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## **I. INTRODUCTION**

The North American Electric Reliability Corporation (“NERC”) respectfully submits this filing in compliance with the Commission’s order issued October 18, 2007 in this docket.<sup>1</sup> The 2008 ERO Budget Order conditionally accepted the 2008 business plans and budgets of NERC, as the Electric Reliability Organization (“ERO”), and the eight Regional Entities.<sup>2</sup> The 2008 ERO Budget Order also specified certain compliance items to be filed by NERC by December 14, 2007<sup>3</sup>; certain compliance items to be filed by NERC by April 1, 2008<sup>4</sup>; and certain information to be included in the 2009 ERO and Regional Entity business plan and budget filing and in the business plan and budget filings for subsequent years where applicable.<sup>5</sup>

This filing addresses compliance items the Commission directed should be filed by April 1, 2008. Specifically, NERC and the Regional Entities were directed to provide the following information by April 1, 2008:

A compliance filing “detailing (1) the functional categories to be used by the Regional Entities for segregating non-statutory income, revenue and expenses and (2) instructions

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<sup>1</sup> *North American Electric Reliability Corporation, Order Conditionally Accepting 2008 Business Plan and Budget if the North American Electric Reliability Corporation and Ordering Compliance Filings*, 121 FERC ¶ 61,057 (2007) (“2008 ERO Budget Order”).

<sup>2</sup> The eight Regional Entities are the Florida Reliability Coordinating Council (“FRCC”), Midwest Reliability Organization (“MRO”), Northeast Power Coordinating Council, Inc. (“NPCC”), ReliabilityFirst Corporation (“ReliabilityFirst”), SERC Reliability Corporation (“SERC”), Southwest Power Pool, Inc. (“SPP”), Texas Regional Entity, a Division of Electric Reliability Council of Texas (“ERCOT”) (“Texas RE”), and Western Electricity Coordinating Council (“WECC”).

<sup>3</sup> 2008 ERC Budget Order at PP 64, 65, 67, 68, 69 and 70. NERC responded to these items in its *Compliance Filing of the North American Electric Reliability Corporation in Response to October 18, 2007 Order*, filed on December 14, 2007 in Docket No. RR07-16-001 (“December 2007 Budget Compliance Filing”).

<sup>4</sup> 2008 ERC Budget Order at PP 23, 64 (certain Attachment B items), 66, 80 and 82.

<sup>5</sup> 2008 ERO Budget Order at PP 32, 34 and 35.

detailing policies and procedures describing and providing guidance on the recording and summarizing of financial data and transactions, including an explanation of the interrelationship of the functional categories to its account listing, as discussed in the body of this order.”<sup>6</sup>

A compliance filing to revise NERC’s records retention policy.<sup>7</sup>

A compliance filing containing a true-up of actual 2007 costs incurred by NERC and each Regional Entity to their respective 2007 budgets.<sup>8</sup>

The extent to which funding identified as statutory has been used by NERC or Regional Entities to fund non-statutory activities, with documentation that such funds have been or will be reimbursed.<sup>9</sup>

In addition, the 2008 ERO Budget Order directed NERC to provide the 2008 non-statutory costs for SPP and Texas RE.<sup>10</sup> However, this information was available and provided in the December 2007 Budget Compliance Filing.<sup>11</sup>

To avoid multiple filings, NERC and the Regional Entities are providing the four compliance items listed above in this filing. In Section III.A below, NERC provides information on the functional categories it has established for the Regional Entities to use in segregating non-statutory income, revenue and expenses from statutory income, revenue and expenses, and related instructions, policies and procedures that have been established by Regional Entities concerning the recording and summarizing of financial data and transactions by the Regional Entities. **Attachment 1** contains the current NERC System of Accounts.

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<sup>6</sup> 2008 ERO Budget Order, ordering paragraph (E). The related discussion was in PP 78-80.

<sup>7</sup> 2008 ERO Budget Order, ordering paragraph (F). The related discussion was in PP 81-82.

<sup>8</sup> 2008 ERO Budget Order, ordering paragraph (G). The related discussion was in P 23.

<sup>9</sup> 2008 ERO Budget Order at 66.

<sup>10</sup> 2008 ERO Budget Order, Attachment B

<sup>11</sup> See Attachment 6 (SPP) and Attachment 7 (Texas RE) to the December 2007 Budget Compliance Filing.

In Section III.B, NERC describes its revised records retention policy, which is provided (along with a copy of the superseded policy) in **Attachment 2**, and reports on adoption of the records retention policy by the Regional Entities.

In Section III.C, NERC describes the preparation of the reconciliations between the 2007 budgets and actual 2007 results for NERC and each of the eight Regional Entities. The 2007 budget versus actual cost reconciliation for NERC is provided in **Attachment 3**. The 2007 budget versus actual cost reconciliations for each of the eight Regional Entities are provided in **Attachments 4 through 11**.

Finally, Section III.D identifies the extent to which statutory funds were used for non-statutory activities by certain Regional Entities during 2007, and, where such use of statutory funds has been identified, describes the steps that have been taken by the Regional Entity to reimburse the statutory funds to the appropriate function.

## **II. NOTICES AND COMMUNICATIONS**

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

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### **III. RESPONSES TO 2008 ERO BUDGET ORDER – APRIL 1, 2008 ITEMS**

#### **A. Functional Categories to be Used by Regional Entities for Segregating Non-Statutory Income, Revenue and Expenses and Related Instructions, Policies and Procedures**

The 2008 ERO Budget Order specified as follows in PP 78-80:

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

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

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

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

NERC believes the key to accurate recording of incurred costs as "statutory" and "non-statutory" and to accurately charging costs to the correct program (function) and activity is the

use of the NERC System of Accounts. NERC submitted its then-current System of Accounts in Attachment 6 to its August 24, 2007, 2008 ERO Budget Filing.<sup>12</sup> The NERC System of Accounts has continued to undergo revisions since that time. **Attachment 1** contains the current version of the NERC System of Accounts. A redline is also included against the version submitted as Attachment 6 to the 2008 ERO Budget Filing. As described below and as discussed in greater detail by several of the Regional Entities in their respective individual Attachments to this filing, the Regional Entities have also generally adopted the NERC System of Accounts for recording and reporting costs, with some necessary Regional Entity-specific exceptions and modifications to the System of Accounts.

The NERC System of Accounts provides a set of Functional Categories in which all income and expenses are to be recorded, corresponding to the NERC function or program categories. The Functional Categories, corresponding to the NERC statutory functions, are Reliability Standard Development (0300), Compliance Enforcement (0400), Organization Registration and Certification (0500), Personnel Certification (0600), Reliability Readiness and Improvement (0700), Reliability Assessment and Performance Analysis (0800), Training and Education (0900), and Situational Awareness and Infrastructure Security (1000). Each Functional Category includes a description of the activities for which income and expenses are to be recorded in that category. Functional Categories are also provided for the indirect cost categories of Members Forum (1100), General and Administrative (2000), Executive (2100), Legal and Regulatory (2200), Information Technology (2300), Human Resources (2400), and Accounting and Finance (2500). Additionally, the NERC System of Accounts provides for

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<sup>12</sup> *Request of the North American Electric Reliability Corporation for Acceptance of its 2008 Business Plan and Budget and the 2008 Business Plans and Budgets of Regional Entities and for Approval of Proposed Assessments to Fund Budgets*, Docket RR07-16-000, filed August 24, 2007 (“2008 ERO Budget Filing”).



Regional Entities to add additional Functional Categories relating to their non-statutory functions, as needed.

The NERC System of Accounts also provides a detailed series of Asset Accounts (11000 Series through 18000 Series), Liability Accounts (21000 Series through 25000 Series), Net Asset Accounts (30000 Series), Fund Balance (Income) Accounts (41000 Series through 49000 Series), and Expense Accounts (51000 Series through 99000 Series). Each account provides a brief description of the asset, liability, income or expense items to be recorded in the particular account or series of accounts. For example, the Fund Balance (Income) Accounts consist of separate series of accounts for recording income from ERO Funding (separate accounts for Assessments and Penalty Sanctions), Membership Dues, Testing Fees (several separate accounts are provided), Services & Software (several separate accounts are provided), Workshops, Interest Income and Miscellaneous Income. The Expense Accounts consist of separate series of accounts for Salary Costs, Payroll Taxes, Employee Benefits (separate accounts are provided for various types of Employee Benefits), Savings Plans (*i.e.*, Pension Contributions, Employee Savings Plan (*e.g.*, 401(k) plans), Administration costs and Deferred Compensation), Meeting Expenses, Travel Expenses, Communications (Conference Calls and Online Meetings), Contracts & Consultants (separate accounts are provided for different types of contracts), Office Rent, Office Costs (separate accounts are provided for Telephone, Internet Expense, Office Supplies, Computer Supplies & Maintenance, Postage, Express Shipping, Copying, Stationary and Office Forms, and other forms of Office Costs), Professional Services (separate accounts are provided for different categories of Professional Services), Capital Expenditures (separate accounts are provided for Furniture, Equipment and Computers), Depreciation Expense and Miscellaneous Expense.

From a financial accounting and reporting perspective, the NERC System of Accounts provides a sufficiently detailed set of Functional Categories and Accounts to result in proper recording of income and expenses by function/activity and type. For example, each item of expense received or incurred by NERC or a Regional Entity (e.g., invoices received for services and products, disbursements for salaries, payroll tax payments and medical benefits, and so forth) must be coded by Functional Category and Expense Account and then recorded accordingly in the entity's general ledger. In addition, proper charging of Personnel Expenses (including Salaries, Payroll Taxes, Employee Benefits and Savings and Retirement Expenses) incurred by employees whose activities involve more than one Functional Category is typically supported by a daily or other periodic time reporting system in which the employee is required to report the number of hours or percentage of his/her time spent during the reporting period on activities in each Functional Category. All of the operations described in this paragraph are standard financial accounting and reporting procedures.

In addition to employing the NERC System of Accounts (with modifications to support Regional Entity-specific requirements where appropriate), several Regional Entities have adopted additional account details and/or more detailed instructions and procedures for recording costs.<sup>13</sup>

- **Attachment 4** (FRCC) includes the FRCC Accounting Policy Manual. As shown therein, FRCC has adopted several Functional Categories for Non-Statutory Functional Departments, and has adopted Expense Accounts for recording Non-

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<sup>13</sup> NERC notes that two Regional Entities, ReliabilityFirst and SERC, had no non-statutory activities in 2007 and none planned or budgeted for 2008. Therefore, these two Regional Entities do not have the need for instructions and guidelines for properly recording statutory and non-statutory costs as do other Regional Entities that in fact engage in non-statutory activities and have non-statutory expenses and sources of income.

Statutory expenses that mirror the Expense Accounts in the NERC System of Accounts. Under the FRCC procedures, FRCC staff are required to submit daily records accounting for their time by statutory versus non-statutory activities and by functional area. These records are used both to charge Personnel Expenses to the functional areas and to allocate indirect costs to the direct program areas on the basis of direct FTE time charged to each statutory and non-statutory program.

- **Attachment 5** (MRO) includes the MRO Time & Expense Guidelines, which contain internal instructions for properly recording income and expense items (including employee time), and provide more detailed descriptions of the Functional Categories. Like FRCC, MRO has created Non-Statutory Department Codes (Functional Categories). Additionally, the MRO Time & Expense Guidelines provide detailed account numbers for expenses incurred within each Department (Functional Category).
- **Attachment 6** (NPCC) includes the NPCC Expenditure Classification Methodology for the NPCC Regional Entity and Criteria Services Divisions. The Regional Entity (Statutory) Division Program Codes conform to the Functional Categories in the NERC System of Accounts, and NPCC has established additional, Non-Statutory Program Codes to record time and expenses of the Criteria Services Division.
- **Attachment 9** (SPP) describes the SPP account codes. SPP has established a system of account codes that enables it to record, track and report costs in both Generally Accepted Accounting Principles and FERC System of Accounts

formats. The SPP system of account codes also ties to the specific SPP department or organization group with responsibility for the cost item.

- **Attachment 10** (Texas RE) includes the Texas Regional Entity Time & Expense Guidelines. As stated therein, Texas RE currently uses the ERCOT approved chart of accounts. However, Texas RE has adopted a financial accounting system modeled on NERC's Functional Categories (referred to by Texas RE as Activity Codes). The Texas Regional Entity Time & Expense Guidelines list the Federal (Statutory) Activity Codes, each of which includes a listing of typical activities and potential expense types falling within that Activity Code. Consistent with the NERC System of Accounts, Texas RE Activity Codes have been created for both costs incurred in the direct statutory program categories and for indirect costs. Also provided are Protocol (Non-Statutory) Activity Codes, each of which lists typical activities and potential expense types falling within that Activity Code.
- **Attachment 11** (WECC) includes the WECC Time & Expense Guidelines. WECC's accounting system incorporates both department codes for recording costs to the appropriate WECC departments and WECC account codes for properly recording costs by type in the WECC system. In addition, the WECC system assigns a NERC department code and NERC account number to every line item in the WECC budget, in order to provide for proper reporting of budgeted and actual costs to NERC and, ultimately, to the Commission, in accordance with the NERC and Commission systems of accounts.

## B. Revised NERC Records Retention Policy

The 2008 ERO Budget Order stated at PP 81-82:

81. In Order No. 672, the Commission mandated a regular performance assessment that requires the ERO to affirmatively demonstrate to the Commission that it satisfies the statutory and regulatory criteria for an ERO and is not only maintaining but improving the quality of its activities and those of the Regional Entities to which it has delegated such activities.<sup>41</sup> The initial performance assessment is required three years after ERO certification, and then every five years thereafter.

<sup>41</sup> *ERO Certification Order* at P 186.

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

In ordering paragraph (F) of the 2008 ERO Budget Order, NERC was directed to submit a compliance filing by April 1, 2008 “to revise its records retention policy, as discussed in the body of this order.”

**Attachment 2** to this filing contains NERC’s former and current (revised) records retention policies.<sup>14</sup> Under the previous policy, the retention period for a number of categories of financial and accounting records was three (3) years. Under the revised records retention policy,

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<sup>14</sup> The superseded records retention policy was originally submitted in Attachment 6 to NERC’s filing of the 2008 NERC and Regional Entity business plans and budgets. *Request of the North American Electric Reliability Corporation for Acceptance of its 2008 Business Plan and Budget and the 2008 Business Plans and Budgets of Regional Entities and for Approval of Proposed Assessments to Fund Budgets*, Docket No. RR07-16-000, filed August 24, 2007. It was this records retention policy that the Commission was discussing in PP 81-82 of the 2008 ERO Budget Order.

the retention period for each of these categories of records has been increased to seven (7) years, which NERC believes should be sufficient to allow for completion of the periodic three (initial) and five (subsequent) year performance assessments and for issuance of a final Commission order on the performance assessment. However, the revised policy also specifies that records in these categories shall be retained until entry of a final Commission order(s) on the NERC performance assessment(s) covering the year in which the record was generated. The categories of financial and accounting records for which the retention period has been increased from three years to seven years are: audit reports, bank statements, bank reconciliations, correspondence – contributions, correspondence – general, general ledgers – year-end trial balances, inventories, invoices – from vendors, inventories – to customers, petty cash vouchers, purchase orders, receipt records, sales records and journals and subsidiary ledgers. As specified in P 82 of the 2008 ERO Budget Order, under the revised records retention policy, only two categories of financial and accounting records have retention periods of less than seven years: correspondence – routine vendor (one year) and employment applications (two years).

NERC provided the revised records retention policy to each of the Regional Entities and requested each Regional Entity to confirm to NERC in writing that the Regional Entity is adopting the revised records retention policy. Included in the individual Regional Entity Attachments to this compliance filing, **Attachments 4 through 11**, is a statement from each Regional Entity confirming that it has adopted the revised NERC records retention policy. As of the date of this compliance filing, there are only three qualifications to the foregoing statement:

- (1) MRO has previously adopted a Document Retention and Destruction Policy consistent with requirements of the Sarbanes-Oxley Act applicable to non-profit

organizations.<sup>15</sup> MRO will revise this Policy to be consistent with the records retention requirements specified in P 82 of the 2008 ERO Budget Order (*see Attachment 5*).

- (2) NPCC is in the process of modifying its existing records retention policy to conform to the revised NERC records retention policy (*see Attachment 6*).
- (3) Texas RE has adopted the NERC records retention policy to be effective April 1, 2008, with the exception of employment applications for candidates not hired, for which the Texas RE retention period is one year (versus two years in the NERC records retention policy). This deviation is not in conflict with the directives or objectives of P 82 of the 2008 ERO Budget Order.

### **C. NERC and Regional Entity True-Ups of 2007 Actual Costs to 2007 Budgets**

The 2008 ERO Budget Order stated at P 23:

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

In ordering paragraph (G), the Commission directed NERC to submit a compliance filing by April 1, 2008 "containing a true-up of actual 2007 costs, as discussed in the body of this order."

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<sup>15</sup> 18 U.S.C. §1519.

## **1. NERC True-up of Actual 2007 Costs to 2007 Budget**

**Attachment 3** to this filing contains the requested reconciliation of the actual costs incurred by NERC in 2007 to its approved 2007 budget. With respect to Funding, NERC's major over-budget variance was in ERO Assessments, due to the fact that NERC's 2007 budget did not include a line item for contribution to cash reserves. Therefore, the incremental ERO assessment proposed by NERC and authorized by the Commission to provide funds to build a cash reserve equal to 10% of the budgeted operating expenses appears in the reconciliation as an over-budget variance.

With respect to Expenses:

- NERC experienced an under-budget variance totaling \$760,360 in Personnel Expenses (comprised of Salaries, Payroll Taxes, Employee Benefits and Savings & Retirement). The primary driver of this under-budget variance was that new staff members were hired at later points during the year than assumed in the budget. NERC's 2007 budget assumed that it would assume its responsibilities as the ERO, including monitoring and enforcement of mandatory and enforceable reliability standards, and would need to have additional staff in place to implement these responsibilities. Most of the budgeted increase in staff was assumed to be in place on January 1, 2007 (five new positions were budgeted to start on July 1, 2007). In fact, although NERC was certified as the ERO in 2006, implementation of its ERO responsibilities occurred more gradually than projected over the course of 2007. Among other things, the initial set of mandatory and enforceable reliability standards did not become effective until



June 18, 2007. As a result, NERC was able to hire its planned additional staff, including in particular enforcement staff, over the course of 2007.

- NERC experienced over-budget variances in Meetings Expense and Travel totaling \$532,362, primarily due to greater than projected activity levels in the Reliability Standards, Reliability Assessment and Performance Analysis and Situational Awareness and Infrastructure Security programs and in General and Administrative.
- With respect to Other Operating Expenses:
  - Actual Office Costs exceeded the budget by \$193,932 due to (i) higher than projected costs for leasehold improvements at NERC's newly-opened (during 2007) office in Washington, D.C., and its existing headquarters office in Princeton, New Jersey, and (ii) higher-than-budgeted utility costs at both offices.
  - Contracts expenses were under-budget by \$296,122 in the aggregate due to (i) several budgeted projects not being initiated and (ii) realization of lower-than-budgeted vendor costs for two other programs.
  - Similarly, Consultants expense was lower than the budget by a net amount of \$122,622, with aggregate under-budget variances of \$584,000 realized due to delayed or postponed retention of certain consultants or initiation of certain projects, partially offset by an aggregate over-budget variance of \$479,000 due to use of Consultants rather than permanent FTE staff in the Reliability Readiness and Improvement program, performance of a compensation study that was not budgeted, and use of consultants to assist

in event analysis in the Reliability Assessment and Performance Analysis program.

- Finally, Office Costs, Computer Purchase & Maintenance and Furniture & Equipment costs exceeded the budget by \$314, 572 in the aggregate, with an unbudgeted purchase of a replacement server a major factor in this variance.

## **2. Regional Entity True-ups of Actual Costs to 2007 Budgets**

**Attachments 4 through 11** contain reconciliations of the actual costs incurred by each Regional Entity in 2007 to its approved 2007 budget, as follows:

**Attachment 4:** FRCC

**Attachment 5:** MRO

**Attachment 6:** NPCC

**Attachment 7:** Reliability*First*

**Attachment 8:** SERC

**Attachment 9:** SPP

**Attachment 10:** Texas RE

**Attachment 11:** WECC

Each of the Regional Entity reconciliations is presented in a common format (consistent with the format used in the NERC reconciliation), with the exception of the reconciliation provided by NPCC. NERC prepared a template for the 2007 actual cost-to-budget reconciliations which it requested the Regional Entities to use to prepare their reconciliations to be submitted with this compliance filing. As can be seen from review of the Attachments, the template called for presentation of actual costs and budgeted costs on a program-by-program and

line-item basis.<sup>16</sup> NERC asked the Regional Entities to provide a cover letter or memorandum discussing major areas of actual cost-to-budget variances for all the Regional Entity's statutory programs in the aggregate. In **Attachments 4 through 11**, these explanations of variances for statutory programs in the aggregate are provided in the initial document in the respective Regional Entity Attachments. NERC also asked the Regional Entities to provide comments explaining significant actual cost-to-budget variances experienced in individual income or expense categories within each program area. Such explanations are provided in the "Comments" columns of the individual reconciliation pages for each program in each Regional Entity's Attachment. Further, NERC asked each Regional Entity to provide an explanation of the allocation methods it used to allocate indirect costs (*e.g.*, administrative services, finance and accounting, legal and regulatory and human resources) to the direct statutory program or functional areas.<sup>17</sup>

NERC's Accounting and Finance staff reviewed the initial template submissions and variance explanations from the Regional Entities, discussed these submissions with Regional Entity accounting and finance personnel, and provided comments to the Regional Entities

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<sup>16</sup> The reasons for the different form of presentation provided by NPCC are explained in the NPCC narrative in **Attachment 6** and include the facts that (i) during 2007, the previously separate corporate entities NPCC Cross Border Regional Entity, Inc. and NPCC, Inc. (the regional reliability organization) were merged; and (ii) for 2007, NPCC allocated all costs to the statutory program areas based on full-time equivalent ("FTE") staff allocated to each program for 2007, rather than charging actual expenditures directly to the individual program areas. As a result of item (ii), a program-by-program variance analysis for 2007 for NPCC would show the same percentage variance of actual to budgeted costs in every program for each expense category.

<sup>17</sup> As discussed in other sections of this compliance filing, NERC also requested that the Regional Entities' letters (i) contain a statement confirming that the Regional Entity is adopting the revised NERC records retention policy, and (ii) identify any instances of use of statutory funds (*i.e.*, Commission-approved assessments) for non-statutory activities during 2007 and explain how the statutory funds were or will be reimbursed in any such instances.

directed towards ensuring consistency of presentation among the Regional Entities, clarity and sufficiency of the explanations of actual cost-to-budget variances, and that significant actual cost-to-budget variances were discussed. Each Regional Entity then submitted a revised cover letter or memorandum and budget-versus-actual cost variance report and analysis responding to NERC's suggestions and specific comments. These Regional Entity reports are included in **Attachments 4 through 11**.

While the Regional Entities' reconciliations and accompanying explanations of variances provided in the Attachments are comprehensive and generally self-explanatory, a few overall observations are appropriate here. First, in order to meet the April 1, 2008 compliance filing date, the reconciliations prepared by seven of the Regional Entities have been based on unaudited financial results for 2007.<sup>18</sup> Section 8(i) of the Commission-approved amended and restated pro forma delegation agreement between NERC and the Regional Entities requires each Regional Entity to submit to NERC audited financial statements for the preceding fiscal year by no later than 150 days following the end of the fiscal year. Therefore, the Regional Entities' audited 2007 financial statements are due to NERC by May 29, 2008.<sup>19</sup> However, if a Regional Entity's audited financial statements show any material differences from the unaudited 2007 information used to prepare the reconciliations submitted with this filing, NERC will request a revised reconciliation from the Regional Entity and will file the revised true-up with the Commission.

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<sup>18</sup> NERC is advised that the audit of FRCC's 2007 financial results was recently completed and therefore FRCC's reconciliation in **Attachment 4** is based on audited 2007 financial results.

<sup>19</sup> See Attachment 1A to the *Compliance Filing of the North American Electric Reliability Corporation in Response to April 19, 2007 Order*, filed October 30, 2007 in Docket Nos. RR06-1-012 *et al.*

Second, six of the eight Regional Entities incurred total actual expenses for statutory activities in 2007 that were less than their budgeted costs. This is not a surprising outcome for this initial year of Regional Entity operation; as was the case for NERC, it is a product in large part of the delay in Regional Entity operations as the year 2007 unfolded, and does not reflect any systematic over-budgeting. Specifically, in 2006, NERC instructed the Regional Entities that in preparing their 2007 business plans and budgets to be submitted to the Commission for approval, the Regional Entities should plan and budget under the assumption that they would begin operations as the Regional Entities, including performing their delegated responsibilities for monitoring compliance with, and enforcing, Commission-approved Reliability Standards, as well as the other delegated statutory functions, on January 1, 2007. As a result, Regional Entities, as did NERC, budgeted under the assumption that they would have the staffing in place needed to carry out their delegated responsibilities beginning January 1, 2007. However, the budget assumption of full operation beginning January 1, 2007 did not materialize. Rather, among other things, the proposed delegation agreements with NERC were not approved by the Commission until April 19, 2007, and the initial set of mandatory and enforceable Reliability Standards did not become effective until June 18, 2007. As a result, the Regional Entities prudently delayed, to varying degrees, bringing on the full budgeted complements of staffing (whether employees or contractors) until later in the year. Delays in hiring the projected numbers of staff beyond the budget assumption date of January 1, 2007, resulted in lower-than-budgeted costs for direct Salary expense as well as for the related Personnel Expenses of Payroll Taxes, Employee Benefits and Savings & Retirement.

Correspondingly, budgeted purchases of computers, furniture and equipment, and moves into (expanded) office space, needed to accommodate the planned staffing and delegated

activities, were in some instances delayed until later in 2007. Finally, for many of the Regional Entities, the delayed commencement of delegated activities meant a corresponding delay or reduction in the budgeted levels of meetings, seminars, audits and related travel, and delays or reductions in the incurrence of legal expenses budgeted for compliance-related activities.

Other causes of variances (both positive and negative) between actual costs and budgeted costs experienced by multiple Regional Entities in 2007 included:

- Newly-hired staff did not elect to participate in medical insurance and other benefits programs and/or retirement plans to the full extent budgeted by the Regional Entity (*e.g.*, due to electing to remain in programs provided by a previous employer or to obtain benefits through a program provided by a spouse's employer).
- Regional Entities were able to obtain lower increases in group health insurance premiums than had been budgeted.
- Regional Entities emphasized the use of conference calls in lieu of face-to-face meetings involving travel costs, to the extent possible.
- In some cases, although hiring the full complement of staff was delayed for reasons described above, higher salaries were paid than budgeted in order to attract qualified and experienced personnel, due to lower than projected availability of such personnel. The higher-than-budgeted salaries partially offset the impacts of the delayed hirings of staff.
- In some cases, due to the uncertainty concerning timing as to when the Regional Entity would be assuming its full, anticipated delegated responsibilities, Regional Entities utilized contractors and consultants in lieu of hiring permanent employees.
- Some Regional Entities conducted more seminars, training sessions or other programs on the new Reliability Standards and related matters for industry participants than had been projected. In some cases the resulting over-budget variance was accompanied by greater than budgeted fees for such programs that offset the additional expense in whole or in part.
- As described in some of the individual Regional Entity Attachments, in some instances costs were budgeted in one expense category but the actual costs were recorded in a different expense category. An example was budgeting costs for consultants in the expense category "Contracts" but recording the actual costs in the expense category "Consultants." The result for purposes of these

reconciliations may be large actual cost-to-budget variances in the individual expense categories involved but not in the total Operating Expenses.

Third, the Regional Entities' reconciliations reflect that in budgeting and recording costs for 2007, the Regional Entities used a variety of methods, in some cases based on legacy approaches within their organizations, for (i) assigning or allocating direct costs to expense categories, and (ii) assigning or allocating indirect costs (such as general and administrative, accounting and finance, legal and regulatory and human resources) to their statutory programs. Additionally, in 2007 some Regional Entities did not separately budget and/or record actual costs in all of the indirect cost categories in the NERC System of Accounts, such as Human Resources and Legal and Regulatory. However, as the Commission is aware, NERC took steps, in giving directions for and overseeing the preparation of Regional Entity budgets for 2008, to establish greater consistency among the Regional Entities with respect to assignment or allocation of costs to specific line item categories, allocation of indirect costs to the statutory programs, and form of presentation. For example, in the preparation of their 2008 budgets for statutory functions, the Regional Entities were required to allocate indirect costs to the statutory programs on the basis of numbers of FTE employees in each program. Therefore, the Commission will see a much greater degree of consistency as to these matters in the Regional Entity budgets and actual results in 2008 and future years than will be found in the 2007 budgeted and actual results.

**D. Use of Statutory Funding for Non-Statutory Costs**

The 2008 ERO Budget Order stated at P 66:

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

In 2007, NERC had no non-statutory activities. Additionally, as stated earlier in this compliance filing, in 2007 RFC and SERC had no non-statutory activities. With respect to the remaining six Regional Entities, three instances of the use of statutory funding to fund non-statutory activities during 2007 were identified. These instances are described in **Attachments 5** (MRO), **10** (Texas RE) and **11** (WECC). To summarize:

- **MRO:** During 2007, MRO agreed to provide, at MRO's cost, administrative (including billing and accounting), information services and other office-related expenses to MAPPCOR. The costs incurred by MRO in providing these services were recorded in separate accounts. MAPPCOR paid a quarterly fee to cover estimated costs of the services, and at year-end a true-up was performed. As a result, MRO was fully reimbursed by MAPPCOR for the actual costs incurred by MRO to provide services to MAPPCOR.
- **Texas RE:** During 2007, \$83,000 of professional services expense was incorrectly recorded as a statutory cost. These expenses were incurred in connection with a project to facilitate an analysis function by Texas RE and ERCOT after low frequency events to allow the performance of Qualified Scheduling Entities, Resources and Loads Acting as Resources to be quickly and easily analyzed. After reviewing the transactions associated with this project and the resulting analysis, it was determined that the costs incurred by Texas RE should be reclassified as non-statutory. Upon making this determination in February 2008, Texas RE reclassified the expenses to the appropriate non-statutory accounts and returned the corresponding amount of funds to the statutory funding pool.



- **WECC:** During startup activities for the Western Renewable Energy Information System (“WREGIS”) program, a small amount of expenses, totaling less than \$15,000, incurred by WREGIS were deemed non-reimbursable by its funding entity, the California Energy Commission. WECC paid these expenses on behalf of WREGIS. These amounts will be repaid to WECC by WREGIS when funds are generated by WREGIS.

#### **IV. CONCLUSION**

The North American Electric Reliability Corporation respectfully requests that the Commission accept this filing and Attachments as compliance with PP 23, 66, 78 and 80-82 and ordering paragraphs (E), (F) and (G) of the 2008 ERO Budget Order.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

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

Dated at Chicago, Illinois this 1st day of April, 2008.

/s/ Owen E. MacBride  
Owen E. MacBride

*Attorney for North American Electric  
Reliability Corporation*

**ATTACHMENT 1**

**NERC SYSTEM OF ACCOUNTS**

**CURRENT VERSION (MARCH 20, 2008)**

**REDLINED VERSION  
(AGAINST ATTACHMENT 6 TO 2008 ERO BUDGET FILING)**

## North American Electric Reliability Corporation System of Accounts (NSOA) March 20, 2008

### A. FUNCTIONAL CATEGORIES

Functional categories are to be used to segregate income and expenses into the appropriate categories to provide a meaningful comparison between the budgeted and actual amounts.

#### *Rules of Procedure Categories*

#### **0300 Reliability Standard Development**

Includes income and expense for any activity performed or pertaining to the development, evaluation, revision, integration, filing and field testing of Reliability Standards (both NERC and Regional reliability standards) that measure the reliability performance of bulk power system owners, operators and users and holds them accountable for reliable operation of the bulk power systems.

#### **0400 Compliance Enforcement**

Includes income and expense for any activity performed or pertaining to the monitoring and enforcement of compliance with approved reliability standards including the evaluation of severity for non-compliance and the determination of violations and penalty assessment. Also any activity performed or pertaining to the establishing and development of a Compliance Enforcement Program, information collection and reporting, system event compliance violation investigations, and the review and approval of mitigation plans.

#### **0500 Organization Registration and Certification**

Includes income and expense for any activity performed or pertaining to the identification and registration of any entity that is responsible for compliance with reliability standards. Also, any activity performed or pertaining to the review and certification of those entities as meeting established minimum requirements for performing those standards. Also, the establishing, reporting and maintenance of a compliance registry of the bulk power system owners, operators and users that are subject to approved reliability standards.

#### **0600 Personnel Certification**

Includes income and expense any activity performed or pertaining to the establishment of a personnel certification program to evaluate individuals and to issue credentials to individuals who demonstrate the required level of competence as a System Operator.

## **0700 Reliability Readiness and Improvement**

Includes income and expenses for any activity performed or pertaining to readiness evaluations to ensure that operators of the bulk electric system have the facilities, tools, processes and procedures in place to operate reliably under future conditions. Also the evaluation and assessment of balancing authorities, transmission operators and reliability coordinators in how they support their reliability responsibilities during a system emergency or disturbance.

## **0800 Reliability Assessment and Performance Analysis**

Includes income and expenses for any activity performed or pertaining to conducting and reporting the results of assessments of the overall reliability and adequacy of the bulk power systems, the investigation and analysis of off normal events, identifying the root causes of events, assessing past reliability performance for lessons learned, and disseminating findings.

## **0900 Training and Education**

Includes income and expenses for any activity performed or pertaining to the planning, development and maintenance of training programs, training materials and training activities for bulk power system personnel and regulators to obtain the essential knowledge necessary to understand and operate the bulk electric system. Also, any training and educational activities pertaining to any new or changed reliability standards or compliance requirements.

## **1000 Situational Awareness and Infrastructure Security**

Includes income and expenses for any activity performed or pertaining to the monitoring of present conditions on the bulk power system and coordination of events to include technical expertise and assistance in responding to events as necessary.

### ***Other Functions***

- 1100 Members Forum
- 2000 General and Administrative
- 2100 Executive
- 2200 Legal and Regulatory
- 2300 Information Technology
- 2400 Human Resources
- 2500 Accounting and Finance

xxxx — *As Needed*

Regional Entities can add additional functions in support of non-statutory functions as needed.

## **B. ASSET ACCOUNTS**

### **Cash and Cash Equivalents (11000 Series)**

#### 11100 Checking

This account is the operating cash account.

#### 11200 Other Cash Accounts

This account shall be any additional checking or sweep accounts deemed necessary.

#### 11900 Petty Cash Accounts

This account is for petty cash transactions.

### **Accounts Receivables (13000 Series)**

#### 13100 Accounts Receivables

This account is the operating accounts receivables account.

#### 13200 Accounts Receivables - Other

This account shall be any additional accounts receivables deemed necessary (mainly for accruals).

#### 13300 Allowances for A/R

This account is an allowance account for uncollectible accounts receivables.

### **Notes Receivables (13000 Series)**

#### 13500 Employee Loans

This account is used to track activity for all outstanding employee loans.

#### 13600 Due from - Other

Account used to track transactions related to merger with NERC-Council (account was deactivated after merger)

### **Deposits (14000 Series)**

#### 14100 Security Deposits

This account is used to track activity for all outstanding security deposits (mainly lease deposits).

### **Investments (15000 Series)**

#### 15100 Investments

This account is used to track the balances of investments.

### **Prepaid Expenses (16000 Series)**

#### 16100 Advances

This account is used to track the balances of advances paid to vendors (mainly hotels for meeting advances).

#### 16200 Prepaid Insurances

This account is used to track the balances of prepaid insurance premiums.

#### 16300 Prepaid Expenses — Other

This account is used to track the balances of all other prepaid expenses.

16800 CSV Life Insurance

This account is used to track the cash surrender values of insurance policies on company officers.

**Fixed Asset (17000 Series)**

17100 Fixed Assets Equipment

This account is used to track the gross value of the purchases of all capitalized equipment (minimum of \$2,000 purchase price to capitalize).

17200 Fixed Assets Computer

This account is used to track the gross value of the purchases of all capitalized computer equipment (minimum of \$2,000 purchase price to capitalize).

17300 Fixed Assets Furniture

This account is used to track the gross value of the purchases of all capitalized furniture (minimum of \$2,000 purchase price to capitalize).

17400 Fixed Assets Leasehold Improvements

This account is used to track the gross value of the purchases of all capitalized leasehold improvements (minimum of \$2,000 purchase price to capitalize).

17500 Fixed Assets Software Development

This account is used to track the gross value of the purchases of all capitalized software (minimum of \$2,000 purchase price to capitalize).

**Accumulated Depreciation (18000 Series)**

18100 A/D Equipment

This account is used to track the accumulated depreciation of the purchases of all capitalized equipment. (Useful life of three years — half year convention)

18200 A/D Computer

This account is used to track the accumulated depreciation of the purchases of all capitalized computer equipment. (Useful life of three years — half year convention)

18300 A/D Furniture

This account is used to track the accumulated depreciation of the purchases of all capitalized furniture. (Useful life of seven years — half year convention)

18400 A/D leasehold Improvements

This account is used to track the accumulated depreciation of the purchases of all capitalized leasehold improvements. (Useful life of remainder of lease at time of capitalization)

18500 A/D Software

This account is used to track the accumulated depreciation of the purchases of all capitalized software. (Useful life of three years — half year convention)

## **C. LIABILITY ACCOUNTS**

### **Accounts Payable (21000 Series)**

21000 Accounts Payable

This account is the operating accounts payable account.

21100 Accounts Payable — Other

This account shall be any additional accounts payables deemed necessary (mainly for accruals).

### **Accrued Expenses (22000 Series)**

22000 Accrued Expenses

22100 Accrued Vacation

22200 Accrued Rent

22300 Accrued Employee Savings Contribution (401k Plan)

22400 Accrued Discretionary Contribution (401k Plan)

22500 Deferred Compensation

These accounts are for accrued expenses.

### **Payroll Withholdings (23000 and 24000 Series)**

23100 Fed Tax Withholdings

23200 FICA Tax Withholdings

23300 Medicare Tax Withholdings

23400 State & Local Tax Withholdings

23500 SUTA/DSI Withholdings

23600 FUTA Withholdings

23700 401k Savings Plan Withholdings – Employee Contributions

23800 401k Loan Withholdings

23900 Medical Spending Account Withholdings

24000 These accounts are for the various payroll withholdings

### **Deferred Income (25000 Series)**

25100 Deferred NERC Testing Fees

This account is used to track all NERC testing fee collections until the fees are earned for GAAP purposes.

25200 Deferred PJM Testing Fees

This account is used to track all PJM testing fee collections until the fees are earned for GAAP purposes.

25300 Deferred Assessments

This account is used to track all assessment collections until earned for GAAP purposes.



25400 Deferred Workshop Fees

This account is used to track all workshop fees collections until the fees are earned for GAAP purposes.

**D. NET ASSET ACCOUNTS**

**Fund Balance (30000 Series)**

30100 Fund Balance

This account is used to track the net value (deficit) of the corporation.

**E. FUND BALANCE ACCOUNTS**

**ERO Funding (41000 Series)**

41000 Assessments

This account shall include assessments to the ERO (from the REs) and to Load Serving Entities or designees (from NERC).

41100 Penalty Sanctions

This account shall include penalties and/or settlements levied upon any entities in violation of NERC standards.

**Membership Dues (42000)**

42000 Membership Dues

This account shall include the collection of dues from members of Forums that specifically support statutory functions.

**42100 Non-Statutory Funding — Regional Entities Only**

This account shall include the collection of dues or assessments from members in support of non-statutory functions only.

**Testing Fees (45000 Series) — ERO Only**

45000 SO Test Fees

This account shall include the collection of fees from individuals taking the NERC System Operator Certification Examination.

45100 PJM Test Fees

This account shall include fees collected for the administration of the PJM Operator Certification Exam

45200 Continuing Education Hours (CEH) Fees

This account shall include fees collected from individuals and organizations seeking NERC certification of learning activities.

**Services and Software (46000 Series) — Regional Entities may have more categories under this section**

46000 IDC — Subscriptions

This account shall include fees collected from companies with subscriptions to the IDC.

46100 Frame Relay Fees

This account shall include fees collected from organizations with nodes on NERCnet.

46200 ESD Software

This account shall include fees collected from organizations requesting Energy Supply and Demand data.

46300 pc-GAR Software

This account shall include fees collected from organizations requesting software for Generation Availability Data.

46400 GADS Services

This account shall include fees collected from organizations seeking specialized data from the GADS system.

46500 FIST Royalties

This account shall include royalties collected for the Flow Impact Study Tool (FIST)

46600 TSIN Fees

This account shall include fees collected from users of the Transmission System Information Networks (TSIN) system.

**Workshops (47000 Series)**

47000 Workshops

This account shall include workshop fees collected from workshop attendees.

**Interest Income (49000 Series)**

49000 Interest Income

This account shall include income derived from interest received on bank balances and investments.

**Miscellaneous**

49900 Miscellaneous Income

This account shall include miscellaneous income not readily categorized to other income accounts.

## **EXPENSE ACCOUNTS**

### **Salary Costs (51000 Series)**

#### **51000 Direct Salaries**

This account shall include charges for salaries paid to full and part-time employees.

#### **51100 Allocated Salaries and Benefits**

This account shall include allocations for charge outs of salaries to functions based on a percentage of work performed in each function.

#### **51200 Employment Agency Fee**

This account shall include charges for recruitment fees paid to employment agencies.

#### **51300 Temporary Office Services**

This account shall include charges for fees paid for temporary office help.

### **Payroll Taxes (52000 Series)**

#### **52000 Payroll Taxes — FICA**

This account shall include charges for payment of the employer portion of Social Security taxes.

#### **52100 Payroll Taxes — Medicare**

This account shall include charges for payment of the employer portion of Medicare taxes.

#### **52200 Payroll Taxes — SUI**

This account shall include charges for the employer portion of state unemployment taxes.

#### **52300 Payroll Taxes — FUI**

This account shall include charges for the employer portion of federal unemployment taxes.

### **Employee Benefits (54000 Series)**

#### **54000 Benefits-Education Reimbursement**

This account shall include charges for payment or reimbursement of employee participation in employer-sanctioned training and education (including: tuition and seminars).

#### **54100 Benefits — Medical**

This account shall include charges for payment of health, dental, and vision insurance.

#### **54200 Benefits — Life**

This account shall include payments for life insurance and disability insurance for employees where the company is the beneficiary (net premiums less increase in cash surrender value of policies).

#### **54250 Officers — Life**

This account shall include payments for life insurance and disability insurance for company officers where the company is the beneficiary (net premiums less increase in cash surrender value of policies).

54300 Insurance — WC

This account shall include charges for payment of worker's compensation insurance.

54400 Vacation Expense

This account shall include an accrual for value of unused employee vacation. (Non-cash)

54600 Benefits — Relocation

This account shall include charges for reimbursement of employee relocation costs. This account should include those items that are considered taxable to the employee (i.e., temporary house allowance)

54650 Benefits — Relocation (non-taxable)

This account shall include the reimbursement of relocation costs that are non-taxable to the employee (i.e. the direct cost of moving from point A to point B).

**Savings Plans (55000)**

55000 Pension Contribution

This account shall include charges for payments to an employer-sponsored defined benefit pension plans. This account shall also include charges for discretionary (profit sharing) payments to a defined contribution plan. (401(k), 403(b), 457)

55100 Employee Savings Plan

This account shall include charges for employer matching payments to a defined contribution plan (401(k), 403(b), or 457 plans)

55200 Pension and Savings Admin

This account shall include charges for the administrative costs of maintaining a defined benefit and/or defined contribution plan.

55300 Deferred Compensation Exp

This account shall include charges for payments into a deferred compensation or supplemental executive retirement plan (SERP).

**Meeting Expenses (61000 Series)**

61000 Meeting Expense

This account shall include charges for payments for organization-sponsored meetings.

61100 Workshop Expenses

This account shall include charges incurred for workshops. (NERC and most of the regional entities charge fees to offset these charges — see acct #47000).

**Travel Expenses (62000 Series)**

62000 Travel

This account shall include charges for expenses for employees, trustees, and contractors to travel to meetings and workshops in support of functional

62100 Auto Expense

This account shall include charges for payments for company-owned vehicles.

## **Communications (63000 Series)**

### 63000 Conference Calls

This account shall include charges for conference calls (Conference Bridge, Sprint conferencing, dedicated phone lines for conferencing (T1 lines)).

### 63100 Online Meetings

This account shall include charges for services that provide the ability to perform online meetings (WebEx services).

## **Contracts and Consultants (65000 Series)**

### 65000 Consultants

This account shall include charges for consulting services secured to support any of the functional or administrative categories. Consulting services include; the temporary outsource of work requirements until hire of permanent FTE's; advisory services for implementation of specific program goals; or, other consulting services viewed to be temporary in nature.

### 65100 Contracts

This account shall include charges for contractual services used for the development, hosting, and/or maintenance of monitoring or assessment tools; database development; education and training exam development; or, other contractual services viewed as long term or more than one year.

### 65200 Contract — IDC

This account shall include charges for fee paid to the IDC contractor.

### 65300 Contract — Frame Relay

This account shall include charges for fees incurred on behalf of all entities that have nodes on NERCnet (NERC only).

### 65400 Industry Support

This account shall include charges for industry participation in NERC and Regional level meeting.

## **Office Rent (70000 Series)**

### 70000 Office Rent

This account shall include charges for lease of office space.

### 70010 Utilities

This account shall include charges for gas, electric, water, and all other utilities used within the office space.

### 70020 Maintenance

This account shall include charges for maintenance, including repairs and cleaning services, for the office space.

### 70030 Security

This account shall include charges to provide security of the office space.

## **Office Costs (71000 and 72000 Series)**

### **71000 Telephone**

This account shall include charges for telephone services (land lines and cellular)

### **71100 Internet Expense**

This account shall include charges for fees paid for internet connectivity (communications) and/or service (outsourcing of website).

### **71200 Office Supplies**

This account shall include charges for office supplies.

### **71300 Computer Supplies and Maintenance**

This account shall include charges for computer supplies (items that fall below the capitalized threshold of \$2,000) and maintenance (software programs and upgrades).

### **71400 Subscriptions and Publications**

This account shall include charges for subscriptions and publications (both electronic and hard copy).

### **71500 Dues**

This account shall include charges for professional dues of the company or reimbursement of dues of employees relevant to their position.

### **71600 Postage**

This account shall include charges for regular U.S.P.S. expenses.

### **71700 Express Shipping**

This account shall include charges for express shipping (FedEx, UPS).

### **71800 Copying**

This account shall include charges for leasing of copying equipment and per page charges for copier usage.

### **71900 Reports**

This account shall include charges for the production of annual reports, promotional materials, training manuals, etc.

### **72000 Stationary and Office Forms**

This account shall include charges for company stationary, brochures, business cards, etc.

### **72100 Equipment Repair/Service Contracts**

This account shall include charges for office equipment repair services and service contracts on office and computer equipment.

### **72200 Bank Charges**

This account shall include charged for fees paid from banking institutions (wire transfer fees, check fees, line of credit fees, interest paid on line of credit, etc.).

### **72300 Sales and Use Tax**

This account shall include charges for taxes paid on items where sales tax was not charged by the purchasing vendor.

72400 Merchant Credit Card Fee

This account shall include charges for fees paid for credit card payments.

72500 Presentation and Publicity

This account shall include the cost of communications documents.

**Professional Services (75000 Series)**

75000 Board of Trustees Fee

This account shall include charges for fees paid to independent trustees.

75100 Board of Trustees Search fee

This account shall include charges to fees incurred to search for replacement board members.

75200 Legal — Reorganization

This account shall include charges for legal fees paid to outside law firms in support of necessary filing with governmental authorities.

75300 Accounting and Auditing Fees

This account shall include charges for fees paid to outsource payroll services and to perform financial audits.

75400 Legal Fees — Other

This account shall include charges for legal fees for all other legal matters (personnel, etc).

75500 Insurance — Commercial

This account shall include charges for payments of property, business, and Directors and Officers insurance.

**Other Non-Operating Expenses (80000 Series)**

80100 Interest Expense

This account shall include the cost of financing.

80200 Office Relocation

This account shall include the cost of moving the office to new facilities.

80300 Cash Reserve Requirement

This account shall include the amount required to increase or (decrease) cash reserves to the level deemed necessary for the current year by the Board of Trustees.

**Capital Expenditures (90000 Series) (Cash projections only — to be capitalized)**

90100 Furniture Purchase

This account shall include charges for purchases or leases of furniture — (charges may be capitalized but shown here for budget comparison).

90200 Equipment Purchase

This account shall include charges for purchases or leases of equipment — (charges may be capitalized but shown here for budget comparison).

90300 Computer Purchase and Lease

This account shall include charges for purchases or leases of computer equipment — (charges may be capitalized but shown here for budget comparison).

90350 Software Purchase

This account shall include charges for purchases of software — (charges may be capitalized but shown here for budget comparison).

90400 Leasehold Improvements

This account shall include charges for improvements to leased office space — (charges may be capitalized but shown here for budget comparison).

**Depreciation Expenses (95000 Series)**

95100 Depreciation Expense — Equipment

This account shall include depreciation charges for capitalized equipment.

95200 Depreciation Expense — Computers

This account shall include depreciation charges for capitalized computer equipment.

95250 Depreciation - Software

This account shall include depreciation charges for capitalized software.

95300 Depreciation Expenses — Furniture

This account shall include depreciation charges capitalized furniture.

95400 Depreciation Expense — L.I.

This account shall include depreciation charges for leasehold improvements.

**Miscellaneous Expenses (99000 Series)**

99000 Miscellaneous Expense

This account shall include miscellaneous expenses not readily categorized to other expense accounts.

99100 Provision for Allowance

This account shall include an annual charge to sufficient to provide for losses from uncollectible accounts.

99200 Proceeds/Loss from Sale of Assets

This account shall include a credit or a charge for the sale of property to another.

99900 Contingencies

This account shall be used for budget purposes to provide a contingent fund — no actual charges should be booked to this account.



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## North American Electric Reliability Corporation System of Accounts (NSOA) March 20, 2008

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### A. FUNCTIONAL CATEGORIES

Functional categories are to be used to segregate income and expenses into the appropriate categories to provide a meaningful comparison between the budgeted and actual amounts.

#### *Rules of Procedure Categories*

#### **0300 Reliability Standard Development**

Includes income and expense for any activity performed or pertaining to the development, evaluation, revision, integration, filing and field testing of Reliability Standards (both NERC and Regional reliability standards) that measure the reliability performance of bulk power system owners, operators and users and holds them accountable for reliable operation of the bulk power systems.

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#### **0400 Compliance Enforcement**

Includes income and expense for any activity performed or pertaining to the monitoring and enforcement of compliance with approved reliability standards including the evaluation of severity for non-compliance and the determination of violations and penalty assessment. Also any activity performed or pertaining to the establishing and development of a Compliance Enforcement Program, information collection and reporting, system event compliance violation investigations, and the review and approval of mitigation plans.

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#### **0500 Organization Registration and Certification**

Includes income and expense for any activity performed or pertaining to the identification and registration of any entity that is responsible for compliance with reliability standards. Also, any activity performed or pertaining to the review and certification of those entities as meeting established minimum requirements for performing those standards. Also, the establishing, reporting and maintenance of a compliance registry of the bulk power system owners, operators and users that are subject to approved reliability standards.

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#### **0600 Personnel Certification**

Includes income and expense any activity performed or pertaining to the establishment of a personnel certification program to evaluate individuals and to issue credentials to individuals who demonstrate the required level of competence as a System Operator.

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**0700 Reliability Readiness and Improvement**

Includes income and expenses for any activity performed or pertaining to readiness evaluations to ensure that operators of the bulk electric system have the facilities, tools, processes and procedures in place to operate reliably under future conditions. Also the evaluation and assessment of balancing authorities, transmission operators and reliability coordinators in how they support their reliability responsibilities during a system emergency or disturbance.

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**0800 Reliability Assessment and Performance Analysis**

Includes income and expenses for any activity performed or pertaining to conducting and reporting the results of assessments of the overall reliability and adequacy of the bulk power systems, the investigation and analysis of off normal events, identifying the root causes of events, assessing past reliability performance for lessons learned, and disseminating findings.

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**0900 Training and Education**

Includes income and expenses for any activity performed or pertaining to the planning, development and maintenance of training programs, training materials and training activities for bulk power system personnel and regulators to obtain the essential knowledge necessary to understand and operate the bulk electric system. Also, any training and educational activities pertaining to any new or changed reliability standards or compliance requirements.

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**1000 Situational Awareness and Infrastructure Security**

Includes income and expenses for any activity performed or pertaining to the monitoring of present conditions on the bulk power system and coordination of events to include technical expertise and assistance in responding to events as necessary.

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**Other Functions**

1100 Members Forum

2000 General and Administrative

2100 Executive

2200 Legal and Regulatory

2300 Information Technology

2400 Human Resources

2500 Accounting and Finance

xxxx *As Needed*

Regional Entities can add additional functions in support of non-statutory functions as needed.

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Other Functions . . . ¶

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**B. ASSET ACCOUNTS**

**Cash and Cash Equivalents (11000 Series)**

11100 Checking

This account is the operating cash account.

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11200 Other Cash Accounts

This account shall be any additional checking or sweep accounts deemed necessary.

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11900 Petty Cash Accounts

This account is for petty cash transactions.

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**Accounts Receivables (13000 Series)**

13100 Accounts Receivables

This account is the operating accounts receivables account.

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13200 Accounts Receivables - Other

This account shall be any additional accounts receivables deemed necessary (mainly for accruals).

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13300 Allowances for A/R

This account is an allowance account for uncollectible accounts receivables.

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**Notes Receivables (13000 Series)**

13500 Employee Loans

This account is used to track activity for all outstanding employee loans.

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13600 Due from - Other

Account used to track transactions related to merger with NERC-Council (account was deactivated after merger)

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**Deposits (14000 Series)**

14100 Security Deposits

This account is used to track activity for all outstanding security deposits (mainly lease deposits).

**Investments (15000 Series)**

15100 Investments

This account is used to track the balances of investments.

**Prepaid Expenses (16000 Series)**

16100 Advances

This account is used to track the balances of advances paid to vendors (mainly hotels for meeting advances).

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16200 Prepaid Insurances

This account is used to track the balances of prepaid insurance premiums.

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16300 Prepaid Expenses — Other

This account is used to track the balances of all other prepaid expenses.

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16800 CSV Life Insurance

This account is used to track the cash surrender values of insurance policies on company officers.

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**Fixed Asset (17000 Series)**

17100 Fixed Assets Equipment

This account is used to track the gross value of the purchases of all capitalized equipment (minimum of \$2,000 purchase price to capitalize).

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17200 Fixed Assets Computer

This account is used to track the gross value of the purchases of all capitalized computer equipment (minimum of \$2,000 purchase price to capitalize).

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17300 Fixed Assets Furniture

This account is used to track the gross value of the purchases of all capitalized furniture (minimum of \$2,000 purchase price to capitalize).

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17400 Fixed Assets Leasehold Improvements

This account is used to track the gross value of the purchases of all capitalized leasehold improvements (minimum of \$2,000 purchase price to capitalize).

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17500 Fixed Assets Software Development

This account is used to track the gross value of the purchases of all capitalized software (minimum of \$2,000 purchase price to capitalize).

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**Accumulated Depreciation (18000 Series)**

18100 A/D Equipment

This account is used to track the accumulated depreciation of the purchases of all capitalized equipment. (Useful life of three years — half year convention)

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18200 A/D Computer

This account is used to track the accumulated depreciation of the purchases of all capitalized computer equipment. (Useful life of three years — half year convention)

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18300 A/D Furniture

This account is used to track the accumulated depreciation of the purchases of all capitalized furniture. (Useful life of seven years — half year convention)

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18400 A/D leasehold Improvements

This account is used to track the accumulated depreciation of the purchases of all capitalized leasehold improvements. (Useful life of remainder of lease at time of capitalization)

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18500 A/D Software

This account is used to track the accumulated depreciation of the purchases of all capitalized software. (Useful life of three years — half year convention)

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## C. LIABILITY ACCOUNTS

### Accounts Payable (21000 Series)

21000 Accounts Payable

This account is the operating accounts payable account.

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21100 Accounts Payable — Other

This account shall be any additional accounts payables deemed necessary (mainly for accruals).

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### Accrued Expenses (22000 Series)

22000 Accrued Expenses

22100 Accrued Vacation

22200 Accrued Rent

22300 Accrued Employee Savings Contribution (401k Plan)

22400 Accrued Discretionary Contribution (401k Plan)

22500 Deferred Compensation

These accounts are for accrued expenses.

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### Payroll Withholdings (23000 and 24000 Series)

23100 Fed Tax Withholdings

23200 FICA Tax Withholdings

23300 Medicare Tax Withholdings

23400 State & Local Tax Withholdings

23500 SUTA/DSI Withholdings

23600 FUTA Withholdings

23700 401k Savings Plan Withholdings – Employee Contributions

23800 401k Loan Withholdings

23900 Medical Spending Account Withholdings

24000 These accounts are for the various payroll withholdings

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### Deferred Income (25000 Series)

25100 Deferred NERC Testing Fees

This account is used to track all NERC testing fee collections until the fees are earned for GAAP purposes.

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25200 Deferred PJM Testing Fees

This account is used to track all PJM testing fee collections until the fees are earned for GAAP purposes.

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25300 Deferred Assessments

This account is used to track all assessment collections until earned for GAAP purposes.

