UNITED STATES OF AMERICA
Before the
FEDERAL ENERGY REGULATORY COMMISSION

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION	)))	**Docket No. RR08-6-000**

REQUEST OF THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION FOR APPROVAL OF SUPPLEMENTAL 2009 BUDGET AND FUNDING REQUEST FOR THE MIDWEST RELIABILITY ORGANIZATION

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August 6, 2009

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I. INTRODUCTION

The North American Electric Reliability Corporation (NERC), in accordance with 18 C.F.R. §39.4(d), requests the Commission's approval of a supplement to the 2009 Business Plan and Budget and assessments of the Midwest Reliability Organization (MRO). MRO is one of the eight Regional Entities to which NERC has delegated authority to perform certain of NERC's functions under §215 of the Federal Power Act as the Electric Reliability Organization (ERO).[1]

The Commission conditionally accepted the 2009 business plans and budgets of NERC, MRO and the other Regional Entities in an Order issued October 16, 2008.[2] MRO's need for a supplemental budget arises from the decision of the pension plan sponsor of the multiple-employer defined benefit pension plan in which MRO has participated, to terminate the plan. MRO has determined it will be more cost-effective, administratively simpler, and more conducive to attracting and retaining employees, for MRO to move to a defined contribution plan, rather than to continue to maintain, fund and administer the defined benefit plan on its own. In accordance with the terms of the plan document and the regulations of the Pension Benefit Guaranty Corporation (PBGC), upon terminating its defined benefit plan, MRO must make final distributions to the plan participants equivalent to the present value of their accrued benefits. As explained in this filing, MRO must make a one-time contribution of $1.12 million to the pension plan to fund it at termination so that the final distributions can be made from the plan pursuant to the PBGC funding rules. MRO plans to make this one-time contribution and the final

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[1] The Commission originally approved NERC's delegation agreements with MRO and the other seven Regional Entities in an Order issued April 19, 2007. *Order Accepting ERO Compliance Filing, Accepting ERO/Regional Entity Delegation Agreements, and Accepting Regional Entity 2007 Business Plans*, 119 FERC ¶61,060 (2007).

[2] *Order Conditionally Accepting 2009 Business Plan and Budget of the North American Electric Reliability Corporation and Ordering Compliance Filings*, 125 FERC ¶61,056 (2008)

distributions from the plan prior to December 31, 2009. However, based on MRO's projected 2009 financial results, MRO is not able to fund this $1.12 million obligation from its approved 2009 assessments to load-serving entities (LSE) or its working capital reserve.

Although the MRO Board voted in June 2008 to terminate the defined benefit pension plan and adopt a defined contribution plan, MRO's 2009 budget did not include funding for the pension plan to support the required final distribution because the timing of receipt of a final determination letter from the Internal Revenue Service (IRS) in connection with the plan termination, and thus the timing and amount of MRO's final contribution, was unknown. Further, including this one-time funding requirement in MRO's 2010 budget would not be timely because the funding is needed to be able to make the final distributions in calendar year 2009, as explained below. Accordingly, MRO has requested approval of a 2009 budget supplement of $1.12 million, to be funded through a one-time assessment to the LSEs in the MRO region. MRO is a cross-border Regional Entity; based on 2007 reported net energy for load (NEL), the United States portion of this assessment is $947,052 and the Canadian portion is $172,948 The NERC Board approved MRO's request on August 5, 2009.

The IRS favorable determination letter was received on July 6, 2009, thereby enabling the final distributions from the pension plan to be made. The plan sponsor will be making its final plan distribution in November 2009. Although MRO is not required to make the final distribution to the MRO plan participants simultaneously with the plan sponsor's distribution, MRO plans to make the distribution before December 31 to close out all obligations of the plan in 2009 and avoid reporting requirements for 2010. NERC, which must invoice the load-serving entities in the MRO region for the supplemental assessment, and collect payments, would like to issue these invoices in late October to avoid workload conflicts and stakeholder confusion with the issuance of the first quarterly installment invoices for the 2010 NERC and Regional Entity assessments, which will be issued in November. NERC is therefore asking the Commission to issue an order approving the MRO supplemental budget and funding request by on or about October 15, 2009.

Attachment 1 to this filing is the 2009 supplemental Business Plan and Budget prepared by MRO. It includes a Statement of Activities showing the original and revised (with the supplement) MRO 2009 budget; a copy of the IRS favorable determination letter; the amount of MRO's funding obligation for the terminated pension plan as determined by its employee benefits consultants; and the proposed one-time assessments to each LSE in the MRO region.

