NERC
NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Texas Regional Entity (RE)

2008 Business Plan and Budget

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Introduction

Total Texas RE Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	22.0	22.0	25.0
Total Direct Funding	1,890,205	1,323,895	1,931,368
Total Indirect Funding	2,980,550	900,545	1,364,698
Total Funding	4,870,755	2,224,440	3,296,066

The Federal Power Act (FPA) and FERC Regulations establish requirements for the formation of an Electric Reliability Organization (ERO). The ERO's primary mandate is to develop, implement, and verify compliance to a uniform set of standards designed to ensure and, over time, enhance the ongoing reliability of the bulk power system. The voluntary system of standards will be replaced with a mandatory system that a single ERO will administer, under the oversight of the Federal Energy Regulatory Commission (FERC) in the United States.

The Federal Power Act and FERC's regulations recognize the role of regional entities in monitoring and enforcing compliance within the regional area, along with strong ERO oversight. Regional entities will perform many of the activities necessary to support NERC's statutory obligations as the ERO. NERC has proposed detailed requirements for the Regional Compliance Programs in its rules of procedure. NERC and the regional entities are modifying their existing programs and procedures to meet these requirements.

Under the new system of mandatory reliability standards, regional entities will, after entering into a FERC-approved delegation agreement, fulfill certain functions currently performed by the Regional Reliability Councils. In anticipation of meeting the criteria in the Federal Power Act for becoming a regional entity, an independent reliability entity is being established in ERCOT to develop and enforce reliability standards within the ERCOT Region. As proposed, the new entity, the Texas Regional Entity (RE), will consist of the following functional areas:

- Compliance
- Reliability Standards
- Legal/Regulatory/Enforcement
- Corporate Operations

The Texas RE must maintain clear independence and not be unduly influenced by the owners, operators, and users of the bulk power system being monitored. The Texas RE will be functionally unbundled from the ERCOT ISO and will report to the ERCOT Board of Directors for administrative purposes. All possible compliance actions for violations of NERC and ERCOT-Specific Standards and ERCOT reliability-based Protocols and Operating Guides requirements will be referred to the Public Utility Commission of Texas (PUCT) for action as follows:

- Possible compliance actions for violation of a NERC or ERCOT-Specific Standard – The PUCT will review the report from the Texas RE, decide whether some form of sanction is appropriate, hear any additional information and arguments pertaining to the reported violation, and issue a recommended decision. The Texas RE Chief Compliance Officer (CCO) will then make a final decision with respect to enforcement, and the issue will be forwarded to the ERO and FERC. Due process will be provided to any entity that is reported to have violated a standard, in accordance with requirements developed by FERC or NERC.
- Possible compliance actions for violation of an ERCOT reliability-based Protocol or Operating Guide requirement – The PUCT will review the report from the Texas RE, decide whether some form of sanction is appropriate, hear any additional information and arguments pertaining to the reported violation, and render a final decision. Due process will be provided to any entity that is reported to have violated a standard, in accordance with requirements of State law.

The ERO and Texas RE shall determine and may levy monetary penalties and non-monetary sanctions and remedial actions against owners, operators and users of the bulk power system for violations of the requirements of NERC and ERCOT-Specific Reliability Standards. NERC has developed processes and principles for determining penalties, sanctions, and remedial actions. Adjustment factors can be used to allow some degree of discretion and flexibility needed to address each violation on its merits.

The Texas RE will follow these key principles in carrying out its delegated functions:

Regional Entity Resources – The Texas RE shall have sufficient resources to meet delegated compliance enforcement responsibilities, including the necessary professional staff, to manage and implement the Texas RE Compliance Monitoring and Enforcement Program (CMEP).

Regional Entity Staff Independence – Texas RE Staff must maintain clear independence from the ERCOT ISO and all ERCOT Market Participants that are expected to comply with the reliability standards and will not be unduly influenced by the owners, operators, and users of the bulk power system being monitored. The independence of the Texas RE staff is a critical element to ensure that the CMEP is carried out in a fair and consistent manner. The Texas PUCT will monitor the independence of the Texas RE from the ERCOT ISO and stakeholder operations.

Regional Entity CMEP Content – All approved reliability standards shall be included in the Texas RE CMEP for all owners, operators, and users within the defined boundaries of the Texas RE.

Compliance Audits – The Texas RE will maintain a program of proactive enforcement audits. Each owner, operator, and user of the bulk power system responsible for complying with NERC and applicable regional reliability standards shall be audited by the Texas RE in carrying out the CMEP.

Processes – All regional programs must contain processes for data reporting, auditing, assessing, penalizing and sanctioning violators, and mitigating non-compliance.

In accordance with Section 215(b) of the FPA, FERC has certified NERC as the ERO. The functions of the ERO are to develop and adopt reliability standards for the bulk power systems and to file such reliability standards, and any modifications to such standards, with FERC for approval; to enforce approved reliability standards by imposing a penalty on an owner, operator, or user of the bulk power system for violation of an approved reliability standard if the ERO finds, after notice and opportunity for hearing, that the owner, operator, or user of the bulk power system has violated a reliability standard; and to conduct periodic assessments of the reliability and adequacy of the bulk power systems in North America. The FERC Rule also requires the ERO to have "an audit program that provides for rigorous audits of compliance with reliability standards by users, owners and operators of the bulk power system" and to report its assessments of the reliability and adequacy of the bulk power system to FERC and the Secretary of Energy on a periodic basis. As the ERO, NERC will perform all of the above described functions.

To facilitate the ERO's performance of the responsibilities described in the preceding paragraph, the FERC Rule requires each owner, operator, and user of the bulk power system within the continental United States to register with the ERO in accordance with the rules of the ERO. In addition, the ERO may, with approval of FERC, enter into agreements with regional entities by which the ERO delegates its authority to the regional entity to develop, propose, and enforce reliability standards for specific geographic regions. In its ruling issued on April 19, 2007, the FERC accepted the Texas RE Delegation Agreement.

Communication

The Texas RE will communicate with the industry, regulators, and other stakeholders by application of protocols that will be developed for each program area. This is a key element in the direction to continue building cooperative relationships with all segments of the industry through consistent messages. A notable example is the close working relationship the Texas RE will continue to have with ERCOT Stakeholder Groups such as the Technical Advisory Committee and the Reliability and Operations Subcommittee and its working groups to assure understanding of where activities can be mutually beneficial.

The Texas RE will continue to enhance its website with increased attention to ease of use and user preferences. More timely information that can be more easily found will ultimately improve not only the efficiency of operations, it will provide an improved platform for providing critical information to the industry and the public.

Finally, the established links between the regional entities and NERC must continue to thrive and improve. Not only will 2008 be the first full year for enforcement activities by NERC as the ERO in the United States, it will be the first full year of operation in the context of approved delegation agreements with Regional Entities. The 2008 plan calls for continued efforts to assist the regional entities in carrying out their delegated compliance enforcement, registration, and certification activities.

Actions following Certification/Recognition as the Regional Entity

The Texas RE will conduct the activities described in the following sections within the boundaries of the ERCOT Region. The Texas RE will excel in the execution of the plans laid out by each program area in 2008 through organized scheduling and tracking of activities within the program areas. As an example, a key milestone in the initiation of ERO and Texas RE activities is the completion of a compliance registry for all users, owners, and operators of the

bulk power system in the United States. Registration and certification of the organizations responsible for complying with the standards will be an ongoing activity requiring accurate tracking and record keeping. In addition, 2008 will represent the first full year for the compliance monitoring and enforcement program with mandatory compliance to approved reliability standards including the delegated regional compliance enforcement programs. Vital elements of this program are tracking the mitigation of identified violations of standards and the management of enforcement action appeals.

Non-Statutory Requirements

The Texas RE also monitors compliance with the ERCOT Protocols and Operating Guides needed to safely and reliably operate the electric transmission system and support wholesale and retail markets. The ERCOT Protocols and Operating Guides contain the Regional criteria for planning and operating reliable interconnected bulk electric systems in the ERCOT Region. To ensure that the reliability of the interconnected bulk electric systems is maintained, all market participants involved in planning, operating, or using these systems must understand and comply with these requirements. The PUCT plays a key role in the enforcement process.

In accordance with P.U.C. SUBST. R. 25.503(j), ERCOT Compliance developed and submitted for PUCT approval a process to monitor material occurrences of non-compliance with ERCOT procedures, which shall mean occurrences that have the potential to impede ERCOT operations, or represent a risk to system reliability. ERCOT Compliance (Texas RE):

(1) Maintains a record of all such material occurrences of non-compliance with ERCOT procedures and tracks recurrence of such material occurrences of non-compliance.
(2) Promptly provides information to and responds to questions from market participants to allow the market participant to understand and respond to alleged material occurrences of non-compliance with ERCOT procedures.
(3) Maintains a record of the resolution of such material occurrences of non-compliance and of corrective actions taken by the market participant in each instance.
(4) Informs the PUCT Staff immediately if the material occurrence of non-compliance is not resolved.

This Compliance Process document outlines ERCOT's and market participants' responsibilities pursuant to P.U.C. SUBST. R. 25.503. The process describes ERCOT Compliance's (Texas RE's) role in monitoring compliance with the ERCOT Protocols and Operating Guides as related to the planning and operation of the ERCOT electric power system. The Compliance Process does not preclude the PUCT from taking action authorized under the Public Utility Regulatory Act ("PURA") or Commission rules.

It is estimated that twenty-five (25) percent of Texas RE Staff time will be dedicated to monitoring compliance with the ERCOT Protocols and Operating Guides. Funding will be provided through the ERCOT System Administration Fee which is based upon the fee factor approved by the ERCOT Board and the PUCT to support ERCOT activities subject to PUCT oversight.

