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Exhibit 1: WECC request to NERC for approval of 2008 WECC Budget Amendment

WECC Letter Dated January 10, 2008, Requesting Approval by NERC

Attachment A: Amended WECC 2008 Business Plan and Budget

Attachment B: Blackline of Amended WECC 2008 Business Plan and Budget against Corrected WECC 2008 Business Plan and Budget filed with the Commission on December 14, 2007

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Exhibit 2: Resolution adopted by the NERC Board of Trustees on February 12, 2008, approving WECC's proposals

I. INTRODUCTION

The North American Electric Reliability Corporation, pursuant to 18 C.F.R. §39.4, requests the Commission's approval of (1) an amendment (the "2008 Amendment") to the 2008 Business Plan and Budget of the Western Electricity Coordinating Council ("WECC"), which provides for a \$5,852,414 (U.S. jurisdictional portion \$4,954,654) increase in WECC's budgeted expenditures for 2008, to be funded in 2008 by a line of credit, and includes the addition of 31 full-time equivalent ("FTE") WECC employees in the Reliability Coordination function during 2008; and (2) the inclusion by WECC in its assessments to load-serving entities ("LSE") in the WECC region for 2009 and 2010 of the U.S. jurisdictional portion of loan repayment and interest costs relating to debt to be incurred by WECC in 2008 to fund the new activities and incremental expenditures contemplated by the 2008 Amendment. The U.S. jurisdictional portion of the loan repayment and interest payments are projected to be \$2,756,584 in 2009 and \$2,589,364 in 2010.

The Commission approved WECC's 2008 Business Plan and Budget (subject to certain compliance filing requirements) in the Commission's Order issued October 18, 2007, in Docket RR07-16-001.¹ The proposed 2008 Amendment affects only WECC's 2008 Business Plan and Budget and does not affect the 2008 Business Plans and Budgets of NERC or of any other Regional Entity (which the Commission also approved in the 2008 ERO Budget Order).

The purpose of the proposed 2008 Amendment is to increase WECC's 2008 budget for statutory functions by \$5,852,414 to include costs for accelerated implementation of WECC's Reliability Center Strategic Initiative ("RC Initiative") during 2008. The accelerated

¹ *North American Electric Reliability Corp.*, 121 FERC ¶ 61,057 (2007) ("2008 ERO Budget Order"). NERC made a compliance filing as required by the 2008 ERO Budget Order on December 14, 2007. *Compliance Filing of the North American Electric Reliability Corporation in Response to October 18, 2007 Order*, Docket RR07-16-001, filed Dec. 14, 2007 ("December 2007 Budget Compliance Filing").

implementation of the RC Initiative would result in (1) consolidation of WECC's three existing Reliability Centers, which have been hosted by Balancing Authorities in the WECC region, into two new Reliability Centers to be operated by WECC and which would be operational on January 1, 2009 (thereby accelerating the current schedule for operational status of the Reliability Centers²), and (2) completion of the WECC Westwide System Model ("WSM") in 2008. In the view of both WECC and the NERC Board of Trustees, which has approved the proposed 2008 Amendment, these actions are important to and will enhance reliability of the bulk-power system in the Western Interconnection, and are fully justified by their beneficial impacts on reliability.

Additionally, the 2008 Amendment does not require any increase in the 2008 assessments to Load-Serving Entities ("LSEs") in the WECC region from the assessments approved by the Commission in the 2008 ERO Budget Order. During 2008, WECC will fund the increased expenditures called for by the 2008 Amendment through a line of credit WECC is arranging with a commercial lending institution.³ This loan will be repaid during 2009 and 2010. As shown in greater detail below in this filing and in the Attachments, while repayment of principal and payment of interest on the loan will necessitate incrementally higher assessments to LSEs in the WECC region in 2009 and 2010 (for which approval is sought in this filing), accelerated implementation of the RC Initiative during 2008, combined with movement to hosting of the Reliability Centers by WECC rather than by third parties, will result in lower long-run costs for

² As described in WECC's currently-approved 2008 Business Plan and Budget, the two Reliability Centers are presently scheduled to become operational in the first and fourth quarters of 2009.

³ Entry into the line of credit arrangement is contingent on receipt of a Commission Order granting the approvals requested herein.

WECC and lower assessments to LSEs over the 2008-2012 period than would be the case under the plan embodied in the currently-approved 2008 WECC Business Plan and Budget.

The WECC Board approved the plan to accelerate implementation of the RC Initiative, including acceleration of the operational dates for the Reliability Centers, and to have WECC rather than third parties host the Reliability Centers and the WMS, on December 6, 2007. On January 10, 2008, WECC submitted the 2008 Amendment, including addition of 31 FTE WECC employees in the Reliability Coordination function in 2008 and the proposal to fund the increased 2008 expenditures through a line of credit, and the related request to include loan repayment and interest costs in WECC's 2009-2010 assessments to LSEs, to NERC for approval. The NERC Board of Trustees approved WECC's proposals on February 12, 2007, and directed that the 2008 Amendment and related requests be filed with the Commission for approval.

Exhibit 1 to this filing is WECC's submission to NERC dated January 10, 2008, explaining the 2008 Amendment and requesting approval by the NERC Board of the 2008 Amendment, the addition of 31 FTE WECC employees in the Reliability Coordination function in 2008, and the inclusion of the loan repayment and interest costs in WECC's assessments to LSEs in 2009 and 2010. **Attachment A** to **Exhibit 1** is the Amended WECC 2008 Business Plan and Budget as approved by the NERC Board on February 12, 2008. **Attachment B** is a blackline of the Amended WECC 2008 Business Plan and Budget against the Corrected WECC 2008 Business Plan and Budget included in NERC's December 2007 Budget Compliance Filing.⁴ **Attachment C** provides a one-page comparison, by major funding and expense categories, of the currently-approved WECC 2008 Budget to the proposed Amended WECC

⁴ The Corrected WECC 2008 Business Plan and Budget was Attachment 8 to the December 2007 Budget Compliance Filing. Note that in the Income Statement in the blacklined 2008 Business Plan and Budget (**Attachment B** to **Exhibit 1**), the currently-approved and proposed amended figures are shown in separate side-by-side columns for easier reference.

2008 Budget. **Attachment D** provides an analysis comparing costs and assessments over the 2008-2012 period for three options considered by WECC: (i) the plan and schedule embodied in the currently-approved 2008 WECC Business Plan and Budget (including continued hosting of the WECC Reliability Centers by Balancing Authorities in the WECC region); accelerated implementation of the RC Initiative with the Reliability Centers hosted by WECC; and accelerated implementation of the RC Initiative with the Reliability Centers hosted by third parties. Finally, **Exhibit 2** is the resolution adopted by the NERC Board on February 12, 2008, approving WECC's proposals.

II. NOTICES AND COMMUNICATIONS

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III. EXPLANATION OF PROPOSED AMENDMENT TO 2008 WECC BUSINESS PLAN AND BUDGET AND WECC'S REQUEST TO INCLUDE LOAN REPAYMENT AND INTEREST COSTS IN ITS 2009 AND 2010 ASSESSMENTS

Under the Commission's regulations at 18 C.F.R. §39.4, NERC, as the Electric Reliability Organization ("ERO"), is responsible for seeking Commission approval of the annual

business plans and annual budgets for statutory functions and the associated assessments to LSEs for both NERC and the Regional Entities. The Commission's regulations do not expressly provide a procedure for amending an approved business plan and budget, except where (unlike the proposed 2008 Amendment) the amendment results in an increased assessment for the budget year. Specifically, 18 C.F.R. §39.4(d) provides that the ERO may request Commission authorization to collect a special assessment "on a demonstration of unforeseen and extraordinary circumstances requiring additional funds prior to the next Electric Reliability Organization fiscal year." However, in connection with its approval of NERC's 2007 Business Plan and Budget, the Commission stated that "[i]f NERC determines during 2007 that it has incorrectly estimated its funding needs to accomplish its statutory activities, we will allow NERC to revisit the 2007 budget in order to enable them to satisfy their obligations."⁵ Although this statement was made in the context of the approval of NERC's initial proposed budget as the ERO, this statement, along with §39.4(d), signify the Commission's recognition that it may be necessary and appropriate, following submission and approval of the ERO or a Regional Entity budget for a given year, that a budget amendment be submitted and approved. In addition, although the increased 2008 expenditures provided for in the 2008 Amendment will not require an increase in the previously-approved WECC assessments for 2008, the need, in 2009 and 2010, to pay interest on and to repay the principal of the loan that will be obtained to fund the additional 2008 expenditures will necessitate incrementally higher WECC assessments in 2009 and 2010 than would otherwise be the case. This filing seeks the Commission's approval to include the U.S. portion of the loan repayment and interest payments in 2009 and 2010 in the WECC assessments for those years.

⁵ *North American Electric Reliability Corp.*, 117 FERC ¶ 61,091 (2006) at P 83.

As explained below, NERC has concluded, based on its review of the justification submitted by WECC and described herein, that the proposed 2008 Amendment to WECC's 2008 Business Plan and Budget (including the increase in expenditures in WECC's Situational Awareness/Reliability Coordination function, the addition of 31 FTE WECC employees in its Reliability Coordination function in 2008, and the funding of the increased expenditures in 2008 through a line of credit), and the inclusion of loan repayment and interest costs to be incurred in 2009 and 2010 in WECC's assessments to LSEs in those years, are reasonable and justified and should be approved by the Commission.

WECC's proposed 2008 Amendment will accelerate implementation of WECC's RC Initiative, at an increased cost of \$5,852,414 over the approved WECC 2008 budget for statutory functions.⁶ The entire increase in budgeted 2008 expenditures will be in the Situational Awareness/Reliability Coordination function.⁷ As stated in WECC's approved 2008 Business Plan and Budget, the RC Initiative is designed to make reliability coordination more effective and efficient and to increase the independence of the WECC Reliability Coordinators.⁸

WECC's approved 2008 Business Plan and Budget stated that implementation during 2008-2009 of the RC Initiative, including the WSM, was one of the two main drivers of the

⁶ The United States jurisdictional portion of the \$5,852,414 budget increase (84.66%) is \$4,954,654.

⁷ Although the entire increase in budgeted 2008 expenditures will be in the Situational Awareness/Reliability Coordination function, the increase in direct costs for this function also results in a reallocation of budgeted 2008 indirect costs. This reallocation is consistent with the budgeting principle used in the 2008 NERC and Regional Entity budgets of allocation of indirect costs to programs based on the numbers of direct FTEs in the respective programs. As a result, as shown in **Attachment B to Exhibit 1**, in the 2008 Amendment an increased amount of indirect costs is allocated to the Situational Awareness/Reliability Coordination function and the amounts of indirect costs allocated to all other programs are reduced. Total 2008 WECC budgeted indirect costs are not changed by the 2008 Amendment.

⁸ See Amended WECC 2008 Business Plan and Budget (**Attachment A to Exhibit 1**) at 14.

Situational Awareness/Reliability Coordination budget component.⁹ Implementation of the RC Initiative will include consolidation of WECC's three existing Reliability Centers, which have been hosted by Balancing Authorities, into two new Reliability Centers to be operated by WECC, and which (under the 2008 Amendment) will become operational by January 1, 2009. Implementation of the RC Initiative pursuant to the 2008 Amendment will also result in completion of the WSM in 2008.¹⁰ The WSM is designed to create a common view of the Western Interconnection for all Reliability Coordinators. The WSM is intended to promote increased synergies between the separate WECC Reliability Centers through centralized operations and use of a common set of tools and training for each Reliability Center. The WSM will enable each Reliability Center to monitor the entire Western Interconnection in the event of a contingency, thereby increasing reliability through redundancy.

At the time of preparation of WECC's 2008 Business Plan and Budget in July 2007 (which timing was necessary to support NERC's filing of the ERO and Regional Entity business plans and budgets on August 24, 2007 as required by 18 C.F.R. §39.4(b)), WECC had not yet finalized the hosting and staffing arrangements for the new Reliability Centers or determined whether the WSM would be hosted at the Reliability Centers.¹¹ Subsequently, however, WECC has continued to evaluate the timing for consolidating the Reliability Centers and the hosting arrangements for the Reliability Centers and the WSM. This ongoing evaluation was conducted by WECC Staff and a Reliability Coordination Strategic Task Force. In addition, the WECC

⁹ *Id.* at 13.

¹⁰ *Id.* at 14. The three Balancing Authorities currently hosting WECC's Reliability Centers are the California Independent System Operator, the Western Area Power Administration and the Bonneville Power Administration.

¹¹ *Id.* at 14-15.

Board of Directors formed an advisory Reliability Coordination Committee, consisting of members of the Board and others having experience in systems operations, to advise the WECC Chief Executive Officer on matters relating to budgets and other major decisions concerning the Reliability Centers.¹²

Specifically, the following three options were studied: (1) continuing with the plan embodied in the currently-approved 2008 WECC Business Plan and Budget (resulting in full implementation of the RC Initiative in 2010 and continued hosting of the Reliability Centers by Balancing Authorities); (2) accelerated implementation of the RC Initiative with WECC hosting of the Reliability Centers and (3) accelerated implementation of the RC Initiative with third-party hosting of the Reliability Centers. The conclusion of the evaluation was that on reliability grounds and independence grounds as well as long-term cost grounds, the superior option is accelerated implementation of the RC Initiative with WECC hosting of the Reliability Centers. The results of the evaluation were posted for a 30-day comment period beginning September 18, 2007, and were thereafter approved by the WECC Operating Committee in October 2007. On December 6, 2007, the WECC Board of Directors approved the following actions:

1. Both of the new Reliability Centers are scheduled to be operational by January 1, 2009, thereby accelerating the scheduled operational date for the second center from the fourth quarter of 2009.
2. The two Reliability Centers will be located in Vancouver, Washington and Loveland, Colorado.
3. The Reliability Centers will be hosted and operated by WECC.
4. The WSM will also be hosted at each of the Reliability Centers.

¹² Formation of the Reliability Coordination Committee was supported by the Western Interconnection Regional Advisory Body.

5. In order to fund the accelerated implementation of the new Reliability Centers, WECC's 2008 budget (Direct Funding) for the Situational Awareness/Reliability Coordination function will be increased from \$12,155,428 to \$18,007,842.¹³

The 2008 Amendment will accelerate achievement of the goals of the RC Initiative to improve the effectiveness, efficiency and independence of the Reliability Coordination function. By accelerating the implementation schedule for the Reliability Centers so that both of them are operational by January 1, 2009, the 2008 Amendment will accelerate realization of reliability improvements resulting from consolidation of the Reliability Centers and from the common hosting of the WSM. Reliability will also be enhanced by the simultaneous commencement of operation of the new Reliability Centers and the WSM, thereby avoiding the need to rely on and use both the old and new Reliability Centers and the WSM and its predecessor system during a transition period.

Further, because WECC, rather than Balancing Authorities in the region or other third parties, will host the new Reliability Centers, the 2008 Amendment will accelerate realization of the benefits of increased independence of WECC's Reliability Coordinators which will result from increased separation between the reliability coordination function and Balancing Authorities. The Commission has previously noted, in concluding that WECC's Reliability Coordination function is a statutory function which should be funded through the ERO assessment mechanism under the Federal Power Act, that

WECC's model to act as both a Regional Entity and as a reliability coordinator is strengthened by the independence of its reliability coordinators from the users,

¹³ Including 2008 Indirect Funding of \$3,300,030 for Situational Awareness/Reliability Coordination, which represents an increase of \$1,782,026 (with a corresponding decrease to indirect costs for all other programs) due to the reallocation of indirect costs described above, the total 2008 budget for this function is increased from \$13,673,432 to \$21,307,871.

owners and operators of the bulk-power system . . . and that independence will, in turn, be further enhanced under the Reliability Center Strategic Initiative.¹⁴

In addition to resulting in strengthened accountability compared to hosting by Balancing Authorities or other third parties, the WECC hosting option will also provide greater ability to achieve the accelerated schedule, and greater ability to achieve lower costs due to synergies created by the common hosting of the Reliability Centers and the WSM.

As shown in Section B – 2008 Budget of the clean and blacklined versions of the Amended WECC 2008 Business Plan and Budget in **Attachment A** and **Attachment B** to **Exhibit 1**, respectively, and in the one-page comparison of the current and amended 2008 WECC Budgets in **Attachment C** to **Exhibit 1**, the 2008 budget increase of \$5,852,414 under the 2008 Amendment consists of the following components¹⁵:

Increased salary and related personnel expense for additional Energy Management System (“EMS”) personnel at the new Reliability Centers – the 2008 Amendment provides for an increase of 31 FTE in the Situational Awareness/Reliability Coordination function by year-end 2008 to staff the two new Reliability Centers	\$5,176,558
Additional Consultant expense	\$ 13,219
Reduced Contract expense due to reduced payments to third parties	(\$1,467,410)
Increased Office Rent due to acceleration of occupancy date for new Reliability Centers to be operated by WECC	\$ 255,600
Increased Office Costs due to WECC hosting	\$ 147,420
Increased Professional Services costs due to accelerated implementation	\$ 3,600
Increased expense for Computer Purchase & Maintenance for accelerated implementation of WMS and Reliability Center host facility	<u>\$1,723,428</u>
 Total 2008 Budget Increase	 <u>\$5,852,414</u>

¹⁴ *North American Electric Reliability Corp.*, Order on Rehearing, 119 FERC ¶61,059 (2007), at P 24.

¹⁵ The revised expense items include a 20% contingency for all hardware and software components, consistent with the budgeting approach in WECC’s 2008 Business Plan and Budget.

While portions of these increased expenditures represent incremental costs to WECC resulting from the decision that WECC, rather than a third party, will host the new Reliability Centers, other portions of the increased 2008 expenditures represent the acceleration into 2008 of one-time costs that would otherwise have been incurred in 2009. Additionally, the currently approved 2008 WECC Budget provides for 50 FTE personnel in the Situational Awareness/Reliability Coordination function, of which 18 FTEs were to be WECC employees and 32 FTEs were to be contract personnel. The 2008 Amendment reflects an increase of 31 WECC FTE employees in the Reliability Coordination function, to a total of 49 WECC FTE employees in this function, by converting the contract personnel to WECC employees.

During 2008, WECC will not fund the increased expenditures under the 2008 Amendment through an increase in the previously-approved 2008 assessments to LSEs in the WECC region, but rather through borrowing the necessary additional funds. WECC is negotiating arrangements with a commercial lending institution for a \$6,000,000 line of credit that WECC will be able to draw upon at times and in amounts needed during 2008 to fund the increased expenditures under the 2008 Amendment. The proposed terms provide that (i) interest on the outstanding balance is payable monthly at a floating rate of interest tied to the prime lending rate¹⁶, (ii) the outstanding balance must not exceed \$3 million after March 1, 2009 (*i.e.*, the loan balance must be paid down to no more than \$3 million by that date), (iii) any remaining balance must be repaid by March 1, 2010, and (iv) WECC must maintain a minimum cash balance with the lender, in which the lender will have a security interest, beginning at \$6 million and declining over time; WECC will earn interest income on the cash balance. The proposed

¹⁶ For purposes of its cost analysis, WECC has assumed an interest rate on outstanding balances under the credit facility of 6.75%. See **Attachment D** to **Exhibit 1**.

line of credit arrangement does not require payment of any commitment fee or other upfront fees by WECC.

As shown on **Attachment D** to **Exhibit 1**, WECC anticipates expenditures for two principal repayments of \$2,926,207 on February 1, 2009 and February 1, 2010, respectively, and interest expense on the credit facility of \$329,857 in 2009 and \$132,338 in 2010.¹⁷ The projected total loan repayment and interest cost will be \$3,256,064 in 2009 and \$3,058,545 in 2010, of which the U.S. jurisdictional portion (84.66%) would be \$2,756,584 in 2009 and \$2,589,364 in 2010.

WECC will also incur interest expense on the line of credit during 2008; the amount of 2008 interest expense will be a function of the timing of the draw-down of the line of credit during 2008 to fund the accelerated implementation of the RC Initiative including start-up of the new Reliability Centers and the WMS. WECC has projected interest expense of \$130,363 on the credit facility for 2008 based on the assumption that the entire \$6 million available will be drawn on September 1, 2008.¹⁸ WECC plans to pay for the 2008 interest expense through operational efficiencies in its Situational Awareness/Reliability Coordination function or, if necessary, from its reserves. For this reason, WECC has not provided explicitly for incremental interest expense in the 2008 Amendment.¹⁹

¹⁷ WECC could repay the entire loan balance in 2009, thereby eliminating interest expense in 2010. However, this approach would result in a large one-time incremental assessment to LSEs in 2009. As can be seen on **Attachment D** to **Exhibit 1**, spreading repayment of the loan over two years, as permitted under the proposed credit facility agreement, will reduce the annual impact of the incremental assessment relating to servicing and repayment of the loan by spreading it over two years (at a cost of additional interest expense).

¹⁸ However, WECC anticipates that to better match cash flow requirements, it will actually draw \$5,852,414 from the credit facility in four installments during 2008, beginning September 1.

¹⁹ Additionally, the 2008 Amendment does not require an increase in the aggregate amount on deposit in WECC accounts, and therefore there is no change in budgeted interest income.

