indicates fewer Compliance Program resources per registered function.¹¹

The bar charts and accompanying data lines on pages 9 through 11 of this Attachment provide the Regional Entities' estimated costs for 2013 to perform each type (operational and CIP; on-site and off-site) and size category of compliance audit.¹² 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. 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 5 and the bar charts on pages 9-11, 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 2013. 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.

¹⁰ It is possible that adoption of the proposed revised Bulk Electric System definition and exception procedure, presently pending before the Commission in Docket Nos. RM12-6-000 and RM12-7-000, will result in some changes in registrations, at least in some Regions.

¹¹ These two metrics, however, do not capture other Compliance Program resources, most notably contractor or consultant support, nor support that other departments (such as Legal and Regulatory) may provide to the Regional Entities' Compliance Programs.

¹² Estimated costs of a particular size or type of audit are not provided in the table on page 5 or in the applicable bar chart on pages 9-11 if no audits are planned.

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 for the various compliance audit size and site categories, as reported in the table on page 5 and shown in the bar charts on pages 9-11:

- 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.¹³ For example, as shown on the table on page 5, NPCC, SPP RE and WECC are planning on the use of contractors in compliance audits in 2013. (NERC observes, however, that in general and over time, as the Regional Entities have continued to build their Compliance Program staffs, they have been able to reduce their use of consultants or contractors in compliance audits. 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.)
- 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.
- Although consistent definitions of "large" operational and CIP audits have been used, *i.e.*, an operational audit encompassing more than 75 reliability standards requirements and a CIP audit encompassing more than 43 CIP standards requirements or 162 sub-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 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, as noted earlier, the need to examine equipment or facilities that are the subject of one or more TFE Requests or to audit

¹³ It should be noted that 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.

the registered entity's compliance with one or more approved TFEs complicates the difficulty of projecting the resource requirements for a CIP audit.

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.

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.

DOCKET NO. RR12-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2013 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 16

METRICS ON NERC AND REGIONAL ENTITY

ADMINISTRATIVE (INDIRECT) COSTS

BASED ON

THE 2012 AND 2013 BUDGETS

ATTACHMENT 16

Analysis of NERC and Regional Entity Budgeted Indirect (Administrative Services) Costs 2013 Budgets versus 2012 Budgets

In the preparation of the NERC and Regional Entity 2013 Business Plans and Budgets, indirect expenses have been defined as those expenses which cannot be directly attributed to one of the 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, 2011 and 2012 Business Plan and Budget filings. These tables provide several metrics comparing indirect costs and FTEs² in relation to total statutory costs and FTEs and direct statutory costs and FTEs, for NERC and each of the Regional Entities, in their 2013 Business Plans and Budgets and their 2012 Business Plans and Budgets.

Overall, the tables show an increase in the average indirect costs as a percent of total statutory costs and a slight increase in the average statutory indirect FTEs as a percentage of total statutory FTEs, in the NERC and Regional Entity 2013 budgets as compared to the 2012 budgets. This result is reflective of consistent application of the definition of indirect costs, as described above, in the preparation of the 2013 budgets.

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 2013 budgets is 32.3%, versus 28.8% in the 2012 budgets. For 2013, NPCC, ReliabilityFirst, SERC and Texas RE show percentages close to the overall average. NPCC's percentage is significantly higher than its percentage in 2012 due to a change in the methodology used by NPCC for allocating Administrative Services costs to the statutory programs. In 2012, NPCC allocated certain indirect costs, such as Rent and Office Costs, to the statutory programs as direct expenses. In 2013, NPCC is allocating all administrative services costs as indirect expenses based on the proportional number of FTEs in each statutory program compared to all statutory programs (which is consistent with the methodology used by NERC and other Regional Entities), resulting in a percentage of Statutory Indirect Budget to Total Statutory Budget for NPCC that is close to the average for NERC and all the Regional Entities. Thus, although the 2012 and 2013 values of this metric for NPCC would seem to indicate a significant increase in its statutory indirect costs as a portion of its total budget, in fact the increase is the result of NPCC using an allocation methodology that is more consistent with that used by NERC and other Regional

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.

Entities, resulting in NPCC's 2013 metric for Statutory Indirect Budget as a percent of Total Statutory Budget being consistent with the overall average.