Section A — 2008 Business Plan

Reliability Standards Program

Reliability Standards Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	2.0	2.0	2.0
Total Direct Funding	288,757	158,434	215,455
Total Indirect Funding	350,653	105,947	143,652
Total Funding	639,410	264,381	359,107

Background

The Texas RE may develop, through its own processes, separate Standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain a Regional Variance; or that cover matters not addressed in NERC Reliability Standards. Regional Criteria may be developed and exist in ERCOT Protocols, Operating Guides, and/or Procedures separately from NERC Reliability Standards, or may be proposed as NERC Reliability Standards. Regional Criteria that exist separately from NERC Reliability Standards shall not be inconsistent with or less stringent than NERC Reliability Standards.

ERCOT-Specific Standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. An ERCOT-Specific Standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. An ERCOT-Specific Standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

Standards Process

The Texas RE Reliability Standards Development Process will be overseen by a Reliability Standards Committee (RSC) whose purpose is to see that all stakeholder interests are fairly represented in the development of regional reliability standards. The RSC will be a broad-based, representative committee consisting of representatives from each of the seven ERCOT Market Participant segments. Participation is open to any person or entity with an interest in the reliability of the ERCOT Bulk Power System.

Among other responsibilities, the RSC will review each proposal for development of a new regional reliability standard, or modification of an existing regional reliability standard, to determine if the proposal should be pursued. If it so determined, the RSC will forward to the ERCOT Reliability and Operations Subcommittee (ROS) to appoint a reliability standard drafting team that has the necessary technical expertise, competencies, and diversity of views needed to develop the proposed standard. Development of each regional reliability standard will include at least one time period for receipt of public comment before the proposed standard is

submitted for an approval vote. For the purpose of adopting each proposed reliability standard, a separate "ballot pool" will be established comprised of ERCOT Member Representatives from the seven Market Participant Segments that have an interest in voting on that particular standard. After receiving an affirmative vote by the ballot pool, a regional reliability standard will be submitted to ERCOT's Board for approval. Finally, if approved by the Board, the regional reliability standard will be forwarded to NERC for approval and filed with FERC for its approval. Once FERC approves a standard and the effective date reached, compliance with the standard is legally binding on all applicable owners, operators, and users of the ERCOT Bulk Power System.

The Texas RE Reliability Standards Development Process is designed to build and verify consensus for each Regional Standard. The open, inclusive, balanced and transparent process ensures that the resulting standards are just, reasonable, and nondiscriminatory. Participation by industry experts and compliance personnel ensures that the standards are technically sound, unambiguous, and measurable.

The Texas RE Reliability Standards Group will be responsible for coordinating and facilitating all aspects of the regional reliability standards development process. Staff will be actively involved in the NERC Reliability Standards Program, participate on Standards Drafting Teams and participate on NERC Readiness Audits. The Reliability Standards Group will review each reliability standard and notify impacted entities of any new requirements as well as communicate all reliability standards-related information to stakeholders. The group will also be responsible for reviewing all proposed ERCOT Protocol and Operating Guides Revisions to ensure there are no conflicts with Regional-Specific and NERC Reliability Standards, and coordinating the Texas RE review of all proposed Protocol and Operating Guides Revisions. Staff will also identify any possible training needed by responsible entity personnel to promote understanding and compliance with the new or revised reliability standards.

Transition to the Texas Regional Entity

On March 15, 2007 FERC approved 83 reliability standards that were proposed by the ERO. Until implementation and enforcement of mandatory reliability standards begins, the Texas RE will continue to actively monitor compliance with a subset of the reliability standards now approved by FERC. The mandatory reliability standards approved by FERC apply to users, owners and operators of the bulk power system designated by NERC through its compliance registry procedures. While the approved reliability standards are immediately enforceable, FERC's Final Rule directs the ERO and the future regional entities to focus resources on the most serious violations during an initial period through December 31, 2007. Enforcement discretion will also be used with regard to all applicable users, owners, and operators of the bulk power system, and not just to those new to the reliability scheme. This approach will help allow the Texas RE to ensure that the compliance monitoring and enforcement processes work as intended and all entities have time to implement the new processes. The Texas RE will also continue to make changes to and refine its organization registration list to help ensure that compliance monitoring and enforcement applies to the correct entities.

Following the approval of the delegation agreement between NERC and the Texas RE, ERCOT Board approval of ERCOT Bylaws changes will be sought to address the formation of the Texas RE. Additional staff will also be added, in accordance with the approved Texas RE Budget which will allow the Texas RE to be ready to implement and enforce reliability standards.

Standards Program Goals and Objectives

The goals of the Regional Reliability Standards Program for 2008 are to:

- Meet all FERC and NERC directives with regard to regional reliability standards development and procedures.
- Work closely with the ERO and ERCOT Market Participants to develop separate regional reliability standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain a Regional Variance; or otherwise address issues that are not addressed in NERC Reliability Standards.
- Develop regional reliability standards such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.
- Ensure consistency and quality of regional reliability standards.
- Communicate with stakeholders and regulators regarding standards development – both NERC and regional reliability standards.
- Streamline and improve the Texas RE Reliability Standards Development Process and associated tools.
- Ensure the topics addressed by the regional reliability standards keep pace with changing industry needs

- Develop and revise standards directed by FERC and NERC.
- Be actively involved in the NERC Reliability Standards Program and participate on Standards Drafting Teams.
- Administer and facilitate a comprehensive program to develop new regional reliability standards and improve existing regional standards that meet the quality characteristics in the Texas RE Standards Development Process.
- Coordinate the Texas RE review of all proposed ERCOT Protocol and Operating Guides Revisions to ensure there are no conflicts with region-specific and NERC Reliability Standards.
- Actively participate on the NERC Regional Reliability Standards Working Group.
- Complete development of remaining regional “fill-in-the-blank” standards.
- Ensure Texas RE Standards Development Process is aligned to meet agreed-upon expectations.
- Revise standards development rules and procedures in response to FERC directives.
- Evaluate alternatives and improvements that ensure consensus is being achieved in an efficient manner.
- Evaluate and improve ballot performance (quorums and balance).
- Formalize a feedback loop for continuous improvement.
- Improve drafting team guidelines.
- Develop standards program communications that educate and inform stakeholders and support the Texas RE Standards Development Program objectives.

Compliance Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	11.0	7.0	8.5
Total Direct Funding	1,180,655	657,647	892,898
Total Indirect Funding	1,928,591	370,813	610,523
Total Funding	3,109,246	1,028,460	1,503,421

Background

The purpose of the Texas RE Compliance Monitoring and Enforcement Program (CMEP) is to maintain the reliability of the ERCOT Bulk Power System. NERC oversees each Region's Compliance Program and each region is responsible for reviewing the compliance of its members with NERC and regional reliability standards and requirements. Going forward, this will be accomplished by:

- Monitoring and enforcing compliance with the NERC and regional reliability standards and requirements for all entities within ERCOT, including the ERCOT ISO.
- Reporting all violations of all standards, including regional standards, to NERC.
- Maintaining processes for data gathering, reporting, investigating, auditing, assessing, penalizing and sanctioning violators, and mitigating non-compliance.
- Performing the compliance and enforcement functions of the NERC CMEP by exercising the authority delegated to the Texas RE by NERC in its delegation agreement.

There are eight sources of an alleged violation, according to the Compliance Monitoring and Enforcement Program: self report, self certification, audit report, investigation, exception report, spot check, complaint, or a data submittal.

Monitoring, auditing, investigating, and enforcing compliance with reliability standards by owners, operators, and users of the bulk power system, like the development and adoption of the regional reliability standards, is at the core of the Texas RE's mission. Through a rigorous program of monitoring, audits, and investigations; mitigation activities; and the imposition of penalties and sanctions for non-compliance with reliability standards, the Texas RE will strive to maintain a high level of reliable operation of the ERCOT Bulk Power System by its owners, operators, and users. Ensuring the reliable operation of the bulk power system will benefit all owners, operators, and users of the ERCOT Bulk Power System and, ultimately, all users and consumers of electric power in the ERCOT Region which will provide a broad-based benefit to the public and will be in the public interest.

The current CMEP has focused on the ERCOT ISO and those ERCOT Entities that are performing delegated Balancing Authority (BA) and Transmission Operator (TOP) Tasks. This

includes 30 Qualified Scheduling Entities (QSEs) with resources and 16 Transmission Operator Sub-Entities. There have been a few selected standards and requirements that have applied to other entities such as Transmission and Generator Owners.

Currently, there are 83 FERC-approved NERC Reliability Standards and more are in the standards development and approval process. These 83 approved standards have nearly 350 requirements and nearly 400 sub-requirements.

A key component of the CMEP is conducting compliance audits of all responsible entities, which are expected to significantly increase as a result of the increased number of entities being registered as users, owners, and operators of the bulk power system. The Texas RE will maintain a program of proactive enforcement audits. Each owner, operator, or user of the bulk power system responsible for complying with NERC and regional reliability standards and requirements shall be audited by the Texas RE. A Compliance Audit is a process in which a detailed review of an owner, operator, or user of the bulk power system is performed to determine if that owner, operator, or user of the bulk power system is complying with approved reliability standards. Compliance Audits are currently conducted on a three-year cycle and an audit report is issued for each audit. Currently, the Texas RE does not utilize industry volunteers and experts on Compliance Audit Teams. However, going forward, industry volunteers may be utilized primarily to provide industry expertise to compliance audit teams, as well as provide technical advice and recommendations to Texas RE Staff.

In years when an entity does not receive a Compliance Audit, the Texas RE may request compliance self-certification from the entity using electronic forms developed and distributed by the Texas RE. The entity must certify that it is in compliance with each designated measure or disclose any non-compliance and submit the self-certification to the Texas RE by the date specified in the request by the Texas RE. Spot checks may be performed by the Texas RE on a sample of these self-certifications by telephone or site visit. Deficiencies found in self-certifications and spot checks will be treated as if they were audit findings.