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25400 Deferred Workshop Fees

This account is used to track all workshop fees collections until the fees are earned for GAAP purposes.

**D. NET ASSET ACCOUNTS**

**Fund Balance (30000 Series)**

30100 Fund Balance

This account is used to track the net value (deficit) of the corporation.

**E. FUND BALANCE ACCOUNTS**

**ERO Funding (41000 Series)**

41000 Assessments

This account shall include assessments to the ERO (from the REs) and to Load Serving Entities or designees (from NERC).

41100 Penalty Sanctions

This account shall include penalties and/or settlements levied upon any entities in violation of NERC standards.

**Membership Dues (42000)**

42000 Membership Dues

This account shall include the collection of dues from members of Forums that specifically support statutory functions.

**42100 Non-Statutory Funding — Regional Entities Only**

This account shall include the collection of dues or assessments from members in support of non-statutory functions only.

**Testing Fees (45000 Series) — ERO Only**

45000 SO Test Fees

This account shall include the collection of fees from individuals taking the NERC System Operator Certification Examination.

45100 PJM Test Fees

This account shall include fees collected for the administration of the PJM Operator Certification Exam

45200 Continuing Education Hours (CEH) Fees

This account shall include fess collected from individuals and organizations seeking NERC certification of learning activities.

**Services and Software (46000 Series) — Regional Entities may have more categories under this section**

46000 IDC — Subscriptions

This account shall include fees collected from companies with subscriptions to the IDC.

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46100 Frame Relay Fees

This account shall include fees collected from organizations with nodes on NERCnet.

46200 ESD Software

This account shall include fees collected from organizations requesting Energy Supply and Demand data.

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46300 pc-GAR Software

This account shall include fees collected from organizations requesting software for Generation Availability Data.

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46400 GADS Services

This account shall include fees collected from organizations seeking specialized data from the GADS system.

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46500 FIST Royalties

This account shall include royalties collected for the Flow Impact Study Tool (FIST)

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46600 TSIN Fees

This account shall include fees collected from users of the Transmission System Information Networks (TSIN) system.

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**Workshops (47000 Series)**

47000 Workshops

This account shall include workshop fees collected from workshop attendees.

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**Interest Income (49000 Series)**

49000 Interest Income

This account shall include income derived from interest received on bank balances and investments.

**Miscellaneous**

49900 Miscellaneous Income

This account shall include miscellaneous income not readily categorized to other income accounts.

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## EXPENSE ACCOUNTS

### Salary Costs (51000 Series)

#### 51000 Direct Salaries

This account shall include charges for salaries paid to full and part-time employees.

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#### 51100 Allocated Salaries and Benefits

This account shall include allocations for charge outs of salaries to functions based on a percentage of work performed in each function.

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#### 51200 Employment Agency Fee

This account shall include charges for recruitment fees paid to employment agencies.

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#### 51300 Temporary Office Services

This account shall include charges for fees paid for temporary office help.

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### Payroll Taxes (52000 Series)

#### 52000 Payroll Taxes — FICA

This account shall include charges for payment of the employer portion of Social Security taxes.

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#### 52100 Payroll Taxes — Medicare

This account shall include charges for payment of the employer portion of Medicare taxes.

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#### 52200 Payroll Taxes — SUI

This account shall include charges for the employer portion of state unemployment taxes.

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#### 52300 Payroll Taxes — FUI

This account shall include charges for the employer portion of federal unemployment taxes.

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### Employee Benefits (54000 Series)

#### 54000 Benefits-Education Reimbursement

This account shall include charges for payment or reimbursement of employee participation in employer-sanctioned training and education (including: tuition and seminars).

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#### 54100 Benefits — Medical

This account shall include charges for payment of health, dental, and vision insurance.

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#### 54200 Benefits — Life

This account shall include payments for life insurance and disability insurance for employees where the company is the beneficiary (net premiums less increase in cash surrender value of policies).

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#### 54250 Officers — Life

This account shall include payments for life insurance and disability insurance for company officers where the company is the beneficiary (net premiums less increase in cash surrender value of policies).

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54300 Insurance — WC

This account shall include charges for payment of worker's compensation insurance.

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54400 Vacation Expense

This account shall include an accrual for value of unused employee vacation. (Non-cash)

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54600 Benefits — Relocation

This account shall include charges for reimbursement of employee relocation costs. This account should include those items that are considered taxable to the employee (i.e. temporary house allowance)

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54650 Benefits — Relocation (non-taxable)

This account shall include the reimbursement of relocation costs that are non-taxable to the employee (i.e. the direct cost of moving from point A to point B).

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**Savings Plans (55000)**

55000 Pension Contribution

This account shall include charges for payments to an employer-sponsored defined benefit pension plans. This account shall also include charges for discretionary (profit sharing) payments to a defined contribution plan. (401(k), 403(b), 457)

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55100 Employee Savings Plan

This account shall include charges for employer matching payments to a defined contribution plan (401(k), 403(b), or 457 plans)

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55200 Pension and Savings Admin

This account shall include charges for the administrative costs of maintaining a defined benefit and/or defined contribution plan.

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55300 Deferred Compensation Exp

This account shall include charges for payments into a deferred compensation or supplemental executive retirement plan (SERP).

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**Meeting Expenses (61000 Series)**

61000 Meeting Expense

This account shall include charges for payments for organization-sponsored meetings.

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61100 Workshop Expenses

This account shall include charges incurred for workshops. (NERC and most of the regional entities charge fees to offset these charges — see acct #47000).

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**Travel Expenses (62000 Series)**

62000 Travel

This account shall include charges for expenses for employees, trustees, and contractors to travel to meetings and workshops in support of functional

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62100 Auto Expense

This account shall include charges for payments for company-owned vehicles.

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**Communications (63000 Series)**

63000 Conference Calls

This account shall include charges for conference calls (Conference Bridge, Sprint conferencing, dedicated phone lines for conferencing (T1 lines)).

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63100 Online Meetings

This account shall include charges for services that provide the ability to perform online meetings (WebEx services).

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**Contracts and Consultants (65000 Series)**

65000 Consultants

This account shall include charges for consulting services secured to support any of the functional or administrative categories. Consulting services include; the temporary outsource of work requirements until hire of permanent FTE's; advisory services for implementation of specific program goals; or, other consulting services viewed to be temporary in nature.

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65100 Contracts

This account shall include charges for contractual services used for the development, hosting, and/or maintenance of monitoring or assessment tools; database development; education and training exam development; or, other contractual services viewed as long term or more than one year.

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65200 Contract — IDC

This account shall include charges for fee paid to the IDC contractor.

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65300 Contract — Frame Relay

This account shall include charges for fees incurred on behalf of all entities that have nodes on NERCnet (NERC only).

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65400 Industry Support

This account shall include charges for industry participation in NERC and Regional level meeting.

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**Office Rent (70000 Series)**

70000 Office Rent

This account shall include charges for lease of office space.

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70010 Utilities

This account shall include charges for gas, electric, water, and all other utilities used within the office space.

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70020 Maintenance

This account shall include charges for maintenance, including repairs and cleaning services, for the office space.

70030 Security

This account shall include charges to provide security of the office space.

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**Office Costs (71000 and 72000 Series)**

71000 Telephone

This account shall include charges for telephone services (land lines and cellular)

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71100 Internet Expense

This account shall include charges for fees paid for internet connectivity (communications) and/or service (outsourcing of website).

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71200 Office Supplies

This account shall include charges for office supplies.

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71300 Computer Supplies and Maintenance

This account shall include charges for computer supplies (items that fall below the capitalized threshold of \$2,000) and maintenance (software programs and upgrades).

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71400 Subscriptions and Publications

This account shall include charges for subscriptions and publications (both electronic and hard copy).

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71500 Dues

This account shall include charges for professional dues of the company or reimbursement of dues of employees relevant to their position.

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71600 Postage

This account shall include charges for regular U.S.P.S. expenses.

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71700 Express Shipping

This account shall include charges for express shipping (FedEx, UPS).

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71800 Copying

This account shall include charges for leasing of copying equipment and per page charges for copier usage.

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71900 Reports

This account shall include charges for the production of annual reports, promotional materials, training manuals, etc.

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72000 Stationary and Office Forms

This account shall include charges for company stationary, brochures, business cards, etc.

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72100 Equipment Repair/Service Contracts

This account shall include charges for office equipment repair services and service contracts on office and computer equipment.

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72200 Bank Charges

This account shall include charged for fees paid from banking institutions (wire transfer fees, check fees, line of credit fees, interest paid on line of credit, etc.).

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72300 Sales and Use Tax

This account shall include charges for taxes paid on items where sales tax was not charged by the purchasing vendor.

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72400 Merchant Credit Card Fee

This account shall include charges for fees paid for credit card payments.

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72500 Presentation and Publicity

This account shall include the cost of communications documents.

Professional Services (75000 Series)

75000 Board of Trustees Fee

This account shall include charges for fees paid to independent trustees.

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75100 Board of Trustees Search fee

This account shall include charges to fees incurred to search for replacement board members.

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75200 Legal Reorganization

This account shall include charges for legal fees paid to outside law firms in support of necessary filing with governmental authorities.

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75300 Accounting and Auditing Fees

This account shall include charges for fees paid to outsource payroll services and to perform financial audits.

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75400 Legal Fees Other

This account shall include charges for legal fees for all other legal matters (personnel, etc).

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75500 Insurance Commercial

This account shall include charges for payments of property, business, and Directors and Officers insurance.

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Other Non-Operating Expenses (80000 Series)

80100 Interest Expense

This account shall include the cost of financing.

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80200 Office Relocation

This account shall include the cost of moving the office to new facilities.

80300 Cash Reserve Requirement

This account shall include the amount required to increase or (decrease) cash reserves to the level deemed necessary for the current year by the Board of Trustees.

Capital Expenditures (90000 Series) (Cash projections only to be capitalized)

90100 Furniture Purchase

This account shall include charges for purchases or leases of furniture (charges may be capitalized but shown here for budget comparison).

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90200 Equipment Purchase

This account shall include charges for purchases or leases of equipment (charges may be capitalized but shown here for budget comparison).

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90300 Computer Purchase and Lease

This account shall include charges for purchases or leases of computer equipment (charges may be capitalized but shown here for budget comparison).

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90350 Software Purchase

This account shall include charges for purchases of software (charges may be capitalized but shown here for budget comparison).

90400 Leasehold Improvements

This account shall include charges for improvements to leased office space (charges may be capitalized but shown here for budget comparison).

Depreciation Expenses (95000 Series)

95100 Depreciation Expense — Equipment

This account shall include depreciation charges for capitalized equipment.

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95200 Depreciation Expense — Computers

This account shall include depreciation charges for capitalized computer equipment.

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95250 Depreciation - Software

This account shall include depreciation charges for capitalized software.

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95300 Depreciation Expenses — Furniture

This account shall include depreciation charges capitalized furniture.

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95400 Depreciation Expense — L.I.

This account shall include depreciation charges for leasehold improvements.

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Miscellaneous Expenses (99000 Series)

99000 Miscellaneous Expense

This account shall include miscellaneous expenses not readily categorized to other expense accounts.

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99100 Provision for Allowance

This account shall include an annual charge to sufficient to provide for losses from uncollectible accounts.

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99200 Proceeds/Loss from Sale of Assets

This account shall include a credit or a charge for the sale of property to another.

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99900 Contingencies

This account shall be used for budget purposes to provide a contingent fund no actual charges should be booked to this account.

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**ATTACHMENT 2**

**NERC RECORDS RETENTION POLICY**

**REVISED POLICY (MARCH 28, 2008)**

**PREVIOUS POLICY (AUGUST 31, 2007)**



**NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION**

**North American Electricity Reliability Corporation  
Record Retention Policy**

<b>Types of Records</b>	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>7 Years *</b>	<b>Perm</b>
Accounts payable ledgers & schedules				Y	
Accounts receivable ledgers & schedules				Y	
Company policy & practice manuals					Y
Audit reports					Y
Bank statements				Y	
Bank reconciliations				Y	
Canceled checks				Y	
Chart of accounts					Y
Contracts & leases:					
Expired				Y	
Current					Y
Correspondence:					
Contributions				Y	
General				Y	
Legal & important matters only					Y
Routine vendor	Y				
Depreciation schedules					Y
Election records					Y
Employee personnel records (after termination)				Y	
Employee W-2 and payroll tax returns				Y	
Employment applications		Y			
Financial records/schedules used in preparation of tax returns (from date return filed)					Y
Financial statements (year-end; other months optional)					Y
General ledgers: year-end trial balances				Y	
Insurance policies (including expired policies)					Y
Inventories				Y	
Invoices:					
From vendors				Y	
To customers				Y	
Minutes of director & committee meetings (incl bylaws & charter)					Y
Ownership of property, real estate, patents, trademarks, copyrighted documents (from date ownership ends)				Y	
Payroll records & summaries				Y	
Pension documents & records					Y
Petty cash vouchers				Y	
Purchase orders				Y	
Receipt records (sales, etc.)				Y	
Sales records and journals				Y	
Subsidiary ledgers				Y	
Tax returns					Y
Time sheets				Y	
Vouchers for payments to employees for reimbursements, allowances, etc.				Y	

\* The records in this column shall be retained until entry of a final FERC order(s) on the NERC performance assessment(s) covering the year in which the record was generated.

**North American Electricity Reliability Corporation  
Record Retention Policy**

<b>Types of Records</b>	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>7 Years</b>	<b>Perm</b>
Accounts payable ledgers & schedules				Y	
Accounts receivable ledgers & schedules				Y	
Company policy & practice manuals					Y
Audit reports					Y
Bank statements			Y		
Bank reconciliations			Y		
Canceled checks			Y		
Chart of accounts					Y
Contrats & leases:					
Expired				Y	
Current					Y
Correspondence:					
Contributions			Y		
General			Y		
Legal & important matters only					Y
Routine vendor	Y				
Depreciation schedules					Y
Election records					Y
Employee personnel records (after termination)				Y	
Employee W-2 and payroll tax returns				Y	
Employment applications		Y			
Financial records/schedules used in preparation of tax returns (from date return filed)					Y
Financial statements (year-end; other months optional)					Y
General ledgers: year-end trial balances			Y		
Insurance policies (including expired policies)					Y
Inventories			Y		
Invoices:					
From vendors			Y		
To customers			Y		
Minutes of director & committee meetings (incl bylaws & charter)					Y
Ownership of property, real estate, patents, trademarks, copyrighted documents (from date ownership ends)				Y	
Payroll records & summaries				Y	
Pension documents & records					Y
Petty cash vouchers			Y		
Purchase orders			Y		
Receipt records (sales, etc.)			Y		
Sales records and journals			Y		
Subsidiary ledgers			Y		
Tax returns					Y
Time sheets				Y	
Vouchers for payments to employees for reimbursements, allowances, etc.				Y	



**ATTACHMENT 3**

**2007 BUDGET VERSUS ACTUAL COST RECONCILIATION**

**FOR**

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**



NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

## BUDGET TO ACTUAL VARIANCE ANALYSIS AT DECEMBER 31, 2007

### FUNDING

- **ERO Assessments** (Actual - \$804,779 over budget)  
Incremental assessment to increase cash reserves to 10% of 2007 budget. Although the contribution to increase cash reserves was not included as a line item in the 2007 budget, FERC authorized an additional assessment for the purpose of creating a 10% cash reserve.
- **Forum Membership Fees** (Actual - \$70,000 over budget)  
Fees paid by the Transmission Owners and Operators Forum were not budgeted as revenue but rather as an offset to expenses.
- **Testing Fees** (Actual - \$147,289 over budget)  
Primarily due to Fees for Continuing Education Hours exceeding budget by \$196k as a result of a mid-year change in the fee structure and PJM Test Fees of \$24k and Certificate Renewal Income of \$37k which were not budgeted, offset by System Operator Test Fees which were \$110k below expectations.
- **Services & Software** (Actual – \$88,588 over budget)  
Primarily due to GADS Service fees and software revenue exceeding budget by \$81k resulting from increased use worldwide.
- **Interest and Misc. Income** (Actual - \$115,819 over budget)  
Bank balances greater than projected due to collections of assessments during the first year as ERO being received more quickly than projected.

### EXPENSES

- **Personnel Expenses**
  - Salaries** (Actual - \$258,396 under budget)  
\$361k below budget in Direct Salaries due to the delayed timing of new hires and unfilled positions at year end. This is partially offset by three new unbudgeted FTE's and unbudgeted Employment Agency Fees of \$50k and Temporary Office Services of \$53k in Reliability Assessment and Performance Analysis and Accounting and Finance.
  - Payroll Taxes** (Actual - \$25,595 under budget)  
See above – Payroll Taxes are a function of Salaries.

**Employee Benefits** (Actual - \$370,628 under budget)

Primarily due to the delayed timing of new hires and unfilled positions at year end, partially offset by three new unbudgeted FTE's. In addition, actual medical insurance premium renewals were significantly below budget. Education Reimbursement was \$34k below budget and Relocation expenses were \$118k below budget as a result of a change in policy regarding telecommuting. The savings is offset in part by increases in officer's life insurance premiums.

**Savings & Retirement** (Actual - \$105,741 under budget)

See Salaries- Savings & Retirement expense is generally a function of Salaries.

- **Meeting Expenses**

**Meetings** (Actual - \$254,098 over budget)

Primarily due to spend greater than budget in Reliability Standards \$72k, Reliability Assessment and Performance Analysis \$70k and General and Administrative \$70k, as a result of unanticipated activities required to develop standards, conduct assessments and initial implementation of responsibilities as the ERO.

**Travel** (Actual - \$278,264 over budget)

Primarily due to more extensive travel than budgeted associated with Reliability Standards \$110k, Reliability Assessment and Performance Analysis \$100k and Situational Awareness and Infrastructure Security \$55k. Also, addition of three unbudgeted FTE's resulted in additional travel expense.

**Conference Calls** (Actual - \$8,435 over budget)

Primarily due to greater than projected activity in Reliability Readiness Audit and Improvement.

- **Operating Expenses**

**Rent & Improvements** (Actual - \$193,932 over budget)

Leasehold improvements at NERC offices in Washington, DC (new office) and Princeton, NJ, and utility costs at offices, exceeded budgeted allowance.

**Contracts** (Actual - \$296,122 under budget)

\$52k savings in Training and Education as a result of changing the vendor used to develop the training, education and personnel certification database; \$162k savings as a result of not starting the CPS1 Balancing Authority, ACE Limit Monitoring and Frequency Monitoring Projects as planned in Situational Awareness and Infrastructure Security; and \$83k saved in Reliability Assessment and Performance Analysis where system models developed by third- party vendors billed on a time and material basis cost less than expected.

**Consultants** (Actual - \$122,622 under budget)

Primarily due to \$244k under budget in Situational Awareness and Infrastructure Security where hiring a consultant for the Synchro Phasor Initiative was delayed until 2008; \$250k under budget in Compliance and Organization Registration and Certification where a new compliance database was not completed as planned; \$58k under budget in Training and Education as a result of not performing a planned operator excellence study; and \$32k under budget in Reliability Standards where a standards development coordinator consultant was budgeted for the full year but not retained until April. These under-budget amounts are partially offset by \$349k spent in excess of budget in Reliability Readiness Audit and Improvement where consultants were utilized in place of permanent FTE's; \$69k for a compensation study that was not provided for in the budget; and \$61k over budget in Reliability Assessment and Performance Analysis for consultants to assist with event analysis.

**Office Costs** (Actual - \$182,621 over budget)

Primarily due to over spending on computer supplies & maintenance of \$141k, office supplies of \$53k, express shipping of \$13k and bank fees of \$18k, partially offset by lower internet expense of \$59k.

**Professional Services** (Actual - \$48,350 under budget)

Board of Trustee and Legal Fees were \$39k and \$61k below budget, respectively; partially offset by Board of Trustee search fees of \$66k which were not budgeted.

**Computer Purchase & Maintenance** (Actual - \$120,502 over budget)

Primarily \$80k for a replacement server that was not budgeted.

**Furniture & Equipment** (Actual - \$11,449 over budget)

Miscellaneous expenses in excess of budget by \$13k and greater equipment purchases of \$6k, partially offset by lower furniture purchases of \$9k.

**FULL TIME EQUIVALENTS (FTE'S)**

The 2007 Budget for FTE's was 85. NERC completed the year with 84.5 FTE's. Compliance and Organization Registration and Certification completed the year at 18 FTE's, 2 below budget; Reliability Readiness Audit and Improvement completed the year at 8 FTE's, 3 below budget; Reliability Assessment and Performance Analysis ended the year 1 over budget at 10 FTE's; Situational Awareness and Infrastructure Security ended the year with 5 FTE's, .5 over Budget; Committees and Member Forums was 2 under budget at 1 FTE; General and Administrative completed the year with 6 FTE's, 4 over budget; Legal and Regulatory completed the year with 3FTE's, 1 under budget; Human Resources was 1 FTE over budget at 3.5 FTE's; and Accounting and Finance completed the year with 5 FTE's, 1 over budget due to the transitioning of the CFO position. All other departments completed the year with the budgeted amount of FTE's.

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

**Statement of Revenues and Expenditures**

**From 1/1/2007 through 12/31/2007**

**(Unaudited)**

*(In Whole Dollars)*

	<b>2007 YTD Actual</b>	<b>2007 YTD Budget</b>	<b>2007 YTD Variance Over(Under) Budget</b>
<b>Funding</b>			
Assessments	22,487,331	21,682,552	804,779
Forum Membership Fees	70,000	-	70,000
Testing	717,289	570,000	147,289
Services & Software	298,588	210,000	88,588
Interest	198,140	84,000	114,140
Misc.	1,679	-	1,679
<b>Total Funding</b>	<b>23,773,026</b>	<b>22,546,552</b>	<b>1,226,474</b>
<b>Expenses</b>			
Personnel Expenses			
Salaries	9,874,786	10,133,182	(258,396)
Payroll Taxes	583,950	609,545	(25,595)
Employee Benefits	1,121,956	1,492,584	(370,628)
Savings & Retirement	1,013,150	1,118,891	(105,741)
<b>Total Personnel Expenses</b>	<b>12,593,842</b>	<b>13,354,203</b>	<b>(760,360)</b>
Meeting Expenses			
Meetings	967,098	713,000	254,098
Travel	1,594,264	1,316,000	278,264
Conference Calls	121,435	113,000	8,435
<b>Total Meeting Expenses</b>	<b>2,682,797</b>	<b>2,142,000</b>	<b>540,797</b>
Operating Expenses			
Rent & Improvements	841,132	647,200	193,932
Contracts	2,455,038	2,751,160	(296,122)
Consultants	1,282,378	1,405,000	(122,622)
Office Costs	829,311	646,690	182,621
Professional Services	1,238,150	1,189,800	48,350
Computer Purchase & Maint.	470,502	350,000	120,502
Furniture & Equipment	71,949	60,500	11,449
<b>Total Operating Expenses</b>	<b>7,188,459</b>	<b>7,050,350</b>	<b>138,109</b>
<b>Total Expenses</b>	<b>22,465,099</b>	<b>22,546,552</b>	<b>(81,454)</b>
<b>Net Change in Assets</b>	<b>1,307,927</b>	<b>(0)</b>	<b>1,307,927</b>

Final report is subject to change based on results of audit by The Mercadien Group

**North American Electric Reliability Corporation**  
**2007 Statement of Activities**  
**Reliability Standards**  
(Unaudited)

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance Over(Under) Budget</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	2,258,433	2,258,433	(0)	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>2,258,433</u>	<u>2,258,433</u>	<u>(0)</u>	
<b>Expenses</b>				
Personnel Expenses				
Salaries	1,213,977	1,281,833	(67,857)	Timing of new hires.
Payroll Taxes	77,924	82,276	(4,352)	
Employee Benefits	154,482	179,635	(25,153)	In addition to the impact of timing of new hires, the medical insurance benefit renewal premium was significantly lower than anticipated.
Savings & Retirement	109,588	137,689	(28,101)	Due to employee turnover in the function, not all employees were eligible for the supplemental discretionary 401k contribution. The budget was based upon full participation.
<b>Total Personnel Expenses</b>	<u>1,555,971</u>	<u>1,681,433</u>	<u>(125,463)</u>	
Meeting Expenses				
Meetings	221,166	149,000	72,166	Additional meetings required to finalize enforceable standards. Of particular note, NERC standards staff needed to support Order 890 (issued Feb. 2007) resulting in a large number of in-person meetings beyond the number anticipated when the 2007 budget was developed. Staff working on 30 projects with some carryovers in 2007 not expected to be there originally.
Travel	233,175	188,000	45,175	Travel costs significantly over budget in many functions as NERC has become fully engaged as the ERO. Of particular note, NERC standards staff needed to support Order 890 (issued Feb. 2007) resulting in a large number of in-person meetings beyond the number anticipated when the 2007 budget was developed. Staff working on 30 projects with some carryovers in 2007 not expected to be there originally.
Conference Calls	-	-	-	
<b>Total Meeting Expenses</b>	<u>454,341</u>	<u>337,000</u>	<u>117,341</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	207,888	240,000	(32,113)	Whereas NERC expected to utilize a consultant/contractor for the entire year to serve as standards development coordinator, the consultant/contractor joined in April. The variance reflects the cost savings for the first three months of the year.
Office Costs	10,885	-	10,885	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
<b>Total Operating Expenses</b>	<u>218,772</u>	<u>240,000</u>	<u>(21,228)</u>	
<b>Total Expenses</b>	<u>2,229,084</u>	<u>2,258,433</u>	<u>(29,350)</u>	
<b>Net Change in Assets</b>	<u>29,349</u>	<u>(0)</u>	<u>29,350</u>	
FTE's	12	12		

**North American Electric Reliability Corporation**  
**2007 Statement of Activities**  
**Compliance and Organization Registration and Certification**  
**(Unaudited)**

(In Whole Dollars)

	2007 YTD Variance		
	2007 YTD Actual	2007 YTD Budget	
Funding			
Assessments	3,436,668	3,436,668	-
Membership Fees & Non-Stat Assessments			-
Testing			-
Services & Software			-
Interest			-
Misc.			-
<b>Total Funding</b>	<b>3,436,668</b>	<b>3,436,668</b>	<b>-</b>
Expenses			
Personnel Expenses			
Salaries	1,801,134	1,947,805	(146,671)
Payroll Taxes	114,971	130,726	(15,755)
Employee Benefits	206,780	352,169	(145,389)
Savings & Retirement	171,087	144,968	26,119
<b>Total Personnel Expenses</b>	<b>2,293,971</b>	<b>2,575,668</b>	<b>(281,697)</b>
Meeting Expenses			
Meetings	42,470	54,000	(11,530)
Travel	387,919	317,000	70,919
Conference Calls	436		436
<b>Total Meeting Expenses</b>	<b>430,824</b>	<b>371,000</b>	<b>59,824</b>
Operating Expenses			
Rent & Improvements			-
Contracts	519		519
Consultants	240,500	490,000	(249,500)
Office Costs	7,654		7,654
Professional Services			-
Computer Purchase & Maint.			-
Furniture & Equipment			-
<b>Total Operating Expenses</b>	<b>248,673</b>	<b>490,000</b>	<b>(241,327)</b>
<b>Total Expenses</b>	<b>2,973,469</b>	<b>3,436,668</b>	<b>(463,199)</b>
<b>Net Change in Assets</b>	<b>463,199</b>	<b>0</b>	<b>463,199</b>
FTE's	18	20	

Budgeted for 20 FTE's; 2 positions were unfilled; 2 positions were filled in December. This caused the under spend in Payroll Taxes and Employee Benefits as well.

In addition to unfilled positions and delayed hires, the medical insurance benefit renewal premium was significantly lower than anticipated.

Employees hired prior to 1/1/07 transferred from other departments to fill open positions. Being employed prior to 1/1/07 made them eligible for the supplemental discretionary 401k contribution which was not budgeted for new hires.

While fewer meetings were required than anticipated, travel costs incurred by Regional Compliance Program Coordinators were significantly higher than expected, especially in light of the fact that all planned FTE's were not hired. In order to ensure impartiality, NERC's Compliance Coordinators were required to travel on short notice and often longer distances to participate in audits. This was not an assumption when planning travel costs for the 2007 budget.

New Compliance database not completed - work continues in 2008 and 2009

**North American Electric Reliability Corporation**  
**2007 Statement of Activities**  
**Reliability Readiness Audit and Improvement**  
**(Unaudited)**

(In Whole Dollars)

	<b>2007 YTD Actual</b>	<b>2007 YTD Budget</b>	<b>2007 YTD Variance Over(Under) Budget</b>	<b>Comments</b>
<b>Funding</b>				
Assessments	1,650,771	1,650,771	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<b>1,650,771</b>	<b>1,650,771</b>	<b>-</b>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	760,361	1,124,482	(364,121)	11 FTE's planned; 5 positions were open for most of the year, with 2 Readiness Evaluators hired mid-December. 'Consultants', which were not planned for in the budget process, were used in place of permanent employees. (See 'Consultant's line below.) The under spend in Salaries, Payroll Taxes, Employee Benefits and Savings & Retirement are all the result of planned positions not being filled in January as budgeted.
Payroll Taxes	56,686	79,854	(23,168)	
Employee Benefits	64,197	163,999	(99,802)	
Savings & Retirement	57,274	123,436	(66,162)	
<b>Total Personnel Expenses</b>	<b>938,518</b>	<b>1,491,771</b>	<b>(553,253)</b>	
<b>Meeting Expenses</b>				
Meetings	11,270		11,270	
Travel	149,116	159,000	(9,884)	
Conference Calls	6,019		6,019	
<b>Total Meeting Expenses</b>	<b>166,405</b>	<b>159,000</b>	<b>7,405</b>	
<b>Operating Expenses</b>				
Rent & Improvements			-	
Contracts			-	
Consultants	349,066		349,066	Consultants used in place of permanent staff as noted above
Office Costs	5,293		5,293	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
<b>Total Operating Expenses</b>	<b>354,359</b>	<b>-</b>	<b>354,359</b>	
<b>Total Expenses</b>	<b>1,459,282</b>	<b>1,650,771</b>	<b>(191,489)</b>	
<b>Net Change in Assets</b>	<b>191,489</b>	<b>0</b>	<b>191,489</b>	
FTE's	8	11		



**North American Electric Reliability Corporation**  
**2007 Statement of Activities**  
**Reliability Assessment and Performance Analysis**  
**(Unaudited)**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance Over(Under) Budget</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	2,469,128	2,469,128	(0)	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software	231,036	150,000	81,036	Additional GADS services and software revenue resulting from expanded use world wide.
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>2,700,164</u>	<u>2,619,128</u>	<u>81,036</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	1,526,226	1,421,976	104,250	Temporary services used during periods of unfilled positions and an agency fee paid to fill budgeted position were not budgeted. Some positions filled at higher salary than planned.
Payroll Taxes	83,181	78,158	5,023	
Employee Benefits	180,463	165,159	15,304	\$33.7k for employee relocation budgeted in Human Resouces but charged to the department where costs were incurred, offset by lower medical insurance benefit renewal premium.  1 employee resigned who was eligible for the supplemental discretionary 401k contribution, replaced with new employee who was not eligible. 1 employee moved to another department, where actual Savings and Retirement costs were recorded.
Savings & Retirement	151,129	210,134	(59,005)	
<b>Total Personnel Expenses</b>	<u>1,940,999</u>	<u>1,875,428</u>	<u>65,571</u>	
<b>Meeting Expenses</b>				
Meetings	150,311	80,000	70,311	Additional meetings with regional entity event analysis teams and for the initiation of new task forces for Demand Side Management and Variable Generation.  Additional travel required for: meeting with regional entity event analysis teams; meeting the requirement of improved reliability assessments and initiation of new task forces for Demand Side Management and Variable Generation; and, international travel by the Manager of GADS Services to promote the use of the tool world wide. Added travel by Mgr. of GADS Services also resulted in an increase in Services and Software Funding as noted above.
Travel	300,398	200,000	100,398	
Conference Calls	197		197	
<b>Total Meeting Expenses</b>	<u>450,906</u>	<u>280,000</u>	<u>170,906</u>	
<b>Operating Expenses</b>				
Rent & Improvements			-	
Contracts	306,016	388,700	(82,684)	System models developed by third-party vendors billed on a time and material basis cost less than anticipated.
Consultants	135,733	75,000	60,733	Additional consultants hired to assist with analysis of events that occurred in the year.
Office Costs	13,523		13,523	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
<b>Total Operating Expenses</b>	<u>455,272</u>	<u>463,700</u>	<u>(8,428)</u>	
<b>Total Expenses</b>	<u>2,847,177</u>	<u>2,619,128</u>	<u>228,049</u>	
<b>Net Change in Assets</b>	<u>(147,013)</u>	<u>0</u>	<u>(147,013)</u>	
FTE's	10	9		

**North American Electric Reliability Corporation**  
**2007 Statement of Activities**  
**Training and Education**  
(Unaudited)

(In Whole Dollars)

	<b>2007 YTD Actual</b>	<b>2007 YTD Budget</b>	<b>2007 YTD Variance Over(Under) Budget</b>	<b>Comments</b>
<b>Funding</b>				
Assessments	810,087	810,087	-	
Membership Fees & Non-Stat Assessments			-	
Testing	717,289	570,000	147,289	\$196k CEH Fees received above budget due to mid-year change in fee structure and amounts charged.
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<b>1,527,376</b>	<b>1,380,087</b>	<b>147,289</b>	
<b>Expenses</b>				
Personnel Expenses				
Salaries	611,993	647,789	(35,797)	Timing of new hire.
Payroll Taxes	39,991	37,148	2,843	
Employee Benefits	63,399	78,384	(14,985)	Medical insurance benefits renewal significantly less than expected.
Savings & Retirement	75,787	71,965	3,822	
<b>Total Personnel Expenses</b>	<b>791,170</b>	<b>835,288</b>	<b>(44,117)</b>	
Meeting Expenses				
Meetings	69,049	50,000	19,049	Meetings and Travel - Hosted additional Critical Infrastructure Protection workshops and reduced travel to maintain total budgeted spending level.
Travel	51,099	70,000	(18,901)	
Conference Calls			-	
<b>Total Meeting Expenses</b>	<b>120,148</b>	<b>120,000</b>	<b>148</b>	
Operating Expenses				
Rent & Improvements			-	
Contracts	272,867	324,800	(51,934)	Changed vendor used to develop the training, education and personnel certification database. New vendor signed for a significantly reduced cost.
Consultants	41,875	100,000	(58,125)	Did not perform an operator excellence study to create a competency model for hiring and training system operators as a result of FERC not releasing an operator job analysis performed from 2004-2005. The budget for this item was \$50,000.
Office Costs	9,245		9,245	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
<b>Total Operating Expenses</b>	<b>323,987</b>	<b>424,800</b>	<b>(100,813)</b>	
<b>Total Expenses</b>	<b>1,235,305</b>	<b>1,380,088</b>	<b>(144,783)</b>	
<b>Net Change in Assets</b>	<b>292,071</b>	<b>(1)</b>	<b>292,071</b>	
FTE's	6	6		

**North American Electric Reliability Corporation**  
**2007 Statement of Activities**  
**Situational Awareness and Infrastructure Security**  
**(Unaudited)**

(In Whole Dollars)

	2007 YTD Variance			
	2007 YTD Actual	2007 YTD Budget	Over(Under) Budget	Comments
<b>Funding</b>				
Assessments	3,195,644	3,195,644	(0)	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software	67,552	60,000	7,552	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<b>3,263,196</b>	<b>3,255,644</b>	<b>7,551</b>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	586,758	624,384	(37,626)	
Payroll Taxes	34,543	37,404	(2,861)	
Employee Benefits	33,012	46,802	(13,790)	Medical insurance benefits renewal significantly less than expected The budget assumption was that (1) new position would be filled with a new hire, who would not be eligible for the supplemental discretionary 401k contribution. Additional FTE added in 2007 transferred from another department who was eligible for such contribution, so while salary expense is slightly below budget, Savings and Retirement expense is over.
Savings & Retirement	75,705	57,394	18,311	
<b>Total Personnel Expenses</b>	<b>730,019</b>	<b>765,984</b>	<b>(35,965)</b>	
<b>Meeting Expenses</b>				
Meetings	77,289	121,000	(43,711)	
Travel	135,627	81,000	54,627	
Conference Calls			-	
<b>Total Meeting Expenses</b>	<b>212,916</b>	<b>202,000</b>	<b>10,916</b>	
<b>Operating Expenses</b>				
Rent & Improvements			-	
Contracts	1,875,636	2,037,660	(162,024)	CPS1 Balancing Authority, ACE Limit Monitoring project, and the Frequency Monitoring project not started as planned.
Consultants	5,920	250,000	(244,080)	Budget assumed hiring a consultant to work as project manager for the North American Synchro Phasor Initiative. Project manager to be hired during the first half of 2008.
Office Costs	24,733		24,733	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
<b>Total Operating Expenses</b>	<b>1,906,288</b>	<b>2,287,660</b>	<b>(381,372)</b>	
<b>Total Expenses</b>	<b>2,849,223</b>	<b>3,255,644</b>	<b>(406,421)</b>	
<b>Net Change in Assets</b>	<b>413,973</b>	<b>0</b>	<b>413,973</b>	
FTE's	5	4.5		

**North American Electric Reliability Corporation**  
**2007 Statement of Activities**  
**Committees and Member Forums**  
**(Unaudited)**

(In Whole Dollars)

	<b>2007 YTD Actual</b>	<b>2007 YTD Budget</b>	<b>2007 YTD Variance Over(Under) Budget</b>	<b>Comments</b>
<b>Funding</b>				
Assessments	777,394	777,394	-	
Membership Fees & Non-Stat Assessments	70,000		70,000	Memembership dues for Transmission Owners and Operators Forum (TOOF) which had been budgeted as an offset to 'Meetings' and 'Travel' expenses.
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<b>847,394</b>	<b>777,394</b>	<b>70,000</b>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	241,801	474,610	(232,809)	2 additional positions planned for 2007 but were not added. The activity planned was either provided by personnel in other areas or it was not performed. This is also resulted in lower than anticipated Payroll Taxes, Employee Benefits, Savings & Retirement and Travel expenses below.
Payroll Taxes	10,017	26,022	(16,005)	
Employee Benefits	23,815	73,912	(50,096)	Medical insurance benefits renewal significantly less than expected
Savings & Retirement	34,305	36,850	(2,545)	
<b>Total Personnel Expenses</b>	<b>309,939</b>	<b>611,394</b>	<b>(301,456)</b>	
<b>Meeting Expenses</b>				
Meetings	154,441	104,000	50,441	Meeting expense for TOOF had been offset by 'Membership Fees' in the Budget but actuals were recorded separately.
Travel	17,324	62,000	(44,676)	As noted under 'Salaries', 2 additional planned staff not hired.
Conference Calls			-	
<b>Total Meeting Expenses</b>	<b>171,765</b>	<b>166,000</b>	<b>5,765</b>	
<b>Operating Expenses</b>				
Rent & Improvements			-	
Contracts			-	
Consultants			-	
Office Costs	6,498		6,498	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
<b>Total Operating Expenses</b>	<b>6,498</b>	<b>-</b>	<b>6,498</b>	
<b>Total Expenses</b>	<b>488,201</b>	<b>777,394</b>	<b>(289,194)</b>	
<b>Net Change in Assets</b>	<b>359,193</b>	<b>(0)</b>	<b>359,193</b>	
FTE's	1	3		

**North American Electric Reliability Corporation**  
**2007 Statement of Activities**  
**General and Administrative**  
**(Unaudited)**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance Over(Under) Budget</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	3,608,961	2,804,181	804,780	Incremental assessment to increase cash reserves as reflected on page 21, paragraph 70 of FERC order conditionally accepting NERC's 2007 Business Plan and Budget.
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest	198,140	84,000	114,140	Interest income underestimated due to the uncertainty of timely collections during the first year as the ERO.
Misc.	1,265		1,265	
<b>Total Funding</b>	<u>3,808,365</u>	<u>2,888,181</u>	<u>920,184</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	1,103,219	589,163	514,056	Executive Vice-President, Director of Inter-Government Relations and Communications Specialist added in 2007 that were not planned in the Budget. Also, overtime and additional hours required by the Executive Administrative Assistant. These additions resulted in over spend in Payroll Taxes, Employee Benefits, Savings & Retirement and Travel.
Payroll Taxes	49,444	18,291	31,152	
Employee Benefits	128,106	37,184	90,922	In addition to the increase as a result of (3) additional FTE's , officer's life insurance premiums increased as a result of adding the Executive Vice President.
Savings & Retirement	96,709	81,853	14,857	
<b>Total Personnel Expenses</b>	<u>1,377,478</u>	<u>726,491</u>	<u>650,987</u>	
<b>Meeting Expenses</b>				
Meetings	222,889	152,000	70,889	Refer to comment under 'Salaries' above.
Travel	223,924	137,000	86,924	
Conference Calls	114,784	113,000	1,784	
<b>Total Meeting Expenses</b>	<u>561,597</u>	<u>402,000</u>	<u>159,597</u>	
<b>Operating Expenses</b>				
Rent & Improvements	841,132	647,200	193,932	Leasehold improvements at NERC offices in Washington, DC (new office) and Princeton, NJ, and utility costs at offices, exceeded budgeted allowance.
Contracts			-	
Consultants	-		-	Additional furniture required in NJ to expand space required for added FTE's.
Office Costs	425,934	411,690	14,244	
Professional Services	672,562	640,300	32,262	
Computer Purchase & Maint.	-		-	
Furniture & Equipment	69,185	60,500	8,685	
<b>Total Operating Expenses</b>	<u>2,008,813</u>	<u>1,759,690</u>	<u>249,123</u>	
<b>Total Expenses</b>	<u>3,947,888</u>	<u>2,888,181</u>	<u>1,059,707</u>	
<b>Net Change in Assets</b>	<u>(139,523)</u>	<u>(0)</u>	<u>(139,523)</u>	
FTE's	6	2		

**North American Electric Reliability Corporation**  
**2007 Statement of Activities**  
**Legal and Regulatory**  
**(Unaudited)**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance Over(Under) Budget</u>	<u>Comments</u>
Funding				
Assessments	1,452,039	1,452,039	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>1,452,039</u>	<u>1,452,039</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	548,466	691,323	(142,857)	1 planned additional position was not filled. This impacted spend in Payroll Taxes, Employee Benefits, Savings & Retirement and Travel.
Payroll Taxes	23,247	32,548	(9,301)	
Employee Benefits	52,888	92,164	(39,276)	In addition to 1 unfilled position, medical insurance benefits renewal significantly less than expected.
Savings & Retirement	51,469	72,004	(20,535)	
Total Personnel Expenses	<u>676,070</u>	<u>888,039</u>	<u>(211,969)</u>	
Meeting Expenses				
Meetings		3,000	(3,000)	
Travel	35,919	61,000	(25,081)	
Conference Calls			-	
Total Meeting Expenses	<u>35,919</u>	<u>64,000</u>	<u>(28,081)</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	-		-	
Office Costs	2,068		2,068	
Professional Services	520,244	500,000	20,244	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Total Operating Expenses	<u>522,312</u>	<u>500,000</u>	<u>22,312</u>	
Total Expenses	<u>1,234,302</u>	<u>1,452,039</u>	<u>(217,737)</u>	
Net Change in Assets	<u>217,737</u>	<u>0</u>	<u>217,737</u>	
FTE's	3	4		

**North American Electric Reliability Corporation**  
**2007 Statement of Activities**  
**Information Technology**  
**(Unaudited)**

(In Whole Dollars)

	<b>2007 YTD Actual</b>	<b>2007 YTD Budget</b>	<b>2007 YTD Variance Over(Under) Budget</b>	<b>Comments</b>
<b>Funding</b>				
Assessments	1,864,056	1,864,056	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<b>1,864,056</b>	<b>1,864,056</b>	<b>-</b>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	724,669	703,231	21,438	
Payroll Taxes	49,259	48,802	457	
Employee Benefits	112,922	146,055	(33,133)	Medical insurance benefits renewal significantly less than expected.
Savings & Retirement	105,077	101,968	3,109	
<b>Total Personnel Expenses</b>	<b>991,927</b>	<b>1,000,056</b>	<b>(8,130)</b>	
<b>Meeting Expenses</b>				
Meetings	4,641		4,641	
Travel	37,680	29,000	8,680	
Conference Calls			-	
<b>Total Meeting Expenses</b>	<b>42,321</b>	<b>29,000</b>	<b>13,321</b>	
<b>Operating Expenses</b>				
Rent & Improvements			-	
Contracts			-	
Consultants	232,313	250,000	(17,688)	
Office Costs	317,042	235,000	82,042	Computer supplies needed for additional FTE's above the anticipated requirement.
Professional Services			-	
Computer Purchase & Maint.	470,502	350,000	120,502	Primarily due to unplanned purchase of a new \$80k file server.
Furniture & Equipment	83		83	
<b>Total Operating Expenses</b>	<b>1,019,939</b>	<b>835,000</b>	<b>184,939</b>	
<b>Total Expenses</b>	<b>2,054,188</b>	<b>1,864,056</b>	<b>190,131</b>	
<b>Net Change in Assets</b>	<b>(190,132)</b>	<b>(0)</b>	<b>(190,132)</b>	
FTE's	7	7		

**North American Electric Reliability Corporation**  
**2007 Statement of Activities**  
**Human Resources**  
**(Unaudited)**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance Over(Under) Budget</u>	<u>Comments</u>
Funding				
Assessments	351,363	351,363	(0)	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>351,363</u>	<u>351,363</u>	<u>(0)</u>	
Expenses				
Personnel Expenses				
Salaries	259,230	224,088	35,143	Salary increases and bonuses more than anticipated. Also, the part-time assistant worked more hours than planned.
Payroll Taxes	17,490	13,605	3,885	
Employee Benefits	40,945	80,848	(39,904)	Relocation costs budgeted in HR but charged to department where the costs were incurred. (See Reliability Assessments) Also, medical insurance benefits renewal less than expected.
Savings & Retirement	30,693	25,823	4,871	
Total Personnel Expenses	<u>348,359</u>	<u>344,363</u>	<u>3,995</u>	
Meeting Expenses				
Meetings			-	
Travel	6,402	7,000	(598)	
Conference Calls			-	
Total Meeting Expenses	<u>6,402</u>	<u>7,000</u>	<u>(598)</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	69,085		69,085	Hay Group study, Executive 360 reviews, and situational leadership management training
Office Costs	5,454		5,454	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment	3,464		3,464	
Total Operating Expenses	<u>78,003</u>	<u>-</u>	<u>78,003</u>	
Total Expenses	<u>432,763</u>	<u>351,363</u>	<u>81,400</u>	
Net Change in Assets	<u>(81,400)</u>	<u>(0)</u>	<u>(81,400)</u>	
FTE's	3.5	2.5		



**North American Electric Reliability Corporation**  
**2007 Statement of Activities**  
**Accounting and Finance**  
**(Unaudited)**

	<b>2007 YTD Actual</b>	<b>2007 YTD Budget</b>	<b>2007 YTD Variance Over(Under) Budget</b>	<b>Comments</b>
<b>Funding</b>				
Assessments	612,787	612,787	(0)	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.	414		414	
<b>Total Funding</b>	<b>613,201</b>	<b>612,787</b>	<b>414</b>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	496,953	402,498	94,455	Salary increases and awarded bonus more than anticipated. Also, temporary services needed for credit and collections not planned.
Payroll Taxes	27,197	24,709	2,488	
Employee Benefits	60,947	76,272	(15,326)	Medical insurance benefits renewal significantly less than expected.
Savings & Retirement	54,326	54,807	(481)	1 employee termed and replacement not eligible for the supplemental discretionary 401k contribution budgeted for the position.
<b>Total Personnel Expenses</b>	<b>639,422</b>	<b>558,287</b>	<b>81,136</b>	
<b>Meeting Expenses</b>				
Meetings	13,571		13,571	The budget did not provide for meetings of Regional Entity Budget Group (REBG).
Travel	15,681	5,000	10,681	Travel for the CFO to Board of Trustee meetings and REBG meetings significantly under estimated.
Conference Calls			-	
<b>Total Meeting Expenses</b>	<b>29,253</b>	<b>5,000</b>	<b>24,253</b>	
<b>Operating Expenses</b>				
Rent & Improvements			-	
Contracts			-	
Consultants			-	
Office Costs	983		983	
Professional Services	45,344	49,500	(4,156)	
Computer Purchase & Maint.			-	
Furniture & Equipment	(783)		(783)	
<b>Total Operating Expenses</b>	<b>45,543</b>	<b>49,500</b>	<b>(3,957)</b>	
<b>Total Expenses</b>	<b>714,218</b>	<b>612,787</b>	<b>101,431</b>	
<b>Net Change in Assets</b>	<b>(101,017)</b>	<b>0</b>	<b>(101,017)</b>	
FTE's	5	4		

**ATTACHMENT 4**

**2007 BUDGET VERSUS ACTUAL COST RECONCILIATION**

**FOR**

**FLORIDA RELIABILITY COORDINATING COUNCIL**



FLORIDA RELIABILITY COORDINATING COUNCIL, INC.  
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## Compliance Filing for FERC

### A. 2007 Year End True Up and Budget Variance Explanations

#### Statutory Funding

Total Actual Over Budget \$72k at Year End:

\* **Interest** - Not Budgeted: \$11k Actual

\* **Work Shops** - Neither income nor expense is budgeted due to this being a "pass-through self-funding" item: \$61k Actual

#### Statutory Expenses

##### Personnel Expenses

Total Actual Over Budget \$144k at Year End

Increased time spent in Statutory functions than defined and anticipated and the decision to buy out of Sick Pay Benefit and not allow any carry forward in the future and year end accrual. Affects each line item of this category.

##### Meeting Expenses

Total Actual Over Budget \$72k at Year End.

See **Workshops** under **Funding** above of \$60,000 This is the cost of putting on the seminars for System Operators and is offset by the revenue in funding out by the approximate same amount. Balance is due to increased meetings being attended to insure compliance with and consistency among the regions and for Drafting Team attendance.

##### Operating Expenses

Total Actual Under Budget (\$391k) at Year End

This is primarily due to the determination (after careful consideration and detailed analysis) by the FRCC Operating Committee post the 2007 budget process approval time, that certain items that were budgeted to be spent and funded from Statutory funds, were really Member Services Items. Those items were:

Shared Reliability Database for the FRCC Region items	\$134,180
Development of Integrated FRCC Dynamic State-wide Map	9,058
Development of Granularity Tool	9,058
Telecommunication items	<u>149,651</u>
Total	\$301,947

The balance is primarily due to the purchase of Compliance Software which was anticipated to have occurred earlier in the year than when it was. Thus updates and modifications of approximately \$50,000 did not happen in 2007 – but will be spent in 2008. Additionally, the full purchase price of the Software was split between years with \$40,000 (of the \$100,000 originally budgeted) being spent as down payment and the balance of \$60,000 to be paid when the software is up and running the first quarter of 2008. And it was found that during the budget process the Software Package purchase was categorized as “Office Costs” per definitions provided by NERC and should have been budgeted for as Fixed Assets where the actual costs of the software were charged per standard GAAP definitions.

## **Non-Statutory Funding**

Total Actual Over Budget \$402k at Year End

This is due to 2 special assessments. One for the connection fees to the new Florida Informational Transaction Management System (FTMS) – a software tool that enables multiple concurrent users to obtain a variety of reliability related services. And the other was to pay for software fees incurred when changing vendors for the Florida OASIS system.

## **Non-Statutory Expenses**

### **Personnel Expenses**

Total Actual Over Budget \$46k at Year End

This is due primarily to the decision to buy out of Sick Pay Benefit and not allow any carry forward in the future and year end accrual.

### **Operating Expenses**

Total Actual Over Budget \$496k at Year End.

This is in part due to the determination (after careful consideration and detailed analysis) by the FRCC Operating Committee post the 2007 budget process approval time, that certain items that were budgeted to be spent and funded from Statutory funds, were really Member Services Items. Those items were:

Shared Reliability Database for the FRCC Region items	\$134,180
Development of Integrated FRCC Dynamic State-wide Map	9,058
Development of Granularity Tool	9,058
Telecommunication items	<u>149,651</u>
Total	\$301,947

The balance in large part is due to the subcommittees and working groups not incurring approximately \$50,000 for consultants that were budgeted for.

## **B. Statement concerning funding:**

The FRCC has not used any statutory funds for non-statutory activities. There was a determination (after careful consideration and detailed analysis) by the FRCC Operating Committee post the 2007 budget process approval time, that certain items that were budgeted to be spent and funded from Statutory funds, were really Member Services Items. Those items were:

Shared Reliability Database for the FRCC Region items:	\$134,180
Development of Integrated FRCC Dynamic State-wide Map	9,058
Development of Granularity Tool	9,058
Telecommunication items	<u>149,651</u>
Total	\$301,947

These amounts were moved on a actual basis during 2007 and was NOT charged against the Statutory Budget nor paid for with Statutory funds. Therefore, there are no funds to be repaid.

## **C. Explanation of Allocation Methods**

The FRCC feels that the appropriate methodology to adequately evaluate each of the Statutory programs is to totally allocate all statutory costs to the various programs based on the direct FTE's for each program. That way a true picture of the total cost for each program can be shown for analysis. Each employee and officer turns in a time sheet with their time accounted for between statutory and non-statutory functions that they personally spent their time on. Within statutory and non-statutory they further break down their time by the function areas. These times are totalled and FTE's are calculated. Expenses such as Facilities Rent, stationary, utilities, and other items of a general nature are then split to each of the functions based on FTE's. Only expenses that cannot be determined to be specifically for a particular function are split on an allocated basis. Any expenses received that are for a particular function within a particular area are charged to that area and are not split. All expenses are reviewed by a Department Head, an Accounting Assistant and the Controller for assignation to any particular expense whether that be for Statutory or Non-statutory.

## **D. Adoption of NERC's Record Retention Policy**

The FRCC has adopted the record retention Policy as defined by NERC.

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.  
Total Corporation

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments	2,450,293	2,450,294	(1)
Membership Fees & Non-Stat Assessments	2,566,459	2,486,626	79,833
Testing	-	-	-
Services & Software	322,897	-	322,897
Interest	10,925	-	10,925
Misc.	60,756	-	60,756
Total Funding	<u>5,411,330</u>	<u>4,936,920</u>	<u>474,410</u>
Expenses			
Personnel Expenses			
Salaries	1,995,710	1,797,775	197,935
Payroll Taxes	123,198	117,257	5,941
Employee Benefits	338,869	337,820	1,049
Savings & Retirement	214,800	229,350	(14,550)
Total Personnel Expenses	<u>2,672,576</u>	<u>2,482,202</u>	<u>190,374</u>
Meeting Expenses			
Meetings	102,759	60,033	42,726
Travel	101,564	95,084	6,480
Conference Calls	19,976	16,277	3,699
Total Meeting Expenses	<u>224,299</u>	<u>171,394</u>	<u>52,905</u>
Operating Expenses			
Rent & Improvements	249,928	247,692	2,236
Contracts	-	-	-
Consultants	1,061,350	1,404,498	(343,148)
Office Costs	545,735	326,320	219,415
Professional Services	179,351	67,333	112,018
Computer Purchase & Maint.	35,219	110,858	(75,639)
Furniture & Equipment	317,286	126,624	190,662
Total Operating Expenses	<u>2,388,869</u>	<u>2,283,325</u>	<u>105,544</u>
Total Expenses	<u>5,285,745</u>	<u>4,936,921</u>	<u>348,824</u>
Net Change in Assets	<u>125,585</u>	<u>(1)</u>	<u>125,586</u>

Please note: No Non Statutory Functions were funded with Statutory Assessments or funds.  
Additionally, no Statutory Functions were funded with Non Statutory Assessments or funds.  
The FRCC has adopted the record retention Policy as defined by NERC.