II. NOTICES AND COMMUNICATIONS

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

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

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III. PROCEDURAL BASIS FOR MRO SUPPLEMENTAL BUDGET AND FUNDING REQUEST

The Commission's ERO regulations at 18 C.F.R. §39.4 state:

(b) The Electric Reliability Organization shall file with the Commission its proposed entire annual budget for statutory and any non-statutory activities,

> including the entire annual budget for statutory and any non-statutory activities of each Regional Entity, with supporting materials, including the ERO's and each Regional Entity's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures 130 days in advance of the beginning of each Electric Reliability Organization fiscal year. The annual Electric Reliability Organization budget shall include line item budgets for the activities of each Regional Entity that are delegated or assigned to each Regional Entity pursuant to §39.8.
>
> (c) The Commission, after public notice and opportunity for hearing, will 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.
>
> (d) On a demonstration of unforeseen and extraordinary circumstances requiring additional funds prior to the next Electric Reliability Organization fiscal year, the Electric Reliability Organization may file with the Commission for authorization to collect a special assessment. Such filing shall include supporting materials explaining the proposed collection in sufficient detail to justify the requested funding, including any departure from the approved funding formula or method. After notice and an opportunity for hearing, the Commission will approve, disapprove, remand or modify such request.
>
> (e) All entities within the Commission's jurisdiction as set forth in section 215(b) of the Federal Power Act shall pay any Electric Reliability Organization assessment of dues, fees and charges as approved by the Commission, in a timely manner reasonably as designated by the Electric Reliability Organization.

The Commission’s regulations do not explicitly provide for the submission of amended or supplemental budget and funding requests by Regional Entities outside the annual business plan and budget submission, review and approval cycle. However, in the context of §39.4, the ERO is responsible for reviewing and approving the business plans and budgets of the Regional Entities and submitting them to the Commission for review and approval. The ERO is also responsible for issuing the Commission-approved assessments, covering the approved funding requirements of both NERC and the Regional Entity, to the LSEs in each region, and for collecting the assessments and remitting the Regional Entity’s portion of the assessment to the

Regional Entity.[3] Therefore, the appropriate procedure for submission of a Regional Entity supplemental budget and funding request to the Commission is for NERC to submit the supplemental budget and funding request pursuant to 18 C.F.R. §39.4(d). The Commission has previously approved an amendment to a Regional Entity's budget submitted by NERC outside the normal annual budget submission, review and approval cycle: in Docket RR07-16-002, the Commission approved an amendment to the Western Electricity Coordinating Council's 2008 Business Plan and Budget.[4]

IV. EXPLANATION OF MRO SUPPLEMENTAL BUDGET AND FUNDING REQUEST

Since beginning its operations in 2005, MRO has provided retirement benefits for its employees by participating in a multiple-employer defined benefit pension plan administered by MAPPCOR, a Minnesota-based not-for-profit corporation. As a new organization with a small number of employees, it was advantageous to MRO to participate in the multiple-employer pension plan administered by a third party, thereby avoiding excessive administrative costs and burdens for MRO in relation to the size of the plan.

However, in early 2008, the plan sponsor, MAPPCOR, announced it was terminating the pension plan. In light of this announcement, MRO could have either (i) continued the pension plan as the sole participant and assumed the roles and responsibilities of plan sponsor and plan administrator, or (ii) terminated the pension plan for its own employees and adopted another option for providing retirement benefits for MRO employees. MRO determined that the ongoing

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[3] Section 8(a) of the Commission-approved delegation agreement between NERC and MRO provides, "NERC shall fund Midwest Reliability Organization activities necessary for Midwest Reliability Organization to carry out its Delegated Authority under this Agreement . . . ."

[4] *Order Approving Amendment to Western Electricity Coordinating Council Business Plan and Budget*, 123 FERC ¶61,031 (2008).

costs and administrative complexities to maintain and administer a defined benefit pension plan for an organization with less than 50 employees did not make good business sense, and would distract managerial and administrative resources and attention from MRO's core statutory mission as a Regional Entity. Specifically, MRO considered the increasing complexities of the regulations governing pension plans and the increasing administrative requirements, which MRO management would need to understand, take responsibility for and stay up-to-date on. MRO also considered the costs of administering a pension plan, which would be high in relation to the small number of employees. Further, switching to a defined contribution (*i.e.*, 401(k)) retirement plan was viewed as more attractive in the long run with respect to attracting and retaining employees, due to the employee portability of a defined contribution plan. Accordingly, on June 19, 2008, the MRO Board approved the termination of the defined benefit pension plan, to be effective December 31, 2008, and announced to the employees that beginning January 1, 2009, MRO would offer a defined contribution retirement plan.[5]