Accelerated implementation of the RC Initiative through the 2008 Amendment is projected to result in higher assessments to LSEs (including those in Canada and Mexico) than previously projected of \$659,424 in 2009 and \$1,291,905 in 2010. (See **Attachment D to Exhibit 1.**) These incrementally higher assessments for 2009 and 2010 reflect the loan principal repayment and interest expense, net of lower costs in 2009-2010 than previously projected due to the accelerated startup of the new Reliability Centers (*i.e.*, the remaining period in which WECC must fund the three existing Reliability Centers is shortened) and reduced costs due to hosting of the Reliability Centers and WMS by WECC rather than by third parties. However, as a result of the 2008 Amendment, WECC's assessments are projected to be lower than previously projected in 2011 and 2012 by \$1,906,640 and \$2,056,640, respectively. (See **Attachment D**) The projected lower assessments in 2011 and 2012 reflect lower expenses in those years due to WECC hosting the Reliability Centers and the WMS as compared to hosting by third parties, as shown by the cost comparison of the alternatives considered (**Attachment D**). Overall, over the five-year period 2008-2012, the 2008 Amendment is projected to result in reduced assessments to LSEs in the WECC region (including Canada and Mexico) of \$2,011,952 in the aggregate as compared to the plan embodied in the currently-approved 2008 WECC Business Plan and Budget.

Further, implementation of the 2008 Amendment including the switch to hosting of the Reliability Centers by WECC rather than by Balancing Authorities or other third parties will result in the most cost-effective implementation of the RC Initiative. As can be seen from **Attachment D to Exhibit 1**, the 2008 Amendment is projected to result in cost savings (excluding interest expense on the loan) of approximately \$2.5 million and \$11.3 million over the five-year period 2008-2012 as compared to the two alternatives considered involving third-

party operated Reliability Centers. The projected interest expense of approximately \$462,000 in 2009-2010 does not alter the cost advantage for the accelerated implementation of the RC Initiative and WECC hosting of the Reliability Centers and WMS.

As noted earlier, on February 12, 2008, the NERC Board of Trustees approved the 2008 Amendment and the proposed inclusion of the loan repayment and interest costs in 2008 and 2009 in WECC's assessments to LSEs in those years, and authorized NERC staff to make an appropriate filing with the Commission for approval of the WECC proposals. (See **Exhibit 2**.) The NERC Board considered the information summarized above as provided by WECC in arriving at the Board's decision to approve the WECC proposals. NERC submits that these considerations warrant approval of the WECC proposals by the Commission, including in particular: (1) the enhancement of reliability in the Western Interconnection that will result from accelerated operation of the two new Reliability Centers and accelerated implementation of the WMS, by January 1, 2009, (2) increased independence of the WECC Reliability Coordinators through hosting of the WECC Reliability Centers by WECC rather than by Balancing Authorities, and (3) as shown in **Attachment D to Exhibit 1**, the long-run cost effectiveness and lower total costs projected to result from implementation of the 2008 Amendment.

IV. CONCLUSION

The North American Electric Reliability Corporation respectfully requests that the Commission, after providing notice and opportunity for public comment, approve (1) the proposed 2008 Amendment to the 2008 Business Plan and Budget of the Western Electricity Coordinating Council, including expenditure of the \$4,954,654 U.S. portion of the \$5,852,414 budget increase provided for in the 2008 Amendment (which includes the addition of 31 FTE employees in the Reliability Coordination function during 2008), to be funded by a line of credit

as described herein with no increase in the 2008 WECC assessments to LSEs; and (2) the inclusion by WECC in its 2009 and 2010 assessments to LSEs of the U.S. portion of the loan repayment and interest payments, currently estimated to be \$2,756,584 in 2009 and \$2,589,364 in 2010.

Respectfully submitted,

/s/ Rick Sergel

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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 15th day of February, 2008.

/s/ Owen E. MacBride

Owen E. MacBride

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EXHIBIT 1

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January 10, 2008

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Re: Docket No. RR07-16
Amendment of WECC 2008 Business Plan and Budget

Dear David:

The Western Electricity Coordinating Council ("WECC") requests that the North American Electric Reliability Corporation ("NERC") approve, and submit to the Federal Energy Regulatory Commission ("Commission") for approval, an amendment to the Commission-approved 2008 WECC Business Plan and Budget.¹ As described more fully below, the amendment ("Amended Budget") would accelerate implementation of WECC's Reliability Center Strategic Initiative ("RC Initiative"), resulting in an approximate \$6 million increase in the approved budget. Because the budget increase is to be funded through borrowing, the Amended Budget does not require an increase in the 2008 assessment of registered entities. The complete 2008 Business Plan and Budget, as proposed to be amended, and a redlined version comparing it with the approved 2008 Business Plan and Budget, as submitted in NERC's December 14, 2007 Compliance Filing ("Approved Budget"), are contained in Attachments A and B. Attachment C includes a comparison of the 2008 costs under the Approved and Amended Budgets.

In the Approved Budget, WECC indicated that implementation during 2008-2009 of the RC Initiative, including the Westwide System Model ("WSM"), was one of the two main drivers of the Situational Awareness/Reliability Coordination budget component. Approved Budget at 13. The WSM is a system designed to create a common view of the Western Interconnection for

¹ *North American Electric Reliability Corp.*, 121 FERC ¶ 61,057 (2007) ("2008 Budget Approval Order") at Appendix A.

all reliability coordinators. It is intended to promote increased synergies between the separate Reliability Centers, through the centralized operations, use of a common set of tools and training for each center, and will create the ability of each center to monitor the entire Western Interconnection in the event of a contingency, thereby increasing reliability through redundancy. The RC Initiative is designed to make reliability coordination more effective and efficient, and to increase the independence of the Reliability Coordinators. Approved Budget at 14. WECC explained that implementation would include consolidation of the three existing Reliability Centers, which have been hosted by balancing authorities,² into two new centers (to be operational on a phased-in basis in the first and fourth quarter of 2009), and completion of the WSM in 2008. Approved Budget at 14. WECC further explained that it had not yet finalized the hosting and staffing arrangements for the new Reliability Centers or whether the WSM would be hosted at the Reliability Centers. Approved Budget at 14-15.

Since the Approved Budget was developed, WECC has continued to evaluate the timing for consolidating the Reliability Centers and the hosting arrangements for the centers and the WSM. This evaluation was undertaken by WECC staff and a Reliability Coordination Strategic Task Force, the results were posted for 30-day comment on September 18, 2007, and were approved by WECC's Operating Committee in October, 2007. Three options were considered: (1) continue with the Approved Budget (resulting in full implementation of the RC Initiative in 2010 and hosting by the existing Balancing Authorities), (2) accelerate implementation with WECC hosting of the Reliability Centers, and (3) accelerate implementation with third party vendor hosting of the Reliability Centers. The first alternative was rejected due to WECC's intention to increase separation between the Reliability Coordination function and Balancing Authorities.³ The second and third alternatives result in accelerated reliability improvements resulting from consolidating the Reliability Centers. Reliability is also enhanced by simultaneous initial operation of both centers and the WSM, thereby limiting the need to rely on the old and new centers, and on the old system and the WSM, during a transition period. The two accelerated options result in higher near-term costs due to accelerated implementation, but they reduce the remaining period in which WECC must fund the three existing Reliability Centers. The WECC hosting alternative was chosen because it results in strengthened accountability, greater ability to achieve accelerated schedule and lower overall costs than third party hosting, due to synergies created by common hosting of the WSM. The projected costs associated with the three alternatives for the period 2008-2012 are identified in Attachment D.

WECC's Board of Directors approved the second option on December 6, 2007.⁴ It includes the following components:

² The three balancing authorities are the California Independent System Operator, the Western Area Power Administration, and the Bonneville Administration.

³ In addition, certain Balancing Authorities expressed an unwillingness to continue hosting.

⁴ The Board of Directors also voted to establish a Reliability Coordination Committee ("RCC"), consisting of members of the Board of Directors and others having expertise in systems operations, to advise the Chief Executive Officer on matters relating to Reliability Center budgets and major decisions. Because the RCC is an advisory committee, an amendment to WECC's Bylaws was not required. On December 4, 2007, the Western Interconnection Regional Advisory Body ("WIRAB") submitted an advice to the WECC Board of Directors, recommending approval of the RCC.

1. Both of the new Reliability Centers are scheduled to be operational by January 1, 2009 (thereby accelerating the schedule for the second center);
2. The centers will be located in Vancouver, Washington and Loveland, Colorado;
3. The centers will be hosted and operated by WECC;
4. The WSM will also be hosted at each of the centers; and
5. The 2008 budget for Situational Awareness and Reliability Coordination⁵ will be increased from \$12,155,428 to \$18,007,842, in order to fund the accelerated implementation of the new Reliability Centers.⁶

As indicated above, the Amended Budget is contained in Attachment A. Consistent with the Approved Budget, the Amended Budget is based on a project cost and includes a 20% contingency for all hardware, software components. Due to the accelerated schedule and hosting of the Reliability Centers, the 2008 FTE for Situational Awareness and Reliability Coordination has increased from the Approved Budget level of 18 FTE to 49 FTE. As explained in more detail in the Amended Budget, the increased FTE's consist of two RC Center teams that include a manager, an administrative assistant, a lead coordinator, reliability coordinators, a reliability coordinator trainer and an EMS support staff.

WECC plans to fund the budget increase by obtaining a line of credit, which WECC will draw upon at times and in amounts needed for the Amended Budget, rather than through increased assessments. WECC is currently evaluating a proposed commitment for a \$6 million line of credit, which requires monthly interest payments at a rate tied to the prime lending rate, limits the outstanding balance to \$3 million after March 1, 2009, requires repayment in full by March 1, 2010, and requires that WECC must maintain minimum cash balance (with WECC entitled to all interest), beginning at \$6 million and declining over time, in which the lender will have a security interest. WECC plans to fund any 2008 interest payments out of operational efficiencies in Situational Awareness/Reliability Coordination operations or, if necessary, its reserves. The proposal does not include a commitment or other upfront fee, and use of a line of credit is contingent upon Commission approval of the Amended Budget.

The Amended Budget will accelerate the RC Initiative goals to improve the effectiveness, efficiency and independence of the reliability coordination function. As noted above, reliability effectiveness is improved through accelerated operation of both Reliability Centers, from the common hosting of the WSM. Reliability is enhanced by the full operational ability of both centers and the WSM Systems as soon as practical, moving away from the separate views of the old centers and into full interconnection views and tools.

⁵ The amount is listed in the Approved Budget under the category "Situational Awareness and Infrastructure Security. 2008 Budget Approval Order at Appendix A.

⁶ As indicated in the Amended Budget, there is an increase in the allocation of indirect costs to Situational Awareness and Reliability Coordination, which is offset by a corresponding decrease in allocation of indirect costs to other categories. As a result, there is no change in the overall amount of indirect costs.

The Amended Budget will also accelerate the benefits of increased independence of WECC's reliability coordinators, resulting from the increased separation between the reliability coordination function and balancing authorities, because WECC, rather than balancing authorities, will host the centers. As the Commission stated in approving statutory funding for WECC's reliability coordinators, "WECC's model to act as both a Regional Entity and as a reliability coordinator is strengthened by the independence of its reliability coordinators from the users, owners and operators of the bulk-power system ... and that independence will, in turn, be further enhanced under the Reliability Center Strategic Initiative." *North American Electric Reliability Corp.*, 119 FERC ¶ 61,059 (2007) ("Order on Rehearing") at ¶ 24.

Finally, the implementation strategy associated with the Amended Budget is also cost-effective, as indicated by the 2008-2012 cost comparison of the three options contained in Attachment D. The acceleration of the Reliability Center consolidation reduces the remaining period in which WECC must fund the three existing Reliability Centers. The Amended Budget alternative is also more cost-effective than third party hosting, due to synergies resulting from hosting and operation of the Reliability Centers and WSM.

Pursuant to 18 C.F.R. § 39.4, NERC is responsible for seeking Commission approval of the annual budget, the associated assessments and the business plan for itself and the regional entities. The Commission's regulations do not expressly set out a procedure for amending an approved business plan and budget, except where, unlike here, it results in an increased assessment. 18 C.F.R. § 39.4(d) (NERC may seek Commission approval of a special assessment based on unforeseen and extraordinary circumstances). In connection with its approval of the 2007 budget, however, the Commission stated that "[i]f NERC determines during 2007 that it has incorrectly estimated its funding needs to accomplish its statutory activities, we will allow NERC to revisit the 2007 budget in order to enable them to satisfy their obligations." *North American Electric Reliability Corp.*, 117 FERC ¶ 61,091 (2006) ("2007 Budget Approval Order") at ¶ 83.⁷

Section 39.4(d) was added in response to a request by NERC "that the proposed regulations should be modified to provide for emergency funding to deal with extraordinary circumstances." Order No. 672 at ¶ 196. The unforeseen and extraordinary circumstances standard contained in the regulation recognizes the potential impact on registered entities resulting from an immediate, supplemental assessment. The Amended Budget, on the other hand, does not require a special assessment for 2008; instead, the impact will be addressed in the 2009 and 2010 budgets, which will be subject to the reviews and approvals required for each annual business plan and budget. The Commission further made clear that the "budget filings should not be filed as rate schedules; section 215 does not fall under the filed rate doctrine." 2007 Budget Approval Order at ¶ 159. For these reasons, review of the Amended Budget should

⁷ In its discussion, the Commission cited a reference in its Order No. 672 to 18 C.F.R. § 39.4(d). *Rules Concerning Certification of the Electric Reliability Organization*, Order No. 672, FERC Stats. & Regs. ¶ 31,204 (2006) ("Order 672") at ¶ 199.

be based on the standard applicable to approval of annual business plans and budgets⁸ (including adequate justification for the failure to include the request in the original annual budget filing), rather than the unforeseen and extraordinary circumstances standard.

WECC submits that the Amended Budget meets the standard applicable to annual business plans and budgets, as well as the standard applicable to increased assessments. As described above, the Amended Budget will accelerate the implementation of the RC Initiative, will increase the effectiveness, independence and efficiency of the reliability coordination function, and therefore is consistent with and supports WECC's statutory functions. Implementation of these benefits through an amendment is appropriate because WECC was unable to complete its review and approval processes in time for inclusion in the Amended Budget. Postponing action until the 2009 business plan and budget, on the other hand, would preclude accelerated operation of the second Reliability Center, thereby eliminating the benefits of simultaneous implementation, due to the lead time necessary to plan, construct and staff a Reliability Center.

For all of the above reasons, WECC requests that NERC approve the Amended Budget and file it with the Commission for approval. In particular, WECC seeks approval (1) to spend in 2008 an additional \$4,954,654 (the U.S. portion (84.66%) of the \$5,852,414 budget increase) to be funded by a line of credit, with no increase in the 2008 assessment, (2) to add 31 FTE's in 2008 associated with Reliability Coordination, and (3) to include in the 2009 and 2010 assessments, the U.S. portion of the line of credit principal and interest payments, currently estimated to be \$2,756,584 (2009) and \$2,589,364 (2010), all as more fully described in the Amended Budget and Attachments C and D.

Very Truly Yours,

WESTERN ELECTRICITY
COORDINATING COUNCIL

By Its Attorneys
SHEEHY FURLONG & BEHM P.C.


Peter H. Zamdre

⁸ In general terms, the Commission has suggested that the approval standard requires, among other things, that "the proposed activities reasonably fall within the types of activities the Commission considers to be covered by FPA section 215," and that the "business plans are generally consistent with (and reflect) the statutory functions previously accepted by the Commission and made part of the *pro forma* Delegation Agreement." 2007 Budget Approval Order at ¶ 28; *North American Electric Reliability Corp.*, 119 FERC ¶ 61,060 (2007) ("Delegation Agreement Order") at ¶ 596.



ATTACHMENT A

2008 Business Plan and Budget

**Western Electricity Coordinating Council
Approved by Board of Directors**

April 27, 2007

Approved Revised Budget July 26, 2007

Amended Budget Approved December 6, 2007



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Executive Summary

2008 Business Plan and Budget

2008 will be the Western Electricity Coordinating Council’s (WECC) first full calendar year as a United States Federal Energy Regulatory Commission (FERC)-certified Regional Entity. This document is a review of WECC’s objectives, plans and fiscal requirements for meeting its responsibilities under its Delegation Agreement and ensuring reliability of the Western Interconnection in 2008.

Business Plan

Section A of this document provides details of WECC programs and objectives. For FERC and North American Electric Reliability Corporation (NERC) budgeting purposes, these programs can be divided into two general categories – those that are WECC’s reliability responsibility under Section 215 of the Federal Power Act (statutory) and those that fall outside the Act (non-statutory).

In this Business Plan, WECC demonstrates that its programs—including Compliance Monitoring and Enforcement, Reliability Coordination, Standards Development, Readiness Evaluations, Studies and Assessments, Training, and Standing Committee activities—are needed to maintain reliability as intended under Section 215 of the Federal Power Act.

The Western Renewable Energy Generation Information System (WREGIS) is a non-statutory activity that is self-funded.

2008 Budget

Section B contains the 2008 budget for WECC and supporting appendices. The budget for 2008 compared with 2007 is:

	2007 Budget		2007 Projection		2008 Budget	
	Statutory	Non-Statutory	Statutory	Non-Statutory	Statutory	Non-Statutory
Total Funding	\$17,820,668	\$645,985	\$19,323,903	\$511,540	33,792,816	\$480,710
Total FTEs *	43.5	4	54	4	112	3

* Full Time Equivalents



2008 NERC Assessment

The NERC Assessment for 2008 is expected to be \$5,329,407. This number represents monies collected by WECC for NERC, and is for informational purposes only. It is not a budget item.

	2007 Budget	2008 Budget
NERC Assessment	\$3,856,338	\$5,329,407

Introduction

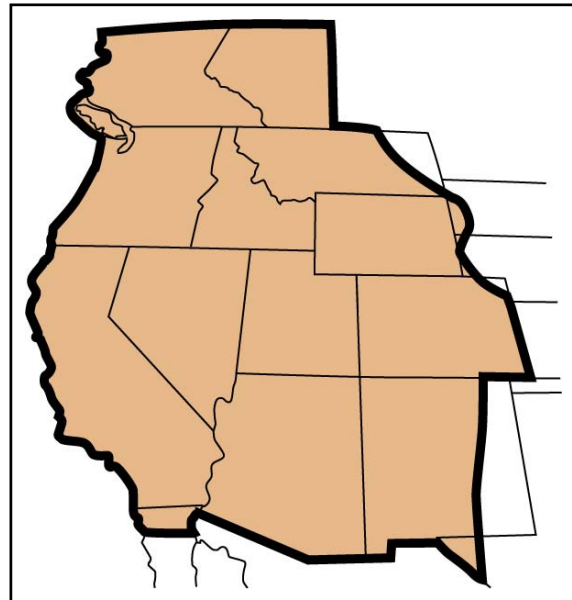
Nature, Location and Scope

WECC is a Utah Nonprofit Corporation whose mission is to 1) maintain a reliable electric power system in the Western Interconnection that supports efficient competitive power markets (“Reliability Mission”) and 2) assure open and non-discriminatory transmission access among members while providing a forum for resolving transmission access disputes between members (“Transmission Access Mission”). WECC’s website is www.wecc.biz.

WECC’s geographic area is the Western Interconnection – an area in which the use and generation of electricity is synchronized. This area includes all or part of 14 U.S. states, 2 Canadian provinces and a portion of Baja California Norte, Mexico.

WECC has 182 members divided into the following 5 membership classes:¹

- Large Transmission Owners
- Small Transmission Owners
- Transmission Dependent Energy Service Providers
- End Users
- Representatives of State and Provincial Governments



Each class is represented on the WECC Board and on each of WECC’s three member Standing Committees. Membership in WECC is open to any person or entity that has an interest in the reliable operation of the Western Interconnection bulk power system.

WECC is approved by FERC as a Regional Entity, with authority to create and enforce standards for the reliability of the Western Interconnection.

Governance and Structure

WECC is governed by an independent and balanced stakeholder board² consisting of 32 directors. Each of the five member classes listed above elects four directors. The Canadian

¹ For purposes of voting for Board representation, all Canadian members of WECC form a sixth class. This is a separate class and is not a member class. See Section 6.2.1 of the WECC Bylaws.

² As provided in Section 215 of the Federal Power Act (e)(4)(A)(iii).



delegation elects four directors. One director is elected by the Mexican delegation.³ Seven directors with no member affiliation are elected by the WECC membership.

Six Board committees recommend policy on various reliability issues, or handle governance or administrative matters. These committees are described in the Board and Committee Activities section on page 22.

Public input comes to the Board from the member organizations, from other interested parties, and through recommendations of the WECC Standing Committees.

Under the direction of the Board, the three Standing Committees of members — the Planning Coordination Committee (PCC), the Operating Committee (OC) and the Market Interface Committee (MIC) — provide technical work and policy recommendations to the WECC Board (see Table 3: 2008 WECC Organization Chart). All member organizations are eligible for representation on the three Standing Committees.

Compliance and enforcement activities are carried out by the WECC Compliance Staff, independent of all users, owners and operators of the bulk power system. Compliance activities are governed by the Delegation Agreement and FERC orders.