Compliance Enforcement Program Objectives

The Compliance Review and Verification Group will focus on the following:

- Compliance Audits
- Readiness Audits
- Organization Certification Audits
- Self-certifications
- Spot checks
- Investigations
- Critical infrastructure Protection Standards compliance

a. Audits
   i. Through 2006, ERCOT Compliance has been conducting Compliance Audits on 16 ERCOT Transmission Operator Sub-Entities and 30 Qualified Scheduling Entities (QSE) with Resources on a three-year cycle – approximately 15 each year. In accordance with ERO requirements, the Texas RE will audit all entities responsible for complying with NERC and regional reliability standards. Audits will be performed on a three-year cycle for the following registered entities: Transmission Owners/Planners (29), including those with Transmission Operator Sub-Entities;

Distribution Providers (2); Generator Operators (30); and the ERCOT ISO (TOP, PA, RC, TSP, BA, & RP). It is proposed that the following registered entities be audited on a 6-year cycle: Generator Owners (107). This will increase the number of audits to 169 (~39 each year). The Texas RE is currently reviewing the need to expand the list of Registered Entities to include Purchasing-Selling Entities (PSE) and Load Serving Entities (LSE). There are currently approximately 103 PSEs (~34 additional audits each year) and 34 LSEs (~11 additional audits each year). If these entities are registered, the Texas RE proposes that they be audited on a 6-year cycle. This would increase the number of audits by 137 (23 each year).

ii. Although not yet clearly defined, ERCOT's 16 Transmission Operator Sub-Entities and 30 QSEs with Resources (Local Control Centers) may also receive Reliability Readiness Audits on a three-year cycle (~15 each year).

iii. Organization Certification Audits of TOPs, RCs, and BAs may also be performed. It has not yet been determined if those entities performing delegated TOP (16 ERCOT Transmission Operator Sub-Entities) and BA (30 QSEs with Resources) tasks will need to be certified or which additional entities will require certification, or whether Reliability Readiness Audits will be used in place of Organization Certification Audits.

iv. Regional Compliance Staffs will also participate on NERC Reliability Readiness Audit Teams (entities outside ERCOT). Texas RE Staff will plan to participate on six (6) NERC Reliability Readiness Audits.

v. As the number of entities being NERC-certified increases, the number of responsible entities in ERCOT will increase and a larger number of annual Self-Certifications will be required (~130 each year – TO/TP, DP, GO, & GOP Functions + ERCOT ISO). Spot checks will be performed as needed (~15 to 25 each year). Additional annual self-certifications will be required for PSEs and LSEs (~114 each year). Spot checks will be performed as needed (~10 to 20 each year).

b. Investigations of significant events that jeopardize the reliability of all or part of the ERCOT system will be required. The Texas RE will investigate events using the data gathered from the ERCOT ISO and involved entities. From the data gathered, the Texas RE will develop a report that includes findings, observations, and recommendations. In 2006, 52 events were reported to ERCOT Compliance. Of those 52 events, 10 events met requirements that required closer review by ERCOT Compliance. Of those 10 events, 3 required a detailed investigation and report.

c. Currently penalties and sanctions are not enforced for non-compliance with NERC Reliability Standards (simulated penalties are calculated and reported to NERC). Careful consideration will be required when determining penalties and sanctions for non-compliance to ensure consistency and comparability. This is because of the number of mitigating (potential to reduce the penalty) and aggravating (potential to increase the penalty) factors that can be considered when determining the seriousness of the violation.

d. Because penalties and sanctions will be enforced, appeals of violations as well as penalties and sanctions will likely occur. These appeals will need to be addressed.

Organization Registration and Certification Objectives

Organization registration identifies those entities that are responsible for compliance with reliability standards. The Organization Registration and Certification Function is the direct responsibility of REs. Owners, operators, and users of the bulk power system shall provide to their respective RE such information as is necessary to complete the registration. All information is forwarded to NERC.

Some entities that are registered as responsible reliability entities will have to meet certain criteria to demonstrate that they are able to perform the tasks required by the standards. The Texas RE will administer an Organization Registration and Certification Program to meet NERC's program goals and requirements. The program goals will be accomplished by audits and periodic reviews.

The Texas RE is leading an effort to register all entities that are users, owners, and operators of the bulk power system that will be responsible for complying with NERC Reliability Standards. The latest draft list includes:

- 107 Generator Owners
- 30 Generator Operators
- 29 Transmission Planners
- 31 Transmission Owners
- 2 Distribution Providers with responsibility for complying with the requirements of the under-frequency load shedding program
- ERCOT ISO (Reliability Coordinator, Transmission Operator, Balancing Authority, Planning Authority, Resource Planner, Transmission Service Provider, and Purchasing Selling Entity)

The Texas RE will maintain an accurate registration list of all owners, operators, and users of the bulk power system for compliance monitoring purposes.

- Update and confirm the registration list as needed (at least annually).
- Provide necessary registration information to NERC and appropriate government authorities.
- Review the completeness of the organization registration list and determine if additional efforts are necessary to identify other entities or collect more information from bulk power system owners, operators, and users.

The Texas RE will also implement organization certification.

- Maintain processes and procedures for carrying out the delegated certification activities that are required by the certification standards.
- Conduct certification audits scheduled in 2008.

Registration and, in some cases, certification of the organizations responsible for complying with the standards will be an ongoing activity.

Proposed Additional Staff for 2008

Senior Compliance Engineer – Additional staff is required to provide high level technical support to review and interpret information and data received in the course of conducting compliance activities. The Senior Compliance Engineer will provide a resource with extensive technical experience to assist other compliance staff and perform technical assessments and other duties as determined to meet the needs of reliability functions.

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	0.0	0.5	0.5
Total Direct Funding	0	23,342	58,345
Total Indirect Funding	0	26,487	35,913
Total Funding	0	49,829	94,258

Background

The NERC Reliability Readiness Evaluation and Improvement Program was developed in response to the August 2003 blackout in the Northeastern United States and Canada. Readiness evaluations are comprehensive reviews of entities operating the bulk power system and are conducted to ensure that operators of the bulk power system have facilities, tools, processes, and procedures in place to operate reliably under future conditions. NERC's reliability readiness evaluations identify opportunities for improvement and examples of excellence that help the evaluated entity, and other entities, improve their ability to operate the bulk power system. These reviews help Balancing Authorities, Transmission Operators, and Reliability Coordinators recognize and assess their reliability responsibilities and evaluate how their operations support those responsibilities.

In 2005, NERC expanded the coverage of its Reliability Readiness Evaluation and Improvement Program to include local control centers – those local control centers performing delegated tasks. In ERCOT, these entities might include Transmission Operator Sub-Entities and QSEs with Resources. In 2006, NERC continued to expand the coverage of its readiness evaluations to include additional local control centers with the objective to review all entities that perform bulk power system reliability functions. Readiness evaluations are conducted on a three-year cycle. Reliability readiness evaluation teams consist of industry volunteers with appropriate technical expertise. Evaluation teams prepare and publicly publish a report of the team's findings on the NERC Web Site.

Reliability Readiness Evaluation and Improvement Objectives

- Before additional NERC Reliability Readiness Evaluations of ERCOT Transmission Owner and Qualified Scheduling Entity Local Control Centers (LCC) are conducted, development of criteria to determine which, if any, LCCs will be subject to readiness evaluations must be completed. A determination on what frequency they will be conducted should also be made (i.e., 3-year cycle, 5-year cycle, etc.).
- Once criteria are established, Texas RE Staff will work with NERC Staff to schedule appropriate readiness evaluations – including co-leading the evaluation team, assisting audited entities in developing mitigation plans for implementing recommendations from the reliability readiness audits, and tracking those mitigation plans to completion.
- In conjunction with NERC, develop a process for verifying the implementations of the readiness evaluation recommendations.

- Report quarterly the status and mitigation of each recommendation identified in the reliability readiness evaluation process.
- Texas RE Staff is expected to participate on six NERC Reliability Readiness Evaluations in 2008.
- Perform an assessment of the Reliability Readiness Audit and Improvement Program to evaluate the success and effectiveness of the program in achieving its mission as it relates to LCCs.

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	0.0	0.5	0.5
Total Direct Funding	0	88,149	143,503
Total Indirect Funding	0	26,487	35,913
Total Funding	0	114,636	179,416

Background

The Texas RE will continue to play a key role in System Operator training activities. Texas RE Staff chairs and actively participates on the Operations Training Seminar Oversight Working Group which is responsible for developing, planning, arranging, and monitoring the annual ERCOT Operations Training Seminar. The working group is responsible for measuring how the Seminar is meeting its objectives which are to provide training on power system fundamentals, current events, issues related to marketing, and other timely issues determined by the working group. Despite including subjects on various issues, emphasis is placed on topics that focus on enhancing the performance of bulk power system operating personnel. The target audience for the seminar is ERCOT ISO System Operators, Qualified Scheduling Entity (QSE) Operators, and Transmission/Distribution System Provider (TDSP) Operators and those who provide management, supervision, and support for the operators. The seminar is also open to Power Generation Company (PGC) Operators, Wholesale Power Marketers, Retail Electric Providers, and others associated with the bulk power system.

Training, Education, and Operator Certification Objectives

Participating in the development of training and education programs for bulk power system operating personnel and the other targeted audiences of these programs will be an important component of the Texas RE. Providing a training and education program for the operating personnel of owners, operators, and users of the bulk power systems of North America relating to their compliance with regional reliability standards and other reliability-related job functions will help to achieve a high level of knowledge and competence among these operating personnel in the performance of their reliability-related functions. It also helps to promote a culture of compliance within the industry, and thereby will help to further ensure the reliable operation of the ERCOT Bulk Power System.