FRCC's percentages for this metric are considerably lower than the overall average, which is reflective of the methodology used by FRCC to identify and allocate staff time and Office Costs to the appropriate program. WECC's percentage for this metric is significantly higher than its percentage in 2012, but moderately lower than the overall average for 2013, which reflects a reduction of components of statutory direct costs associated with significant federal grant activity in WECC's 2013 budget compared to its 2012 budget, which are not accompanied by corresponding reductions in indirect costs. Funding and associated activities under certain federal grants received by WECC and reflected in its 2010, 2011 and 2012 budgets have been completed or are completing during in 2013. 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 SPP, Inc.'s operating budget. SPP RE's percentage of Statutory Indirect Costs to Total Statutory Budget is slightly lower in 2013 than in 2012 due to a reduction in SPP RE's Budgeted Indirect FTEs as a Percent of Budgeted Total FTEs and a reduction in the rate charged for support services allocated from SPP, Inc., from \$71.04 in its 2012 Budget to \$67.35 in its 2013 Budget.

The 2013 percentages for NERC and MRO are higher than the average, and are higher than their 2012 percentages for this metric, due to an increase in their Budgeted Indirect FTEs as a Percent of Budgeted Total FTEs, as further described below. For NERC, the increase in this metric is also due to a higher Statutory Indirect Budget resulting from: (i) an increase in rent expense associated with NERC's offices in Atlanta and Washington, D.C., due to taking more rented space at the Atlanta office and rent increases under the terms of both leases; (ii) an increase in budgeted professional services for 2013 associated with initiation of the five-year ERO performance assessment; and (iii) budgeted increases in contract and consulting expenses and fixed asset purchases for new IT infrastructure. For MRO, the increase in this metric is also related to higher Office Rent expense due to a full year's rent for the new office facility MRO moved into during 2012, and higher budgeted professional services fees for independent board members who are being added to the MRO Board in 2013 pursuant to a Bylaws amendment approved by the Commission in 2012.

For NERC, MRO, NPCC, SERC, and WECC, their percentages of Statutory Indirect Budget to Total Statutory Budget increased in their 2013 budgets from the percentages based on their 2012 budgets, ranging from an increase of 1.2 percentage points for SERC to an increase of 19.4 percentage points for NPCC. FRCC, ReliabilityFirst and SPP RE show decreases in this metric from their 2012 budgets, ranging from a decrease of 0.6 percentage points for FRCC to decrease of 3.1 percentage points for ReliabilityFirst. Texas RE's percentage of Statutory Indirect Budget to Total Statutory Budget was virtually unchanged, with an increase of 0.1 percentage points.

The overall average for the ratio of Statutory Direct Budget to Statutory Indirect Budget decreased from 3.31 based on the 2012 Business Plans and Budgets to 2.74 based in

the 2013 Business Plans and Budgets. This change is consistent with the change in the overall average for Total Statutory Indirect Budget as a Percent of Total Statutory Budget.

Budgeted Indirect FTEs as a Percent of Budgeted Total FTEs

In the NERC and Regional Entity 2013 Business Plans and Budgets, on average the budgeted statutory indirect FTEs are 21.5% of total statutory FTEs, compared to an average of 20.2% for the 2012 budgets, an increase of 1.3 percentage points (second row of tables). On average, there are 4.32 statutory direct FTEs per statutory indirect FTE in the 2013 budgets, compared to 4.39 statutory direct FTEs per statutory indirect FTEs in the 2012 budgets, for an average decrease of 0.07 statutory direct FTEs per statutory indirect FTE. The small changes in these two metrics from 2012 to 2013 compare to similarly small changes from 2011 to 2012, when the average budgeted statutory indirect FTEs as a percent of total budgeted FTEs decreased 0.5 percentage points from 20.7% to 20.2%, and the average number of statutory direct FTEs per statutory indirect FTE increased by 0.31, from 4.08 to 4.39. Thus, these metrics continue to demonstrate that NERC and the Regional Entities are achieving an operational balance between statutory direct FTEs and indirect FTEs.

NERC, MRO, NPCC, SERC and WECC have higher percentages of budgeted statutory indirect FTEs to total statutory FTEs reflected in their 2013 budgets than in their 2012 budgets. FRCC, ReliabilityFirst, SPP RE and Texas RE have lower percentages of budgeted statutory indirect FTEs to total statutory FTEs reflected in their 2013 budgets than in their 2012 budgets. 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 from an average of \$77,618 in the 2012 NERC and Regional Entity budgets to \$87,510 in the 2013 budgets, an increase of \$9,892, or 12.7% (bottom row of tables). The statutory Indirect Budget per Total FTEs for NPCC increased significantly due primarily to NPCC's change in methodology of allocating indirect costs to the statutory programs, as previously described. If NPCC were removed from the 2012 and 2013 calculations of this metric, the overall averages would be \$79,618 for 2012 and \$81,336 for 2013, a 2.2% increase. This indicates that the seemingly large increase in Statutory Indirect Budget per Total FTE from 2012 to 2013 is largely driven by NPCC's change in allocation methodology, not by actual increases in NERC's and the Regional Entities' budgeted indirect costs. The increases in the statutory Indirect Budget per Total FTEs for NERC, MRO, SERC and WECC is reflective of their increased percentages of Statutory Indirect Budget to Total Statutory and their increased percentages of Indirect FTEs to Total FTEs as described above, and range from 0.7% for SERC to 11.4% for NERC. The statutory Indirect Budget per Total FTEs metric is decreasing from 2012 to 2013 for FRCC, ReliabilityFirst and SPP RE, by between 2.0% for FRCC to 5.7% for ReliabilityFirst. Texas RE's 2013 value for Statutory Indirect Budget per Total FTEs did not change from 2012.