History and Milestones

In August 1967, a group of large Western electric utilities created the Western Systems Coordinating Council (WSCC) to ensure the reliable operation of the several interconnected electric systems in the West. WSCC became a member of the North American Electric Reliability Council, which promoted the reliability of the bulk power system across North America.

WSCC was operated by and for the West's public and private vertically-integrated electric utility industry. With the introduction of electricity restructuring in the 1990s, a change was made to reflect a broader stakeholder base. In 2002, the WSCC merged with the Southwest Regional Transmission Association and the Western Regional Transmission Association to create WECC.

The Energy Policy Act of 2005 (EPAct) established mandatory reliability standards and compliance in the United States. FERC delegated authority to enforce compliance with approved Reliability Standards to NERC as the North American Electric Reliability Organization (ERO) and to Regional Entities – including WECC.

Recent/Future Milestones

- April 2006 — The WECC Board created the Transmission Expansion Planning Policy Committee (TEPPC) to develop and manage a planning database and coordinate transmission planning in the Western Interconnection.

³ The Mexican delegation currently consists of one member.

- May 2006 — WECC provided its first study of congestion to the U.S. Department of Energy (DOE) under Section 1221 of the EPAct.
- July 2006 — FERC certified NERC as the ERO.
- July 2006 — The WECC Board adopted principles that launched a process of significant improvements to WECC's Reliability Centers (the Reliability Center Strategic Initiative).
- July 2006 — The WECC Board created the Western Renewable Energy Generation Information System (WREGIS) as a department of WECC.
- October 2006 — WECC adopted a sixth amendment to the Reliability Management System (RMS) that allows the RMS to sunset with the implementation of mandatory standards.
- November 2006 — WECC engaged a vendor to create the West-wide System Model (WSM).
- November 2006 — WECC concluded negotiations with NERC for a Delegation Agreement that was filed with FERC.
- November 2006 — WECC revised its process for developing and approving WECC Standards (standards process) that was subsequently included in the Delegation Agreement.
- January 2007 — WECC activated the Western Interchange Tool (WIT).
- February 2007 — WECC held a series of workshops to roll out its Compliance Monitoring and Enforcement Program (CMEP) for mandatory standards and registration of entities subject to the standards.
- March 2007 — FERC approved a set of Reliability Standards to be mandatory and enforceable in the United States in June 2007.
- March 2007 — The NERC Board of Trustees approved eight WECC Regional Standards and NERC filed them with FERC for approval.
- March 2007 — WECC reorganized its Compliance Department to make it independent from other WECC functions.
- April 2007 — WECC held a workshop to begin drafting a "strawman" Transmission Planning Proposal as required by FERC Order 890.
- April 2007 — WECC's Delegation Agreement was accepted by FERC.
- May 2007 — WECC will conduct its first Compliance Audit as a Regional Entity.
- December 2007 ----- WECC Board of Directors approved the RC Strategic Initiative Motions for WECC hosting of the Westwide System Model and the new RC Control Centers.

WECC Services

WECC ensures the reliability of the Western Interconnection through a variety of activities including:

- **Standards Development** — Providing a forum and support for the development of both NERC and WECC Reliability Standards.
- **Readiness Evaluations** — Participating in the NERC Readiness Evaluation program to help ensure that users, owners and operators of the bulk power system are prepared to operate the system reliably.
- **Reliability Coordination** — Operating three Reliability Coordination Centers that provide situational awareness and real-time supervision of the entire Western Interconnection.
- **Transmission Expansion Planning** — Overseeing management of a comprehensive planning database, providing policy and management of the planning process, and guiding the analyses and modeling for Western Interconnection transmission expansion planning to ensure reliability.
- **Studies** — Modeling the system and performing studies of the Western Interconnection under a variety of scenarios to set reliable operating policies and limits.
- **Market-Operations Interface** — Ensuring that effective competitive power markets do not negatively impact Western Interconnection reliability activities.
- **Loads and Resources Assessments** — Performing an annual assessment of 10-year loads and resources in the Western Interconnection, creating a 10-year coordinated plan of system growth and providing information to NERC for their summer and winter assessments of the reliability and adequacy of the bulk-power system.⁴
- **Training of Operations Personnel** — Continuing, as it has for over 20 years, a series of training sessions for operators, schedulers and dispatchers.
- **WREGIS** — Hosting WREGIS, which creates and tracks renewable energy certificates.

International Considerations

WECC is a Cross-Border Regional Entity with members in three countries, including the Canadian provinces of Alberta and British Columbia and a portion of the Mexican state of Baja California Norte. The authority of FERC under U.S. law, and the powers delegated to WECC by NERC and approved by FERC, do not extend to Canada or Mexico. WECC will continue to work with Alberta, British Columbia and Mexico to establish relationships with these jurisdictions with respect to standards setting and compliance mechanisms.

⁴ As required by the Federal Power Act Section 215 (g).

Actions in Canada

The Canadian provinces account for approximately 15 percent of the Western Interconnection's load. Canadian entities play a vital role in the function of WECC and in the reliability of the system. Alberta and British Columbia are separate jurisdictions with different regulatory structures.

WECC is working with the Alberta Electric System Operator (AESO) and the government of Alberta, as well as the government of British Columbia and the British Columbia Transmission Corporation (BCTC), to provide assistance as they consider whether and how to develop and enforce reliability standards.

WECC's contract-based enforcement tool, the RMS, has been signed by entities in Alberta and British Columbia and continues in force. WECC does not have authority under U.S. law to impose penalties in Canada. WECC has performed compliance audits of the AESO and BCTC.

Actions in Mexico

The Mexican national utility, Comisión Federal de Electricidad (CFE), has a seat on the WECC Board. As the regulatory systems common in the United States and Canada are not present in Mexico (CFE is a department of the Mexican federal government), WECC's standards and compliance efforts in Mexico rely on the RMS, to which CFE is a signatory.

Funding Sources

As a Regional Entity, the greatest portion of WECC's funding comes from payments assessed in the United States under the authority of Section 215 of the Federal Power Act. These funds are collected pursuant to a FERC funding order and are billed to all Load Serving Entities (LSEs) and/or Balancing Authorities (BAs) in the Western Interconnection on a net-energy-for-load (NEL) basis.

Additional funding comes from voluntary dues paid by WECC members. These dues include NEL shares of the costs for WECC and NERC activities in Canada and Mexico.

A third funding source is billing for certain services such as WREGIS and training classes. These programs are self-supporting and have no effect on the WECC budget.

2008 Budget

For 2008, WECC has a budget of \$34,273,526. This is an increase of \$15,806,873 dollars from the 2007 budget of \$18,466,653. The WECC Finance and Audit Committee (FAC), which is composed of WECC Board members, has developed the 2008 budget. The WECC Board approved this budget in April 2007, approved revisions in July 2007, and approved an amended budget on December 6, 2007. WECC recommends approval by the NERC Board, and by FERC. The following pages detail this budget and the activities the budget supports.



About This Plan

WECC is a member-driven organization. Volunteers provided by WECC member companies or members accomplish a large percentage of WECC's work. With the exception of its compliance activities, this work is organized and performed by WECC's Standing Committees, their subgroups and by the Board.

In an effort to standardize WECC's Business Plan with those of NERC and the other Regional Entities, this document is organized by function rather than by responsible position or group.

A table at the beginning of each function indicates direct costs, indirect costs (overhead; for example, benefits, taxes and rent), and total costs and FTEs assigned to that function.

This Business Plan and Budget includes all WECC activities, including those associated with operations in Canada and Mexico. In its funding request to FERC, WECC will include separate lines for funding for U.S. and international activities.



Section A – 2008 Business Plan

Reliability Standards Program

The cost of WECC's Standards Development activities in 2008 is \$813,857. The increase in cost from 2007 is driven by the need to support NERC's aggressive standards development program in 2008. Costs and comparison to 2007 are shown in the following table.

Category	2007 Budget	2007 Projection	2008 Budget
Total FTEs	2.3	2	4
Total Direct Funding	\$290,040	\$208,005	\$687,812
Total Indirect Funding	\$469,935	\$289,689	\$126,045
Total Funding	\$759,975	\$497,694	\$813,857

Background

WECC's standards development efforts are divided into two categories – the development of NERC standards and the development of Western Interconnection standards. In 2008, WECC will work to organize the West for participation in the development of NERC Reliability Standards. WECC may also develop Regional Reliability Standards (RRS) for use only in the Western Interconnection. In addition, WECC will provide support, as requested, to Alberta and British Columbia in the development of standards. Until those standards are completed, the RMS and its 15 Reliability Standards will continue in the CFE portion of WECC.

WECC's standards process is overseen by the Director of Standards. The bulk of the work of developing standards is performed by voluntary member participation through the WECC Standing Committee structure. These volunteers are provided by WECC members, who pay their salaries and expenses while engaged in this activity.

WECC Standards Process

WECC's standards process was revised in 2006 and accepted by FERC as part of the Delegation Agreement between NERC and WECC.

The WECC standards process begins with a standards request form that is reviewed for scope and applicability by WECC's Standards Request Routing Committee. The process is open and provides for the input of interested parties throughout the drafting and approval process. Standards are recommended by vote of the appropriate WECC Standing Committee(s). Standards are generally considered three times per year at WECC Standing



Committee meetings, but can also be voted by email. Once approved by the WECC Board, the standards are sent to the NERC Board of Trustees for approval. NERC then sends these approved Reliability Standards to FERC.

The WECC standards process is also used for Business Practices and Regional Requirements. These regional criteria do not require either NERC or FERC approval.

Standards Program Objectives

North American Standards

On March 16, 2007, FERC approved 83 Reliability Standards that will become mandatory and enforceable in the United States as of June 4, 2007. In its order approving these standards, FERC directed modifications to 56 of the approved standards and is holding an additional 24 standards pending receipt of additional information.

NERC has published, and filed with FERC, a Reliability Standards Work Plan that includes a schedule for the development and revision of Reliability Standards for use within the United States. WECC's active participation in the NERC standards development process helps to ensure the needs and concerns of Western entities are incorporated into the standards. WECC actively communicates information on standards activities with its members and encourages participation in the NERC standards development process.

In 2008, WECC staff and members will work with NERC on approximately 128 standards, as identified in NERC's Reliability Standards Work Plan. Work on some of these standards began in 2007 and will conclude in 2008, while others will begin in 2008.

Regional Standards Development

WECC focuses on ensuring that NERC standards meet Western needs, but also has the authority to develop necessary RRS. The RRS are expected to be more stringent than NERC Reliability Standards or address areas not covered in NERC Reliability Standards. In 2006, a WECC task force identified criteria in use by WECC as being both "unique and essential" for the reliable operation of the Western Interconnection. In 2008, RRS may be developed, including standards on Seasonal Operating Limits, Coordinated Underfrequency Load Shedding and Restoration, and Designation of Most Severe Single Contingency.

Regional Criteria

WECC Regional Criteria are developed by the WECC Standing Committees. Regional Criteria are those that are mandatory for all WECC members. An example of Regional Criteria is WECC's Business Practices, which are developed by the MIC and by the Interchange Scheduling and Accounting Subcommittee (ISAS).

The ISAS (a subcommittee of the OC) develops business practices for WECC that are tied to the coordination of the scheduling of electricity. In 2007, ISAS developed business



practices covering tagging and reserve issues. In 2008, the ISAS will develop business practices that support the West-wide System Model and Reliability Coordination.

The MIC is WECC's interface with the North American Energy Standards Board (NAESB), and participates in the NAESB standards development process. In 2008, the MIC will help coordinate WECC member involvement in the activities of NAESB. The MIC has not identified any Western Interconnection-specific business practices for development in 2008.

Other examples of Regional Criteria are WECC's Reliability Information Sharing Policy, which details requirements for sharing data, and WECC's Transmission Planning Criteria. In 2008, additional Regional Criteria will be developed as needed to supplement approved Reliability Standards.

Compliance Enforcement Program

The cost of WECC's compliance activities in 2008 is \$5,758,085. 2008 will be WECC's first full year enforcing FERC-mandated compliance. The increase in cost is attributable to an additional six months of compliance activities, an increase of 9.4 FTE over 2007, and an overrun of the 2007 budget of \$1,120,941 which was taken from the WECC reserve account. The additional WECC staff included in 2008 includes positions to support the review of compliance documentation. Costs and comparison to 2007 are shown in the following table.

Category	2007 Budget	2007 Projection	2008 Budget
FTEs	6.6	12	16
Total Direct Funding	\$919,800	\$2,040,741	\$5,029,781
Total Indirect Funding	\$1,348,509	\$1,738,136	\$728,304
Total Funding	\$2,268,309	\$3,778,877	\$5,758,085

Background

Compliance enforcement is essential to WECC's mission as a Regional Entity. WECC's CMEP has two major components:

- Compliance enforcement, violation mitigation and settlement negotiations.
- Representing WECC in any hearing or appeal process.

Both components are overseen by the Director of Compliance, who reports to the WECC Chief Operating Officer.



As a recognized Regional Entity, and pursuant to the terms of the NERC/WECC Delegation Agreement, WECC is required to monitor and enforce compliance with Reliability Standards by users, owners and operators of the bulk power system in the United States.

WECC has been supplying NERC with regular updates to its list of registered entities—users, owners and operators of the bulk power system who have been registered as being subject to Reliability Standards. Only users, owners and operators of the bulk power system in the United States are required to register and be included in the compliance registry.

In its March 16, 2007 Order 693, FERC noted that it would revisit the definition of bulk power system. Changes made to this definition by FERC in 2008 may require additional outreach and education as well as modifications to the registry.

In 1996, the WSCC created a contract-based compliance enforcement mechanism—the RMS—that has grown to encompass 15 standards. WECC will maintain the RMS until all standards included in the RMS program are incorporated into the NERC program for the United States and the provincial programs for Alberta and British Columbia. Compliance in Mexico will rely on the RMS for the foreseeable future.

Compliance Enforcement Program Objectives

In Order 693, FERC directed Regional Entities to focus their enforcement resources on violations that pose the greatest risk to system reliability, and to use prosecutorial discretion in assessing penalties through the end of 2007. In 2008 WECC is adding resources to ensure compliance with FERC's orders.

WECC will identify alleged violations of Reliability Standards through a variety of means including:

- **Compliance Audits** – On-site and table-top audits.
- **Self-Certification** – The Registered Entity attesting to compliance or non-compliance with standards on an annual basis.
- **Spot Checking** – The Compliance Staff checking compliance with a specific standard. Spot Checking is normally used to verify Self-Certification.
- **Compliance Violation Investigations** – Conducting investigations of complaints or other alleged violations.
- **Self-Reporting** – A new monitoring process that is specifically designed to work in conjunction with a Registered Entities' continuous monitoring efforts by their internal compliance programs.
- **Periodic Data Submittals** – Monthly and quarterly reports that are submitted regarding compliance with certain standards.



- **Exception Reporting** – Reporting required on a small set of standards when a violation occurs.
- **Complaints** – Alerting the Compliance Staff to a potential violation that is then investigated.

A Readiness Evaluation (discussed in a subsequent section) may also identify potential violations that the WECC Compliance Staff may investigate subsequent to the issuance of the Readiness Evaluation report.

WECC's Compliance Staff will conduct investigations of alleged violations of Reliability Standards, with assistance at times by NERC. To ensure the independence of the CMEP, industry volunteers will not participate directly in compliance audits or activities. WECC staff from outside the Compliance Department may provide technical advice to Compliance Staff.

WECC will implement a Compliance Advisory Group (CAG) in 2008. All Registered Entities will be eligible for and encouraged to participate in this group. The CAG will serve two functions. First, the WECC Compliance Staff will use the CAG to keep Registered Entities informed regarding changes to the compliance program and reporting requirements. Second, the CAG will provide a forum for the Registered Entities to give feedback to the WECC Compliance Staff on the implementation of the compliance program.

Compliance Audits will be performed for all Registered Entities. On-site audits will be conducted for BAs, Transmission Operators and Reliability Coordinators at least once every three years. WECC will conduct 14 on-site audits in 2008.

For all other Registered Entities, table-top audits will be conducted beginning in 2008 pursuant to a negotiated schedule between NERC and WECC. Table-top audits will utilize the same audit methods and formality as the on-site audits. However, in a table-top audit, the compliance documentation will be reviewed in the WECC compliance office instead of on-site at the Registered Entity's facility.

In 2008, WECC will require the support of four to five contractors to perform audits and assist with the workload while maintaining the independence of the CMEP from the users, owners and operators of the bulk power system.

Hearings and Review

The cost of WECC Hearings and Reviews in 2008 is \$768,103. The cost and associated staffing are required to meet WECC's obligation under its Delegation Agreement to provide a fair hearing process. In 2007, the Hearings and Review process was included in the CMEP costs. One Hearing Officer came on staff in 2007. In 2008, WECC will add a second Hearing Officer, a Legal Secretary and a technical and support person. Costs are shown in the following table.



Category	2007 Budget	2007 Projection	2008 Budget
Total FTEs	0	1.5	4
Total Direct Funding	\$0	\$137,412	\$659,276
Total Indirect Funding	\$0	\$217,267	\$108,827
Total Funding	\$0	\$354,679	\$768,103

Background

WECC has proposed a process for conducting hearings and rendering decisions when a Registered Entity contests alleged violations, sanctions, penalties or mitigation plans. These decisions will be reviewed by the Compliance Hearing Body (CHB). The WECC Board approved the CHB Charter in April 2007. This charter describes the responsibilities, makeup and processes for selecting the CHB pool and for selecting CHB panels for individual cases.

WECC's hearing process will be conducted pursuant to Exhibit D, Attachment 2, "Compliance Enforcement Authority Hearing Process" of the Delegation Agreement. WECC's Hearing Officer will conduct the evidentiary hearings in the majority of cases and issue proposed decisions. The proposed decisions, along with exceptions by the parties, will be submitted to a CHB panel for consideration and final decision on behalf of the WECC region. In cases of particular complexity or significant regional interest, a CHB panel may conduct or participate in the evidentiary hearing. WECC Hearing Staff will support the CHB.

Appeals of regional decisions will take place at NERC. While no new evidence may be introduced on appeal, NERC may remand decisions to WECC with comments. Subsequent appeals may also be taken to FERC and to the U.S. Circuit Court of Appeals. WECC's Hearing Officer will work with the Chair of the CHB and will report to WECC's Chief Executive Officer. The Hearing Staff is independent from the Compliance Enforcement Staff.

Hearings and Review Program Objective

Establish a CHB pool to ensure balance, technical expertise, diverse experience, and independence to fill hearing panels.



Situational Awareness/Reliability Coordination

The cost of WECC's Situational Awareness and Reliability Coordination activities in 2008 is \$21,307,871. The two main drivers of this cost are an increase in staff and the implementation of the Reliability Coordination Strategic Initiative, which includes the WSM and the accelerated implementation of the two Reliability Coordination Centers in 2008. . As revised, through an amendment approved by WECC's Board of Directors on December 6, 2007, the approximately \$6 million increase in the budget will be funded by a line of credit and repaid in 2009-2010, and therefore does not require an increased 2008 assessment.

Category	2007 Budget	2007 Projection	2008 Budget
FTEs	32 ⁵	35 ⁶	49
Total Direct Funding	\$6,957,136	\$8,802,532	\$18,007,842
Total Indirect Funding	\$817,278	\$1,013,913	\$3,300,030
Total Funding	\$7,774,414	\$9,816,445	\$21,307,871

Background

Beginning in 1996, as a response to restructuring and open access to the transmission system, WSCC established Security Coordinators. These Reliability Coordinators (as they were subsequently designated) monitor real-time conditions on the bulk power system and provide leadership coordination, technical expertise and assistance to the BAs.

WECC currently has three Reliability Coordination Centers. Collectively, the Reliability Coordinators have a real-time, view of the bulk power system. Through contractual agreements and the existence of mandatory standards, Reliability Coordinators have the ability to give directives to the BAs to protect system reliability. WECC's Reliability Coordinators are subject to applicable NERC standards.

The Reliability Centers are hosted by major transmission operators who charge WECC for overhead and other costs associated with the centers. Reliability Coordinators at those centers are employees of the host organization, WECC or are independent contractors. All compensation is paid by WECC. Compensation constitutes the largest portion of the Reliability Coordination budget.

⁵ Four of the 2007 FTEs are direct WECC employees

⁶ Seven of the 2007 FTEs are direct WECC employees.



WECC's Reliability Coordinators are overseen by the Director of Reliability Coordination (a WECC employee). The Reliability Coordination Subcommittee, a subgroup of the OC, assists the Director of Reliability Coordination with the management of the Reliability Coordinators.

In 2006, the WECC Board approved a strategy designed to make reliability coordination in the Western Interconnection more effective and efficient. This strategy will result in a consolidation of Reliability Centers from three to two, the development and use of a common model—the WSM—and tools, and increased independence of the Reliability Coordinators.

During the December 2007 WECC board meeting, the following initiatives were approved:

1. Both of the new Reliability Centers are scheduled to be operational by January 1, 2009;
2. The centers will be separated from their current host utilities and located in new facilities in Vancouver, Washington and Loveland, Colorado;
3. The centers will be hosted and operated by WECC;
4. The WSM will also be hosted at each of the centers; and
5. The amended budget for Situational Awareness and Reliability Coordination will be used to fund the accelerated implementation of the new Reliability Centers.