Beginning in 2007, NERC Continuous Education Hours (CEH) were offered for attending the ERCOT Training Seminar. System Operators attending the seminar received up to 19 CEHs. Many of these hours can also be used to satisfy NERC and ERCOT requirements for system emergency training.

Auditor training for Texas RE Staff who participate in audits and investigations conducted by the Texas RE will also be developed and maintained.

Texas RE Staff will also continue to coordinate and facilitate the ERCOT Operator Certification Test given to System Operators and operations support personnel. Texas RE Staff will continue to maintain and update the ERCOT Fundamentals Training Manual which was designed and written to serve as a study tool for System Operator Certification Tests and to serve as a readily available reference document. The Manual contains descriptions of fundamental topics in electrical power and ERCOT power system operations.

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	3.0	6.5	7.0
Total Direct Funding	312,761	374,768	574,242
Total Indirect Funding	525,979	344,326	502,784
Total Funding	838,740	719,094	1,077,026

Background

As described earlier, the purpose of the Texas RE Compliance Monitoring and Enforcement Program (CMEP) is to maintain the reliability of the ERCOT Bulk Power System. NERC oversees each Region's Compliance Program and each region is responsible for reviewing the compliance of its members with NERC and regional reliability standards and requirements. Going forward, this will be accomplished by:

- Monitoring and enforcing compliance with the NERC and regional reliability standards and requirements for all entities within ERCOT, including the ERCOT ISO.
- Reporting all violations of all standards, including regional standards, to NERC.
- Maintaining processes for data gathering, reporting, investigating, auditing, assessing, penalizing and sanctioning violators, and mitigating non-compliance.
- Performing the compliance and enforcement functions of the NERC CMEP by exercising the authority delegated to the ERCOT Regional Entity (RE) by NERC in its delegation agreement.

There are eight sources of an alleged violation, according to the Compliance Monitoring and Enforcement Program: self report, self certification, audit report, investigation, exception report, spot check, complaint, or a data submittal.

Monitoring, auditing, investigating, and enforcing compliance with reliability standards by owners, operators, and users of the bulk power system, like the development and adoption of the regional reliability standards, is at the core of the Texas RE's mission. Through a rigorous program of monitoring, audits, and investigations, mitigation activities, and the imposition of penalties and sanctions for non-compliance with reliability standards, the Texas RE will strive to maintain a high level of reliable operation of the ERCOT Bulk Power System by its owners, operators, and users. Ensuring the reliable operation of the bulk power system will benefit all owners, operators, and users of the ERCOT Bulk Power System and, ultimately, all users and consumers of electric power in the ERCOT Region, will provide a broad-based benefit to the public and will be in the public interest.

2008 is the first full year the Compliance Monitoring and Enforcement Program will be responsible for mandatory compliance to approved reliability standards, including the delegated regional compliance enforcement programs. Texas RE Staff will work closely with NERC Staff to achieve maximum efficiency. Compliance data collection, analysis, and reporting to the

regulatory authorities will be enhanced based on the regulators requests and data collection, analysis, and reporting tools developed.

Texas RE Staff also supports the development of compliance administration elements. This undertaking requires a significant amount of work and coordination with the standards program and Regional Entities to review and update the compliance administration elements of all standards. NERC and Regional Entity Staff will develop effective compliance violation security levels, data retention requirements, and monitoring methods that work in concert with the requirements and measures within the standards.

The Texas RE plans to implement a Compliance Data Management System that will be used by the Texas RE beginning in late 2007 and into 2008. The Compliance Data Management System contains a module to collect compliance information from Registered Entities.

Reliability Assessment and Performance Analysis Objectives

The Texas RE must maintain clear independence and not be unduly influenced by the owners, operators, and users of the bulk power system being monitored. The Reliability Assessment and Performance Analysis Group which will focus on the following:

- Selectively monitor system operations and extract data at various intervals to meet reporting requirements and assess performance and compliance with NERC and ERCOT-Specific Standards.
- Periodic data submittal review and analysis
- Data and document management
- Compliance issue management and tracking
- Compliance procedure development and management
- Impact assessment of new/revised NERC Standards on ERCOT Protocol and Operating Guides requirements.
- Address issues as a result of self-reporting, exception reporting, and complaints (incident report)
- Compliance reporting to the PUCT, NERC, and stakeholders
- Audit training
- Capital project development, tracking, and oversight of projects in support of the Texas RE to fulfill its delegated functions

The Reliability Assessment and Performance Analysis Group will also have the following objectives:

- Maintain working relationships between NERC and the Texas RE in order to achieve maximum effectiveness and consistency of monitoring, reporting, enforcement actions, and appeals.
- Assure timely mitigation of all violations of standards and requirements.
- Assess the effectiveness of enforcement actions in mitigating violations of standards.
- Enhance processes, databases, and reporting tools to allow for seamless, uniform reporting of alleged and confirmed violations of standards, proposed penalty and sanction actions, and disposition of all violations.

- Report all alleged violations of standards and penalties and sanctions applied to compliance violations to NERC and the appropriate governmental authorities through established processes.
- Report quarterly all confirmed violations of NERC or approved regional standards for which investigatory, decisional, and appeal processes have been completed, including the identity of the organizations involved in these violations.
- Track the mitigation of identified violations of standards.

The ERCOT Region is required to conduct periodic assessments of the reliability and adequacy of the ERCOT Bulk Power System. In accordance with this responsibility the ERCOT Region prepares three reliability assessments each year: a long-term reliability assessment report; a summer assessment report; and a winter assessment report. These reports analyze electricity demand and the adequacy of supply in the ERCOT Region as well as examine the adequacy of the transmission system. The Texas RE will review these assessments as required. Reliability assessment reports will also be prepared as conditions warrant. Results of independent assessments of the overall reliability and adequacy of the ERCOT Bulk Power System will be reviewed and reported for 2008 summer, 2008/2009 winter, and 2008-2017.

Further, the Texas RE will analyze significant events that occur on the ERCOT Bulk Power System. Significant events occasionally occur involving the ERCOT Transmission System and Generation Resources. Often, these events require investigation to determine the root cause and to identify lessons learned and whether the event was an isolated occurrence or one that requires further analysis. This analysis is needed to determine if the system(s) and equipment involved are operating correctly and are being properly applied, maintained, and/or tested.

Compliance Report Generation – It is anticipated that 50 to 60 Compliance Reports will be written each year as a result of audits and investigations conducted by Texas RE Compliance Staff. It is most efficient and effective to have staff available that has specific expertise in writing reports. This would allow the Texas RE Compliance Staff to monitor and enforce compliance with NERC Standards and ERCOT-Specific Standards.

Proposed Additional Staff for 2008

Records/Document Coordinator – The Texas RE will have a high volume of documents that will be created, received, used, stored, or maintained in the course of business as evidence of business activity. It is essential that the Texas RE manage this information and these records. The current draft ERCOT Compliance Registry contains 169 Registered Entities that will be engaged in one or more compliance activities (Compliance Audits, Readiness Audits, Organization Certification Audits, Self-certifications, Spot checks, Investigations, & Critical infrastructure Protection Standards compliance) each year. Each activity can potentially produce numerous documents that must be retained and managed.

Situation Awareness and Infrastructure Security Program

Situation Analysis and Infrastructure Security Program Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	1.0	0.5	0.5
Total Direct Funding	108,032	21,552	46,925
Total Indirect Funding	175,326	26,487	35,913
Total Funding	283,358	48,039	82,838

Background

This function will monitor and enforce compliance with the Critical Infrastructure Protection (CIP-001 thru 009) Standards, report any non-compliance to the ERO, and determine and assess penalties and sanctions. The intent of the NERC Cyber Security Standards is to ensure that all entities responsible for the reliability of the bulk power system identify and protect critical cyber assets that control or could impact the reliability of the bulk power system. The CIP Standard Requirements are being communicated to all responsible entities to ensure compliance in accordance with the Cyber Security Standards Implementation Plan. This requires a significant amount of communication with the ERCOT Security Department and entities responsible for complying with the CIP Standards. Compliance Audits, self-certifications, and spot checks will be required to verify compliance.

Responsible Entities must begin work to become compliant with a requirement, substantially compliant with a requirement, compliant with a requirement, and auditably compliant with a requirement in accordance with the CIP Standards Implementation Schedule. The implementation plan specifies a compliance schedule for NERC Functional Model Entities. Each Functional Model Entity is required to demonstrate progress towards compliance in accordance with the compliance schedule. The ERCOT ISO is the only designated Balancing Authority (BA), Transmission Operator (TOP), and Reliability Coordinator (RC) in the ERCOT Region and was required to self-certify compliance to NERC's Urgent Action Cyber Security Standard 1200. As such, the ERCOT ISO must be either compliant or substantially compliant with all CIP Standards Requirements by the end of the second quarter 2008; either auditably compliant or compliant with all of the CIP Standards Requirements by the end of the second quarter 2009; and auditably compliant with all CIP Standards Requirements by the end of the second quarter 2010.

Entities registered in ERCOT as Transmission Owners, Generator Owners, Generator Operators, or Load-Serving Entities should begin work on being compliant with all CIP Standards Requirements during the second quarter 2007. These entities must also be substantially compliant or compliant with all CIP Standards Requirements within twelve months after registration is completed; compliant or auditably compliant with all CIP Standards Requirements within twenty-four months after registration is completed; and auditably compliant with all CIP Standards Requirements within thirty-six months after registration is completed. All new Responsible Entities must also become compliant with all CIP Standards Requirements in accordance with the compliance schedule.

The Texas RE will continue to play an active role during the implementation of the CIP Standards Requirements. To provide time for Responsible Entities to examine their policies and procedures, to assemble the necessary documentation, and to meet the requirements of the CIP Standards, compliance assessment will begin in 2007. Status reports will also be requested from Responsible Entities that are not required to be auditably compliant until 2010 to verify that entities are on schedule and meeting the implementation plan.