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.  
Total Statutory Summary

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments	2,450,293	2,450,294	(1)
Membership Fees & Non-Stat Assessments	-	-	-
Testing	-	-	-
Services & Software	-	-	-
Interest	10,925	-	10,925
Misc.	60,756	-	60,756
Total Funding	<u>2,521,974</u>	<u>2,450,294</u>	<u>71,680</u>
Expenses			
Personnel Expenses			
Salaries	1,148,931	1,038,639	110,292
Payroll Taxes	71,359	63,954	7,405
Employee Benefits	176,236	144,246	31,990
Savings & Retirement	123,616	129,304	(5,688)
Total Personnel Expenses	<u>1,520,142</u>	<u>1,376,143</u>	<u>143,999</u>
Meeting Expenses			
Meetings	84,346	35,493	48,853
Travel	72,818	46,571	26,247
Conference Calls	10,733	13,397	(2,664)
Total Meeting Expenses	<u>167,897</u>	<u>95,461</u>	<u>72,436</u>
Operating Expenses			
Rent & Improvements	119,295	131,666	(12,371)
Contracts	-	-	-
Consultants	107,574	461,867	(354,293)
Office Costs	44,043	283,452	(239,409)
Professional Services	136,437	41,706	94,731
Computer Purchase & Maint.	18,646	-	18,646
Furniture & Equipment	161,322	60,000	101,322
Total Operating Expenses	<u>587,316</u>	<u>978,691</u>	<u>(391,375)</u>
Total Expenses	<u>2,275,355</u>	<u>2,450,295</u>	<u>(174,940)</u>
Net Change in Assets	<u>246,618</u>	<u>(1)</u>	<u>246,619</u>

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.  
Reliability Standards Development (RSD) (0300)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	168,568	168,568	(0)	<b>Overall Comment for the Reliability Standards Development (RSD) Program:</b> When the 2007 Budget was produced, it was not anticipated this much involvement would be required by the FRCC staff. Specifically the FRCC has 2 staff members on the Standards Drafting Teams and there has been more NERC standards development activity than was originally defined and anticipated. We also have a staff member on the Regional Reliability Standards Working Group (RRSWG). There were no fixed assets budgeted to support the staff.
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>168,568</u>	<u>168,568</u>	<u>(0)</u>	
Expenses				
Personnel Expenses				
Salaries	157,468	77,005	80,463	
Payroll Taxes	9,869	5,390	4,479	
Employee Benefits	21,556	12,026	9,530	
Savings & Retirement	16,372	10,780	5,592	
Total Personnel Expenses	<u>205,265</u>	<u>105,201</u>	<u>100,064</u>	
Meeting Expenses				
Meetings	1,153	990	163	
Travel	21,065	5,000	16,065	
Conference Calls	1,217	5,855	(4,638)	
Total Meeting Expenses	<u>23,436</u>	<u>11,845</u>	<u>11,591</u>	
Operating Expenses				
Rent & Improvements	16,269	12,915	3,354	
Contracts			-	
Consultants	7,580	10,000	(2,420)	
Office Costs	4,596	27,479	(22,883)	
Professional Services	7,739	1,128	6,611	
Computer Purchase & Maint.	2,521	-	2,521	
Furniture & Equipment	6,904	-	6,904	
Total Operating Expenses	<u>45,608</u>	<u>51,522</u>	<u>(5,914)</u>	
Total Expenses	<u>274,309</u>	<u>168,568</u>	<u>105,741</u>	
Net Change in Assets	<u>(105,741)</u>	<u>-</u>	<u>(105,741)</u>	



(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.  
Compliance Enforcement (CME) (0400)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				<b>Overall Comment for the Compliance Enforcement (CME) Program:</b>
Assessments	1,033,321	1,033,321	(0)	One replacement of staffing did not occur for six months. This affects all of the personnel costs
Membership Fees & Non-Stat Assessments			-	In the meetings category, the NERC Regional Entity Compliance group met more often than defined and anticipated for implementation and consistency among the regions
Testing			-	The purchase of Compliance Software was anticipated to have occurred earlier in the year than when it was. Thus updates and modifications of approximately \$50,000 did not happen in 2007 - but it will be spent in 2008. Additionally, the full purchase price of the Software was split between years with \$40,000 (of the \$100,000 originally budgeted) being spent as a down payment and the balance of \$60,000 to be paid when the software is up and running the first quarter of 2008.
Services & Software			-	And it was found that during the budget process the Software Package purchase was categorized as "Office Costs" per definitions provided by NERC and should have been budgeted for as Furniture & Equipment where the actual costs of the software was properly charged.
Interest			-	Legal fees were expended to review various compliance issues and interpretations.
Misc.			-	Lastly, new office space had to be negotiated to house the increased 2008 compliance staff and any overage in fixed assets is due to the buildout costs of preparing that space that will be occupied in February 2008.
Total Funding	<u>1,033,321</u>	<u>1,033,321</u>	<u>(0)</u>	
Expenses				
Personnel Expenses				
Salaries	396,081	518,927	(122,846)	
Payroll Taxes	24,390	27,575	(3,185)	
Employee Benefits	65,671	64,938	733	
Savings & Retirement	43,925	58,212	(14,287)	
Total Personnel Expenses	<u>530,066</u>	<u>669,652</u>	<u>(139,586)</u>	
Meeting Expenses				
Meetings	13,452	13,564	(112)	
Travel	20,711	7,144	13,567	
Conference Calls	3,599	3,077	522	
Total Meeting Expenses	<u>37,762</u>	<u>23,785</u>	<u>13,977</u>	
Operating Expenses				
Rent & Improvements	41,279	46,494	(5,215)	
Contracts			-	
Consultants	17,138	60,000	(42,862)	
Office Costs	13,714	154,549	(140,835)	
Professional Services	56,483	18,841	37,642	
Computer Purchase & Maint.	6,630		6,630	
Furniture & Equipment	80,382	60,000	20,382	
Total Operating Expenses	<u>215,626</u>	<u>339,884</u>	<u>(124,258)</u>	
Total Expenses	<u>783,455</u>	<u>1,033,321</u>	<u>(249,866)</u>	
Net Change in Assets	<u>249,866</u>	<u>-</u>	<u>249,866</u>	

(In Whole Dollars)

**Florida Reliability Coordinating Council, Inc.**  
**Reliability Readiness Evaluation & Improvement Program**

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	35,153	35,153	0	<b>Overall Comment for the Reliability Readiness Evaluation &amp; Improvement (RE) Program:</b> Overall, the process required more involvement for this function than defined and anticipated and there was no budget for benefits that would be paid to staff. In addition, anticipated outside of the region participation in readiness evaluations did not materialize due to the FRCC Compliance department being understaffed all year.
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>35,153</u>	<u>35,153</u>	<u>0</u>	
Expenses				
Personnel Expenses				
Salaries	19,310	11,880	7,430	
Payroll Taxes	3,409	832	2,577	
Employee Benefits	2,723		2,723	
Savings & Retirement	1,876		1,876	
<b>Total Personnel Expenses</b>	<u>27,318</u>	<u>12,712</u>	<u>14,606</u>	
Meeting Expenses				
Meetings	118		118	
Travel	4,018	17,856	(13,838)	
Conference Calls	72		72	
<b>Total Meeting Expenses</b>	<u>4,209</u>	<u>17,856</u>	<u>(13,647)</u>	
Operating Expenses				
Rent & Improvements	2,002		2,002	
Contracts			-	
Consultants	933		933	
Office Costs	572	4,585	(4,013)	
Professional Services	961		961	
Computer Purchase & Maint.	278		278	
Furniture & Equipment	774		774	
<b>Total Operating Expenses</b>	<u>5,520</u>	<u>4,585</u>	<u>935</u>	
<b>Total Expenses</b>	<u>37,047</u>	<u>35,153</u>	<u>1,894</u>	
<b>Net Change in Assets</b>	<u>(1,894)</u>	<u>-</u>	<u>(1,894)</u>	

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.  
Reliability Assessment & Performance Analysis Program (RA)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				<b>Overall Comment for the Reliability Assessment &amp; Performance Analysis (RA) Program:</b>
Assessments	682,587	682,580	7	There was additional manhours spent here to improve the quality of the Reliability Assessment function. It was anticipated that this function would require 2.7 FTE's and in actuality it required 3.779 FTE's. This is reflected in all of the personnel expenses and meeting expenses.
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	It was found that during the budget process the Software Package purchase of the "Seimen's Models on Demand" were categorized as "Office Costs" per definitions provided by NERC and should have been budgeted for as Furniture & Equipment where the actual costs of the software was properly charged.
Interest			-	
Misc.			-	
Total Funding	<u>682,587</u>	<u>682,580</u>	<u>7</u>	
Expenses				
Personnel Expenses				
Salaries	477,168	308,020	169,148	
Payroll Taxes	27,402	21,561	5,841	
Employee Benefits	72,349	48,103	24,246	
Savings & Retirement	51,776	43,120	8,656	
Total Personnel Expenses	<u>628,695</u>	<u>420,804</u>	<u>207,891</u>	
Meeting Expenses				
Meetings	5,099	3,960	1,139	
Travel	19,103	12,098	7,005	
Conference Calls	4,352	3,199	1,153	
Total Meeting Expenses	<u>28,554</u>	<u>19,257</u>	<u>9,297</u>	
Operating Expenses				
Rent & Improvements	49,581	51,660	(2,079)	
Contracts			-	
Consultants	77,070	87,226	(10,156)	
Office Costs	16,703	88,431	(71,728)	
Professional Services	24,493	15,202	9,291	
Computer Purchase & Maint.	7,637		7,637	
Furniture & Equipment	58,105		58,105	
Total Operating Expenses	<u>233,591</u>	<u>242,519</u>	<u>(8,928)</u>	
Total Expenses	<u>890,839</u>	<u>682,580</u>	<u>208,259</u>	
Net Change in Assets	<u>(208,252)</u>	<u>-</u>	<u>(208,252)</u>	

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.  
Training & Education (TE) (0900)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				<b>Overall Comment for the Training &amp; Education (TE) Program:</b>
Assessments	41,496	41,503	(7)	This program required more time and more involvement than first expected, which is reflected in the personnel costs.
Membership Fees & Non-Stat Assessments			-	Additionally, neither the miscellaneous income nor the expense of putting on the FRCC System Operator
Testing			-	Seminars were budgeted.
Services & Software			-	
Interest			-	
Misc.	60,210		60,210	
<b>Total Funding</b>	<u>101,706</u>	<u>41,503</u>	<u>60,203</u>	
Expenses				
Personnel Expenses				
Salaries	54,828	15,000	39,828	
Payroll Taxes	3,471	1,050	2,421	
Employee Benefits	7,734	2,343	5,391	
Savings & Retirement	5,487	2,100	3,387	
<b>Total Personnel Expenses</b>	<u>71,519</u>	<u>20,493</u>	<u>51,026</u>	
Meeting Expenses				
Meetings	62,207	15,593	46,614	
Travel	4,685	546	4,139	
Conference Calls	947	155	792	
<b>Total Meeting Expenses</b>	<u>67,839</u>	<u>16,294</u>	<u>51,545</u>	
Operating Expenses				
Rent & Improvements	5,637	2,516	3,121	
Contracts			-	
Consultants	2,810	375	2,435	
Office Costs	3,499	1,027	2,472	
Professional Services	2,589	798	1,791	
Computer Purchase & Maint.	881		881	
Furniture & Equipment	2,604		2,604	
<b>Total Operating Expenses</b>	<u>18,021</u>	<u>4,716</u>	<u>13,305</u>	
<b>Total Expenses</b>	<u>157,378</u>	<u>41,503</u>	<u>115,875</u>	
<b>Net Change in Assets</b>	<u>(55,672)</u>	<u>-</u>	<u>(55,672)</u>	

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.  
Situational Awareness & Infrastructure (SA) (1000)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments	489,168	489,169	(1)
Membership Fees & Non-Stat Assessments			-
Testing			-
Services & Software			-
Interest			-
Misc.			-
Total Funding	<u>489,168</u>	<u>489,169</u>	<u>(1)</u>
Expenses			
Personnel Expenses			
Salaries	5,661	107,807	(102,146)
Payroll Taxes	360	7,546	(7,186)
Employee Benefits	842	16,836	(15,994)
Savings & Retirement	551	15,092	(14,541)
Total Personnel Expenses	<u>7,415</u>	<u>147,281</u>	<u>(139,866)</u>
Meeting Expenses			
Meetings	871	1,386	(515)
Travel	2,289	3,927	(1,638)
Conference Calls	352	1,111	(759)
Total Meeting Expenses	<u>3,511</u>	<u>6,424</u>	<u>(2,913)</u>
Operating Expenses			
Rent & Improvements	587	18,081	(17,494)
Contracts			-
Consultants		304,266	(304,266)
Office Costs	3,825	7,381	(3,556)
Professional Services	278	5,737	(5,459)
Computer Purchase & Maint.	86		86
Furniture & Equipment	6,056		6,056
Total Operating Expenses	<u>10,833</u>	<u>335,465</u>	<u>(324,632)</u>
Total Expenses	<u>21,758</u>	<u>489,170</u>	<u>(467,412)</u>
Net Change in Assets	<u>467,410</u>	<u>(1)</u>	<u>467,411</u>

Comments

Overall Comment for the Situational Awareness (SA) Program:

This function required much less time than was originally thought. Additionally, it was determined (after careful consideration and detailed analysis) by the FRCC Operating Committee post the 2007 budget process approval time, that certain items that were budgeted to be spent and funded from here, were really Member Services Items. Those items were:

Shared Reliability Database for the FRCC Region items	134,180
Development of Integrated FRCC Dynamic Statewide Map	9,058
Development of Granularity Tool	9,058
Telecommunication Items	149,651

Total Under Budget 301,947

**PLEASE NOTE: This amount was moved on an actual basis during 2007 and was NOT charged against the Statutory Budget. Therefore there are no items to be reconciled in the 2008 Budget Proposal.**

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.  
Organization Registration & Certification (ORC) (0500)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments			-	<b>Overall Comment for the Organization Registration &amp; Certification (ORC) Program:</b> This program was included in the CME budget in 2007 and should have been split out per NERC's Functional Categories and the Rules of Procedure Categories published March 13, 2007 by NERC.
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	38,416		38,416	
Payroll Taxes	2,458		2,458	
Employee Benefits	5,185		5,185	
Savings & Retirement	3,629		3,629	
Total Personnel Expenses	<u>49,689</u>	<u>-</u>	<u>49,689</u>	
Meeting Expenses				
Meetings	253		253	
Travel	562		562	
Conference Calls	151		151	
Total Meeting Expenses	<u>966</u>	<u>-</u>	<u>966</u>	
Operating Expenses				
Rent & Improvements	3,939		3,939	
Contracts			-	
Consultants	2,043		2,043	
Office Costs	1,078		1,078	
Professional Services	1,755		1,755	
Computer Purchase & Maint.	613		613	
Furniture & Equipment	1,873		1,873	
Total Operating Expenses	<u>11,302</u>	<u>-</u>	<u>11,302</u>	
Total Expenses	<u>61,957</u>	<u>-</u>	<u>61,957</u>	
Net Change in Assets	<u>(61,957)</u>	<u>-</u>	<u>(61,957)</u>	

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.  
General Administration (GA) (2000)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				<b>Overall Comment for the General Administration (GA) Program:</b>
Assessments			-	These are items that it was felt, could not be allocated amongst the various programs. Namely, interest earned on the
Membership Fees & Non-Stat Assessments			-	funds provided by NERC for the statutory functions and legal fees pertaining to the interpretation of and compliance with
Testing			-	the delegation agreement.
Services & Software			-	
Interest	10,925		10,925	
Misc.	546		546	
Total Funding	<u>11,470</u>	<u>-</u>	<u>11,470</u>	
Expenses				
Personnel Expenses				
Salaries			-	
Payroll Taxes			-	
Employee Benefits	175		175	
Savings & Retirement			-	
Total Personnel Expenses	<u>175</u>	<u>-</u>	<u>175</u>	
Meeting Expenses				
Meetings	1,193		1,193	
Travel	385		385	
Conference Calls	43		43	
Total Meeting Expenses	<u>1,621</u>	<u>-</u>	<u>1,621</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants			-	
Office Costs	55		55	
Professional Services	42,137		42,137	
Computer Purchase & Maint.			-	
Furniture & Equipment	4,624		4,624	
Total Operating Expenses	<u>46,816</u>	<u>-</u>	<u>46,816</u>	
Total Expenses	<u>48,612</u>	<u>-</u>	<u>48,612</u>	
Net Change in Assets	<u>(37,141)</u>	<u>-</u>	<u>(37,141)</u>	

(In Whole Dollars)

Florida Reliability Coordinating Council, Inc.  
Non Statutory Summary

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments			-	
Membership Fees & Non-Stat Assessments	2,566,459	2,486,626	79,833	Special assessment to connect to new Florida Informational Transaction Management System (FTMS)
Testing			-	
Services & Software	322,897		322,897	Special Assessment for Software fees for changing system vendors
Interest			-	
Misc.			-	
Total Funding	<u>2,889,356</u>	<u>2,486,626</u>	<u>402,730</u>	
Expenses				
Personnel Expenses				
Salaries	846,779	759,136	87,643	One time Sick Pay buy out after policy change
Payroll Taxes	51,838	53,303	(1,465)	
Employee Benefits	162,633	193,574	(30,941)	Overbudgeted due to staffing not being filled
Savings & Retirement	91,184	100,046	(8,862)	
Total Personnel Expenses	<u>1,152,434</u>	<u>1,106,059</u>	<u>46,375</u>	
Meeting Expenses				
Meetings	18,413	24,540	(6,127)	
Travel	28,746	48,513	(19,767)	
Conference Calls	9,243	2,880	6,363	
Total Meeting Expenses	<u>56,403</u>	<u>75,933</u>	<u>(19,530)</u>	
Operating Expenses				
Rent & Improvements	130,633	116,026	14,607	FTMS space was budgeted to be done away with January 1 but the move was not completed until July
Contracts			-	
Consultants	953,776	942,631	11,145	
Office Costs	501,692	42,868	458,824	** It was determined (after careful consideration and detailed analysis) by the FRCC Operating Committee post the 2007 budget process approval time, that certain items that were budgeted to be spent and funded as Statutory, were really
Professional Services	42,915	25,627	17,288	Member Services Items. Those items were:
Computer Purchase & Maint.	16,574	110,858	(94,284)	Shared Reliability Database for the FRCC Region items 134,180
Furniture & Equipment	155,964	66,624	89,340	Development of Integrated FRCC Dynamic Statewide Map 9,058
Total Operating Expenses	<u>1,801,553</u>	<u>1,304,634</u>	<u>496,919</u>	Development of Granularity Tool 9,058
Total Expenses	<u>3,010,390</u>	<u>2,486,626</u>	<u>523,764</u>	Telecommunication Items 149,651
Net Change in Assets	<u>(121,034)</u>	<u>-</u>	<u>(121,034)</u>	Total Over Budget 301,947 Thus the over budgeting of Office Costs



## FRCC Accounting Policy Manual

FRCC has adopted the NERC Chart of Accounts for Expenses and the NERC Rules of Procedure Categories as well as the Member Services Functional Categories and utilizes these in order to correctly code each invoice received for all goods and services as well as for staff to specify where their time is spent each day for their time accounting reports. These and the policies that follow are used in order to ensure that no statutory funds are used to pay for non statutory expenses and that no non statutory funds are used to pay for statutory expenses.

The following is a description of each department that can be used in assigning costs.

### **Statutory Functional Departments**

**0300 Reliability Standards Development** – Any activity performed or pertaining to the development, evaluation, revision, integration, filing and field testing of Reliability Standards that measure the reliability performance of bulk power system owners, operators and users and holds them accountable for reliable operation of the bulk power systems.

**0400 Compliance Enforcement** - Any activity performed or pertaining to the auditing of compliance with and enforcement of approved reliability standards including the evaluation of severity for non-compliance and the determination of violations and penalty assessment. Also any activity performed or pertaining to the establishing and development of a Compliance Enforcement Program, information collection and reporting, system event investigations, and the review and approval of mitigation plans.

**0500 Organization Registration and Certification** – Any activity performed or pertaining to the identifying of any entity that is responsible for compliance with reliability standards and that those identified are reviewed and certified as meeting established minimum requirements for performing those standards. Also, the establishing, reporting and maintenance of a compliance registry of the bulk power system owners, operators and users that are subject to approved reliability standards.

**0600 Personnel Certification** – Any activity performed or pertaining to the establishment of a personnel certification program to evaluate individuals and to issue credentials to individuals who demonstrate the required level of competence as a System Operator.

**0700 Reliability Readiness Evaluation and Improvement** – Any activity performed or pertaining to readiness audits to ensure that operators of the bulk electric system have the facilities, tools, processes and procedures in place to operate reliably under future conditions. Also the evaluation and assessment of balancing authorities, transmission operators and reliability coordinators in how they support their reliability responsibilities during a system emergency or disturbance.

**0800 Reliability Assessment and Performance Analysis** - Any activity performed or pertaining to conducting and reporting the results of assessments of the overall reliability and adequacy of the bulk power systems, the investigation and analysis of off normal events, identifying the root causes of events, assessing past reliability performance for lessons learned, and disseminating findings.

**0900 Training and Education** - Any activity performed or pertaining to the planning, development and maintenance of training programs, training materials and training activities for bulk power system personnel and regulators to obtain the essential knowledge necessary to understand and operate the bulk electric system. Also, any training and educational activities pertaining to any new or changed reliability standards or compliance requirements.

**1000 Situational Awareness and Infrastructure Security** - Any activity performed or pertaining to the monitoring of present conditions on the bulk power system and coordination of events to include technical expertise and assistance in responding to events as necessary.

## **Non-Statutory Functional Departments**

**0083 Operating Committees** - Any activity performed or pertaining to various operating Member Services committees such as the Operating Reliability Subcommittee, the System Operator Subcommittee, the System Protection & Control Subcommittee and the Telecommunications Subcommittee. These activities include the coordination of real-time operating policies across the various operating entities within the region. Operating Committee activities support the reliable operation of the bulk power system in real-time and near term operating horizons. Activities also include the development of reliability coordination tools and systems and an over-arching responsibility for the performance of the FRCC reliability coordinator functions.

**0088 Planning Committee** - Any activity performed or pertaining to various operating Member Services working groups such as the Stability Working Group, the Transmission Working Group, the Resource Working Group, the ATC Working Group and the Fuel Reliability Working Group. All of which include activities that pertain to the facilitated and coordinated effort for the running of engineering studies and communication in a cost effective, open and transparent manner for the members to complete common tasks to ensure the future bulk power reliability. This includes any transmission planning that allows transmission owners to meet FERC's Order 890 requirement for wide area planning and the compilation of data and reporting to the Florida Public Service Commission on resource adequacy and transmission reliability.

## **Chart of Accounts to be used for expense coding**

### **Salary Costs (51000 Series)**

51000 Statutory Salaries

This account shall include charges for salaries paid to full and part-time employees.

51055 Non-Statutory Salaries

51200 Statutory Employment Fee

This account shall include charges for recruitment fees paid to employment agencies.

51255 Non Statutory Fees

51300 Statutory Temporary Office Services

This account shall include charges for fees paid for temporary office help.

51355 Non Statutory Temp Office Services

### **Payroll Taxes (52000 Series)**

52000 Statutory Payroll Taxes

This account shall include charges for payment of the employer payroll Taxes

52055 Non Statutory Payroll Taxes

### **Employee Benefits (54000 Series)**

54000 Statutory Benefits-Education Reimbursement

This account shall include charges for employee training and education

54055 Non Statutory Benefits-Educational Reimbursement

54100 Statutory Benefits-Health and Life Insurance

This account shall include charges for payment of health, dental, and life insurance.

54155 Non Statutory Health and Life Insurance

54300 Statutory Workmen's Compensation Insurance

This account shall include charges for payment of worker's compensation insurance.

54355 Non Statutory Workmen's Compensation Insurance

54600 Statutory Benefits-Relocation

This account shall include charges for reimbursement of employee relocation costs. This account should include those items that are considered taxable to the employee (i.e. temporary house allowance)

54655 Non Statutory Benefits-Relocation

### **Savings Plans (55000)**

55100 Statutory Employee Savings Plan

This account shall include charges for employer matching payments to a defined contribution plan 401(k)

55155 Non Statutory Employee Savings Plan

55200 Statutory Administrative Fees-Savings

This account shall include charges for the administrative costs of maintaining a defined benefit and/or defined contribution plan.

55255 Non Statutory Administrative Fees-Savings

**Meeting Expenses (61000 Series)**

61000 Statutory Meeting Expense

This account shall include charges for payments for organization-sponsored meetings.

61055 Non Statutory Meeting Expense

61100 Workshop Exp

This account shall include charges incurred for workshops.

**Travel Expenses (62000 Series)**

62000 Statutory Travel

This account shall include charges for expenses for employees to travel to meetings and workshops.

62055 Non Statutory Travel

**Communications (63000 Series)**

63000 Statutory Conference Calls

This account shall include charges for conference calls (Conference Bridge, sprint conferencing, dedicated phone lines for conferencing (T1 lines)).

63055 Non Statutory Conference Calls

63100 Statutory Online Meetings

This account shall include charges for services that provide the ability to perform online meetings (WebEx services).

63155 Statutory Online Meetings

**Contracts & Consultants (65000 Series)**

65000 Statutory Consultants

This account shall include charges for consulting services secured to support any of the functional or administrative categories. Consulting services include advisory services for implementation of specific program goals; or, other consulting services viewed to be temporary in nature.

65055 Non Statutory Consultants

65100 Statutory Contracts

This account shall include charges for contractual services used for the development, hosting, and/or maintenance of monitoring or assessment tools; database development;

education and training exam development; or, other contractual services viewed as long term or more than one year.

65155 Non Statutory Contracts

65200 Statutory Contract - IDC

This account shall include charges for fee paid to the IDC contractor.

65255 Non Statutory Contract – IDC

65300 Statutory Contract - Frame Relay

This account shall include charges for fees incurred on behalf of all entities that have nodes on NERCnet (NERC only).

65355 Non Statutory Contract - Frame Relay

**Office Rent (70000 Series)**

70000 Statutory Office Rent

This account shall include charges for lease of office space.

70055 Non Statutory Office Rent

**Office Costs (71000 and 72000 Series)**

71000 Statutory Telecommunications

This account shall include charges for telecommunication services

71055 Non Statutory Telecommunications

71100 Statutory Internet Expense

This account shall include charges for fees paid for internet connectivity (communications) and/or service (outsourcing of website).

71155 Non Statutory Internet Expense

71200 Statutory Office Supplies

This account shall include charges for office supplies.

71255 Non Statutory Office Supplies

71300 Statutory Computer Supplies & Maintenance

This account shall include charges for computer supplies and maintenance agreements including software license fees

71355 Non Statutory Computer Supplies & Maintenance

71400 Statutory Subscriptions Dues & Publications

This account shall include charges for subscriptions, dues and publications

71455 Non Statutory Subscriptions Dues & Publications

71600 Statutory Postage & Express

This account shall include charges for regular U.S.P.S. and express shipping expenses.

71655 Non Statutory Postage & Express

71800 Statutory Copying

This account shall include charges for leasing of copying equipment and per page charges for copier usage.

71855 Non Statutory Copying

71900 Statutory Printing & Reproduction

This account shall include charges for the production of annual reports, promotional materials, training manuals, etc.

71955 Non Statutory Printing & Reproduction

72000 Statutory Stationary & Office Forms

This account shall include charges for company stationary, brochures, business cards, etc.

72055 Non Statutory Stationary & Office Forms

72100 Statutory Equipment Repair/Srv. Contracts

This account shall include charges for office equipment repair services and service contracts on office and computer equipment.

72155 Non Statutory Equipment Repair/Srv. Contracts

72200 Statutory Bank Charges

This account shall include charged for fees paid from banking institutions (wire transfer fees, check fees, line of credit fees, interest paid on line of credit, etc).

72255 Non Statutory Bank Charges

75500 Statutory Insurance – Commercial

This account shall include charges for payments of property, business, & Directors and Officers insurance.

75555 Non Statutory Insurance – Commercial

### **Professional Services (75000 Series)**

75300 Statutory Accounting and Auditing Fees

This account shall include charges for fees paid to perform financial audits.

75355 Non Statutory Accounting and Auditing Fees

75400 Statutory Legal Fees

This account shall include charges for legal fees for all legal matters (personnel, etc).

75455 Non Statutory Legal Fees

### **Other Non-Operating Expenses (80000 Series)**

80100 Interest Expense

This account shall include the cost of financing.

### **Capital Expenditures (90000 Series) (Cash projections only - to be capitalized)**

90100 Statutory Furniture Purchase

This account shall include charges for purchases of furniture

90155 Non Statutory Furniture Purchase

90200 Statutory Equipment Purchase

This account shall include charges for purchases of equipment

90255 Non Statutory Equipment Purchase

90300 Statutory Computer Purchase and Lease

This account shall include charges for purchases of computer equipment

90355 Non Statutory Computer Purchase and Lease

90400 Statutory Leasehold Improvements

This account shall include charges for improvements to leased office space

90455 Non Statutory Leasehold Improvements

90500 Statutory Software Package Purchases

This account includes charges for the purchase of software packages

90555 Non Statutory Software Package Purchases

**Depreciation Expenses (95000 Series)**

95100 Statutory Depreciation Expense-Fixed Assets

This account shall include depreciation charges for capitalized equipment, computers, furniture and leasehold improvements

95155 Non Statutory Depreciation Expense-Fixed Assets

95200 Statutory Amortization Expense-Software

This account shall include depreciation charges for capitalized computer equipment.

95255 Non Statutory Amortization Expense-Software

**Miscellaneous Expenses (99000 Series)**

99000 Statutory Miscellaneous Expense

This account shall include miscellaneous expenses not readily categorized to other expense accounts.

99055 Non Statutory Miscellaneous Expense

99200 Proceeds / Loss from Sale of Assets

This account shall include a credit or a charge for the sale of property to another.

99900 Statutory Contingencies

This account shall be used for budget purposes to provide a contingent fund – no actual charges should be booked to this account

## **Coding of Invoices for Goods and Services**

The accounting personnel will route to the responsible departmental head all invoices pertaining to their job responsibility. The departmental head will assign the **functional category**, insure the receipt of the goods or the performance is complete for the invoice being presented for payment, sign the invoice to authorize payment and return to accounting for payment processing. The accounting staff will evaluate and assign the appropriate **General Ledger Account number** based on the Chart of Accounts above and enter both the account number and the department number into the accounts payable system.

The Controller and the Department heads will review the expenses for accuracy of coding and ensure that any corrections necessary are completed prior to financials being prepared.

## **Coding of Time Accounting Report**

Each day every staff member will complete their time compilation, before leaving for the day, accounting for their time as to what function they performed or were involved in on any given day. They will use the departmental codes as described above to split their time according to what they did that day. These time reports are due every two weeks to the controller who will record them into a macro worksheet to calculate the FTE's per function and will split any expense items that could not be assigned a functional category due to the expense being assignable and attributable to every function the organization is involved with for the month.



**ATTACHMENT 5**

**2007 BUDGET VERSUS ACTUAL COST RECONCILIATION**

**FOR**

**MIDWEST RELIABILITY ORGANIZATION**



March 31, 2008

To: Bruce Walencyk, NERC

Cc: Susan Turpen, NERC  
Owen E. MacBride  
Dan Skaar, MRO

From: Sue Clarke, MRO

Subject: April 1, 2008 True-up Compliance Filing

As requested please find the following information;

1. An accounting and true-up for under or over collections in 2007 in sufficient detail and with sufficient explanations so the FERC can determine by program area the reasons for deviations from the budget and the impacts of those deviations.

Please find attached Midwest Reliability Organization 2007 Statement of Activities by Program Variance Analysis.

Significant variances at the total statutory level.  
Treasury Report – Financials through December 31, 2007 (Preliminary and Unaudited Results)

Revenues

Revenue is \$781,997 over budget on a YTD basis.

\$392,780 revenues from non-statutory services accounted for approximately 50% of the positive variance which is a reimbursement for office costs that were incurred on behalf of a service agreement. These revenues were unbudgeted as Revenues; they were budgeted as a reduction to the applicable costs.

\$389,217 revenues from statutory services providing software application and professional services relating to the Compliance Data Manager System (CDMS) with NERC, SPP and others. These revenues are related to the sharing of costs in the development of the system consistent with administering the Compliance Monitoring and Enforcement Program (CMEP). MRO expects NERC to establish its own system in the future and therefore MRO expects this arrangement to conclude. This amount is a reimbursement for shared consulting costs. These revenues were unbudgeted as Revenues; they were budgeted as a reduction to applicable costs.

Expenses

Year end expenses are \$115,550 over budget. The following are the major areas of over and under budget variances:

- \$679,027 – Salary and Fringes under budget. Budgeted amounts for the entire year show 20 FTE. As of the end of December, we have 21 FTE. We added one in November and one in December. The budgeted underage is largely the result of the timing of additional FTE's.
- (\$90,768) – Meeting expenses are over budget. Actual meeting costs are higher than budget reflecting the event analysis meetings resulting from the September 18, 2007 event.
- (\$458,658) – Consulting costs are higher than budget which are reimbursed by the unbudgeted CDMS revenue as described above in the revenue section.
- (\$355,723) – Office costs are higher than budget which are reimbursed by the unbudgeted non-statutory revenue as described in the revenue section.

2. Statement outlining the details of statutory funding used for non-statutory activity and an explanation of how the funds are to be repaid.

Please find attached the Midwest Reliability Organization Time and Expense Guidelines which describes the accounting for the non-statutory fees and costs. The only business activity at MRO that is non-statutory is a Service Agreement with MAPPCCOR. As documented in the business plan filed with NERC, prior to MRO becoming a stand alone organization with its own employees, MRO contracted with MAPPCCOR for the services to MRO. On January 1, 2007, MRO purchased the assets related to Regional Entity functions (under Section 215 of the FPA) and assumed the employees. Up to the point of the asset sale, the employees and functions of MRO under the contract with MAPPCCOR were segregated. As part of the Asset Purchase Agreement, MRO agreed to provide services to MAPPCCOR to assure operational continuity as defined under a service agreement. These services may be terminated at the end of 2008. MRO does not share employees, offices, systems, and processes with MAPPCCOR or any other organization. MRO does participate in a pension plan with MAPPCCOR through a pension plan participation agreement; however, employees, assets, and obligations are segregated via the agreement.

As described in the Midwest Reliability Organization Time and Expense Guidelines the expenses MRO agreed to provide, at MRO's cost, administrative; including billing and accounting, information services, and other office-related services to MAPPCCOR. Expenses were charged to Department 2300 (IT) and 2500 (AF and HR) during the course of 2007. An estimated quarterly fee is charged to cover the service agreement costs. At 2007 year end a true-up was prepared on an account by account basis to determine the actual cost incurred to provide said services. The service agreement fee and the associated actual costs are net \$0 in Depart 2700.

3. Provide a detailed explanation of all allocation methods applied to direct, overhead or indirect costs.

As indicated in the attached Midwest Reliability Organization 2007 Statement of Activities by Program Variance Analysis Midwest Reliability Organization does not

allocate the indirect costs which are considered to be administrative costs to the other Statutory Departments.

4. As requested by the Federal Energy Regulatory Commission to NERC, MRO acknowledges receipt of NERC's modified retention policy and MRO adopts the revised policy. MRO had adopted a Document Retention and Destruction policy consistent with 18 U.S.C. Section 1519 of the Sarbanes Oxley Act which is applicable to non profit organizations. MRO will make sure that we revise our policy to be consistent with Commission requirements.

**MRO**  
**2007 Statement of Activities**  
**Statutory Summary**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments	5,021,588	5,021,588	-
Membership Fees & Non-Stat Assessments	5,000	-	5,000
Testing	-	-	-
Services & Software	-	-	-
Interest	-	-	-
Misc.	384,217	-	384,217
Total Funding	<u>5,410,805</u>	<u>5,021,588</u>	<u>389,217</u>
Expenses			
Personnel Expenses			
Salaries	1,581,662	2,059,121	(477,459)
Payroll Taxes	126,457	191,341	(64,885)
Employee Benefits	265,573	401,851	(136,278)
Savings & Retirement	247,811	374,978	(127,166)
Total Personnel Expenses	<u>2,221,503</u>	<u>3,027,292</u>	<u>(805,788)</u>
Meeting Expenses			
Meetings	141,942	39,149	102,793
Travel	379,291	401,621	(22,330)
Conference Calls	58,005	47,700	10,305
Total Meeting Expenses	<u>579,238</u>	<u>488,470</u>	<u>90,768</u>
Operating Expenses			
Rent & Improvements	132,725	167,200	(34,475)
Contracts	-	-	-
Consultants	934,531	607,385	327,146
Office Costs	204,008	(54,749)	258,757
Professional Services	257,450	125,000	132,450
Computer Purchase & Maint.	414,902	660,991	(246,089)
Furniture & Equipment	-	-	-
Miscellaneous	-	-	-
Total Operating Expenses	<u>1,943,616</u>	<u>1,505,827</u>	<u>437,789</u>
Total Expenses	<u>4,744,357</u>	<u>5,021,588</u>	<u>(277,231)</u>
Net Change in Assets	<u>666,448</u>	<u>0</u>	<u>666,448</u>

**MRO**  
**2007 Statement of Activities**  
**Reliability Standards Development**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	284,623	284,623	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>284,623</u>	<u>284,623</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	200,218	131,688	68,530	
Payroll Taxes	15,997	12,234	3,764	
Employee Benefits	33,617	25,705	7,911	
Savings & Retirement	<u>31,374</u>	<u>23,980</u>	<u>7,394</u>	
Total Personnel Expenses	<u>281,206</u>	<u>193,608</u>	<u>87,598</u>	Higher than budget. Labor Distributions from other departments based on time tracking system. Individuals reside in a department for payroll purposed, but the actual personnel costs are adjusted by a time tracking system. See other departments under their budget.
Meeting Expenses				
Meetings	666	3,770	(3,104)	Lower than budget. Meeting Cost was budgeted as though full responsibility would be in place on 1/1/07. Since Standards did not become enforceable until June 18, 2007 and contributed to underspending in 2007.
Travel	28,549	38,682	(10,133)	Lower than budget. Travel was budgeted as though full responsibility would be in place on 1/1/07. Since Standards did not become enforceable until June 18, 2007 and contributed to underspending in 2007.
Conference Calls	<u>5,586</u>	<u>4,594</u>	<u>992</u>	Higher than budget. Actual Conference Bridge and WebEx costs per minute were higher than budgeted. Used as an alternative to more expensive face-to-face meetings.
Total Meeting Expenses	<u>34,801</u>	<u>47,046</u>	<u>(12,245)</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants		3,785	(3,785)	Lower than budget. Helps offset the higher labor distribution from the higher departments.
Office Costs	15,155	8,546	6,609	Higher than budget. Actual included staff training and travel which higher than budgeted.
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>15,155</u>	<u>12,331</u>	<u>2,824</u>	
Total Expenses	<u>331,162</u>	<u>252,985</u>	<u>78,177</u>	
Net Change in Assets	<u>(46,539)</u>	<u>31,638</u>	<u>(78,177)</u>	

**MRO**  
**2007 Statement of Activities**  
**Compliance Enforcement**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	1,278,901	1,278,901	-	
Membership Fees & Non-Stat Assessments	5,000		5,000	New Members. Our registered entries can opt to be members for a \$1,000 one time fee.
Testing			-	
Services & Software			-	
Interest			-	
Misc.	384,217		384,217	CDMS participation by NERC and others. Workshop and Other
Total Funding	<u>1,668,118</u>	<u>1,278,901</u>	<u>389,217</u>	
Expenses				
Personnel Expenses				
Salaries	596,669	534,275	62,394	
Payroll Taxes	47,756	49,683	(1,927)	
Employee Benefits	100,193	104,201	(4,009)	
Savings & Retirement	<u>93,463</u>	<u>97,303</u>	<u>(3,840)</u>	
Total Personnel Expenses	<u>838,081</u>	<u>785,463</u>	<u>52,618</u>	Higher than budget. Labor Distributions from other departments based on time tracking system. Individuals reside in a department for payroll purposed, but the actual personnel costs are adjusted by a time tracking system. See other departments under their budget.
Meeting Expenses				
Meetings	17,010	15,298	1,712	Higher than budget. Offsite meeting costs slightly higher than budgeted amounts.
Travel	115,827	156,934	(41,107)	Lower than budget. Travel was budgeted as though full responsibility would be in place on 1/1/07. Since Standards did not become enforceable until June 18, 2007 and contributed to underspending in 2007.
Conference Calls	<u>21,546</u>	<u>18,639</u>	<u>2,907</u>	Higher than budget. Actual Conference Bridge and WebEx costs per minute were higher than budgeted. Used as an alternative to more expensive face-to-face meetings.
Total Meeting Expenses	<u>154,383</u>	<u>190,871</u>	<u>(36,488)</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	425,607	15,355	410,252	Higher than budget which includes the CDMS costs which are reimbursed by NERC and others.
Office Costs	14,673	21,333	(6,660)	Lower than budget. Office Cost was budgeted as though full responsibility would be in place on 1/1/07. Since Standards did not become enforceable until June 18, 2007 and contributed to underspending in 2007.
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>440,280</u>	<u>36,688</u>	<u>403,592</u>	
Total Expenses	<u>1,432,744</u>	<u>1,013,022</u>	<u>419,722</u>	
Net Change in Assets	<u>235,374</u>	<u>265,879</u>	<u>(30,505)</u>	

**MRO**  
**2007 Statement of Activities**  
**Reliability Readiness Audit and Improvement**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	443,279	443,279	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>443,279</u>	<u>443,279</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	112,530	205,094	(92,564)	
Payroll Taxes	8,991	19,053	(10,062)	
Employee Benefits	18,894	40,034	(21,141)	
Savings & Retirement	<u>17,633</u>	<u>37,348</u>	<u>(19,714)</u>	
Total Personnel Expenses	<u>158,048</u>	<u>301,529</u>	<u>(143,481)</u>	Lower than budget. Labor Distributions from other departments based on time tracking system. Individuals reside in a department for payroll purposed, but the actual personnel costs are adjusted by a time tracking system. See other departments under/over their budget. Also, additional FTE's based on 12 months in the budget.
Meeting Expenses				
Meetings	987	5,873	(4,886)	Lower than budget. Meeting Cost was budgeted as though full responsibility would be in place on 1/1/07. Since Standards did not become emforceable until June 18, 2007 and contributed to underspending in 2007.
Travel	44,464	60,244	(15,780)	Lower than budget. Travel was budgeted as though full responsibility would be in place on 1/1/07. Since Standards did not become emforceable until June 18, 2007 and contributed to underspending in 2007.
Conference Calls	<u>8,701</u>	<u>7,155</u>	<u>1,546</u>	Higher than budget. Actual Conference Bridge and WebEx costs per minute were higher than budgeted. Used as an alternative to more expensive face-to-face meetings.
Total Meeting Expenses	<u>54,152</u>	<u>73,272</u>	<u>(19,120)</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	2,919	5,894	(2,975)	Lower than budget. Consultant Cost was budgeted as though full responsibility would be in place on 1/1/07. Since Standards did not become emforceable until June 18, 2007 and contributed to underspending in 2007.
Office Costs	7,448	7,333	115	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>10,367</u>	<u>13,227</u>	<u>(2,860)</u>	
Total Expenses	<u>222,567</u>	<u>388,028</u>	<u>(165,461)</u>	
Net Change in Assets	<u>220,712</u>	<u>55,251</u>	<u>165,461</u>	



**MRO**  
**2007 Statement of Activities**  
**Reliability Assessment and Performance Analysis**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	1,085,805	1,085,805	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>1,085,805</u>	<u>1,085,805</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	252,491	291,142	(38,651)	
Payroll Taxes	20,174	27,047	(6,873)	
Employee Benefits	42,393	56,831	(14,438)	
Savings & Retirement	<u>39,565</u>	<u>53,017</u>	<u>(13,452)</u>	
Total Personnel Expenses	<u>354,624</u>	<u>428,037</u>	<u>(73,413)</u>	Lower than budget. Labor Distributions from other departments based on time tracking system. Individuals reside in a department for payroll purposed, but the actual personnel costs are adjusted by a time tracking system. See other departments under/over their budget. Also, additional FTE's based on 12 months in the budget.
Meeting Expenses				
Meetings	38,247	8,336	29,911	Higher than budget. More committee meetings held than budgeted due to changes to long term Assessments and Standards.
Travel	63,117	85,518	(22,401)	Lower than budget. Travel was budgeted as though full responsibility would be in place on 1/1/07. Since Standards did not become enforceable until June 18, 2007 and contributed to underspending in 2007.
Conference Calls	<u>12,351</u>	<u>10,157</u>	<u>2,194</u>	Higher than budget. Actual Conference Bridge and WebEx costs per minute were higher than budgeted. Used as an alternative to more expensive face-to-face meetings.
Total Meeting Expenses	<u>113,715</u>	<u>104,011</u>	<u>9,704</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	343,461	464,912	(121,451)	Lower than budget. Actual consulting costs were charged to other departments. Overall consulting costs were worse than budget, but reimbursed by unbudgeted revenues.
Office Costs	13,289	12,938	351	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>356,750</u>	<u>477,850</u>	<u>(121,100)</u>	
Total Expenses	<u>825,089</u>	<u>1,009,898</u>	<u>(184,809)</u>	
Net Change in Assets	<u>260,716</u>	<u>75,907</u>	<u>184,809</u>	

**MRO**  
**2007 Statement of Activities**  
**Training and Education**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	147,760	147,760	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>147,760</u>	<u>147,760</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	15,288	68,365	(53,077)	
Payroll Taxes	1,222	6,351	(5,130)	
Employee Benefits	2,567	13,345	(10,778)	
Savings & Retirement	<u>2,396</u>	<u>12,449</u>	<u>(10,054)</u>	
Total Personnel Expenses	<u>21,472</u>	<u>100,510</u>	<u>(79,038)</u>	Lower than budget. Labor Distributions from other departments based on time tracking system. Individuals reside in a department for payroll purposed, but the actual personnel costs are adjusted by a time tracking system. See other departments under/over their budget. Also, additional FTE's based on 12 months in the budget.
Meeting Expenses				
Meetings	9,719	1,958	7,761	Higher than budget. RAS and CIPC Workshops not in budget.
Travel	14,822	20,082	(5,260)	Lower than budget. Travel was budgeted as though full responsibility would be in place on 1/1/07. Since Standards did not become emforceable until June 18, 2007 and contributed to underspending in 2007.
Conference Calls	<u>2,900</u>	<u>2,385</u>	<u>515</u>	Higher than budget. Actual Conference Bridge and WebEx costs per minute were higher than budgeted. Used as an alternative to more expensive face-to-face meetings.
Total Meeting Expenses	<u>27,441</u>	<u>24,425</u>	<u>3,016</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	385	1,965	(1,580)	Lower than budget. Consultant was budgeted as though full responsibility would be in place on 1/1/07. Since Standards did not become emforceable until June 18, 2007 and contributed to underspending in 2007.
Office Costs	1,569	1,911	(342)	Lower than budget. Office Cost was budgeted as though full responsibility would be in place on 1/1/07. Since Standards did not become emforceable until June 18, 2007 and contributed to underspending in 2007.
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>1,954</u>	<u>3,876</u>	<u>(1,922)</u>	
Total Expenses	<u>50,867</u>	<u>128,811</u>	<u>(77,944)</u>	
Net Change in Assets	<u>96,893</u>	<u>18,949</u>	<u>77,944</u>	

**MRO**  
**2007 Statement of Activities**  
**Situational Awareness and Infrastructure Security**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	295,520	295,520	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>295,520</u>	<u>295,520</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	46	136,729	(136,683)	
Payroll Taxes	4	12,702	(12,698)	
Employee Benefits	8	26,690	(26,682)	
Savings & Retirement	7	24,898	(24,891)	
Total Personnel Expenses	<u>65</u>	<u>201,019</u>	<u>(200,954)</u>	Lower than budget. Labor Distributions from other departments based on time tracking system. Individuals reside in a department for payroll purposed, but the actual personnel costs are adjusted by a time tracking system. See other departments under/over their budget. Also, additional FTE's based on 12 months in the budget.
Meeting Expenses				
Meetings	53,064	3,914	49,150	Higher than budget reflecting the event analysis meetings resulting from the September 18, 2007 event.
Travel	29,641	40,161	(10,520)	Lower than budget. Delegated Regional Entity activities were budgeted to start January 1, 2007 but did not start until later in the year.
Conference Calls	5,801	4,770	1,031	Higher than budget. Actual Conference Bridge and WebEx costs per minute were higher than budgeted. Used as an alternative to more expensive face-to-face meetings.
Total Meeting Expenses	<u>88,506</u>	<u>48,845</u>	<u>39,661</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	18,737	3,929	14,808	Higher than budget. Used independent outsider consultants in addition to labor distribution for Event Analysis from the September 18, 2007 event.
Office Costs	4,677	3,822	855	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>23,414</u>	<u>7,751</u>	<u>15,663</u>	
Total Expenses	<u>111,985</u>	<u>257,615</u>	<u>(145,630)</u>	
Net Change in Assets	<u>183,535</u>	<u>37,905</u>	<u>145,630</u>	

**MRO**  
**2007 Statement of Activities**  
**NERC Forum**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments			-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	18,144		18,144	
Payroll Taxes	1,450	-	1,450	
Employee Benefits	3,046	-	3,046	
Savings & Retirement	2,843	-	2,843	
Total Personnel Expenses	25,483	-	25,483	
Meeting Expenses				
Meetings	896	-	896	
Travel	49,592		49,592	
Conference Calls	1,120	-	1,120	
Total Meeting Expenses	51,608	-	51,608	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	1,694		1,694	
Office Costs			-	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	1,694	-	1,694	
Total Expenses	78,785	-	78,785	
Net Change in Assets	(78,785)	-	(78,785)	

The NERC Forum was not budgeted in 2007. But it was established with actual costs resulting from the activities associated with hosting a NERC forum, and/or attending a NERC forum.

**MRO**  
**2007 Statement of Activities**  
**General and Administrative**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	504,002	504,002	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>504,002</u>	<u>504,002</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	203,993	279,365	(75,372)	
Payroll Taxes	16,299	25,953	(9,654)	
Employee Benefits	34,250	54,532	(20,282)	
Savings & Retirement	<u>31,966</u>	<u>50,872</u>	<u>(18,907)</u>	
Total Personnel Expenses	<u>286,508</u>	<u>410,722</u>	<u>(124,214)</u>	Lower than budget. Labor Distributions from other departments based on time tracking system. Individuals reside in a department for payroll purposed, but the actual personnel costs are adjusted by a time tracking system. See other departments under/over their budget. Also, additional FTE's based on 12 months in the budget.
Meeting Expenses				
Meetings	21,226	-	21,226	Higher than budget. Includes BOD meetings that had not been budgeted for in G&A.
Travel	27,019		27,019	Higher than budget. Includes actual member travel reimbursement for the Board of Directors meetings not budgeted for in G&A.
Conference Calls			-	
Total Meeting Expenses	<u>48,245</u>	<u>-</u>	<u>48,245</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	10,631	8,029	2,602	Higher than budget. Includes outside crisis planning not included in budget.
Office Costs	53,794	253,731	(199,937)	Lower than budget. Office Cost was budgeted as though full responsibility would be in place on 1/1/07. Since Standards did not become emforceable until June 18, 2007 and contributed to underspending in 2007.
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>64,425</u>	<u>261,760</u>	<u>(197,335)</u>	
Total Expenses	<u>399,178</u>	<u>672,482</u>	<u>(273,304)</u>	
Net Change in Assets	<u>104,824</u>	<u>(168,480)</u>	<u>273,304</u>	

**MRO**  
**2007 Statement of Activities**  
**Legal and Regulatory**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	293,001	293,001	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>293,001</u>	<u>293,001</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	15,633	93,122	(77,489)	
Payroll Taxes	1,249	8,651	(7,402)	
Employee Benefits	2,625	18,177	(15,553)	
Savings & Retirement	2,450	16,958	(14,508)	
Total Personnel Expenses	<u>21,957</u>	<u>136,908</u>	<u>(114,951)</u>	Lower than budget. Labor Distributions from other departments based on time tracking system. Individuals reside in a department for payroll purposed, but the actual personnel costs are adjusted by a time tracking system. See other departments under/over their budget. Also, additional FTE's based on 12 months in the budget.
Meeting Expenses				
Meetings			-	
Travel			-	
Conference Calls			-	
Total Meeting Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	2,500	2,676	(176)	
Office Costs		2,603	(2,603)	Lower than budget. FTE not added as anticipated.
Professional Services	257,450	125,000	132,450	Higher than budget. FTE not added as anticipated and professional services were utilized.
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>259,950</u>	<u>130,279</u>	<u>129,671</u>	
Total Expenses	<u>281,907</u>	<u>267,187</u>	<u>14,720</u>	
Net Change in Assets	<u>11,094</u>	<u>25,814</u>	<u>(14,720)</u>	

**MRO**  
**2007 Statement of Activities**  
**Information Technology**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	203,341	203,341	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>203,341</u>	<u>203,341</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	43,495	156,688	(113,193)	
Payroll Taxes	3,475	14,556	(11,081)	
Employee Benefits	7,303	30,585	(23,283)	
Savings & Retirement	<u>6,816</u>	<u>28,533</u>	<u>(21,717)</u>	
Total Personnel Expenses	<u>61,089</u>	<u>230,363</u>	<u>(169,274)</u>	Lower than budget. Labor Distributions from other departments based on time tracking system. Individuals reside in a department for payroll purposed, but the actual personnel costs are adjusted by a time tracking system. The non-statutory service agreement labor was moved to the non-statutory department based on the time tracking system. Also, FTE's which was budgeted based on a full 12 month, was never achieved.
Meeting Expenses				
Meetings	109	-	109	
Travel	4,622	-	4,622	Higher than budget. Actual IT travel was not budgeted for.
Conference Calls		-	-	
Total Meeting Expenses	<u>4,731</u>	<u>-</u>	<u>4,731</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	56,584		56,584	Higher than budget which is offset by the lower personnel expenses.
Office Costs	50,232	(107,254)	157,486	Higher than budget. This is the Service Agreement Charge to another company for IT services. The Service Agreement budget amount was a reduction in Office Costs for (\$135,561). Actual offset is in the non-statutory summary.
Professional Services			-	
Computer Purchase & Maint.	108,536	385,991	(277,455)	The budget was prepared by estimating depreciation expense in this account. Actuals reflect the cost of current year additions to fixed assets.
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>215,352</u>	<u>278,737</u>	<u>(63,385)</u>	
Total Expenses	<u>281,172</u>	<u>509,100</u>	<u>(227,928)</u>	
Net Change in Assets	<u>(77,831)</u>	<u>(305,759)</u>	<u>227,928</u>	

**MRO**  
**2007 Statement of Activities**  
**Human Resources**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments			-	MRO did not budget or record actual costs separately for the Human Resources function in 2007.
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>-</u>	<u>-</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries			-	
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
<b>Total Personnel Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings			-	
Travel			-	
Conference Calls			-	
<b>Total Meeting Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants			-	
Office Costs			-	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
<b>Total Operating Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Total Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Net Change in Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	



**MRO**  
**2007 Statement of Activities**  
**Accounting and Finance**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	485,356	485,356	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>485,356</u>	<u>485,356</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	123,155	162,653	(39,498)	
Payroll Taxes	9,840	15,110	(5,270)	
Employee Benefits	20,678	31,750	(11,072)	
Savings & Retirement	<u>19,298</u>	<u>29,619</u>	<u>(10,321)</u>	
Total Personnel Expenses	<u>172,971</u>	<u>239,132</u>	<u>(66,161)</u>	Lower than budget. Labor Distributions from other departments based on time tracking system. Individuals reside in a department for payroll purposed, but the actual personnel costs are adjusted by a time tracking system. The non-statutory service agreement labor was moved to the non-statutory department based on the time tracking system.
Meeting Expenses				
Meetings	18		18	
Travel	1,638		1,638	Higher than budget. Actual Finance travel was not budgeted.
Conference Calls			-	
Total Meeting Expenses	<u>1,656</u>	<u>-</u>	<u>1,656</u>	
Operating Expenses				
Rent & Improvements	132,725	167,200	(34,475)	Lower than budget. Estimated tenant share of landlord's operating expenses (CAM) higher than actuals.
Contracts			-	
Consultants	72,013	100,840	(28,827)	Lower than budget because actual non-statutory costs relating to the Service Agreement are in the non-statutory summary.
Office Costs	43,171	(259,712)	302,883	Higher than budget. This is the Service Agreement Charge to another company for Finance and HR services. The Service Agreement budget amount was a reduction in Office Costs for (\$323,571). Actual offset is in the non-statutory summary.
Professional Services			-	
Computer Purchase & Maint.	306,366	275,000	31,366	The budget was prepared by estimating depreciation expense in this account. Actuals reflect the cost of current year additions to fixed assets.
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>554,275</u>	<u>283,328</u>	<u>270,947</u>	
Total Expenses	<u>728,902</u>	<u>522,460</u>	<u>206,442</u>	
Net Change in Assets	<u>(243,546)</u>	<u>(37,104)</u>	<u>(206,442)</u>	

**MRO**  
**2007 Statement of Activities**  
**Non-Statutory Summary**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
<b>Funding</b>			
Assessments			-
Membership Fees & Non-Stat Assessments			-
Testing			-
Services & Software	392,780		392,780
Interest			-
Misc.			-
<b>Total Funding</b>	<u>392,780</u>	-	<u>392,780</u>
<b>Expenses</b>			
Personnel Expenses			
Salaries	90,253		90,253
Payroll Taxes	7,211	-	7,211
Employee Benefits	15,153	-	15,153
Savings & Retirement	14,143	-	14,143
<b>Total Personnel Expenses</b>	<u>126,760</u>	-	<u>126,760</u>
Meeting Expenses			
Meetings			-
Travel			-
Conference Calls			-
<b>Total Meeting Expenses</b>	<u>-</u>	-	<u>-</u>
Operating Expenses			
Rent & Improvements			-
Contracts			-
Consultants	131,512		131,512
Office Costs	96,966		96,966
Professional Services			-
Computer Purchase & Maint.	37,542		37,542
Furniture & Equipment			-
Miscellaneous			-
<b>Total Operating Expenses</b>	<u>266,020</u>	-	<u>266,020</u>
<b>Total Expenses</b>	<u>392,780</u>	-	<u>392,780</u>
<b>Net Change in Assets</b>	<u>(0)</u>	-	<u>(0)</u>

**MRO**  
**2007 Statement of Activities**  
**Summary**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments	5,021,588	5,021,588	-
Membership Fees & Non-Stat Assessments	5,000	-	5,000
Testing	-	-	-
Services & Software	392,780	-	392,780
Interest	-	-	-
Misc.	384,217	-	384,217
Total Funding	<u>5,803,585</u>	<u>5,021,588</u>	<u>781,997</u>
Expenses			
Personnel Expenses			
Salaries	1,671,915	2,059,121	(387,206)
Payroll Taxes	133,668	191,341	(57,673)
Employee Benefits	280,727	401,851	(121,125)
Savings & Retirement	261,954	374,978	(113,024)
Total Personnel Expenses	<u>2,348,264</u>	<u>3,027,292</u>	<u>(679,028)</u>
Meeting Expenses			
Meetings	141,942	39,149	102,793
Travel	379,291	401,621	(22,330)
Conference Calls	58,005	47,700	10,305
Total Meeting Expenses	<u>579,238</u>	<u>488,470</u>	<u>90,768</u>
Operating Expenses			
Rent & Improvements	132,725	167,200	(34,475)
Contracts	-	-	-
Consultants	1,066,043	607,385	458,658
Office Costs	300,974	(54,749)	355,723
Professional Services	257,450	125,000	132,450
Computer Purchase & Maint.	452,444	660,991	(208,547)
Furniture & Equipment	-	-	-
Miscellaneous	-	-	-
Total Operating Expenses	<u>2,209,636</u>	<u>1,505,827</u>	<u>703,809</u>
Total Expenses	<u>5,137,138</u>	<u>5,021,588</u>	<u>115,550</u>
Net Change in Assets	<u>666,447</u>	<u>0</u>	<u>666,447</u>

# Midwest Reliability Organization Time & Expense Guidelines

## Accounting for Income, Time and Expenses to Appropriate Departments

### Narrative/Overview

The Midwest Reliability Organization (MRO) receives an operating and capital budget each fiscal year that has been approved and adopted by NERC and ultimately, FERC. One significant NERC requirement is the need to report accurate financial information in a consistent format that will be easily aggregated by NERC for submission to FERC. To accurately account for all income, time and labor, it is important that we utilize a consistent set of account codes, department codes. A description of the codes is presented in the respective section heading below. Judgment is often required when making an assessment of where time and expense should be recorded. As questions arise, it is imperative that you discuss any such questions with your manager and/or MRO finance.