Operation of both Reliability Centers by January 1, 2009 will produce reliability improvements resulting from the consolidation and from the common hosting of the WSM. Reliability will also be enhanced by simultaneous initial operation of both centers and the WSM. This negates the need for parallel operation of the three existing Reliability Centers and the two new Reliability Centers during the transition phase. WECC has determined that this revised schedule results in the most cost-effective implementation of the RC Initiative. Among other things, it reduces the remaining period in which WECC must fund the three existing Reliability Centers.

In addition to the Reliability Centers, WECC operates the WECC Operations Network, the WECC Messaging System, and the HV Data Pool which provides notification and information to all operators of equipment outages or changes to the system.

Reliability Coordination Objective

WECC's Reliability Coordinators' only objective is the reliability and protection of the bulk power system. Goals in 2008 include the completion of the WSM and tools, and the completion of the two new Reliability Centers.



West-wide System Model

The WSM will provide a common view of the entire Western Interconnection to WECC's Reliability Coordinators. This will allow each Reliability Center to serve as backup for the other. The WSM will be a platform on which advanced applications and common tools will be built. Through the use of these tools, real-time stability and other studies can be performed.

The WSM primary and back up host sites will be located at the Reliability Coordination centers in Vancouver, WA and Loveland, CO. Testing, and the creation and integration of advanced applications, will continue through 2008 and the WSM will be fully operational on January 1, 2009.

Western Interchange Tool

The WIT was implemented in January 2007 and uses existing e-Tag systems and protocols to ensure balanced interchange between BAs. The WIT will eliminate the possibility of BAs controlling to different Net Scheduled Interchange values, resulting in reduced Primary Inadvertent Interchange.

The WIT also provides Interchange Scheduling information to Reliability Centers, allowing them to comply with the new NERC IRO standards.

The OC is responsible for the use and funding of the WIT and the costs of the WIT in this plan and in the WECC budget are allocated to the OC. The cost of this tool in 2008 is \$619,000.

Reliability Centers

Both new WECC Reliability Coordination Centers are planned to be operational by January 1, 2009. This timeline will dictate Reliability Coordination actions for 2008. WECC will host and staff the two new Reliability Centers. The training of Reliability Coordinators under the new Reliability Center arrangement will also begin in 2008.

Transition and Retention

The security of the bulk power system during the transition to new centers and tools will require the retention of WECC's highly skilled Reliability Coordinators. In 2008, WECC will devote special attention to the retention of its existing coordinators and the maintenance of its current systems and relationships through its retention and relocation plan.

Readiness Evaluation

The cost of WECC's Readiness Evaluation activities in 2008 is \$405,313. The decrease in cost is accompanied by a 1.5 FTE realignment. Resources previously assigned to this function have been absorbed by the Compliance Department. Costs and comparison to 2007 are shown in the following table.



Category	2007 Budget	2007 Projection	2008 Budget
Total FTEs	3.5	2	2
Total Direct Funding	\$618,984	\$269,610	\$342,541
Total Indirect Funding	\$715,118	\$289,689	\$62,772
Total Funding	\$1,334,102	\$559,299	\$405,313

Background

Readiness Evaluation is a NERC program designed to assess an entity's ability to operate reliably in the future as well as operating contingencies. Readiness Evaluations also generate examples of excellence that are circulated to the industry to improve operations. A team of industry conducts readiness Evaluations on-site. This team reviews documentation and conducts interviews with employees. At the close of the evaluation, the team gives a presentation citing good operating practices and making recommendations for improvement. Any recommendations generated in evaluations are tracked for resolution by the Compliance Monitoring and Operating Practices Subcommittee, a subgroup of the OC.

Readiness Evaluation teams consist of six members: a WECC and a NERC co-lead and four industry volunteers drawn from both inside and outside of the Western Interconnection. In some evaluations, a FERC staff person may participate. Readiness Evaluation programs in WECC are under the direction of an Assistant Director of Operations. As originally conducted in the West, Readiness Evaluations were also part of the CMEP.

Readiness Evaluation Program Objective

WECC participates in Readiness Evaluations to assure that the Western Interconnection stands at the highest degree of readiness. This program enables participants to exchange best practices.

The WECC Readiness Evaluation Staff will work to ensure that the evaluation team understands operating practices and that WECC members are prepared for the evaluations. WECC will conduct 17 Readiness Evaluations in 2008.

Reliability Assessments and Studies

The cost of WECC's Reliability Assessments and Technical Studies in 2008 is \$3,880,437. The decrease in cost for this function is driven primarily by reallocation method of overhead and direct assigning of project costs to particular area. The funding will also support the improvement of the WECC Transmission Expansion Planning Database. Costs and comparison to 2007 are shown in the table below.



Category	2007 Budget	2007 Projection	2008 Budget
Total FTEs	12	11	13
Total Direct Funding	\$2,373,160	\$2,004,706	\$3,279,459
Total Indirect Funding	\$2,451,834	\$1,593,291	\$600,978
Total Funding	\$4,824,994	\$3,597,997	\$3,880,437

Background

WECC conducts a variety of studies and assessments required for the reliable planning and operation of the system, including the WECC Power Supply Assessment. This work is overseen by the Director of Technical Services.

The WECC Power Supply Assessment studies the resource capacity margins on a WECC-wide basis. These studies identify sub-regions within WECC that have the potential for electricity supply shortages based on reported demand and resource data and transmission constraints.

The WECC Power Supply Assessment presents the results of a set of resource capacity margin scenarios for the Western Interconnection. This Assessment uses a deterministic load-resource model to examine the effect of various design criteria relative to the load forecast requirements. The studies are done annually and cover a future ten-year period. Different scenarios are defined for each year's assessment. The assessment is based on the physical ability of the Western Interconnection to supply all loads regardless of contractual obligations.

Improvements are made each year to both the energy and capacity assessments. Recent improvements include scenario inputs (for example, extreme weather) and improved modeling and data quality. This work is performed by WECC staff under the direction of the PCC and the Loads and Resources Subcommittee (LRS).

WECC provides energy and capacity information to NERC for seasonal and long-term reliability assessments each year. This allows NERC to complete the assessments required under Section 215 of the Federal Power Act.

Transmission Expansion Planning

The Transmission Expansion Planning Policy Committee (TEPPC) operates under a charter approved by the Board and has 17 members representing all classes of stakeholders with representation from all geographic sub-regions of WECC. This function was initiated in 2007.



WECC has a role in meeting the region's needs for regional transmission planning and analyses. WECC accomplishes this by providing impartial and reliable data, public process leadership and analytic tools and services. The TEPPC charter directs three primary functions:

- Overseeing transmission database management.
- Providing policy and management of the planning process.
- Guiding the analysis and modeling for Western Interconnection transmission expansion planning.

TEPPC and its subgroups work closely and coordinate with Western state, provincial and federal government entities.

Reliability Assessments and Studies Program Objectives

In 2008, WECC staff, with the assistance of the Technical Advisory Subcommittee (TAS) of TEPPC, will complete an update of the Transmission Expansion Planning Database. This database will include information regarding load, transmission, fuel price, existing generation and planned generation. WECC staff will use this database to simulate Western regional production costs under various loads, gas prices, hydro and other scenarios. The goal is a comprehensive, current and well-validated database that can be readily used to identify where transmission expansion may be needed. The database can be used to evaluate the ability of transmission, generation and demand-side resources to satisfy needs across the Western Interconnection.

TEPPC will perform studies on congestion in the Western Interconnection for members and for the Department of Energy (DOE). This congestion work will allow the DOE to meet its requirements under the EPAct.

Loads and Resources

In 2008, WECC will continue to improve its loads and resources data gathering and analysis. The WECC staff, assisting the LRS, will provide analysis of resource adequacy in the Western Interconnection.

Studies

Each year, under the direction of the Technical Studies Subcommittee (TSS), the WECC Technical Staff compiles a ten-year data bank of power flow base cases and associated stability data. TSS designates the case scenarios, specifying system configurations and operating conditions. These base cases are included in the WECC data bank.

WECC conducts annual Loads and Resources assessments using base cases of near-term and longer-term system performance. WECC staff, following guidance from the TSS, develops a study report covering operating and transfer conditions. WECC staff prepares



study results for TSS and PCC approval. Additionally, these studies are used in determining stability limits required in NERC Reliability Standards.

Training

The cost of the WECC operations training in 2008 is \$859,150. This cost is completely offset by the revenue generated from registration fees. The increase over 2007 comes from the hiring of a trainer and additional support staff. Costs and comparison to 2007 are shown in the following table.

Category	2007 Budget	2007 Projection	2008 Budget
Total FTEs	1.5	2	3
Total Direct Funding	\$552,396	\$429,222	\$726,090
Total Indirect Funding	\$306,479	\$289,690	\$133,060
Total Funding	\$858,875	\$718,912	\$859,150

Background

WECC is a provider of continuing education conducting training for operators, schedulers and dispatchers. WECC conducts training classes 24 to 26 weeks per year in Salt Lake City. Curriculum is developed with the assistance of the Operations Training Subcommittee of the OC.

The Training Department currently includes one full-time trainer and one support staff person. In 2008, WECC will hire an additional trainer and will continue to use contractors to accomplish the program.

Training Objective

WECC will continue to provide high-quality continuing education for operators, schedulers and dispatchers. It will review and revise the curriculum as needed, and will provide training on NERC standards and on WECC standards and practices.

Administrative Services

The cost of WECC's Administrative Services activities in 2008 is \$3,385,804. The decrease in cost is largely a result of realignment of WECC staffing and functions. The remaining new FTEs are two Administrative Assistants, and Communications and Information Technology positions. Costs and comparison to 2007 are shown in the following table.



Category	2007 Budget	2007 Projection	2008 Budget
FTEs	5	13	17
Total Funding	\$3,986,503	\$3,899,703	\$3,385.804

Background

WECC's Administrative Staff is responsible for the areas of human resources, communications, information technology and programming, accounting and finance, and executive oversight. Both the Chief Executive Officer and the Chief Operating Officer have their time allocated to this category.

The FAC of the WECC Board works with the Chief Administrator, who is responsible for developing the budget and supporting material.

Human Resources

WECC's Human Resources (HR) activities are carried out by the Director of Human Resources, who reports to the Chief Operating Officer. The labor market for electricity industry professionals is highly competitive. An area WECC's HR will focus on is staffing, recruiting and retention. The HR Department will improve the systems used in administering compensation and benefits to achieve cost efficiencies.

In 2008, the HR department's objective is to handle all human resource issues needed to allow WECC to achieve its goals.

Information Technology

WECC's Information Technology Staff includes a network administrator, a programmer and a webmaster. These positions report to the Chief Operating Officer.

Major improvements in both hardware and software were implemented in 2007.

In 2008, the Information Technology department's objective is to make refinements and improvements to its administrative database and website. Examples of planned improvements are: improved handling of loads and resources data, online workshops, meeting registration, tracking of attendance and voting, and improved and more efficient communications with members.

Legal and Regulatory

As the industry has negotiated the path to mandatory standards in the United States, WECC has worked to ensure that its positions were understood and its rights under the legislation defended. This will continue in 2008.



WECC retains legal counsel for internal and external issues. These attorneys interface with the Chief Executive Officer.

The WECC Board approved a charter for a Regulatory Committee in April 2007. This committee will provide assistance in responding to and corresponding with various regulatory authorities. This committee will be made up of regulatory experts who are volunteered by their employers to provide timely advice to WECC's Chief Executive Officer.

In 2008, WECC expects to amend its Bylaws to reflect the fundamental changes required by the EPAct and FERC orders.

Finance and Accounting

WECC has a full-time accountant on staff and half of the Chief Administrator's time is allocated to finance and accounting. The Chief Administrator supports the FAC.

In accordance with its Delegation Agreement, WECC bills LSEs and/or BAs in the United States for costs approved by FERC as statutory. WECC also bills BAs in Alberta, British Columbia and Baja California Norte for support of NERC and for WECC costs approved by the WECC Board.

In 2008, the objectives of the Finance and Accounting Staff are to openly communicate with WECC members about the costs of projects, to meet all budgeting and reporting deadlines and to refine financial controls.

Board and Committee Activities

The cost of WECC's Board and the Standing Committees in 2008 is \$1,674,211. The reduction in cost, along with the 4.6 FTE reduction in staffing, reflects the reallocation of personnel to the Administrative Services section. Costs and comparison to 2007 are shown in the following table.

Category	2007 Budget	2007 Projection	2008 Budget
FTEs	8.6	3	4
Total Funding	\$2,122,650	\$1,531,972	\$1,674,211

Background

Board of Directors

As noted in the introduction, WECC is governed by a 32-member Board. 25 of the directors represent member classes. 7 directors are not affiliated with any WECC member



or potential member. These Non-affiliated Directors are compensated for their time on the Board and on Board Committees.

Six Board Committees are responsible for governance, policy development and administration. They are:

- *Operating Transfer Capability Policy Committee* – provides coordinated standards development and determination of seasonal operating transfer capabilities within the Western Interconnection.
- *Transmission Expansion Planning Policy Committee* – 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.
- *Governance and Nominating Committee* – nominates candidates for the Board and makes recommendations for Bylaws and other governance changes.
- *Human Resources and Compensation Committee* – administers all matters of human resources and compensation for WECC employees.
- *Reliability Policy Issues Committee* – assists the Board in reviewing policy-level reliability issues and develops appropriate recommendations for Board consideration.
- *Finance and Audit Committee* – assists the Board in the discharge of its responsibility to monitor the component parts of the audit process and the integrity of WECC’s financial reporting.

Standing Committees

WECC has three Standing Committees of members:

- *Operating Committee* – The OC advises and makes recommendations to the Board on all matters within the jurisdiction of WECC that apply to maintaining reliability through the operation and security of the interconnected bulk power systems in the Western Interconnection. The OC has nine subcommittees.
- *Planning Coordination Committee* – The PCC recommends criteria for the adequacy of power supply and for elements of system design that affect the reliability of the interconnected bulk power systems. The PCC collects data and studies the operation of the interconnected systems necessary to determine the reliability of the Western regional bulk power system. The PCC evaluates proposed additions or alterations in facilities in relation to established reliability criteria. 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 analysis of the impact of electricity market practices on electric system reliability. The MIC has two subcommittees.



The *Joint Guidance Committee* ensures that the Standing Committees and their respective subcommittees coordinate and communicate regarding electric system reliability and market issues of mutual applicability.

Western Renewable Energy Generation Information System (WREGIS) – A Non-Statutory Activity

The cost of WREGIS in 2008 is \$480,710. This is a reduction from 2007 and reflects the end of costs associated with WREGIS' startup. WREGIS costs fall outside of Section 215 of the Federal Power Act and are funded through user subscriptions to the program. Backstop cost coverage comes from the California Energy Commission. Costs and comparison to 2007 are shown in the following table.

Category	2007 Budget	2007 Projection	2008 Budget
Direct Costs	\$370,473	\$301,809	\$331,266
Indirect Costs	\$153,206	\$209,731	\$149,444
Total Costs	\$523,679	\$511,540	\$480,710

Background

State and provincial governments in the Western Interconnection are developing renewable portfolio standards. WREGIS has been created to track the ownership of Renewable Energy Certificates (RECs).

WECC is the institutional home of WREGIS and the WREGIS Administrator reports to the WECC Chief Executive Officer. WREGIS is governed by a seven-member committee composed of industry representatives, state and provincial government representatives, and an appointee of the WECC Board.

WREGIS will become operational in July 2007.



Acronyms Used in this Business Plan

AESO – Alberta Electric System Operator
BA – Balancing Authority
BCTC – British Columbia Transmission Corporation
CAG – Compliance Advisory Group
CFE – Comisión Federal de Electricidad
CHB – Compliance Hearing Body
CMEP – Compliance Monitoring and Enforcement Program
DOE – U.S. Department of Energy
EPAct – Energy Policy Act of 2005
ERO – Electric Reliability Organization
FAC – Finance and Audit Committee
FERC – Federal Energy Regulatory Commission
FTE – Full-time Equivalent
HR – Human Resources
ISAS – Interchange Scheduling and Accounting Subcommittee
LRS – Loads and Resources Subcommittee
LSE – Load Serving Entity
MIC – Market Interface Committee
MIS – Market Issues Subcommittee
NAESB – North American Energy Standards Board
NEL – Net Energy for Load
NERC – North American Electric Reliability Corporation
OC – Operating Committee
PCC – Planning Coordination Committee
REC – Renewable Energy Certificate
RMS – Reliability Management System
RRS – Regional Reliability Standard
SIS – Seams Issues Subcommittee
TAS – Technical Advisory Subcommittee
TEPPC – Transmission Expansion Planning Policy Subcommittee
TSS – Technical Studies Subcommittee
WECC – Western Electricity Coordinating Council
WIT – Western Interchange Tool
WREGIS – Western Renewable Energy Generation Information System
WSCC – Western Systems Coordinating Council
WSM – West-wide System Model



Section B – 2008 Budget

Personnel Analysis

Table 1 shows staffing by program area for the 2007 and 2008 budgets. These staffing numbers include only actual WECC employees.

Table 1: Staffing by Program Area

Table 1

Total FTEs by Program Area	Budget 2007	Budget 2008	Change
Operational Programs			
Reliability Standards	2.3	4	1.7
Compliance Monitoring and Enforcement	6.6	16	9.4
Hearings	0	4	4
Situational Awareness	4	49	45
Readiness Evaluation	3.5	2	-1.5
Reliability Assessments and Studies	12	13	1
Training	1.5	3	1.5
Board and Committees	8.6	4	-4.6
Administrative Programs			
Administrative Services	1	12	11.5
Communications and IT	2	3	1
Human Resources	1	1	0
Legal and Regulatory	0	0	0
Accounting	1	1	0
Other Program			
WREGIS	3	3	0



Section B – 2008 Budget

2007 Budget & Projection and 2008 Amended Budget Comparisons

Table 2

Statement of Activities 2007 Budget & Projection, and 2008 Amended Budget					
	2007 Budget	2007 Projection	Variance	2008 Amended Budget	Variance
Funding					
ERO Funding	\$16,943,168	\$16,943,168	\$ --	\$26,596,512	\$9,653,344
Membership Dues	\$ --	\$ --	\$ --	\$ --	\$ --
Testing Fees	\$ --	\$ --	\$ --	\$ --	\$ --
Services & Software	\$528,801	\$555,111	\$26,310	\$726,090	\$170,979
Interest	\$352,000	\$491,060	\$139,060	\$609,400	\$118,340
Miscellaneous	\$8,400	\$9,661	\$1,261	\$8,400	(\$1,261)
Loan Financing				\$5,852,414	
Total Funding	\$17,832,369	\$17,999,000	\$166,631	\$33,792,816	\$9,941,402
Expenses					
Personnel Expenses					
Salaries	\$3,906,396	\$4,708,063	\$801,667	\$10,725,827	\$6,017,764
Payroll Taxes	\$303,187	\$438,367	\$135,180	\$776,154	\$337,787
Benefits	\$1,032,704	\$926,902	(\$105,802)	\$2,695,497	\$1,768,595
Retirement Costs	\$381,491	\$365,788	(\$15,703)	\$416,743	\$50,955
Total Personnel Expenses	\$5,623,778	\$6,439,120	\$815,342	\$14,614,221	\$8,175,101



	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Meeting Expenses					
Meetings	\$613,543	\$585,187	(\$28,356)	\$738,597	\$153,410
Travel	\$717,458	\$641,022	(\$76,436)	\$930,982	\$289,960
Conference Calls	\$13,727	\$161,382	\$147,655	\$116,497	(\$44,885)
Total Meeting Expenses	\$1,344,728	\$1,387,591	\$42,863	\$1,786,076	\$398,485
Operating Expenses					
Consultants	\$545,954	\$998,288	\$452,334	\$1,259,719	\$261,431
Contracts	\$6,389,007	\$6,254,318	(\$134,689)	\$7,138,407	\$884,089
Office Rent	\$253,702	\$279,683	\$25,981	\$753,871	\$474,188
Office Costs	\$912,669	\$1,046,218	\$133,549	\$1,697,228	\$651,010
Professional Services	\$1,199,372	\$1,370,697	\$171,325	\$1,653,821	\$283,124
Computer Purchase & Maintenance	\$1,524,180	\$1,519,988	(\$4,192)	\$3,768,532	\$2,248,544
Furniture & Equipment	\$0	\$28,000	\$28,000	\$0	(\$28,000)
Total Operating Expenses	\$10,824,884	\$11,497,192	\$672,308	\$16,271,578	\$4,774,386
Total Expenses	\$17,793,390	\$19,323,903	\$1,530,513	\$32,671,874	\$13,347,971
Change in Assets	\$38,979	(\$1,324,903)	(\$1,363,882)	\$1,120,942	\$2,445,845