In order to avoid unintended adverse federal tax consequences from the termination of the pension plan, it was prudent for the plan sponsor – prior to the actual termination and distribution of the plan assets – to request and obtain a favorable determination letter from the IRS that termination of the plan would not affect its status as a qualified plan for federal tax purposes. Because the date of receipt of the IRS favorable determination letter could not be determined, MRO did not include provision for the one-time final contribution to the pension plan in its 2009 Business Plan and Budget filed with the Commission on August 22, 2008.[6]

[5] The fact that the Board was considering terminating the pension plan and offering a defined contribution plan instead was communicated to MRO employees in March 2008.

[6] MRO was required to submit its final 2009 Business Plan and Budget, as approved by its Board, to NERC in July 2008 for review and approval by the NERC Board prior to the August 22, 2008 filing with the Commission.

Further, the date of receipt of the IRS favorable determination letter, and thus the date of the subsequent final distribution, could impact the amount of the final distribution and thus the amount of MRO's required final contribution to the pension plan.[7]

The plan sponsor submitted its request for an IRS favorable determination letter on January 28, 2009. The IRS favorable determination letter, dated June 29, 2009 (copy included in **Attachment 1**) was received on July 6, 2009.[8] Having received the IRS favorable determination letter, MAPPCOR has scheduled its final distribution to occur in November 2009. Although MRO is not required to make the final distribution to the MRO plan participants simultaneously with the plan sponsor's distribution, MRO plans to make the distribution before December 31, 2009. Making the final distribution prior to December 31, 2009, will enable MRO to close out all obligations of the plan in 2009 and avoid any 2010 reporting requirements and the need for a new, 2010 actuarial calculation.

Deloitte Consulting LLP, MRO's employee benefits consultants, determined the MRO pension plan liabilities under the current plan provisions to be \$2.27 million, and the current value of the MRO portion of the plan assets to be \$1.15 million.[9] Therefore, MRO must make a

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[7] As shown below, in early April 2009, it was estimated that the amount of MRO's final contribution to the pension plan would be \$1.6 million; whereas in July 2009 the amount of the contribution has been determined to be \$1.12 million.

[8] The IRS favorable determination letter incorrectly states the proposed date of termination of the pension plan as "April 31, 2008." The termination date of the plan is in fact December 31, 2008. MAPPCOR is requesting a corrected letter from the IRS.

[9] *See* letter from Deloitte Consulting LLP dated July 21, 2009, included in **Attachment 1**. The pension plan has satisfied ERISA and IRS minimum funding standards, which are determined on an ongoing plan basis, for all prior years. However, liabilities on a plan termination basis are generally higher than liabilities calculated on an ongoing plan basis, so it is not unusual for a plan considered fully funded on an ongoing plan basis to require additional funding when the plan is terminated.

one-time, final contribution to the pension plan of $1.12 million ($2.27 million less $1.15 million) in order for the pension plan to have sufficient assets to make the final distribution.

Attachment 1 includes a Statement of Activities for MRO showing its original 2009 budget, its amended 2009 budget with the one-time pension plan contribution of $1.12 million and the corresponding supplemental assessment funding, and its 2009 projected results (including the one-time pension plan contribution and the requested supplemental assessment). Absent the need to make the one-time pension plan contribution of $1.12 million, both MRO's original 2009 budget and its 2009 projection reflect a breakeven outcome (total funding equals total expenses). Neither MRO's original, approved 2009 budget nor its currently projected 2009 results provide sufficient excess cash flow to fund the one-time $1.12 million pension plan contribution. Further, in its original 2009 Business Plan and Budget, MRO projected a working capital reserve at December 31, 2008 of $109,443, and did not provide a component in its requested 2009 assessments to increase the working capital reserve (see the Reserve Analysis provided in **Attachment 1**).[10] Based on its current 2009 projection, MRO's projected working capital reserve at December 31, 2009 is $74,344. Therefore, MRO's working capital reserve is insufficient to fund the necessary one-time $1.12 million pension plan contribution.