Finally, this guidance document has been expressly created to identify appropriate methods of accounting for income, time and costs to ensure that Federal/statutory expenses are accounted for separately from non-statutory income, time and expense. By utilizing this document as a guide for all transactions, there is less likelihood of miscoding transactions between the two separate income streams.

### Account Codes

The key to good financial record-keeping is the consistent and accurate application of assigning costs using a uniform chart of accounts. At present, MRO utilizes approved chart of accounts in assigning account codes to income and expense. Below you will find a list of commonly used account codes for operating expenses (excluding salary & related expenses).

Main Category	Account Number & Name	Most Common Charges
Dues	7700 – Professional Dues	Professional memberships, dues and certification expenses.
Meetings	0900-4100 Operator Training Services (SOTs)	Generally used to incur related expenses associated with workshops and operating training. Does include food.
Computer Purchase & Maintenance	2300-5200 Hardware < \$500	Computer peripheral and accessories priced under \$500. Anything over \$500 is capitalized.
	2300-5300 Software < \$500	Software licenses that are procured for business use that are less than \$500. Anything over \$500 is capitalized.
Professional Services	2200-2200 Legal Fees	Fees incurred for outside legal counsel expenses. Should be authorized and approved by the President.

Main Category	Account Number & Name	Most Common Charges
	2000-4800 Recruiting (include in Employee Related Expenses)	Expenses associated with employee recruitment. This might include travel, costs of advertising, recruiting fees, etc.
	2300-2100 Prof Fees – Software Services	Used to procure software packages as well as services associated with customization of software packages.
Consultant	2100 General Consulting	General consulting expenses. Most appropriately used for consulting services procured from individuals not corporations.
Travel	7200-Business-Mileage Reimbursement	Mileage reimbursement for driving a personally owned vehicle on company business.
	7200-Business-Meals	Meals purchased while traveling or offsite meetings with appropriate professional contacts.
	7200-Business-Travel-Other	To be used for such things as tips, rental cars, gas for rental cars.
	7100-Business-Travel-Airfare	The cost of airline tickets procured for business related travel.
	7200-Business-Travel-Lodging	Cost of the hotel, minus any personal charges (mini-bar, movies, personal phone calls, etc.).
	7200-Business- Parking	Cost of parking services received while traveling on company business. Parking tickets are not reimbursable.
	7500-Training-Registration Fees	Cost of employee attendance at professional development seminars and classes.
	7400-Training-Mileage Reimbursement	Mileage reimbursement for driving a personally owned vehicle for corporate paid or provided training purposes.
	7400-Training-Meals	Meals purchased while attending or sponsoring a training program/workshop.
	7300-Training-Travel-Airfare	Cost of airline tickets procured for corporate paid, sponsored or provided training.
	7400-Training-Travel-Lodging	Cost of the hotel, minus any personal charges (mini-bar, movies, personal phone calls, etc.) while attending corporate paid, provided or sponsored training.
	7400-Training- Parking	Cost of parking services received while attending corporate paid, sponsored or provided training. Parking tickets are not reimbursable.

Main Category	Account Number & Name	Most Common Charges
Office Costs	2000-6600 Postage (U.S. Postal Service) and Mailing Expense	Cost of postal stamps or meter recharging fees. Also used for USPS Express mail, FedEx and UPS shipping of parcels and packages.
	6100 Supplies-Office-Report Printing	Professional service copying expense (i.e. Kinko's)
	2000-6100-Supplies-Office Stationery & Forms Printing	Professional service printing expense (i.e. professional printers). Can include stationery, envelopes, etc. Business cards are expensed to specific departments.
	N/A Misc Expenses	SHOULD NOT BE ACTIVELY USED
	2000-6100 Office Supplies	Pens, paper, files, paperclips, binder clips, pencils, etc. Primarily ordered through S&T and Staples. Special orders will be charged to specific departments.

The account codes depicted within the above matrix should be appropriately reflected on each invoice employees submit for payment. Additionally, approval/authorization for processing and payment should be granted by the employee using their full signature on the transmittal documents (requests, invoices, etc.), not to exceed authorization limits.

### **Department Codes**

There are eleven department codes that are to be used by Midwest Reliability Organization in accounting for expenses. The codes are as follows:

Unit/Division	Department #	Department Name
Standards	0300	MRO-Reliability Standards
Compliance	0400	MRO-Compliance & Enforcement
Reliability Readiness	700	MRO-Reliability Readiness
Reliability Assessment	0800	MRO-Reliability Assessment
Training and Education	0900	MRO Member/Industry Training
Situational Awareness	1000	MRO-Situational Awareness
NERC Forums	1100	MRO-NERC Forums
Administration	2000	MRO Executive/G&A
Administration	2200	MRO-Legal
Administration	2300	MOR-Information Technology (IT)
Administration	2500	MRO-Finance and HR
Non-Statutory	2700	MRO-Non-Statutory

Department codes are used in order to further compartmentalize and stratify expenses into functional groupings that are assigned to department managers. Employees should utilize their home department codes (the department where they reside for payroll purposes) when coding expenses, unless otherwise authorized by management.

Department codes do not accumulate both Federal/Statutory and Non-Statutory expenses.

**Dept-0300 — RELIABILITY STANDARDS DEVELOPMENT**—any work associated with NERC reliability standards, or regional reliability standards, specifically pertaining to NERC Rules of Procedure, Section 300, should be recorded to the Dept-0300.

**Activities:**

- Development of Reliability Standards
- Regional Entity Standards Development Procedures
- Regional Reliability Standards
- Registered Ballot Body
- Standards Committee
- Reliability Standards Annual Work Plan
- Appeals

**Potential Expense Types:**

- Salary & Related – Payroll and from a quarterly labor distribution true-up from time tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting

**Dept-0400 — COMPLIANCE & ENFORCEMENT**—any work associated with NERC compliance audits, enforcement, or monitoring, specifically pertaining to NERC Rules of Procedure, Section 400, should be recorded to the Dept-0400.

**Activities:**

- NERC Compliance Enforcement Program
- Regional Entity Compliance Enforcement Programs
- NERC Monitoring of Compliance for Regional Entities, Regional Reliability Organizations, or Bulk Power Owners, Operators, or Users
- Monitoring of Standards and Other Requirements Applicable to NERC
- Penalties, Sanctions, and Remedial Actions
- Reporting and Disclosure Process
- Appeals from Final Decisions of Regional Entities

**Potential Expense Types:**

- Salary & Related – Payroll and from a quarterly labor distribution true-up from time tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting

**Activities:**

- NERC Compliance Enforcement Program
- Regional Entity Compliance Enforcement Programs
- NERC Monitoring of Compliance for Regional Entities, Regional Reliability Organizations, or Bulk Power Owners, Operators, or Users
- Monitoring of Standards and Other Requirements Applicable to NERC

**Dept-0400 — ORGANIZATION REGISTRATION AND CERTIFICATION**—any work associated with the registration and/or certification of organizations, specifically pertaining to NERC Rules of Procedure, Section 500, should be recorded to the Dept-0400.

**Activities:**

- Organization Registration and Certification Program
- ERO Organization Registration and Certification Program Requirements
- Regional Entity Implementation of Organization Registration and Certification Program Requirements
- Appeals

**Potential Expense Types:**

- Salary & Related – Payroll and from a quarterly labor distribution true-up from time tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting

**Dept-0700 — RELIABILITY READINESS EVALUATION AND IMPROVEMENT**—any work associated with readiness evaluations designed to ensure that operators of the bulk electric system have the facilities, tools, processes, and procedures in place to operate reliably under future conditions. The evaluation team may also evaluate transmission planner and transmission owner functions in concert with the evaluation of reliability coordinators, balancing authorities, and transmission operators. Specifically, work as it pertains to the NERC Rules of Procedure; Section 700 should be recorded to the Dept-0700.

**Activities:**

- Reliability Readiness Evaluations and Improvements
- Scheduling of Readiness Evaluations
- Resources for Readiness Evaluations
- Pre-Readiness Evaluation Activities
- On-Site Activities for the Readiness Evaluation
- Preparation and Posting of the Final Report & Implementation Monitoring

**Potential Expense Types:**

- Salary & Related – Payroll and from a quarterly labor distribution true-up from time tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting



**Dept-0800 — RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS—**any work associated with conducting, and reporting the results of, an independent assessment of the overall reliability and adequacy of the bulk power system to NERC. Analyze off-normal events on the bulk power system. To assess past reliability performance for lessons learned, and to disseminate findings to NERC to improve reliability performance. Additionally, to develop reliability performance benchmarks. Specifically, work as it pertains to the NERC Rules of Procedure; Section 800 should be recorded to the Dep-0800.

**Activities:**

- Reliability Assessment Reports
- Reliability Assessment Data and Information Requirements
- Reliability Assessment Process
- Scope of the Reliability Performance and Analysis Program
- Analysis of Major Events
- Analysis of Off-Normal Events and System Performance
- Reliability Benchmarking
- Information Exchange

**Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting

**Dept-0900 — TRAINING AND EDUCATION—**any work associated with training and education programs for the purpose of establishing training requirements, developing materials, and developing training activities for bulk power system operating personnel including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, training personnel, and other personnel directly responsible for complying with NERC reliability standards. Specifically, as it pertains to the NERC Rules of Procedure, Section 900 should be recorded to the Dept-0900.

**Activities:**

- Training and Education Programs for Operators
- Continuing Education Programs for Operators
- Materials Development for Training
- Hosting Seminars and Workshops for Operators

**Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services
- Consulting

**Dept-1000 — SITUATION AWARENESS AND INFRASTRUCTURE SECURITY—** any work associated with infrastructure security, and security planning, specifically pertaining to NERC Rules of Procedure, Section 1000, should be recorded to the Dept-1000.

**Activities:**

- Situational Awareness
- Reliability Support Services
- Infrastructure Security Program

**Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services
- Consulting

**Dept-1100 — NERC FORUM —**A NERC Forum is an established body/committee that makes recommendations to NERC or NERC Committees which includes MRO Staff and MRO Regional Representatives. Any work associated with hosting a NERC forum, and/or attending a NERC forum, should be recorded to the Dept-1100.

**Activities:**

- Hosting a NERC forum event/meeting
- Attending a NERC forum event/meeting

**Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting

**Dept-2000 — GENERAL & ADMINISTRATIVE –** The expenses of operating a business or unit, which are not directly linked to any one of the unit's services and should be recorded to the general & administrative Dept-2000. Examples of the types of expenses are as follows:

- Administrative Salaries-Based on Payroll and from a quarterly labor distribution true-up from time tracking
- Office Rent & Facilities Costs
- Office Supplies
- Technology Infrastructure Costs-Connectivity, Servers, Web-services, Equipment, etc.
- Dues & Licenses
- Professional Fees

**Dept-2000 — EXECUTIVE** – The expenses of the MRO President, which are not directly linked to any one of the department services, should be recorded to Dept-2000 and examples of expenses would be as follows:

- Executive Salary & Related-Based on Payroll and from a quarterly labor distribution true-up from time tracking
- Executive Travel
- Board Support Expenses
- Consultants and Strategic Planning Expenses
- Executive Support Expenses
- Employee Welfare Related Expenses

**Dept-2200 — LEGAL & REGULATORY** – The expenses of the unit's legal affairs department, which are not directly linked to any one of the unit's services. Legal expenses can be a component of G&A; however, can be tracked separately under a separate department. The activity code to be used is Dept-2200 and examples of expenses would be as follows:

- Legal Staff Salary & Related-Based on Time-Tracking
- Legal Staff Travel
- Outside Legal Fees
- Legal Support Expenses
- NERC specific depositions (time and expense)

**MRO-2300 — INFORMATION TECHNOLOGY** – The expenses of the unit's IT department, which are not directly linked to any one of the unit's services. IT expenses can be a component of G&A; however, can be tracked separately under a separate department. The department code to be used is Dept-2300 and examples of expenses would be as follows:

- IT Staff Salary & Related-Based on Payroll and from a quarterly labor distribution true-up from time tracking
- IT Staff Travel
- IT Consultants
- IT Support Expenses-not infrastructure

**MRO-2500 — HUMAN RESOURCES** – An department code for expenses in support of the unit's Human Resources department, which are not directly linked to any one of the unit's services. HR expenses can be a component of G&A; however, can be tracked separately under a separate department code. The activity code to be used is Dept-2500 and examples of expenses would be as follows:

- HR Staff Salary & Related-Based on Payroll and from a quarterly labor distribution true-up from time tracking
- HR Staff Travel
- Recruiting/Candidate Expenses

**MRO-2500 — FINANCE & ACCOUNTING** – The expenses of the unit's Finance department, which are not directly linked to any one of the unit's services. Finance expenses can be a component of G&A; however, can be tracked separately under a separate department code. The activity code to be used is Dept-2500 and examples of expenses would be as follows:

- Finance Staff Salary & Related-Based on Payroll and from a quarterly labor distribution true-up from time tracking
- Finance Staff Travel
- Auditors/Consultants
- Finance Related Consumable Expenses

**(Non-Statutory) Department Code:**

**Dept-2700** — Expenses not related to activities under the Regional Delegation Agreement and Section 215 of the FPA and do not conflict with the statutory functions. These expenses are not allocable to NERC and so are isolated from the NERC related expenses in a separate department code, Dept-2700. Examples of the types of expenses that are likely to be incurred are:

**2007 – Includes IT and Finance and HR Service Agreement.**

MRO agreed to provide, at MRO's cost, administrative; including billing and accounting, information services, and other office-related services to MAPPCOR.

Expenses were charged to Department 2300 (IT) and 2500 (AF and HR) during the course of the year. An estimated quarterly fee is charged to cover the service agreement costs. At 2007 year end a true-up was prepared on an account by account basis to determine the actual cost incurred to provide said services. The service agreement fee and the associated actual costs are net \$0 in Dept 2700.

**2008 – Includes IT Service Agreement. (The Finance and HR portion was eliminated.)**

MRO agreed to provide, at MRO's cost information services to MAPPCOR. Expenses will be charged to Department 2300 (IT) during the course of the year. An estimated quarterly fee is charged to cover the service agreement costs. At 2007 year end a true-up was prepared on an account by account basis to determine the actual cost incurred to provide said services. The service agreement fee and the associated actual costs will be net \$0 in Dept 2700.

**2009 – N/A (The entire Service Agreement will be eliminated.)**

Account Number	Account Description
<b>Standards</b>	
0300-1800	Temporary Services
0300-2100	Consulting
0300-3100	Conference Call Expense
0300-3200	Internet/Cell Phone Expense
0300-4100	Meeting Expenses
0300-6100	Supplies – Office
0300-6300	Subscriptions
0300-7100	Business Travel – Airfare
0300-7200	Business Travel – Lodging/Misc.
0300-7300	Training Travel – Airfare
0300-7400	Training Travel – Lodging/Misc.
0300-7500	Training – Registration/Tuition
0300-7600	Training Supplies/Other
0300-7700	Professional Dues

<b>Compliance</b>	
0400-1800	Temporary Services
0400-2100	Consulting
0400-3100	Conference Call Expense
0400-3200	Internet/Cell Phone Expense
0400-4100	Meeting Expenses
0400-6100	Supplies – Office
0400-6300	Subscriptions
0400-7100	Business Travel – Airfare
0400-7200	Business Travel – Lodging/Misc.
0400-7300	Training Travel – Airfare
0400-7400	Training Travel – Lodging/Misc.
0400-7500	Training – Registration/Tuition
0400-7600	Training Supplies/Other
0400-7700	Professional Dues

<b>Readiness Evaluations</b>	
0700-1800	Temporary Services
0700-2100	Consulting
0700-3100	Conference Call Expense
0700-3200	Internet/Cell Phone Expense
0700-4100	Meeting Expenses
0700-6100	Supplies – Office
0700-6300	Subscriptions
0700-7100	Business Travel – Airfare
0700-7200	Business Travel – Lodging/Misc.
0700-7300	Training Travel – Airfare
0700-7400	Training Travel – Lodging/Misc.
0700-7500	Training – Registration/Tuition
0700-7600	Training Supplies/Other
0700-7700	Professional Dues

<b>Reliability Assessments</b>	
0800-1800	Temporary Services
0800-2100	Consulting
0800-3100	Conference Call Expense
0800-3200	Internet/Cell Phone Expense
0800-4100	Meeting Expenses
0800-6100	Supplies – Office
0800-6300	Subscriptions
0800-7100	Business Travel – Airfare
0800-7200	Business Travel – Lodging/Misc.

Account Number	Account Description
<b>Reliability Assessments</b>	
0800-7300	Training Travel – Airfare
0800-7400	Training Travel – Lodging/Misc.
0800-7500	Training – Registration/Tuition
0800-7600	Training Supplies/Other
0800-7700	Professional Dues

<b>Member Training (MRO Hosts)</b>	
0900-3100	Conference Call Expense
0900-4100	Meeting Expenses
0900-6100	Supplies – Office
0900-6300	Subscriptions
0900-7100	Business Travel – Airfare
0900-7200	Business Travel – Lodging/Misc.

<b>Situational Awareness</b>	
1000-4100	Meeting Expenses
1000-7100	Business Travel – Airfare
1000-7200	Business Travel – Lodging/Misc.

<b>NERC Meetings</b>	
1100-3100	Conference Call Expense
1100-4100	Meeting Expenses
1100-7100	Business Travel – Airfare
1100-7200	Business Travel – Lodging/Misc.
1100-7300	Training Travel – Airfare
1100-7400	Training Travel – Lodging/Misc.
1100-7500	Training – Registration/Tuition
1100-7600	Training Supplies/Other

<b>General &amp; Executive</b>	
2000-1800	Temporary Services
2000-2100	Consulting
2000-3100	Conference Call Expense
2000-3200	Internet/Cell Phone Expense
2000-4100	Meeting Expenses
2000-4500	Employee/Member Events
2000-6100	Supplies – Office
2000-6300	Subscriptions
2000-6400	Supplies – Promotional
2000-6600	Postage & Mailing Expense
2000-7100	Business Travel – Airfare
2000-7200	Business Travel – Lodging/Misc.
2000-7400	Training Travel – Lodging/Misc.
2000-7500	Training – Registration/Tuition
2000-7600	Training Supplies/Other
2000-7700	Professional Dues
2000-9100	Contingency
2000-9200	Member Travel Reimbursement
2000-2200	Legal Services

<b>IT Services</b>	
2300-2100	Consulting
2300-3100	Conference Call Expense
2300-3200	Internet/Cell Phone Expense
2300-4100	Meeting Expenses
2300-5100	Office Equip & Maintenance

<b>IT Services</b>	
2300-5200	Computer Equipment
2300-5210	Computer Software
2300-5300	Copier Rental
2300-5700	VeriCenter Services
2300-5800	Phone Service
2300-6100	Supplies - Office
2300-6150	Supplies - Computer
2300-6300	Subscriptions
2300-7100	Business Travel - airfare
2300-7200	Business Travel – Lodging/Misc.
2300-7300	Training Travel – Airfare
2300-7400	Training Travel – Lodging/Misc.
2300-7500	Training – Registration/Tuition
2300-7600	Training Supplies/Other
2300-7700	Professional Dues

<b>Non-Statutory</b>	
2700-6700	Offsite Storage
2700-7100	Business Travel – Airfare
2700-7200	Business Travel – Lodging/Misc.
2700-7600	Training Supplies/Other

<b>Finance/HR/Building Services</b>	
2500-2100	Consulting
2500-3100	Conference Call Expense
2500-3200	Internet/Cell Phone Expense
2500-4100	Meeting Expenses
2500-4500	Building Maint/Facility Repairs
2500-4800	Employee Related Expense
2500-5500	Depreciation Expense
2500-5600	Building Least/Rent
2500-5650	Utilities
2500-5700	Waste Management
2500-5900	Office Cleaning/Maintenance
2500-6100	Supplies – Office
2500-6800	Bank Expense
2500-6850	Interest Expense
2500-6900	Insurance Expense
2500-7100	Business Travel – Airfare
2500-7200	Business Travel – Lodging/Misc.
2500-7300	Training Travel – Airfare
2500-7400	Training Travel – Lodging/Misc.
2500-7500	Training – Registration/Tuition
2500-7600	Training Supplies/Other
2500-7700	Professional Dues

<b>Non-Statutory</b>	
2700-1000	Salaries
2700-1600	Fringe Benefits
2700-2100	IT Consulting
2700-3100	Conference Call Expense
2700-3200	Internet/Cell Phone Expense
2700-4100	Meeting Expense
2700-5100	Office Equipment/Maintenance
2700-5200	Computer Equipment
2700-5210	Computer Software
2700-5300	Copier Rental
2700-5700	VeriCenter Services
2700-5800	Phone Service
2700-6100	Supplies – Office
2700-6150	Computer Supplies
2700-6300	Subscriptions

## MRO Chart of Accounts Related to NERC Chart of Accounts

NERC Account Code	Account Title	MRO Account Code	MRO Account Description
41000	Assessments	3000-0010	Regional Reliability Assessment
42000	Membership Dues	3000-0025	Other Revenue
42100	Non-Statutory Funding	3000-0020	Non-Statutory Funding
47000	Workshops	3000-0030	Workshops
49900	Misc. Income	3000-0025	Other Revenue
51000	Direct Salaries	1000	Salaries
51000	Direct Salaries	1100	Salaries-Holiday
51000	Direct Salaries	1300	Salaries-Sick
51000	Direct Salaries	1400	Incentive Pay
51300	Temporary Office Services	1800	Temporary Services
52000	Payroll Taxes-FICA	1700	FICA/Medicare Expense
52100	Payroll Taxes-Medicare	1700	FICA/Medicare Expense
52200	Payroll Taxes-SUI	1710	Sate U/C Expense
52300	Payroll Taxes-FUI	1720	Federal U/C Expense
54000	Benefits-Education Reimbursement	1602	Tuition Reimbursement
54100	Benefits-Medical	1630	Benefits-Dental
54100	Benefits-Medical	1650	Benefits-Vision
54100	Benefits-Medical	1660	Benefits-Medical
54200	Benefits-Life	1610	Benefits-Life
54250	Officers - Life	1610	Benefits-Life
54400	Vacation Expense	1200	Salaries-Vacation
55000	Pension Contribution	1690	Benefits-Pension
55100	Employee Savings Plan	1680	Benefits-401K
55200	Pension & Savings Admin	2100	Consulting
61000	Meeting Expense	4100	Meeting Expense
61100	Workshop Exp	4100	Meeting Expense
62000	Travel	7100	Business Travel - airfare
62000	Travel	7200	Business Travel - lodging/misc
62100	Auto Expense	7200	Business Travel - lodging/misc
63000	Conference Calls	3100	Conference Call Expense
63100	Online Meetings	3100	Conference Call Expense
65000	Consultants	2100	Consulting
65000	Consultants	1910	HR-Benefits Administrator
65000	Consultants	2300	Audit Fees
65400	Industry Support	2100	Consulting
70000	Office Rent	5600	Building Lease/Rent
70010	Utilities	5650	Utilities
70020	Maintenance	4500	Bldg Maint/Facility Repairs
70020	Maintenance	5700	Waste Management
70020	Maintenance	5900	Office Cleaning/Maintenance
71000	Telephone	5800	Phone Service
71100	Internet Expense	3200	Internet/Cell phone
71200	Office Supplies	6100	Supplies-Office
71300	Computer Supplies & Maintenance	5200	Computer Equipment
71300	Computer Supplies & Maintenance	5210	Computer Software
71300	Computer Supplies & Maintenance	6150	Computer Supplies
71400	Subscriptions & Publications	6300	Subscriptions & Publications
71500	Dues	7700	Professional Dues
71600	Postage	6600	Postage & Mailing Expense
71700	Express Shipping	6600	Postage & Mailing Expense
71800	Copying	6100	Supplies-Office
72000	Stationary & Office Forms	6100	Supplies-Office
72100	Equipment Repair/Srv. Contracts	5100	Office Equipment & Maintenance
72200	Bank Charges	6800	Bank Expense
75300	Accounting and Auditing Fees	2300	HR-Benefits Administrator
75400	Legal Fees - Other	2200	Legal Services
75500	Insurance - Commercial	6900	Insurance Expense
80100	Interest Expense	6850	Interest Expense
90100	Furniture Purchase	6520-0000	Office Furniture
90200	Equipment Purchase	6510-0000	Office Equipment
90300	Computer Purchase and Lease	6550-0000	Computer Equipment
90350	Software Purchases	6540-0000	Capitalized Software
90400	Leasehold Improvements (Cash projections only - to be capitalized)	6530-0000	Building & Improvements

**ATTACHMENT 6**

**2007 BUDGET VERSUS ACTUAL COST RECONCILIATION**

**FOR**

**NORTHEAST POWER COORDINATING COUNCIL, INC.**





Via E-mail

ATTACHMENT 6

NORTHEAST POWER COORDINATING COUNCIL, INC.  
1515 BROADWAY, NEW YORK, NY 10036-8901 TELEPHONE: (212) 840-1070 FAX: (212) 302-2782

March 21, 2008

North American Electric Reliability Corporation  
116-390 Village Blvd.  
Princeton, NJ 08540-5721  
Attention: Susan Turpen - Senior Accountant

Subject: NPCC December 31, 2007 Accounting for FERC

Dear Susan:

The 2007 NPCC Business Plan and Budget was developed and documented through a systematic approach for the interim organizational restructuring of the voluntary NPCC (Council) to the two independent affiliated not-for-profit corporations: NPCC Cross-Border Regional Entity (Regional Entity) and NPCC Inc. (Regional Reliability Organization). NPCC utilizes the NERC System of Accounts (NSOA) to provide consistency for account codes, divisional separation codes and activity codes. NPCC CBRE (statutory) and NPCC Inc. (non-statutory) adopted the NSOA effective January 1, 2007 and moved from a modified cash basis of accounting to an accrual basis at that time as well in the name of consistency. Effective January 1, 2007, both affiliated independent corporations also moved from QuickBooks accounting software to the NERC recommended and used not-for-profit MIP Fund Accounting program by Sage Software to accurately account for income, time and labor,

Attachments A through J provide supporting documentation of the actions taken during 2006 and information distributed post year end 2007 and are as follows:

- Attachment A – NPCC and NERC 2007 Assessments and Billing
- Attachment B – NPCC Inc. /NPCC CBRE Reliability Services Agreement (RSA) 11/29/06 (without Exhibits)
- Attachment C – NPCC CBRE RSA and RDA 2007 Budget Allocated by Full Time Equivalent (FTEs)
- Attachment D – NPCC RRO 2007 Non-Statutory Budget Allocated by FTE
- Attachment E – Non-Statutory 2007 NPCC Assessment Resolution
- Attachment F – Non-Statutory 2007 NPCC Budget Resolution
- Attachment G – Statutory 2007 NPCC CBRE Assessment Resolution
- Attachment H – Statutory 2007 NPCC CBRE Budget Resolution
- Attachment I – NPCC Statement of Activities (unaudited) Compilation Report 12/31/07
- Attachment J – NPCC Expenditure Classification Methodology 1/1/08

Funding for 2007 was based on the mid-2006 international region's interpretation of what would likely constitute U.S. statutory and non-statutory programs and services. The Multipart NPCC 2007 Budget was separated into those functions which NPCC determined as (1) falling under the Regional Delegation Agreement (RDA), (2) those functions which NPCC viewed as not being clearly either statutory or non-statutory in the U.S. but which were required to continue reliability assurance efforts under a Reliability Services Agreement (RSA) between NPCC Inc. and NPCC CBRE, and (3) those functions that NPCC defined as in the furtherance of NERC's mission and reliability and associated with regionally-specific reliability criteria related efforts, which would be funded by the regional membership, rather than the ERO funding mechanism, and viewed as Regional Reliability Organization (RRO) functions and costs. In addition, NERC in its budget submission to FERC and Canadian regulatory and/or provincial governmental and/or regulatory authorities, elected to combine the RDA and RSA parts of NPCC's 2007 budget, as falling under the statutory ERO funding mechanism.

Based upon subsequent information provided through several FERC rulings following the July, 2006 NPCC submission to NERC of the NPCC 2007 Business Plan and Budget, including definitions of statutory and non-statutory that differed from NPCC's conservative 2006 assumptions, NPCC would have reallocated approximately \$1.4 million of what had been allotted to the non-statutory Regional Reliability Organization section of its 2007 budget.

Before NPCC addresses NERC's requirements, it must reiterate that based on current definitions, several 2007 services included as non-statutory in the 2007 NPCC Business Plan and Budget would have been included as U.S. statutory. Utilizing available definitional clarity, 2.4 FTEs would have been reallocated for the budget year 2007 from non-statutory to U.S. statutory. Therefore, for 2007, support for the Reliability Readiness Evaluation Program, Operator Training Workshops, Resource Adequacy and Transmission Reliability Assessments, as well as, Operational Coordination activities were funded by the NPCC non-statutory member funding mechanism, rather than the ERO U.S. statutory funding mechanism. NPCC's conservatism resulted in cross subsidization of statutory functions through the non-statutory funding mechanism provided by NPCC regional Independent System Operators and/or Balancing Authority Areas for 2007.

If reallocated, 90% of NPCC 2007 functions and services would have been determined to be statutory rather than the 71% submitted by NERC as activities in support and furtherance of NERC's mission and funded through the statutory mechanism. 10% of NPCC 2007 functions (those relating exclusively to regionally-specific criteria development and criteria enforcement and administrative support) would have been determined to be non-statutory by the NPCC region rather than the 29% used in 2006 to develop the 2007 non-statutory funding needs.

While NPCC had all of the requisite bookkeeping and accounting practices and policies in place to accurately record expenditures for 2007, to remain consistent with the 2007 Business Plan, Budget and separate funding streams for both statutory and non-statutory budgets, NPCC retained the approved allocation method based on FTEs throughout 2007 to reflect the assumptions submitted in July, 2006. As NERC knows, NPCC CBRE merged into and with Northeast Power Coordinating Council, Inc. (NPCC)

effective August 1, 2007. Based upon the definitions available, effective January 1, 2008, all expenditures within 2008 are being charged to program areas directly. Consistent with Attachment B - RSA Article II – Cost Assignment and Allocation “...The cost of the services to be performed ... shall be allocated on a Full Time Equivalent (“FTE”) manpower basis...as approved by the ERO, FERC and Canadian Regulatory Authorities.”

As NPCC understands it, FERC is requesting through NERC from the Regional Entities:

Item #1. - Accounting and true-up for under or over collections in 2007 in sufficient detail and with sufficient explanations so the FERC can determine by program area the reasons for deviations from the budget and the impacts of those deviations.

*NPCC Response – Significant variances from the Budget are explained in the NPCC variance analysis templates, attached as Table #1 2007 Statement of Activities – Summary, Table #2 2007 Statement of Activities – Statutory Only, and Table #3 2007 Statement of Activities – Non-Statutory Only. Consistent with the aforementioned budgeting and cost allocation methodologies utilized for 2007, these variances are consistent in percentage terms for each program area because NPCC used consistent proportional percentages based on full time equivalents (FTEs) allocated for each program area for 2007. With the merger of the Northeast Power Coordinating Council: Cross-Border Regional Entity (NPCC CBRE) with and into NPCC, 2008 expenditures will be actual costs by program area.*

Item #2. - To the extent funding identified as statutory is or was used to fund non-statutory activities, those funds must be reimbursed to load serving entities or to statutory expenditures. NERC will inform the FERC to the extent this has occurred and document that the funds have been or will be reimbursed.

*NPCC Response – There was no cross subsidization from statutory to non-statutory activities. NPCC did not use statutory funds for non-statutory activities in 2007. As previously noted, some \$1.4 million of non-statutory funding subsidized statutory activities. NPCC does not conduct resource or transmission planning, is not an Independent System Operator (ISO), nor does it perform the functions of a Reliability Coordinator (RC). As such, while at this time, there is a breakout for criteria related activities, all functions performed by NPCC are in the furtherance of NERC’s mission and reliability of the international bulk power system in Northeastern North America.*

Item #3. - NERC is looking to the Regional Entities for input as it must detail the functional categories and accounts used for segregating non-statutory income, revenue and expenses and that NERC provide the instructions detailing policies and procedures describing and providing guidance on the recording and summarizing of financial data and transactions, including an explanation of the interrelationship of the functional categories to the account listings.

*NPCC Response – NPCC currently segregates its income, revenue, and expenses by divisional separation – regional entity division for what in the U.S. would be termed statutory (not by statute in Canadian provinces within the Region) and criteria services division for what in the U.S. and by its members would be termed non-statutory. There are separate and distinct funding mechanisms in place through the NPCC Bylaws. The Regional Entity division is funded through NERC with predominantly NEL based funding coming from assessments made to the Region’s LSE designees – the ISO/Balancing Authority Areas (BAAs) within NPCC. The Criteria Services division is funded by the ISO/BAAs based upon their proportional NEL within the region for efforts in support of NPCC’s regionally-specific criteria development, monitoring and compliance assessment and enforcement.*

*A common system of accounts is used for both statutory and non-statutory expense tracking and financial reporting with divisional separation. NPCC would look to NERC for guidance and procedure provision regarding the functional categories and accounts to be used by the REs for segregating non-statutory income, revenue, and expenses if there are other specific requirements.*

Item #4. That REs modify record retention policies to accommodate the anticipated performance appraisal schedule. NERC requests that REs provide a statement adopting the revised policy.

**NPCC Response** – NPCC’s Treasurer is currently working on modification of the record retention policies to adopt NERC’s revised policy.

Please don’t hesitate to contact NPCC should you require anything further. I can be reached via email at [jbudd@npcc.org](mailto:jbudd@npcc.org) or via telephone at 212-840-1070.

Sincerely,

*Jennifer Budd Mattiello*

Jennifer Budd Mattiello  
Vice President & COO

JBM;jm  
Attachments

Cc: Edward A. Schwerdt – NPCC President and CEO  
Regional Entity Budget Group  
Christopher Weir – NPCC Treasurer  
Adrien Brizzolara – NPCC Analyst



NPCC  
2007 Statement of Activities  
Summary

Table 1

(In Whole Dollars)

	2007 YTD Actual	2007 YTD Budget	2007 YTD Variance	2007 YTD Variance	Comments
<b>Funding</b>					
Assessments	5,214,361	5,214,361	-	0.00%	
Membership Fees & Non-Stat	2,153,034	2,142,549	10,485	0.49%	
Testing	-	-	-		
Services & Software	-	-	-		
Interest	-	-	-		
Misc.	-	-	-		
<b>Total Funding</b>	<b>7,367,395</b>	<b>7,356,910</b>	<b>10,485</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	2,575,789	2,705,653	(129,864)	-4.80%	#1.
Payroll Taxes	149,179	187,774	(38,595)	-20.55%	#2.
Employee Benefits	478,224	654,073	(175,849)	-26.89%	#3.
Savings & Retirement	328,279	357,485	(29,206)	-8.17%	#4.
<b>Total Personnel Expenses</b>	<b>3,531,470</b>	<b>3,904,985</b>	<b>(373,515)</b>		
<b>Meeting Expenses</b>					
Meetings	194,520	156,158	38,362	24.57%	#5.
Travel	478,683	613,725	(135,042)	-22.00%	#6.
Conference Calls	40,524	45,000	(4,476)	-9.95%	#7.
<b>Total Meeting Expenses</b>	<b>713,727</b>	<b>814,883</b>	<b>(101,156)</b>		
<b>Operating Expenses</b>					
Rent & Improvements	220,765	317,460	(96,695)	-30.46%	#8.
Contracts	774,027	524,524	249,503	47.57%	#9.
Consultants	288,954	590,061	(301,107)	-51.03%	#9.
Office Costs	285,526	392,763	(107,237)	-27.30%	#10.
Professional Services	782,165	437,990	344,175	78.58%	#11.
Computer Purchase & Maint.	58,124	40,000	18,124	45.31%	#12.
Furniture & Equipment	-	-	-		
Miscellaneous	292,868	334,244	(41,376)	-12.38%	#13.
<b>Total Operating Expenses</b>	<b>2,702,428</b>	<b>2,637,042</b>	<b>65,386</b>		
<b>Total Expenses</b>	<b>6,947,624</b>	<b>7,356,910</b>	<b>(409,286)</b>		
<b>Net Change in Assets</b>	<b>419,771</b>	<b>-</b>	<b>419,771</b>		



## **2007 Statement of Activities Summary Comments on Variances Table #1**

- Reference #1. Salaries** – This account was under budget by a net amount of approximately 5% primarily as a result of a cost-effective recruitment strategy and much lower than anticipated usage of temporary services offsetting larger than budgeted salaries for some new hires, salary adjustments and the impacts of accruing projected incentive awards to 2007, the year they would have been earned, not paid.
- Reference #2. Payroll Taxes** – This account was under budget by a net amount of nearly 21% largely associated with the governmental tax maximums set for 2007.
- Reference #3. Benefits** – This account was under budget by a net amount of nearly 27%. Five employees waive medical coverage due to superior insurance provided either from past vested service within the industry or due to equal or better coverage provided through a spouse. Additionally, with partial year new hires, other employment related benefits were lower than full year budgets.
- Reference #4. Retirement** – This account was under budget by a net amount of approximately 8%. The pension contribution which is tied to employees hired prior to 2/6/07, the date it was resolved that the plan be closed to new entrants, was made as budgeted subject to further review by the Pension Committee in later 2007. A supplemental contribution was made from the contingency account for the plan year 2007 based upon a Pension Committee recommendation and Board approval. Retirement costs associated with the 401(k) were under budget due to partial year new hires as well as less than 100% participation and levels of participation lower than IRS limitations in some cases.
- Reference #5. Meetings** – This account was over budget by a net amount of nearly 25%. Special meetings of the Boards and Members of the then NPCC Inc. and NPCC CBRE were held with regard to merger of NPCC CBRE with and into Northeast Power Coordinating Council, Inc. (NPCC) A greater volume of meetings were conducted with regard to implementation of the Energy Policy Act of 2005 to assist registered entities with regard to compliance.
- Reference #6. Travel** – This account was under budget by a net amount of approximately 22%. The overall effects of conducting many meetings in office, mandatory compliance and enforcement effective June 18, 2007 rather than for the full year 2007 and partial year new hires are the main drivers for under expenditure. Judicious use of teleconference and Webex meeting participation, as well as the effective leveraging and use of member meeting facilities, had a positive impact on overall travel and meeting expenses.

- Reference #7. Conference Calls** – This account was under budget by a net amount of approximately 10% due to negotiated lower teleconference rates and charges.
- Reference #8. Office Rent** – This account was under budget by approximately 30%. Some \$50,000 in expenses related to office space in the areas of general operating expenses, electricity, condenser water, cleaning services and building lighting and maintenance were charged to account #99000 Miscellaneous Expenses. The NERC system of accounts, adopted by NPCC for consistency, did not provide for a subaccount under office rent and NPCC is currently looking to its auditors for guidance with regard to potential reclassification of these miscellaneous expenses to the #70000 Office Rent account.
- Reference #9. Contracts and Consultants** – The net of these accounts was under budget by approximately 7%. While the consulting contracts were significantly under budget due to the partial year requirements for mandatory compliance, contracts for the software development, launch, implementation, expanded functionality costs associated with a robust and consistent compliance data management program were greater than originally estimated. Industry support requests for payment were significantly lower than anticipated.
- Reference #10. Office Costs** – This account was under budget by a net amount of approximately 27%. Low cost furniture was expensed through the #71200 Office Supplies subaccount as not material. Traditional postage has largely been replaced by electronic information distribution. Equipment leases, which are captured in this account, were under budget due to selective desktop and laptop purchases in lieu of leasing.
- Reference #11. Professional Services** – This account was above budget by almost 79% due to reorganization activities and corporate restructuring following the April 19<sup>th</sup>, 2007 FERC ruling allowing for a one corporation model with divisional separation of regulatory and non-regulatory requirements. Legal, accounting and insurance costs were all significantly above budget in association with the multiple corporation interim model established in 2006 being refined within the subsequent merger of NPCC CBRE with and into NPCC.
- Reference #12. Capital Expenditures** – This account was under budget by approximately 45%. While no built-in furniture was required in the current office sharing scheme to accommodate new hires, computer purchases including desktops and laptops accounted for the majority of expenditures.
- Reference #13. Miscellaneous Expenses** – This total account was under budget by approximately 12%. The majority of the miscellaneous subaccount overages (~\$50,000) are related to office space expenses in the areas of general operating expenses, electricity, condenser water, cleaning services and building lighting and maintenance. Another driver in this area was support for Solar Magnetic Disturbance monitoring (\$22,500) identified in NERC's system of accounts as a miscellaneous expense.



NPCC  
2007 Statement of Activities  
Statutory Only

Table 2

(In Whole Dollars)

	2007 YTD <u>Actual</u>	2007 YTD <u>Budget</u>	2007 YTD <u>Variance</u>
<b>Funding</b>			
Assessments	5,214,361	5,214,361	-
Membership Fees & Non-Stat	-	-	-
Testing	-	-	-
Services & Software	-	-	-
Interest	-	-	-
Misc.	-	-	-
<b>Total Funding</b>	<u>5,214,361</u>	<u>5,214,361</u>	<u>-</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	1,830,856	1,806,305	24,551
Payroll Taxes	105,917	121,694	(15,777)
Employee Benefits	339,539	426,372	(86,833)
Savings & Retirement	233,078	232,995	83
<b>Total Personnel Expenses</b>	<u>2,509,390</u>	<u>2,587,366</u>	<u>(77,976)</u>
<b>Meeting Expenses</b>			
Meetings	138,109	110,612	27,497
Travel	339,865	434,722	(94,857)
Conference Calls	28,772	31,875	(3,103)
<b>Total Meeting Expenses</b>	<u>506,746</u>	<u>577,209</u>	<u>(70,463)</u>
<b>Operating Expenses</b>			
Rent & Improvements	156,743	178,571	(21,828)
Contracts	549,559	382,545	167,014
Consultants	205,157	550,659	(345,502)
Office Costs	202,723	280,614	(77,891)
Professional Services	555,337	295,072	260,265
Computer Purchase & Maint.	51,653	40,000	11,653
Furniture & Equipment	-	-	-
Miscellaneous	207,936	322,325	(114,389)
<b>Total Operating Expenses</b>	<u>1,929,108</u>	<u>2,049,786</u>	<u>(120,678)</u>
<b>Total Expenses</b>	<u>4,945,244</u>	<u>5,214,361</u>	<u>(269,117)</u>
<b>Net Change in Assets</b>	<u>269,117</u>	<u>-</u>	<u>269,117</u>





NPCC  
2007 Statement of Activities  
Non-Statutory Only

Table 3

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>
<b>Funding</b>			
Assessments	-	-	-
Membership Fees & Non-Stat	2,153,034	2,142,549	10,485
Testing	-	-	-
Services & Software	-	-	-
Interest	-	-	-
Misc.	-	-	-
<b>Total Funding</b>	<u>2,153,034</u>	<u>2,142,549</u>	<u>10,485</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	744,933	899,348	(154,415)
Payroll Taxes	43,262	66,080	(22,818)
Employee Benefits	138,685	227,701	(89,016)
Savings & Retirement	95,201	124,490	(29,289)
<b>Total Personnel Expenses</b>	<u>1,022,080</u>	<u>1,317,619</u>	<u>(295,539)</u>
<b>Meeting Expenses</b>			
Meetings	56,411	45,546	10,865
Travel	138,818	179,003	(40,185)
Conference Calls	11,752	13,125	(1,373)
<b>Total Meeting Expenses</b>	<u>206,981</u>	<u>237,674</u>	<u>(30,693)</u>
<b>Operating Expenses</b>			
Rent & Improvements	64,022	138,889	(74,867)
Contracts	224,468	141,979	82,489
Consultants	83,797	39,402	44,395
Office Costs	82,803	112,149	(29,346)
Professional Services	226,828	142,918	83,910
Computer Purchase & Maint.	6,471	-	6,471
Furniture & Equipment	-	-	-
Miscellaneous	84,932	11,919	73,013
<b>Total Operating Expenses</b>	<u>773,320</u>	<u>587,256</u>	<u>186,064</u>
<b>Total Expenses</b>	<u>2,002,380</u>	<u>2,142,549</u>	<u>(140,169)</u>
<b>Net Change in Assets</b>	<u>150,654</u>	<u>-</u>	<u>150,654</u>

**2007 Assessments and Billings**  
**NPCC Inc. (RRO only) and NERC Assessments (ERO Apportionment & NPCC CBRE)**  
**NEL within ISO and/or Balancing Authority Area**

<b>A</b>	<b>B</b>	<b>C</b>	<b>D<sup>1</sup></b>	<b>E</b>	<b>F<sup>2</sup></b>	<b>G<sup>3</sup></b>	<b>H<sup>4</sup></b>	<b>I</b>
<u>NPCC ISO and/or Balancing Authority Area</u>	<u>2005 Net Energy for Load (GWh)</u>	<u>2005 NEL % of NPCC Total</u>	<u>2007 RRO NPCC Inc. Assessment Due 1/15/07</u>	<u>2005 NEL % of ERO Total</u>	<u>2007 NERC Assessment ERO Billed</u>	<u>2007 NPCC CBRE* Assessment ERO Billed</u>	<u>2007 Quarterly ERO Billings to NPCC ISO/BAA's</u>	<u>2007 Total Northeast Assessment</u>
New England	136,376	20.17367%	<b>432,231</b>	3.082%	693,060	1,051,928	<b>436,247</b>	2,177,218
New York	167,239	24.73913%	<b>530,048</b>	3.780%	850,021	1,289,988	<b>535,002</b>	2,670,057
Ontario	156,972	23.22037%	<b>497,508</b>	3.548%	797,851	1,210,794	<b>502,161</b>	2,506,152
Quebec	188,031	27.81483%	<b>595,946</b>	4.250%	955,712	1,450,365	<b>601,519</b>	3,002,023
New Brunswick	15,046	2.22571%	<b>47,687</b>	0.340%	76,457	116,056	<b>48,128</b>	240,200
Nova Scotia	<u>12,346</u>	<u>1.82630%</u>	<u><b>39,129</b></u>	<u>0.279%</u>	<u>62,740</u>	<u>95,230</u>	<u><b>39,492</b></u>	<u>197,099</u>
<i>Total</i>	676,010	100.00000%	<b>\$2,142,549</b>	15.279%	\$3,435,839	\$5,214,361	<b>\$2,162,550</b>	\$10,792,749

<sup>1</sup> Column D - NPCC bills 100% with full payment due 1/15/07. The combined 2007 Budget for NPCC Inc. & NPCC CBRE is \$7,356,910 as approved at the September 7, 2006 EC meeting. The corporate budget of NPCC Inc. is \$2,142,549 and NPCC CBRE is \$5,214,361.

<sup>2</sup> Column F - based upon the total 2007 NERC budget of \$22,487,331.

<sup>3</sup> Column G which will be included in the NERC billings includes as NPCC CBRE the budgets of the Reliability Services Agreement (\$2,754,706) and Regional Delegation Agreement (\$2,459,655)

<sup>4</sup> Column H represents the NERC quarterly billings with payments due 1/15/07, 4/15/07, 7/15/07, and 10/15/07.

*Approved NPCC Inc. BOD  
November 29, 2006*

*Approved NPCC CBRE BOD  
November 29, 2006*



## RELIABILITY SERVICES AGREEMENT

THIS RELIABILITY SERVICES AGREEMENT (“Agreement”) is made and entered into this 29th day of November, 2006, by and between Northeast Power Coordinating Council, Inc., a New York not-for-profit corporation (“NPCC Inc.”), and Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc., a New York not-for-profit corporation (“NPCC CBRE”). NPCC Inc. and NPCC CBRE are also referred to herein as a “Party” and collectively as the “Parties”.

### RECITALS

WHEREAS, NPCC Inc. was formed as the successor entity to the Northeast Power Coordinating Council, a voluntary, not-for-profit, international electric regional reliability organization, to promote the reliable and efficient operation of the international, interconnected bulk power systems in Northeastern North America through the establishment of regionally-specific criteria, coordination of system planning, design and operations, assessment of reliability and monitoring and enforcement of compliance with such criteria, and other applicable criteria;

WHEREAS, NPCC CBRE was formed as an independent affiliate of NPCC Inc. to enhance the reliability of the international, interconnected bulk power system in Northeastern North America through the development of regional reliability standards and compliance assessment and enforcement of continent-wide and regional reliability standards pursuant to the execution and implementation of a Regional Delegation Agreement with the North American Electric Reliability Corporation (“NERC”) that is backstopped by NERC and the Federal Energy Regulatory Commission (“FERC”) and by Memoranda of Understanding with applicable Canadian provincial regulatory and/or governmental authorities (“Canadian Regulatory Authorities”); and

WHEREAS, the Parties desire to enter into an agreement under which NPCC Inc. will provide all services to NPCC CBRE at NPCC Inc.’s cost;

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, the Parties agree as follows:

## ARTICLE I – SERVICES

Section 1.1 On the terms and subject to the conditions set forth in this Agreement, NPCC Inc. agrees to provide all services (“Services”) described in the Annual Business Plan and Budget of NPCC CBRE in Exhibit A hereto, at such times and for such periods as NPCC CBRE may from time to time request.

Section 1.2 The Parties agree that NPCC Inc. shall be permitted to engage the services of experts, consultants, advisers and other such persons with the necessary qualifications and expertise as are required for or pertinent to the provision of the Services.

Section 1.3 NPCC CBRE agrees to accept and pay for the Services set forth in Exhibit A, and any additional general or special services as are requested from time to time by NPCC CBRE and which NPCC Inc. concludes it is able to perform. NPCC CBRE shall include in its annual budget submission to NERC the costs of the Services to be provided by NPCC Inc., which Services shall support NPCC CBRE’s delegated activities and other tasks that are in furtherance of NERC’s responsibilities as the electric reliability organization (“ERO”) under the Energy Policy Act of 2005. NPCC CBRE’s activities include, but are not limited to, Regional Reliability Standards Development, Compliance Monitoring and Enforcement, Organization Registration and Certification, Reliability Readiness Evaluation and Improvement, Reliability Assessment and Performance Analysis (including necessary data gathering activities), Training and Education, and Situational Awareness and Infrastructure Security.

Section 1.4 NPCC Inc. shall use its best efforts to recruit and retain employees who are trained and experienced with respect to the Services set forth in Exhibit A.

## ARTICLE II – COST ASSIGNMENT AND ALLOCATION

Section 2.1 NPCC CBRE agrees to pay NPCC Inc. for all costs incurred by NPCC Inc. in performing the Services described in Exhibit A. The cost of the Services to be performed hereunder shall be allocated on a Full Time Equivalent (“FTE”) manpower basis or other appropriate basis as set forth in Exhibit A and as approved by the ERO, FERC and the Canadian Regulatory Authorities. The method for allocating to NPCC CBRE those costs incurred by NPCC Inc. on NPCC CBRE’s behalf is set forth in Exhibit A, including with respect to the allocation of costs to FTEs.

Section 2.2 The Parties agree that the cost allocation method set forth in Exhibit A may be modified by the Parties at any time; provided, that in each instance, all Services provided hereunder shall be fairly and equitably allocated, and billed at the actual cost thereof. The Parties shall review any proposed material change to the cost allocation method in Exhibit A and shall mutually agree to any such change prior to implementation thereof.

### **ARTICLE III – TERM**

Section 3.1 This Agreement shall become effective as of the date first written above, and shall continue in full force and effect until terminated by either Party upon not less than one year's prior written notice to the other Party. This Agreement may be subject to modification at any time, if and to the extent the Services to be provided hereunder are required to be revised in compliance with the Electricity Modernization Act of 2005, the Federal Power Act, or any rule, regulation or order of FERC or the Canadian Regulatory Authorities adopted prior to or after the effective date of this Agreement.

### **ARTICLE IV – BILLING**

Section 4.1 NPCC Inc. shall prepare and send a quarterly assessment to NPCC CBRE at least thirty (30) days prior to the first day of each quarterly period for amounts equal to twenty-five percent (25%) of the total annual costs identified in Exhibit A. NPCC CBRE agrees to promptly pay NPCC Inc., upon receipt of its quarterly funding from NERC, the full amount set forth in each quarterly assessment. NPCC Inc. shall perform an annual reconciliation of amounts assessed and incurred by NPCC Inc. with respect to the Services provided hereunder in accordance with NERC's billing practices.

### **ARTICLE V – BOOKS AND RECORDS**

Section 5.1 It is understood that NPCC CBRE may be required to furnish information to NERC, FERC or the Canadian Regulatory Authorities with respect to the Services provided hereunder. In connection therewith, NPCC Inc. agrees, upon reasonable notice, to provide NPCC CBRE, NERC, FERC or any Canadian Regulatory Authority access to the books and records relating to the assignment and allocation of costs charged to NPCC CBRE under this Agreement.

### **ARTICLE VI – DISPUTE RESOLUTION**

Section 6.1 Any claim, controversy or dispute ("Dispute") which arises between the Parties, including any Dispute relating to NPCC CBRE's failure to pay in full any invoice because such payment was not permitted by NERC, FERC or the Canadian Regulatory Authorities, as appropriate, shall be settled by the Parties through consultation and negotiation.

Section 6.2 Upon the failure of NPCC CBRE to fulfill its payment obligations provided for herein, NPCC Inc. shall be entitled to pursue any rights or remedies available at law or in equity.

## **ARTICLE VII – NOTICES**

Section 7.1 Notices or other communication required or permitted to be given under this Agreement shall be sent in writing and deemed duly given on the date of delivery if delivered personally, or upon confirmation of receipt if by telecopy or facsimile. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the Party to receive such notice

*NPCC Inc.:*

Northeast Power Coordinating Council, Inc.  
1515 Broadway  
New York, NY 10036-8901  
Telephone: (212) 840-1070  
Facsimile: (212) 302-2782  
Attn: Treasurer

*NPCC CBRE:*

Northeast Power Coordinating Council: Cross-Border Regional  
Entity, Inc.  
1515 Broadway  
New York, NY 10036-8901  
Telephone: (212) 840-1070  
Facsimile: (212) 302-2782  
Attn: President & CEO

## **ARTICLE VIII – INDEPENDENT CONTRACTOR STATUS**

Section 8.1 NPCC Inc. hereby declares and agrees that it is engaged in activities independent of NPCC CBRE and that it will perform its obligations under this Agreement as an independent contractor and not as an agent or employee of NPCC CBRE; that NPCC Inc. does not have the authority to act for NPCC CBRE or to bind NPCC CBRE in any respect whatsoever, or to incur any liabilities in the name of NPCC CBRE; that any persons provided by NPCC Inc. shall be solely the employees or agents of NPCC Inc. under its sole and exclusive direction and control. NPCC Inc. shall be solely responsible for all matters relating to payment of its employees and agents, including compliance with worker's compensation, unemployment and all other federal, state and local rules and regulation.

## **ARTICLE IX – MISCELLANEOUS**

Section 9.1 Terms not otherwise defined in this Agreement have the meaning given to them in (i) 18 C.F.R. Part 39, the FERC rules concerning certification of EROs

*Approved NPCC Inc. BOD  
November 29, 2006*

*Approved NPCC CBRE BOD  
November 29, 2006*

and the establishment, approval and enforcement of electric reliability standards or (ii) the Bylaws of either NPCC Inc. or NPCC CBRE.

Section 9.2 No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing and signed by the Parties hereto; provided, however, the Annual Business Plan and Budgets of NPCC Inc. and NPCC CBRE set forth in Exhibit A hereto may be modified or replaced in their entirety upon approval of the Parties.

Section 9.3 The failure to enforce any of the provisions of this Agreement at any time, or to require at any time performance by any other Party of any of the provisions hereof, shall in no way be construed to be a waiver of such provision, nor in any way to effect the validity of this Agreement or any part hereof, or the right of any Party thereafter to enforce each and every such provision in accordance herewith.

Section 9.4 In the event that any clause, sentence, paragraph or part of this Agreement shall be deemed invalid, unenforceable or construed against public policy, it shall not effect, impair, invalidate or nullify the remainder of this Agreement, and the effect thereof shall be confined to the clause, sentence, paragraph or part of this Agreement so invalidated, unenforceable or construed against public policy.

Section 9.5 This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to conflicts of laws.

Section 9.6 This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

Section 9.7 This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns; provided, that no Party hereto may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other Party.