Table 3: 2008 WECC Staff Organization Chart

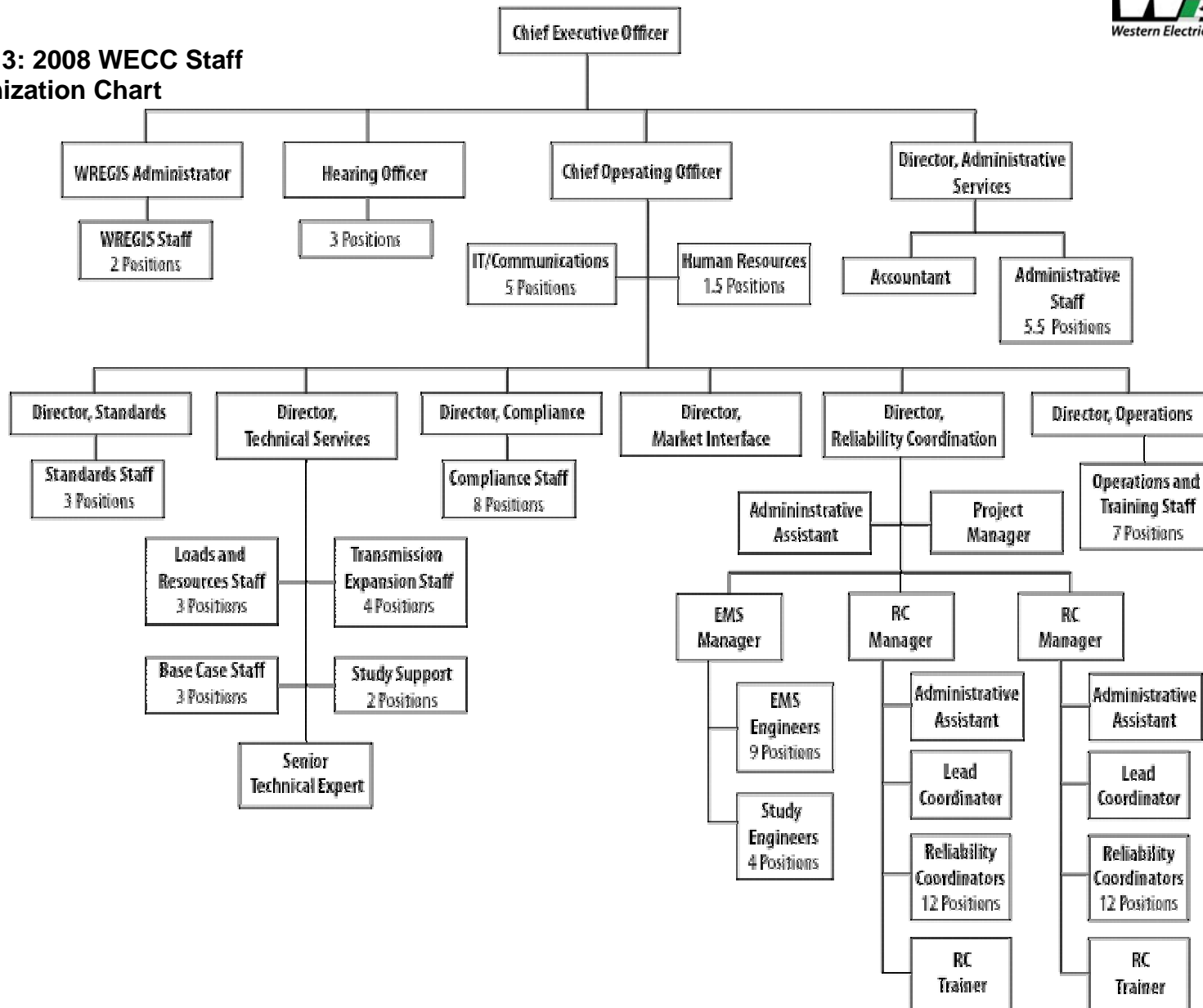
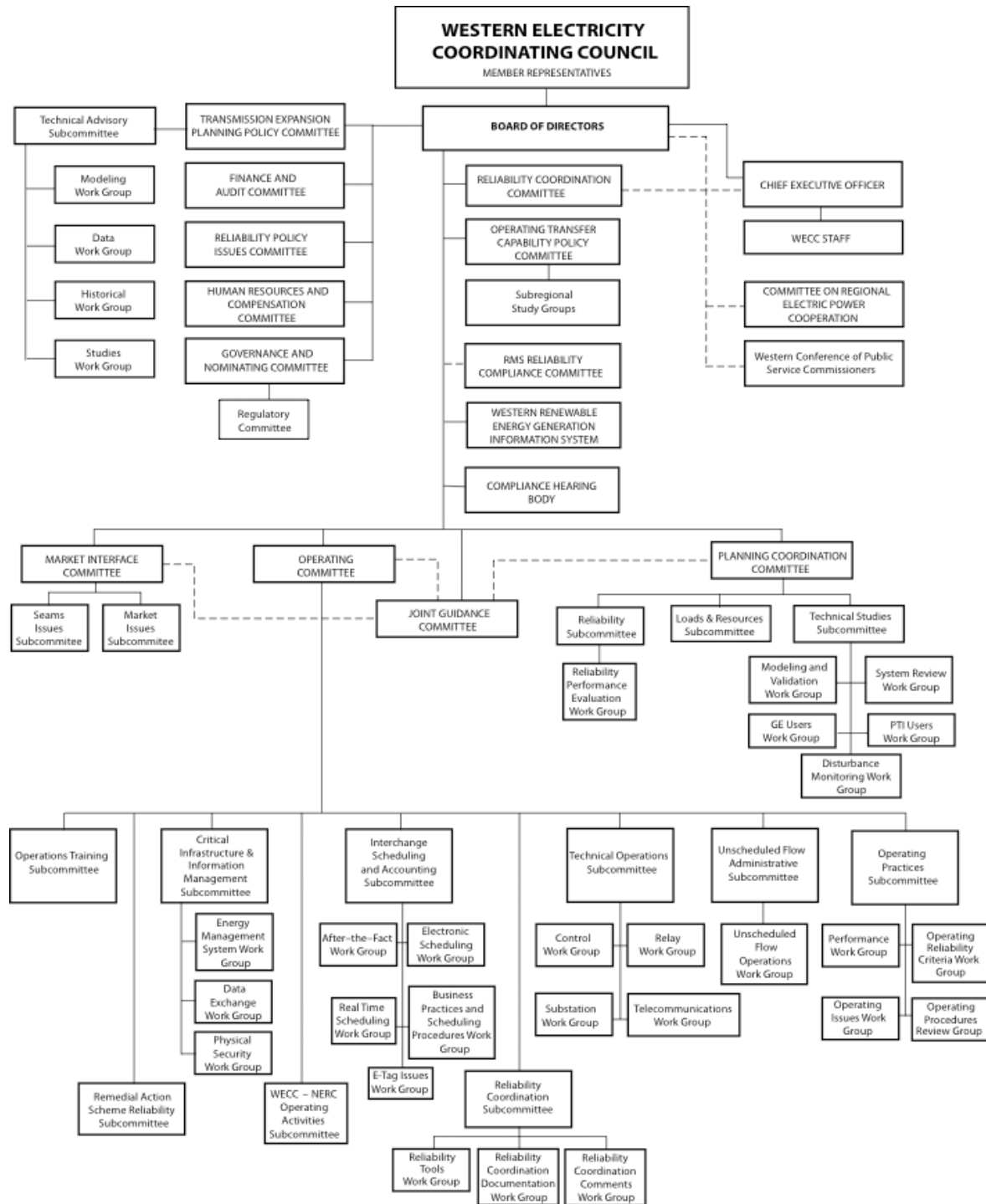




Table 4: 2008 WECC Organization Chart





WECC Statement of Activities 2008 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability	Compliance &	Reliability	Reliability	Training &	Situational	Committee &	General &	Legal and	Information &	Human	Accounting &	Non- Statutory Total	WREGIS
					Standards	Organization Registration & Certification	Readiness Audit and Improvement	Assessment & Performance Analysis	Education	Awareness & Infrastructure Security	Member Forums	Admin	Regulatory	Technology	Resources	Finance		
					810	820	700	740	831	780	500	400	610	350	410	450		950
Funding																		
ERO Funding	26,596,512	26,596,512	-	26,596,512	687,812	5,689,057	342,541	3,279,459	0	12,155,428	1,674,211	1,636,089	381,000	406,067	201,571	143,277	0	0
Membership Dues	480,710	-	480,710	0	0	0	0	0	0	0	0	0	0	0	0	0	480,710	480,710
Testing Fees	-	-	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Services & Software	-	-	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Workshops	726,090	726,090	-	726,090	0	0	0	0	726,090	0	0	0	0	0	0	0	0	0
Interest	609,400	609,400	-	609,400	0	0	0	0	0	0	0	609,400	0	0	0	0	0	0
Miscellaneous	8,400	8,400	-	8,400	0	0	0	0	0	0	0	8,400	0	0	0	0	0	0
Loan -Financing	5,852,414	5,852,414	-	5,852,414						5,852,414								
Total Funding	34,273,526	33,792,816	480,710	33,792,816	687,812	5,689,057	342,541	3,279,459	726,090	18,007,842	1,674,211	2,253,889	381,000	406,067	201,571	143,277	480,710	480,710
Average Salary	95,181	95,766	73,312	95,766	99,290	96,371	77,961	77,813	76,141	105,472	112,193	85,233		58,296	124,510	66,216	73,312	73,312
FTE's	115.0	112.0	3.0	112.0	4.0	20.0	2.0	13.0	3.0	49.0	4.0	12.0	0.0	3.0	1.0	1.0	3.0	3.0
Expenses																		
Personnel Expenses																		
Salaries	10,945,763	10,725,827	219,936	10,725,827	397,160	1,927,416	155,922	1,011,574	228,423	5,168,145	448,773	1,022,801	0	174,888	124,510	66,216	219,936	219,936
Payroll Taxes	796,346	776,154	20,192	776,154	26,796	133,980	14,745	87,087	21,853	484,057	29,496	(58,731)	0	22,123	7,374	7,374	20,192	20,192
Benefits	2,824,815	2,695,497	129,318	2,695,497	68,667	318,554	45,781	297,552	53,942	1,453,221	91,556	251,777	0	68,667	22,890	22,890	129,318	129,318
Retirement Costs	416,743	416,743	-	416,743	20,837	90,293	13,891	90,293	20,837	41,697	27,778	76,388	0	20,837	6,946	6,946	0	0
Total Personnel Expenses	14,983,667	14,614,221	369,446	14,614,221	513,460	2,470,243	230,339	1,486,506	325,055	7,147,119	597,603	1,292,235	0	286,515	161,720	103,426	369,446	369,446
Meeting Expenses																		
Meetings	739,797	738,597	1,200	738,597	32,826	121,447	18,684	121,447	263,546	28,026	37,368	68,543	0	28,026	9,342	9,342	1,200	1,200
Travel	950,986	930,982	20,004	930,982	34,211	252,244	22,807	148,246	51,611	193,791	45,614	125,439	0	34,211	11,404	11,404	20,004	20,004
Conference Calls	116,497	116,497	-	116,497	868	103,763	579	3,763	868	868	1,158	3,184	0	868	289	289	0	0
Total Meeting Expenses	1,807,280	1,786,076	21,204	1,786,076	67,905	477,454	42,070	273,456	316,025	222,685	84,140	197,166	0	63,105	21,035	21,035	21,204	21,204
Operating Expenses																		
Contracts & Consultants	8,437,990	8,398,126	39,864	8,398,126	0	946,000	32,500	842,568	26,800	5,763,257	247,000	540,000	0	0	0	0	39,864	39,864
Office Rent	753,871	753,871	-	753,871	18,508	226,825	12,338	80,200	18,508	274,108	24,677	67,861	0	18,508	6,169	6,169	0	0
Office Costs	1,715,184	1,697,228	17,956	1,697,228	11,937	76,736	7,960	474,053	16,595	375,645	653,120	61,285	0	11,937	3,980	3,980	17,956	17,956
Professional Services	1,683,585	1,653,821	29,764	1,653,821	73,107	340,314	15,404	100,132	23,107	566,707	30,811	84,728	381,000	23,107	7,702	7,702	29,764	29,764
Computer Purchase & Maint.	3,771,008	3,768,532	2,476	3,768,532	2,895	30,544	1,930	22,544	0	3,658,320	36,860	10,614	0	2,895	965	965	2,476	2,476
Services	-	-	-	0													0	0
Furniture & Equipment	-	-	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Expenses	16,361,638	16,271,578	90,060	16,271,578	106,447	1,620,419	70,132	1,519,497	85,010	10,638,037	992,468	764,488	381,000	56,447	18,816	18,816	90,060	90,060
Total Direct Costs	33,152,584	32,671,874	480,710	32,671,874	687,812	4,568,116	342,541	3,279,459	726,090	18,007,842	1,674,211	2,253,889	381,000	406,067	201,571	143,277	480,710	480,710
Total Indirect Costs	5,060,015	5,060,015	-	5,060,015	126,045	837,131	62,772	600,978	133,060	3,300,030								
Total Costs	33,152,584	32,671,874	480,710	32,671,874	813,857	5,405,247	405,313	3,880,437	859,150	21,307,871							480,710	480,710
Change in Assets	1,120,942	1,120,942	-	1,120,942	0	1,120,941	0	0	0	0	0	0	0	0	0	0	0	0
FTE's	115.0	112.0	3.0	112.0	4.0	20.0	2.0	13.0	3.0	49.0	4.0	12.0	0.0	3.0	1.0	1.0	3.0	3.0



ATTACHMENT B

2008 Business Plan and Budget

**Western Electricity Coordinating Council
Approved by Board of Directors
April 27, 2007
Approved Revised Budget July 26, 2007**

Amended Budget Approved December 6, 2007



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Executive Summary

2008 Business Plan and Budget

2008 will be the Western Electricity Coordinating Council's (WECC) first full calendar year as a United States Federal Energy Regulatory Commission (FERC)-certified Regional Entity. This document is a review of WECC's objectives, plans and fiscal requirements for meeting its responsibilities under its Delegation Agreement and ensuring reliability of the Western Interconnection in 2008.

Business Plan

Section A of this document provides details of WECC programs and objectives. For FERC and North American Electric Reliability Corporation (NERC) budgeting purposes, these programs can be divided into two general categories – those that are WECC's reliability responsibility under Section 215 of the Federal Power Act (statutory) and those that fall outside the Act (non-statutory).

In this Business Plan, WECC demonstrates that its programs—including Compliance Monitoring and Enforcement, Reliability Coordination, Standards Development, Readiness Evaluations, Studies and Assessments, Training, and Standing Committee activities—are needed to maintain reliability as intended under Section 215 of the Federal Power Act.

The Western Renewable Energy Generation Information System (WREGIS) is a non-statutory activity that is self-funded.

2008 Budget

Section B contains the 2008 budget for WECC and supporting appendices. The budget for 2008 compared with 2007 is:

	2007 Budget		2007 Projection		2008 Budget	
	Statutory	Non-Statutory	Statutory	Non-Statutory	Statutory	Non-Statutory
Total Funding	\$17,820,668	\$645,985	\$19,323,903	\$511,540	27,940,402 <u>33,792,816</u>	\$480,710
Total FTEs *	43.5	4	54	4	81 <u>112</u>	3

* Full Time Equivalents



2008 NERC Assessment

The NERC Assessment for 2008 is expected to be \$5,329,407. This number represents monies collected by WECC for NERC, and is for informational purposes only. It is not a budget item.

	2007 Budget	2008 Budget
NERC Assessment	\$3,856,338	\$5,329,407

Introduction

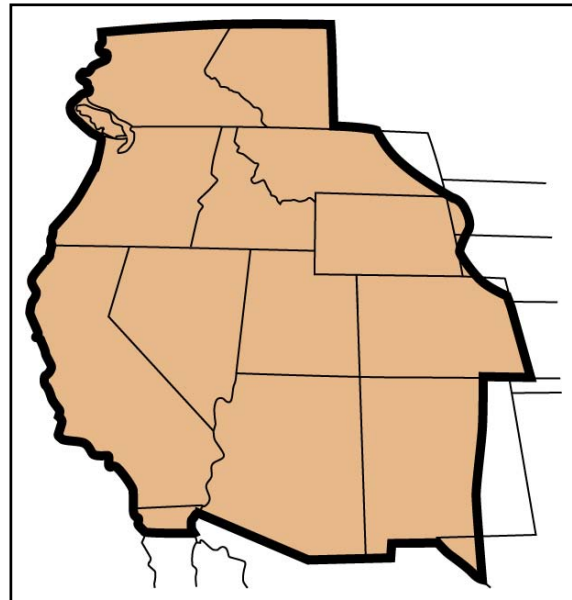
Nature, Location and Scope

WECC is a Utah Nonprofit Corporation whose mission is to 1) maintain a reliable electric power system in the Western Interconnection that supports efficient competitive power markets (“Reliability Mission”) and 2) assure open and non-discriminatory transmission access among members while providing a forum for resolving transmission access disputes between members (“Transmission Access Mission”). WECC’s website is www.wecc.biz.

WECC’s geographic area is the Western Interconnection – an area in which the use and generation of electricity is synchronized. This area includes all or part of 14 U.S. states, 2 Canadian provinces and a portion of Baja California Norte, Mexico.

WECC has 182 members divided into the following 5 membership classes:¹

- Large Transmission Owners
- Small Transmission Owners
- Transmission Dependent Energy Service Providers
- End Users
- Representatives of State and Provincial Governments



Each class is represented on the WECC Board and on each of WECC’s three member Standing Committees. Membership in WECC is open to any person or entity that has an interest in the reliable operation of the Western Interconnection bulk power system.

WECC is approved by FERC as a Regional Entity, with authority to create and enforce standards for the reliability of the Western Interconnection.

Governance and Structure

WECC is governed by an independent and balanced stakeholder board² consisting of 32 directors. Each of the five member classes listed above elects four directors. The Canadian

¹ For purposes of voting for Board representation, all Canadian members of WECC form a sixth class. This is a separate class and is not a member class. See Section 6.2.1 of the WECC Bylaws.

² As provided in Section 215 of the Federal Power Act (e)(4)(A)(iii).



delegation elects four directors. One director is elected by the Mexican delegation.³ Seven directors with no member affiliation are elected by the WECC membership.

Six Board committees recommend policy on various reliability issues, or handle governance or administrative matters. These committees are described in the Board and Committee Activities section on page 22.

Public input comes to the Board from the member organizations, from other interested parties, and through recommendations of the WECC Standing Committees.

Under the direction of the Board, the three Standing Committees of members — the Planning Coordination Committee (PCC), the Operating Committee (OC) and the Market Interface Committee (MIC) — provide technical work and policy recommendations to the WECC Board (see Table 3: 2008 WECC Organization Chart). All member organizations are eligible for representation on the three Standing Committees.

Compliance and enforcement activities are carried out by the WECC Compliance Staff, independent of all users, owners and operators of the bulk power system. Compliance activities are governed by the Delegation Agreement and FERC orders.

History and Milestones

In August 1967, a group of large Western electric utilities created the Western Systems Coordinating Council (WSCC) to ensure the reliable operation of the several interconnected electric systems in the West. WSCC became a member of the North American Electric Reliability Council, which promoted the reliability of the bulk power system across North America.

WSCC was operated by and for the West's public and private vertically-integrated electric utility industry. With the introduction of electricity restructuring in the 1990s, a change was made to reflect a broader stakeholder base. In 2002, the WSCC merged with the Southwest Regional Transmission Association and the Western Regional Transmission Association to create WECC.

The Energy Policy Act of 2005 (EPAct) established mandatory reliability standards and compliance in the United States. FERC delegated authority to enforce compliance with approved Reliability Standards to NERC as the North American Electric Reliability Organization (ERO) and to Regional Entities – including WECC.

Recent/Future Milestones

- April 2006 — The WECC Board created the Transmission Expansion Planning Policy Committee (TEPPC) to develop and manage a planning database and coordinate transmission planning in the Western Interconnection.

³ The Mexican delegation currently consists of one member.

- May 2006 — WECC provided its first study of congestion to the U.S. Department of Energy (DOE) under Section 1221 of the EPAct.
- July 2006 — FERC certified NERC as the ERO.
- July 2006 — The WECC Board adopted principles that launched a process of significant improvements to WECC's Reliability Centers (the Reliability Center Strategic Initiative).
- July 2006 — The WECC Board created the Western Renewable Energy Generation Information System (WREGIS) as a department of WECC.
- October 2006 — WECC adopted a sixth amendment to the Reliability Management System (RMS) that allows the RMS to sunset with the implementation of mandatory standards.
- November 2006 — WECC engaged a vendor to create the West-wide System Model (WSM).
- November 2006 — WECC concluded negotiations with NERC for a Delegation Agreement that was filed with FERC.
- November 2006 — WECC revised its process for developing and approving WECC Standards (standards process) that was subsequently included in the Delegation Agreement.
- January 2007 — WECC activated the Western Interchange Tool (WIT).
- February 2007 — WECC held a series of workshops to roll out its Compliance Monitoring and Enforcement Program (CMEP) for mandatory standards and registration of entities subject to the standards.
- March 2007 — FERC approved a set of Reliability Standards to be mandatory and enforceable in the United States in June 2007.
- March 2007 — The NERC Board of Trustees approved eight WECC Regional Standards and NERC filed them with FERC for approval.
- March 2007 — WECC reorganized its Compliance Department to make it independent from other WECC functions.
- April 2007 — WECC held a workshop to begin drafting a "strawman" Transmission Planning Proposal as required by FERC Order 890.
- April 2007 — WECC's Delegation Agreement was accepted by FERC.
- May 2007 — WECC will conduct its first Compliance Audit as a Regional Entity.
- December 2007 ----- WECC Board of Directors approved the RC Strategic Initiative Motions for WECC hosting of the Westwide System Model and the new RC Control Centers.