Although MRO has access to a $2.0 million line of credit from a lending institution, both MRO and NERC would deem it imprudent for MRO to draw on this line of credit to fund the

[10] The working capital analysis was provided in Table 5 on page 74 of MRO's 2009 Business Plan and Budget, which was Attachment 4 to the *Request of the North American Electric Reliability Corporation for Acceptance of its 2009 Business Plan and Budget and the 2009 Business Plan and Budgets of Regional Entities and for Approval of Proposed Assessments to Fund Budgets*, filed August 22, 2008 in this docket.

one-time $1.12 million pension plan contribution.[11] Reliance on the line of credit for this purpose would deplete over 55 percent of the line of credit, thereby reducing its availability as a source to meet other temporary cash needs; would create interest expense; and would create a repayment obligation that would need to be funded through an increased assessment in the MRO budget for 2010 or a subsequent year.

Accordingly, for the reasons stated in the preceding two paragraphs, MRO and NERC have concluded that requesting a 2009 budget supplement and a one-time additional assessment to LSEs in the MRO region of $1.12 million is the most appropriate approach to funding MRO's obligation to make a final contribution in this amount to the MRO pension plan. On August 5, 2009, the NERC Board approved MRO's supplemental 2009 budget and funding request.

MRO has already notified the LSEs in its region that a one-time, supplemental assessment for 2009 is forthcoming. Specifically, on April 9, 2009, MRO notified the LSEs of the anticipated one-time supplemental assessment, including notification to each LSE of its portion of the anticipated supplemental assessment. For purposes of the April 9, 2009 notification, MRO assumed a $1.6 million supplemental assessment, which was the then-current estimate of shortfall between the pension plan's liabilities and its assets. Based on Deloitte Consulting LLP's more recent determination of the amount of the one-time contribution to the pension plan, the supplemental assessments will be only 70 percent of the assessment amounts publicized to LSEs in April 2009. In July 2009, MRO updated the LSEs in its region on the status of the upcoming supplemental funding request.

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[11] As explained in Table 5 of MRO's 2009 Business Plan and Budget, the availability of the $2.0 million line of credit was one reason MRO determined it did not need to maintain a larger working capital reserve.

Attachment 1 includes a table showing the calculation of the portion of the proposed one-time assessment of $1.12 million allocable to each LSE in the MRO region. The allocation is based on actual 2007 NEL data, which was the NEL data used to calculate the assessments to LSEs to fund MRO's original 2009 Business Plan and Budget. As MRO is a cross-border Regional Entity including the Canadian provinces of Manitoba and Saskatchewan, a portion of the $1.12 million supplemental assessment is allocated to LSEs in those provinces. Based on 2007 NEL, the United States portion of the one-time assessment is $947,052 and the Canadian portion is $172,948.[12]

NERC is requesting that the Commission review and approve the MRO supplemental budget and funding request by on or about October 15, 2009. The requested order date is approximately 70 days after the date of this filing, which is slightly longer than the time period in which the Commission reviews and acts on the full annual NERC and Regional Entity business plan and budget submissions pursuant to 18 C.F.R. §39.4(c). Consistent with past practice, NERC expects to issue the invoices to LSEs throughout the U.S. for the first quarterly installment of the 2010 NERC and Regional Entity assessments, in mid-November 2009. In order to avoid workload conflicts and potential confusion among LSEs in the MRO region, NERC would like to issue the invoices for the MRO supplemental assessment before the end of October. Receipt of an Order by on or about October 15, 2009, will provide sufficient time for NERC to prepare and issue the invoices for the supplemental assessment to LSEs in the MRO region in late October. Issuance of the invoices in late October will in turn enable NERC to

[12] As shown in **Attachment 1**, the MRO assessment allocable to Manitoba is billed entirely to Manitoba Hydro, and the assessment allocable to Saskatchewan is billed entirely to Saskatchewan Power Corporation.

collect the supplemental assessment from LSEs by the end of November, to provide MRO with the funds to make the final pension plan contribution in December 2009.

V. CONCLUSION

For the reasons stated in this filing, the North American Electric Reliability Corporation respectfully asks the Commission to issue an Order, by on or about October 15, 2009, (i) approving the Midwest Reliability Organization supplemental 2009 Business Plan and Budget, and (ii) approving the one-time supplemental assessment to LSEs in the United States portion of the MRO region of $947,052, as detailed on a LSE-by-LSE basis in **Attachment 1** to this filing.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Chicago, Illinois this 6th day of August, 2009.