Administrative Services

Administrative Services Resources (in whole dollars)			
	2007 Budget	2007 Projection	2008 Budget
Total FTEs	5.0	5.0	6.0
Total Direct Funding	2,980,550	900,548	1,364,698
Total Funding	2,980,550	900,548	1,364,698

General and Administrative

The Chief Compliance Officer (CCO) shall carry on the general affairs of the Texas RE as the chief executive officer. The CCO will be independent of any market participant, and will be an independent member of the staff of ERCOT, reporting exclusively to the ERCOT Board. The CCO shall be responsible for:

- Overseeing and managing the activities of the Texas RE
- Retaining or terminating outside counsel or other advisors as deemed appropriate
- Making an annual report and periodic reports to the ERCOT Board concerning the activities and expenditures of the Texas RE
- Ensuring that the Texas RE files all required reports with NERC
- Monitoring the expenditures of the monies received by the Texas RE to ensure that such are deployed in accordance with the approved Texas RE Budget (in cooperation with the Finance Staff)
- Making employment-related decisions for all employees of the Texas RE
- Performing such other duties as may be determined from time to time by the ERCOT Board, for the benefit of the Texas RE

An Executive Assistant will be responsible for providing executive-level administrative support to the Texas Regional Entity (RE) Chief Compliance Officer (CCO). The Executive Assistant will also perform general office manager activities and provide support to other Texas RE Staff as needed.

Members' Forums

N/A

Information Technology

IT Staff will provide a broad range of Information Technology support to the Texas RE. IT Staff will perform a variety of technical and administrative tasks in the development, deployment, and ongoing support of computer applications and systems and provide training and technical support to users on them. IT Staff will assist in the design, implementation, and management of the Texas RE Website to support the communication of information to the market and will participate in the design and development of database models, web-enabled applications, data extraction and delivery methods, and data presentation. Other IT objectives include:

- Determining long-term system needs.

- Assist with Critical Infrastructure Protection Standards compliance enforcement as needed.
- Assist in determining system and hardware needs for the Texas RE.
- Liaison with ERCOT IT Staff related to IT systems and tools.
- Assist in ensuring all information systems are functional and secure, and that all applications running on those systems meet business requirements for performance, availability, and security.

2007 Budgeted Positions – 1
2007 Projection – 1
2008 Budgeted Positions – 1

Legal and Regulatory

Legal staff is required to provide legal assistance and counsel to Texas RE Staff on all corporate legal matters with primary emphasis on regulatory enforcement proceedings and related legislative matters involving the Texas Legislature, PUCT, FERC, and NERC. The Texas RE Legal Staff will represent the Texas RE in its quasi-prosecutorial role in PUCT, FERC, and NERC enforcement and rulemaking proceedings and supervise outside counsel responsible for larger enforcement matters. Additional objectives include:

- Participate in all settlement processes and review all settlements for consistent application of settlement principles.
- Review all enforcement actions for consistent application in all violations of standards.
- Manage all enforcement action appeals.

2007 Budgeted Positions – 1
2007 Projection – 1
2008 Budgeted Positions – 2

Proposed Additional Staff for 2008

Sr. Paralegal – Oversees and coordinates the preparation of Texas RE filings with the PUCT, FERC, Texas Legislature, and other governmental and regulatory entities; monitors and notifies appropriate Texas RE personnel of PUCT, FERC, legislative, and other governmental matters; and performs research and file management of governmental and regulatory matters for the Texas RE. The Sr. Paralegal will manage complex procedural requirements including interpretation of legal procedure, case file management, protecting confidential information, and ensuring timely compliance with legal filing requirements. This position will also assist with preparation of ERCOT Board Packet and agenda, as needed.

Human Resources

Human Resources support will be provided by ERCOT, Inc. The Texas RE Executive Assistant will liaise with the ERCOT Human Resources Department to ensure that human resources policies and procedures, including staffing, compensation, benefits, employee relations, and training and development are communicated to Texas RE Staff.

Finance and Accounting

Finance Staff is required to formulate and monitor the Texas RE budget for controlling funds to implement the Texas RE's objectives and will also review and evaluate the performance of key processes for maintaining tight financial controls in a cost-effective and efficient manner. Finance Staff will guide the annual budget process for the Texas RE and measure performance of all key aspects of the Texas RE to ensure performance matches or exceeds expectations, including the analysis of trends affecting budget needs and developing periodic financial reports. Finance Staff will liaise with ERCOT Finance Staff to ensure all finance and budget-related requirements are communicated, met, and adhered to.

2007 Budgeted Positions – 1
2007 Projection – 1
2008 Budgeted Positions – 1

Section B — 2008 Budget

Comparison - 2007 Budget and Projection
Comparison - 2007 Projection and 2008 Budget

Table 1

Statement of Activities
2007 Budget & Projection, and 2008 Budget

	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	$ 4,870,755	$ 4,870,755	$ -	$ 3,226,066	$ (1,644,689)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshop	-	-	-	70,000	70,000
Interest	-	-	-	-	-
Total Funding	**$ 4,870,755**	**$ 4,870,755**	**$ -**	**$ 3,296,066**	**$ (1,574,689)**
Expenses					
Personnel Expenses					
Salaries	$ 1,481,500	$ 1,216,626	$ (264,874)	$ 1,718,288	$ 501,662
Payroll Taxes	127,557	106,999	(20,558)	142,618	35,619
Benefits	330,198	150,748	(179,450)	206,195	55,447
Retirement Costs	225,631	124,742	(100,889)	201,040	76,298
Total Personnel Expenses	**$ 2,164,886**	**$ 1,599,115**	**$ (565,771)**	**$ 2,268,141**	**$ 669,026**
Meeting Expenses					
Meetings	$ 2,400	$ 1,500	$ (900)	$ 73,240	$ 71,740
Travel	66,269	49,470	(16,799)	93,235	43,765
Conference Calls	9,400	250	(9,150)	1,000	750
Total Meeting Expenses	**$ 78,069**	**$ 51,220**	**$ (26,849)**	**$ 167,475**	**$ 116,255**
Operating Expenses					
Consultants	$ 110,000	$ 110,000	$ -	$ -	$ (110,000)
Contracts	-	-	-	89,000	89,000
Office Rent	77,500	145,205	67,705	203,000	57,795
Office Costs	65,900	5,000	(60,900)	17,450	12,450
Professional Services	220,000	60,000	(160,000)	256,000	196,000
Computer Purchase & Maint.	1,804,400	253,900	(1,550,500)	-	(253,900)
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	350,000	-	(350,000)	295,000	295,000
Total Operating Expenses	**$ 2,627,800**	**$ 574,105**	**$ (2,053,695)**	**$ 860,450**	**$ 286,345**
Total Expenses	**$ 4,870,755**	**$ 2,224,440**	**$ (2,646,315)**	**$ 3,296,066**	**$ 1,071,626**
Change in Assets	**$ -**	**$ 2,646,315**	**$ 2,646,315**	**$ -**	**$ (2,646,315)**

Detailed analysis of income and expenses are contained in the following appendices:

- **Appendix A** — 2007 projection and 2008 budget by program category. An expanded view of each delegated function is shown.
- **Appendix B** — 2007 projection and 2008 budget by statement of activity section. An expanded view of each line item on the statement of activities is shown.

Personnel Analysis

Table 2

Total FTE's by Program Area	Budget 2007	Projection 2007	Budget 2008	Change
Operational Programs				
Reliability Standards	2.0	2.0	2.0	0.0
Compliance and Organization Registration and Certification	11.0	7.0	8.5	1.5
Reliability Readiness Audit and Improvement	0.0	0.5	0.5	0.0
Training and Education	0.0	0.5	0.5	0.0
Reliability Assessment and Performance Analysis	3.0	6.5	7.0	0.5
Situational Awareness and Infrastructure Security	1.0	0.5	0.5	0.0
Total FTEs Operational Programs	**17.0**	**17.0**	**19.0**	**2.0**
Administrative Programs				
Member Forums	0.0	0.0	0.0	0.0
General & Administrative	2.0	2.0	2.0	0.0
Information Technology	1.0	1.0	1.0	0.0
Legal and Regulatory	1.0	1.0	2.0	1.0
Human Resources	0.0	0.0	0.0	0.0
Accounting	1.0	1.0	1.0	0.0
Total FTEs Administrative Programs	**5.0**	**5.0**	**6.0**	**1.0**
Total FTEs	**22.0**	**22.0**	**25.0**	**3.0**

Note: FTE's reflected in Table are based on headcount. Generally, resources dedicate approximately 75% of their time to Statutory functions and 25% of their time to Non-Statutory functions.

2007 Organizational Chart

Shown below in Table 3 is the organizational chart for 2007, including the staff expected to be hired in each program area by the end of 2007.

Table 3

2008 Organizational Chart

Shown below in Table 4 is the organizational chart for 2008 with the 2007 staffing levels, plus the additional staff that will be hired to support the increased ERO activities in 2008.

Table 4

Reserve Analysis

Table 5

Reserve Analysis 2007 - 2008		
Cash Available 2007:		
Cash Balance @ 12/31/06	$	-
2007 ERO Funding		4,870,755
Change in Assets		-
Total Cash Available 2007	$	4,870,755
Cash Needed 2007:		
Projected Expenses	$	2,224,440
Change in Liabilities		-
Total Cash Needed 2007	$	2,224,440
Projected Ending Cash Balance @ 12/31/07	$	2,646,315
2008 ERO Funding	$	3,296,066
Less: Projected Ending Cash Balance @ 12/31/07		2,646,315
Net 2008 ERO Funding Requirement	**$**	**649,751**

Appendix A – Breakdown by Program Category

Reliability Standards

Funding sources and related expenses for the reliability standards section of the 2008 Business Plan are reflected in Table A-1.