WECC Services

WECC ensures the reliability of the Western Interconnection through a variety of activities including:

- **Standards Development** — Providing a forum and support for the development of both NERC and WECC Reliability Standards.
- **Readiness Evaluations** — Participating in the NERC Readiness Evaluation program to help ensure that users, owners and operators of the bulk power system are prepared to operate the system reliably.
- **Reliability Coordination** — Operating three Reliability Coordination Centers that provide situational awareness and real-time supervision of the entire Western Interconnection.
- **Transmission Expansion Planning** — Overseeing management of a comprehensive planning database, providing policy and management of the planning process, and guiding the analyses and modeling for Western Interconnection transmission expansion planning to ensure reliability.
- **Studies** — Modeling the system and performing studies of the Western Interconnection under a variety of scenarios to set reliable operating policies and limits.
- **Market-Operations Interface** — Ensuring that effective competitive power markets do not negatively impact Western Interconnection reliability activities.
- **Loads and Resources Assessments** — Performing an annual assessment of 10-year loads and resources in the Western Interconnection, creating a 10-year coordinated plan of system growth and providing information to NERC for their summer and winter assessments of the reliability and adequacy of the bulk-power system.⁴
- **Training of Operations Personnel** — Continuing, as it has for over 20 years, a series of training sessions for operators, schedulers and dispatchers.
- **WREGIS** — Hosting WREGIS, which creates and tracks renewable energy certificates.

International Considerations

WECC is a Cross-Border Regional Entity with members in three countries, including the Canadian provinces of Alberta and British Columbia and a portion of the Mexican state of Baja California Norte. The authority of FERC under U.S. law, and the powers delegated to WECC by NERC and approved by FERC, do not extend to Canada or Mexico. WECC will continue to work with Alberta, British Columbia and Mexico to establish relationships with these jurisdictions with respect to standards setting and compliance mechanisms.

⁴ As required by the Federal Power Act Section 215 (g).

Actions in Canada

The Canadian provinces account for approximately 15 percent of the Western Interconnection's load. Canadian entities play a vital role in the function of WECC and in the reliability of the system. Alberta and British Columbia are separate jurisdictions with different regulatory structures.

WECC is working with the Alberta Electric System Operator (AESO) and the government of Alberta, as well as the government of British Columbia and the British Columbia Transmission Corporation (BCTC), to provide assistance as they consider whether and how to develop and enforce reliability standards.

WECC's contract-based enforcement tool, the RMS, has been signed by entities in Alberta and British Columbia and continues in force. WECC does not have authority under U.S. law to impose penalties in Canada. WECC has performed compliance audits of the AESO and BCTC.

Actions in Mexico

The Mexican national utility, Comisión Federal de Electricidad (CFE), has a seat on the WECC Board. As the regulatory systems common in the United States and Canada are not present in Mexico (CFE is a department of the Mexican federal government), WECC's standards and compliance efforts in Mexico rely on the RMS, to which CFE is a signatory.

Funding Sources

As a Regional Entity, the greatest portion of WECC's funding comes from payments assessed in the United States under the authority of Section 215 of the Federal Power Act. These funds are collected pursuant to a FERC funding order and are billed to all Load Serving Entities (LSEs) and/or Balancing Authorities (BAs) in the Western Interconnection on a net-energy-for-load (NEL) basis.

Additional funding comes from voluntary dues paid by WECC members. These dues include NEL shares of the costs for WECC and NERC activities in Canada and Mexico.

A third funding source is billing for certain services such as WREGIS and training classes. These programs are self-supporting and have no effect on the WECC budget.

2008 Budget

For 2008, WECC has a budget of \$28,421,112.34,273,526. This is an increase of \$9,954,459.15,806,873 dollars from the 2007 budget of \$18,466,653. The WECC Finance and Audit Committee (FAC), which is composed of WECC Board members, has developed the 2008 budget. The WECC Board approved this budget in April 2007, ~~and~~ approved revisions in July 2007, and approved an amended budget on December 6, 2007. WECC recommends approval by the NERC Board, and by FERC. The following pages detail this budget and the activities the budget supports.

About This Plan

WECC is a member-driven organization. Volunteers provided by WECC member companies or members accomplish a large percentage of WECC's work. With the exception of its compliance activities, this work is organized and performed by WECC's Standing Committees, their subgroups and by the Board.

In an effort to standardize WECC's Business Plan with those of NERC and the other Regional Entities, this document is organized by function rather than by responsible position or group.

A table at the beginning of each function indicates direct costs, indirect costs (overhead; for example, benefits, taxes and rent), and total costs and FTEs assigned to that function.

This Business Plan and Budget includes all WECC activities, including those associated with operations in Canada and Mexico. In its funding request to FERC, WECC will include separate lines for funding for U.S. and international activities.



Section A – 2008 Business Plan

Reliability Standards Program

The cost of WECC's Standards Development activities in 2008 is \$1,025,146,813,857. The increase in cost from 2007 is driven by the need to support NERC's aggressive standards development program in 2008. Costs and comparison to 2007 are shown in the following table.

Category	2007 Budget	2007 Projection	2008 Budget
Total FTEs	2.3	2	4
Total Direct Funding	\$290,040	\$208,005	\$687,812
Total Indirect Funding	\$469,935	\$289,689	<u>\$337,334</u> <u>126,045</u>
Total Funding	\$759,975	\$497,694	<u>\$1,025,146</u> <u>813,857</u>

Background

WECC's standards development efforts are divided into two categories – the development of NERC standards and the development of Western Interconnection standards. In 2008, WECC will work to organize the West for participation in the development of NERC Reliability Standards. WECC may also develop Regional Reliability Standards (RRS) for use only in the Western Interconnection. In addition, WECC will provide support, as requested, to Alberta and British Columbia in the development of standards. Until those standards are completed, the RMS and its 15 Reliability Standards will continue in the CFE portion of WECC.

WECC's standards process is overseen by the Director of Standards. The bulk of the work of developing standards is performed by voluntary member participation through the WECC Standing Committee structure. These volunteers are provided by WECC members, who pay their salaries and expenses while engaged in this activity.

WECC Standards Process

WECC's standards process was revised in 2006 and accepted by FERC as part of the Delegation Agreement between NERC and WECC.

The WECC standards process begins with a standards request form that is reviewed for scope and applicability by WECC's Standards Request Routing Committee. The process is open and provides for the input of interested parties throughout the drafting and approval process. Standards are recommended by vote of the appropriate WECC Standing Committee(s). Standards are generally considered three times per year at WECC Standing



Committee meetings, but can also be voted by email. Once approved by the WECC Board, the standards are sent to the NERC Board of Trustees for approval. NERC then sends these approved Reliability Standards to FERC.

The WECC standards process is also used for Business Practices and Regional Requirements. These regional criteria do not require either NERC or FERC approval.

Standards Program Objectives

North American Standards

On March 16, 2007, FERC approved 83 Reliability Standards that will become mandatory and enforceable in the United States as of June 4, 2007. In its order approving these standards, FERC directed modifications to 56 of the approved standards and is holding an additional 24 standards pending receipt of additional information.

NERC has published, and filed with FERC, a Reliability Standards Work Plan that includes a schedule for the development and revision of Reliability Standards for use within the United States. WECC's active participation in the NERC standards development process helps to ensure the needs and concerns of Western entities are incorporated into the standards. WECC actively communicates information on standards activities with its members and encourages participation in the NERC standards development process.

In 2008, WECC staff and members will work with NERC on approximately 128 standards, as identified in NERC's Reliability Standards Work Plan. Work on some of these standards began in 2007 and will conclude in 2008, while others will begin in 2008.

Regional Standards Development

WECC focuses on ensuring that NERC standards meet Western needs, but also has the authority to develop necessary RRS. The RRS are expected to be more stringent than NERC Reliability Standards or address areas not covered in NERC Reliability Standards. In 2006, a WECC task force identified criteria in use by WECC as being both "unique and essential" for the reliable operation of the Western Interconnection. In 2008, RRS may be developed, including standards on Seasonal Operating Limits, Coordinated Underfrequency Load Shedding and Restoration, and Designation of Most Severe Single Contingency.

Regional Criteria

WECC Regional Criteria are developed by the WECC Standing Committees. Regional Criteria are those that are mandatory for all WECC members. An example of Regional Criteria is WECC's Business Practices, which are developed by the MIC and by the Interchange Scheduling and Accounting Subcommittee (ISAS).

The ISAS (a subcommittee of the OC) develops business practices for WECC that are tied to the coordination of the scheduling of electricity. In 2007, ISAS developed business



practices covering tagging and reserve issues. In 2008, the ISAS will develop business practices that support the West-wide System Model and Reliability Coordination.

The MIC is WECC's interface with the North American Energy Standards Board (NAESB), and participates in the NAESB standards development process. In 2008, the MIC will help coordinate WECC member involvement in the activities of NAESB. The MIC has not identified any Western Interconnection-specific business practices for development in 2008.

Other examples of Regional Criteria are WECC's Reliability Information Sharing Policy, which details requirements for sharing data, and WECC's Transmission Planning Criteria. In 2008, additional Regional Criteria will be developed as needed to supplement approved Reliability Standards.

Compliance Enforcement Program

The cost of WECC's compliance activities in 2008 is ~~\$6,379,118~~ \$5,758,085. 2008 will be WECC's first full year enforcing FERC-mandated compliance. The increase in cost is attributable to an additional six months of compliance activities, an increase of 9.4 FTE over 2007, and an overrun of the 2007 budget of \$1,120,941 which was taken from the WECC reserve account. The additional WECC staff included in 2008 includes positions to support the review of compliance documentation. Costs and comparison to 2007 are shown in the following table.

Category	2007 Budget	2007 Projection	2008 Budget
FTEs	6.6	12	16
Total Direct Funding	\$919,800	\$2,040,741	\$5,029,781
Total Indirect Funding	\$1,348,509	\$1,738,136	<u>\$1,349,337</u> <u>728,304</u>
Hardware/Software/Services			
Total Funding	\$2,268,309	\$3,778,877	<u>\$6,379,118</u> <u>5,758,085</u>

Background

Compliance enforcement is essential to WECC's mission as a Regional Entity. WECC's CMEP has two major components:

- Compliance enforcement, violation mitigation and settlement negotiations.
- Representing WECC in any hearing or appeal process.

Both components are overseen by the Director of Compliance, who reports to the WECC Chief Operating Officer.



As a recognized Regional Entity, and pursuant to the terms of the NERC/WECC Delegation Agreement, WECC is required to monitor and enforce compliance with Reliability Standards by users, owners and operators of the bulk power system in the United States.

WECC has been supplying NERC with regular updates to its list of registered entities—users, owners and operators of the bulk power system who have been registered as being subject to Reliability Standards. Only users, owners and operators of the bulk power system in the United States are required to register and be included in the compliance registry.

In its March 16, 2007 Order 693, FERC noted that it would revisit the definition of bulk power system. Changes made to this definition by FERC in 2008 may require additional outreach and education as well as modifications to the registry.

In 1996, the WSCC created a contract-based compliance enforcement mechanism—the RMS—that has grown to encompass 15 standards. WECC will maintain the RMS until all standards included in the RMS program are incorporated into the NERC program for the United States and the provincial programs for Alberta and British Columbia. Compliance in Mexico will rely on the RMS for the foreseeable future.

Compliance Enforcement Program Objectives

In Order 693, FERC directed Regional Entities to focus their enforcement resources on violations that pose the greatest risk to system reliability, and to use prosecutorial discretion in assessing penalties through the end of 2007. In 2008 WECC is adding resources to ensure compliance with FERC's orders.

WECC will identify alleged violations of Reliability Standards through a variety of means including:

- **Compliance Audits** – On-site and table-top audits.
- **Self-Certification** – The Registered Entity attesting to compliance or non-compliance with standards on an annual basis.
- **Spot Checking** – The Compliance Staff checking compliance with a specific standard. Spot Checking is normally used to verify Self-Certification.
- **Compliance Violation Investigations** – Conducting investigations of complaints or other alleged violations.
- **Self-Reporting** – A new monitoring process that is specifically designed to work in conjunction with a Registered Entities' continuous monitoring efforts by their internal compliance programs.
- **Periodic Data Submittals** – Monthly and quarterly reports that are submitted regarding compliance with certain standards.
- **Exception Reporting** – Reporting required on a small set of standards when a violation occurs.



- **Complaints** – Alerting the Compliance Staff to a potential violation that is then investigated.

A Readiness Evaluation (discussed in a subsequent section) may also identify potential violations that the WECC Compliance Staff may investigate subsequent to the issuance of the Readiness Evaluation report.

WECC's Compliance Staff will conduct investigations of alleged violations of Reliability Standards, with assistance at times by NERC. To ensure the independence of the CMEP, industry volunteers will not participate directly in compliance audits or activities. WECC staff from outside the Compliance Department may provide technical advice to Compliance Staff.

WECC will implement a Compliance Advisory Group (CAG) in 2008. All Registered Entities will be eligible for and encouraged to participate in this group. The CAG will serve two functions. First, the WECC Compliance Staff will use the CAG to keep Registered Entities informed regarding changes to the compliance program and reporting requirements. Second, the CAG will provide a forum for the Registered Entities to give feedback to the WECC Compliance Staff on the implementation of the compliance program.

Compliance Audits will be performed for all Registered Entities. On-site audits will be conducted for BAs, Transmission Operators and Reliability Coordinators at least once every three years. WECC will conduct 14 on-site audits in 2008.

For all other Registered Entities, table-top audits will be conducted beginning in 2008 pursuant to a negotiated schedule between NERC and WECC. Table-top audits will utilize the same audit methods and formality as the on-site audits. However, in a table-top audit, the compliance documentation will be reviewed in the WECC compliance office instead of on-site at the Registered Entity's facility.

In 2008, WECC will require the support of four to five contractors to perform audits and assist with the workload while maintaining the independence of the CMEP from the users, owners and operators of the bulk power system.

Hearings and Review

The cost of WECC Hearings and Reviews in 2008 is ~~\$996,610~~ \$768,103. The cost and associated staffing are required to meet WECC's obligation under its Delegation Agreement to provide a fair hearing process. In 2007, the Hearings and Review process was included in the CMEP costs. One Hearing Officer came on staff in 2007. In 2008, WECC will add a second Hearing Officer, a Legal Secretary and a technical and support person. Costs are shown in the following table.



Category	2007 Budget	2007 Projection	2008 Budget
Total FTEs	0	1.5	4
Total Direct Funding	\$0	\$137,412	\$659,276
Total Indirect Funding	\$0	\$217,267	\$337,334 <u>108,827</u>
Total Funding	\$0	\$354,679	\$996,610 <u>768,103</u>

Background

WECC has proposed a process for conducting hearings and rendering decisions when a Registered Entity contests alleged violations, sanctions, penalties or mitigation plans. These decisions will be reviewed by the Compliance Hearing Body (CHB). The WECC Board approved the CHB Charter in April 2007. This charter describes the responsibilities, makeup and processes for selecting the CHB pool and for selecting CHB panels for individual cases.

WECC's hearing process will be conducted pursuant to Exhibit D, Attachment 2, "Compliance Enforcement Authority Hearing Process" of the Delegation Agreement. WECC's Hearing Officer will conduct the evidentiary hearings in the majority of cases and issue proposed decisions. The proposed decisions, along with exceptions by the parties, will be submitted to a CHB panel for consideration and final decision on behalf of the WECC region. In cases of particular complexity or significant regional interest, a CHB panel may conduct or participate in the evidentiary hearing. WECC Hearing Staff will support the CHB.

Appeals of regional decisions will take place at NERC. While no new evidence may be introduced on appeal, NERC may remand decisions to WECC with comments. Subsequent appeals may also be taken to FERC and to the U.S. Circuit Court of Appeals. WECC's Hearing Officer will work with the Chair of the CHB and will report to WECC's Chief Executive Officer. The Hearing Staff is independent from the Compliance Enforcement Staff.

Hearings and Review Program Objective

Establish a CHB pool to ensure balance, technical expertise, diverse experience, and independence to fill hearing panels.

Situational Awareness/Reliability Coordination

The cost of WECC's Situational Awareness and Reliability Coordination activities in 2008 is \$13,673,432.21,307,871. The two main drivers of this cost are an increase in staff and the implementation of the Reliability Coordination Strategic Initiative, which includes the



WSM. The 2007 Budget included funding for 32 FTEs, 4 of which are direct WECC employees. The 2008 Budget includes funding for 14 additional WECC employees as Reliability Coordinators, WSM engineers, etc. for a total of 46 FTEs. The relationship between WECC and the Reliability Coordinators is covered below. Costs and comparison to 2007 are shown in the following table, and the accelerated implementation of the two Reliability Coordination Centers in 2008. . . As revised, through an amendment approved by WECC's Board of Directors on December 6, 2007, the approximately \$6 million increase in the budget will be funded by a line of credit and repaid in 2009-2010, and therefore does not require an increased 2008 assessment.

Category	2007 Budget	2007 Projection	2008 Budget
FTEs	32 ⁵	35 ⁶	50 ⁷ 49
Total Direct Funding	\$6,957,136	\$8,802,532	\$12,155,428 18,007,842
Total Indirect Funding	\$817,278	\$1,013,913	\$1,518,004 3,300,030
Total Funding	\$7,774,414	\$9,816,445	\$13,673,432 21,307,871

Background

Beginning in 1996, as a response to restructuring and open access to the transmission system, WSCC established Security Coordinators. These Reliability Coordinators (as they were subsequently designated) monitor real-time conditions on the bulk power system and provide leadership coordination, technical expertise and assistance to the BAs.

WECC currently has three Reliability Coordination Centers. Collectively, the Reliability Coordinators have a real-time, ~~wide-area~~ view of the bulk power system. Through contractual agreements and the existence of mandatory standards, Reliability Coordinators have the ability to give directives to the BAs to protect system reliability. WECC's Reliability Coordinators are subject to applicable NERC standards.

The Reliability Centers are hosted by major transmission operators who charge WECC for overhead and other costs associated with the centers. Reliability Coordinators at those centers are employees of the host organization, WECC or are independent contractors. All compensation is paid by WECC. Compensation constitutes the largest portion of the Reliability Coordination budget.

⁵ Four of the 2007 FTEs are direct WECC employees

⁶ Seven of the 2007 FTEs are direct WECC employees.

⁷ ~~Eighteen of the 2008 FTEs are direct WECC Employees~~



WECC's Reliability Coordinators are overseen by the Director of Reliability Coordination (a WECC employee). The Reliability Coordination Subcommittee, a subgroup of the OC, assists the Director of Reliability Coordination with the management of the Reliability Coordinators.

In 2006, the WECC Board approved a strategy designed to make reliability coordination in the Western Interconnection more effective and efficient. This strategy will be implemented during 2008–2009, resulting in a consolidation of Reliability Centers from three to two, the development and use of a common model—the WSM—and tools, and increased independence of the Reliability Coordinators.

During the December 2007 WECC board meeting, the following initiatives were approved:

1. Both of the new Reliability Centers are scheduled to be operational by January 1, 2009;
2. The centers will be separated from their current host utilities and located in new facilities in Vancouver, Washington and Loveland, Colorado;
3. The centers will be hosted and operated by WECC;
4. The WSM will also be hosted at each of the centers; and
5. The amended budget for Situational Awareness and Reliability Coordination will be used to fund the accelerated implementation of the new Reliability Centers.

Operation of both Reliability Centers by January 1, 2009 will produce reliability improvements resulting from the consolidation and from the common hosting of the WSM. Reliability will also be enhanced by simultaneous initial operation of both centers and the WSM. This negates the need for parallel operation of the three existing Reliability Centers and the two new Reliability Centers during the transition phase. WECC has determined that this revised schedule results in the most cost-effective implementation of the RC Initiative. Among other things, it reduces the remaining period in which WECC must fund the three existing Reliability Centers.

In addition to the Reliability Centers, WECC operates the WECC Operations Network, the WECC Messaging System, and the HV Data Pool which provides notification and information to all operators of equipment outages or changes to the system.

Reliability Coordination Objective

WECC's Reliability Coordinators' only objective is the reliability and protection of the bulk power system. Goals in 2008 include the completion of the WSM and tools, and the completion of the ~~first~~ of two new Reliability Centers.

West-wide System Model

The WSM will provide a common view of the entire Western Interconnection to WECC's Reliability Coordinators. This will allow each Reliability Center to serve as backup for the



other. The WSM will be a platform on which advanced applications and common tools will be built. Through the use of these tools, real-time stability and other studies can be performed.