/s/ Owen E. MacBride
Owen E. MacBride

Attorney for North American Electric Reliability Corporation

ATTACHMENT 1

MIDWEST RELIABILITY ORGANIZATION

SUPPLEMENTAL 2009 BUSINESS PLAN AND BUDGET

MIDWEST
RELIABILITY
ORGANIZATION

2009 Supplemental Business Plan and Budget
Midwest Reliability Organization

Date: July 30, 2009

2774 Cleveland Avenue N • Roseville, MN 55113 • Phone (651) 855-1760 • Fax (651) 855-1712 • www.midwestreliability.org

Description of 2009 Supplemental Budget Request

Non-Operating Expense

Background

Midwest Reliability Organization (MRO) participates in a multiple-employer defined benefit pension plan for its employees. The pension plan sponsor[1] announced that it was terminating the pension plan. MRO, as a participant in the pension plan, could have continued the pension plan as the sole participant and assumed the role as plan sponsor and administrator. However, the on-going costs and increasing complexity to maintain a pension plan for an entity with less 50 employees, like MRO, did not make good business sense in the long term. In addition, the portability and other aspects of a defined contribution plan (such as a 401k plan) made such a plan more attractive to the organization and employees in the long term. Therefore, on June 19, 2008, the MRO Board approved the termination of its participation in the pension plan and announced to its employees that it would be providing a defined contribution plan 401k plan as a replacement.

In order to terminate the pension plan, in accordance with the terms of the pension plan document and the regulations of the Pension Benefit Guaranty Corporation, MRO must fund the terminated value of the pension plan. This requires a one-time funding obligation of approximately $1.12m. MRO's intention was to request supplemental funding from applicable regulatory authorities with an eventual regulatory filing for the additional amount upon favorable determination by the regulatory authority, the Internal Revenue Service ("IRS"). MRO staff had advised NERC finance staff to properly coordinate the request for supplemental funding.

Current Status

On July 6, 2009, the plan sponsor received the IRS favorable determination letter dated June 26, 2009[2]. The plan sponsor notified MRO that it will make final distributions to its employees in November 2009. Therefore, to enable the plan to make the required final distributions, MRO must obtain the additional funding of $1.12 million. Although MRO

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[1] MAPPCOR, a Minnesota-based non for profit corporation, is the plan sponsor.

[2] Please note that the termination date of the pension plan is incorrect and the plan sponsor has contacted the IRS agent to get a corrected determination letter. The determination letter stated that the termination date was 4/31/08 and it should have read 12/31/08. The plan sponsor and its legal counsel believe that it is prudent to distribute pension plan assets to participants by the end of 2009.

is not required to make the distribution simultaneously with the plan sponsor, MRO plans a 2009 distribution to close-out all obligations of the plan and to avoid the need for partial year reporting in 2010, and a new actuarial calculation (which would be required if the distribution went beyond December 31, 2009); and to correspond with the investment plans of employees. Therefore, MRO plans a distribution before December 31, 2009.

For planning purposes, MRO did not include this amount in its 2009 or the 2010 budget as it reflects a one-time funding request, over and above, MRO's normal operating budget and there was some uncertainty as it relates to the exact timing of the receipt of the IRS favorable determination letter. However, MRO staff notified the MRO Load Serving Entities ("LSE's") of a future supplemental funding on April 9th, 2009. At that time our estimate of a short fall requiring one-time funding requirement was $1.6m. MRO staff notified the LSEs of the current status and the most current estimate of the pension termination obligation on July 20, 2009.

MRO is respectfully requesting approval from NERC for the aforementioned supplemental funding in 2009 in the amount of $1,120,000[3]. This is a final estimate prepared by the plan sponsor based on the actuarial one-time funding obligation payout, net of the value of plan assets, prescribed by the applicable regulation in the United States.

<u>Attachments</u>

1. 2009 Projected Statement of Activities
2. Favorable Letter of Determination from the IRS
3. Justification of the Lump Sum Liability
4. Reserve Analysis 2008-2009
5. MRO Load Serving Entity Assessment

[3] Represents total funding request. United States amount is $947,052. Canadian amount is $172,948.