Section 9.8 The headings in this Agreement are included only for the convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.


Section 9.9 This Agreement and the exhibits attached hereto constitute the entire agreement, and supersede all prior agreements and understandings, both written and oral, between the Parties with respect to the subject matter hereof.

*Approved NPCC Inc. BOD  
November 29, 2006*

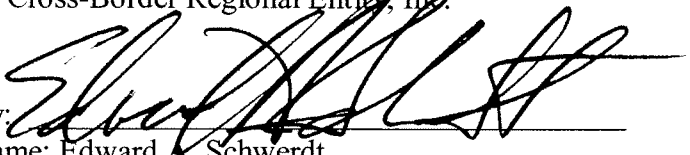
*Approved NPCC CBRE BOD  
November 29, 2006*

IN WITNESS WHEREOF, the Parties hereto have caused this Reliability Services Agreement to be executed by their duly authorized representatives as of the date and year first above written.

Northeast Power Coordinating Council, Inc.

By:   
Name: Jennifer Budd Mattiello  
Title: Treasurer

Northeast Power Coordinating Council:  
Cross-Border Regional Entity, Inc.

By:   
Name: Edward A. Schwerdt  
Title: President & CEO



*Approved NPCC Inc. BOD  
November 29, 2006*

*Approved NPCC CBRE BOD  
November 29, 2006*

**EXHIBIT A**

**ANNUAL BUSINESS PLAN AND BUDGETS OF NPCC INC. AND NPCC CBRE**

**PREVIOUSLY FILED**

**ATTACHMENT C**

**NPCC Cross-Border Regional Entity  
2007 Statutory and Reliability Services Budget**

**Reliability Service Agreement (RSA), Regional Delegation Agreement & Canadian MOUs (RDA)**

*Executive Committee Meeting  
September 7, 2006  
Agenda Item #EC-4a2.*

<u>Operational Program Area</u>	<u>RSA FTE</u>	<u>RSA %</u>	<u>RSA Budget</u>	<u>RDA FTE</u>	<u>RDA %</u>	<u>RDA Budget</u>	<u>Total FTE</u>	<u>Budget Allocation</u>
#300 Reliability Standards	0	0.00%	\$0	2.5	31.25%	\$768,642	2.5	\$768,642
#400 & #500 Compliance Enforce Organization Reg. & Certification	2	22.22%	\$612,157	3.5	43.75%	\$1,076,099	5.5	\$1,688,256
#700 Reliability Readiness Audits and Improvement	0.8	8.89%	\$244,863	0	0.00%	\$0	0.8	\$244,863
#900 Training, Education and Personnel Certification	0.2	2.22%	\$61,216	0	0.00%	\$0	0.2	\$61,216
#800 Reliability Assessment & Performance Analysis	3	33.33%	\$918,235	0	0.00%	\$0	3	\$918,235
#1000 Situational Awareness & Infrastructure Security	0.5	5.56%	\$153,039	0	0.00%	\$0	0.5	\$153,039
<b>Operational Total</b>	<b>6.5</b>	<b>72.22%</b>	<b>\$1,989,510</b>	<b>6</b>	<b>75.00%</b>	<b>\$1,844,741</b>	<b>12.5</b>	<b>\$3,834,251</b>
<b><u>Administrative Program Area</u></b>								
Members Forums	0.5	5.56%	\$153,039	0	0.00%	\$0	0.5	\$153,039
General & Administrative	0.5	5.56%	\$153,039	0	0.00%	\$0	0.5	\$153,039
Information Technology	1	11.11%	\$306,078	0.5	6.25%	\$153,728	1.5	\$459,807
Legal & Regulatory	0.1	1.11%	\$30,608	0.1	1.25%	\$30,746	0.2	\$61,354
Human Resources	0	0.00%	\$0	0.4	5.00%	\$122,983	0.4	\$122,983
Finance & Accounting	0.4	4.44%	\$122,431	1	12.50%	\$307,457	1.4	\$429,888
<b>Administrative Total</b>	<b>2.5</b>	<b>27.78%</b>	<b>\$765,196</b>	<b>2</b>	<b>25.00%</b>	<b>\$614,914</b>	<b>4.5</b>	<b>\$1,380,110</b>
<b>Total FTEs</b>	<b>9</b>	<b>100.00%</b>	<b>\$2,754,706</b>	<b>8</b>	<b>100.00%</b>	<b>\$2,459,655</b>	<b>17</b>	<b>\$5,214,361</b>

**ATTACHMENT D**

**NPCC Inc. - Regional Reliability Organization  
2007 Non-Statutory Budget**

<u>Operational Program Area</u>	<u>RRO FTE</u>	<u>RRO %</u>	<u>RRO Budget</u>
#300 Reliability Standards	1	14.29%	\$306,078
#400 & #500 Compliance Enforcement Organization Registration & Certification	2	28.57%	\$612,157
#700 Reliability Readiness Audits and Improvement	0.2	2.86%	\$61,216
#900 Training, Education and Personnel Certification	0.3	4.29%	\$91,824
#800 Reliability Assessment & Performance Analysis	0.5	7.14%	\$153,039
#1000 Situational Awareness & Infrastructure Security	0.5	7.14%	\$153,039
<b>Operational Total</b>	<b>4.5</b>	<b>64.29%</b>	<b>\$1,377,353</b>
<u>Administrative Program Area</u>			
Members Forums	1	14.29%	\$306,078
General & Administrative	0.5	7.14%	\$153,039
Information Technology	0.5	7.14%	\$153,039
Legal & Regulatory	0.1	1.43%	\$30,608
Human Resources	0.1	1.43%	\$30,608
Finance & Accounting	0.3	4.29%	\$91,824
<b>Administrative Total</b>	<b>2.5</b>	<b>35.71%</b>	<b>\$765,196</b>
<b>Total FTEs</b>	<b>7</b>	<b>100.00%</b>	<b>\$2,142,549</b>



1515 BROADWAY, NEW YORK, NY 10036-8901 TELEPHONE: (212) 840-1070 FAX: (212) 302-2782

**NORTHEAST POWER COORDINATING COUNCIL**

**EXECUTIVE COMMITTEE MEETING  
September 7, 2006**

*[2007 NPCC INC. ASSESSMENT RESOLUTION]*

RESOLVED, that the NPCC Inc. Regional Reliability Organization (RRO) budget as approved by the Executive Committee Members and submitted to this meeting and the associated assessment to the ISO and/or Balancing Authority (BA) Area members for the budget year 2007, totaling \$2,142,549 be assessed consistent with the funding formula outlined in the NPCC Inc. bylaws with remittance by the ISO and/or BA Area to NPCC Inc. of their proportionate share of the total RRO budget by the 15<sup>th</sup> day of the month of January, for calendar year 2007, be, and it hereby is, approved and adopted.

RESOLVED, that in the event that FERC and/or Canadian provincial authorities' definition of statutory reliability functions and services is inconsistent with NERC's 2007 Business Plan and Budget submittal for the ERO, NPCC Inc. will assess its ISO and/or BA Area members for their proportionate share of the resulting non-statutory portions of the \$2,754,706 Reliability Services Agreement (RSA) component with payment due by the 15<sup>th</sup> day of the month of April, for calendar year 2007, be, and it hereby is, approved and adopted.

FURTHER RESOLVED, that non ISO and/or BA Area members of NPCC Inc. will be assessed an annual membership fee consistent with the NPCC Inc. bylaws in the amount of \$500 payable by the 15<sup>th</sup> day of the month of January, for calendar year 2007, be, and it hereby is, approved and adopted.

The resolution was duly adopted.

9/7/06  
Date

Robert M. Lamkin, Esq.  
Assistant Secretary



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**NORTHEAST POWER COORDINATING COUNCIL**

**EXECUTIVE COMMITTEE MEETING  
September 7, 2006**

*[2007 NON-STATUTORY NPCC INC. (RRO) BUDGET RESOLUTION]*

RESOLVED, that the Regional Reliability Organization (RRO) Expense Budget of NPCC Inc. for the year 2007, associated with non-statutory members services, aggregating \$2,142,549, as approved by the Executive Committee Members and submitted to this meeting, be, and it hereby is, approved and adopted; and

RESOLVED, that the Expense Budget for reliability services to be performed by NPCC Inc. pursuant to an agreement with NPCC Cross-Border Regional Entity for the budget year 2007 aggregating \$2,754,706, as approved by the Executive Committee Members and submitted to this meeting, be, and it hereby is, approved and adopted; and

FURTHER RESOLVED, that future budgets of NPCC Inc. will be considered by the Board of Directors of NPCC Inc., the successor corporation to NPCC Council.

The resolution was duly adopted.

9/7/06  
Date

Robert M. Lamkin, Esq.  
Assistant Secretary



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## **NORTHEAST POWER COORDINATING COUNCIL**

### **EXECUTIVE COMMITTEE MEETING September 7, 2006**

#### *[2007 NPCC CBRE ASSESSMENT RESOLUTION]*

RESOLVED, that the NPCC CBRE Assessment to the ERO for the budget year 2007, consistent with the NERC 2007 Business Plan and Budget submission to FERC and Canadian provincial authorities, comprised of the \$2,754,706 Reliability Services Agreement (RSA) and the \$2,459,655 Regional Delegation Agreement (RDA) components of the NPCC Regional budget, for a total of \$5,214,361 be assessed to the ERO on a quarterly basis with remittance by the ERO to NPCC CBRE by the 15<sup>th</sup> day of the months of January, April, July and October respectively, for calendar year 2007 as approved by the Executive Committee Members and submitted to this meeting, be, and it hereby is, approved and adopted.

RESOLVED, that in the event that FERC and/or the Canadian provincial authorities' definition of statutory reliability functions and services is inconsistent with the ERO submission, that the NPCC CBRE assessment to the ERO for the budget year 2007, be comprised of the \$2,459,655 RDA component and the resulting statutory portions of the \$2,754,706 RSA component, for calendar year 2007 as approved by the Executive Committee Members and submitted to this meeting, be, and it hereby is, approved and adopted. The allocation of the assessment associated with Regional Delegation Agreement functions applicable to Canadian entities will be consistent with Provincial Memoranda of Understanding.

The resolution was duly adopted.

9/7/06

Date

Robert M. Lamkin, Esq.

Assistant Secretary



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**NORTHEAST POWER COORDINATING COUNCIL**

**EXECUTIVE COMMITTEE MEETING  
September 7, 2006**

*[2007 STATUTORY NPCC CBRE (RDA & RSA) BUDGET RESOLUTION]*

RESOLVED, that the NPCC Cross-Border Regional Entity Expense Budget for the year 2007, of \$2,459,655 associated with the Regional Delegation Agreement (RDA) statutory functions, and of \$2,754,706 associated with a Reliability Services Agreement (RSA) for performance of other reliability services that are in the furtherance of the reliability activities of the ERO, totaling \$5,214,361, as approved by the Executive Committee Members and submitted to this meeting, be, and it hereby is, approved and adopted.

RESOLVED, that future budgets of NPCC CBRE will be considered by the Board of Directors of NPCC CBRE, the independent affiliate corporation to NPCC Inc. The allocation of the budget associated with Regional Delegation Agreement functions applicable to Canadian entities will be consistent with Provincial Memoranda of Understanding.

The resolution was duly adopted.

9/7/06

Date

Robert M. Lamkin, Esq.

Assistant Secretary



Marks Paneth  
& Shron LLP

*Certified Public Accountants  
and Consultants*

ATTACHMENT I

## ACCOUNTANTS' COMPILATION REPORT

To the Members of  
Northeast Power Coordinating Council, Inc.  
1515 Broadway, 43<sup>rd</sup> Floor  
New York, New York 10036

We have compiled the accompanying statement of financial position of Northeast Power Coordinating Council, Inc. as of December 31, 2007, and the related statement of activities for the year to date then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, changes in net assets and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to Northeast Power Coordinating Council, Inc.

*Marks Paneth & Shron LLP*

New York, New York  
January 28, 2008

622 Third Avenue  
New York, NY 10017-6701  
Telephone 212 503 8800  
Facsimile 212 370 3759

88 Froehlich Farm Boulevard  
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**Northeast Power Coordinating Council, Inc.**  
**Statement of Financial Position**  
**See Accountants' Compilation Report**  
**December 31, 2007**

**Assets**

Cash	\$ 26,211
Temporary cash investments	2,239,914
Other assets	70,816
Office furniture and equipment, net	<u>99,616</u>
Total Assets	<u>\$ 2,436,557</u>

**Liabilities and Net Assets**

Flexible spending account withholding	\$ 10,908
Accrued expenses	<u>397,658</u>
Total Liabilities	408,566
Net Assets - Unrestricted	<u>2,027,991</u>
Total Liabilities and Net Assets	<u>\$ 2,436,557</u>

**Northeast Power Coordinating Council, Inc.**  
**Statement of Activities**  
**See Accountants' Compilation Report**  
**December 31, 2007**

	2007 Budget	Current Period Actual	Year to Date Actual	Percent of Budget
<b>Revenue</b>				
42000-Membership Dues	\$ 2,142,549	\$ 179,461	\$ 2,153,034	100
49000-Interest Income	-	(2,906)	143,853	-
49900-Miscellaneous	5,214,361	434,530	5,214,361	100
<b>Total Revenue</b>	<b>7,356,910</b>	<b>611,085</b>	<b>7,511,248</b>	<b>102</b>
<b>Expenditures</b>				
<b>Salaries</b>				
51000-Direct Salaries	2,555,647	567,861	2,536,954	99
51200-Employment Agency Fee	100,000	8,500	27,563	28
51300-Temporary Office Services	50,000	-	4,216	8
<b>Total Salaries</b>	<b>2,705,647</b>	<b>576,361</b>	<b>2,568,733</b>	<b>95</b>
<b>Payroll Taxes</b>				
52000-Payroll Taxes-FICA	121,536	4,597	105,893	87
52100-Payroll Taxes-Medicare	53,011	3,069	34,803	66
52000-Payroll Taxes-SUI	11,287	76	7,227	64
52100-Payroll Taxes-FUI	1,940	19	1,256	65
<b>Total Payroll Taxes</b>	<b>187,774</b>	<b>7,761</b>	<b>149,179</b>	<b>79</b>
<b>Benefits</b>				
54000-Benefits-Education	15,000	5,316	23,084	154
54100-Benefits-Medical	383,636	(1,450)	314,086	82
54200-Benefits-Life	39,578	-	21,808	55
54300-Insurance -WC	11,528	(55)	222	2
54400-Vacation Expense	204,332	-	113,358	55
54600-Benefits-Relocation	-	-	5,665	-
<b>Total Benefits</b>	<b>654,074</b>	<b>3,811</b>	<b>478,223</b>	<b>73</b>
<b>Retirement</b>				
55000-Pension Contribution	253,000	-	253,000	100
55100-Employee Savings Plan	92,800	6,565	72,949	79
55200-Pension & Savings Admin	11,685	-	2,330	20
<b>Total Retirement</b>	<b>357,485</b>	<b>6,565</b>	<b>328,279</b>	<b>92</b>
<b>Meetings Expenses</b>				
61000-Meeting Expense	131,198	24,911	185,859	142
61100-Workshop Exp	24,960	1,104	8,661	35
<b>Total Meetings Expenses</b>	<b>156,158</b>	<b>26,015</b>	<b>194,520</b>	<b>125</b>
<b>Travel Expenses</b>				
62000-Travel	613,726	44,521	478,683	78
<b>Total Travel Expenses</b>	<b>613,726</b>	<b>44,521</b>	<b>478,683</b>	<b>79</b>
<b>Communications</b>				
63000-Conference Calls	45,000	2,039	40,524	90
<b>Total Communications</b>	<b>45,000</b>	<b>2,039</b>	<b>40,524</b>	<b>90</b>
<b>Contracts &amp; Consultants</b>				
65000-Contracts - Consultants	590,061	19,992	261,734	44
65100-Contracts - Software	104,525	72,830	511,515	489
65400-Industry Support	420,000	51,960	262,512	63
<b>Total Contracts &amp; Consultants</b>	<b>1,114,586</b>	<b>144,782</b>	<b>1,035,761</b>	<b>93</b>
<b>Office Rent</b>				
70000-Office Rent	317,460	14,647	220,765	70
<b>Total Office Rent</b>	<b>317,460</b>	<b>14,647</b>	<b>220,765</b>	<b>70</b>

**Northeast Power Coordinating Council, Inc.**  
**Statement of Activities**  
**See Accountants' Compilation Report**  
**December 31, 2007**

	2007 Budget	Current Period Actual	Year to Date Actual	Percent of Budget
<b>Office Costs</b>				
71000-Telephone	\$ 63,000	\$ 9,269	\$ 53,199	84
71100-Internet Expense	51,000	3,265	26,372	52
71200-Office Supplies	22,501	5,957	33,647	150
71300-Computer Supplies &	33,000	1,793	30,424	92
71400-Subscriptions & Publications	6,251	732	8,256	132
71500-Dues	-	-	941	-
71600-Postage	2,500	16	562	22
71700-Express Shipping	7,501	510	7,513	100
71900-Reports	6,000	41	206	3
72000-Stationary & Office Forms	10,000	-	-	-
72100-Equipment Repair/Srv.	187,501	7,095	119,808	64
72200-Bank Charges	3,510	15	4,598	131
<b>Total Office Costs</b>	<b>392,764</b>	<b>28,693</b>	<b>285,526</b>	<b>73</b>
<b>Professional Services</b>				
75100-BOT Fee	163,801	-	40,250	25
75200-Legal - Reorganization	30,000	-	127,409	425
75300-Accounting and Auditing Fees	93,960	68,116	219,658	234
75400-Legal Fees - Other	140,000	181,332	387,298	277
75500-Insurance - Commercial	10,230	217	34,770	340
<b>Total Professional Services</b>	<b>437,991</b>	<b>249,665</b>	<b>809,385</b>	<b>185</b>
<b>Capital Expenditures</b>				
90100-Furniture Purchase	40,000	-	-	-
90300-Computer Purchase and Lease	-	6,582	22,314	-
<b>Total Capital Expenditures</b>	<b>40,000</b>	<b>6,582</b>	<b>22,314</b>	<b>56</b>
<b>Depreciation Expense</b>				
95100-Depreciation Expense-	-	3,115	19,200	-
95300-Depreciation Expenses-	-	224	6,661	-
<b>Total Depreciation Expense</b>	<b>-</b>	<b>3,339</b>	<b>25,861</b>	<b>-</b>
<b>Miscellaneous Expenses</b>				
99000-Miscellaneous Expense	21,000	5,476	92,869	442
99900-Contingencies	313,245	-	200,000	64
<b>Total Miscellaneous Expenses</b>	<b>334,245</b>	<b>5,476</b>	<b>292,869</b>	<b>88</b>
<b>Total Expenditures</b>	<b>7,356,910</b>	<b>1,120,257</b>	<b>6,930,622</b>	<b>94</b>
<b>Change in Net Assets</b>	<b>\$ -</b>	<b>(509,172)</b>	<b>580,626</b>	<b>-</b>
Net assets - beginning of period		2,537,163	1,447,365	
Net Assets - End of Period		\$ 2,027,991	\$ 2,027,991	



NORTHEAST POWER COORDINATING COUNCIL, INC.  
1515 BROADWAY, NEW YORK, NY 10036-8901 TELEPHONE: (212) 840-1070 FAX: (212) 302-2782

## **Northeast Power Coordinating Council, Inc. (NPCC)**

### **Expenditure Classification Methodology**

### **Regional Entity and Criteria Services Divisions**

#### **Background**

Northeast Power Coordinating Council, Inc. provides the statutory functions and services for Northeastern North America of a cross-border regional entity through a regional entity division, as well as non-statutory criteria services for Northeastern North America through a criteria services division. This divisional separation allows for distinct funding with regard to activities determined to be U.S. statutory and Canadian governmental and/or regulatory authorities required and in the furtherance of NERC's mission and for criteria services particular and essential to reliability in Northeastern North America.

NPCC, through its regional entity division works to enhance the reliability of the international, interconnected bulk power system in Northeastern North America through the development of regional reliability standards, coordination of system planning, design and operations, assessment of reliability, and compliance assessment and enforcement of reliability standards pursuant to the implementation of an executed Regional Delegation Agreement (RDA) with the Electric Reliability Organization ("ERO") under the authority of the Federal Energy Regulatory Commission ("FERC") in the U.S. and by Memoranda of Understanding or Agreements with applicable Canadian Provincial regulatory and/or governmental authorities. Through its criteria services division, NPCC also promotes the reliable and efficient operation of the international, interconnected bulk power systems in Northeastern North America through the establishment of regionally-specific criteria, and monitoring and enforcement of compliance with such criteria. In the development of reliability criteria, NPCC, to the extent possible, facilitates attainment of fair, effective and efficient competitive electric markets.

NPCC utilizes the NERC System of Accounts (NSOA) to provide consistency for account codes, divisional separation codes and activity codes. NPCC CBRE (statutory) and NPCC Inc. (non-statutory) adopted the NSOA effective January 1, 2007 and moved from a modified cash basis of accounting to an accrual basis at that time also in the name of consistency. Effective January 1, 2007, both affiliated independent corporations also moved from QuickBooks accounting software to the NERC recommended and used not-for-profit MIP Fund Accounting program by Sage Software to accurately account for income, time and labor.

NPCC does not conduct resource or transmission planning, is not an Independent System Operator (ISO), nor does it perform the functions of a Reliability Coordinator (RC). As such, while at this time, there is a breakout for criteria related activities, all functions performed by NPCC are in the furtherance of NERC's mission and reliability of the international bulk power system in Northeastern North America.

All Regional Entities are required to report accurate financial information in a consistent format that can be easily aggregated by NERC for submission to FERC and Canadian regulatory and/or provincial governmental authorities. Effective January 1, 2008, with corporate restructuring of NPCC completed in later 2007, 2008 actual program costs are being charged to appropriate program areas rather than the 2007 necessity of an FTE allocation methodology.

### **Methodology**

NPCC's expenditure classification methodology document has been created to identify appropriate methods of accounting for income, time and costs to ensure that U.S. Federal/statutory and Canadian provincial and/or governmental authorities' agreed upon expenses are accounted for separately from NPCC's regionally-specific criteria development and criteria compliance non-statutory income, time and expense. By utilizing this document as a guide for all transactions, there is greater likelihood of accurate coding of transactions between the two separate income streams. Judgment is often required when making an assessment of where time and expense should be recorded. As questions arise, it is imperative that staff discuss any such questions with program heads and/or NPCC's Chief Operating Officer.

### **Division Codes**

There are two division codes that are to be used by NPCC in accounting for expenses. The codes are as follows:

	<b>Division ID</b>	<b>Division Name</b>
	RE	Regional Entity – U.S. Statutory and Canadian Regulatory and/or Governmental Authority authorized
	CSD	Criteria Services - Non-Statutory

The two division codes allow NPCC to separate Regional Entity Statutory expenses from Criteria Services Non-Statutory expenses. These categories were developed to ensure that non-NERC related expenses are segregated and accounted for separately from NERC related expenses.

### **Program Codes**

As required by NERC, NPCC has adopted a financial accounting system consistent with NERC's functional categories. At NPCC, functional categories are referred to as Program Codes. This document has been prepared to assist each member of the NPCC staff in making financial activity coding decisions. This will encourage the consistent application of assigning appropriate activity codes to income, time and expense.

There are twelve program codes that are to be used by NPCC in accounting for expenses. The codes are as follows:

	<b>Program ID</b>	<b>Program Name</b>
	300	Reliability Standards
	400	Compliance Enforcement and Organization Registration and Certification
	700	Reliability Readiness
	800	Reliability Assessment and Performance Analysis
	900	Training and Education
	1000	Situational Awareness and Infrastructure Security
	ADMIN	General Administration

	FINANCE	Accounting and Finance
	HR	Human Resources
	IT	Information Technology
	LEGAL	Legal and Regulatory
	MEMBERS	Members Forum

Program codes are used in order to further delineate expenses into functional groupings that are assigned to program heads. NPCC staff should utilize their assigned program codes (the program where they reside for payroll purposes) when coding expenses, unless otherwise authorized by management.

When time and expense should affect multiple activities, it will be necessary to develop an accurate basis of allocation between the activities being performed and the time and expense being recorded. In many instances, time-tracking is the most appropriate allocation method to formulate the accounting by activity code.

**Regional Entity (Statutory) Division / Program Codes:**

**RE - 300 — RELIABILITY STANDARDS DEVELOPMENT**—any work associated with NERC reliability standards, or regional reliability standards, specifically pertaining to NERC Rules of Procedure, Section 300, should be recorded to the RE division code and 300 program code.

**RE - 400 — COMPLIANCE ENFORCEMENT AND ORGANIZATION REGISTRATION AND CERTIFICATION**— any work associated with NERC compliance audits, enforcement, monitoring, or registration and/or certification of organizations, obtaining education to meet the systems operator certification and credentialing requirements, specifically pertaining to NERC Rules of Procedure, Section 400, should be recorded to the RE division code and 400 program code.

**RE-700 — RELIABILITY READINESS EVALUATION AND IMPROVEMENT**—any work associated with readiness evaluations designed to ensure that operators of the bulk electric system have the facilities, tools, processes, and procedures in place to operate reliably under future conditions. Specifically, work as it pertains to the NERC Rules of Procedure; Section 700 should be recorded to the RE division and 700 program code.

**RE-800 — RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS**—any work associated with conducting, and reporting the results of, an independent assessment of the overall reliability and adequacy of the bulk power system to NERC. Specifically, work as it pertains to the NERC Rules of Procedure; Section 800 should be recorded to the division RE and 800 program code.

**RE - 900 — TRAINING AND EDUCATION** – any work associated with training and education programs for the purpose of establishing training requirements, developing materials, and developing training activities for bulk power system operating personnel. Specifically, as it pertains to the NERC Rules of Procedure, Section 900 should be recorded to the division RE and 900 program code.

**RE-1000 — SITUATION AWARENESS AND INFRASTRUCTURE SECURITY**— any work associated with infrastructure security, and security planning, specifically pertaining to NERC Rules of Procedure, Section 1000, should be recorded to the division RE and 1000 program code.

**RE –ADMIN — GENERAL & ADMINISTRATIVE** – The expenses of operating a business, which are not directly linked to any one of the program area services:

- Executive and Administrative Salaries;
- Office Rent & Related Facilities Costs;
- Office Supplies;

- Technology Infrastructure Costs-Connectivity, Servers, Web-services, Equipment, etc.;
- Dues & Licenses;
- Professional Fees

**RE-FINANCE — FINANCE & ACCOUNTING** – The expenses of the business with regard to financial reporting and auditing, which are not directly linked to any one of the program area services. Finance expenses can be a component of G&A; however, can be tracked separately under a separate activity code. The division code to be used is RE.

**RE-HR — HUMAN RESOURCES** – The expenses in support of the business’s Human Resources efforts which are not directly linked to any one of the program area services. The division code to be used is RE.

**RE-IT — INFORMATION TECHNOLOGY** – The expenses of the business’s IT support, which are not directly linked to any one of the program area services. The division code to be used is RE.

**RE-LEGAL — LEGAL & REGULATORY** – The expenses of the business’s legal advisory efforts, which are not directly linked to any one of the program area services. The division code RE.

**RE-MEMBERS — MEMBERS FORUM** - A Member Forum is an established forum that brings together many technical experts and varied aspects of international bulk power system reliability in an exchange of timely information. The division code RE.

**Criteria Services Division - Non-Statutory / Program Codes:**

**CSD-300** –Expenses not directly related to support NERC related standards as defined by the NERC Rules of Procedure. These expenses are not allocable to NERC and so are isolated from the NERC related expenses in a separate activity code, CSD-300. This code can be used to capture expenses not specifically addressed by the RE activity codes. Examples of the types of expenses that are likely to be incurred are:

- Criteria development and maintenance specific expenses

**CSD-400— Compliance Enforcement** – Regionally-specific criteria compliance enforcement related time and expense.

**CSD – ADMIN - General Administration** – Non-NERC related administrative expenses should be tracked and recorded separately from NERC related expenses.



# Expenditure Classification Methodology - RE (Statutory) & CS (Non-Statutory) Divisions

Payment request received for authorized goods and services

Is the expense for U.S. Statutory or Canadian  
Regulatory and/or governmental authority  
purposes?

YES

NO

Code transaction to  
Statutory Division Code:  
RE

Code transaction to Non-  
Statutory Division Code:  
CSD

**Select Program Code(s):**

300 - Reliability Standards  
400 - Compliance Enforcement  
700 - Reliability Readiness Audit and Improvement  
800 - Reliability Assessment & Performance Analysis  
900 - Training and Education  
1000 - Situation Awareness & Performance Analysis  
ADMIN - General & Administrative  
FINANCE - Finance & Accounting  
HR - Human Resources  
IT - Information Technology  
LEGAL - Legal and Regulatory  
MEMBERS - Members Forum

**Select Program Code(s):**

300 - Reliability Standards  
400 - Compliance Enforcement  
ADMIN - General & Administrative

Code to Appropriate NERC System of  
Accounts

Incorporate coding on  
timesheets, voucher  
requests, invoices,  
expense reports, etc.

Submit documentation, support and other  
requisite information for review and  
approval

Accounts Payable Booked



**ATTACHMENT 7**

**2007 BUDGET VERSUS ACTUAL COST RECONCILIATION**

**FOR**

**RELIABILITYFIRST CORPORATION**



North American Electric Reliability Corporation  
116-390 Village Blvd.  
Princeton, NJ 08540-5721  
Attention: Bruce Walenczyk – NERC

## **Subject: April 1, 2008 True-up Compliance Filing**

Dear Bruce:

As requested:

1. ReliabilityFirst Corporation 2007 Statement of Activities by Program Variance Analysis (Attached).
2. Significant variances explained at the statutory level (see below).

### **Significant Variances:**

Overall, ReliabilityFirst under spent its 2007 budget by \$2,690,349. 2007 was a year of significant change and uncertainty for all regional entities, playing a major role in ReliabilityFirst under spending. Our 2007 budget was primarily comprised of two components: (1) operating costs and (2) one-time costs associated with relocating the corporate office.

### **Salaries:**

The 2007 budget was created assuming ReliabilityFirst would be fully staffed for mandatory enforcement of Reliability Standards 01/01/07. Mandatory enforcement was delayed until June 18<sup>th</sup> and it was decided to delay filling these positions accordingly. Subsequently, there were difficulties in hiring qualified staff and the vacancy rate was higher than planned. We planned for 34 FTE starting on 01/01/07, but began below budget with 24 ending the year with 29 FTE's or \$392,938 under spent.

### **Payroll Taxes:**

Payroll taxes are a function of salaries and were \$72,104 under spent.

### **Benefit Costs:**

Benefit costs were under spent for two reasons. In 2006 ReliabilityFirst was considered a start-up organization by medical insurance providers. Start-up organizations are charged a higher premium. When creating the 2007 budget, Medical costs assumed adjusted 2006 rates. The 2007 actual rates dropped drastically, and this coupled with along with fewer personnel, caused a \$437,911 under spend in benefit costs.

### **Savings and Retirement:**

Savings and retirement are a function of salaries and were \$99,373 under spent.

### **Meeting Expenses:**

Meeting, Travel and Conference Calls are accounted for in Meeting Expenses. ReliabilityFirst ended the year with an under spend of \$882,037. Lower than budgeted staffing levels caused lower expenditures for travel and meetings. For budget purposes it was assumed that all telecommuters would travel to the main office every two weeks. Actually, our telecommuters traveled only 6 to 12 times a year, thus significantly reducing travel costs. A third contributor is the implementation of new office VOIP and virtual meeting capabilities. This gives our employees the ability to collaborate without the need for travel.



**Contract & Consultants:**

Mandatory enforcement was delayed until June 18<sup>th</sup> and ReliabilityFirst made a conscious effort to reduce our reliance on contract audit support. For these two reasons Contract & Consultants were less than budgeted ending the year with \$152,522 under spend.

**Professional Services:**

With uncertainty of mandatory enforcement of reliability standards coupled with the delay of enforcement from January 1 to June 18, ReliabilityFirst Corporation did not require the legal support as planned. Professional Services ended the year with \$104,499 under spend.

**Miscellaneous:**

Expenses related to the office move were tracked within miscellaneous expenses. Most of the severance and employee expenses attributed to the office move were never realized. ReliabilityFirst ended the year with \$350,464 under spend for the year in this category.

ReliabilityFirst Corporation performs no non-statutory activities in 2007. We utilize NERC's approved chart of accounts in assigning account codes. We allocated Assessments, Payroll Taxes, Interest, Miscellaneous Funding, Office Costs, Professional Services, Furniture and Equipment and Miscellaneous Operation Expenses to the departments by FTE's. We are working with our payroll vendor to provide payroll taxes by department versus one lump sum allocated by FTE's.

At present, ReliabilityFirst Corporation utilizes the NERC's Record Retention Policy, as stated in the Memorandum from Bruce Walencyk to the Regional Budget Group on February 19, 2008.

For more information contact me at [jack.istvan@rfirst.org](mailto:jack.istvan@rfirst.org) or 330.456.2488.

Sincerely,

*Jack A Istvan*

Jack A. Istvan  
CFO/Treasurer

**Reliability First Corporation**  
**2007 Statement of Activities**  
**Statutory Only**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments	9,372,472	9,372,472	-
Membership Fees & Non-Stat Assessments	-	-	-
Testing	-	-	-
Services & Software	-	-	-
Interest	104,848	71,500	33,348
Misc.	2,250	-	2,250
Total Funding	<u>9,479,570</u>	<u>9,443,972</u>	<u>35,598</u>
Expenses			
Personnel Expenses			
Salaries	3,268,695	3,661,633	(392,938)
Payroll Taxes	207,011	279,115	(72,104)
Employee Benefits	314,064	751,975	(437,911)
Savings & Retirement	455,872	555,245	(99,373)
Total Personnel Expenses	<u>4,245,642</u>	<u>5,247,968</u>	<u>(1,002,326)</u>
Meeting Expenses			
Meetings	206,810	307,440	(100,630)
Travel	288,560	1,016,249	(727,689)
Conference Calls	74,397	128,114	(53,717)
Total Meeting Expenses	<u>569,766</u>	<u>1,451,803</u>	<u>(882,037)</u>
Operating Expenses			
Rent & Improvements	235,622	250,000	(14,378)
Contracts	209,078	361,600	(152,522)
Consultants	-	-	-
Office Costs	172,552	249,601	(77,049)
Professional Services	503,501	608,000	(104,499)
Computer Purchase & Maint.	301,966	320,000	(18,034)
Furniture & Equipment	44,309	100,000	(55,691)
Miscellaneous	504,536	855,000	(350,464)
Total Operating Expenses	<u>1,971,563</u>	<u>2,744,201</u>	<u>(772,638)</u>
Total Expenses	<u>6,786,972</u>	<u>9,443,972</u>	<u>(2,657,000)</u>
Net Change in Assets	<u>2,692,599</u>	<u>-</u>	<u>2,692,599</u>

**Reliability First Corporation**  
**2007 Statement of Activities**  
**Reliability Standards**

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	1,006,907	1,006,907	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
				Interest is over budget because the actual interest earned averaged \$8500 per month compared to the budgeted \$6000 per month. The difference is due to a higher than expected daily balance in the bank account.
Interest	10,485	7,150	3,335	
Misc.	225	-	225	
<b>Total Funding</b>	<b>1,017,617</b>	<b>1,014,057</b>	<b>3,560</b>	
Expenses				
Personnel Expenses				
Salaries	261,485	349,101	(87,616)	See Reference 1 of Cover Letter
Payroll Taxes	18,496	24,938	(6,442)	See Reference 1 of Cover Letter
Employee Benefits	23,807	59,514	(35,707)	See Reference 1 of Cover Letter
Savings & Retirement	42,993	52,365	(9,372)	See Reference 1 of Cover Letter
<b>Total Personnel Expenses</b>	<b>346,781</b>	<b>485,918</b>	<b>(139,137)</b>	
Meeting Expenses				
Meetings	47,085	115,200	(68,115)	See Reference 2 of Cover Letter
Travel	26,715	173,045	(146,330)	See Reference 2 of Cover Letter
Conference Calls	15,118	29,664	(14,546)	See Reference 2 of Cover Letter
<b>Total Meeting Expenses</b>	<b>88,918</b>	<b>317,909</b>	<b>(228,991)</b>	
Operating Expenses				
Rent & Improvements	20,790	22,059	(1,269)	
Contracts	-	-	-	
Consultants	-	-	-	
Office Costs	15,225	22,024	(6,799)	Explained in cover letter
Professional Services	44,427	53,647	(9,220)	Explained in cover letter
Computer Purchase & Maint.	26,644	28,235	(1,591)	
Furniture & Equipment	3,910	8,824	(4,914)	Explained in cover letter
Miscellaneous	44,518	75,441	(30,923)	Explained in cover letter
<b>Total Operating Expenses</b>	<b>155,514</b>	<b>210,230</b>	<b>(54,716)</b>	
<b>Total Expenses</b>	<b>591,213</b>	<b>1,014,057</b>	<b>(422,844)</b>	
<b>Net Change in Assets</b>	<b>426,404</b>	<b>-</b>	<b>426,404</b>	

**Reliability First Corporation**  
**2007 Statement of Activities**  
**Compliance and Organization Registration and Certification**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	2,842,417	2,842,417	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest	28,309	19,305	9,004	Interest is over budget because the actual interest earned averaged \$8500 per month compared to the budgeted \$6000 per month. The difference is due to a higher than expected daily balance in the bank account.
Misc.	608	-	608	
Total Funding	<u>2,871,334</u>	<u>2,861,722</u>	<u>9,612</u>	
Expenses				
Personnel Expenses				
Salaries	1,040,990	1,089,395	(48,405)	Explained in cover letter
Payroll Taxes	60,787	81,960	(21,173)	Explained in cover letter
Employee Benefits	87,822	214,164	(126,342)	Explained in cover letter
Savings & Retirement	134,163	163,409	(29,246)	Explained in cover letter
Total Personnel Expenses	<u>1,323,763</u>	<u>1,548,928</u>	<u>(225,165)</u>	
Meeting Expenses				
Meetings	51,660	39,000	12,660	Explained in cover letter
Travel	120,828	411,405	(290,577)	Explained in cover letter
Conference Calls	17,047	30,000	(12,953)	Explained in cover letter
Total Meeting Expenses	<u>189,535</u>	<u>480,405</u>	<u>(290,870)</u>	
Operating Expenses				
Rent & Improvements	71,518	75,882	(4,364)	
Contracts	106,355	109,200	(2,845)	
Consultants	-	-	-	
Office Costs	52,374	75,761	(23,387)	Explained in cover letter
Professional Services	152,828	184,546	(31,718)	Explained in cover letter
Computer Purchase & Maint.	91,655	97,129	(5,474)	
Furniture & Equipment	13,449	30,353	(16,904)	Explained in cover letter
Miscellaneous	153,142	259,518	(106,376)	Explained in cover letter
Total Operating Expenses	<u>641,321</u>	<u>832,389</u>	<u>(191,068)</u>	
Total Expenses	<u>2,154,619</u>	<u>2,861,722</u>	<u>(707,103)</u>	
Net Change in Assets	<u>716,714</u>	<u>-</u>	<u>716,714</u>	

**Reliability First Corporation**  
**2007 Statement of Activities**  
**Reliability Readiness Audit and Improvement**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	460,344	460,344	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest	2,563	1,748	815	
Misc.	55	-	55	
Total Funding	<u>462,962</u>	<u>462,092</u>	<u>870</u>	
Expenses				
Personnel Expenses				
Salaries	26,789	177,343	(150,554)	Explained in cover letter
Payroll Taxes	8,523	11,491	(2,968)	
Employee Benefits	12,716	31,787	(19,071)	Explained in cover letter
Savings & Retirement	21,841	26,602	(4,761)	
Total Personnel Expenses	<u>69,868</u>	<u>247,223</u>	<u>(177,355)</u>	
Meeting Expenses				
Meetings	-	-	-	
Travel	22,121	58,140	(36,019)	Explained in cover letter
Conference Calls	-	-	-	
Total Meeting Expenses	<u>22,121</u>	<u>58,140</u>	<u>(36,019)</u>	
Operating Expenses				
Rent & Improvements	11,643	12,353	(710)	
Contracts	0	39,000	(39,000)	Contracts are under budget because the company did not use any outside parties to assist with the readiness evaluations as originally budgeted.
Consultants	-	-	-	
Office Costs	8,526	12,333	(3,807)	
Professional Services	24,879	30,043	(5,164)	
Computer Purchase & Maint.	14,921	15,812	(891)	
Furniture & Equipment	2,189	4,941	(2,752)	
Miscellaneous	24,930	42,247	(17,317)	Explained in cover letter
Total Operating Expenses	<u>87,087</u>	<u>156,729</u>	<u>(69,642)</u>	
Total Expenses	<u>179,077</u>	<u>462,092</u>	<u>(283,015)</u>	
Net Change in Assets	<u>283,886</u>	<u>-</u>	<u>283,886</u>	

**Reliability First Corporation**  
**2007 Statement of Activities**  
**Reliability Assessment and Performance Analysis**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	1,589,604	1,589,604	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest	30,406	20,735	9,671	
Misc.	653	-	653	
<b>Total Funding</b>	<b>1,620,662</b>	<b>1,610,339</b>	<b>10,323</b>	
Expenses				
Personnel Expenses				
Salaries	536,969	601,858	(64,889)	Explained in cover letter
Payroll Taxes	33,499	45,167	(11,668)	Explained in cover letter
Employee Benefits	48,983	115,611	(66,628)	Explained in cover letter
Savings & Retirement	74,122	90,279	(16,157)	Explained in cover letter
<b>Total Personnel Expenses</b>	<b>693,572</b>	<b>852,915</b>	<b>(159,343)</b>	
Meeting Expenses				
Meetings	20,849	48,889	(28,040)	Explained in cover letter
Travel	32,747	158,928	(126,181)	Explained in cover letter
Conference Calls	20,647	29,187	(8,540)	Explained in cover letter
<b>Total Meeting Expenses</b>	<b>74,243</b>	<b>237,004</b>	<b>(162,761)</b>	
Operating Expenses				
Rent & Improvements	38,115	40,441	(2,326)	
Contracts	7,000	135,000	(128,000)	Contracts are under budget due to the timing of activities for a dynamic database project. Also, there were studies that were budgeted for but never performed.
Consultants	-	-	-	
Office Costs	27,912	40,376	(12,464)	Explained in cover letter
Professional Services	81,449	98,353	(16,904)	Explained in cover letter
Computer Purchase & Maint.	48,848	51,765	(2,917)	
Furniture & Equipment	7,167	16,176	(9,009)	
Miscellaneous	81,616	138,309	(56,693)	Explained in cover letter
<b>Total Operating Expenses</b>	<b>292,108</b>	<b>520,420</b>	<b>(228,312)</b>	
<b>Total Expenses</b>	<b>1,059,923</b>	<b>1,610,339</b>	<b>(550,416)</b>	
<b>Net Change in Assets</b>	<b>560,740</b>	<b>-</b>	<b>560,740</b>	



**Reliability First Corporation**  
**2007 Statement of Activities**  
**Training and Education**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	65,193	65,193	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest	1,048	715	333	
Misc.	23	-	23	
Total Funding	<u>66,264</u>	<u>65,908</u>	<u>356</u>	
Expenses				
Personnel Expenses				
Salaries	18,938	18,746	192	
Payroll Taxes	746	1,006	(260)	
Employee Benefits	1,010	2,524	(1,514)	
Savings & Retirement	2,309	2,812	(503)	
Total Personnel Expenses	<u>23,003</u>	<u>25,088</u>	<u>(2,085)</u>	
Meeting Expenses				
Meetings	1,409	26,000	(24,591)	Workshops were charged to the departments but budgeted in Training and Education
Travel	-	6,060	(6,060)	
Conference Calls	-	-	-	
Total Meeting Expenses	<u>1,409</u>	<u>32,060</u>	<u>(30,651)</u>	
Operating Expenses				
Rent & Improvements	866	919	(53)	
Contracts	-	-	-	
Consultants	-	-	-	
Office Costs	635	918	(283)	
Professional Services	1,851	2,235	(384)	
Computer Purchase & Maint.	1,110	1,176	(66)	
Furniture & Equipment	163	368	(205)	
Miscellaneous	1,855	3,144	(1,289)	
Total Operating Expenses	<u>6,479</u>	<u>8,760</u>	<u>(2,281)</u>	
Total Expenses	<u>30,891</u>	<u>65,908</u>	<u>(35,017)</u>	
Net Change in Assets	<u>35,373</u>	<u>-</u>	<u>35,373</u>	

**Reliability First Corporation**  
**2007 Statement of Activities**  
**Situational Awareness and Infrastructure Security**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	265,765	265,765	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest	5,242	3,575	1,667	
Misc.	113	-	113	
<b>Total Funding</b>	<b>271,120</b>	<b>269,340</b>	<b>1,780</b>	
Expenses				
Personnel Expenses				
Salaries	136,466	131,222	5,244	
Payroll Taxes	5,222	7,041	(1,819)	
Employee Benefits	7,151	17,877	(10,726)	Explained in cover letter
Savings & Retirement	16,160	19,683	(3,523)	
<b>Total Personnel Expenses</b>	<b>165,000</b>	<b>175,823</b>	<b>(10,823)</b>	
Meeting Expenses				
Meetings	8,401	11,500	(3,099)	
Travel	28,389	16,650	11,739	Travel is over budget due to increased support of NERC's Critical Infrastructure Protection (CIP) effort.
Conference Calls	1,658	4,050	(2,392)	
<b>Total Meeting Expenses</b>	<b>38,448</b>	<b>32,200</b>	<b>6,248</b>	
Operating Expenses				
Rent & Improvements	6,064	6,434	(370)	
Contracts	-	-	-	
Consultants	-	-	-	
Office Costs	4,441	6,424	(1,983)	
Professional Services	12,958	15,647	(2,689)	
Computer Purchase & Maint.	7,771	8,235	(464)	
Furniture & Equipment	1,141	2,574	(1,433)	
Miscellaneous	12,985	22,003	(9,018)	
<b>Total Operating Expenses</b>	<b>45,359</b>	<b>61,317</b>	<b>(15,958)</b>	
<b>Total Expenses</b>	<b>248,806</b>	<b>269,340</b>	<b>(20,534)</b>	
<b>Net Change in Assets</b>	<b>22,314</b>	<b>-</b>	<b>22,314</b>	

**Reliability First Corporation**  
**2007 Statement of Activities**  
**Committees and Member Forums**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	937,740	937,740	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest	1,631	1,112	519	
Misc.	35	-	35	
Total Funding	<u>939,406</u>	<u>938,852</u>	<u>554</u>	
Expenses				
Personnel Expenses				
Salaries	317,350	383,000	(65,650)	Explained in cover letter
Payroll Taxes	21,318	28,743	(7,425)	
Employee Benefits	29,505	73,571	(44,066)	Explained in cover letter
Savings & Retirement	47,168	57,450	(10,282)	Explained in cover letter
Total Personnel Expenses	<u>415,341</u>	<u>542,764</u>	<u>(127,423)</u>	
Meeting Expenses				
Meetings	21,324	31,111	(9,787)	
Travel	28,693	101,136	(72,443)	Explained in cover letter
Conference Calls	12,256	18,573	(6,317)	
Total Meeting Expenses	<u>62,273</u>	<u>150,820</u>	<u>(88,547)</u>	
Operating Expenses				
Rent & Improvements	24,255	25,735	(1,480)	
Contracts	-	-	-	
Consultants	-	-	-	
Office Costs	17,763	25,694	(7,931)	
Professional Services	51,831	62,588	(10,757)	Explained in cover letter
Computer Purchase & Maint.	31,085	32,941	(1,856)	
Furniture & Equipment	4,561	10,294	(5,733)	
Miscellaneous	51,938	88,016	(36,078)	Explained in cover letter
Total Operating Expenses	<u>181,432</u>	<u>245,268</u>	<u>(63,836)</u>	
Total Expenses	<u>659,046</u>	<u>938,852</u>	<u>(279,806)</u>	
Net Change in Assets	<u>280,360</u>	<u>-</u>	<u>280,360</u>	

**Reliability First Corporation**  
**2007 Statement of Activities**  
**General and Administrative**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	1,017,335	1,017,335	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest	11,533	7,865	3,668	
Misc.	248	-	248	
Total Funding	<u>1,029,116</u>	<u>1,025,200</u>	<u>3,916</u>	
Expenses				
Personnel Expenses				
Salaries	526,583	427,982	98,601	Salaries are over budget due to an error of not accounting for multiple years of long term incentive.
Payroll Taxes	29,172	39,333	(10,161)	Explained in cover letter
Employee Benefits	55,718	120,705	(64,987)	Explained in cover letter
Savings & Retirement	57,634	70,197	(12,563)	Explained in cover letter
Total Personnel Expenses	<u>669,107</u>	<u>658,217</u>	<u>10,890</u>	
Meeting Expenses				
Meetings	55,560	33,100	22,460	Explained in cover letter
Travel	20,143	55,815	(35,672)	Explained in cover letter
Conference Calls	4,153	8,000	(3,847)	
Total Meeting Expenses	<u>79,856</u>	<u>96,915</u>	<u>(17,059)</u>	
Operating Expenses				
Rent & Improvements	24,255	25,736	(1,481)	
Contracts	24,846	24,800	46	
Consultants	-	-	-	
Office Costs	17,763	25,694	(7,931)	
Professional Services	51,831	62,588	(10,757)	Explained in cover letter
Computer Purchase & Maint.	31,085	32,941	(1,856)	
Furniture & Equipment	4,561	10,294	(5,733)	
Miscellaneous	51,938	88,015	(36,077)	Explained in cover letter
Total Operating Expenses	<u>206,278</u>	<u>270,068</u>	<u>(63,790)</u>	
Total Expenses	<u>955,241</u>	<u>1,025,200</u>	<u>(69,959)</u>	
Net Change in Assets	<u>73,874</u>	<u>-</u>	<u>73,874</u>	

**Reliability First Corporation**  
**2007 Statement of Activities**  
**Legal and Regulatory**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	-			
Membership Fees & Non-Stat Assessments	-			
Testing	-			
Services & Software	-			
Interest	-			
Misc.	-			
Total Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	-			
Payroll Taxes	-			
Employee Benefits	-			
Savings & Retirement	-			
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings	-			
Travel	-			
Conference Calls	-			
Total Meeting Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Operating Expenses				
Rent & Improvements	-			
Contracts	-			
Consultants	-			
Office Costs	-			
Professional Services	-			
Computer Purchase & Maint.	-			
Furniture & Equipment	-			
Miscellaneous	-			
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Net Change in Assets	<u>-</u>	<u>-</u>	<u>-</u>	

It is more cost effective to use outside counsel and allocate the expense to all departments by FTE's. All legal costs are captured in Professional Services in the applicable department.

**Reliability First Corporation**  
**2007 Statement of Activities**  
**Information Technology**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	937,786	937,786	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest	10,485	7,150	3,335	
Misc.	225	-	225	
<b>Total Funding</b>	<u>948,496</u>	<u>944,936</u>	<u>3,560</u>	
<b>Expenses</b>				
Personnel Expenses				
Salaries	297,363	388,226	(90,863)	Salaries are under budget due to reorganization changes associated with voluntary severance in the Finance/HR area.
Payroll Taxes	23,872	32,187	(8,315)	Explained in cover letter
Employee Benefits	35,427	87,934	(52,507)	Explained in cover letter
Savings & Retirement	47,812	58,234	(10,422)	Explained in cover letter
<b>Total Personnel Expenses</b>	<u>404,475</u>	<u>566,581</u>	<u>(162,106)</u>	
Meeting Expenses				
Meetings	225	2,640	(2,415)	
Travel	3,901	33,170	(29,269)	Explained in cover letter
Conference Calls	3,430	8,640	(5,210)	Explained in cover letter
<b>Total Meeting Expenses</b>	<u>7,556</u>	<u>44,450</u>	<u>(36,894)</u>	
Operating Expenses				
Rent & Improvements				
Contracts	27,721	29,412	(1,691)	Contracts are under budget because the company did not require as much IT support for the office move as originally budgeted.
Consultants	27,614	53,600	(25,986)	
Office Costs	-	-	-	
Professional Services	20,300	29,365	(9,065)	
Computer Purchase & Maint.	59,235	71,529	(12,294)	Explained in cover letter
Furniture & Equipment	35,525	37,647	(2,122)	
Miscellaneous	5,213	11,765	(6,552)	Explained in cover letter
<b>Total Operating Expenses</b>	<u>59,357</u>	<u>100,587</u>	<u>(41,230)</u>	Explained in cover letter
<b>Total Expenses</b>	<u>646,995</u>	<u>944,936</u>	<u>(297,941)</u>	
<b>Net Change in Assets</b>	<u>301,500</u>	<u>-</u>	<u>301,500</u>	

**Reliability First Corporation**  
**2007 Statement of Activities**  
**Human Resources**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments			-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	-	-	-	
Expenses				Due to size of ReliabilityFirst, Human Resources are included in General and Administrative.
Personnel Expenses				
Salaries			-	
Payroll Taxes			-	
Employee Benefits			-	
Savings & Retirement			-	
Total Personnel Expenses	-	-	-	
Meeting Expenses				
Meetings			-	
Travel			-	
Conference Calls			-	
Total Meeting Expenses	-	-	-	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants			-	
Office Costs			-	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	-	-	-	
Total Expenses	-	-	-	
Net Change in Assets	-	-	-	

**Reliability First Corporation**  
**2007 Statement of Activities**  
**Accounting and Finance**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	249,381	249,381	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
				Interest is over budget because the actual interest earned averaged \$8500 per month compared to the budgeted \$6000 per month. The difference is due to a higher than expected daily balance in the bank account.
Interest	3,145	2,145	1,000	
Misc.	68	-	68	
Total Funding	<u>252,594</u>	<u>251,526</u>	<u>1,068</u>	
Expenses				
Personnel Expenses				
Salaries	105,761	94,760	11,001	Due to reorganization associated with av voluntary severance caused by office relocation
Payroll Taxes	5,376	7,249	(1,873)	
Employee Benefits	11,924	28,288	(16,364)	Explained in cover letter
Savings & Retirement	11,670	14,214	(2,544)	
Total Personnel Expenses	<u>134,732</u>	<u>144,511</u>	<u>(9,779)</u>	
Meeting Expenses				
Meetings	297	-	297	
Travel	5,024	1,900	3,124	
Conference Calls	88	-	88	
Total Meeting Expenses	<u>5,409</u>	<u>1,900</u>	<u>3,509</u>	
Operating Expenses				
Rent & Improvements	10,395	11,029	(634)	
Contracts	43,263	-	43,263	
Consultants	-	-	-	
Office Costs	7,613	11,012	(3,399)	
Professional Services	22,214	26,824	(4,610)	
Computer Purchase & Maint.	13,322	14,119	(797)	
Furniture & Equipment	1,955	4,411	(2,456)	
Miscellaneous	22,259	37,720	(15,461)	Explained in cover letter
Total Operating Expenses	<u>121,020</u>	<u>105,115</u>	<u>15,905</u>	
Total Expenses	<u>261,161</u>	<u>251,526</u>	<u>9,635</u>	
Net Change in Assets	<u>(8,567)</u>	<u>-</u>	<u>(8,567)</u>	



**ATTACHMENT 8**

**2007 BUDGET VERSUS ACTUAL COST RECONCILIATION**

**FOR**

**SERC RELIABILITY CORPORATION**



SERC Reliability Corporation  
2815 Coliseum Centre Drive | Suite 500  
Charlotte, NC 28217  
704.357.7372 | Fax 704.357.7914 | www.serc1.org

March 3, 2008

Bruce Walenczyk  
Chief Financial Officer  
North American Electric Reliability Corporation

### **SERC 2007 Budget vs. Actual Variance Analysis**

Enclosed is SERC's response to your request of 18 October for information on variances between the 2007 SERC budget and yearend financials. This information is intended to respond to the Federal Energy Regulatory Commission order of Docket No. RR07-16-000 "Order Conditionally Accepting 2008 Business Plan and Budget Of The North American Electric Reliability Corporation And Ordering Compliance Filings" directing NERC and the regional entities file a true-up no later than April 1, 2008.

Overall, SERC under spent its 2007 budget by \$581,030. Of this, SERC budgeted \$300,000 for a Contingency Reserve which was unused. These funds remain in the SERC reserve.

Several key points should be noted in the SERC variance report:

- 2007 was a year of significant change and uncertainty for regional entities in general, and for SERC in particular. SERC developed the 2007 budget in early 2006 with a general vision of regional entity requirements and this vision evolved significantly during 2007. SERC's payroll, benefits and retirement expenditures in 2007 were less than budget. SERC ended 2006 with 13 employees and by the end of 2007 had 27 employees. In general, employees hired during the year joined the company with salaries higher than assumed in the 2007 budget, due to high demand for the experienced personnel critical to starting up a regional entity. However, the overall SERC payroll was lower than budgeted for a couple reasons. First, staff was hired throughout the year, while the budget assumed a January 1 start date for all new staff. SERC assumed all new employees would start at the first of the year to be consistent with instructions from NERC and to be consistent with other regions. NERC's application to become the Electric Reliability Organization assumed that reliability standards would become mandatory on January 1, 2007, and Regional Entities budgeted to be ready to enforce reliability standards on that date. However, the actual effective date of the reliability standards eventually became June 18, 2007, allowing a more gradual hiring of staff than budgeted.
- Second, 3 new 'staff' were hired as contractors until the issue of office location could be determined. These staff joined the payroll late in the year after the office location was set and the ability of these staff to be relocated was determined. It is also for this reason that consultant expenses were higher than anticipated.
- The cost of benefits was lower than expected because a significant portion of staff chose to remain with benefits plans at their prior employers. This is a result of hiring senior staff, many of whom had previously worked at utilities, in order to jump start the regional entity operations.
- During 2007, SERC realigned staff resources to better fulfill the regional entity mission. Staff resources were shifted from Standards, Readiness, Assessment, and Training into Compliance to better align with regional entity priorities. Also, the staff commitment increased in Situation Awareness due to the unexpected emphasis in this area.