~~The WSM host site, which may be at a different location than primary and back up host sites will be located at the Reliability Centers, will be operational with business hours support in April of 2008. Coordination centers in Vancouver, WA and Loveland, CO.~~ Testing, and the creation and integration of advanced applications, will continue through ~~the remainder of the year. It is expected that by January 1, 2009, 2008 and~~ the WSM will be fully operational ~~and continuously supported. on January 1, 2009.~~

Western Interchange Tool

The WIT was implemented in January 2007 and uses existing e-Tag systems and protocols to ensure balanced interchange between BAs. The WIT will eliminate the possibility of BAs controlling to different Net Scheduled Interchange values, resulting in reduced Primary Inadvertent Interchange.

The WIT also provides Interchange Scheduling information to Reliability Centers, allowing them to comply with the new NERC IRO standards.

The OC is responsible for the use and funding of the WIT and the costs of the WIT in this plan and in the WECC budget are allocated to the OC. The cost of this tool in 2008 is \$619,000.

Reliability Centers

~~The first of two~~ Both new WECC Reliability Coordination Centers ~~is~~ are planned to be operational by January 1, 2009. This timeline will dictate Reliability Coordination actions for 2008. ~~New hosting arrangements and staffing for WECC will host and staff the two new Reliability Centers will be finalized in 2008.~~ The training of Reliability Coordinators under the new Reliability Center arrangement will also begin in 2008.

Transition and Retention

The security of the bulk power system during the transition to new centers and tools will require the retention of WECC's highly skilled Reliability Coordinators. In 2008, WECC will devote special attention to the retention of its existing coordinators and the maintenance of its current systems and relationships through its retention and relocation plan.

Readiness Evaluation

The cost of WECC's Readiness Evaluation activities in 2008 is ~~\$511,208,405,313.~~ The decrease in cost is accompanied by a 1.5 FTE realignment. Resources previously assigned to this function have been absorbed by the Compliance Department. Costs and comparison to 2007 are shown in the following table.



Category	2007 Budget	2007 Projection	2008 Budget
Total FTEs	3.5	2	2
Total Direct Funding	\$618,984	\$269,610	\$342,541
Total Indirect Funding	\$715,118	\$289,689	\$168,667 <u>62,772</u>
Total Funding	\$1,334,102	\$559,299	\$511,208 <u>405,313</u>

Background

Readiness Evaluation is a NERC program designed to assess an entity's ability to operate reliably in the future as well as operating contingencies. Readiness Evaluations also generate examples of excellence that are circulated to the industry to improve operations. A team of industry conducts readiness Evaluations on-site. This team reviews documentation and conducts interviews with employees. At the close of the evaluation, the team gives a presentation citing good operating practices and making recommendations for improvement. Any recommendations generated in evaluations are tracked for resolution by the Compliance Monitoring and Operating Practices Subcommittee, a subgroup of the OC.

Readiness Evaluation teams consist of six members: a WECC and a NERC co-lead and four industry volunteers drawn from both inside and outside of the Western Interconnection. In some evaluations, a FERC staff person may participate. Readiness Evaluation programs in WECC are under the direction of an Assistant Director of Operations. As originally conducted in the West, Readiness Evaluations were also part of the CMEP.

Readiness Evaluation Program Objective

WECC participates in Readiness Evaluations to assure that the Western Interconnection stands at the highest degree of readiness. This program enables participants to exchange best practices.

The WECC Readiness Evaluation Staff will work to ensure that the evaluation team understands operating practices and that WECC members are prepared for the evaluations. WECC will conduct 17 Readiness Evaluations in 2008.

Reliability Assessments and Studies

The cost of WECC's Reliability Assessments and Technical Studies in 2008 is ~~\$4,375,796~~ 3,880,437. The decrease in cost for this function is driven primarily by reallocation method of overhead and direct assigning of project costs to particular area. The funding will also support the improvement of the WECC Transmission Expansion Planning Database. Costs and comparison to 2007 are shown in the table below.



Category	2007 Budget	2007 Projection	2008 Budget
Total FTEs	12	11	13
Total Direct Funding	\$2,373,160	\$2,004,706	\$3,279,459
Total Indirect Funding	\$2,451,834	\$1,593,291	\$1,096,337,600,978
Total Funding	\$4,824,994	\$3,597,997	\$4,375,7963,880,437

Background

WECC conducts a variety of studies and assessments required for the reliable planning and operation of the system, including the WECC Power Supply Assessment. This work is overseen by the Director of Technical Services.

The WECC Power Supply Assessment studies the resource capacity margins on a WECC-wide basis. These studies identify sub-regions within WECC that have the potential for electricity supply shortages based on reported demand and resource data and transmission constraints.

The WECC Power Supply Assessment presents the results of a set of resource capacity margin scenarios for the Western Interconnection. This Assessment uses a deterministic load-resource model to examine the effect of various design criteria relative to the load forecast requirements. The studies are done annually and cover a future ten-year period. Different scenarios are defined for each year's assessment. The assessment is based on the physical ability of the Western Interconnection to supply all loads regardless of contractual obligations.

Improvements are made each year to both the energy and capacity assessments. Recent improvements include scenario inputs (for example, extreme weather) and improved modeling and data quality. This work is performed by WECC staff under the direction of the PCC and the Loads and Resources Subcommittee (LRS).

WECC provides energy and capacity information to NERC for seasonal and long-term reliability assessments each year. This allows NERC to complete the assessments required under Section 215 of the Federal Power Act.

Transmission Expansion Planning

The Transmission Expansion Planning Policy Committee (TEPPC) operates under a charter approved by the Board and has 17 members representing all classes of stakeholders with representation from all geographic sub-regions of WECC. This function was initiated in 2007.

WECC has a role in meeting the region's needs for regional transmission planning and analyses. WECC accomplishes this by providing impartial and reliable data, public process



leadership and analytic tools and services. The TEPPC charter directs three primary functions:

- Overseeing transmission database management.
- Providing policy and management of the planning process.
- Guiding the analysis and modeling for Western Interconnection transmission expansion planning.

TEPPC and its subgroups work closely and coordinate with Western state, provincial and federal government entities.

Reliability Assessments and Studies Program Objectives

In 2008, WECC staff, with the assistance of the Technical Advisory Subcommittee (TAS) of TEPPC, will complete an update of the Transmission Expansion Planning Database. This database will include information regarding load, transmission, fuel price, existing generation and planned generation. WECC staff will use this database to simulate Western regional production costs under various loads, gas prices, hydro and other scenarios. The goal is a comprehensive, current and well-validated database that can be readily used to identify where transmission expansion may be needed. The database can be used to evaluate the ability of transmission, generation and demand-side resources to satisfy needs across the Western Interconnection.

TEPPC will perform studies on congestion in the Western Interconnection for members and for the Department of Energy (DOE). This congestion work will allow the DOE to meet its requirements under the EPAct.

Loads and Resources

In 2008, WECC will continue to improve its loads and resources data gathering and analysis. The WECC staff, assisting the LRS, will provide analysis of resource adequacy in the Western Interconnection.

Studies

Each year, under the direction of the Technical Studies Subcommittee (TSS), the WECC Technical Staff compiles a ten-year data bank of power flow base cases and associated stability data. TSS designates the case scenarios, specifying system configurations and operating conditions. These base cases are included in the WECC data bank.

WECC conducts annual Loads and Resources assessments using base cases of near-term and longer-term system performance. WECC staff, following guidance from the TSS, develops a study report covering operating and transfer conditions. WECC staff prepares study results for TSS and PCC approval. Additionally, these studies are used in determining stability limits required in NERC Reliability Standards.



Training

The cost of the WECC operations training in 2008 is ~~\$979,092~~\$859,150. This cost is completely offset by the revenue generated from registration fees. The increase over 2007 comes from the hiring of a trainer and additional support staff. Costs and comparison to 2007 are shown in the following table.

Category	2007 Budget	2007 Projection	2008 Budget
Total FTEs	1.5	2	3
Total Direct Funding	\$552,396	\$429,222	\$726,090
Total Indirect Funding	\$306,479	\$289,690	\$253,002 <u>133,060</u>
Total Funding	\$858,875	\$718,912	\$979,092 <u>859,150</u>

Background

WECC is a provider of continuing education conducting training for operators, schedulers and dispatchers. WECC conducts training classes 24 to 26 weeks per year in Salt Lake City. Curriculum is developed with the assistance of the Operations Training Subcommittee of the OC.

The Training Department currently includes one full-time trainer and one support staff person. In 2008, WECC will hire an additional trainer and will continue to use contractors to accomplish the program.

Training Objective

WECC will continue to provide high-quality continuing education for operators, schedulers and dispatchers. It will review and revise the curriculum as needed, and will provide training on NERC standards and on WECC standards and practices.

Administrative Services

The cost of WECC's Administrative Services activities in 2008 is \$3,385,804. The decrease in cost is largely a result of realignment of WECC staffing and functions. The remaining new FTEs are two Administrative Assistants, and Communications and Information Technology positions. Costs and comparison to 2007 are shown in the following table.



Category	2007 Budget	2007 Projection	2008 Budget
FTEs	5	13	17
Total Funding	\$3,986,503	\$3,899,703	\$3,385,804

Background

WECC's Administrative Staff is responsible for the areas of human resources, communications, information technology and programming, accounting and finance, and executive oversight. Both the Chief Executive Officer and the Chief Operating Officer have their time allocated to this category.

The FAC of the WECC Board works with the Chief Administrator, who is responsible for developing the budget and supporting material.

Human Resources

WECC's Human Resources (HR) activities are carried out by the Director of Human Resources, who reports to the Chief Operating Officer. The labor market for electricity industry professionals is highly competitive. An area WECC's HR will focus on is staffing, recruiting and retention. The HR Department will improve the systems used in administering compensation and benefits to achieve cost efficiencies.

In 2008, the HR department's objective is to handle all human resource issues needed to allow WECC to achieve its goals.

Information Technology

WECC's Information Technology Staff includes a network administrator, a programmer and a webmaster. These positions report to the Chief Operating Officer.

Major improvements in both hardware and software were implemented in 2007.

In 2008, the Information Technology department's objective is to make refinements and improvements to its administrative database and website. Examples of planned improvements are: improved handling of loads and resources data, online workshops, meeting registration, tracking of attendance and voting, and improved and more efficient communications with members.

Legal and Regulatory

As the industry has negotiated the path to mandatory standards in the United States, WECC has worked to ensure that its positions were understood and its rights under the legislation defended. This will continue in 2008.

WECC retains legal counsel for internal and external issues. These attorneys interface with the Chief Executive Officer.



The WECC Board approved a charter for a Regulatory Committee in April 2007. This committee will provide assistance in responding to and corresponding with various regulatory authorities. This committee will be made up of regulatory experts who are volunteered by their employers to provide timely advice to WECC's Chief Executive Officer.

In 2008, WECC expects to amend its Bylaws to reflect the fundamental changes required by the EPAct and FERC orders.

Finance and Accounting

WECC has a full-time accountant on staff and half of the Chief Administrator's time is allocated to finance and accounting. The Chief Administrator supports the FAC.

In accordance with its Delegation Agreement, WECC bills LSEs and/or BAs in the United States for costs approved by FERC as statutory. WECC also bills BAs in Alberta, British Columbia and Baja California Norte for support of NERC and for WECC costs approved by the WECC Board.

In 2008, the objectives of the Finance and Accounting Staff are to openly communicate with WECC members about the costs of projects, to meet all budgeting and reporting deadlines and to refine financial controls.

Board and Committee Activities

The cost of WECC's Board and the Standing Committees in 2008 is \$1,674,211. The reduction in cost, along with the 4.6 FTE reduction in staffing, reflects the reallocation of personnel to the Administrative Services section. Costs and comparison to 2007 are shown in the following table.

Category	2007 Budget	2007 Projection	2008 Budget
FTEs	8.6	3	4
Total Funding	\$2,122,650	\$1,531,972	\$1,674,211

Background

Board of Directors

As noted in the introduction, WECC is governed by a 32-member Board. 25 of the directors represent member classes. 7 directors are not affiliated with any WECC member or potential member. These Non-affiliated Directors are compensated for their time on the Board and on Board Committees.

Six Board Committees are responsible for governance, policy development and administration. They are:



- *Operating Transfer Capability Policy Committee* – provides coordinated standards development and determination of seasonal operating transfer capabilities within the Western Interconnection.
- *Transmission Expansion Planning Policy Committee* – 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.
- *Governance and Nominating Committee* – nominates candidates for the Board and makes recommendations for Bylaws and other governance changes.
- *Human Resources and Compensation Committee* – administers all matters of human resources and compensation for WECC employees.
- *Reliability Policy Issues Committee* – assists the Board in reviewing policy-level reliability issues and develops appropriate recommendations for Board consideration.
- *Finance and Audit Committee* – assists the Board in the discharge of its responsibility to monitor the component parts of the audit process and the integrity of WECC’s financial reporting.

Standing Committees

WECC has three Standing Committees of members:

- *Operating Committee* – The OC advises and makes recommendations to the Board on all matters within the jurisdiction of WECC that apply to maintaining reliability through the operation and security of the interconnected bulk power systems in the Western Interconnection. The OC has nine subcommittees.
- *Planning Coordination Committee* – The PCC recommends criteria for the adequacy of power supply and for elements of system design that affect the reliability of the interconnected bulk power systems. The PCC collects data and studies the operation of the interconnected systems necessary to determine the reliability of the Western regional bulk power system. The PCC evaluates proposed additions or alterations in facilities in relation to established reliability criteria. 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 analysis of the impact of electricity market practices on electric system reliability. The MIC has two subcommittees.

The *Joint Guidance Committee* ensures that the Standing Committees and their respective subcommittees coordinate and communicate regarding electric system reliability and market issues of mutual applicability.



Western Renewable Energy Generation Information System (WREGIS) – A Non-Statutory Activity

The cost of WREGIS in 2008 is \$480,710. This is a reduction from 2007 and reflects the end of costs associated with WREGIS' startup. WREGIS costs fall outside of Section 215 of the Federal Power Act and are funded through user subscriptions to the program. Backstop cost coverage comes from the California Energy Commission. Costs and comparison to 2007 are shown in the following table.

Category	2007 Budget	2007 Projection	2008 Budget
Direct Costs	\$370,473	\$301,809	\$331,266
Indirect Costs	\$153,206	\$209,731	\$149,444
Total Costs	\$523,679	\$511,540	\$480,710

Background

State and provincial governments in the Western Interconnection are developing renewable portfolio standards. WREGIS has been created to track the ownership of Renewable Energy Certificates (RECs).

WECC is the institutional home of WREGIS and the WREGIS Administrator reports to the WECC Chief Executive Officer. WREGIS is governed by a seven-member committee composed of industry representatives, state and provincial government representatives, and an appointee of the WECC Board.

WREGIS will become operational in July 2007.



Acronyms Used in this Business Plan

AESO – Alberta Electric System Operator
BA – Balancing Authority
BCTC – British Columbia Transmission Corporation
CAG – Compliance Advisory Group
CFE – Comisión Federal de Electricidad
CHB – Compliance Hearing Body
CMEP – Compliance Monitoring and Enforcement Program
DOE – U.S. Department of Energy
EPAct – Energy Policy Act of 2005
ERO – Electric Reliability Organization
FAC – Finance and Audit Committee
FERC – Federal Energy Regulatory Commission
FTE – Full-time Equivalent
HR – Human Resources
ISAS – Interchange Scheduling and Accounting Subcommittee
LRS – Loads and Resources Subcommittee
LSE – Load Serving Entity
MIC – Market Interface Committee
MIS – Market Issues Subcommittee
NAESB – North American Energy Standards Board
NEL – Net Energy for Load
NERC – North American Electric Reliability Corporation
OC – Operating Committee
PCC – Planning Coordination Committee
REC – Renewable Energy Certificate
RMS – Reliability Management System
RRS – Regional Reliability Standard
SIS – Seams Issues Subcommittee
TAS – Technical Advisory Subcommittee
TEPPC – Transmission Expansion Planning Policy Subcommittee
TSS – Technical Studies Subcommittee
WECC – Western Electricity Coordinating Council
WIT – Western Interchange Tool
WREGIS – Western Renewable Energy Generation Information System
WSCC – Western Systems Coordinating Council
WSM – West-wide System Model



Section B – 2008 Budget

Personnel Analysis

Table 1 shows staffing by program area for the 2007 and 2008 budgets. These staffing numbers include only actual WECC employees. Reliability Coordinators who are not employees of WECC are not included.

Table 1: Staffing by Program Area

Table 1

Total FTEs by Program Area	Budget 2007	Budget 2008	Change
Operational Programs			
Reliability Standards	2.3	4	1.7
Compliance Monitoring and Enforcement	6.6	16	9.4
Hearings	0	4	4
Situational Awareness	4	1849	1445
Readiness Evaluation	3.5	2	-1.5
Reliability Assessments and Studies	12	13	1
Training	1.5	3	1.5
Board and Committees	8.6	4	-4.6
Administrative Programs			
Administrative Services	1	12	11.5
Communications and IT	2	3	1
Human Resources	1	1	0
Legal and Regulatory	0	0	0
Accounting	1	1	0
Other Program			
WREGIS	3	3	0



Section B – 2008 Budget

2007 Budget & Projection and 2008 Amended Budget Comparisons

Table 2

Statement of Activities					
2007 Budget & Projection, and 2008 <u>Amended</u> Budget					
	2007 Budget	2007 Projection	Variance	2008 <u>Amended</u> Budget	Variance
Funding					
ERO Funding	\$16,943,168	\$16,943,168	\$ --	\$26,596,512	\$9,653,344
Membership Dues	\$ --	\$ --	\$ --	\$ --	\$ --
Testing Fees	\$ --	\$ --	\$ --	\$ --	\$ --
Services & Software	\$528,801	\$555,111	\$26,310	\$726,090	\$170,979
Interest	\$352,000	\$491,060	\$139,060	\$609,400	\$118,340
Miscellaneous	\$8,400	\$9,661	\$1,261	\$8,400	(\$1,261)
<u>Loan Financing</u>				<u>\$5,852,414</u>	
Total Funding	\$17,832,369	\$17,999,000	\$166,631	<u>\$27,940,402</u> <u>92,816</u>	\$9,941,402
Expenses					
Personnel Expenses					
Salaries	\$3,906,396	\$4,708,063	\$801,667	<u>\$6,846,033</u> <u>5,827</u>	<u>\$2,137,970</u> <u>017,764</u>
Payroll Taxes	\$303,187	\$438,367	\$135,180	<u>\$412,679</u> <u>776,154</u>	<u>(\$25,688)</u> <u>337,787</u>
Benefits	\$1,032,704	\$926,902	(\$105,802)	<u>\$1,790,013</u> <u>497</u>	<u>\$863,111</u> <u>1,768,595</u>
Retirement Costs	\$381,491	\$365,788	(\$15,703)	<u>\$388,938</u> <u>416,743</u>	<u>\$23,150</u> <u>50,955</u>
Total Personnel Expenses	\$5,623,778	\$6,439,120	\$815,342	<u>\$9,437,663</u> <u>4,221</u>	<u>\$2,998,543</u> <u>817,101</u>



	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Meeting Expenses					
Meetings	\$613,543	\$585,187	(\$28,356)	\$738,597	\$153,410
Travel	\$717,458	\$641,022	(\$76,436)	\$930,982	\$289,960
Conference Calls	\$13,727	\$161,382	\$147,655	\$116,497	(\$44,885)
Total Meeting Expenses	\$1,344,728	\$1,387,591	\$42,863	\$1,786,076	\$398,485
Operating Expenses					
Consultants	\$545,954	\$998,288	\$452,334	<u>\$1,246,500</u> <u>1,259,719</u>	<u>\$248,212</u> <u>261,431</u>
Contracts	\$6,389,007	\$6,254,318	(\$134,689)	<u>\$8,605,817</u> <u>1,138,407</u>	<u>\$2,351,499</u> <u>88,409</u>
Office Rent	\$253,702	\$279,683	\$25,981	<u>\$498,271</u> <u>753,871</u>	<u>188</u>
Office Costs	\$912,669	\$1,046,218	\$133,549	<u>\$1,549,808</u> <u>1,697,228</u>	<u>\$503,590</u> <u>651,010</u>
Professional Services	\$1,199,372	\$1,370,697	\$171,325	<u>\$1,650,221</u> <u>1,653,821</u>	<u>\$279,524</u> <u>283,124</u>
Computer Purchase & Maintenance	\$1,524,180	\$1,519,988	(\$4,192)	<u>\$2,045,104</u> <u>3,768,532</u>	<u>\$525,116</u> <u>2,24,854</u>
Furniture & Equipment	\$0	\$28,000	\$28,000	\$0	(\$28,000)
Total Operating Expenses	\$10,824,884	\$11,497,192	\$672,308	<u>\$15,595,721</u> <u>16,271,578</u>	<u>\$4,098,529</u> <u>4,774,386</u>
Total Expenses	\$17,793,390	\$19,323,903	\$1,530,513	<u>\$26,819,460</u> <u>32,671,874</u>	<u>\$7,495,557</u> <u>13,347,971</u>
Change in Assets	\$38,979	(\$1,324,903)	(\$1,363,882)	\$1,120,942	\$2,445,845