Table A-1

Statement of Activities
2007 Budget & Projection, and 2008 Budget
Reliability Standards

	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	$ 288,757	$ 288,757	$ -	$ 215,455	$ (73,302)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	**$ 288,757**	**$ 288,757**	**$ -**	**$ 215,455**	**$ (73,302)**
Expenses					
Personnel Expenses					
Salaries	$ 160,000	$ 117,072	$ (42,928)	$ 144,805	$ 27,733
Payroll Taxes	13,776	10,311	(3,465)	12,019	1,708
Benefits	44,286	14,500	(29,786)	17,378	2,878
Retirement Costs	24,368	12,028	(12,340)	16,943	4,915
Total Personnel Expenses	**$ 242,430**	**$ 153,911**	**$ (88,519)**	**$ 191,145**	**$ 37,234**
Meeting Expenses					
Meetings	$ 600	$ 300	$ (300)	$ 810	$ 510
Travel	7,927	3,670	(4,257)	8,500	4,830
Conference Calls	800	50	(750)	-	(50)
Total Meeting Expenses	**$ 9,327**	**$ 4,020**	**$ (5,307)**	**$ 9,310**	**$ 5,290**
Operating Expenses					
Consultants	$ 10,000	$ -	$ (10,000)	$ -	$ -
Contracts		-	-	-	-
Office Rent	8,000	-	(8,000)	-	-
Office Costs	6,500	503	(5,997)	-	(503)
Professional Services		-	-	-	-
Computer Purchase & Maint.	12,500	-	(12,500)	-	-
Furniture & Equipment		-	-	-	-
Miscellaneous/Contingency		-	-	15,000	15,000
Total Operating Expenses	**$ 37,000**	**$ 503**	**$ (36,497)**	**$ 15,000**	**$ 14,497**
Total Expenses	**$ 288,757**	**$ 158,434**	**$ (130,323)**	**$ 215,455**	**$ 57,021**
Change in Assets	**$ -**	**$ 130,323**	**$ 130,323**	**$ -**	**$ (130,323)**

Compliance Enforcement and Organization Registration and Certification

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2008 Business Plan are reflected in Table A-2.

Table A-2

Statement of Activities
2007 Budget & Projection, and 2008 Budget
Compliance Enforcement and Organization Registration and Certification

	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	$ 1,180,655	$ 1,180,655	$ -	$ 892,898	$ (287,757)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	**$ 1,180,655**	**$ 1,180,655**	**$ -**	**$ 892,898**	**$ (287,757)**
Expenses					
Personnel Expenses					
Salaries	$ 646,500	$ 484,797	$ (161,703)	$ 584,760	$ 99,963
Payroll Taxes	55,664	41,859	(13,805)	48,535	6,676
Benefits	159,431	57,737	(101,694)	70,171	12,434
Retirement Costs	98,462	50,659	(47,803)	68,417	17,758
Total Personnel Expenses	**$ 960,057**	**$ 635,052**	**$ (325,005)**	**$ 771,883**	**$ 136,831**
Meeting Expenses					
Meetings	$ 1,800	$ 1,200	$ (600)	$ 810	$ (390)
Travel	40,848	18,940	(21,908)	46,205	27,265
Conference Calls	6,000	150	(5,850)	-	(150)
Total Meeting Expenses	**$ 48,648**	**$ 20,290**	**$ (28,358)**	**$ 47,015**	**$ 26,725**
Operating Expenses					
Consultants	$ 50,000	$ -	$ (50,000)	$ -	$ -
Contracts		-	-	-	-
Office Rent	35,000	-	(35,000)	-	-
Office Costs	28,950	2,305	(26,645)	-	(2,305)
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	58,000	-	(58,000)	-	-
Furniture & Equipment		-	-	-	-
Miscellaneous/Contingency		-	-	74,000	74,000
Total Operating Expenses	**$ 171,950**	**$ 2,305**	**$ (169,645)**	**$ 74,000**	**$ 71,695**
Total Expenses	**$ 1,180,655**	**$ 657,647**	**$ (523,008)**	**$ 892,898**	**$ 235,251**
Change in Assets	**$ -**	**$ 523,008**	**$ 523,008**	**$ -**	**$ (523,008)**

Reliability Readiness Evaluation and Improvement

Funding sources and related expenses for the reliability readiness evaluation and improvement section of the 2008 Business Plan are reflected in Table A-3.

Table A-3

Statement of Activities
2007 Budget & Projection, and 2008 Budget
Reliability Readiness Evaluation and Improvement

	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	$ -	$ -	$ -	$ 58,345	$ 58,345
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ 58,345**	**$ 58,345**
Expenses					
Personnel Expenses					
Salaries	$ -	$ 15,714	$ 15,714	$ 32,367	$ 16,653
Payroll Taxes	-	1,416	1,416	2,687	1,271
Benefits	-	2,040	2,040	3,884	1,844
Retirement Costs	-	1,572	1,572	3,787	2,215
Total Personnel Expenses	**$ -**	**$ 20,742**	**$ 20,742**	**$ 42,725**	**$ 21,983**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	-	2,600	2,600	10,620	8,020
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ -**	**$ 2,600**	**$ 2,600**	**$ 10,620**	**$ 8,020**
Operating Expenses					
Consultants	$ -	$ -	$ -	$ -	$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	-	-	-	5,000	5,000
Total Operating Expenses	**$ -**	**$ -**	**$ -**	**$ 5,000**	**$ 5,000**
Total Expenses	**$ -**	**$ 23,342**	**$ 23,342**	**$ 58,345**	**$ 35,003**
Change in Assets	**$ -**	**$ (23,342)**	**$ (23,342)**	**$ -**	**$ 23,342**

Training, Education, and Operator Certification

Funding sources and related expenses for the training, education, and operator certification section of the 2008 Business Plan are reflected in Table A-4.

Table A-4

Statement of Activities
2007 Budget & Projection, and 2008 Budget
Training, Education, and Operator Certification

	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	$ -	$ -	$ -	$ 73,503	$ 73,503
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshop	-	-	-	70,000	70,000
Interest	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ 143,503**	**$ 143,503**
Expenses					
Personnel Expenses					
Salaries	$ -	$ 62,477	$ 62,477	$ 38,154	$ (24,323)
Payroll Taxes	-	5,174	5,174	3,167	(2,007)
Benefits	-	7,282	7,282	4,578	(2,704)
Retirement Costs	-	6,434	6,434	4,464	(1,970)
Total Personnel Expenses	**$ -**	**$ 81,367**	**$ 81,367**	**$ 50,363**	**$ (31,004)**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ 70,000	$ 70,000
Travel	-	6,620	6,620	10,140	3,520
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ -**	**$ 6,620**	**$ 6,620**	**$ 80,140**	**$ 73,520**
Operating Expenses					
Consultants	$ -	$ -	$ -	$ -	$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	162	162	-	(162)
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	-	-	-	13,000	13,000
Total Operating Expenses	**$ -**	**$ 162**	**$ 162**	**$ 13,000**	**$ 12,838**
Total Expenses	**$ -**	**$ 88,149**	**$ 88,149**	**$ 143,503**	**$ 55,354**
Change in Assets	**$ -**	**$ (88,149)**	**$ (88,149)**	**$ -**	**$ 88,149**

Reliability Assessment and Performance Analysis

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2008 Business Plan are reflected in Table A-5.

Table A-5

Statement of Activities
2007 Budget & Projection, and 2008 Budget
Reliability Assessment and Performance Analysis

	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	$ 312,761	$ 312,761	$ -	$ 574,242	$ 261,481
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	**$ 312,761**	**$ 312,761**	**$ -**	**$ 574,242**	**$ 261,481**
Expenses					
Personnel Expenses					
Salaries	$ 168,750	$ 281,310	$ 112,560	$ 385,676	$ 104,366
Payroll Taxes	14,529	25,320	10,791	32,011	6,691
Benefits	45,683	36,568	(9,115)	46,281	9,713
Retirement Costs	25,700	28,130	2,430	45,124	16,994
Total Personnel Expenses	**$ 254,662**	**$ 371,328**	**$ 116,666**	**$ 509,092**	**$ 137,764**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ 810	$ 810
Travel	3,774	3,440	(334)	4,340	900
Conference Calls	800	-	(800)	-	-
Total Meeting Expenses	**$ 4,574**	**$ 3,440**	**$ (1,134)**	**$ 5,150**	**$ 1,710**
Operating Expenses					
Consultants	$ 15,000	$ -	$ (15,000)	$ -	$ -
Contracts	-	-	-	-	-
Office Rent	12,000	-	(12,000)	-	-
Office Costs	8,775	-	(8,775)	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	17,750	-	(17,750)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	-	-	-	60,000	60,000
Total Operating Expenses	**$ 53,525**	**$ -**	**$ (53,525)**	**$ 60,000**	**$ 60,000**
Total Expenses	**$ 312,761**	**$ 374,768**	**$ 62,007**	**$ 574,242**	**$ 199,474**
Change in Assets	**$ -**	**$ (62,007)**	**$ (62,007)**	**$ -**	**$ 62,007**

Situational Awareness and Infrastructure Security

Funding sources and related expenses for the situational awareness and infrastructure security section of the 2008 Business Plan are reflected in Table A-6.