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**Charles White**  
SERC Chairman  
South Carolina Electric & Gas

**William Ball**  
SERC Vice-Chairman  
Southern Company Services, Inc.

**Terry Blackwell**  
SERC Secretary-Treasurer  
South Carolina Public Service Authority



- Another major change in 2007 was the opening of the new SERC office in Charlotte, North Carolina. SERC had originally planned in 2007 to evaluate possible locations for a new central office, with startup of the office planned for early 2008. However, SERC was able to accelerate this plan and remain within the overall budget. This move allowed SERC to more quickly consolidate staff in one location and ramp up regional entity operations. The transition from SERC's previous office in Birmingham, Alabama also included use of temporary office space in Charlotte between June and October.
- In addition to increased rents, SERC exceeded its budget for office furniture and equipment, as 34 offices/workstations, a training room, 2 conference rooms and a kitchen were outfitted. SERC installed new phone and internet systems in the new office as well. These items were not budgeted for 2007.
- The opening of the new office in October and a management emphasis on conference calls and Webex allowed SERC to achieve lower than budgeted meeting expenses and travel costs.

SERC has no non-statutory activity. SERC has adopted NERC's Record Retention Policy.

Detailed descriptions of budget to actual variances are provided in the attached file. If you have any questions, please feel free to call or email me.

Yours truly,

A handwritten signature in black ink, appearing to read 'J-Kelly', with a long horizontal line extending to the right.

Jennifer Kelly

**SERC**  
**2007 Statement of Activities**  
**Statutory Only**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
<b>Funding</b>			
Assessments	5,518,555	5,518,555	-
Membership Fees & Non-Stat Assessments	-	-	-
Workshops	182,450	173,500	8,950
Services & Software	-	-	-
Interest	37,315	10,000	27,315
Misc.	4,407	-	4,407
<b>Total Funding</b>	<u>5,742,727</u>	<u>5,702,055</u>	<u>40,672</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	2,556,025	2,938,370	(382,345)
Payroll Taxes	170,164	199,990	(29,826)
Employee Benefits	249,783	407,130	(157,347)
Savings & Retirement	64,827	84,595	(19,768)
<b>Total Personnel Expenses</b>	<u>3,040,799</u>	<u>3,630,085</u>	<u>(589,286)</u>
<b>Meeting Expenses</b>			
Meetings	339,337	375,000	(35,663)
Travel	310,932	318,700	(7,768)
Conference Calls	61,290	44,450	16,840
<b>Total Meeting Expenses</b>	<u>711,559</u>	<u>738,150</u>	<u>(26,591)</u>
<b>Operating Expenses</b>			
Rent & Improvements	60,780	43,200	17,580
Contracts	301,357	703,320	(401,963)
Consultants	577,806	-	577,806
Office Costs	160,084	130,100	29,984
Professional Services	114,998	71,500	43,498
Computer Purchase & Maint.	87,649	85,700	1,949
Furniture & Equipment	102,994	-	102,994
Miscellaneous	3,671	300,000	(296,329)
<b>Total Operating Expenses</b>	<u>1,409,339</u>	<u>1,333,820</u>	<u>75,519</u>
<b>Total Expenses</b>	<u>5,161,697</u>	<u>5,702,055</u>	<u>(540,358)</u>
<b>Net Change in Assets</b>	<u>581,030</u>	<u>-</u>	<u>581,030</u>

**SERC**  
**2007 Statement of Activities**  
**Reliability Standards**

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	638,500	638,500	-	
Assessments	-	-	-	
Workshops	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
<b>Total Funding</b>	<u>638,500</u>	<u>638,500</u>	<u>-</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	149,971	420,400	(270,429)	Hiring of new employees occurred during the year compared to budget assumption of all new employees being on board in first quarter significantly reduced payroll expenses.
Payroll Taxes	10,224	29,230	(19,006)	See salary variance above. Additionally, budgeted amount was 7% of salaries, when actual taxes deducted was a higher percentage. SERC transitioned from all contract employees to payroll employees effective January 1, 2006. At this time, SERC did not have sufficient experience with estimating payroll taxes at the time the 2007 budget was developed.
Employee Benefits	6,093	50,450	(44,357)	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs. In addition, SERC switched benefit carriers for dental, life and disability which has lowered benefit costs to SERC and employees.
Savings & Retirement	4,096	12,620	(8,524)	See explanation for salary variance. Employees are eligible to enter the 401K on a quarterly basis.
<b>Total Personnel Expenses</b>	<u>170,384</u>	<u>512,700</u>	<u>(342,316)</u>	
<b>Meeting Expenses</b>				
Meetings	24,398	49,000	(24,602)	SERC budgeted for 35 meetings, actually held 24 meetings at a lower average cost.
Travel	19,184	26,800	(7,616)	Due to fewer meetings held, less travel involved. Additionally, there was a management emphasis on the use of conference calls in lieu of meetings to increase productivity and efficiency.
Conference Calls	576	-	576	
<b>Total Meeting Expenses</b>	<u>44,158</u>	<u>75,800</u>	<u>(31,642)</u>	
<b>Operating Expenses</b>				
Rent & Improvements	-	-	-	
Contracts	-	50,000	(50,000)	Budgeted for a study related to Under Frequency Load Shed. Actual expenses of \$30k are included in
Consultants	34,167	-	34,167	Budgeted under "Contracts", as noted above. Total of \$20k under budget because the project was an update of a study performed in 2006 in order to reflect the addition of the Gateway members to the footprint. SERC added new members in 2006 when three former regions merged to form RFC. The majority of these companies were organized into a 5th subregion of SERC—the Gateway subregion.
Office Costs	107	-	107	
Professional Services	92	-	92	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Miscellaneous	-	-	-	
<b>Total Operating Expenses</b>	<u>34,366</u>	<u>50,000</u>	<u>(15,634)</u>	
<b>Total Expenses</b>	<u>248,908</u>	<u>638,500</u>	<u>(389,592)</u>	
<b>Net Change in Assets</b>	<u>389,592</u>	<u>-</u>	<u>389,592</u>	

**SERC**  
**2007 Statement of Activities**  
**Compliance and Organization Registration and Certification**

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>	<u>Comments</u>
Funding				
Assessments	1,549,705	1,549,705	-	
Assessments	-	-	-	
Workshops	27,265	23,500	3,765	Variance is due to higher attendance than expected at a higher rate than budgeted.
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	150	-	150	
Total Funding	<u>1,577,120</u>	<u>1,573,205</u>	<u>3,915</u>	
Expenses				
Personnel Expenses				
Salaries	991,532	1,087,490	(95,958)	Hiring of new employees occurred during the year compared to budget assumption of all new employees being on board in first quarter significantly reduced payroll expenses.
Payroll Taxes	67,598	77,375	(9,777)	See salary variance above. Additionally, budgeted amount was 7% of salaries, when actual taxes deducted was a higher percentage. SERC transitioned from all contract employees to payroll employees effective January 1, 2006. At this time, SERC did not have sufficient experience with estimating payroll taxes at the time the 2007 budget was developed.
Employee Benefits	85,144	130,285	(45,141)	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs. In addition, SERC switched benefit carriers for dental, life and disability which has lowered benefit costs to SERC and employees.
Savings & Retirement	23,318	32,655	(9,337)	See explanation for salary variance. Employees are eligible to enter the 401K on a quarterly basis.
Total Personnel Expenses	<u>1,167,592</u>	<u>1,327,805</u>	<u>(160,213)</u>	
Meeting Expenses				
Meetings	60,667	52,900	7,767	Budgeted for 24 meetings/workshops. Actually held 30 meetings/workshops.
Travel	141,233	192,500	(51,267)	Budgeted amount assumed full staffing and therefore travel to audits. Additionally, travel costs incurred by consultants are included in consultant expense (see below). Additionally, there was a management emphasis on the use of conference calls in lieu of meetings to increase productivity and efficiency. See increase in conference calls below.
Conference Calls	12,484	-	12,484	As noted above in travel, there was a management emphasis on the use of conference calls in lieu of meetings to increase productivity and efficiency.
Total Meeting Expenses	<u>214,384</u>	<u>245,400</u>	<u>(31,016)</u>	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	302,982	-	302,982	See salaries above. SERC hired contractors rather than employees for the first half of 2007 in order to quickly ramp up staff to meet regional entity requirements and the uncertainty at the beginning of the year with regard to the office location. Until the Charlotte office was open, it was not deemed appropriate to put the new hires on the payroll until the office location was determined and the ability to relocate the staff to that location. All contractors were hired as employees by the end of the fiscal year. SERC budgeted based on hiring employees rather than contractors.
Office Costs	2,468	-	2,468	
Professional Services	92	-	92	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	2,495	-	2,495	
Miscellaneous	2,274	-	2,274	
Total Operating Expenses	<u>310,311</u>	<u>-</u>	<u>310,311</u>	
Total Expenses	<u>1,692,287</u>	<u>1,573,205</u>	<u>119,082</u>	
Net Change in Assets	<u>(115,167)</u>	<u>-</u>	<u>(115,167)</u>	

**SERC**  
**2007 Statement of Activities**  
**Reliability Readiness Audit and Improvement**

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>	<u>Comments</u>
Funding				
Assessments	251,915	251,915	-	
Assessments	-	-	-	
Workshops	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
Total Funding	<u>251,915</u>	<u>251,915</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	53,627	206,310	(152,683)	Hiring of new employees occurred during the year compared to budget assumption of all new employees being on board in first quarter significantly reduced payroll expenses.
Payroll Taxes	3,656	14,695	(11,039)	See salary variance above. Additionally, budgeted amount was 7% of salaries, when actual taxes deducted was a higher percentage. SERC transitioned from all contract employees to payroll employees effective January 1, 2006. At this time, SERC did not have sufficient experience with estimating payroll taxes at the time the 2007 budget was developed.
Employee Benefits	9,933	24,715	(14,782)	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs. In addition, SERC switched benefit carriers for dental, life and disability which has lowered benefit costs to SERC and employees.
Savings & Retirement	1,302	6,195	(4,893)	See explanation for salary variance. Employees are eligible to enter the 401K on a quarterly basis.
Total Personnel Expenses	<u>68,518</u>	<u>251,915</u>	<u>(183,397)</u>	
Meeting Expenses				
Meetings	-	-	-	
Travel	7,268	-	7,268	
Conference Calls	-	-	-	
Total Meeting Expenses	<u>7,268</u>	<u>-</u>	<u>7,268</u>	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	-	-	-	
Office Costs	-	-	-	
Professional Services	92	-	92	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Miscellaneous	-	-	-	
Total Operating Expenses	<u>92</u>	<u>-</u>	<u>92</u>	
Total Expenses	<u>75,878</u>	<u>251,915</u>	<u>(176,037)</u>	
Net Change in Assets	<u>176,037</u>	<u>-</u>	<u>176,037</u>	

**SERC**  
**2007 Statement of Activities**  
**Reliability Assessment and Performance Analysis**

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>	<u>Comments</u>
Funding				
Assessments	464,090	464,090	-	
Assessments			-	
Workshops			-	
Services & Software			-	
Interest			-	
Misc.	100	-	100	
Total Funding	<u>464,190</u>	<u>464,090</u>	<u>100</u>	
Expenses				
Personnel Expenses				
Salaries	181,274	268,600	(87,326)	Hiring of new employees occurred during the year compared to budget assumption of all new employees being on board in first quarter significantly reduced payroll expenses.
Payroll Taxes	12,358	18,680	(6,322)	See salary variance above. Additionally, budgeted amount was 7% of salaries, when actual taxes deducted was a higher percentage. SERC transitioned from all contract employees to payroll employees effective January 1, 2006. At this time, SERC did not have sufficient experience with estimating payroll taxes at the time the 2007 budget was developed.
Employee Benefits	15,792	32,250	(16,458)	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs. In addition, SERC switched benefit carriers for dental, life and disability which has lowered benefit costs to SERC and employees.
Savings & Retirement	4,957	8,060	(3,103)	See explanation for salary variance. Employees are eligible to enter the 401K on a quarterly basis.
Total Personnel Expenses	<u>214,381</u>	<u>327,590</u>	<u>(113,209)</u>	
Meeting Expenses				
Meetings	23,798	54,600	(30,802)	Budgeted for 39 meetings, actually held 22 meetings.
Travel	11,624	26,900	(15,276)	Due to fewer meetings held, less travel involved. Additionally, there was a management emphasis on the use of conference calls in lieu of meetings to increase productivity and efficiency.
Conference Calls	186	-	186	
Total Meeting Expenses	<u>35,608</u>	<u>81,500</u>	<u>(45,892)</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts	-	55,000	(55,000)	Actual expenses of \$40k are included in "Consultants". Budgeted under "Contracts", as noted above. Total of \$15k under budget is due to the project was an update of a study performed in 2006 in order to reflect the addition of the Gateway members to the footprint. SERC added new members in 2006 when three former regions merged to form RFC. The majority of these companies were organized into a 5th subregion of SERC—the Gateway subregion.
Consultants	40,000	-	40,000	
Office Costs	113	-	113	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Miscellaneous	-	-	-	
Total Operating Expenses	<u>40,113</u>	<u>55,000</u>	<u>(14,887)</u>	
Total Expenses	<u>290,102</u>	<u>464,090</u>	<u>(173,988)</u>	
Net Change in Assets	<u>174,088</u>	<u>-</u>	<u>174,088</u>	



**SERC**  
**2007 Statement of Activities**  
**Training and Education**

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>	<u>Comments</u>
Funding				
Assessments	315,070	315,070	-	
Assessments			-	
Workshops	88,405	80,000	8,405	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>403,475</u>	<u>395,070</u>	<u>8,405</u>	
Expenses				
Personnel Expenses				
Salaries	116,985	233,600	(116,615)	Hiring of new employees occurred during the year compared to budget assumption of all new employees being on board in first quarter significantly reduced payroll expenses.
Payroll Taxes	7,975	16,240	(8,265)	See salary variance above. Additionally, budgeted amount was 7% of salaries, when actual taxes deducted was a higher percentage. SERC transitioned from all contract employees to payroll employees effective January 1, 2006. At this time, SERC did not have sufficient experience with estimating payroll taxes at the time the 2007 budget was developed.
Employee Benefits	26,961	28,030	(1,069)	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs. In addition, SERC switched benefit carriers for dental, life and disability which has lowered benefit costs to SERC and employees.
Savings & Retirement	2,927	7,000	(4,073)	See explanation for salary variance. Employees are eligible to enter the 401K on a quarterly basis.
Total Personnel Expenses	<u>154,848</u>	<u>284,870</u>	<u>(130,022)</u>	
Meeting Expenses				
Meetings	82,601	91,200	(8,599)	
Travel	19,378	19,000	378	
Conference Calls			-	
Total Meeting Expenses	<u>101,979</u>	<u>110,200</u>	<u>(8,221)</u>	
Operating Expenses				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	-	-	-	
Office Costs	2,863	-	2,863	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Miscellaneous	47	-	47	
Total Operating Expenses	<u>2,910</u>	<u>-</u>	<u>2,910</u>	
Total Expenses	<u>259,737</u>	<u>395,070</u>	<u>(135,333)</u>	
Net Change in Assets	<u>143,738</u>	<u>-</u>	<u>143,738</u>	

**SERC**  
**2007 Statement of Activities**  
**Situational Awareness and Infrastructure Security**

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>	<u>Comments</u>
Funding				
Assessments	97,070	97,070	-	
Assessments		-	-	
Workshops		-	-	
Services & Software		-	-	
Interest		-	-	
Misc.		-	-	
Total Funding	<u>97,070</u>	<u>97,070</u>	<u>-</u>	
Expenses				
Personnel Expenses				
				Budget included 1/6 of the director's time, when the actual costs include a full time manager and 1/6 of an executive assistant. Employee's salaries that are included in this department were higher than budgeted due to their experience.
Salaries	53,627	11,700	41,927	See salary variance above. Additionally, budgeted amount was 7% of salaries, when actual taxes deducted was a higher percentage. SERC transitioned from all contract employees to payroll employees effective January 1, 2006. At this time, SERC did not have sufficient experience with estimating payroll taxes at the time the 2007 budget was developed.
Payroll Taxes	3,656	820	2,836	
Employee Benefits	9,933	1,400	8,533	More employees included in this department than originally budgeted, causing the increase in benefits.
Savings & Retirement	1,302	350	952	See explanation for salary variance. Employees are eligible to enter the 401K on a quarterly basis. Due to employees being hired with higher salaries, pension costs increased as well.
Total Personnel Expenses	<u>68,518</u>	<u>14,270</u>	<u>54,248</u>	
Meeting Expenses				
Meetings	501	2,800	(2,299)	Budgeted for 2 meetings, actually held 1 meeting at a much lower cost.
Travel	11,349	-	11,349	Travel related to committee meetings, FERC meetings, conferences that was not budgeted.
Conference Calls		-	-	
Total Meeting Expenses	<u>11,850</u>	<u>2,800</u>	<u>9,050</u>	
Operating Expenses				
Rent & Improvements	-	-	-	SERC budgeted for 24 balancing authorities when only 9 occurred in 2007 in regards to the OATI scheduling project.
Contracts	44,523	80,000	(35,477)	
Consultants	-	-	-	
Office Costs	369	-	369	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Miscellaneous	-	-	-	
Total Operating Expenses	<u>44,892</u>	<u>80,000</u>	<u>(35,108)</u>	
Total Expenses	<u>125,260</u>	<u>97,070</u>	<u>28,190</u>	
Net Change in Assets	<u>(28,190)</u>	<u>-</u>	<u>(28,190)</u>	

**SERC**  
**2007 Statement of Activities**  
**Committees and Member Forums**

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	321,620	321,620	-	
Assessments	-	-	-	
Workshops	66,780	70,000	(3,220)	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
<b>Total Funding</b>	<u>388,400</u>	<u>391,620</u>	<u>(3,220)</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	197,967	175,170	22,797	Employees that are included in this department were employed for most if not all of the fiscal year. Their salaries were higher than budgeted due to their experience.
Payroll Taxes	13,496	12,190	1,306	See salary variance above. Additionally, budgeted amount was 7% of salaries, when actual taxes deducted was a higher percentage. SERC transitioned from all contract employees to payroll employees effective January 1, 2006. At this time, SERC did not have sufficient experience with estimating payroll taxes at the time the 2007 budget was developed.
Employee Benefits	14,675	21,000	(6,325)	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs. In addition, SERC switched benefit carriers for dental, life and disability which has lowered benefit costs to SERC and employees.
Savings & Retirement	5,241	5,260	(19)	
<b>Total Personnel Expenses</b>	<u>231,379</u>	<u>213,620</u>	<u>17,759</u>	
<b>Meeting Expenses</b>				
Meetings	118,262	124,500	(6,238)	
Travel	46,969	53,500	(6,531)	Due to fewer meetings held, less travel involved. Additionally, there was a management emphasis on the use of conference calls in lieu of meetings to increase productivity and efficiency.
Conference Calls	325	-	325	
<b>Total Meeting Expenses</b>	<u>165,556</u>	<u>178,000</u>	<u>(12,444)</u>	
<b>Operating Expenses</b>				
Rent & Improvements	-	-	-	
Contracts	-	-	-	
Consultants	3,658	-	3,658	
Office Costs	910	-	910	
Professional Services	-	-	-	
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	-	-	-	
Miscellaneous	-	-	-	
<b>Total Operating Expenses</b>	<u>4,568</u>	<u>-</u>	<u>4,568</u>	
<b>Total Expenses</b>	<u>401,503</u>	<u>391,620</u>	<u>9,883</u>	
<b>Net Change in Assets</b>	<u>(13,103)</u>	<u>-</u>	<u>(13,103)</u>	

**SERC**  
**2007 Statement of Activities**  
**General and Administrative**

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	1,115,315	1,115,315	-	
Assessments	-	-	-	
Workshops	-	-	-	
Services & Software	-	-	-	
Interest	37,315	10,000	27,315	Earned a higher interest rate than anticipated.
Misc.	2,292	-	2,292	
<b>Total Funding</b>	<u>1,154,922</u>	<u>1,125,315</u>	<u>29,607</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	492,819	435,100	57,719	Increased costs due to employee turnover, executive search, temporary services and incentive payments.
Payroll Taxes	29,506	23,110	6,396	See salary variance above. Additionally, budgeted amount was 7% of salaries, when actual taxes deducted was a higher percentage. SERC transitioned from all contract employees to payroll employees effective January 1, 2006. At this time, SERC did not have sufficient experience with estimating payroll taxes at the time the 2007 budget was developed.
Employee Benefits	52,210	107,000	(54,790)	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs. In addition, SERC switched benefit carriers for dental, life and disability which has lowered benefit costs to SERC and employees.
Savings & Retirement	13,768	9,455	4,313	See explanation for salary variance. Employees are eligible to enter the 401K on a quarterly basis.
<b>Total Personnel Expenses</b>	<u>588,303</u>	<u>574,665</u>	<u>13,638</u>	
<b>Meeting Expenses</b>				
Meetings	25,636	-	25,636	Included are Board of Directors and Executive Committee Meetings. Additionally, a meeting was held in connection with the departure of the former President.
Travel	45,693	-	45,693	Due to the SERC office not being fully opened, several staff worked from their home offices and traveled to the SERC office when needed, causing more travel and hotel stays. Additionally, SERC reimbursed interviewees for their costs associated with their interview.
Conference Calls	42,407	44,450	(2,043)	There was a management emphasis on the use of conference calls in lieu of meetings to increase productivity and efficiency
<b>Total Meeting Expenses</b>	<u>113,736</u>	<u>44,450</u>	<u>69,286</u>	
<b>Operating Expenses</b>				
Rent & Improvements	60,780	43,200	17,580	Significant portion of variance is due to deposit on new office space. SERC utilized a temporary office space for 8 months in Charlotte before moving into new office space. Additionally, SERC paid rent in Birmingham, AL for 6 months.
Contracts	20,591	26,400	(5,809)	Budgeted \$12,000 for hosting the "Hot Line". Southern never charged SERC and has since worked out an agreement where they will not charge for this service.
Consultants	4,396	-	4,396	
Office Costs	95,172	130,100	(34,928)	Significant portion of contractors/employees were working out of their homes and charging phone, internet, supplies, postage, etc. Due to fewer contractors/employees at the beginning of the year, expenses were less than budgeted.
Professional Services	14,620	6,500	8,120	Increase is due to commercial insurance premiums for D&O.
Computer Purchase & Maint.	-	-	-	
Furniture & Equipment	55,864	-	55,864	Due to moving into a new office space earlier than anticipated, SERC bought new office furniture.
Miscellaneous	1,250	300,000	(298,750)	Variance relates to the operating reserve amount for the uncertainty in starting up the region. Amount is being carried forward into 2008 as part of the 10% reserve.
<b>Total Operating Expenses</b>	<u>252,673</u>	<u>506,200</u>	<u>(253,527)</u>	
<b>Total Expenses</b>	<u>954,712</u>	<u>1,125,315</u>	<u>(170,603)</u>	
<b>Net Change in Assets</b>	<u>200,210</u>	<u>-</u>	<u>200,210</u>	

**SERC**  
**2007 Statement of Activities**  
**Legal and Regulatory**

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>	<u>Comments</u>
Funding				
Assessments	50,000	50,000	-	
Assessments				
Workshops		-	-	
Services & Software		-	-	
Interest		-	-	
Misc.		-	-	
Total Funding	<u>50,000</u>	<u>50,000</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries		-	-	
Payroll Taxes		-	-	
Employee Benefits		-	-	
Savings & Retirement		-	-	
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings		-	-	
Travel		-	-	
Conference Calls		-	-	
Total Meeting Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Operating Expenses				
Rent & Improvements		-	-	
Contracts		-	-	
Consultants		-	-	
Office Costs		-	-	
Professional Services	93,654	50,000	43,654	Variance includes several items: unexpected employment issues; create and review an employee handbook; setting up the 401k; trademark reservation; move to Charlotte caused change in incorporation documents; revision of by-laws; and compensation study
Computer Purchase & Maint.		-	-	
Furniture & Equipment		-	-	
Miscellaneous		-	-	
Total Operating Expenses	<u>93,654</u>	<u>50,000</u>	<u>43,654</u>	
Total Expenses	<u>93,654</u>	<u>50,000</u>	<u>43,654</u>	
Net Change in Assets	<u>(43,654)</u>	<u>-</u>	<u>(43,654)</u>	

**SERC**  
**2007 Statement of Activities**  
**Information Technology**

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	700,270	700,270	-	
Assessments	-	-	-	
Workshops	-	-	-	
Services & Software	-	-	-	
Interest	-	-	-	
Misc.	1,865	-	1,865	
<b>Total Funding</b>	<u>702,135</u>	<u>700,270</u>	<u>1,865</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	101,709	100,000	1,709	
Payroll Taxes	6,934	7,650	(716)	Budgeted amount was 7% of salaries, when actual taxes deducted was a higher percentage. SERC transitioned from all contract employees to payroll employees effective January 1, 2006. At this time, SERC did not have sufficient experience with estimating payroll taxes at the time the 2007 budget was developed.
Employee Benefits	5,073	12,000	(6,927)	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs. In addition, SERC switched benefit carriers for dental, life and disability which has lowered benefit costs to SERC and employees.
Savings & Retirement	2,650	3,000	(350)	Employees are eligible to enter the 401K on a quarterly basis. SERC did not have an IT employee for the entire year, causing the decrease in pension expense.
<b>Total Personnel Expenses</b>	<u>116,366</u>	<u>122,650</u>	<u>(6,284)</u>	
<b>Meeting Expenses</b>				
Meetings	3,474	-	3,474	Due to the SERC office not being fully opened, several staff worked from their home offices and traveled to the SERC office when needed, causing more travel and hotel stays.
Travel	7,325	-	7,325	There was a management emphasis on the use of conference calls in lieu of meetings to increase productivity and efficiency.
Conference Calls	5,312	-	5,312	
<b>Total Meeting Expenses</b>	<u>16,111</u>	<u>-</u>	<u>16,111</u>	
<b>Operating Expenses</b>				
Rent & Improvements	-	-	-	
Contracts	219,558	491,920	(272,362)	SERC recorded separately Contracts and Consultants in fiscal year 2007, however budgeted them together. Total variance between the two categories is approximately \$85k under budget. Approximately \$41k variance is due to the invoice related to the data collection was not invoiced in 2007 when the work was completed in 07. Due to SERC being on the cash basis, this caused the variance. Approximately \$9,500 in WebEx charges that were budgeted were not used in 07. SERC budgeted for technical and application training, which was not used, causing another \$16,950 under budget. SERC anticipated more dynamic reports from the website then actually occurred, causing a \$19,200 under budget variance as more reports were done in-house rather than using the outside consultant. Additionally, the website for Standards for Comment and Review was not completed causing a \$15,360 variance under budget. Finally, our outside IT consultant's contract was for higher than originally budgeted by \$20k.
Consultants	187,244	-	187,244	See above.
Office Costs	57,861	-	57,861	In 2007, no equipment was budgeted however in order to get the office up and running early, equipment was purchased in advance of budget. All equipment purchases were budgeted to occur in 2008.
Professional Services	-	-	-	
Computer Purchase & Maint.	87,649	85,700	1,949	
Furniture & Equipment	44,635	-	44,635	See Office Cost variance above.
Miscellaneous	100	-	100	
<b>Total Operating Expenses</b>	<u>597,047</u>	<u>577,620</u>	<u>19,427</u>	
<b>Total Expenses</b>	<u>729,524</u>	<u>700,270</u>	<u>29,254</u>	
<b>Net Change in Assets</b>	<u>(27,389)</u>	<u>-</u>	<u>(27,389)</u>	

**SERC**  
**2007 Statement of Activities**  
**Human Resources**

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>	<u>Comments</u>
Funding				
Assessments			-	SERC did not budget separately for Human Resources. All costs related to Human Resources are included in G&A for 2007.
Membership Fees & Non-Stat			-	
Workshops			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries			-	
Payroll Taxes			-	
Employee Benefits			-	
Savings & Retirement			-	
Total Personnel Expenses	-	-	-	
Meeting Expenses				
Meetings			-	
Travel			-	
Conference Calls			-	
Total Meeting Expenses	-	-	-	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants			-	
Office Costs			-	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	-	-	-	
Total Expenses	-	-	-	
Net Change in Assets	-	-	-	

**SERC**  
**2007 Statement of Activities**  
**Accounting and Finance**

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	15,000	15,000	-	SERC did not budget separately for Finance and Accounting, other than the audit fee.. All other costs related to Finance were budgeted in G&A for 2007.
Assessments			-	
Workshops			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>15,000</u>	<u>15,000</u>	<u>-</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	216,514	-	216,514	Finance employees budgeted in G&A in 2007
Payroll Taxes	14,761	-	14,761	See explanation for salary variance.
Employee Benefits	23,969	-	23,969	See explanation for salary variance.
Savings & Retirement	5,266	-	5,266	See explanation for salary variance. Employees are eligible to enter the 401K on a quarterly basis.
<b>Total Personnel Expenses</b>	<u>260,510</u>	<u>-</u>	<u>260,510</u>	
<b>Meeting Expenses</b>				
Meetings	-	-	-	
Travel	909	-	909	
Conference Calls		-	-	
<b>Total Meeting Expenses</b>	<u>909</u>	<u>-</u>	<u>909</u>	
<b>Operating Expenses</b>				
<b>Rent &amp; Improvements</b>				
Contracts	16,685	-	16,685	Purchase of new accounting software was not budgeted for in 2007.
Consultants	5,359	-	5,359	
Office Costs	221	-	221	
Professional Services	6,448	15,000	(8,552)	Audit fee was less than anticipated.
Computer Purchase & Maint.		-	-	
Furniture & Equipment		-	-	
Miscellaneous		-	-	
<b>Total Operating Expenses</b>	<u>28,713</u>	<u>15,000</u>	<u>13,713</u>	
<b>Total Expenses</b>	<u>290,132</u>	<u>15,000</u>	<u>275,132</u>	
<b>Net Change in Assets</b>	<u>(275,132)</u>	<u>-</u>	<u>(275,132)</u>	



**ATTACHMENT 9**

**2007 BUDGET VERSUS ACTUAL COST RECONCILIATION**

**FOR**

**SOUTHWEST POWER POOL, INC.**



**Southwest Power Pool**  
**2007 Budget vs. Actual Variance Analysis**  
(thousands of dollars except headcount and rates)

For the year ending 2007, Southwest Power Pool recognized expenses of \$3,633 associated with performing the delegated authorities of a regional entity. The 2007 budget for regional entity expenses totaled \$3,181 resulting in an unfavorable variance of \$452. A significant contributor to the over-budget status was adoption of a cost allocation methodology which more accurately assigned overhead and support function expenses to the regional entity efforts. This methodology differed from that used to create the 2007 budget for regional entity activities. This change has been a significant issue with the Federal Energy Regulatory Commission (FERC) and is described in more detail in the following two paragraphs.

During 2006, SPP created the 2007 budget for its regional entity responsibilities by first estimating the number of full time equivalents (FTE) required to complete its delegated functions. Direct costs associated with these FTEs, such as salaries, benefits and employment taxes, were input to the regional entity budget based upon averages of existing SPP staff. Other direct and identifiable costs supporting regional entity activities such as travel, meeting and outside service expenses were estimated and input to the SPP RE budget. Indirect and overhead expenses such as communication networks, facilities, liability insurance, etc., were estimated and also input to the regional entity budget. This exercise resulted in expenditures of \$3,181 and FTE's of 11.15 for the 2007 SPP RE budget.

Assigning actual expenses to regional entity activities in an accurate and defensible manner required adoption of a methodology. SPP implemented a cost allocation methodology which assigned indirect expenses to regional entity activities based on the number of hours staff worked to support the regional entity's statutory functions. Direct staffing costs such as salary and certain benefits and taxes were gathered from the payroll department for each specific staff member in the resource pool. These direct costs were translated into an hourly format based upon an average of 1,880 working hours per year then expensed against the regional entity budget as time was reported. An indirect rate was calculated to reflect shared services costs such as payroll and accounts payable processing, human resources and benefits management, accounting, information technology, executive leadership, corporate affairs and communication, office costs and other support services and expenditures. The indirect rate was based upon costs contained in the 2007 SPP budget and determined to be \$110 per hour. Many of these costs were not identified in SPP's 2007 regional entity budget. SPP feels the adopted methodology more accurately portrays the actual expenses of performing regional entity functions and results in a more efficient tracking and reporting process. Had this methodology been used during the 2007 budgeting process; the resulting 2007 regional entity budget would have been \$4,273.

Other significant variances worth noting are:

- The delay in electing SPP's Regional Entity Trustees resulting in a favorable variance of \$167
- \$141 favorable variance in travel and meetings expense associated with SPP RE training primarily due to hosting events on-site instead of remotely

**Southwest Power Pool**  
**2007 Statement of Activities**  
**Statutory Only**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments	3,176,026	3,176,026	-
Membership Fees & Non-Stat Assessments	-	-	-
Testing	-	-	-
Services & Software	-	-	-
Interest	18,321	5,000	13,321
Misc.	-	-	-
Total Funding	<u>3,194,347</u>	<u>3,181,026</u>	<u>13,321</u>
Expenses			
Personnel Expenses			
Salaries	1,017,150	1,198,295	(181,145)
Payroll Taxes	77,402	97,771	(20,369)
Employee Benefits	68,444	239,558	(171,114)
Savings & Retirement	40,470	177,051	(136,581)
Total Personnel Expenses	<u>1,203,466</u>	<u>1,712,675</u>	<u>(509,209)</u>
Meeting Expenses			
Meetings	103,240	448,250	(345,010)
Travel	55,846	119,000	(63,154)
Conference Calls	-	20,000	(20,000)
Total Meeting Expenses	<u>159,086</u>	<u>587,250</u>	<u>(428,164)</u>
Operating Expenses			
Rent & Improvements	-	33,450	(33,450)
Contracts	-	-	-
Consultants	228,499	703,466	(474,967)
Office Costs	7,644	84,185	(76,541)
Professional Services	-	-	-
Computer Purchase & Maint.	-	50,000	(50,000)
Furniture & Equipment	-	10,000	(10,000)
Total Operating Expenses	<u>236,143</u>	<u>881,101</u>	<u>(644,958)</u>
Indirect Expense	2,034,406		2,034,406
Total Expenses	<u>3,633,101</u>	<u>3,181,026</u>	<u>452,075</u>
Net Change in Assets	<u>(438,754)</u>	-	<u>(438,754)</u>

**Southwest Power Pool  
2007 Statement of Activities  
Reliability Standards**

(In Whole Dollars)

	<u>2007 YTD</u> <u>Actual</u>	<u>2007 YTD</u> <u>Budget</u>	<u>2007 YTD</u> <u>Variance</u>	<u>Comments</u>
Funding				
Assessments	120,646	120,646	-	
Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>120,646</u>	<u>120,646</u>	<u>-</u>	
Expenses				
Personnel Expenses				
				The 2007 SPP RE Budget assumed 0.5 direct FTE would support the Reliability Standards Development (RSD) program. On an actual basis 250 hours (approx 0.1 FTE) was spent supporting RSD. This variance was primarily due to the delay in the Regional Entity startup.
Salaries	16,084	51,795	(35,711)	
Payroll Taxes	1,230	4,131	(2,901)	See explanation of Salaries variance
Employee Benefits	1,637	10,360	(8,723)	See explanation of Salaries variance
Savings & Retirement	643	7,409	(6,766)	See explanation of Salaries variance
Total Personnel Expenses	<u>19,594</u>	<u>73,695</u>	<u>(54,101)</u>	
Meeting Expenses				
Meetings	6,109	28,000	(21,891)	See explanation of Salaries variance
Travel	1,768	7,320	(5,552)	See explanation of Salaries variance
Conference Calls		2,000	(2,000)	See explanation of Indirect Expense
Total Meeting Expenses	<u>7,877</u>	<u>37,320</u>	<u>(29,443)</u>	
Operating Expenses				
Rent & Improvements		1,350	(1,350)	See explanation of Indirect Expense
Contracts			-	
Consultants		817	(817)	See explanation of Salaries variance
Office Costs		4,314	(4,314)	See explanation of Salaries variance
Professional Services			-	
Computer Purchase & Maint.		3,150	(3,150)	See explanation of Indirect Expense
Furniture & Equipment			-	
Total Operating Expenses	<u>-</u>	<u>9,631</u>	<u>(9,631)</u>	
Indirect Expense	27,500		27,500	SPP RE's 2007 budget did not reflect the indirect allocation methodology adopted for recording of 2007 actual expenses. The actual indirect expense amount consists of shared services activities (payroll, human resources, IT support, leases, and other overheads) which are charged at a rate of \$110.02 per direct employee hour worked supporting SPP RE functions.
Total Expenses	<u>54,971</u>	<u>120,646</u>	<u>(65,675)</u>	
Net Change in Assets	<u>65,675</u>	<u>-</u>	<u>65,675</u>	

**Southwest Power Pool**  
**2007 Statement of Activities**  
**Compliance and Organization Registration and Certification**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	690,171	690,171	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>690,171</u>	<u>690,171</u>	<u>-</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
				The 2007 SPP RE Budget assumed 2.6 direct FTE would support the Compliance Enforcement (400) & Org Registration & Certification (500) functions. On an actual basis 5,008 hours (approx 2.7 FTE) was spent supporting these functions.
Salaries	303,429	296,162	7,267	
Payroll Taxes	23,212	23,615	(403)	
				2007 Budget assumed "maximum" benefits participation while actual was less than maximum. Some amount of actual employee benefits is contained in the indirect costs allocation explained below.
Employee Benefits	9,731	59,640	(49,909)	2007 Budget assumed "maximum" benefits participation while actual was less than maximum. Some amount of actual employee benefits is contained in the indirect costs allocation explained below.
Savings & Retirement	12,137	42,100	(29,963)	
<b>Total Personnel Expenses</b>	<u>348,509</u>	<u>421,517</u>	<u>(73,008)</u>	
<b>Meeting Expenses</b>				
Meetings	14,063	14,000	63	
Travel	22,731	3,660	19,071	Actual Travel activity significantly higher than originally estimated as 2007 budget was not sufficient to support actual audit activities
Conference Calls		2,000	(2,000)	See explanation of Indirect Expense
<b>Total Meeting Expenses</b>	<u>36,794</u>	<u>19,660</u>	<u>17,134</u>	
<b>Operating Expenses</b>				
Rent & Improvements		7,650	(7,650)	See explanation of Indirect Expense
Contracts			-	
Consultants	62,208	207,450	(145,242)	Variance due to delay in RE startup and lower than expected compliance activities
Office Costs	810	24,444	(23,634)	See explanation of Indirect Expense
Professional Services			-	
Computer Purchase & Maint.		9,450	(9,450)	See explanation of Indirect Expense
Furniture & Equipment			-	
<b>Total Operating Expenses</b>	<u>63,018</u>	<u>248,994</u>	<u>(185,976)</u>	
				SPP RE's 2007 budget did not reflect the indirect allocation methodology adopted for recording of 2007 actual expenses. The actual indirect expense amount consists of shared services activities (payroll, human resources, IT support, leases, and other overheads) which are charged at a rate of \$110.02 per direct employee hour worked supporting SPP RE functions.
Indirect Expense	550,980		550,980	
<b>Total Expenses</b>	<u>999,301</u>	<u>690,171</u>	<u>309,130</u>	
<b>Net Change in Assets</b>	<u>(309,130)</u>	<u>-</u>	<u>(309,130)</u>	

**Southwest Power Pool  
2007 Statement of Activities  
Reliability Readiness Audit and Improvement**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	56,598	56,598	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
	<hr/>			
Total Funding	56,598	56,598	-	This tab includes both Personnel Certification (600) & Reliability Readiness Audit & Improvement (700). These functions were combined on the financial statements due to the expected low level of activity for both.
Expenses				
Personnel Expenses				
				The 2007 SPP RE Budget assumed 0.3 direct FTE would support the Personnel Certification (600) & Reliability Readiness Audit & Improvement (700) functions. On an actual basis 204 hours (approx 0.1 FTE) was spent supporting these functions; only 40 of which are related to Personnel Certification.
Salaries	17,707	34,909	(17,202)	
Payroll Taxes	1,355	2,783	(1,428)	See explanation of Salaries variance
Employee Benefits	109	7,040	(6,931)	2007 Budget assumed "maximum" benefits participation while actual was less than maximum. Some amount of actual employee benefits is contained in the indirect costs allocation explained below.
Savings & Retirement	708	4,956	(4,248)	2007 Budget assumed "maximum" benefits participation while actual was less than maximum. Some amount of actual employee benefits is contained in the indirect costs allocation explained below.
Total Personnel Expenses	19,879	49,688	(29,809)	
Meeting Expenses				
Meetings	865		865	No meeting expenses were budgeted in 2007
Travel	5,992		5,992	No travel expenses were budgeted in 2007
Conference Calls		2,000	(2,000)	See explanation of Indirect Expense
Total Meeting Expenses	6,857	2,000	4,857	
Operating Expenses				
Rent & Improvements		900	(900)	See explanation of Indirect Expense
Contracts			-	
Consultants	215	233	(18)	
Office Costs		2,877	(2,877)	
Professional Services			-	
Computer Purchase & Maint.		900	(900)	See explanation of Indirect Expense
Furniture & Equipment			-	
Total Operating Expenses	215	4,910	(4,695)	
				SPP RE's 2007 budget did not reflect the indirect allocation methodology adopted for recording of 2007 actual expenses. The actual indirect expense amount consists of shared services activities (payroll, human resources, IT support, leases, and other overheads) which are charged at a rate of \$110.02 per direct employee hour worked supporting SPP RE functions.
Indirect Expense	22,444		22,444	
Total Expenses	49,395	56,598	(7,203)	
Net Change in Assets	7,203	-	7,203	

**Southwest Power Pool**  
**2007 Statement of Activities**  
**Reliability Assessment and Performance Analysis**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	540,135	540,135	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>540,135</u>	<u>540,135</u>	<u>-</u>	
Expenses				
Personnel Expenses				
				The 2007 SPP RE Budget assumed 2.7 direct FTE would support the Reliability Assessment and Performance Analysis (RA) program. On an actual basis 6,501.21 hours (approx 3.5 FTE) was spent supporting RA.
Salaries	314,851	309,639	5,212	
Payroll Taxes	24,086	24,703	(617)	
				2007 Budget assumed "maximum" benefits participation while actual was less than maximum. Some amount of actual employee benefits is contained in the indirect costs allocation explained below.
Employee Benefits	29,073	61,760	(32,687)	2007 Budget assumed "maximum" benefits participation while actual was less than maximum. Some amount of actual employee benefits is contained in the indirect costs allocation explained below.
Savings & Retirement	12,594	44,399	(31,805)	
Total Personnel Expenses	<u>380,604</u>	<u>440,501</u>	<u>(59,897)</u>	
Meeting Expenses				
Meetings	21,715	28,000	(6,285)	
Travel	2,375	7,320	(4,945)	
Conference Calls		2,000	(2,000)	See explanation of Indirect Expense
Total Meeting Expenses	<u>24,090</u>	<u>37,320</u>	<u>(13,230)</u>	
Operating Expenses				
Rent & Improvements		8,100	(8,100)	See explanation of Indirect Expense
Contracts			-	
Consultants		5,833	(5,833)	
Office Costs		25,881	(25,881)	
Professional Services			-	
Computer Purchase & Maint.		22,500	(22,500)	See explanation of Indirect Expense
Furniture & Equipment			-	
Total Operating Expenses	<u>-</u>	<u>62,314</u>	<u>(62,314)</u>	
				SPP RE's 2007 budget did not reflect the indirect allocation methodology adopted for recording of 2007 actual expenses. The actual indirect expense amount consists of shared services activities (payroll, human resources, IT support, leases, and other overheads) which are charged at a rate of \$110.02 per direct employee hour worked supporting SPP RE functions.
Indirect Expense	715,267		715,267	
Total Expenses	<u>1,119,961</u>	<u>540,135</u>	<u>579,826</u>	
Net Change in Assets	<u>(579,826)</u>	<u>-</u>	<u>(579,826)</u>	

**Southwest Power Pool  
2007 Statement of Activities  
Training and Education**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	459,742	459,742	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>459,742</u>	<u>459,742</u>	<u>-</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	267,085	170,000	97,085	The 2007 SPP RE Budget assumed 2.0 direct FTE would support the Training and Education program. On an actual basis 5,383.5 hours (approx 2.8 FTE) was spent supporting training.
Payroll Taxes	20,021	13,757	6,264	
Employee Benefits	22,449	33,600	(11,151)	2007 Budget assumed "maximum" benefits participation while actual was less than maximum. Some amount of actual employee benefits is contained in the indirect costs allocation explained below.
Savings & Retirement	10,469	30,217	(19,748)	2007 Budget assumed "maximum" benefits participation while actual was less than maximum. Some amount of actual employee benefits is contained in the indirect costs allocation explained below.
<b>Total Personnel Expenses</b>	<u>320,024</u>	<u>247,574</u>	<u>72,450</u>	
<b>Meeting Expenses</b>				
Meetings	37,661	142,250	(104,589)	2007 budget overestimated; a significant amount of training was held at SPP headquarters which helped to contain costs
Travel	2,404	39,000	(36,596)	2007 budget overestimated; a significant amount of training was held at SPP headquarters which helped to contain costs
Conference Calls		2,000	(2,000)	See explanation of Indirect Expense
<b>Total Meeting Expenses</b>	<u>40,065</u>	<u>183,250</u>	<u>(143,185)</u>	
<b>Operating Expenses</b>				
Rent & Improvements		6,000	(6,000)	See explanation of Indirect Expense
Contracts			-	
Consultants	992	4,133	(3,141)	Primarily all training activities were performed in-house
Office Costs	5,321	4,785	536	
Professional Services			-	
Computer Purchase & Maint.		14,000	(14,000)	See explanation of Indirect Expense
Furniture & Equipment			-	
<b>Total Operating Expenses</b>	<u>6,313</u>	<u>28,918</u>	<u>(22,605)</u>	
Indirect Expense	581,294		581,294	SPP RE's 2007 budget did not reflect the indirect allocation methodology adopted for recording of 2007 actual expenses. The actual indirect expense amount consists of shared services activities (payroll, human resources, IT support, leases, and other overheads) which are charged at a rate of \$110.02 per direct employee hour worked supporting SPP RE functions.
<b>Total Expenses</b>	<u>947,696</u>	<u>459,742</u>	<u>487,954</u>	
<b>Net Change in Assets</b>	<u>(487,954)</u>	<u>-</u>	<u>(487,954)</u>	



**Southwest Power Pool**  
**2007 Statement of Activities**  
**Situational Awareness and Infrastructure Security**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	2,000	2,000	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>2,000</u>	<u>2,000</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	1,356		1,356	On an actual basis 28 hours was spent supporting Situational Awareness by direct staff.
Payroll Taxes	104		104	
Employee Benefits	21		21	
Savings & Retirement	54		54	
Total Personnel Expenses	<u>1,535</u>	<u>-</u>	<u>1,535</u>	
Meeting Expenses				
Meetings	722		722	
Travel	1,976		1,976	
Conference Calls		2,000	(2,000)	See explanation of Indirect Expense
Total Meeting Expenses	<u>2,698</u>	<u>2,000</u>	<u>698</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants			-	
Office Costs			-	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Indirect Expense	3,080		3,080	SPP RE's 2007 budget did not reflect the indirect allocation methodology adopted for recording of 2007 actual expenses. The actual indirect expense amount consists of shared services activities (payroll, human resources, IT support, leases, and other overheads) which are charged at a rate of \$110.02 per direct employee hour worked supporting SPP RE functions.
Total Expenses	<u>7,313</u>	<u>2,000</u>	<u>5,313</u>	
Net Change in Assets	<u>(5,313)</u>	<u>-</u>	<u>(5,313)</u>	

**Southwest Power Pool  
2007 Statement of Activities  
Committees and Member Forums**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	266,380	266,380	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>266,380</u>	<u>266,380</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	27,043		27,043	On an actual basis 327.5 hours was spent supporting Committee and Member Forums by direct staff.
Payroll Taxes	2,069		2,069	
Employee Benefits	1,417		1,417	
Savings & Retirement	1,082		1,082	
Total Personnel Expenses	<u>31,611</u>	<u>-</u>	<u>31,611</u>	
Meeting Expenses				
Meetings	18,412	208,000	(189,588)	Compliance workshops were significantly less costly than anticipated
Travel	7,153	54,380	(47,227)	Compliance workshops required less travel for SPP RE Staff than anticipated
Conference Calls		4,000	(4,000)	See explanation of Indirect Expense
Total Meeting Expenses	<u>25,565</u>	<u>266,380</u>	<u>(240,815)</u>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants			-	
Office Costs	1,075		1,075	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Total Operating Expenses	<u>1,075</u>	<u>-</u>	<u>1,075</u>	
Indirect Expense	36,031		36,031	SPP RE's 2007 budget did not reflect the indirect allocation methodology adopted for recording of 2007 actual expenses. The actual indirect expense amount consists of shared services activities (payroll, human resources, IT support, leases, and other overheads) which are charged at a rate of \$110.02 per direct employee hour worked supporting SPP RE functions.
Total Expenses	<u>94,282</u>	<u>266,380</u>	<u>(172,098)</u>	
Net Change in Assets	<u>172,098</u>	<u>-</u>	<u>172,098</u>	

**Southwest Power Pool  
2007 Statement of Activities  
General and Administrative**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	693,565	693,565	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest	18,321	5,000	13,321	
Misc.			-	
<b>Total Funding</b>	<u>711,886</u>	<u>698,565</u>	<u>13,321</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
				The 2007 SPP RE Budget assumed 1.7 direct FTE would support the SPP RE for General and Administrative activities (executive oversight, human resources and administrative). On an actual basis 413 hours (approx 0.3 FTE) was spent in support of G&A activities, primarily by the SPP RE Executive Director, Charles Yeung. The activities performed by human resources and administrative staff are contained in the indirect rate explained below.
Salaries	51,662	212,065	(160,403)	
Payroll Taxes	3,953	18,177	(14,224)	See explanation of Salaries variance
Employee Benefits	3,081	42,413	(39,332)	See explanation of Salaries variance
Savings & Retirement	2,066	30,295	(28,229)	See explanation of Salaries variance
<b>Total Personnel Expenses</b>	<u>60,762</u>	<u>302,950</u>	<u>(242,188)</u>	
<b>Meeting Expenses</b>				
Meetings	3,693	28,000	(24,307)	
Travel	10,207	7,320	2,887	
Conference Calls		4,000	(4,000)	See explanation of Indirect Expense
<b>Total Meeting Expenses</b>	<u>13,900</u>	<u>39,320</u>	<u>(25,420)</u>	
<b>Operating Expenses</b>				
Rent & Improvements		5,100	(5,100)	See explanation of Indirect Expense
Contracts			-	
Consultants	104,210	330,000	(225,790)	Regional Entity Trustee Fees of \$92,550 is significantly less than anticipated due to trustees not elected as quickly as budget assumption
Office Costs	438	11,195	(10,757)	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment		10,000	(10,000)	See explanation of Indirect Expense
<b>Total Operating Expenses</b>	<u>104,648</u>	<u>356,295</u>	<u>(251,647)</u>	
<b>Indirect Expense</b>				
Indirect Expense	52,040		52,040	SPP RE's 2007 budget did not reflect the indirect allocation methodology adopted for recording of 2007 actual expenses. The actual indirect expense amount consists of shared services activities (payroll, human resources, IT support, leases, and other overheads) which are charged at a rate of \$110.02 per direct employee hour worked supporting SPP RE functions.
<b>Total Expenses</b>	<u>231,350</u>	<u>698,565</u>	<u>(467,215)</u>	
<b>Net Change in Assets</b>	<u>480,536</u>	<u>-</u>	<u>480,536</u>	

**Southwest Power Pool  
2007 Statement of Activities  
Legal and Regulatory**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	75,613	75,613	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>75,613</u>	<u>75,613</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	17,933	35,910	(17,977)	RE in-house legal staff hired later in year than expected
Payroll Taxes	1,372	3,078	(1,706)	See explanation of Salaries variance
Employee Benefits	926	7,182	(6,256)	See explanation of Salaries variance
Savings & Retirement	717	5,130	(4,413)	See explanation of Salaries variance
Total Personnel Expenses	<u>20,948</u>	<u>51,300</u>	<u>(30,352)</u>	
Meeting Expenses				
Meetings			-	
Travel	1,240		1,240	
Conference Calls			-	
Total Meeting Expenses	<u>1,240</u>	<u>-</u>	<u>1,240</u>	
Operating Expenses				
Rent & Improvements		1,350	(1,350)	See explanation of Indirect Expense
Contracts			-	
Consultants	15,874	20,000	(4,126)	
Office Costs		2,963	(2,963)	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Total Operating Expenses	<u>15,874</u>	<u>24,313</u>	<u>(8,439)</u>	
Indirect Expense	45,770		45,770	SPP RE's 2007 budget did not reflect the indirect allocation methodology adopted for recording of 2007 actual expenses. The actual indirect expense amount consists of shared services activities (payroll, human resources, IT support, leases, and other overheads) which are charged at a rate of \$110.02 per direct employee hour worked supporting SPP RE functions.
Total Expenses	<u>83,832</u>	<u>75,613</u>	<u>8,219</u>	
Net Change in Assets	<u>(8,219)</u>	<u>-</u>	<u>(8,219)</u>	

**Southwest Power Pool  
2007 Statement of Activity  
Information Technology**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	198,233	198,233	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>198,233</u>	<u>198,233</u>	<u>-</u>	
<b>Expenses</b>				
Personnel Expenses				
Salaries		47,908	(47,908)	No direct time billed. All IT time allocated as part of indirect expense as explained on previous pages.
Payroll Taxes		4,106	(4,106)	See explanation of Salaries variance
Employee Benefits		9,582	(9,582)	See explanation of Salaries variance
Savings & Retirement		6,844	(6,844)	See explanation of Salaries variance
<b>Total Personnel Expenses</b>	<u>-</u>	<u>68,440</u>	<u>(68,440)</u>	
Meeting Expenses				
Meetings			-	
Travel			-	
Conference Calls			-	
<b>Total Meeting Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	
Operating Expenses				
Rent & Improvements		1,500	(1,500)	
Contracts			-	\$125K budgeted for IDC and frame relay expenses are included in indirect expense allocation. \$45K was incurred related to online compliance database management system which is an online, hosted database used by the SPP RE.
Consultants	45,000	125,000	(80,000)	
Office Costs		3,293	(3,293)	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
<b>Total Operating Expenses</b>	<u>45,000</u>	<u>129,793</u>	<u>(84,793)</u>	
Indirect Expense			-	
<b>Total Expenses</b>	<u>45,000</u>	<u>198,233</u>	<u>(153,233)</u>	
<b>Net Change in Assets</b>	<u>153,233</u>	<u>-</u>	<u>153,233</u>	

**Southwest Power Pool  
2007 Statement of Activities  
Human Resources**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments			-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses			-	No direct time billed or budgeted for Human Resources. All Human Resource time allocated as part of indirect expense as explained on previous pages.
Salaries			-	
Payroll Taxes			-	
Employee Benefits			-	
Savings & Retirement			-	
Total Personnel Expenses	-	-	-	
Meeting Expenses				
Meetings			-	
Travel			-	
Conference Calls			-	
Total Meeting Expenses	-	-	-	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants			-	
Office Costs			-	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Total Operating Expenses	-	-	-	
Indirect Expense			-	
Total Expenses	-	-	-	
Net Change in Assets	-	-	-	

**Southwest Power Pool  
2007 Statement of Activities  
Accounting and Finance**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	72,943	72,943	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>72,943</u>	<u>72,943</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries		39,907	(39,907)	No direct time billed. All accounting and finance time allocated as part of indirect expense as explained on previous pages.
Payroll Taxes		3,421	(3,421)	See explanation of Salaries variance
Employee Benefits		7,981	(7,981)	See explanation of Salaries variance
Savings & Retirement		5,701	(5,701)	See explanation of Salaries variance
Total Personnel Expenses	<u>-</u>	<u>57,010</u>	<u>(57,010)</u>	
Meeting Expenses				
Meetings			-	
Travel			-	
Conference Calls			-	
Total Meeting Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Operating Expenses				
Rent & Improvements		1,500	(1,500)	
Contracts			-	
Consultants		10,000	(10,000)	
Office Costs		4,433	(4,433)	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Total Operating Expenses	<u>-</u>	<u>15,933</u>	<u>(15,933)</u>	
Indirect Expense			-	
Total Expenses	<u>-</u>	<u>72,943</u>	<u>(72,943)</u>	
Net Change in Assets	<u>72,943</u>	<u>-</u>	<u>72,943</u>	

**Southwest Power Pool**  
**2007 Statement of Activities**  
**Non-Statutory Only**  
*Preliminary and Unaudited*

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments			-	
Membership Fees & Non-Stat Assessments	57,209,000	54,843,000	2,366,000	
Testing			-	
Services & Software			-	
Interest	1,361,679	1,242,000	119,679	
Misc.	19,331,000	18,011,000	1,320,000	
Total Funding	<u>77,901,679</u>	<u>74,096,000</u>	<u>3,805,679</u>	
Expenses				
Personnel Expenses				
Salaries	24,975,350	26,092,905	(1,117,555)	
Payroll Taxes	1,678,848	1,746,229	(67,381)	
Employee Benefits	3,444,056	3,448,442	(4,386)	Includes continuing education
Savings & Retirement	3,823,280	3,879,749	(56,469)	
Total Personnel Expenses	<u>33,921,534</u>	<u>35,167,325</u>	<u>(1,245,791)</u>	
Meeting Expenses				
Meetings	458,760	514,750	(55,990)	
Travel	1,038,154	1,076,000	(37,846)	
Conference Calls	2,213,000	2,629,000	(416,000)	Contains all communications expense
Total Meeting Expenses	<u>3,709,914</u>	<u>4,219,750</u>	<u>(509,836)</u>	
Operating Expenses				
Rent & Improvements	883,000	861,550	21,450	
Contracts	-	-	-	
Consultants	14,947,501	12,553,034	2,394,467	Includes Consulting, Prof Svcs and RSC
Office Costs	5,554,356	5,105,815	448,541	Includes Interest Expense
Professional Services			-	
Computer Purchase & Maint.	3,826,000	4,551,000	(725,000)	
Furniture & Equipment	15,434,000	12,452,000	2,982,000	
Total Operating Expenses	<u>40,644,857</u>	<u>35,523,399</u>	<u>5,121,458</u>	
Indirect Expense	(2,034,406)		(2,034,406)	
Total Expenses	<u>76,241,899</u>	<u>74,910,474</u>	<u>1,331,425</u>	
Net Change in Assets	<u>1,659,780</u>	<u>(814,474)</u>	<u>2,474,254</u>	



**Southwest Power Pool**  
**2007 Statement of Activities**  
*Preliminary and Unaudited*

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments	3,176,026	3,176,026	-
Membership Fees & Non-Stat Assessments	57,209,000	54,843,000	2,366,000
Testing	-	-	-
Services & Software	-	-	-
Interest	1,380,000	1,247,000	133,000
Misc.	19,331,000	18,011,000	1,320,000
Total Funding	<u>81,096,026</u>	<u>77,277,026</u>	<u>3,819,000</u>
Expenses			
Personnel Expenses			
Salaries	25,992,500	27,291,200	(1,298,700)
Payroll Taxes	1,756,250	1,844,000	(87,750)
Employee Benefits	3,512,500	3,688,000	(175,500)
Savings & Retirement	3,863,750	4,056,800	(193,050)
Total Personnel Expenses	<u>35,125,000</u>	<u>36,880,000</u>	<u>(1,755,000)</u>
Meeting Expenses			
Meetings	562,000	963,000	(401,000)
Travel	1,094,000	1,195,000	(101,000)
Conference Calls	2,213,000	2,649,000	(436,000)
Total Meeting Expenses	<u>3,869,000</u>	<u>4,807,000</u>	<u>(938,000)</u>
Operating Expenses			
Rent & Improvements	883,000	895,000	(12,000)
Contracts	-	-	-
Consultants	15,176,000	13,256,500	1,919,500
Office Costs	5,562,000	5,190,000	372,000
Professional Services	-	-	-
Computer Purchase & Maint.	3,826,000	(50,000)	3,876,000
Furniture & Equipment	15,434,000	12,462,000	2,972,000
Total Operating Expenses	<u>40,881,000</u>	<u>31,753,500</u>	<u>9,127,500</u>
Indirect Expense	-	-	-
Total Expenses	<u>79,875,000</u>	<u>73,440,500</u>	<u>6,434,500</u>
Net Change in Assets	<u>1,221,026</u>	<u>3,836,526</u>	<u>(2,615,500)</u>



## Southwest Power Pool, Inc. Overview of Accounting for Regional Entity Activities

### Overview of Accounting System

Southwest Power Pool (SPP) uses Microsoft Dynamics GP (formerly Great Plains) as the platform for its financial accounting system. The Microsoft Dynamics GP platform provides:

- Diverse internal and external reporting capabilities: SPP reports financial information to external regulatory entities such as the Federal Energy Regulatory Commission (FERC), Arkansas Public Service Commission (APSC), and North American Electric Reliability Corporation. Additionally, SPP reports financial information to its internal staff, this information encompasses both overall corporate performance as well as department specific performance.
- Logging and tracking capability essential to meeting and evidencing compliance with SPP's internal controls.
- A fully functional fixed asset module which integrates into the general ledger eliminating the need to store fixed assets and calculated depreciation on spreadsheets.