1. 2009 Projected Statement of Activities

Statement of Activities
2009 Budget and 2009 Supplemental

STATUTORY

	Original 2009 Budget	Supplemental 2009 Budget	2009 Supplemental Budget Plus 2009 Original	2009 Projected Budget	2009 Projected Variance
Funding					
ERO Funding	$ 6,376,474	$ 1,120,000	$ 7,496,474	$ 7,496,474	$ -
Membership Dues/Non-Stat Assessments	-	-	-	-	-
Testing Fees			-		-
Services & Software	-	-	-	35,000	35,000
Workshops	29,250		29,250	-	(29,250)
Interest	-	-	-	-	-
Miscellaneous			-		
Total Funding	**$ 6,405,724**	**$ 1,120,000**	**$ 7,525,724**	**$ 7,531,474**	**$ 5,750**
Expenses					
Personnel Expenses					
Salaries	$ 2,994,799	$ -	$ 2,994,799	$ 2,697,510	$ (297,289)
Payroll Taxes	509,116	-	509,116	210,000	(299,116)
Benefits	239,584	-	239,584	450,000	210,416
Retirement Costs	509,116	-	509,116	545,238	36,122
Total Personnel Expenses	**$ 4,252,614**	**$ -**	**$ 4,252,614**	**$ 3,902,748**	**$ (349,866)**
Meeting Expenses					
Meetings	$ 119,390	$ -	$ 119,390	$ 130,420	$ 11,030
Travel	305,120	-	305,120	456,387	151,267
Conference Calls	50,440	-	50,440	15,000	(35,440)
Total Meeting Expenses	**$ 474,950**	**$ -**	**$ 474,950**	**$ 601,807**	**$ 126,857**
Operating Expenses					
Consultants	$ 554,860	$ -	$ 554,860	$ 543,425	$ (11,435)
Contracts	109,500	-	109,500	142,900	33,400
Office Rent	170,000	-	170,000	170,000	-
Office Costs	313,870	-	313,870	369,785	55,915
Professional Services	154,930	-	154,930	227,530	72,600
Computer Purchase & Maint.	317,400	-	317,400	384,900	67,500
Furniture & Equipment	57,600	-	57,600	68,379	10,779
Miscellaneous					
Contingency					
Total Operating Expenses	**$ 1,678,160**	**$ -**	**$ 1,678,160**	**$ 1,906,919**	**$ 228,759**
Other Non-Operating Expenses	**$ -**	**$ 1,120,000**	**$ 1,120,000**	**$ 1,120,000**	**$ -**
Total Expenses	**$ 6,405,724**	**$ 1,120,000**	**$ 7,525,724**	**$ 7,531,474**	**$ 5,750**
Change in Assets	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

2. Favorable Letter of Determination from the IRS

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

JUL 6 2009

DEPARTMENT OF THE TREASURY

Date: JUN 26 2009

MAPPCOR
C/O ANDREA J. LUNDAHL
BRIGGS & MORGSN, PA
2200 IDS CENTER
MINNEAPOLIS, MN 55402

Employer Identification Number:
41-1676432
DLN:
509044000
Person to Contact:
HONG NGUYEN ID# 75906
Contact Telephone Number:
(214) 413-5509
Plan Name:
MAPPCOR PENSION PLAN

Plan Number: 002

Dear Applicant:

We considered the information you sent us and have determined that your termination of this plan does not adversely affect its qualification for federal tax purposes. Please note that this is not a determination regarding the effect of other federal or local statutes.

Publication 794 explains the significance of this favorable determination letter, points out some features that may affect the qualified status of your employee retirement plan, and provides information on the reporting requirements for your plan. It also describes some events that automatically nullify it. It is very important that you read the publication.

Even though you have terminated this plan, we would like to remind you of certain filing obligations. The related tax-exempt trust, custodial account, or other payers who are responsible for making payments may be required to file information returns on Form 1099-R, with Form 1096, for amounts paid or made available to any individual or beneficiary.

In addition, you must continue to file a Form 5500 series return annually until all plan assets are distributed. The last return required is the one filed for the year in which distribution is completed. Be sure to check "Final Return" box at the top of page 1.

This determination applies to the proposed termination date of 04/31/08.

This determination is subject to your adoption of the proposed amendments submitted in your letter dated 05/29/09. The proposed amendments should be adopted on or before the date prescribed by the regulations under Code section 401(b).

This determination also applies to the amendments dated 01/01/07 & 12/30/08.

The information on the enclosed addendum is an integral part of this determination. Please be sure to read and keep it with this letter.

Letter 1132 (DO/CG)

MAPPCOR

We have sent a copy of this letter to your representative as indicated in the Form 2848 Power of Attorney or appointee as indicated by the Form 8821 Tax Information Authorization.

Please keep this letter in your permanent records. If you have any questions concerning this matter, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Andrew E. Zuckerman
Director, EP Rulings & Agreements

Enclosures:
Publication 794
Addendum

This determination letter is also applicable for the amendment(s) dated on 09/03/03 & 06/01/05.

3. Justification of the Lump Sum Liability

D&T Documentation of the Total Liability	$2.27m
D&T MRO Current Value of Assets	$1.15m
Non-Operating Expense to be Assessed	$1.12m

Deloitte.