Table A-6

Statement of Activities
2007 Budget & Projection, and 2008 Budget
Situational Awareness and Infrastructure Security

	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	$ 108,032	$ 108,032	$ -	$ 46,925	$ (61,107)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	**$ 108,032**	**$ 108,032**	**$ -**	**$ 46,925**	**$ (61,107)**
Expenses					
Personnel Expenses					
Salaries	$ 56,250	$ 15,714	$ (40,536)	$ 32,367	$ 16,653
Payroll Taxes	4,843	1,416	(3,427)	2,687	1,271
Benefits	8,978	2,040	(6,938)	3,884	1,844
Retirement Costs	8,566	1,572	(6,994)	3,787	2,215
Total Personnel Expenses	**$ 78,637**	**$ 20,742**	**$ (57,895)**	**$ 42,725**	**$ 21,983**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	4,070	810	(3,260)	200	(610)
Conference Calls	800	-	(800)	-	-
Total Meeting Expenses	**$ 4,870**	**$ 810**	**$ (4,060)**	**$ 200**	**$ (610)**
Operating Expenses					
Consultants	$ 10,000	$ -	$ (10,000)	$ -	$ -
Contracts	-	-	-	-	-
Office Rent	3,500	-	(3,500)	-	-
Office Costs	3,775	-	(3,775)	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	7,250	-	(7,250)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	-	-	-	4,000	4,000
Total Operating Expenses	**$ 24,525**	**$ -**	**$ (24,525)**	**$ 4,000**	**$ 4,000**
Total Expenses	**$ 108,032**	**$ 21,552**	**$ (86,480)**	**$ 46,925**	**$ 25,373**
Change in Assets	**$ -**	**$ 86,480**	**$ 86,480**	**$ -**	**$ (86,480)**

Information Technology

Funding sources and related expenses for the information technology section of the 2008 Business Plan are reflected in Table A-7.

Table A-7

Statement of Activities
2007 Budget & Projection, and 2008 Budget
Information Technology

	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	$ 1,799,400	$ 1,799,400	$ -	$ 124,735	$ (1,674,665)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	**$ 1,799,400**	**$ 1,799,400**	**$ -**	**$ 124,735**	**$ (1,674,665)**
Expenses					
Personnel Expenses					
Salaries	$ 67,500	$ 42,963	$ (24,537)	$ 85,671	$ 42,708
Payroll Taxes	5,812	3,836	(1,976)	7,111	3,275
Benefits	10,773	5,560	(5,213)	10,280	4,720
Retirement Costs	10,280	4,235	(6,045)	10,023	5,788
Total Personnel Expenses	**$ 94,365**	**$ 56,594**	**$ (37,771)**	**$ 113,085**	**$ 56,491**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	160	180	20	150	(30)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 160**	**$ 180**	**$ 20**	**$ 150**	**$ (30)**
Operating Expenses					
Consultants	$ 25,000	$ 110,000	$ 85,000	$ -	$ (110,000)
Contracts	-	-	-	-	-
Office Rent	3,500	-	(3,500)	-	-
Office Costs	3,125	-	(3,125)	500	500
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	1,673,250	253,900	(1,419,350)	-	(253,900)
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	-	-	-	11,000	11,000
Total Operating Expenses	**$ 1,704,875**	**$ 363,900**	**$ (1,340,975)**	**$ 11,500**	**$ (352,400)**
Total Expenses	**$ 1,799,400**	**$ 420,674**	**$ (1,378,726)**	**$ 124,735**	**$ (295,939)**
Change in Assets	**$ -**	**$ 1,378,726**	**$ 1,378,726**	**$ -**	**$ (1,378,726)**

Legal and Regulatory

Funding sources and related expenses for the legal and regulatory section of the 2008 Business Plan are reflected in Table A-8.

Table A-8

Statement of Activities
2007 Budget & Projection, and 2008 Budget
Legal and Regulatory

	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	$ 241,430	$ 241,430	$ -	$ 308,281	$ 66,851
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	**$ 241,430**	**$ 241,430**	**$ -**	**$ 308,281**	**$ 66,851**
Expenses					
Personnel Expenses					
Salaries	$ 90,000	$ 56,442	$ (33,558)	$ 163,812	$ 107,370
Payroll Taxes	7,749	5,082	(2,667)	13,596	8,514
Benefits	14,364	7,338	(7,026)	19,657	12,319
Retirement Costs	13,707	5,646	(8,061)	19,166	13,520
Total Personnel Expenses	**$ 125,820**	**$ 74,508**	**$ (51,312)**	**$ 216,231**	**$ 141,723**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ 810	$ 810
Travel	2,035	2,540	505	2,740	200
Conference Calls	500	-	(500)	-	-
Total Meeting Expenses	**$ 2,535**	**$ 2,540**	**$ 5**	**$ 3,550**	**$ 1,010**
Operating Expenses					
Consultants	$ -	$ -	$ -	$ -	$ -
Contracts	-	-	-	-	-
Office Rent	3,500	-	(3,500)	-	-
Office Costs	3,325	250	(3,075)	500	250
Professional Services	100,000	-	(100,000)	60,000	60,000
Computer Purchase & Maint.	6,250	-	(6,250)	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	-	-	-	28,000	28,000
Total Operating Expenses	**$ 113,075**	**$ 250**	**$ (112,825)**	**$ 88,500**	**$ 88,250**
Total Expenses	**$ 241,430**	**$ 77,298**	**$ (164,132)**	**$ 308,281**	**$ 230,983**
Change in Assets	**$ -**	**$ 164,132**	**$ 164,132**	**$ -**	**$ (164,132)**

Human Resources

Funding sources and related expenses for the human resources section of the 2008 Business Plan are reflected in Table A-9.

Table A-9

Statement of Activities
2007 Budget & Projection, and 2008 Budget
Human Resources

	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	$ -	$ -	$ -	$ -	$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenses					
Personnel Expenses					
Salaries	$ -	$ 1,426	$ 1,426	$ -	$ (1,426)
Payroll Taxes	-	136	136	-	(136)
Benefits	-	158	158	-	(158)
Retirement Costs	-	177	177	-	(177)
Total Personnel Expenses	**$ -**	**$ 1,897**	**$ 1,897**	**$ -**	**$ (1,897)**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Operating Expenses					
Consultants	$ -	$ -	$ -	$ -	$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous/Contingency	-	-	-	-	-
Total Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ -**	**$ 1,897**	**$ 1,897**	**$ -**	**$ (1,897)**
Change in Assets	**$ -**	**$ (1,897)**	**$ (1,897)**	**$ -**	**$ 1,897**

Finance and Accounting

Funding sources and related expenses for the finance and accounting section of the 2008 Business Plan are reflected in Table A-10.

Table A-10

Statement of Activities
2007 Budget & Projection, and 2008 Budget
Finance and Accounting

	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	$ 239,607	$ 239,607	$ -	$ 152,659	$ (86,948)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	**$ 239,607**	**$ 239,607**	**$ -**	**$ 152,659**	**$ (86,948)**
Expenses					
Personnel Expenses					
Salaries	$ 67,500	$ 43,253	$ (24,247)	$ 74,469	$ 31,216
Payroll Taxes	5,812	3,791	(2,021)	6,181	2,390
Benefits	10,773	5,321	(5,452)	8,936	3,615
Retirement Costs	10,280	4,546	(5,734)	8,713	4,167
Total Personnel Expenses	**$ 94,365**	**$ 56,911**	**$ (37,454)**	**$ 98,299**	**$ 41,388**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	192	3,810	3,618	3,860	50
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 192**	**$ 3,810**	**$ 3,618**	**$ 3,860**	**$ 50**
Operating Expenses					
Consultants	$ -	$ -	$ -	$ -	$ -
Contracts	-	-	-	-	-
Office Rent	4,000	-	(4,000)	-	-
Office Costs	5,250	12	(5,238)	500	488
Professional Services	120,000	-	(120,000)	36,000	36,000
Computer Purchase & Maint.	15,800	-	(15,800)	-	-
Furniture & Equipment		-	-	-	-
Miscellaneous/Contingency		-	-	14,000	14,000
Total Operating Expenses	**$ 145,050**	**$ 12**	**$ (145,038)**	**$ 50,500**	**$ 50,488**
Total Expenses	**$ 239,607**	**$ 60,733**	**$ (178,874)**	**$ 152,659**	**$ 91,926**
Change in Assets	**$ -**	**$ 178,874**	**$ 178,874**	**$ -**	**$ (178,874)**

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2008 Business Plan are reflected in Table A-11.

Table A-11

Statement of Activities
2007 Budget & Projection, and 2008 Budget
General and Administrative

	2007 Budget	2007 Projection	Variance	2008 Budget	Variance
Funding					
ERO Funding	$ 700,113	$ 700,113	$ -	$ 779,023	$ 78,910
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Interest	-	-	-	-	-
Total Funding	**$ 700,113**	**$ 700,113**	**$ -**	**$ 779,023**	**$ 78,910**
Expenses					
Personnel Expenses					
Salaries	$ 225,000	$ 95,459	$ (129,541)	$ 176,207	$ 80,748
Payroll Taxes	19,372	8,657	(10,715)	14,625	5,968
Benefits	35,910	12,205	(23,705)	21,145	8,940
Retirement Costs	34,268	9,743	(24,525)	20,616	10,873
Total Personnel Expenses	**$ 314,550**	**$ 126,064**	**$ (188,486)**	**$ 232,593**	**$ 106,529**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	7,263	6,860	(403)	6,480	(380)
Conference Calls	500	50	(450)	1,000	950
Total Meeting Expenses	**$ 7,763**	**$ 6,910**	**$ (853)**	**$ 7,480**	**$ 570**
Operating Expenses					
Consultants	$ -	$ -	$ -	$ -	$ -
Contracts	-	-	-	89,000	89,000
Office Rent	8,000	145,205	137,205	203,000	57,795
Office Costs	6,200	1,767	(4,433)	15,950	14,183
Professional Services	-	60,000	60,000	160,000	100,000
Computer Purchase & Maint.	13,600	-	(13,600)	-	-
Furniture & Equipment		-	-	-	-
Miscellaneous/Contingency	350,000	-	(350,000)	71,000	71,000
Total Operating Expenses	**$ 377,800**	**$ 206,972**	**$ (170,828)**	**$ 538,950**	**$ 331,978**
Total Expenses	**$ 700,113**	**$ 339,946**	**$ (360,167)**	**$ 779,023**	**$ 439,077**
Change in Assets	**$ -**	**$ 360,167**	**$ 360,167**	**$ -**	**$ (360,167)**

Appendix B - Breakdown by Statement of Activity Section

This appendix provides detailed schedules in support of Table 1 in Section B of the 2008 Business Plan and Budget.