### SPP Accounting Codes

The basic building block of a general ledger accounting system is the account code. SPP set up its system of accounts in order to record, track and report in both Generally Accepted Accounting Principles (GAAP) and FERC account code formats. An example of this format is below:

0120 - 62100-4010-9210-00

a                      b                      c

- a. This section refers to a specific SPP department or organization group. Generally, a specific manager oversees and is responsible for financial performance associated with a department. Responsibilities may include budgeting, forecasting and review of financial data. The specific code in this example would reflect items in the SPP Accounting department.
- b. This section identifies the account classification as it relates to GAAP reporting at the granular trial balance level. This 5-digit code may be an asset, liability, revenue or expense item. The specific code in this example would reflect Airfare expense items.
- c. This section identifies the proper FERC chart of accounts. The first 4-digit subsection identifies a high level account classification. The specific code (401.0) in this example would reflect Operation Expenses to FERC. The following two subsections further identify the account as required by FERC standards. The specific codes used (921.0) in this example would reflect Office Supplies and Expenses related to General and Administrative personnel. *For G&A personnel, FERC includes travel expenses in this category.*

On a monthly basis, SPP accounting personnel identifies all transaction within the general ledger system and assigns the correct accounting codes. These accounting classifications are audited on an annual basis

by independent, third-party accountants for accuracy according to GAAP. As well, annual submissions to FERC are also audited by independent accountants in compliance with FERC Form 1 requirements.

**SPP Regional Entity Accounting**

Financials associated with SPP Regional Entity statutory functions are prepared in a manual manner. Although all costs associated with the SPP RE reside on SPP's general ledger, they are not necessarily isolated by specific account numbers and departments. On a monthly basis, SPP staff performing delegated function work will identify all time and expenses related to SPP RE activities. These costs are collected and reported to internal SPP management on a monthly basis and to NERC on quarterly and annual basis through the Treasurers Report. As costs are identified, they are inserted into the Treasurers Report in the appropriate expense category, i.e. salary, benefits, travel, meetings expense, etc. An allocation of SPP overhead costs is also calculated and inserted into the Treasurers Report. This allocation is calculated using a standard rate of \$110/hour multiplied by the number of staff hours spent supporting SPP RE delegated functions. This method was explained in Attachment 10 to the December 14, 2007 budget order compliance filing.

**ATTACHMENT 10**

**2007 BUDGET VERSUS ACTUAL COST RECONCILIATION**

**FOR**

**TEXAS REGIONAL ENTITY,**

**A DIVISION OF ELECTRIC RELIABILITY COUNCIL OF TEXAS**




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## MEMORANDUM

To: Bruce E. Walenczyk, CFO NERC  
Susan Turpen, Senior Accountant, NERC

From: Larry Grimm, CCO Texas RE

Date: March 21, 2008

Re: Information due to NERC for the April 1, 2008 True-up  
Filing to the Federal Energy Regulatory Commission

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Dear Bruce,

Texas Regional Entity (Texas RE) has completed the analysis requirements to file the true-up of fiscal year 2007 statutory revenues and expenses with NERC and ultimately which will be filed with FERC on April 1, 2008. Below you will find a summary of the explanations of variance for the statutory funding received by Texas RE for 2007. The explanations are as follows:

### INCOME

- No variances.

### EXPENSES

- **Personnel Expenses** (Actual – \$1M under budget for year)
  - Salary expenses are approximately \$650K under budget due to FTE vacancies throughout the year. The budget included 22 FTEs that were fully funded throughout the year. Initial startup of mandatory compliance with Reliability Standards was originally anticipated to begin January 1, 2007. This startup was delayed until June 18<sup>th</sup> and a decision was made to delay filling these positions accordingly. Subsequently, there were also difficulties in hiring qualified technical staff and the vacancy rate was higher than planned.
  - Payroll taxes are a function of the salary expense and are \$66K below budget. As the FTEs have been lower than planned, so too is the expense.
  - Employee benefits were planned at full staff and assumed the highest possible benefit plan selection by employees. Actual results of benefit selection and vacancies in staffing have caused the expense in this category to be lower than planned by \$218K
  - Savings and Retirement is a function of salary expense as well as FTE participation. As FTEs are less than planned, so too is the expense by \$117K.
- **Meetings** (Actual – \$4K under budget for year)
  - Seminar registration fees classified as refund of expenditures. Negative activity reflective of cost recovery greater than expenses. This was in support of the Operations Training Seminar conducted in April 2007.

- **Travel** (Actual – \$29K under budget for year)
  - Budget assumed full staffing and hiring delays have decreased expenditures. Additionally, particular emphasis was placed on controlling and limiting travel whenever possible.
- **Conference Calls** (Actual – \$9K under budget for year)
  - No conference calls were initiated by Texas RE staff. However, staff did participate on NERC initiated conference calls and calls between the Regional Entities.
- **Consultants** (Actual – \$102K under budget for year)
  - The budget included consulting expenses for contract administration (legal) to support the TexasRE; however this expense was not incurred under consulting, but rather, more appropriately under professional services (see below).
- **Office Costs** (Actual – \$25K under budget for year)
  - Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead by the Texas RE and leased space was acquired at a reduced cost from ERCOT. Included in the lease cost is office equipment, telephone, internet, IT connectivity, etc.
- **Professional Services** (Actual – \$7K above budget for year)
  - Legal expenses to address Delegation Agreement and Entity Registration issues have been on target with expectations. The total expense incurred for legal services was \$206K, resulting in a favorable variance of \$4K.
  - There have been some charges, totaling \$21K related to recruiting which were unanticipated; offset by under spending for commercial insurance and accounting fees.
  - The previous report to NERC reflected a project cost of \$83K that was later determined to be a non-statutory project. The expenses associated with that project have been reclassified to non-statutory expenses and cash has been returned.
- **Computer Purchase & Maint.** (Actual – \$1.7M under budget for year)
  - Budget included \$1.4M in software development projects which some have been delayed and/or cancelled. After a more detailed review of these proposed projects, it was determined that similar results could be achieved through less costly mechanisms. Additionally, the budget assumed complete autonomy which required initial computer equipment costs; however, IT equipment is currently provided through ERCOT and is included in the IT allocation received based on number of users.
- **Miscellaneous** (Actual – \$350K under budget for year))
  - Original budget established a contingency reserve of \$350K within this category. Because annual expenditures are significantly below original budget, the contingency was not utilized.

Texas RE does not budget for or record expenses to Committee and Member Forums and/or the Human Resources functions.



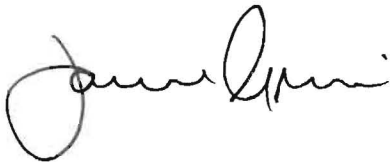
We have noted a reclassification that needed to be done while preparing our true-up of expenses that was recorded to the statutory funding pool. 2007 total statutory expenses reported to NERC in January, 2008 were \$83K higher than this filing. Specifically, there was an amount reflected under professional services and has since been reclassified to non-statutory expenses. We had undertaken a project to facilitate an analysis function by Texas RE and ERCOT after low frequency events which allows us to quickly and easily analyze the performance of Qualified Scheduling Entities, Resources, and Loads Acting as Resources. This project was originally assigned to the statutory funding pool. In reviewing the transactions associated with this project and the resulting analysis, it was determined to be a non-statutory protocol project. We made this determination in early February, upon learning of this; we immediately reclassified the expense to the appropriate non-statutory account code (and returned funds back to the statutory funding pool).

As you may be aware, there was a gap of time when we did not have a dedicated financial analyst on staff. We now have a full-time analyst dedicated to our operation and the normal monthly function of the analyst will be to consistently prepare analyses to ensure that these types of transactions will be scrutinized and recorded to the appropriate funding stream.

Additionally, regarding records retention, Texas RE has adopted NERC's Record Retention Policy which is to be effective April 1, 2008, with the exception of employment applications for candidates not hired. These records have a retention period of one year.

As you are reviewing the enclosed analysis and supporting documentation, please do not hesitate to contact me at 512.225.7025 or our Senior Financial Analyst, Todd Brewer at 512.225.7031 with questions or concerns.

Best Regards,



Larry Grimm,  
Chief Compliance Officer  
Texas Regional Entity

**TEXAS REGIONAL ENTITY**  
**2007 Statement of Activities**  
**Summary**  
**Statutory Only**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments	4,870,755	4,870,755	-
Membership Fees & Non-Stat Assessments	-	-	-
Testing	-	-	-
Services & Software	-	-	-
Interest	-	-	-
Misc.	-	-	-
Total Funding	<u>4,870,755</u>	<u>4,870,755</u>	<u>-</u>
Expenses			
Personnel Expenses			
Salaries	833,266	1,481,500	(648,234)
Payroll Taxes	61,585	127,557	(65,972)
Employee Benefits	112,200	330,198	(217,998)
Savings & Retirement	108,141	225,631	(117,490)
Total Personnel Expenses	<u>1,115,192</u>	<u>2,164,886</u>	<u>(1,049,694)</u>
Meeting Expenses			
Meetings	(1,714)	2,400	(4,114)
Travel	36,992	66,269	(29,277)
Conference Calls	-	9,400	(9,400)
Total Meeting Expenses	<u>35,278</u>	<u>78,069</u>	<u>(42,791)</u>
Operating Expenses			
Rent & Improvements	73,917	77,500	(3,583)
Contracts	-	-	-
Consultants	8,281	110,000	(101,719)
Office Costs	41,237	65,900	(24,663)
Professional Services	227,450	220,000	7,450
Computer Purchase & Maint.	117,379	1,804,400	(1,687,021)
Furniture & Equipment	-	-	-
Miscellaneous	-	350,000	(350,000)
Total Operating Expenses	<u>468,264</u>	<u>2,627,800</u>	<u>(2,159,536)</u>
Total Expenses	<u>1,618,734</u>	<u>4,870,755</u>	<u>(3,252,021)</u>
Net Change in Assets	<u>3,252,021</u>	<u>-</u>	<u>3,252,021</u>



**TEXAS REGIONAL ENTITY**  
**2007 Statement of Activities**  
**Reliability Standards**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	288,757	288,757	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>288,757</u>	<u>288,757</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	78,413	160,000	(81,587)	2 FTEs were budgeted to work on reliability standards. Only 1 FTE worked on standards for 2007.
Payroll Taxes	5,797	13,776	(7,979)	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	10,168	44,286	(34,118)	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	10,279	24,368	(14,089)	Savings and Retirement is a function of salary expense as well as FTE participation. As FTEs are less than planned, so too is the expense.
Total Personnel Expenses	<u>104,657</u>	<u>242,430</u>	<u>(137,773)</u>	
Meeting Expenses				
Meetings		600	(600)	Specific meeting charges were not incurred in this function code. Plan allowed for the possibility of meeting coordination and attendance.
Travel	3,380	7,927	(4,547)	Travel was budgeted to accommodate 2 FTEs travel. As only 1 FTE was employed working on standards, a positive variance is recognized.
Conference Calls	-	800	(800)	No conference calls were initiated by Texas RE staff. However, staff did participate on NERC initiated conference calls and calls between the Regional Entities.
Total Meeting Expenses	<u>3,380</u>	<u>9,327</u>	<u>(5,947)</u>	
Operating Expenses				
Rent & Improvements		8,000	(8,000)	Rent was actually incurred for the entire TRE under the General & Administration function and was an allocation of expense based on rentable square feet per employee. In the budget, it was assumed to be allocated to each functional category. In aggregate the expenses were less than planned on a consolidated
Contracts			-	
Consultants		10,000	(10,000)	The budget included consulting expenses for contract administration (legal)-none were incurred in this function code.
Office Costs		6,500	(6,500)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead by the Texas RE. Included in this category is the lease cost of office equipment, telephone, internet, IT connectivity, etc. This category also includes expenses related to office supplies, shipping, postage, printing and stationary costs (actual costs were all less than budgeted).
Professional Services			-	The expenses were recorded under the General & Administrative function code.
Computer Purchase & Maint.	689	12,500	(11,811)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead. The Texas RE receives its computers and depreciable items from ERCOT. However, MS Project was procured in 2007.
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>689</u>	<u>37,000</u>	<u>(36,311)</u>	
Total Expenses	<u>108,726</u>	<u>288,757</u>	<u>(180,031)</u>	
Net Change in Assets	<u>180,031</u>	<u>-</u>	<u>180,031</u>	

**TEXAS REGIONAL ENTITY**  
**2007 Statement of Activities**  
**Compliance and Organization Registration and Certification**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	1,180,655	1,180,655	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>1,180,655</u>	<u>1,180,655</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	586,201	646,500	(60,299)	
Payroll Taxes	43,749	55,664	(11,915)	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	78,857	159,431	(80,574)	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	75,738	98,462	(22,724)	Savings and Retirement is a function of salary expense as well as FTE participation. As FTEs are less than planned, so too is the expense.
Total Personnel Expenses	<u>784,545</u>	<u>960,057</u>	<u>(175,512)</u>	
Meeting Expenses				
Meetings		1,800	(1,800)	Specific meeting charges were not incurred in this function code. Plan allowed for the possibility of meeting coordination and attendance.
Travel	27,718	40,848	(13,130)	Travel incurred in direct support of the audits. Where possible, travel efficiencies were maximized, resulting in the positive variance.
Conference Calls		6,000	(6,000)	No conference calls were initiated by Texas RE staff. However, staff did participate on NERC initiated conference calls and calls between the Regional Entities.
Total Meeting Expenses	<u>27,718</u>	<u>48,648</u>	<u>(20,930)</u>	
Operating Expenses				
Rent & Improvements		35,000	(35,000)	Rent was actually incurred for the entire TRE under the General & Administration function and was an allocation of expense based on rentable square feet per employee. In the budget, it was assumed to be allocated to each functional category. In aggregate the expenses were less than planned on a consolidated basis.
Contracts			-	
Consultants		50,000	(50,000)	The budget included consulting expenses for contract administration (legal) to support the TexasRE; however this expense was not incurred under consulting, but rather, professional services (see below).
Office Costs		28,950	(28,950)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead by the Texas RE. Included in this category is the lease cost of office equipment, telephone, internet, IT connectivity, etc. This category also includes expenses related to office supplies, shipping, postage, printing and stationary costs (actual costs were all less than budgeted). The expenses were recorded under the General & Administrative function code.
Professional Services	134,667		134,667	Primarily related to legal expenses incurred in support of registration disputes and delegation agreement modifications. As bills were received they were reviewed and coded to the respective benefiting functional category.
Computer Purchase & Maint.	23,613	58,000	(34,387)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead. The Texas RE receives its computers and depreciable items from ERCOT. Additionally, the Voltage/Reactive Compliance Management and Outage Coordination Statistical Report projects were both significantly under budget.
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>158,280</u>	<u>171,950</u>	<u>(13,670)</u>	
Total Expenses	<u>970,543</u>	<u>1,180,655</u>	<u>(210,112)</u>	
Net Change in Assets	<u>210,112</u>	<u>-</u>	<u>210,112</u>	

**TEXAS REGIONAL ENTITY**  
**2007 Statement of Activities**  
**Reliability Readiness Audit and Improvement**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments			-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	20,407		20,407	Salary and related expenses associated with the follow-up related to the readiness audits of CenterPoint, TXU, and ERCOT ISO as charged through time-tracking.
Payroll Taxes	1,227		1,227	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses.
Employee Benefits	2,551		2,551	Benefits are a function of the number of FTEs and the benefit plans selected by employees and salary expense.
Savings & Retirement	2,504		2,504	Savings and retirement are a function of the number of FTEs and the plans selected by employees and salary expense.
Total Personnel Expenses	<u>26,689</u>	-	<u>26,689</u>	
Meeting Expenses				
Meetings			-	
Travel			-	
Conference Calls			-	
Total Meeting Expenses	-	-	-	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants			-	
Office Costs			-	
Professional Services			-	
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	-	-	-	
Total Expenses	<u>26,689</u>	-	<u>26,689</u>	
Net Change in Assets	<u>(26,689)</u>	-	<u>(26,689)</u>	

**NOTE:** The budget for the reliability readiness audit was incorporated within the Compliance Enforcement and Organization Registration and Certification Program section of the business plan. For 2007, there was not a segregated track record of expenses to be incurred included in the final business plan. However, as expenses were incurred, those items that could be specifically traced back to reliability readiness were recorded under that function code.

**TEXAS REGIONAL ENTITY**  
**2007 Statement of Activities**  
**Reliability Assessment and Performance Analysis**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	312,761	312,761	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>312,761</u>	<u>312,761</u>	<u>-</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
				Because of limited staff in Texas RE, staff were used to supplement and support the compliance function. Studies and actual preparation of the reliability assessments were conducted by the ERCOT ISO with input from appropriate stakeholders. The Texas RE reviewed these assessments and ensured this function was performed in accordance with the requirements and on schedule.
Salaries	7,389	168,750	(161,361)	
Payroll Taxes	517	14,529	(14,012)	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	1,306	45,683	(44,377)	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	555	25,700	(25,145)	Savings and Retirement is a function of salary expense as well as FTE participation. As FTEs are less than planned, so too is the expense.
<b>Total Personnel Expenses</b>	<u>9,767</u>	<u>254,662</u>	<u>(244,895)</u>	
<b>Meeting Expenses</b>				
Meetings		-	-	
Travel	1,995	3,774	(1,779)	Travel was based on full staff for the year. Due to vacancies in staffing as well as working of other NERC functional activities, the expenses were less than planned.
Conference Calls		800	(800)	No conference calls were initiated by Texas RE staff. However, staff did participate on NERC initiated conference calls and calls between the Regional Entities.
<b>Total Meeting Expenses</b>	<u>1,995</u>	<u>4,574</u>	<u>(2,579)</u>	
<b>Operating Expenses</b>				
Rent & Improvements		12,000	(12,000)	Rent was actually incurred for the entire TRE under the General & Administration function and was an allocation of expense based on rentable square feet per employee. In the budget, it was assumed to be allocated to each functional category. In aggregate the expenses were less than planned on a consolidated basis.
Contracts			-	
Consultants		15,000	(15,000)	The budget included consulting expenses for contract administration (legal)-none were incurred in this function code.
Office Costs		8,775	(8,775)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead by the Texas RE. Included in this category is the lease cost of office equipment, telephone, internet, IT connectivity, etc. This category also includes expenses related to office supplies, shipping, postage, printing and stationary costs (actual costs were all less than budgeted). The expenses were recorded under the General & Administrative function code.
Professional Services			-	
Computer Purchase & Maint.	32	17,750	(17,718)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead. The Texas RE receives its computers and depreciable items from ERCOT.
Furniture & Equipment			-	
Miscellaneous			-	
<b>Total Operating Expenses</b>	<u>32</u>	<u>53,525</u>	<u>(53,493)</u>	
<b>Total Expenses</b>	<u>11,795</u>	<u>312,761</u>	<u>(300,966)</u>	
<b>Net Change in Assets</b>	<u>300,966</u>	<u>-</u>	<u>300,966</u>	

**TEXAS REGIONAL ENTITY**  
**2007 Statement of Activities**  
**Training and Education**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	-			
Membership Fees & Non-Stat Assessments	-			
Testing	-			
Services & Software	-			
Interest	-			
Misc.	-			
Total Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	25,101	-	25,101	Operations Training Seminar was conducted in April 2007. Time-tracking was utilized to develop an allocation of salary and related expenses.
Payroll Taxes	1,922	-	1,922	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	2,557	-	2,557	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	3,362	-	3,362	Savings and Retirement is a function of salary expense as well as FTE participation. As FTEs are less than planned, so too is the expense.
Total Personnel Expenses	<u>32,942</u>	<u>-</u>	<u>32,942</u>	
Meeting Expenses				
Meetings	(1,714)	-	(1,714)	Operations Training Seminar conducted in April was over-recovered. In essence, the cost of the seminar was lower than the reimbursements from attendees.
Travel	-	-	-	
Conference Calls	-	-	-	
Total Meeting Expenses	<u>(1,714)</u>	<u>-</u>	<u>(1,714)</u>	
Operating Expenses				
Rent & Improvements	-			
Contracts	-			
Consultants	-			
Office Costs	-			
Professional Services	-			
Computer Purchase & Maint.	-			
Furniture & Equipment	-			
Miscellaneous	-			
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses	<u>31,228</u>	<u>-</u>	<u>31,228</u>	
Net Change in Assets	<u>(31,228)</u>	<u>-</u>	<u>(31,228)</u>	

**TEXAS REGIONAL ENTITY**  
**2007 Statement of Activities**  
**Situational Awareness and Infrastructure Security**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	108,032	108,032	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>108,032</u>	<u>108,032</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	3,857	56,250	(52,393)	The budget included .5 FTE of labor, but limited support was needed to coordinate Infrastructure Security. Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Payroll Taxes	305	4,843	(4,538)	
Employee Benefits	365	8,978	(8,613)	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	520	8,566	(8,046)	Savings and Retirement is a function of salary expense as well as FTE participation. As FTEs are less than planned, so too is the expense.
Total Personnel Expenses	<u>5,047</u>	<u>78,637</u>	<u>(73,590)</u>	
Meeting Expenses				
Meetings		-	-	
Travel		4,070	(4,070)	A travel budget was established for the .5 FTE, however, since coverage was provided by existing staff, the travel expenses were not incurred.
Conference Calls		800	(800)	No conference calls were initiated by Texas RE staff. However, staff did participate on NERC initiated conference calls and calls between the Regional Entities.
Total Meeting Expenses	<u>-</u>	<u>4,870</u>	<u>(4,870)</u>	
Operating Expenses				
Rent & Improvements		3,500	(3,500)	Rent was actually incurred for the entire TRE under the General & Administration function and was an allocation of expense based on rentable square feet per employee. In the budget, it was assumed to be allocated to each functional category. In aggregate the expenses were less than planned on a consolidated basis.
Contracts			-	
Consultants		10,000	(10,000)	The budget included consulting expenses for contract administration (legal)-none were incurred in this function code.
Office Costs		3,775	(3,775)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead by the Texas RE. Included in this category is the lease cost of office equipment, telephone, internet, IT connectivity, etc. This category also includes expenses related to office supplies, shipping, postage, printing and stationary costs (actual costs were all less than budgeted). The expenses were recorded under the General & Administrative function code.
Professional Services			-	
Computer Purchase & Maint.		7,250	(7,250)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead. The Texas RE receives its computers and depreciable items from ERCOT.
Furniture & Equipment			-	
Miscellaneous			-	
Total Operating Expenses	<u>-</u>	<u>24,525</u>	<u>(24,525)</u>	
Total Expenses	<u>5,047</u>	<u>108,032</u>	<u>(102,985)</u>	
Net Change in Assets	<u>102,985</u>	<u>-</u>	<u>102,985</u>	

**TEXAS REGIONAL ENTITY**  
**2007 Statement of Activities**  
**General and Administrative**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	700,113	700,113	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>700,113</u>	<u>700,113</u>	<u>-</u>	
Expenses				
Personnel Expenses				
				Salary & Related expenses were tracked to the functional category and recorded to the respective NERC category codes. When based on time-tracking, expenses are not allocable to specific compliance activities, then cost is recorded to G&A.
Salaries	56,467	225,000	(168,533)	
Payroll Taxes	4,379	19,372	(14,993)	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	9,037	35,910	(26,873)	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	7,802	34,268	(26,466)	Savings and Retirement is a function of salary expense as well as FTE participation. As FTEs are less than planned, so too is the expense.
Total Personnel Expenses	<u>77,685</u>	<u>314,550</u>	<u>(236,865)</u>	
Meeting Expenses				
Meetings		-	-	
Travel	1,718	7,263	(5,545)	Expenditures were recorded to compliance activities as incurred. Those expenses that were not attributable to a specific functional category were recorded under G&A. Plan assumed a much higher expense pattern.
Conference Calls		500	(500)	No conference calls were initiated by Texas RE staff. However, staff did participate on NERC initiated conference calls and calls between the Regional Entities.
Total Meeting Expenses	<u>1,718</u>	<u>7,763</u>	<u>(6,045)</u>	
Operating Expenses				
Rent & Improvements	73,917	8,000	65,917	Rent was actually incurred for the entire TRE under the General & Administration function and was an allocation of expense based on rentable square feet per employee. In the budget, it was assumed to be allocated to each functional category. In aggregate the expenses were less than planned on a consolidated basis.
Contracts			-	
Consultants			-	
Office Costs	41,237	6,200	35,037	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead by the Texas RE. Included in this category is the lease cost of office equipment, telephone, internet, IT connectivity, etc. This category also includes expenses related to office supplies, shipping, postage, printing and stationary costs (actual costs were all less than budgeted). The expenses were recorded under the General & Administrative function code.
Professional Services	-		-	
Computer Purchase & Maint. Furniture & Equipment		13,600	(13,600)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead. The Texas RE receives its computers and depreciable items from ERCOT.
Miscellaneous	-	350,000	(350,000)	Original budget established a contingency reserve of \$350K within this category. Because annual expenditures are significantly below original budget, the contingency will not be utilized.
Total Operating Expenses	<u>115,154</u>	<u>377,800</u>	<u>(262,646)</u>	
Total Expenses	<u>194,557</u>	<u>700,113</u>	<u>(505,556)</u>	
Net Change in Assets	<u>505,556</u>	<u>-</u>	<u>505,556</u>	

**TEXAS REGIONAL ENTITY**  
**2007 Statement of Activities**  
**Legal and Regulatory**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	241,430	241,430	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>241,430</u>	<u>241,430</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	4,877	90,000	(85,123)	1 FTE was budgeted for the year. The TRE Director of Legal Affairs was not hired until mid-December.
Payroll Taxes	267	7,749	(7,482)	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	706	14,364	(13,658)	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	564	13,707	(13,143)	Savings and Retirement is a function of salary expense as well as FTE participation. As FTEs are less than planned, so too is the expense.
Total Personnel Expenses	<u>6,414</u>	<u>125,820</u>	<u>(119,406)</u>	
Meeting Expenses				
Meetings		-	-	
Travel		2,035	(2,035)	Due to vacancy in position, travel was not incurred to plan.
Conference Calls		500	(500)	No conference calls were initiated by Texas RE staff. However, staff did participate on NERC initiated conference calls and calls between the Regional Entities.
Total Meeting Expenses	<u>-</u>	<u>2,535</u>	<u>(2,535)</u>	
Operating Expenses				
Rent & Improvements		3,500	(3,500)	Rent was actually incurred for the entire TRE under the General & Administration function and was an allocation of expense based on rentable square feet per employee. In the budget, it was assumed to be allocated to each functional category. In aggregate the expenses were less than planned on a consolidated basis.
Contracts		-	-	
Consultants		-	-	
Office Costs		3,325	(3,325)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead by the Texas RE. Included in this category is the lease cost of office equipment, telephone, internet, IT connectivity, etc. This category also includes expenses related to office supplies, shipping, postage, printing and stationary costs (actual costs were all less than budgeted). The expenses were recorded under the General & Administrative function code.
Professional Services	92,783	100,000	(7,217)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead. The Texas RE receives its computers and depreciable items from
Computer Purchase & Maint.		6,250	(6,250)	
Furniture & Equipment		-	-	
Miscellaneous		-	-	
Total Operating Expenses	<u>92,783</u>	<u>113,075</u>	<u>(20,292)</u>	
Total Expenses	<u>99,197</u>	<u>241,430</u>	<u>(142,233)</u>	
Net Change in Assets	<u>142,233</u>	<u>-</u>	<u>142,233</u>	



**TEXAS REGIONAL ENTITY**  
**2007 Statement of Activities**  
**Information Technology**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	1,799,400	1,799,400	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>1,799,400</u>	<u>1,799,400</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	20,892	67,500	(46,608)	1 FTE was budgeted for the year, however the position was not filled until September.
Payroll Taxes	1,244	5,812	(4,568)	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	2,404	10,773	(8,369)	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	2,920	10,280	(7,360)	Savings and Retirement is a function of salary expense as well as FTE participation. As FTEs are less than planned, so too is the expense.
Total Personnel Expenses	<u>27,460</u>	<u>94,365</u>	<u>(66,905)</u>	
Meeting Expenses				
Meetings			-	
Travel	287	160	127	Plan was an estimate of anticipated usage. The difference is related to the specific cost of seminar registration.
Conference Calls			-	
Total Meeting Expenses	<u>287</u>	<u>160</u>	<u>127</u>	
Operating Expenses				
Rent & Improvements		3,500	(3,500)	Rent was actually incurred for the entire TRE under the General & Administration function and was an allocation of expense based on rentable square feet per employee. In the budget, it was assumed to be allocated to each functional category. In aggregate the expenses were less than planned on a consolidated basis.
Contracts		-	-	
Consultants	8,281	25,000	(16,719)	The budget included consulting expenses for contract administration (legal) to support the TexasRE. This item relates to the development of the Texasre.org website. It was originally budgeted under computer purchases and maintenance, but these expenses are more appropriately chargeable to consulting due to the nature of expense.
Office Costs		3,125	(3,125)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead by the Texas RE. Included in this category is the lease cost of office equipment, telephone, internet, IT connectivity, etc. This category also includes expenses related to office supplies, shipping, postage, printing and stationary costs (actual costs were all less than budgeted). The expenses were recorded under the General & Administrative function code.
Professional Services		-	-	
Computer Purchase & Maint.	93,045	1,673,250	(1,580,205)	Primarily related to the lower than anticipate cost for capital projects, such as: Performance Monitoring, Database Automation, Voltage Compliance Management, Unit Testing and Outage Coordination Statistical Reports all of which were not incurred to plan.
Furniture & Equipment		-	-	
Miscellaneous		-	-	
Total Operating Expenses	<u>101,326</u>	<u>1,704,875</u>	<u>(1,603,549)</u>	
Total Expenses	<u>129,073</u>	<u>1,799,400</u>	<u>(1,670,327)</u>	
Net Change in Assets	<u>1,670,327</u>	<u>-</u>	<u>1,670,327</u>	

**TEXAS REGIONAL ENTITY**  
**2007 Statement of Activities**  
**Accounting and Finance**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	239,607	239,607	-	
Membership Fees & Non-Stat Assessments		-	-	
Testing		-	-	
Services & Software		-	-	
Interest		-	-	
Misc.		-	-	
Total Funding	<u>239,607</u>	<u>239,607</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	29,662	67,500	(37,838)	1 FTE budgeted, the Sr. Financial Analyst was employed for only 5 months of 2007.
Payroll Taxes	2,178	5,812	(3,634)	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	4,249	10,773	(6,524)	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	3,897	10,280	(6,383)	Savings and Retirement is a function of salary expense as well as FTE participation. As FTEs are less than planned, so too is the expense.
Total Personnel Expenses	<u>39,986</u>	<u>94,365</u>	<u>(54,379)</u>	
Meeting Expenses				
Meetings		-	-	
Travel	1,894	192	1,702	Expenses incurred to attend REBG meetings has trended higher than the original budget expectation.
Conference Calls		-	-	
Total Meeting Expenses	<u>1,894</u>	<u>192</u>	<u>1,702</u>	
Operating Expenses				
Rent & Improvements		4,000	(4,000)	Rent was actually incurred for the entire TRE under the General & Administration function and was an allocation of expense based on rentable square feet per employee. In the budget, it was assumed to be allocated to each functional category. In aggregate the expenses were less than planned on a consolidated
Contracts		-	-	
Consultants		-	-	
Office Costs		5,250	(5,250)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead by the Texas RE. Included in this category is the lease cost of office equipment, telephone, internet, IT connectivity, etc. This category also includes expenses related to office supplies, shipping, postage, printing and stationary costs (actual costs were all less than budgeted). The expenses were recorded under the General & Administrative function code.
Professional Services		120,000	(120,000)	The budget included an estimated cost of \$75K for insurance products designed to mitigate the risks of a structurally separate Texas RE; however the Texas RE functionally separate model allows coverage under the ERCOT ISO's policies. Additionally, the budget included \$45K for a financial statement audit, which has not been incurred.
Computer Purchase & Maint.		15,800	(15,800)	Budget assumed complete autonomy through structural separation from the ERCOT ISO. A functional separation model was adopted instead. The Texas RE receives its computers and depreciable items from ERCOT.
Furniture & Equipment		-	-	
Miscellaneous		-	-	
Total Operating Expenses	<u>-</u>	<u>145,050</u>	<u>(145,050)</u>	
Total Expenses	<u>41,880</u>	<u>239,607</u>	<u>(197,727)</u>	
Net Change in Assets	<u>197,727</u>	<u>-</u>	<u>197,727</u>	

**TEXAS REGIONAL ENTITY**  
**2007 Statement of Activities**  
**Non-Statutory Only**

*(In Whole Dollars)*

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments			-
Membership Fees & Non-Stat Assessments	643,464	643,464	-
Testing			-
Services & Software			-
Interest			-
Misc.			-
Total Funding	<u>643,464</u>	<u>643,464</u>	<u>-</u>
Expenses			
Personnel Expenses			
Salaries	323,188	375,500	(52,312)
Payroll Taxes	21,018	32,331	(11,313)
Employee Benefits	16,541	59,930	(43,389)
Savings & Retirement	26,928	57,189	(30,261)
Total Personnel Expenses	<u>387,675</u>	<u>524,950</u>	<u>(137,275)</u>
Meeting Expenses			
Meetings		-	-
Travel	4,913	17,790	(12,877)
Conference Calls	-	1,000	(1,000)
Total Meeting Expenses	<u>4,913</u>	<u>18,790</u>	<u>(13,877)</u>
Operating Expenses			
Rent & Improvements	22,617	21,500	1,117
Contracts			-
Consultants		5,000	(5,000)
Office Costs	21,006	19,125	1,882
Professional Services	7,269	12,000	(4,731)
Computer Purchase & Maint.	100,150	42,100	58,051
Furniture & Equipment		-	-
Miscellaneous	-		-
Total Operating Expenses	<u>151,042</u>	<u>99,724</u>	<u>51,318</u>
Total Expenses	<u>543,630</u>	<u>643,464</u>	<u>(99,834)</u>
Net Change in Assets	<u>99,834</u>	<u>-</u>	<u>99,834</u>

**TEXAS REGIONAL ENTITY**  
**2007 Statement of Activities**  
**Summary**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments	4,870,755	4,870,755	-
Membership Fees & Non-Stat Assessments	643,464	643,464	-
Testing	-	-	-
Services & Software	-	-	-
Interest	-	-	-
Misc.	-	-	-
Total Funding	<u>5,514,219</u>	<u>5,514,219</u>	<u>-</u>
Expenses			
Personnel Expenses			
Salaries	1,156,454	1,857,000	(700,546)
Payroll Taxes	82,603	159,888	(77,285)
Employee Benefits	128,741	390,128	(261,387)
Savings & Retirement	135,069	282,820	(147,751)
Total Personnel Expenses	<u>1,502,867</u>	<u>2,689,836</u>	<u>(1,186,969)</u>
Meeting Expenses			
Meetings	(1,714)	2,400	(4,114)
Travel	41,905	84,059	(42,154)
Conference Calls	-	10,400	(10,400)
Total Meeting Expenses	<u>40,191</u>	<u>96,859</u>	<u>(56,668)</u>
Operating Expenses			
Rent & Improvements	96,534	99,000	(2,466)
Contracts	-	-	-
Consultants	8,281	115,000	(106,719)
Office Costs	62,243	85,025	(22,782)
Professional Services	234,719	232,000	2,719
Computer Purchase & Maint.	217,529	1,846,500	(1,628,970)
Furniture & Equipment	-	-	-
Miscellaneous	-	350,000	(350,000)
Total Operating Expenses	<u>619,306</u>	<u>2,727,524</u>	<u>(2,108,218)</u>
Total Expenses	<u>2,162,364</u>	<u>5,514,219</u>	<u>(3,351,855)</u>
Net Change in Assets	<u>3,351,855</u>	<u>-</u>	<u>3,351,855</u>

**Accounting for Income, Time and Expenses to Appropriate Activity Codes**

**Narrative/Overview**

Texas Regional Entity (Texas RE) receives an operating and capital budget each fiscal year that has been approved and adopted by NERC and ultimately, FERC. One significant NERC requirement is the need to report accurate financial information in a consistent format that will be easily aggregated by NERC for submission to FERC. To accurately account for all income, time and labor, it is important that we utilize a consistent set of account codes, department codes and activity codes. A description of the codes is presented in the respective section heading below. Judgment is often required when making an assessment of where time and expense should be recorded. As questions arise, it is imperative that you discuss any such questions with your manager and/or Texas RE finance point-of-contact.

Finally, this guidance document has been expressly created to identify appropriate methods of accounting for income, time and costs to ensure that Federal/statutory expenses are accounted for separately from Protocol/non-statutory income, time and expense. By utilizing this document as a guide for all transactions, there is less likelihood of miscoding transactions between the two separate income streams.

**Account Codes**

The key to good financial record-keeping is the consistent and accurate application of assigning costs using a uniform chart of accounts. At present, Texas RE utilizes the ERCOT-approved chart of accounts in assigning account codes to income and expense. Below you will find a list of commonly used account codes for operating expenses (excluding salary & related expenses).

<b><u>Most Frequently Used Accounts</u></b>		
<b>Main Category</b>	<b>Account Number &amp; Name</b>	<b>Most Common Charges</b>
Dues	62040-0000-Professional Dues	Professional memberships, dues and certification expenses.
Meetings	73440-0000-Operator Training Services	Generally used to incur non-food related expenses associated with workshops and operator training. Food should be charged under Training Meals.
Computer Purchase & Maintenance	63025-0000-Hardware < \$1,000	Computer peripheral and accessories priced under \$1,000. Anything over \$1,000 will be capitalized.
	63030-0000-Software < \$1,000	Software licenses that are procured for business use that are less than \$1,000; otherwise, the expense will be capitalized.
Professional Services	65180-0000-Legal Fees	Fees incurred for outside legal counsel expenses. Should be authorized and approved by the TexasRE legal department.
	65240-0000-Recruiting	Expenses associated with employee recruitment. This might include travel, costs of advertisement, recruiting fees, etc.
	65071-0000-Prof Fees-Software Services	This account would be used to procure software packages as well as services associated with customization of software packages.
Consultant	65060-0000-Professional Fees - Operations	General consulting expenses-this account is most appropriately used for consulting services procured from individuals not corporations.

# Texas Regional Entity Time & Expense Guidelines

<b>Most Frequently Used Accounts</b>		
<b>Main Category</b>	<b>Account Number &amp; Name</b>	<b>Most Common Charges</b>
Travel	65121-0000-Business-Mileage Reimbursement	This is the mileage reimbursement for driving a personally owned vehicle on company business.
	73281-0000-Business-Meals	Meals purchased while traveling or offsite meetings with appropriate professional contacts.
	73301-0000-Business-Travel-Other	Items to be recorded here might be for such things as tips, rental cars, gas for rental cars,
	73306-0000-Business-Travel-Airfare	The cost of airline tickets procured for business related travel.
	73311-0000-Business-Travel-Lodging	This is the cost of the hotel, minus any personal charges (mini-bar, movies, personal phone calls, etc.).
	73355-0000-Business- Parking	The cost of parking services received while traveling on company business. Parking tickets are not reimburseable.
	65040-0000-Training-Registration Fees	Cost of employee attendance at professional development seminars and classes.
	65120-0000-Training-Mileage Reimbursement	This is the mileage reimbursement for driving a personally owned vehicle for corporate paid or provided training purposes.
	73280-0000-Training-Meals	Meals purchased while attending or sponsoring a training program/workshop.
	73305-0000-Training-Travel-Airfare	The cost of airline tickets procured for corporate paid, sponsored or provided training.
73310-0000-Training-Travel-Lodging	This is the cost of the hotel, minus any personal charges (mini-bar, movies, personal phone calls, etc.) while attending corporate paid, provided or sponsored training.	
73356-0000-Training- Parking	The cost of parking services received while attending corporate paid, sponsored or provided training. Parking tickets are not reimburseable.	
Office Costs	72000-0000-Postage (U.S. Postal Svc)	This is for the cost of postal stamps or meter recharging fees.
	73000-0000-Report Printing	This is a professional service copying expense, such as Kinko's, which might be used to copy and bind reports.
	73002-0000-Stationary & Forms Printing	This is a professional service printing expense, such as professional printers. Can include business cards, stationary envelopes, etc.
	65140-0000-Misc Expenses	THIS EXPENSE CATEGORY SHOULD NOT BE ACTIVELY USED.
	72001-0000-Express Shipping	This would be for USPS Express Mail, FedEx and UPS shipping of parcels and packages.
	73020-0000-Office Supplies	Generally, pens, paper, files, paperclips, binder clips, pencils, etc. Primarily ordered through OfficeMax.

The account codes depicted within the above matrix should be appropriately reflected on each invoice employees submit for payment. Additionally, approval/authorization for processing and payment should be granted by the employee using their full signature on the transmittal documents (requests, invoices, etc.), not to exceed authorization limits for pay grades.

## Texas Regional Entity Time & Expense Guidelines

### Department Codes

There are six department codes that are to be used by Texas RE in accounting for expenses. The codes are as follows:

<b>Unit/Division</b>	<b>Department #</b>	<b>Department Name</b>
Administration	701	TRE-Executive/G&A
Administration	711	TRE-Legal
Administration	713	TRE-Information Technology (IT)
Standards	720	TRE-Standards Development
Compliance	730	TRE-Compliance Review & Verification
Compliance	731	TRE-Performance Assessment & Analysis

Department codes are used in order to further compartmentalize and stratify expenses into functional groupings that are assigned to department managers. Employees should utilize their home department codes (the department where they reside for payroll purposes) when coding expenses, unless otherwise authorized by management.

Department codes will accumulate both Federal/Statutory and Protocol/Non-Statutory expenses. In order to ensure that appropriate accounting of expenses between the Federal/Statutory and Protocol/Non-Statutory functions, employees will need to utilize activity codes as described below to appropriately code all transactions.

### Activity Codes

As required by NERC, Texas RE has adopted a financial accounting system modeled on NERC's functional categories. At the Texas RE, we refer to those functional categories as **Activity Codes**. This guide is being prepared to assist each member of the Texas RE staff in making their financial activity coding decisions. This will ensure the consistent application of assigning appropriate activity codes to income, time and expense.

The Texas RE's activity code range is TRE-0300 to TRE-5800, detailed below. The activity codes, TRE-0300 through TRE-1000 are based on the NERC Rules of Procedure Categories. These activity codes directly relate to the time and expense being incurred to support those functional categories. The activity codes TRE-1100 through TRE-2500 are activity codes recommended by NERC in categorizing the other types of expenses incurred by the Texas RE to appropriate, uniform categories for consistent financial reporting to NERC. The Protocol/Non-statutory activity codes in the range TRE-5000 through TRE-5800 are to be used to capture Protocol time and expense. These categories were developed to ensure that non-NERC related expenses are segregated and accounted for separately from NERC related expenses.

A key step in identifying the appropriate activity code to use in accounting for labor and/or expenses is to understand and identify, who is the primary beneficiary of the labor or expense being incurred. Is this item for the benefit of NERC? If it is a NERC related item, employees will want to assign an appropriate activity code (between TRE-0300 and TRE-2500), defined below. If the labor or expense is not NERC related, the employee will want to use the appropriate activity code (between TRE-5000 and TRE-5800), defined below.

## Texas Regional Entity Time & Expense Guidelines

When time and expense should affect multiple activities, it will be necessary to develop an accurate basis of allocation between the activities being performed and the time and expense being recorded. In many instances, time-tracking is the most appropriate allocation method to formulate the accounting by activity code. In some instances, there may be other means of developing allocation methods based on specific metrics, such as data observations or total cost input. Total cost input relates the portion of expense to the total expense and establishes an appropriate method to allocate. Examples of this type of expense might be the monthly Office Rent; G&A related expenses, IT support expenses, etc. From a practical standpoint, most employees will utilize time-tracking, or data observations.

### **FEDERAL (Statutory) Activity Codes:**

**TRE-0300 — RELIABILITY STANDARDS DEVELOPMENT**—any work associated with NERC reliability standards, or regional reliability standards, specifically pertaining to NERC Rules of Procedure, Section 300, should be recorded to the TRE-0300 activity code.

#### **Activities:**

- Development of Reliability Standards
- Regional Entity Standards Development Procedures
- Regional Reliability Standards
- Registered Ballot Body
- Standards Committee
- Reliability Standards Annual Work Plan
- Appeals

#### **Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting

**TRE-0400 — COMPLIANCE ENFORCEMENT**—any work associated with NERC compliance audits, enforcement, or monitoring, specifically pertaining to NERC Rules of Procedure, Section 400, should be recorded to the TRE-0400 activity code.

#### **Activities:**

- Penalties, Sanctions, and Remedial Actions
- Reporting and Disclosure Process
- Appeals from Final Decisions of Regional Entities
- Self-Reporting
- Self-Certification
- Compliance Analyses

#### **Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting



## Texas Regional Entity Time & Expense Guidelines

**TRE-0401 — COMPLIANCE AUDITS**—any work associated with NERC compliance audits, enforcement, or monitoring, specifically pertaining to NERC Rules of Procedure, Section 400, specifically related to audits, should be recorded to the TRE-0400 activity code.

**Activities:**

- NERC Compliance Enforcement Program
- Regional Entity Compliance Enforcement Programs
- NERC Monitoring of Compliance for Regional Entities, Regional Reliability Organizations, or Bulk Power System Owners, Operators, or Users
- Auditing of Standards and Other Requirements Applicable to NERC

**Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting

**TRE-0500 — ORGANIZATION REGISTRATION AND CERTIFICATION**—any work associated with the registration and/or certification of organizations, specifically pertaining to NERC Rules of Procedure, Section 500, should be recorded to the TRE-0500 activity code.

**Activities:**

- Organization Registration and Certification Program
- ERO Organization Registration and Certification Program Requirements
- Regional Entity Implementation of Organization Registration and Certification Program Requirements
- Registration and Appeals

**Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting

**TRE-0600 — PERSONNEL CERTIFICATION**—any work associated with obtaining education to meet the systems operator certification and credentialing requirement as it pertains to the NERC Rules of Procedure, Section 600, should be recorded to the TRE-0600 activity code.

**Activities:**

- Scope of Personnel Certification
- Structure of ERO Personnel Certification Program
- Responsibilities to Applicants for Certification or Recertification
- Responsibilities to the Public and to Employers of Certified Practitioners

**Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting

## Texas Regional Entity Time & Expense Guidelines

**TRE-0700 — RELIABILITY READINESS EVALUATION AND IMPROVEMENT**—any work associated with readiness evaluations designed to ensure that operators of the bulk electric system have the facilities, tools, processes, and procedures in place to operate reliably under future conditions. The evaluation team may also evaluate transmission planner and transmission owner functions in concert with the evaluation of reliability coordinators, balancing authorities, and transmission operators. Specifically, work as it pertains to the NERC Rules of Procedure; Section 700 should be recorded to the TRE-0700 activity code.

### **Activities:**

- Reliability Readiness Evaluations and Improvements
- Scheduling of Readiness Evaluations
- Resources for Readiness Evaluations
- Pre-Readiness Evaluation Activities
- On-Site Activities for the Readiness Evaluation
- Preparation and Posting of the Final Report & Implementation Monitoring
- Recommendations, Follow-Up and Status Reporting

### **Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting

**TRE-0800 — RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS**—any work associated with conducting, and reporting the results of, an independent assessment of the overall reliability and adequacy of the bulk power system to NERC. Analyze off-normal events on the bulk power system. To assess past reliability performance for lessons learned, and to disseminate findings to NERC to improve reliability performance. Additionally, to develop reliability performance benchmarks. Specifically, work as it pertains to the NERC Rules of Procedure; Section 800 should be recorded to the TRE-0800 activity code.

### **Activities:**

- Reliability Assessment Reports
- Reliability Assessment Data and Information Requirements
- Reliability Assessment Process
- Scope of the Reliability Performance and Analysis Program
- Analysis of Major Events
- Analysis of Off-Normal Events and System Performance
- Reliability Benchmarking
- Information Exchange

### **Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting

## Texas Regional Entity Time & Expense Guidelines

**TRE-0900 — TRAINING AND EDUCATION**—any work associated with training and education programs for the purpose of establishing training requirements, developing materials, and developing training activities for bulk power system operating personnel including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, training personnel, and other personnel directly responsible for complying with NERC reliability standards. Specifically, as it pertains to the NERC Rules of Procedure, Section 900 should be recorded to the TRE-0900 activity code.

**Activities:**

- Training and Education Programs
- Continuing Education Programs
- Materials Development for Training
- Hosting Seminars and Workshops

**Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services
- Consulting

**TRE-1000 — SITUATION AWARENESS AND INFRASTRUCTURE SECURITY**—any work associated with infrastructure security, and security planning, specifically pertaining to NERC Rules of Procedure, Section 1000, should be recorded to the TRE-1000 activity code.

**Activities:**

- Situational Awareness
- Reliability Support Services
- Critical Infrastructure Protection

**Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services
- Consulting

**TRE-1100 — MEMBERS FORUM – Not to be used for Texas RE staff**—A Member Forum is an established body/committee that makes recommendations to NERC or NERC Committees. Any work associated with hosting a member forum, and/or attending a member forum, should be recorded to the TRE-1100 activity code.

**Activities:**

- Hosting a member forum event/meeting
- Attending a member forum event/meeting
- This does not include providing information to a member forum, as an expert in your field.

**Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses
- Professional Services/Consulting

## Texas Regional Entity Time & Expense Guidelines

**TRE-2000 — GENERAL & ADMINISTRATIVE** – The expenses of operating a business or unit, which are not directly linked to any one of the unit's services. In essence, G&A expenses are allocable to all of the services of the unit on a proportionate basis, and should be recorded to the general & administrative activity code TRE-2000. Examples of the types of expenses are as follows:

- Administrative Salaries;
- Office Rent & Facilities Costs;
- Office Supplies;
- Technology Infrastructure Costs-Connectivity, Servers, Web-services, Equipment, etc.;
- Dues & Licenses;
- Professional Fees

**TRE-2100 — EXECUTIVE** – The expenses of the Chief Compliance Officer/CEO, which are not directly linked to any one of the unit's services. Executive expenses can be a component of G&A; however, can be tracked separately under a separate activity code. The expenses are to be allocated proportionately to all of the services of the unit. The only department code authorized to charge to this activity code would be department 701. The activity code to be used is TRE-2100 and examples of expenses would be as follows:

- Executive Salary & Related-Based on Time-Tracking
- Executive Travel
- Board Support Expenses
- Consultants and Strategic Planning Expenses
- Executive Support Expenses

**TRE-2200 — LEGAL & REGULATORY** – The expenses of the unit's legal affairs department, which are not directly linked to any one of the unit's services. Legal expenses can be a component of G&A; however, can be tracked separately under a separate activity code. The expenses are to be allocated proportionately to all of the services of the unit. The activity code to be used is TRE-2200 and examples of expenses would be as follows:

- Legal Staff Salary & Related-Based on Time-Tracking
- Legal Staff Travel
- Outside Legal Fees
- Legal Support Expenses
- NERC specific depositions (time and expense)

**TRE-2201 — BOARD RELATED WORK** – The time and expense of the unit's corporate governance and board-related activities should be tracked using a distinct activity code. The expenses are to be allocated proportionately to all of the services of the unit. The activity code to be used is TRE-2201 and examples of expenses would be as follows:

- Staff Salary & Related-Based on Time-Tracking
- Staff Travel
- Outside Legal & Consulting Fees
- Support Expenses

## Texas Regional Entity Time & Expense Guidelines

**TRE-2300 — INFORMATION TECHNOLOGY** – The expenses of the unit’s IT department, which are not directly linked to any one of the unit’s services. IT expenses can be a component of G&A; however, can be tracked separately under a separate activity code. The expenses are to be allocated proportionately to all of the services of the unit. The activity code to be used is TRE-2300 and examples of expenses would be as follows:

- IT Staff Salary & Related-Based on Time-Tracking
- IT Staff Travel
- IT Consultants
- IT Support Expenses-not infrastructure

**TRE-2400 — HUMAN RESOURCES** – An activity code for expenses in support of the unit’s Human Resources needs which are not directly linked to any one of the unit’s services. HR can be a component of G&A; however, can be tracked separately under a separate activity code. The activity code to be used is TRE-2400 and examples of expenses would be as follows:

- HR Staff Salary & Related-Based on Time-Tracking
- HR Staff Travel
- Recruiting/Candidate Expenses

**TRE-2500 — FINANCE & ACCOUNTING** – The expenses of the unit’s Finance department, which are not directly linked to any one of the unit’s services. Finance expenses can be a component of G&A; however, can be tracked separately under a separate activity code. The expenses are to be allocated proportionately to all of the services of the unit. The activity code to be used is TRE-2500 and examples of expenses would be as follows:

- Finance Staff Salary & Related-Based on Time-Tracking
- Finance Staff Travel
- Auditors/Consultants
- Finance Related Consumable Expenses

### **PROTOCOL (Non-Statutory) Activity Codes:**

**TRE-5000 — PROTOCOL G&A** –Expenses not directly related to support NERC related standards as defined by the NERC Rules of Procedure. These expenses are not allocable to NERC and so are isolated from the NERC related expenses in a separate activity code, TRE-5000. This code can be used to capture expenses not specifically addressed by the other protocol activity codes. Examples of the types of expenses that are likely to be incurred are:

- Non-NERC related G&A expenses allocated based upon time-tracking (which could include salary & related, travel, rent, facilities and IT connectivity, dues & licenses as well as travel)
- PUCT specific expenses or projects incurred by departments 701 and 713

**TRE-5200—PROTOCOL LEGAL**—Non-NERC related legal expenses should be tracked and recorded separately from NERC related expenses.