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July 21, 2009

Ms. Sue Clarke
Vice President - Finance and Administration
Midwest Reliability Organization
2774 Cleveland Avenue North
Roseville, MN 55113

Dear Sue:

As you requested, we have estimated the MRO portion of the MAPPCOR Pension Plan assets and liabilities due to the plan termination. Based on plan asset values as of June 30, 2009, an assumed distribution date of September 30, 2009, 0% investment return from June 30, 2009 to September 30, 2009, and assuming all actives elect lump sum distributions and annuities are purchased for all inactive participants, we estimate the following values:

Assets: $1.15 million.

Liabilities: $2.27 million.

The liabilities are calculated using the following mortality and interest rate assumptions:

Actives:	Mortality Table:	RP-2000 Unisex Small Plan Mortality Table	
	Interest Rates:	Segment rates (based on November 2008 lookback month and annual stability period):	
		<u>Segment Period</u>	<u>Rate</u>
		1-5 years	5.24%
		6-20 years	5.69%
		21+ years	5.37%
		PBGC Rate:	4.00%
Inactives:	Mortality Table:	RP-2000 White Collar Combined Mortality Table for Males and Females with generational projections using Scale AA	
	Interest Rate:	5.00%	

I meet the Qualification Standards of the American Academy of Actuaries to render this actuarial opinion. Please feel free to call me at (612) 397-4024 if you have any questions.

Sincerely,

Judy K. Stromback

Judy K. Stromback, FSA, EA, MAAA

4. Reserve Analysis 2008-2009

Reserve Analysis 2008-2009

STATUTORY

		Original 2009 Budget	Supplemental Budget Plus 2009 Projected	2009 Projection Variance Over Original Budget
Beginning Working Capital Reserve (Deficit), December 31, 2007	1	109,443	109,443	0
Plus: 2008 ERO Funding (from LSEs or designees)		5,331,488	5,331,488	0
Plus: 2008 Other funding sources (Cash basis)		60,000	60,000	0
		5,500,931	5,500,931	0
2008 Projected expenses (Cash basis)		5,391,488	5,391,488	0
Less: 2008 Projected other funding sources				
Total Cash Needed 2008		**5,391,488**	**5,391,488**	**0**
Projected Working Capital Reserve (Deficit), December 31, 2008		**109,443**	**109,443**	**0**
Desired Cash Balance, December 31, 2009 (Current level at 6 Operating Days.)	2	109,443	109,443	0
Less: Projected Cash Balance December 31, 2008		109,443	109,443	0
Increase(decrease) in assessments to achieve desired Working Capital Reserve		(0)	(0)	0
2009 Assessment for Expenses and Capital Expenditures, excluding Working Capital Reserve (Cash Basis) Including Non-Operating Expenses		6,405,724	7,531,474	1,125,750
2009 Assessment (Non-Operating Expenses)		0	0	0
Less: 2009 Other funding sources		(29,250)	0	29,250
Adjustment to achieve desired Working Capital Reserve		(0)	(35,000)	(35,000)
2009 Assessment		6,376,474	7,496,474	1,120,001

[1] Update reserves available to reflect NERC's opinion to change from cash on hand to a working capital. NERC has taken the poisiton that a measure of the company's liquidity (current assets less current liabilities) is a more accurate measure of what dollars are available to the regions in the event that the unexpected happens.

[2] As documented in the June 19, 2008 minutes, the MRO FAC recommended and the BOD approved the reserve balance of 45 days. Based on the 2009 Budget, a 45 day reserve would be an amount of $789.750. The current budget has a reserve of $109,443 which is the 2007 budget underage and was the beginning cash balance January 1, 2008. Considering MRO has a line of credit of $2.0m and is paid in advance from NERC, 45 days appears to be prudent.

Currently MRO is below the recommended and approved reserve $680,307 in the 2009 Budget. The FAC recommended and the BOD approved not increasing the current budget to meet this higher reserve requirement. Staff anticipates a leveling out in 2010 for increases, unless there are unforseen regulatory requirements or other unexpected development.

5. MRO Load Serving Entity Assessment

2009 MRO - ERO Funding / Billing

***Information in this document is dynamic and dependant upon the make-up of the entities operating in the MRO and the MRO corporate boundary.