Table 3: 2008 WECC Staff Organization

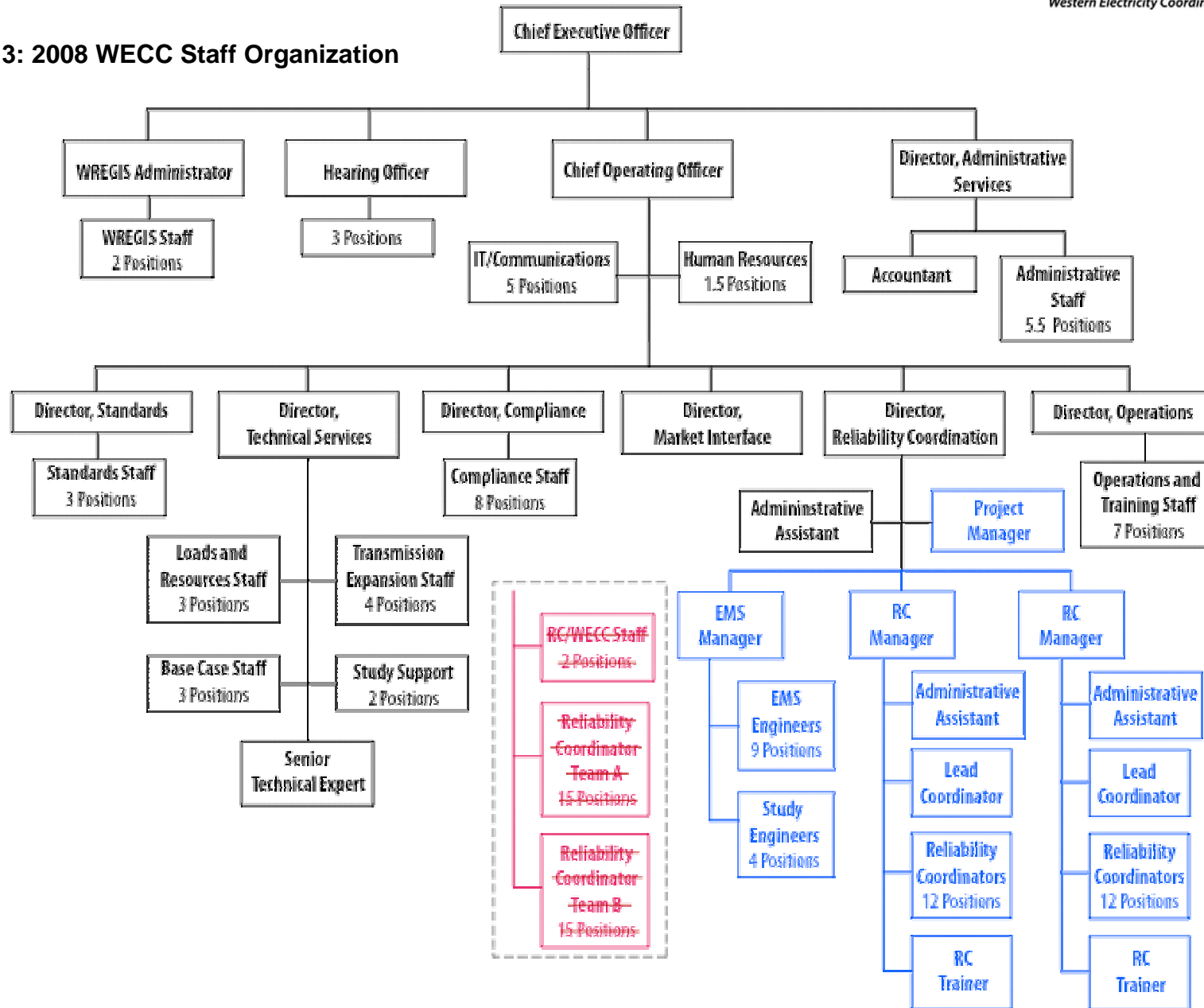




Table 4: 2008 WECC Organization Chart





WECC Statement of Activities 2008 Budget	Total	Total	Statutory Total	Statutory Total	Non-Statutory Total	Statutory Total	Statutory Total	Reliability Standards	Compliance & Organization Registration & Certification	Compliance & Organization Registration & Certification	Reliability Readiness Audit and Improvement	Reliability Assessment & Performance Analysis	Training & Education	Situational Awareness & Infrastructure Security	Situational Awareness & Infrastructure Security	Committee & Member Forums	General & Admin	Legal and Regulatory	Information & Technology	Human Resources	Accounting & Finance	Non-Statutory Total	WREGIS	
									810	820	700	740	831	780	780	500	400	610	350	410	450			950
Funding																								
ERO Funding	26,596,512	26,596,512	26,596,512	26,596,512	-	26,596,512	26,596,512	687,812	5,698,057	4,568,116	342,541	3,279,459	0	12,155,428	12,155,428	1,674,211	2,757,030	381,000	406,067	201,571	143,277	0	0	
Membership Dues	480,710	480,710	-	-	480,710	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	480,710	480,710
Testing Fees	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Services & Software	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Workshops	726,090	726,090	726,090	726,090	-	726,090	726,090	0	0	0	0	0	726,090	0	0	0	0	0	0	0	0	0	0	0
Interest	609,400	609,400	609,400	609,400	-	609,400	609,400	0	0	0	0	0	0	0	0	0	609,400	0	0	0	0	0	0	0
Miscellaneous	8,400	8,400	8,400	8,400	-	8,400	8,400	0	0	0	0	0	0	0	0	0	8,400	0	0	0	0	0	0	0
Loan -Financing	5,852,414	-	5,852,414	-	-	5,852,414	-	-	-	-	-	-	-	5,852,414	-	-	-	-	-	-	-	-	-	-
Total Funding	34,273,526	28,421,112	33,792,816	27,940,402	480,710	33,792,816	27,940,402	687,812	5,698,057	4,568,116	342,541	3,279,459	726,090	18,007,842	12,155,428	1,674,211	3,374,830	381,000	406,067	201,571	143,277	480,710	480,710	
Average Salary	95,181	84,119	95,766	84,519	73,312	95,766	84,519	99,290	96,371	96,371	77,961	77,813	76,141	105,472	71,575	112,193	85,233		58,296	124,510	66,216	73,312	73,312	
FTE's	115.0	84.0	112.0	84.0	3.0	112.0	84.0	4.0	20.0	20.0	2.0	13.0	3.0	49.0	48.0	4.0	12.0	0.0	3.0	1.0	1.0	3.0	3.0	
Expenses																								
Personnel Expenses																								
Salaries	10,945,763	7,065,969	10,725,827	6,846,033	219,936	10,725,827	6,846,033	397,160	1,927,416	1,927,416	155,922	1,011,574	228,423	5,168,145	1,288,351	448,773	1,022,801	0	174,888	124,510	66,216	219,936	219,936	
Payroll Taxes	796,346	432,871	776,154	412,679	20,192	776,154	412,679	26,796	133,980	133,980	14,745	87,087	21,853	484,057	120,582	29,496	(58,731)	0	22,123	7,374	7,374	20,192	20,192	
Benefits	2,824,815	1,919,331	2,695,497	1,790,013	129,318	2,695,497	1,790,013	68,667	318,554	318,554	45,781	297,552	53,942	1,453,221	547,737	91,556	251,777	0	68,667	22,890	22,890	129,318	129,318	
Retirement Costs	416,743	388,938	416,743	388,938	-	416,743	388,938	20,837	90,293	90,293	13,891	90,293	20,837	41,697	13,892	27,778	76,388	0	20,837	6,946	6,946	0	0	
Total Personnel Expenses	14,983,667	9,807,109	14,614,221	9,437,663	369,446	14,614,221	9,437,663	513,460	2,470,243	2,470,243	230,339	1,486,506	325,055	7,147,119	1,970,562	597,603	1,292,235	0	286,515	161,720	103,426	369,446	369,446	
Meeting Expenses																								
Meetings	739,797	739,797	738,597	738,597	1,200	738,597	738,597	32,826	121,447	121,447	18,684	121,447	263,546	28,026	28,026	37,368	68,543	0	28,026	9,342	9,342	1,200	1,200	
Travel	950,986	950,986	930,982	930,982	20,004	930,982	930,982	34,211	252,244	252,244	22,807	148,246	51,611	193,791	193,791	45,614	125,439	0	34,211	11,404	11,404	20,004	20,004	
Conference Calls	116,497	116,497	116,497	116,497	-	116,497	116,497	868	103,763	103,763	579	3,763	868	868	868	1,158	3,184	0	868	289	289	0	0	
Total Meeting Expenses	1,807,280	1,807,280	1,786,076	1,786,076	21,204	1,786,076	1,786,076	67,905	477,454	477,454	42,070	273,456	316,025	222,685	222,685	84,140	197,166	0	63,105	21,035	21,035	21,204	21,204	
Operating Expenses																								
Contracts & Consultants	8,437,990	9,892,181	8,398,126	9,852,317	39,864	8,398,126	9,852,317	0	946,000	946,000	32,500	842,568	26,800	5,763,257	7,217,449	247,000	540,000	0	0	0	0	39,864	39,864	
Office Rent	753,871	498,271	753,871	498,271	-	753,871	498,271	18,508	226,825	226,825	12,338	80,200	18,508	274,108	48,508	24,677	67,861	0	18,508	6,169	6,169	0	0	
Office Costs	1,715,184	1,567,764	1,697,228	1,549,808	17,956	1,697,228	1,549,808	11,937	76,736	76,736	7,960	474,053	16,595	375,645	228,225	653,120	61,285	0	11,937	3,980	3,980	17,956	17,956	
Professional Services	1,683,585	1,679,985	1,653,821	1,650,221	29,764	1,653,821	1,650,221	73,107	340,314	340,314	15,404	100,132	23,107	566,707	563,107	30,811	84,728	381,000	23,107	7,702	7,702	29,764	29,764	
Computer Purchase & Maint.	3,771,008	2,047,580	3,768,532	2,045,104	2,476	3,768,532	2,045,104	2,895	30,544	30,544	1,930	22,544	0	3,658,320	1,934,892	36,860	10,614	0	2,895	965	965	2,476	2,476	
Services	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Furniture & Equipment	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Operating Expenses	16,361,638	15,685,781	16,271,578	15,595,721	90,060	16,271,578	15,595,721	106,447	1,620,419	1,620,419	70,132	1,519,497	85,010	10,638,037	9,962,181	992,468	764,488	381,000	56,447	18,816	18,816	90,060	90,060	
Total Direct Costs	33,152,584	27,300,171	32,671,874	26,819,461	480,710	32,671,874	26,819,461	687,812	4,568,116	4,568,116	342,541	3,279,459	726,090	18,007,842	12,155,428	1,674,211	2,253,889	381,000	406,067	201,571	143,277	480,710	480,710	
Total Indirect Costs	5,060,015	5,060,015	5,060,015	5,060,015	-	5,060,015	5,060,015	126,045	837,131	837,131	62,772	600,978	133,060	3,300,030	1,518,004	-	-	-	-	-	-	-	-	-
Total Costs	33,152,584	27,300,171	32,671,874	26,819,461	480,710	32,671,874	26,819,461	813,857	5,405,247	5,405,247	405,313	3,880,437	859,150	21,307,871	13,673,432	-	-	-	-	-	-	480,710	480,710	
Change in Assets	1,120,942	1,120,941	1,120,942	1,120,941	-	1,120,942	-	0	1,120,941	0	0	0	0	0	0	0	1,120,941	(0)	0	0	0	0	0	0
FTE's	115.0	84.0	112.0	84.0	3.0	112.0	84.0	4.0	20.0	20.0	2.0	13.0	3.0	49.0	48.0	4.0	12.0	0.0	3.0	1.0	1.0	3.0	3.0	

COMPARISON OF APPROVED AND AMENDED 2008 BUDGETS

Category	Approved Budget	Amended Budget	Variance
Funding			
ERO Funding	\$26,596,512	\$26,596,512	\$0
Services & Software	\$726,090	\$726,090	\$0
Interest	\$609,400	\$609,400	\$0
Miscellaneous	\$8,400	\$8,400	\$0
Loan Financing		\$5,852,414	\$5,852,414
Total Funding	\$27,940,402	\$33,792,816	\$5,852,414
Personnel Expenses			
Salaries	\$6,846,033	\$10,725,827	\$3,879,794
Payroll Taxes	\$412,679	\$776,154	\$363,475
Benefits	\$1,790,013	\$2,695,497	\$905,484
Retirement Costs	\$388,938	\$416,743	\$27,805
Total Personnel Expenses	\$9,437,663	\$14,614,221	\$5,176,558
Meeting Expenses			
Meetings	\$738,597	\$738,597	\$0
Travel	\$930,982	\$930,982	\$0
Conference Calls	\$116,497	\$116,497	\$0
Total Meeting Expenses	\$1,786,076	\$1,786,076	\$0
Operating Expenses			
Consultants	\$1,246,500	\$1,259,719	\$13,219
Contracts	\$8,605,817	\$7,138,407	(\$1,467,410)
Office Rent	\$498,271	\$753,871	\$255,600
Office Costs	1549808	\$1,697,228	\$147,420
Professional Services	1650221	\$1,653,821	\$3,600
Computer Purchase & Maintenance	\$2,045,104	\$3,768,532	\$1,723,428
Furniture & Equipment	\$0	\$0	\$0
Total Operating Expenses	\$15,595,721	\$16,271,578	\$675,857
Total Expenses	\$26,819,460	\$32,671,874	\$5,852,414

RC Strategy Cost Comparison - Summary

In Thousands \$			
Description	2008	2009	Total 2008-2012
Approved 2008 Budget	\$12,155	\$16,571	\$64,700
WECC Hosting Option	\$18,008	\$13,975	\$62,227
Third Party WSM Host Option	\$20,694	\$16,051	\$73,525

RC STRATEGY COST COMPARISON - DETAIL

Comparison of Alternatives	2008	2009	2010	2011	2012	Total
Approved 2008 Budget	\$12,155,428	\$16,571,332	\$11,847,996	\$11,987,996	\$12,137,996	\$64,700,748
Amended 2008 Budget (WECC Hosting Option)	\$18,007,842	\$13,974,692	\$10,081,356	\$10,081,356	\$10,081,356	\$62,226,602
Third Party WSM Host Option	\$20,694,282	\$16,051,492	\$12,290,156	\$12,193,156	\$12,296,156	\$73,525,242

Comparison of Assessments Under Approved and Amended Budgets

Amended 2008 Budget	\$18,007,842	\$13,974,692	\$10,081,356	\$10,081,356	\$10,081,356	\$62,226,602
Line of Credit	\$5,852,414					
Principal Repayment		\$2,926,207	\$2,926,207			
Estimated Interest Repayment		\$329,857	\$132,338			
Total Loan Repayment		\$3,256,064	\$3,058,545			
Revised Assessment	\$12,155,428	\$17,230,756	\$13,139,901	\$10,081,356	\$10,081,356	\$62,688,796
Current Assessment per Year (2008 only)	\$12,155,428					
Change from current assessment	\$0	\$659,424	\$1,291,905	-\$1,906,640	-\$2,056,640	-\$2,011,952

KWH Impact	Total	2009	2010
Cost to USA Customers: 84.66% of Loan Principal	\$4,954,654	\$2,477,327	\$2,477,327
Cost to USA Customers: 84.66% of Loan Interest	\$391,294	\$279,257	\$112,037
Cost to USA Customers: 84.66% of Loan Principal & Interest	\$5,345,947	\$2,756,584	\$2,589,364
Cents/ KWH for 84.66% of 941,000 GWH for USA Custs		0.00029	0.00028
Cents per year for average customer (13,000 KWH/yr)		3.81	3.58
Cents per year for California (6,818 KWH / year)		2.00	1.88

Loan repayment amounts are based on the following assumptions:

1. Draw \$5,852,414 million in four installments starting September 1, 2008.
2. Repay one-half of principal on February 1, 2009 and remaining balance of principal on February 1, 2010.
3. Interest estimated at 6.75% paid monthly.
4. 2008 interest (\$130,363, reflecting assumption that entire balance withdrawn on September 1, 2008) funded from operating efficiencies or WECC's existing reserves.

EXHIBIT 2

Item 14 – Amended WECC 2008 Business Plan and Budget (as approved by the NERC Board of Trustees Feb. 12, 2008)

WHEREAS, on August 1, 2007, the Board of Trustees of the North American Electric Reliability Corporation (hereinafter “NERC”) approved the proposed 2008 Business Plan and Budget (hereinafter the “2008 BP&B”) of the Western Electricity Coordinating Council (hereinafter “WECC”) and directed management of NERC to file the 2008 BP&B of WECC with the Federal Energy Regulatory Commission (hereinafter the “Commission”); and

WHEREAS, on August 24, 2007, NERC filed the 2008 BP&B of WECC with the Commission for acceptance and requested approval by the Commission of the proposed 2008 assessments to load-serving entities (hereinafter, “LSEs”) in the WECC region that would result from acceptance of the 2008 BP&B of WECC; and

WHEREAS, on October 18, 2007, the Commission issued an Order in Docket No. RM06-16-000 accepting the 2008 BP&B of WECC and approving the proposed 2008 WECC assessments, but directing that NERC make a compliance filing to address certain corrections and clarifications in the 2008 BP&B of WECC; and

WHEREAS, on December 14, 2007, NERC made a compliance filing with the Commission in response to the directives in the Commission’s October 18, 2007 Order, which included a corrected 2008 BP&B of WECC; and

WHEREAS, on January 10, 2008, WECC submitted to NERC a proposed amendment (hereinafter the “2008 WECC Amendment”) to the 2008 BP&B of WECC, with supporting materials and explanation (hereinafter, the “WECC Request”), and requested that NERC approve the 2008 Amendment and certain related proposals and thereafter file the 2008 Amendment and the related proposals with the Commission for approval; and

WHEREAS, the 2008 WECC Amendment and related proposals would provide for, among other things (i) acceleration of the schedule for consolidation and operation of the WECC Reliability Centers and the WECC Westwide System Model (hereinafter “WSM”) at two locations in Vancouver, Washington, and Loveland, Colorado, to be hosted by WECC rather than by balancing authorities or other third parties, such that both Reliability Centers and the WSM are operational by January 1, 2009, (ii) an increase in WECC budgeted directed expenditures for 2008 of \$5,852,414 (of which the U.S. portion would be \$4,954,654) in the Situational Awareness/Reliability Coordination function over the amounts specified in the 2008 BP&B, and an associated reallocation of WECC budgeted indirect expenditures for 2008 among the WECC programs (with no overall increase in budgeted indirect expenditures), (iii) hiring of an additional 31 full-time equivalent (hereinafter “FTE”) WECC employees in the Situational Awareness/Reliability Coordination function over the number of WECC FTE employees provided for in the 2008 BP&B, (iv) no increase in the WECC assessments to LSEs in the WECC region for 2008 over the assessments approved in the Commission’s October 18, 2007 Order, (v) funding of the proposed increase in WECC budgeted 2008 expenditures through a line of credit with a commercial lender on terms and conditions described in the WECC Request, and (vi) inclusion of amounts expended in 2009 and 2010 for repayment of, and interest payments on, loan amounts drawn under the line of credit agreement, in the WECC assessments to LSEs in the WECC region during 2009 and 2010, in amounts currently estimated to be \$3,256,064 (U.S. portion \$2,756,584) in 2009 and \$3,058,545 (U.S. portion \$2,589,364) in 2010; and

WHEREAS, the Board has reviewed the WECC Request, and has received reports and recommendations on the WECC Request from the Western Interconnection Regional Advisory Board (“WIRAB”), from the management of NERC and from the Finance and Audit Committee of the Board, with WIRAB, management and the Finance and Audit Committee recommending the Board approve the 2008 WECC Amendment and the related proposals; and

WHEREAS, based on the aforementioned review, reports and recommendations, the Board has concluded that the 2008 WECC Amendment and the related proposals are reasonable, appropriate and justified on grounds of improvements to reliability in the Western Interconnection, increased independence of the reliability coordination function in the Western Interconnection, and long-term cost effectiveness,

RESOLVED,

- (1) that the NERC Board of Trustees:
 - (a) approves the 2008 WECC Amendment, which includes an increase in budgeted 2008 WECC expenditures of \$5,852,414 (U.S. portion \$4,954,654) in the WECC Situational Awareness/Reliability Coordination function and the hiring of an additional 31 FTE WECC employees in the WECC Situational Awareness/Reliability Coordination function in 2008, with the increased direct expenditures to be funded in 2008 through a line of credit agreement to be entered into between WECC and a commercial lender, and
 - (b) approves the inclusion in WECC’s assessments to LSEs in the WECC Region, for 2009 and 2010, the amounts for repayment of, and interest payments on, loan amounts drawn under the line of credit agreement during 2009 and 2010, in amounts currently estimated to be \$3,256,064 (U.S. portion \$2,756,584) in 2009 and \$3,058,545 (U.S. portion \$2,589,364) in 2010.
- (2) that management is directed to make an appropriate filing with the Commission requesting acceptance of the 2008 Amendment and approval for WECC to include in its assessments to LSEs in the WECC Region, for 2009 and 2010, the U.S. portions of the amounts for repayment of, and interest payments on, loan amounts drawn under the line of credit agreement during 2009 and 2010, in amounts currently estimated to be \$2,756,584 in 2009 and \$2,589,364 in 2010.