Supplemental Funding

Table B-1

Outside Funding Breakdown by Program (excluding ERO Assessments)	2007 Budget	2007 Projection	2008 Budget	Variance	Variance %
Training, Education, and Operator Training					
Workshop Fees	$ -	$ -	$ 70,000	$ 70,000	NA
Total Workshop Fees	**$ -**	**$ -**	**$ 70,000**	**$ 70,000**	NA

Personnel Expenses

Table B-2

Personnel Expenses	2007 Budget	2007 Projection	2008 Budget	Variance	Variance %
Salaries					
Salary	$ 1,481,500	$ 1,216,626	$ 1,718,288	$ 501,662	41.2%
Employment Agency Fees	-	-	-	-	NA
Temporary Office Serivces	-	-	-	-	NA
Total Salaries	$ 1,481,500	$ 1,216,626	$ 1,718,288	$ 501,662	41.2%
Payroll Taxes					
FICA	$ 93,631	$ 75,122	$ 106,533	$ 31,411	41.8%
Medicare	23,704	17,271	24,916	7,645	44.3%
SUI	3,407	11,560	4,296	(7,264)	-62.8%
FUI	6,815	3,046	6,873	3,827	125.6%
Total Payroll Taxes	$ 127,557	$ 106,999	$ 142,618	$ 35,619	33.3%
Benefits					
Workers Compensation	$ 8,890	$ -	$ -	$ -	NA
Medical Insurance	148,150	143,123	197,604	54,481	38.1%
Life-LTD Insurance	7,260	7,625	8,591	966	12.7%
Education	23,703	-	-	-	NA
Vacation Expense	48,445	-	-	-	NA
Relocation	93,750	-	-	-	NA
Total Benefits	$ 330,198	$ 150,748	$ 206,195	$ 55,447	36.8%
Retirement					
Pension Contribution	$ 161,039	$ 93,478	$ 41,239	$ (52,239)	-55.9%
Savings Plan	64,592	31,264	159,801	128,537	411.1%
Total Retirement	$ 225,631	$ 124,742	$ 201,040	$ 76,298	61.2%
Total Personnel Costs	$ 2,164,886	$ 1,599,115	$ 2,268,141	$ 669,026	41.8%

Meeting Expenses

Table B-3

Meeting Expenses by Business Plan Category	Budget 2007	2007 Projection	Budget 2008	Variance	Variance %
Reliability Standards	$ 600	$ 300	$ 810	$ 510	170.0%
Compliance and Organization Registration and Certification	1,800	1,200	810	(390)	-32.5%
Reliability Readiness Audit and Improvement	-	-	-	-	NA
Reliability Assessment and Performance Analysis	-	-	810	810	NA
Training and Education	-	-	70,000	70,000	NA
Situational Awareness and Infrastructure Security	-	-	-	-	NA
Committee and Member Forums	-	-	-	-	NA
General and Administrative	-	-	-	-	NA
Legal and Regulatory	-	-	810	810	NA
Information Technology	-	-	-	-	NA
Human Resources	-	-	-	-	NA
Accounting and Finance	-	-	-	-	NA
Total Meeting Expenses	**$ 2,400**	**$ 1,500**	**$ 73,240**	**$ 71,740**	**4782.7%**

Travel Expenses by Business Plan Category	Budget 2007	2007 Projection	Budget 2008	Variance	Variance %
Reliability Standards	$ 7,927	$ 3,670	$ 8,500	$ 4,830	131.6%
Compliance and Organization Registration and Certification	40,848	18,940	46,205	27,265	144.0%
Reliability Readiness Audit and Improvement	-	2,600	10,620	8,020	308.5%
Reliability Assessment and Performance Analysis	3,774	3,440	4,340	900	26.2%
Training and Education	-	6,620	10,140	3,520	53.2%
Situational Awareness and Infrastructure Security	4,070	810	200	(610)	-75.3%
Committee and Member Forums	-	-	-	-	NA
General and Administrative	7,263	6,860	6,480	(380)	-5.5%
Legal and Regulatory	2,035	2,540	2,740	200	7.9%
Information Technology	160	180	150	(30)	-16.7%
Human Resources	-	-	-	-	NA
Accounting and Finance	192	3,810	3,860	50	1.3%
Total Travel Expenses	**$ 66,269**	**$ 49,470**	**$ 93,235**	**$ 43,765**	**88.5%**

Conference Call Expenses by Business Plan Category	Budget 2007	2007 Projection	Budget 2008	Variance	Variance %
Reliability Standards	$ 800	$ 50	$ -	$ (50)	-100.0%
Compliance and Organization Registration and Certification	6,000	150	-	(150)	-100.0%
Reliability Readiness Audit and Improvement	-	-	-	-	NA
Reliability Assessment and Performance Analysis	800	-	-	-	NA
Training and Education	-	-	-	-	NA
Situational Awareness and Infrastructure Security	800	-	-	-	NA
Committee and Member Forums	-	-	-	-	NA
General and Administrative	500	50	1,000	950	1900.0%
Legal and Regulatory	500	-	-	-	NA
Information Technology	-	-	-	-	NA
Human Resources	-	-	-	-	NA
Accounting and Finance	-	-	-	-	NA
Total Conference Calls	**$ 9,400**	**$ 250**	**$ 1,000**	**$ 750**	**300.0%**
Total Meeting Expenses	**$ 78,069**	**$ 51,220**	**$ 167,475**	**$ 116,255**	**227.0%**

Operating Expenses

Table B-4

Consultants	2007 Budget	2007 Projection	2008 Budget	Variance	Variance %
Consultants					
Relability Standards	$ 10,000	$ -	$ -	$ -	NA
Compliance and Org. Registration and Cert.	50,000	-	-	-	NA
Reliability Assessment and Performance Analysis	15,000	-	-	-	NA
Training and Education	-	-	-	-	NA
Situational Awarerness and Infrastructure Security	10,000	-	-	-	NA
Information Technology	25,000	110,000	-	(110,000)	-100.0%
Member Forum Consultants	-			-	NA
Total Consultants	$ 110,000	$ 110,000	$ -	$ (110,000)	-100.0%

Table B-5

Contracts	2007 Budget	2007 Projection	2008 Budget	Variance	Variance %
Contracts - Software					
General Maintenance	$ -	$ -	$ 89,000	$ 89,000	NA
Total Contracts - Software	$ -	$ -	$ 89,000	$ 89,000	NA

Table B-6

Office Rent	2007 Budget	2007 Projection	2008 Budget	Variance	Variance %
Office Rent	$ 77,500	$ 145,205	$ 203,000	$ 57,795	39.8%
Total Office Rent	**$ 77,500**	**$ 145,205**	**$ 203,000**	**$ 57,795**	**39.8%**

Operating Expenses (continued)

Table B-7

Office Costs	2007 Budget	2007 Projection	2008 Budget	Variance	Variance %
Telephone	$ 19,800	$ 2,531	$ 3,900	$ 1,369	54.1%
Internet	2,800	-	-	-	NA
Office Supplies	5,250	1,000	5,400	4,400	440.0%
Computer Supplies and Maintenance	18,550	750	2,700	1,950	260.0%
Publications & Subscriptions	1,250	350	-	(350)	-100.0%
Dues	-	-	500	500	NA
Postage	5,700	96	1,800	1,704	1775.0%
Express Shipping	-	123	900	777	631.7%
Copying	1,300	-	900	900	NA
Reports - Graphics	-	-	-	-	NA
Stationary Forms	4,450	150	450	300	200.0%
Equipment Repair/Service Contracts	4,300	-	900	900	NA
Bank Charges	-	-	-	-	NA
Sales & Use Taxes	2,500	-	-	-	NA
Merchant Card Fees	-	-	-	-	NA
Total Office Costs	**$ 65,900**	**$ 5,000**	**$ 17,450**	**$ 12,450**	**249.0%**

Table B-8

Professional Services	2007 Budget	2007 Projection	2008 Budget	Variance	Variance %
Independent Trustee Fees	$ -	$ -	$ 18,000	$ 18,000	NA
Outside Legal	100,000	-	60,000	60,000	NA
Accounting & Auditing Fees	45,000	35,000	125,000	90,000	257.1%
Insurance Commercial	75,000	25,000	53,000	28,000	112.0%
Total Services	**$ 220,000**	**$ 60,000**	**$ 256,000**	**$ 196,000**	**326.7%**

Table B-9

Computer	2007 Budget	2007 Projection	2008 Budget	Variance	Variance %
Computer Purchase & Maint.	$ 1,751,800	$ 253,900	$ -	$ (253,900)	-100.0%
Total Computer	**$ 1,751,800**	**$ 253,900**	**$ -**	**$ (253,900)**	**-100.0%**

Table B-10

Furniture & Equipment	2007 Budget	2007 Projection	2008 Budget	Variance	Variance %
Furniture	$ 52,600	$ -	$ -	$ -	NA
Equipment	-	-	-	-	NA
Total Furniture & Equipment	**$ 52,600**	**$ -**	**$ -**	**$ -**	**NA**

Table B-11

Miscellaneous	2007 Budget	2007 Projection	2008 Budget	Variance	Variance %
Contingency	$ 350,000	$ -	$ 295,000	$ 295,000	NA
Total Miscellaneous	**$ 350,000**	**$ -**	**$ 295,000**	**$ 295,000**	**NA**