Total Budget = Net energy to load ratio	100%
Total number of Load Serving Entities	47

	Load Serving Entity	Sector	2007 Peak Load (MW)	2007 LSE Reported NEL(MWh)	2007 Pct to Total Mwh		Pending Financial Obligation
						$	1,120,000
1	Basin Electric Power Cooperative	Coop	1678.2	9,103,738	3.34%	$	37,430
2	Central Iowa Power Cooperative (CIPCO)	Coop	527	2,649,364	0.97%		10,893
3	Corn Belt Power Cooperative	Coop		1,871,266	0.69%		7,694
4	Dairyland Power Cooperative	Coop	881.5	5,057,444	1.86%		20,794
5	Great River Energy	Coop	2,504	13,293,381	4.88%		54,656
6	Minnkota Power Cooperative, Inc.	Coop	700	3,375,714	1.24%		13,879
7	Nebraska Public Power District	Coop	2,510.5	12,329,654.0	4.53%		50,694
8	Omaha Public Power District	Coop	2208.8	10,585,160.0	3.89%		43,521
9	Southern Montana Generation and Transmission	Coop	6	17,933.0	0.01%		74
					21.40%	$	239,635
10	Western Area Power Administration (UM)	FPM	1,762	8,400,461	3.08%	$	34,539
11	Western Area Power Administration (LM)	FPM	11	33,383	0.01%		137
					3.10%	$	34,676
12	Manitoba Hydro	CAN	3,976	22,354,807	8.21%	$	91,913
13	SaskPower	CAN	2,969	19,709,000	7.24%		81,035
					15.44%	$	172,948
14	Alliant Energy (Alliant East - WPL & Alliant West IPL)	IOU		31,384,341	11.52%	$	129,038
15	Madison, Gas and Electric	IOU	684	3,494,764	1.28%		14,369
16	MidAmerican Energy Company	IOU	4,240	22,557,238	8.28%		92,745
17	Minnesota Power	IOU	1,752	12,786,932	4.69%		52,574
18	Montana-Dakota Utilities Co.	IOU	525.643	2,510,540.31	0.92%		10,322
19	Northwestern Public Service Company	IOU	315.104	1,351,987	0.50%		5,559
20	Otter Tail Power Company	IOU	705	4,193,204	1.54%		17,241
21	Integrys Energy Group (WPS and UPPCO)	IOU	2,424	14,997,769	5.51%		61,664
22	Xcel Energy Company (NSP)	IOU	9034	46,460,000	17.06%		191,027
					51.30%	$	574,539
23	Ames Municipal Electric System	Muni	124	584,830	0.21%	$	2,405
24	Badger Power Marketing Authority of Wisconsin, Inc.	Muni	62.853	373,199	0.14%		1,534
25	Cedar Falls Municipal Utilities	Muni	102.8	516,401	0.19%		2,123
26	Central Minnesota Municipal Power Agency (CMMPA)	Muni	94	418,882	0.15%		1,722
27	Escanaba Municipal Electric Utility	Muni	30.2	154,689	0.06%		636
28	Falls City Water & Light Department	Muni	13.6	38,267	0.01%		157
29	Fremont Department of Utilities	Muni	100.39	448,542.03	0.16%		1,844
30	Geneseo Municipal Utilities	Muni	17.327	70,754.402	0.03%		291
31	Grand Island Utilities Department	Muni	160	685,468	0.25%		2,818
32	Hastings Utilities	Muni	103.2	438,487	0.16%		1,803
33	Heartland Consumers Power District	Muni	111.2	698,100	0.26%		2,870
34	Hutchinson Utilities Commission	Muni	63	328,660	0.12%		1,351
35	Iowa Association of Municpal Utilities	Muni	144.3	675,749	0.25%		2,778
36	Lincoln Electric System	Muni	772	3,586,350	1.32%		14,745
37	Manitowoc Public Utilities	Muni	109	577,517	0.21%		2,374
38	Missouri River Energy Services	Muni	389.4	2,186,600	0.80%		8,990
39	MN Municipal Power Agency (MMPA)	Muni	277.4	1,364,660	0.50%		5,611
40	Municipal Energy Agency of Nebraska	Muni	169	731,130	0.27%		3,006
41	Muscatine Power and Water	Muni	141.8	912,041	0.33%		3,750
42	Nebraska City Utilities	Muni	36	170807	0.06%		702
43	Rochester Public Utilities	Muni	60.3	121,010.4	0.04%		498
44	Southern Minnesota Municipal Power Agency	Muni	584	3,106,656	1.14%		12,773
45	Willmar Municipal Utilities	Muni	59	264,202	0.10%		1,086
46	Wisconsin Public Power, Inc. (East and West regions)	Muni	954	5,432,362	1.99%		22,335
					8.77%	$	98,202
	Totals			272,403,444	100.00%	$	1,120,000

Jurisdictional Summary

United States	$	947,052
Canada	$	172,948
Total	$	1,120,000