#### **Activities:**

- Fee Filings
- PUCT related depositions, interactions & litigation costs, including outside counsel

#### **Potential Expense Types:**

- Salary & Related-Time Tracking
- Travel (mileage, meals, etc.)
- Outside Legal Fees

Texas Regional Entity Time & Expense Guidelines

**TRE-5300—PROTOCOL PRR & NPRR Review**—Protocol related time and expense, for such items as:

**Activities:**

- Review & Research of PRRs & NPRRs
- Communicating findings

**Potential Expense Types:**

- Salary & Related-Time Tracking

**TRE-5400—PROTOCOL COMPLIANCE OTHER**—Protocol related time and expense, for such items as:

**Activities:**

- PUCT Interactions
- Management of Protocol Compliance Projects
- Protocol Event Analysis

**Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses

**TRE-5401—PROTOCOL AUDITS**—Protocol related time and expense, for such items as:

**Activities:**

- Protocol and Guide Audit Activity
- Resource Plans Performance Metrics
- Protocol Analysis & Reporting
- Management of Protocol Assessment Projects

**Potential Expense Types:**

- Salary & Related – From Time Tracking
- Travel Expenses
- Meeting Expenses

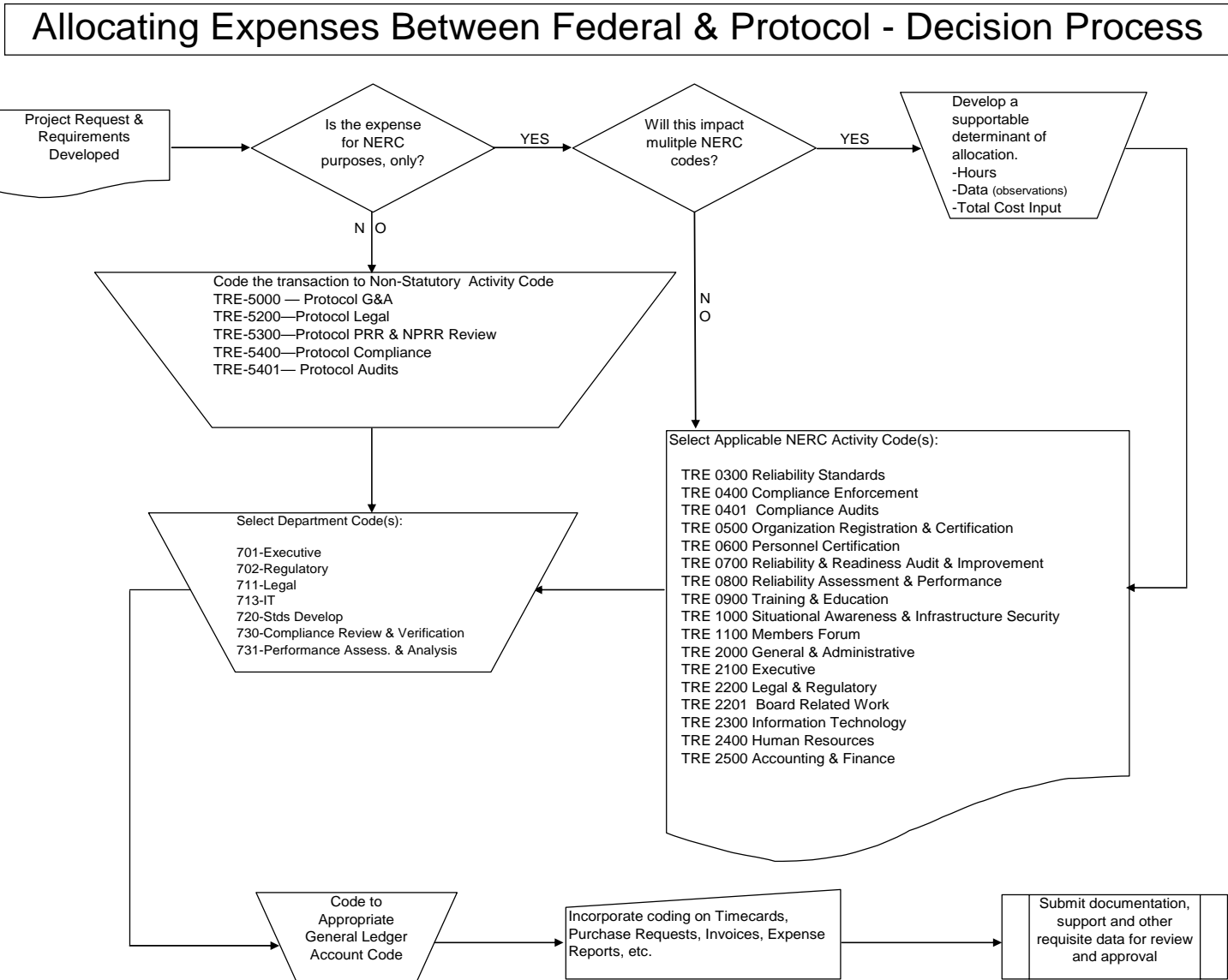
## Texas Regional Entity Time & Expense Guidelines

In order to map the Texas RE chart of accounts to the NERC chart of accounts for reporting purposes, Texas RE utilized an excel macro to accomplish the mapping. However, Texas RE now uses an internally developed database with online analysis program functionality to accomplish the mapping.

### Texas Regional Entity Chart of Accounts Related to NERC Chart of Accounts

NERC Account	ERCOT Account	ERCOT Account Name	Group Rollup	Group Name
41000	41014	41014-0000-ERCOT TRE Surcharge	0-Funding	1-Assessments
47000	42080	42080-0000-Miscellaneous Income	0-Funding	2-Workshops
51000	68000	68000-0000-Payroll - Salaries & Wages	1-Personnel Expenses	1-Salaries
51100	68020	68020-0000-Contra Labor for CIP	1-Personnel Expenses	1-Salaries
52000	71000	71000-0000-Payroll Taxes-Social Security	1-Personnel Expenses	2-Payroll Taxes
52100	71040	71040-0000-Payroll Taxes - Medicare	1-Personnel Expenses	2-Payroll Taxes
52200	71060	71060-0000-Payroll Taxes - SUI	1-Personnel Expenses	2-Payroll Taxes
52300	71020	71020-0000-Payroll Taxes - FUTA	1-Personnel Expenses	2-Payroll Taxes
54100	70010	70010-0000-Health Premiums	1-Personnel Expenses	3-Employee Benefits
54100	70020	70020-0000-Health Claims	1-Personnel Expenses	3-Employee Benefits
54100	70030	70030-0000-Dental Premiums	1-Personnel Expenses	3-Employee Benefits
54100	70050	70050-0000-Short-Term Disability	1-Personnel Expenses	3-Employee Benefits
54100	70060	70060-0000-Long-Term Care	1-Personnel Expenses	3-Employee Benefits
54200	70070	70070-0000-Life Premiums	1-Personnel Expenses	3-Employee Benefits
54400	68011	68011-0000-Vacation Pay	1-Personnel Expenses	1-Salaries
54400	68012	68012-0000-Sick Pay	1-Personnel Expenses	1-Salaries
55000	70090	70090-0000-Pension Contributions	1-Personnel Expenses	4-Saving and Retirement
55100	70080	70080-0000-401K Match	1-Personnel Expenses	4-Saving and Retirement
61000	65020	65020-0000-Sponsored Meetings	2-Travel & Meetings	1-Meetings
61100	73440	73440-0000-Operator Training Services	2-Travel & Meetings	1-Meetings
62000	65120	65120-0000-Training-Mileage Reimburseme	2-Travel & Meetings	2-Travel
62000	65121	65121-0000-Business-Mileage Reimburseme	2-Travel & Meetings	2-Travel
62000	73280	73280-0000-Training-Meals	2-Travel & Meetings	2-Travel
62000	73281	73281-0000-Business-Meals	2-Travel & Meetings	2-Travel
62000	73300	73300-0000-Travel-Other	2-Travel & Meetings	2-Travel
62000	73305	73305-0000-Taining-Travel-Airfare	2-Travel & Meetings	2-Travel
62000	73310	73310-0000-Training-Travel-Lodging	2-Travel & Meetings	2-Travel
62000	73311	73311-0000-Business-Travel-Lodging	2-Travel & Meetings	2-Travel
62000	73330	73330-0000-Business- Taxi, Bus or Other	2-Travel & Meetings	2-Travel
62000	73331	73331-0000-Training- Taxi, Bus or Other	2-Travel & Meetings	2-Travel
62100	73290	73290-0000-Business- Car Rental	2-Travel & Meetings	2-Travel
62100	73350	73350-0000-Business- Gasoline	2-Travel & Meetings	2-Travel
62100	73355	73355-0000-Business- Parking	2-Travel & Meetings	2-Travel
62100	73356	73356-0000-Training- Parking	2-Travel & Meetings	2-Travel
63000	73090	73090-0000-Telephone - Conf Calls	2-Travel & Meetings	1-Meetings
65000	65060	65060-0000-Professional Fees - Operations	3-Operating Expenses	2-Consultant
65000	65062	65062-0000-Prof Fees - Reimb Business Ex	3-Operating Expenses	2-Consultant
70000	68027	68027-0000-Facilities Dept Alloc	3-Operating Expenses	1-Rent & Improvements
71000	73100	73100-0000-Cellular Phone	1-Personnel Expenses	3-Employee Benefits
71200	73020	73020-0000-Office Supplies	3-Operating Expenses	3-Office Costs
71300	63030	63030-0000-Software < \$1,000	3-Operating Expenses	5-Computer Purchase & Main
71300	68028	68028-0000-Facilities Dept Alloc	3-Operating Expenses	5-Computer Purchase & Main
71500	62000	62000-0000-Dues	3-Operating Expenses	6-Other
71500	62040	62040-0000-Professional Dues	3-Operating Expenses	6-Other
71600	72000	72000-0000-Postage (U.S. Postal Svc)	3-Operating Expenses	3-Office Costs
71700	72001	72001-0000-Express Shipping	3-Operating Expenses	3-Office Costs
71800	73001	73001-0000-Copying Services	3-Operating Expenses	3-Office Costs
71900	73000	73000-0000-Report Printing	3-Operating Expenses	3-Office Costs
72000	73002	73002-0000-Stationary and Office Forms	3-Operating Expenses	3-Office Costs
72100	62080	62080-0000-Equipment Maintenance	3-Operating Expenses	3-Office Costs
75100	65072	65072-0000-Prof Fees- Recruitment	3-Operating Expenses	4-Professional Services
75300	65200	65200-0000-Accounting/Audit Expenses	3-Operating Expenses	4-Professional Services
75300	68026	68026-0000-Support Dept Alloc	3-Operating Expenses	4-Professional Services
75400	65180	65180-0000-Legal Fees	3-Operating Expenses	4-Professional Services
75500	66000	66000-0000-Insurance Premiums	3-Operating Expenses	3-Office Costs
80000	65140	65140-0000-Misc Expenses	3-Operating Expenses	3-Office Costs

*Workflow Diagram*





**ATTACHMENT 11**

**2007 BUDGET VERSUS ACTUAL COST RECONCILIATION**

**FOR**

**WESTERN ELECTRICITY COORDINATING COUNCIL**



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Mr. Bruce Walenczyk  
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116-390 Village Blvd.  
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Dear Bruce,

The purpose of this letter is to provide clarifying information for the April 1 Filing for the 2007 program year. Attached is a spreadsheet detailing Western Electricity Coordinating Council's 2007 results. The year 2007 was a challenging year for WECC, with unprecedented growth in the organization, particularly in the Compliance area.

#### Statutory Budget Variances

Total expenses exceeded funding by \$884,705. Payroll expenses were over budget by \$692,000. This was caused by hiring Compliance staff to meet increased auditing requirements, and Reliability Coordination staff to accommodate the acceleration of the Reliability Center initiative for a December 31, 2008 completion date.

The payroll benefits were under spent by \$293,000. This was due to budgeting new employee training at a significantly greater level than occurred during the year, and budgeting for medical insurance cost increases at a higher level than actually occurred.

Meeting expenses were over spent by \$280,000. This was a result of seven unbudgeted meetings held to educate members with regard to new Compliance requirements, and travel for Compliance audits.

Contract activities were under spent by \$683,000. Of that amount, \$365,000 was budgeted by the Reliability Centers in contracts but charged to consultants. The remaining variance is Operating Committee, Transmission Expansion Planning and Loads and Resource projects that were not completed in 2007.

Consultant expenses were \$868,000 over budget. This is explained in part by the \$365,000 that was budgeted in contracts, but charged to consultants. In addition, WECC incurred consultant expenses for development of the Strategic Plan, and Compliance used consultants as subject matter expert expenses for audits and mitigation plan reviews that were not budgeted.

Office costs were under budget by \$265,000. Actual costs for Computer Supplies and Maintenance were less than budgeted. Expected repairs were not required.

Legal service expenses were over budget due to unbudgeted expenses for compliance to Section 215 of the Federal Power Act, and Reliability Coordination Center legal fees.

### Allocation Explanation

Allocation of budgeted costs:

- Employee Insurance expenses, Pension Costs, 401K Expenses, Office Rent and Office Costs were allocated to all detail accounts based on budgeted FTE numbers.
- Payroll taxes were budgeted using rates or maximum contributions where applicable. These were allocated to detail accounts based on salary dollars.

Allocation of actual costs to program areas:

The September 25, 2007 actual FTE count was used as the basis to allocate 2007 actual costs to program areas:

- Office Rent was allocated to Rent and Improvements
- Office Costs were allocated to Office Costs.
- All Employee Insurance expenses were totaled and allocated in total to Employee Benefits.
- Pension Costs and all 401K Plan Expenses were allocated in total to Savings and Retirement.

Payroll taxes were allocated based on salary dollars.

### Human Resources Budget

WECC's Human Resources area was not identified by program in the 2007 program year. These activities were included in the General and Administrative area.

### Records Retention

WECC has adopted the NERC Records Retention Schedule.

### Statutory/Non-statutory funding

During the startup activities for the Western Renewable Energy Information System (WREGIS) program, a small amount of expenses were deemed non-reimbursable by WREGIS's funding entity, the California Energy Commission. These expenses totaling less than \$15,000 or less than .001 of WECC's budget, were paid by WECC on behalf of WREGIS. These amounts will be repaid to WECC by WREGIS when funds are generated.

Bruce Wallencyk

March 21, 2008

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If you need additional information regarding 2007 program results, don't hesitate to call.

Sincerely,

*Linda V. Kile*

Linda V. Kile

Director, Administrative Services

**WECC**  
**2007 Statement of Activities**  
**Summary**  
**Statutory Only**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments	16,943,168	16,943,168	-
Membership Fees & Non-Stat Assessments	-	-	-
Testing	-	-	-
Services & Software	544,410	528,801	15,609
Interest	574,713	352,000	222,713
Misc.	6,749	8,400	(1,651)
Total Funding	<u>18,069,040</u>	<u>17,832,369</u>	<u>236,671</u>
Expenses			
Personnel Expenses			
Salaries	4,598,219	3,906,397	691,822
Payroll Taxes	371,716	303,187	68,529
Employee Benefits	740,107	1,032,705	(292,598)
Savings & Retirement	370,244	381,491	(11,247)
Total Personnel Expenses	<u>6,080,286</u>	<u>5,623,780</u>	<u>456,506</u>
Meeting Expenses			
Meetings	753,030	613,543	139,487
Travel	773,831	717,458	56,373
Conference Calls	98,201	13,727	84,474
Total Meeting Expenses	<u>1,625,061</u>	<u>1,344,728</u>	<u>280,333</u>
Operating Expenses			
Rent & Improvements	277,832	253,701	24,131
Contracts	5,755,373	6,439,008	(683,635)
Consultants	1,363,987	495,954	868,033
Office Costs	647,036	912,669	(265,633)
Professional Services	1,630,266	1,199,372	430,894
Computer Purchase & Maint.	1,573,902	1,524,180	49,722
Furniture & Equipment	-	27,278	(27,278)
Total Operating Expenses	<u>11,248,397</u>	<u>10,852,162</u>	<u>396,235</u>
Total Expenses	<u>18,953,744</u>	<u>17,820,670</u>	<u>1,133,074</u>
Net Change in Assets	<u>(884,705)</u>	<u>11,699</u>	<u>(896,404)</u>

**WECC**  
**2007 Statement of Activities**  
**Reliability Standards**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	290,040	290,040	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
Total Funding	<u>290,040</u>	<u>290,040</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	173,404	177,871	(4,467)	
Payroll Taxes	16,244	13,245	2,999	
Employee Benefits	13,620	41,868	(28,248)	Actual training expenses significantly lower than budgeted. Medical insurance budgeted at 22% increase, actuals increased 8%.
Savings & Retirement	1,993	17,572	(15,579)	
Total Personnel Expenses	<u>205,261</u>	<u>250,556</u>	<u>(45,295)</u>	
Meeting Expenses				
Meetings	4,419	135	4,284	Tier 1 Standards meetings required, not budgeted in 2007.
Travel	1,011	1,298	(287)	
Conference Calls	6,601	544	6,057	Increased emphasis on using conference call technology to reduce travel expenses for Tier 1 standards modification.
Total Meeting Expenses	<u>12,032</u>	<u>1,977</u>	<u>10,055</u>	
Operating Expenses				
Rent & Improvements	10,807	11,970	(1,163)	
Contracts	-	2,513	(2,513)	
Consultants	31,276		31,276	Consultant charges for implementation Project Management, Consultant charges for review of NERC standards for prioritization. Consultant bill for multiple departments charged to standards (17K).
Office Costs	8,159	8,278	(119)	
Professional Services	4,897	6,547	(1,650)	
Computer Purchase & Maint.	-	6,942	(6,942)	Allocation of equipment to be capitalized was included in budget; not included in actuals. Actuals for fixed assets included in General and Administrative.
Furniture & Equipment		1,257	(1,257)	
Total Operating Expenses	<u>55,140</u>	<u>37,507</u>	<u>17,633</u>	
Total Expenses	<u>272,432</u>	<u>290,040</u>	<u>(17,608)</u>	
Net Change in Assets	<u>17,608</u>	<u>-</u>	<u>17,608</u>	

**WECC**  
**2007 Statement of Activities**  
**Compliance and Organization Registration and Certification**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	919,800	919,800	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>919,800</u>	<u>919,800</u>	<u>-</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	679,393	518,793	160,600	Advanced 2008 positions into 2007 (Manager of Compliance Administration, Data Analyst, Compliance Engineers). Temporary employees used for unbudgeted positions.
Payroll Taxes	64,912	38,673	26,239	Compliance regular labor over budget, budget for payroll taxes underbudgeted due to only budgeting payroll taxes for Core employees .
Employee Benefits	68,098	122,121	(54,023)	Training expenses significantly under budget.
Savings & Retirement	9,965	51,255	(41,290)	
<b>Total Personnel Expenses</b>	<u>822,368</u>	<u>730,842</u>	<u>91,526</u>	
<b>Meeting Expenses</b>				
Meetings	117,438	393	117,045	Two Compliance User Group Meeting (250 attendees), three Compliance Rollout Workshops, two Advanced Compliance Program Workshops
Travel	145,280	3,787	141,493	Length of the audits increased significantly compared to budget due to requirements to audit additional standards, and to audit all self reported violations. The number of auditors required for each audit has doubled as the complexity of the audits has been recognized.
Conference Calls	27,962	1,586	26,376	Seven Open Microphone Conference calls held in 2007 that were not budgeted.
<b>Total Meeting Expenses</b>	<u>290,680</u>	<u>5,766</u>	<u>284,914</u>	
<b>Operating Expenses</b>				
Rent & Improvements	54,034	35,910	18,124	Rent allocation based on headcount. Additional rent expense resulted from advancing 2008 positions to 2007.
Contracts	62,106	80,129	(18,023)	Contract expenses paid for as consulting costs.
Consultants	322,567		322,567	Subject matter experts (consultants) required to participate in audits, investigations, Workshops, User Group Meetings and review of mitigation plans.
Office Costs	87,297	24,146	63,151	Total WECC office costs allocated based on headcount. Increased headcount resulted in allocation greater than budget.
Professional Services	34,246	19,094	15,152	Compliance legal expenses required that were greater than budgeted amount.
Computer Purchase & Maint.	1,739	20,248	(18,509)	Delayed software purchase to 2008.
Furniture & Equipment		3,665	(3,665)	
<b>Total Operating Expenses</b>	<u>561,989</u>	<u>183,192</u>	<u>378,797</u>	
<b>Total Expenses</b>	<u>1,675,037</u>	<u>919,800</u>	<u>755,237</u>	
<b>Net Change in Assets</b>	<u>(755,237)</u>	<u>-</u>	<u>(755,237)</u>	

**WECC**  
**2007 Statement of Activities**  
**Reliability Readiness Audit and Improvement**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	738,594	738,594	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>738,594</u>	<u>738,594</u>	<u>-</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	149,976	290,274	(140,298)	Two positions vacant for all of 2007.
Payroll Taxes	11,726	32,593	(20,867)	Vacant positions impact payroll allocation.
Employee Benefits	13,620	68,329	(54,709)	Training expenses significantly underbudget. Medical benefits budgeted at 22% increase, actual increase only 8%.
Savings & Retirement	1,993	28,677	(26,684)	
<b>Total Personnel Expenses</b>	<u>177,315</u>	<u>419,873</u>	<u>(242,558)</u>	
<b>Meeting Expenses</b>				
Meetings	16,624	17,120	(496)	
Travel	9,259	57,279	(48,020)	2007 Audit travel charged to General and Administration.
Conference Calls	1,183	888	295	
<b>Total Meeting Expenses</b>	<u>27,066</u>	<u>75,287</u>	<u>(48,221)</u>	
<b>Operating Expenses</b>				
Rent & Improvements	10,807	18,957	(8,150)	Rent allocation based on positions filled resulting in allocation less than budget.
Contracts		114,101	(114,101)	Operating Committee requested budget for needs that didn't materialize.
Consultants	21,794	72,800	(51,006)	Decision to perform audits using WECC staff reduced consultant expenses.
Office Costs	8,159	13,512	(5,353)	
Professional Services		10,684	(10,684)	
Computer Purchase & Maint.		11,329	(11,329)	
Furniture & Equipment		2,051	(2,051)	
<b>Total Operating Expenses</b>	<u>40,760</u>	<u>243,434</u>	<u>(202,674)</u>	
<b>Total Expenses</b>	<u>245,141</u>	<u>738,594</u>	<u>(493,453)</u>	
<b>Net Change in Assets</b>	<u>493,453</u>	<u>-</u>	<u>493,453</u>	



**WECC**  
**2007 Statement of Activities**  
**Reliability Assessment and Performance Analysis**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	2,390,627	2,390,627	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>2,390,627</u>	<u>2,390,627</u>	<u>-</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	736,598	931,757	(195,159)	Two vacant positions in 2007.
Payroll Taxes	71,057	76,013	(4,956)	Payroll taxes track vacant positions
Employee Benefits	86,018	223,448	(137,430)	Training expenses significantly underbudget. Medical benefits budgeted at 22% increase, actual increase only 8%.
Savings & Retirement	11,958	92,054	(80,096)	
<b>Total Personnel Expenses</b>	<u>905,630</u>	<u>1,323,272</u>	<u>(417,642)</u>	
<b>Meeting Expenses</b>				
Meetings	45,215	90,955	(45,740)	Fewer meetings attended in 2007.
Travel	31,937	101,531	(69,594)	Utilized conference calls to reduce travel expenses.
Conference Calls	16,078	3,809	12,269	Utilized conference calls to reduce travel expenses.
<b>Total Meeting Expenses</b>	<u>93,230</u>	<u>196,295</u>	<u>(103,065)</u>	
<b>Operating Expenses</b>				
Rent & Improvements	64,841	66,621	(1,780)	
Contracts	43,558	130,710	(87,152)	Loads and Research projects not completed in 2007 as planned.
Consultants		232,454	(232,454)	Budgeted for TEPPC and Load and Resource consultants; did not spend.
Office Costs	187,758	364,033	(176,275)	Office costs allocated on number of filled positions
Professional Services	2,673	34,294	(31,621)	
Computer Purchase & Maint.		36,366	(36,366)	
Furniture & Equipment		6,582	(6,582)	
<b>Total Operating Expenses</b>	<u>298,830</u>	<u>871,060</u>	<u>(572,230)</u>	
<b>Total Expenses</b>	<u>1,297,690</u>	<u>2,390,627</u>	<u>(1,092,937)</u>	
<b>Net Change in Assets</b>	<u>1,092,937</u>	<u>-</u>	<u>1,092,937</u>	

**WECC**  
**2007 Statement of Activities**  
**Training and Education**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	23,595	23,595	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software	496,710	528,801	(32,091)	Attendance at workshops less than expected
Interest			-	
Misc.			-	
Total Funding	<u>520,305</u>	<u>552,396</u>	<u>(32,091)</u>	
Expenses				
Personnel Expenses				
Salaries	132,961	155,638	(22,677)	Actual salaries allocated to training slightly less than budget.
Payroll Taxes	10,529	11,836	(1,307)	
Employee Benefits	14,364	45,036	(30,672)	Training expenses significantly underbudget. Medical benefits budgeted at 22% increase, actual increase only 8%.
Savings & Retirement	1,993	15,377	(13,384)	
Total Personnel Expenses	<u>159,846</u>	<u>227,887</u>	<u>(68,041)</u>	
Meeting Expenses				
Meetings	201,878	170,688	31,190	Training consultant budgeted in consultants, charged to meetings \$30K
Travel	7,493	18,536	(11,043)	More training sessions held in Salt Lake City than planned
Conference Calls	224	476	(252)	
Total Meeting Expenses	<u>209,595</u>	<u>189,700</u>	<u>19,895</u>	
Operating Expenses				
Rent & Improvements	10,807	8,125	2,682	
Contracts		18,999	(18,999)	Budgeted for Web Based Training software; deferred implementation
Consultants	31,500	68,200	(36,700)	Training consultant budgeted in consultants, charged to meetings \$30K
Office Costs	9,294	18,182	(8,888)	
Professional Services		5,729	(5,729)	
Computer Purchase & Maint.	10,000	14,475	(4,475)	
Furniture & Equipment		1,099	(1,099)	
Total Operating Expenses	<u>61,601</u>	<u>134,809</u>	<u>(73,208)</u>	
Total Expenses	<u>431,042</u>	<u>552,396</u>	<u>(121,354)</u>	
Net Change in Assets	<u>89,263</u>	<u>-</u>	<u>89,263</u>	

**WECC**  
**2007 Statement of Activities**  
**Situational Awareness and Infrastructure Security**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	6,957,136	6,957,136	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>6,957,136</u>	<u>6,957,136</u>	<u>-</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	931,851	520,423	411,428	Salary, recruitment, and relocation costs for four unbudgeted positions hired in 2007 due to the acceleration of the RC initiative.
Payroll Taxes	86,614	30,244	56,370	Payroll taxes allocated based on headcount.
Employee Benefits	124,280	225,004	(100,724)	Training expenses significantly underbudget. Medical benefits budgeted at 22% increase, actual increase only 8%.
Savings & Retirement	9,965	51,416	(41,451)	
<b>Total Personnel Expenses</b>	<u>1,152,710</u>	<u>827,087</u>	<u>325,623</u>	
<b>Meeting Expenses</b>				
Meetings	4,978	394	4,584	
Travel	182,480	175,798	6,682	
Conference Calls	4,943	1,591	3,352	
<b>Total Meeting Expenses</b>	<u>192,401</u>	<u>177,783</u>	<u>14,618</u>	
<b>Operating Expenses</b>				
Rent & Improvements	54,034	21,665	32,369	Rent allocated based on actual headcount. Budget too low based on underbudgeted salaries.
Contracts	4,841,030	5,072,490	(231,460)	
Consultants	365,292		365,292	Charged in consultants; budgeted in contracts.
Office Costs	154,456	169,968	(15,512)	Office costs allocated based on headcount. Budget too low based on underbudgeted salaries.
Professional Services	644,062	540,155	103,907	Insurance costs greater than budgeted \$41K, unbudgeted legal expenses, \$41K.
Computer Purchase & Maint.	1,238,164	144,312	1,093,852	Westwide System Model computer system budgeted in Information Technology, charged to Situational Awareness.
Furniture & Equipment		3,676	(3,676)	
<b>Total Operating Expenses</b>	<u>7,297,038</u>	<u>5,952,266</u>	<u>1,344,772</u>	
<b>Total Expenses</b>	<u>8,642,149</u>	<u>6,957,136</u>	<u>1,685,013</u>	
<b>Net Change in Assets</b>	<u>(1,685,013)</u>	<u>-</u>	<u>(1,685,013)</u>	

**WECC**  
**2007 Statement of Activity**  
**Committees and Member Forums**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	2,003,040	2,003,040	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software	47,700		47,700	Desert Southwest Contract Revenue not budgeted
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>2,050,740</u>	<u>2,003,040</u>	<u>47,700</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	246,000	482,951	(236,951)	Salary underallocated to Committees and Forums from General and Administrative
Payroll Taxes	23,140	35,428	(12,288)	Payroll taxes follows salaries
Employee Benefits	23,819	113,684	(89,865)	Training expenses significantly underbudget. Medical benefits budgeted at 22% increase, actual increase only 8%.
Savings & Retirement	2,990	47,713	(44,723)	
<b>Total Personnel Expenses</b>	<u>295,949</u>	<u>679,776</u>	<u>(383,827)</u>	
<b>Meeting Expenses</b>				
Meetings	355,594	333,266	22,328	
Travel	197,144	170,149	26,995	Operating Committee travel expenses over budget \$20K Board of Directors travel over 10K.
Conference Calls	37,670	2,437	35,233	Decision made to use conference call technology to minimize travel expense.
<b>Total Meeting Expenses</b>	<u>590,407</u>	<u>505,852</u>	<u>84,555</u>	
<b>Operating Expenses</b>				
Rent & Improvements	16,210	20,040	(3,830)	Rent allocated based on salary. Underallocated salary causes underallocated rent.
Contracts	763,016	523	762,493	Western Interchange Tool budgeted in IT program area, \$699 K, TEPPC computer software and consulting budgeted in IT
Consultants	527,498	122,500	404,998	Consultants used for Strategic Planning effort not budgeted
Office Costs	32,480	255,062	(222,582)	Office costs allocated based on salary. Underallocated salary causes underallocated office costs.
Professional Services	434,418	397,025	37,393	Non-affiliated Director fees greater than anticipated
Computer Purchase & Maint.	2,352	18,850	(16,498)	TEPPC software budgeted primarily in IT.
Furniture & Equipment		3,412	(3,412)	
<b>Total Operating Expenses</b>	<u>1,775,975</u>	<u>817,412</u>	<u>958,563</u>	
<b>Total Expenses</b>	<u>2,662,331</u>	<u>2,003,040</u>	<u>659,291</u>	
<b>Net Change in Assets</b>	<u>(611,591)</u>	<u>-</u>	<u>(611,591)</u>	

**WECC**  
**2007 Statement of Activities**  
**General and Administrative**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	816,086	816,086	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest	574,713	352,000	222,713	Interest budgeted conservatively. Investments moved to managed accounts in June resulting in higher interest.
Misc.	6,749	8,400	(1,651)	
<b>Total Funding</b>	<u>1,397,548</u>	<u>1,176,486</u>	<u>221,062</u>	
Expenses				
Personnel Expenses				
Salaries	1,429,501	652,012	777,489	Hired unbudgeted Communications Specialist, HR Director in place of Administrative Assistant, temporary labor for unbudgeted positions
Payroll Taxes	77,980	51,789	26,191	Payroll taxes follow labor expenses
Employee Benefits	382,670	151,625	231,045	Did not budget employee benefits for RC, Desert Southwest, and Training employees. Actuals reflect all employees.
Savings & Retirement	327,394	59,972	267,422	
<b>Total Personnel Expenses</b>	<u>2,217,545</u>	<u>915,398</u>	<u>1,302,147</u>	
Meeting Expenses				
Meetings	4,430	458	3,972	
Travel	179,259	187,790	(8,531)	Conference call technology used to replace travel to meetings.
Conference Calls	3,538	1,855	1,683	
<b>Total Meeting Expenses</b>	<u>187,227</u>	<u>190,103</u>	<u>(2,876)</u>	
Operating Expenses				
Rent & Improvements	45,484	53,622	(8,138)	
Contracts	45,663	8,577	37,086	Unbudgeted upgrades to WECC Computer Network
Consultants	37,221		37,221	Database project budgeted in 2006, completed in 2007.
Office Costs	151,273	51,265	100,008	Office cost allocation based on labor costs.
Professional Services	153,839	(82,158)	235,997	Allocated professional services budget to programs; charges not allocated
Computer Purchase & Maint.	321,647	23,692	297,955	Computer equipment purchased; budgeted to be capitalized
Furniture & Equipment	4,288		(4,288)	
<b>Total Operating Expenses</b>	<u>755,129</u>	<u>59,286</u>	<u>695,843</u>	
<b>Total Expenses</b>	<u>3,159,901</u>	<u>1,164,787</u>	<u>1,995,114</u>	
<b>Net Change in Assets</b>	<u>(1,762,353)</u>	<u>11,699</u>	<u>(1,774,052)</u>	

**WECC**  
**2007 Statement of Activities**  
**Legal and Regulatory**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	247,500	247,500	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<b>247,500</b>	<b>247,500</b>	<b>-</b>	
Expenses				
Personnel Expenses				
Salaries			-	
Payroll Taxes			-	
Employee Benefits			-	
Savings & Retirement			-	
<b>Total Personnel Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Meeting Expenses				
Meetings	2,455		2,455	ERO meetings charged to legal - no budget for 2007
Travel	19,968		19,968	Travel to ERO meetings charged to legal - no budget for 2007
Conference Calls	1		1	
<b>Total Meeting Expenses</b>	<b>22,424</b>	<b>-</b>	<b>22,424</b>	
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants	26,838		26,838	Consultant expense to ensure compliance with Section 215 of Federal Power Act not budgeted.
Office Costs				
Professional Services	327,804	247,500	80,304	Legal expenses to ensure compliance with Section 215 of Federal Power Act exceeded budget by \$70,000.
Computer Purchase & Maint.			-	
Furniture & Equipment			-	
<b>Total Operating Expenses</b>	<b>354,642</b>	<b>247,500</b>	<b>107,142</b>	
<b>Total Expenses</b>	<b>377,066</b>	<b>247,500</b>	<b>129,566</b>	
<b>Net Change in Assets</b>	<b>(129,566)</b>	<b>-</b>	<b>(129,566)</b>	

**WECC**  
**2007 Statement of Activities**  
**Information Technology**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
Funding				
Assessments	2,424,991	2,424,991	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<b>2,424,991</b>	<b>2,424,991</b>	<b>-</b>	
Expenses				
Personnel Expenses				
Salaries	54,984	105,194	(50,210)	Vacant position for 2007
Payroll Taxes	4,455	7,994	(3,539)	
Employee Benefits	6,810	24,763	(17,953)	Training expenses significantly underbudget. Medical benefits budgeted at 22% increase, actual increase only 8%.
Savings & Retirement	997	10,393	(9,397)	
<b>Total Personnel Expenses</b>	<b>67,246</b>	<b>148,344</b>	<b>(81,098)</b>	
Meeting Expenses				
Meetings	-	80	(80)	
Travel		768	(768)	
Conference Calls		322	(322)	
<b>Total Meeting Expenses</b>	<b>-</b>	<b>1,170</b>	<b>(1,170)</b>	
Operating Expenses				
Rent & Improvements	5,403	10,833	(5,430)	Western Interchange Tool 600K, Disturbance Monitoring 200K, TEPPC, Operating Committee,
Contracts		1,009,956	(1,009,956)	Load and Reource software budgeted in IT; actuals charged to programs.
Consultants			-	
Office Costs	4,080	4,897	(817)	
Professional Services		3,872	(3,872)	
Computer Purchase & Maint.		1,245,176	(1,245,176)	Westwide System Model computer system budgeted in Computer and Informtion Systems, actuals charged to Situational Awareness
Furniture & Equipment		743	(743)	
<b>Total Operating Expenses</b>	<b>9,483</b>	<b>2,275,477</b>	<b>(2,265,994)</b>	
<b>Total Expenses</b>	<b>76,729</b>	<b>2,424,991</b>	<b>(2,348,262)</b>	
<b>Net Change in Assets</b>	<b>2,348,262</b>	<b>-</b>	<b>2,348,262</b>	

**WECC**  
**2007 Statement of Activities**  
**Accounting and Finance**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>	<u>Comments</u>
<b>Funding</b>				
Assessments	131,759	131,759	-	
Membership Fees & Non-Stat Assessments			-	
Testing			-	
Services & Software			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<u>131,759</u>	<u>131,759</u>	<u>-</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	63,552	71,484	(7,932)	Annual raise less than budgeted raise.
Payroll Taxes	5,058	5,372	(314)	
Employee Benefits	6,810	16,827	(10,017)	Training expenses significantly underbudget. Medical benefits budgeted at 22% increase, actual increase only 8%.
Savings & Retirement	997	7,062	(6,066)	
<b>Total Personnel Expenses</b>	<u>76,417</u>	<u>100,745</u>	<u>(24,328)</u>	
<b>Meeting Expenses</b>				
Meetings		54	(54)	
Travel		522	(522)	
Conference Calls		219	(219)	
<b>Total Meeting Expenses</b>	<u>-</u>	<u>795</u>	<u>(795)</u>	
<b>Operating Expenses</b>				
Rent & Improvements	5,403	5,958	(555)	
Contracts		1,010	(1,010)	
Consultants			-	
Office Costs	4,080	3,326	754	
Professional Services	28,327	16,630	11,697	External audit fees greater than budget.
Computer Purchase & Maint.		2,790	(2,790)	
Furniture & Equipment		505	(505)	
<b>Total Operating Expenses</b>	<u>37,810</u>	<u>30,219</u>	<u>7,591</u>	
<b>Total Expenses</b>	<u>114,227</u>	<u>131,759</u>	<u>(17,532)</u>	
<b>Net Change in Assets</b>	<u>17,532</u>	<u>-</u>	<u>17,532</u>	



**WECC**  
**2007 Statement of Activities**  
**Non-Statutory Only**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments			-
Membership Fees & Non-Stat Assessments	1,514,448	1,184,732	329,716
Testing			-
Services & Software			-
Interest			-
Misc.			-
Total Funding	<u>1,514,448</u>	<u>1,184,732</u>	<u>329,716</u>
Expenses			
Personnel Expenses			
Salaries	304,885	303,782	1,103
Payroll Taxes	32,836	23,901	8,935
Employee Benefits	45,390	58,654	(13,264)
Savings & Retirement	4,566	39,215	(34,649)
Total Personnel Expenses	<u>387,677</u>	<u>425,552</u>	<u>(37,875)</u>
Meeting Expenses			
Meetings		14,657	(14,657)
Travel	5,764	72,662	(66,898)
Conference Calls	678	5,017	(4,339)
Total Meeting Expenses	<u>6,442</u>	<u>92,336</u>	<u>(85,894)</u>
Operating Expenses			
Rent & Improvements	32,936	28,816	4,120
Contracts	34,087	9,973	24,114
Consultants	24,760	5,200	19,560
Office Costs	43,669	27,942	15,727
Professional Services	171,212	45,644	125,568
Computer Purchase & Maint.	4,931	8,462	(3,531)
Furniture & Equipment		1,467	(1,467)
Total Operating Expenses	<u>311,595</u>	<u>127,504</u>	<u>184,091</u>
Total Expenses	<u>705,714</u>	<u>645,392</u>	<u>60,322</u>
Net Change in Assets	<u>808,734</u>	<u>539,340</u>	<u>269,394</u>

**WECC**  
**2007 Statement of Activities**  
**Summary**

(In Whole Dollars)

	<u>2007 YTD Actual</u>	<u>2007 YTD Budget</u>	<u>2007 YTD Variance</u>
Funding			
Assessments	16,943,168	16,943,168	-
Membership Fees & Non-Stat Assessments	1,514,448	1,184,732	329,716
Testing	-	-	-
Services & Software	544,410	528,801	15,609
Interest	574,713	352,000	222,713
Misc.	6,749	8,400	(1,651)
Total Funding	<u>19,583,488</u>	<u>19,017,101</u>	<u>566,387</u>
Expenses			
Personnel Expenses			
Salaries	4,903,104	4,210,179	692,925
Payroll Taxes	404,552	327,088	77,464
Employee Benefits	785,497	1,091,359	(305,862)
Savings & Retirement	374,810	420,706	(45,896)
Total Personnel Expenses	<u>6,467,963</u>	<u>6,049,332</u>	<u>418,631</u>
Meeting Expenses			
Meetings	753,030	628,200	124,830
Travel	779,595	790,120	(10,525)
Conference Calls	98,879	18,744	80,135
Total Meeting Expenses	<u>1,631,503</u>	<u>1,437,064</u>	<u>194,439</u>
Operating Expenses			
Rent & Improvements	310,768	282,517	28,251
Contracts	5,789,460	6,448,981	(659,521)
Consultants	1,388,747	501,154	887,593
Office Costs	690,705	940,611	(249,906)
Professional Services	1,801,478	1,245,016	556,462
Computer Purchase & Maint.	1,578,833	1,532,642	46,191
Furniture & Equipment	-	28,745	(28,745)
Total Operating Expenses	<u>11,559,992</u>	<u>10,979,666</u>	<u>580,326</u>
Total Expenses	<u>19,659,458</u>	<u>18,466,062</u>	<u>1,193,396</u>
Net Change in Assets	<u>(75,971)</u>	<u>551,039</u>	<u>(627,010)</u>

**Accounting for Income, Time and Expenses to Appropriate Activity Codes**

**Narrative/Overview**

The Western Electricity Coordinating Council (WECC) receives an operating and capital budget each fiscal year that has been approved and adopted by NERC and ultimately, FERC. One significant NERC requirement is the need to report accurate financial information in a consistent format that will be easily aggregated by NERC for submission to FERC. To accurately account for all income, time and labor, it is important that we utilize a consistent set of account codes and department codes. A description of the codes is presented in the respective section heading below. Judgment is often required when making an assessment of where time and expense should be recorded. As questions arise, it is imperative that you discuss any such questions with your manager and/or WECC finance point-of-contact.

Finally, this guidance document has been expressly created to identify appropriate methods of accounting for income, time and costs to ensure that Federal/statutory expenses are accounted for separately from Protocol/non-statutory income, time and expense. By utilizing this document as a guide for all transactions, there is less likelihood of miscoding transactions between the two separate income streams.

**Department Codes**

There are thirty-five department codes that are to be used by WECC to identify and classify activities and tasks performed by the organization. The Department codes are as follows:

<b>Department #</b>	<b>Department Name</b>
400-100	Administration
500-100	Board of Directors
510-100	Finance and Audit Committee
520-100	Governance and Nominating Committee
530-100	Human Resources and Compensation Committee
540-100	Reliability Policy Issues Committee
550-100	Non-Affiliated Directors
560-100	Operating Transfer Capability Policy Committee

Western Electricity Coordinating Council Time & Expense Guidelines

<b>Department #</b>	<b>Department Name</b>
570-100	Transmission Expansion Planning Policy Committee
580-100	Strategic Planning
600-100	North American Electric Reliability Corporation
610-100	ERO/Legislation
620-100	North American Energy Standards Board
700-100	Joint Standing Committees
720-100	Joint Guidance Committee
730-100	Market Interface Committee
740-100	Planning Coordination Committee
740-200	Loads and Resources
740-500	Disturbance Monitoring
770-100	Operating Committee
770-300	Readiness Evaluations
770-400	Disturbance Reports
770-500	Grid Alert
770-510	Western Interchange Tool
770-520	West-wide System Model
770-850	RC Common

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<b>Department #</b>	<b>Department Name</b>
770-860	RC California
770-870	RC Pacific Northwest
770-880	RC Rocky Mountain
810-100	Compliance Enforcement Program
810-200	Standards
810-300	Hearings
830-100	Operator Training Class
830-200	Workshops
850-100	Western Renewable Energy Generation Information System

Department codes are used in order to further compartmentalize and stratify expenses into functional groupings that are assigned to department managers. Employees should utilize their home department codes (the department where they reside for payroll purposes) when coding expenses, unless otherwise authorized by management. All department codes are Federal/Statutory with the exception of 850-100 Western Renewable Energy Generation Information System.

### **Account Codes**

The key to good financial record-keeping is the consistent and accurate application of assigning costs using a uniform chart of accounts. At present, Western Electricity Coordinating Council utilizes the WECC approved chart of accounts in assigning account codes to income and expense. The following three digit natural expense account codes are attached to any of the above six digit department codes. Below you will find a list of commonly used account codes for operating expenses.

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<b>Main Category</b>	<b>Account Number &amp; Name</b>	<b>Most Common Charges</b>
Labor	200-Salaries	Gross salaries
	202-Payroll Taxes	All payroll related taxes
	209-RC Managers	Salary of RC managers
	210-RC Coordinators	Salary of RC Coordinators
	211-RC Lead Coordinators	Salary of RC Lead Coordinators
	230-Temporary Help	Agency employees
	235-Medical Insurance	Employee insurance paid by WECC
	237-Health Reimbursement	Medical expenses paid by WECC for Co-Insurance and Deductibles not paid by the Medical Insurance
	260-401K Match	WECC match of 50% of employees deduction up to 6%
	275-Training	Cost of tuition, meeting fees and travel costs to attend seminars and meetings of a training nature.
	280-Employee Relations	Cost of socials, gifts, reimbursements for gym memberships, brake room coffee, etc.
	282-Recruitment & Re-location	Costs to find, interview, hire, and re-locate new employees
Meetings	500-Meeting Costs	Generally used to incur non-food related expenses associated with workshops and operator training.

Western Electricity Coordinating Council Time & Expense Guidelines

<b>Main Category</b>	<b>Account Number &amp; Name</b>	<b>Most Common Charges</b>
Computer Purchase & Maintenance	350-Computer Software	Costs to develop or procure software or software license. Items that cost more than \$5000 will be capitalized at the end of the year capitalized.
	355-Computer Hardware	Computers, peripherals and accessories. Anything over \$5,000 will be capitalized at the end of the year.
	360-Computer Consulting	Outside expertise hired for computer issues
	362-Computer Services	Costs related to keeping the computer system up to date.
	375-Capitalized Equipment	Cost of items with a life of three years or more that cost over \$5000. These items are capitalized at the end of the year but until then they impact the income statement for cash flow purposes.
Professional Services	600-Legal Services	Fees incurred for outside legal counsel expenses.
	360-Computer Consulting	The account would be used to procure outside services associated with customization of software packages or any other related computer issues.

Western Electricity Coordinating Council Time & Expense Guidelines

<b>Main Category</b>	<b>Account Number &amp; Name</b>	<b>Most Common Charges</b>
Professional Services - <i>Continued</i>	620-Consulting	General consulting expenses- this account is used for outside consulting services procured from individuals or corporations.
Travel	400-Travel	This account includes all travel costs including mileage reimbursements, meals purchased, airline tickets, lodging, etc...
Office Costs	345-Office Rent  321-Office Furniture  315-Copy Supplies and Services  335-Telephone  336-Cell Phones  338-Conference Calls  310-FedEx Delivery	This account includes rent/lease and related occupancy costs.  Cost of desks, chairs , cubicles, etc. under \$5,000  This is a professional service printing expense, such as professional printers. Can include business cards, stationary, envelopes, etc...  Cost of land line services except conference calls and equipment if under \$5000  Cost of cell phones and monthly services  Costs of conference calls  This is used for all express delivery services.



Western Electricity Coordinating Council Time & Expense Guidelines

Main Category	Account Number & Name	Most Common Charges
Office Costs - <i>Continued</i>	320-Equipment Rental	Costs to rent & lease equipment
	346-Taxes-Licenses-Fees	Cost of property tax, credit card fees, bank charges, etc.
	349-Purchased Services	Janitorial services, storage, document shredding, and other services not specifically identified by other accounts
	300-Office Supplies	Generally pens, paper, files, paperclips, binder clips, pencils, etc.

The account codes depicted within the above matrix should be appropriately reflected on each invoice employees submit for payment. Additionally, approval/authorization for processing and payment should be granted by the employee using their full signature on the transmittal documents (requests, invoices, etc.), not to exceed authorization limits for pay grades.

**WECC Chart of Accounts Relation to NERC Chart of Accounts**

WECC utilized Excel spreadsheet capabilities by assigning a NERC account number and a NERC department to every WECC line item in our budget. This gives us the capability to assign any line item within in a WECC department to more than one NERC cost center if necessary. This is accomplished by driving all NERC reports from the columns containing the NERC numbers. For example, Travel cost in the Rocky Mountain Reliability Center has a WECC number of 855-880 for the Department number and 400 for Travel or 855-880-400. That line item is given in adjacent columns the NERC Cost Center number 780 and 62000 for Travel. The following table shows the common assignment of both Department or Cost Centers and Natural Expenses codes:

WECC Departments/Sub-Departments			NERC Dept #	NERC Cost Center
DD	SD	Description		
400	100	ADMINISTRATION	400	General & Administration
400	200	AMIN NON-STATUTORY	400	
400	350	INFORMATION TECHNOLOGY	350	Information Technology
400	410	HUMAN RESOURCES	410	Human Resources

Western Electricity Coordinating Council Time & Expense Guidelines

400	450	ACCOUNTING & FINANCE	450	Accounting & Finance
400	610	LEGAL	610	Legal & Regulatory Committee & Member Forums
500	100	BOARD OF DIRECTORS	500	
510	100	FINANCE & AUDIT	500	
520	100	GOVERNANCE & NOMINATING	500	
530	100	HUMAN RES/COMPENSATION	500	
540	100	RELIABILITY POLICY ISSUES	500	
550	100	NON-AFFILIATED DIRECTORS	500	
560	100	OTC POLICY COMMITTEE	500	
570	100	TRANSMISSION EXPANSION PLANNING	740	Reliability Assessment
580	100	STRATEGIC PLANNING	500	
600	100	NERC	400	
610	100	FEDERAL LEGISLATION -ERO	610	
620	100	NAESB & WIRAB	500	
700	100	STANDING/JNT COMMITTEE	500	
720	100	JOINT GUIDANCE COMMITTEE	500	
730	100	MARKET INTERFACE	500	
740	100	PLANNING COORDINATION COM	740	
740	105	PCC SUB COMMITTEE	500	
840	101	DESERT SOUTHWEST AREA	740	
740	200	LOADS & RESOURCES	740	
740	300	RELIABILITY SUB COMMITTEE	740	
740	400	***MOVE TO 570-100***	740	
740	500	DISTURBANCE MONITORING	740	
770	100	OPERATING COMMITTEE	500	
770	300	READINESS EVALUATION	700	
770	400	DISTURBANCE REPORTS	500	
770	500	GRID ALERT	500	
770	510	WESTERN INTERCHANGE TOOL	500	
770	520	WEST-WIDE SYSTEM MODELING	780	Situational Awareness
770	851	WECC RC COMMON	780	
855	851	WECC RC COMMON	780	
855	850	RC COMMON	780	
855	852	RC TOOLS	780	
855	860	RC CALIFORNIA	780	
855	870	RC PACIFIC NW	780	
855	871	RC VANCOUVER	780	
855	880	RC ROCKY MTN	780	

Western Electricity Coordinating Council Time & Expense Guidelines

855	881	RC LOVELAND	780	
820	100	COMPLIANCE ENFORCEMENT	810	Compliance
810	200	RELIABILITY STANDARDS	820	Reliability Standards
810	300	HEARINGS	810	
830	100	OPERATOR TRAINING	831	Training & Education
830	200	TRAINING WORKSHOPS	831	
850	100	WREGIS –CONTRACT MGMT	950	WREGIS- Non-Statutory
850	101	WREGIS -CONFIDENTIAL DATA	950	
850	102	WREGIS -TECHNICAL INFRASTRUCTURE	950	
850	103	WREGIS -FISCAL INFRASTRUCTURE	950	
850	104	WREGIS -STAFFING & RESOURCE PLANNING	950	
850	105	WREGIS -IMPLEMENTAIN PHASE	950	
850	106	WREGIS -OPERATIONAL PHASE	950	
850	108	WREGIS -COMMITTEE	950	

Natural Expense Sub-Accounts		
##	Description	NERC #
100	MEMBER ASSESSMENT	41000
105	CONTROL AREA APPLICATION FEE	49900
110	INTEREST INCOME	49000
120	ANNUAL REPORT FEES	49900
130	FERC REPORT FEES	49900
140	OTHER REPORTS & STUDIES FEES	49900
141	SALE OF ASSETS	99200
145	DATA FEES	49900
146	SUB-CONTRACT REVENUE	46800
149	RMS SANCTIONS	41100
150	OPERATOR TRAINING FEES	47200
160	SCHEDULER TRAINING FEES	47200
170	PSD (EPRI) FEES	47200
180	WORKSHOP FEES -TRAINING	47000
181	WORKSHOP FEES -NON-TRAINING	47100
185	CEC ASSESSMENT	42100
186	ACCOUNT HOLDER TRAINING	42100
187	ACCOUNT HOLDER REVENUE	42100
188	TRANSFER FEES	42100

## Western Electricity Coordinating Council Time & Expense Guidelines

189	RETIRED FEES	42100
190	RESERVED FEES	42100
191	EXPORTED FEES	42100
192	FINANCE CHARGE	42100
200	GROSS SALARIES	51000
201	SALARY ALLOCATED	51000
202	PAYROLL TAXES - ER	52000
203	PAYROLL TAXES - EE	0
204	ADMINISTRATION FEES	51300
205	RETIREE CASHOUT EXPENSE	55000
206	EMS MANAGER	51000
207	EMS ENGINEER	51000
208	EMS STAFF	51000
209	RC MANAGERS	51000
211	RC LEAD COORDINATORS	51000
210	RC COORDINATORS	51000
214	RC OUTSIDE SYSTEM SUPPORT	51000
215	RC IT & COMMUNICATION SUPPORT	51000
220	RC STUDIES SUPPORT	51000
225	RC INCENTIVE PAY	51000
230	TEMPORARY HELP	51300
235	MEDICAL INSURANCE - ER	54100
236	MEDICAL INSURANCE - EE	0
237	HEALTH REIMBURSE ACCT (HRA)	54100
240	DENTAL INSURANCE - ER	54100
241	DENTAL INSURANCE - EE	0
245	VISION INSURANCE - ER	54100
246	VISION INSURANCE - EE	0
247	CAFETERIA - ER	54100
248	CAFETERIA - EE	0
250	LIFE/ADD INSURANCE - ER	54200
251	DISABILITY INSURANCE - ER	54300
252	LIFE INSURANCE - EE	0
255	WORKERS COMP	54300
260	401K MATCH - ER	55000
265	401K FIXED P/S - ER	55000
266	401K EE DEFERRALS/LOANS	0
270	RETIREMENT FUNDING	55000
271	DEFINED CONTRIBUTION	55000
272	TERM LIFE -RETIREMENT	54200

## Western Electricity Coordinating Council Time & Expense Guidelines

275	TRAINING	54000
280	EMPLOYEE RELATIONS	51300
282	RECRUITING & RELOCATION	54600
291	EMPLOYEE DEDUCTIONS	0
300	OFFICE SUPPLIES	71200
305	POSTAGE	71600
310	FEDEX-DELIVERY	71700
315	COPY SUPPLIES & SERVICES	71800
316	MAP PRINTING	71900
320	EQUIPMENT RENTAL	71800
321	OFFICE FURNITURE & EQUIPMENT	71200
325	MAINTENANCE & REPAIRS	72100
330	SUBSCRIPTIONS & MEMBERSHIPS	71400
335	TELEPHONES	71000
336	CELL PHONES	71000
338	CONFERENCE CALLS	61200
340	BROADCAST FAX	71100
341	TELECOMM IT SETUP	71200
342	TENANT IMPROVEMENT	71200
343	SECURITY	71200
344	UTILITIES	70000
345	OFFICE RENT	70000
346	TAXES - LICENSES - FEES	72300
347	COMPLIANCE COSTS	72300
348	OTHER SUPPLIES	71200
349	PURCHASED SERVICES	71200
350	COMPUTER SOFTWARE	65100
351	CONTROL ROOM	90300
352	DATA CENTER	90300
355	EXPENSED HARDWARE	90300
356	COMPUTER SYSTEMS	90300
360	COMPUTER CONSULTING	65000
362	COMPUTER SERVICES	71300
365	COMPUTER MAINTENANCE	71300
366	DATA WEARHOUSING	71200
370	COMPUTER COMMUNICATIONS	71100
375	EQUIPMENT	90200
400	TRAVEL	62000
500	MEETING COSTS	61000
501	ACCOUNT HOLDER TRAINING COSTS	61000

## Western Electricity Coordinating Council Time & Expense Guidelines

600	LEGAL SERVICES	75400
610	ACCOUNTING & AUDITING	75300
620	CONSULTING	65000
625	DEVELOPMENT/MARKETING	65000
626	PROGRAM DEVELOPMENT	65000
627	PROGRAM PROMOTION	65000
630	NAD ANNUAL RETAINER	75000
635	NAD MEETING COMPENSATION	75000
640	OTHER PURCHASED SERVICES	65000
700	NERC ASSESSMENT	65400
800	INSURANCE	75500
900	BAD DEBTS	99100
950	DEPRECIATION	95200
960	LOAN PAYMENTS	76000
961	INTEREST EXPENSE	76100



## Allocating Expenses Between Federal & Protocol - Decision Process