**Analysis of Indirect (Administrative Services) Costs
2013 Budget versus 2012 Budget**

2012 BUDGET						2013 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	
\$ 53,112,272	\$ 33,189,444	\$ 19,922,828	37.5%	1.67	NERC	\$ 54,286,256	30,909,401	23,376,855	43.1%	1.32	
6,394,454	5,697,287	697,167	10.9%	8.17	FRCC	6,531,782	5,861,218	670,564	10.3%	8.74	
9,057,229	5,636,696	3,420,533	37.8%	1.65	MRO	9,283,539	5,558,189	3,725,350	40.1%	1.49	
13,680,644	11,488,152	2,192,492	16.0%	5.24	NPCC	13,879,226	8,969,958	4,909,268	35.4%	1.83	
16,656,499	11,371,965	5,284,534	31.7%	2.15	ReliabilityFirst	17,426,838	12,443,206	4,983,632	28.6%	2.50	
15,594,445	10,423,575	5,170,870	33.2%	2.02	SERC	15,907,603	10,433,393	5,474,210	34.4%	1.91	
11,410,642	5,907,059	5,503,583	48.2%	1.07	SPP RE	11,514,817	6,064,830	5,449,987	47.3%	1.11	
10,613,458	7,694,168	2,919,290	27.5%	2.64	Texas RE	10,935,780	7,916,802	3,018,978	27.6%	2.62	
67,969,167	56,956,789	11,012,378	16.2%	5.17	WECC	51,025,093	38,697,715	12,327,378	24.2%	3.14	
			28.8%	3.31	AVERAGE				32.3%	2.74	

2012 BUDGETED FTEs						2013 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	
176.75	129.00	47.75	27.0%	2.70	NERC	186.25	133.50	52.75	28.3%	2.53	
30.69	26.67	4.02	13.1%	6.63	FRCC	30.12	26.37	3.75	12.5%	7.03	
37.00	29.15	7.85	21.2%	3.71	MRO	37.75	27.75	10.00	26.5%	2.78	
35.43	27.00	8.43	23.8%	3.20	NPCC	35.86	26.86	9.00	25.1%	2.98	
73.00	56.70	16.30	22.3%	3.48	ReliabilityFirst	73.00	57.20	15.80	21.6%	3.62	
73.70	56.95	16.75	22.7%	3.40	SERC	77.45	57.52	19.93	25.7%	2.89	
33.50	30.00	3.50	10.4%	8.57	SPP RE	34.50	31.25	3.25	9.4%	9.62	
58.00	47.25	10.75	18.5%	4.40	Texas RE	60.00	49.25	10.75	17.9%	4.58	
213.30	165.00	48.30	22.6%	3.42	WECC	216.30	160.10	56.20	26.0%	2.85	
			20.2%	4.39	AVERAGE				21.5%	4.32	

2012 BUDGET per FTE						2013 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		
\$ 300,494	\$ 257,283	\$ 417,232	\$ 112,718	NERC		\$ 291,470	\$ 231,531	\$ 443,163	\$ 125,513		
208,356	213,622	173,425	22,716	FRCC		216,859	222,268	178,817	22,263		
244,790	193,369	435,737	92,447	MRO		245,922	200,295	372,535	98,685		
386,132	425,487	260,082	61,882	NPCC		387,039	333,952	545,474	136,901		
228,171	200,564	324,205	72,391	ReliabilityFirst		238,724	217,539	315,420	68,269		
211,594	183,030	308,709	70,161	SERC		205,392	181,387	274,672	70,681		
340,616	196,902	1,572,452	164,286	SPP RE		333,763		1,676,919	157,971		
182,991	162,840	271,562	50,333	Texas RE		182,263	160,747	280,835	50,316		
318,655	345,193	228,000	51,629	WECC		235,900	241,710	219,348	56,992		
			\$ 77,618	AVERAGE					\$ 87,510		